



## Five Steps to Embed Cutting-Edge Innovation

### Distancing innovation teams from company headquarters can help incubate new ideas.

Taking talent and ideas from beyond the firm is a key driver of competitive advantage. However, finding creative ways to exploit external concepts and technologies and get them accepted back at company headquarters can be problematic.

Even the best, most cutting-edge idea or process is of little use unless it can be incorporated into internal development. Efficient internal structures need to be in place to process ideas quickly and efficiently. Scouts who bring innovations into large companies need to be able to win the hearts and minds of personnel both inside and outside the organisation. Intellectual property issues and legal risks also need to be addressed.

#### BT's secret to successful innovation

The BT Group (British Telecom) adopted an open innovation strategy to meet the dynamic needs of a new digital market and survive the intense competition brought about by the deregulation of telecoms and convergence of new industries. Its ability to source and commercialise external innovation, proved paramount to its success and the introduction of global brands such as AppDirect, Mozy, Medallia and MeetMe with Dolby Voice.

The company set up an innovation team outside of BT's day-to-day operations. Based in Silicon Valley, with a presence in London, Israel, Boston and Asia,

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the Global Scouting Team's members collaborate with customers, start-ups and competitors, exploring the possibilities and potential and practical application of new technologies. To advance these innovations and bring them under the BT umbrella, the unit developed a five-step workflow process. The process works as an efficient transmission mechanism "down-streaming" innovative concepts into new services.

Here is the five step process to bring ideas to life:

**1. Generate ideas** The first step for any innovation group is identifying new ideas – whether it's technology, services or the way a company operates its business. BT's Global Scouting team networks with VCs, start-ups, academics, customers and competitors. The team seeks innovative technologies and services, emerging business models and examples of customer best practice, as well as identifies trends and threats to the sector.

Ideally, these scouts should be internal appointments rather than new hires as they need to understand the organisation well to facilitate collaboration and enact change. They should be well-respected and have a good internal network, ensuring they are able to identify the needs, strengths and limitations of each company division and present potential innovation partners to staff.

**2. Prioritise opportunities** The second step is screening the ideas. Sorting and prioritising is an essential part of the process to make sure time is spent only on innovations which show the most potential. BT refers to this step as Innovation Central. A small team working in London filters the ideas, validating and writing business propositions and cases for BT heads and potential partners.

**3. Visualise the new product or service** The ideas are then translated into early-stage working prototypes which will give relevant business heads an immediate understanding of the potential customer experience and benefits. At the BT Applied Technology Centre, these working prototypes are also used to test the concept with customers, to gain “real-world” reaction. They prove the technical feasibility and can help to sell the concept internally, building confidence within units for a particular offering by identifying and addressing any problems or “show-stoppers”. Feedback on a prototype refines the proposition and helps all parties learn more about implementation.

**4. Inspire and sell** With the refined product ready to present to potential customers, BT holds regular customer innovation showcases, designed to help outside CIOs and their teams become more creative in the way they orchestrate technology. Through live demonstrations, presentations, videos and informative discussions the company explores how it can best use the new technology or services to address customers’ key objectives.

Now, armed with a prototype showing how the innovation can be applied, names of potential partners ready to invest, and figures identifying the concrete financial benefits, the innovation division is well-equipped to pitch the idea (face-to-face) with its own company decision makers back in headquarters.

**5. Accelerate and build** If the proposal gets the go-ahead it is time to bring everyone together for rapid acceleration.

BT holds “hothouses” – intense three-day workshops held in purpose-built facilities – to create a prototype and rapidly accelerate development. Business leaders, product and software engineering teams and the customer are brought in with hothouse staff to create an environment conducive to feedback and quick decision making. Teams present ideas, competing and collaborating with each other to get the best result. The winner’s prototype then goes into the early phase of development.

During this process months of work is done in days, propositions and business cases are designed and parties agree on a way forward from both a design

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and legal perspective.

## **Increasing creativity and reducing risk**

What makes this system unique is that at every stage the innovation team works at arm’s length from headquarters. The innovation team has the autonomy to identify the innovation, develop the idea, find partners and build the prototype before pitching the completed package to BT’s decision makers. It does not get squashed by the processes and hierarchy of the mother organisation. The team acts as innovation translators – they become the “transmission belt” between Silicon Valley and the corporation.

BT’s framework is a radical one that has transformed the way the company innovates and brings products and services to market. It enables the seamless integration of innovation activities at every step along the value chain. In effect, the framework has allowed BT to become an innovation partner, not just a supplier, able to bring creative, customer-focused, realisable ideas to development while managing research and development risk.

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