



# **7 REASONS YOUR INNOVATION EFFORTS MIGHT BE FAILING**

AUTHOR: BOE YOUNG



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## INTRODUCTION

In a matter of only a few years, we've watched entire industries displaced – taxis, music, retail, publishing. An article in Harvard Business Review cited several studies that looked at the S&P 500 over a 60-year period; in 1958 a company could expect to stay on the index for 61 years. In 2011, the time frame was 18 years, and in eight years from now, one can expect to see 75% of the organizations gone from the index – dissolved, merged, or replaced.

Healthcare faces these same technological forces and its own business challenges - thin margins, compressed reimbursement, provider consolidation and new disruptive entrants like Amazon and or private equity firms, as well as political forces from each side of the spectrum.

## PROBLEMS IMPLEMENTING INNOVATION

To prepare themselves, many organizations have added a Chief Innovation Officer to the ever-growing group of C Suite officers and have invested in training, venture like funds, innovation hubs and partnerships. Most organizations see the change coming and are attempting to react. The dichotomy is that all need to act ... and most are trying something... but many are doing it poorly or in a fragmented fashion.

Initiatives like a fund or “innovation day” are not wrong by themselves but often confuse the organization trying them. Activities without an innovation process and strategy will lead to what Silicon Valley entrepreneur Steve Blank calls “innovation theater”, or stated another way, activities that may create some marginal individual value but are ultimately not valuable for the organization. Sizzle, no steak.

**When an organization maps its existing portfolio areas, by volume and contribution margin, against its assessment of those areas most needing innovation, it can often find alarming correlations – areas that it depends upon to drive margin in the hospital through innovation, are woefully unprepared to do so.**

The typical problems that we see include the following:

***Lack of governance and discipline.*** This is often the last thing that one wants to address, feeling that innovation by its nature is somehow divorced from the kind of formal processes that are implied by a discussion of governance. In fact, it's probably the most important thing to achieve. In this case, governance does not equate to bureaucracy; rather it helps create focus, replacing ad hoc, misguided innovation with a distinct method of identifying and curating problems, prioritizing efforts, acquiring resources and experimenting. A recent CB Insights survey of 667 senior executives found that 57% of organizations do not follow an innovation process.

***Chasing the Bright Shiny Objects.*** I recently heard a respected venture capitalist say that nearly every pitch he gets is a company offering some version of AI, blockchain or machine learning – even when most could not truly articulate reasonable use cases as it related to their business. Moral of the story: a focus on the cool widget or the neat tech, without a clearly defined problem statement or a process for integration will lead to poor implementation.

***Sub Scale Efforts*** – as a corollary to chasing the bright shiny object, many organizations are desperate to jump on the innovation train and in doing so make a variety of mistakes, all of which result in sub-scale efforts. These can include starting an “innovation fund”, as an internal venture funding, but doing it with neither the expertise to effectively scout technology, a governance process for experimenting with it, nor with enough money for lasting effect. Many current health systems, even those with reasonably large venture funds or accelerators, are dramatically sub-scale compared to what is happening in other countries, Silicon Valley, Boston or Austin.

**Problem Statement definition** is the best way to articulate your specific use case need to the broader community inside and outside the organization. However, organizations often shape their efforts around a portfolio of technology areas rather than use cases. These problem statements should be no more than one page in length – hopefully shorter – and provide specific guidance to the innovation ecosystem on what the issue is, what problem you want solved and the end state outcome you seek. This sounds easy but isn't; the CB Insights survey found only 30% of the best performing organizations felt they were effective at idea generation.

**Ignoring the Corporate Immune System (CIS).** The addition of an innovation structure, governance and ecosystem into a corporation often sets off a chain reaction of negativity around the initiative, sometimes hidden from the executives sponsoring it. The CIS is the resistance that coalesces within the organization to resist by any means available any initiative that threatens to disrupt the status quo. The corporate immune system is what makes it possible for external disruptive innovators to be so successful against incumbents. The CIS reaction is comparable to what we see with large scale transformation processes. Driving innovation requires a rational process, sensitivity to the political realities inside an organization and transparency to identify the enemies of and support the champions of change.

**Unsustainable Heroic Efforts.** Organizations that build their innovation teams or technology scouting operations around a few special people who can navigate the bureaucracy, have personal brand or have special relationships outside of the company, find their organizations achieve great success – but it is fleeting and often implodes after the superstar fades or leaves.

**Non-Existent Metrics for evaluation of success.** The mantra to “fail fast” is not a goal but a recognition that innovation requires layers of experimentation. Failing fast and experimentation should lead to information that allows you to iterate and improve the design. Measuring this is tricky as traditional ROI measurements will not work.

## **SUCCESSFUL TRANSITION TO INNOVATION**

Three practical ways to get started – or to reassess, depending on where you are on the innovation journey:

### **Start with the Basics**

The foundation must exist before the house can be built. If starting from scratch, or if you find yourself with a low level of organizational competence, experience and readiness then start with these three elements from the High Performing Practices: strategy definition; governance processes, design approach.

### **Partner to Expand the Ecosystem**

Many organizations struggle to find the right technology and right resources to make a meaningful impact, and few in healthcare have the scale needed to make the right impact. Large scale partnerships, creating multiple touch points, or investing in a “fund of funds” is one way to create meaningful impact. Don't go it alone.

### **Conduct Specific Training for Readiness and Adoption**

As a part of a cultural shift, the organization should purposely invest in training designed to improve hard skills in subjects that will support the innovation ecosystem, across all disciplines in the company. These include ensuring managers and executives have a fundamental understanding of how emerging technology works and how it can strategically enable their operations: AI, machine learning, blockchain, and virtual reality are starting points for those in healthcare as well as workshops in design thinking and human centered design approaches.

## SUMMARY

New technology, new speed of change, and new competitors are headed your way. Some could be a resource giant like Amazon, a consolidating system, or some may be a well-funded private equity group led by physicians ready to take away your highest margin service lines. Executing block and tackle operations is mandatory. An innovation strategy that looks beyond the next quarter is also paramount. In the provider space today, many attempts are well meaning but ineffective. Success requires a fresh start, an understanding of where your company truly is, a strategy for leveraging technology, and the development of a culture of innovation that will unleash the creative spark in your employees.

## ABOUT OUR EXPERT



Boe Young is the Chief Operating Officer and Executive Vice President with Galloway and has personally led new CEO/senior executive transitions in five private and public-sector organizations. He was the founding leader of the Army's 75<sup>th</sup> Innovation Command, designed to accelerate private sector innovation and technology into the military. He also was the senior army representative for the Defense Innovation Board, the DoD's leading institution for driving disruptive innovation inside the DoD. He has commanded a battalion in combat, has two master's Degrees, including an MBA from

Goizueta Business School at Emory University, and over 25 years of senior executive profit and loss experience. He was a Major General in the US Army Reserve where he commanded the Army's largest organization for training senior executives and their teams to perform in a cohesive, synchronized and effective manner and served as the Reserve's senior human resource executive for over 200,000 individuals. He has worked with leading healthcare organizations on organization restructuring, strategy implementation, governance, performance improvement, efficiency and executive leadership.

Various instructors at Singularity University and Darden Business School and colleagues from EXO Sprint, H4D, BMNT, Galloway, and the Army Futures Command have helped shaped the thoughts in this paper. We thank them for their support, efforts and expanding our thinking.