

ANDREW BINNS  
CHARLES O'REILLY  
MICHAEL TUSHMAN

CORPORATE  
Explorer

How Corporations  
Beat Startups  
at the Innovation Game

WILEY

# Contents

<i>Preface and Acknowledgments</i>		xi
<b>Section I</b>	<b>Explore Aspiration</b>	<b>1</b>
Chapter 1	<b>Innovation Advantage</b>	<b>3</b>
	Beating the Odds	5
	Strategic Ambition	7
	Innovation Disciplines	10
	Ambidextrous Organization	14
	Explore Leadership	15
	Explorer, Not Entrepreneur	17
	Chapter Summary	19
Chapter 2	<b>Corporate Explorers in Action</b>	<b>21</b>
	Explorer's Insight	22
	Purpose Driven	23
	Investor Support	27
	Manage Uncertainty	30
	Chapter Summary	34

Chapter 3	<b>Strategic Ambition</b>	<b>35</b>
	Emotion, Logic, Aspiration	36
	License to Explore	39
	Social Movement	42
	Hunting Zones	44
	Manifesto	48
	Chapter Summary	50
<b>Section II</b>	<b>Innovation Disciplines</b>	<b>51</b>
Chapter 4	<b>Ideation: Generating Ideas for New Ventures</b>	<b>53</b>
	Idea Addiction	56
	Solution Trap	58
	Customer Discovery	60
	High-Value Customer Problems	64
	Idea Generation	67
	Chapter Summary	69
Chapter 5	<b>Incubate: How Corporate Explorers Learn Through Experimentation</b>	<b>71</b>
	Business Experiments	73
	What Needs to Be True? (Hypothesis)	75
	Run Experiments (Test)	78
	Make Sense of Your Results (Learn)	81
	Run a New Experiment (Iterate)	84
	Follow the Evidence (Decide)	85
	Chapter Summary	86
Chapter 6	<b>Scale: Assembling the Assets to Build a New Venture</b>	<b>89</b>
	Combining Assets	92
	Customers, Capabilities, Capacity	95
	Scaling Paths	98
	Trigger Points	102
	Chapter Summary	104

---

<b>Section III</b>	<b>Ambidextrous Organization</b>	<b>107</b>
Chapter 7	<b>Explore Organization</b>	<b>109</b>
	Structure Options	111
	Focused	113
	Bottom Up	115
	Top Down	118
	Structure Decision	121
	Chapter Summary	124
Chapter 8	<b>Explore Business System</b>	<b>127</b>
	Team Design	129
	Sales Team Integration	132
	Corporate Functions	133
	Resource Allocation	135
	Feedforward Management System	137
	Executive Attention	140
	Chapter Summary	144
Chapter 9	<b>Risk and Reward for the Corporate Explorer</b>	<b>145</b>
	Motivation Puzzle	145
	Venture Model	147
	Shadow Stock	148
	Long-Term Incentives	150
	Personal Risk	151
	Corporate Explorers Motivation	153
	Chapter Summary	154
<b>Section IV</b>	<b>Explore Leadership</b>	<b>155</b>
Chapter 10	<b>Silent Killers of Exploration</b>	<b>157</b>
	Core Business System	159
	Preserve Professional Identity	161
	Avoid Risk	163

	Optimize for Short Term	166
	Maximize Comfort	169
	Change Leader	171
	Chapter Summary	172
Chapter 11	<b>The Double Helix: How Corporate Explorers Lead Innovation and Change</b>	<b>175</b>
	Future Organization	177
	Storytellers	180
	Social Network Leader	183
	Insider or Outsider	188
	Reputation Manager	191
	Chapter Summary	193
Chapter 12	<b>Readiness to Act: Leadership and Scaling a New Venture</b>	<b>195</b>
	Competing Commitments	197
	Both/And Leadership	199
	Productive Tension	202
	The Mirror	204
	Courage	207
	Passion	209
	Chapter Summary	210
	<i>Appendix: Corporate Explorer Framework</i>	<i>213</i>
	<i>List of Figures and Tables</i>	<i>215</i>
	<i>Notes</i>	<i>217</i>
	<i>About the Authors</i>	<i>225</i>
	<i>Index</i>	<i>231</i>

## SECTION



# Explore Aspiration

THIS IS A book about successful Corporate Explorers – leaders who build innovative businesses inside existing corporations. That may strike some as an unlikely topic. Corporate innovation is often understood as an oxymoron, a phrase that contradicts itself like a “deafening silence” or a “working vacation.” Our view is that it need not be. We will describe how Corporate Explorers build successful, disruptive businesses using the assets of existing companies to accelerate their work. It is hard work, and some fail, but it is happening now in corporations around the world.

The four sections of this book explain the difference between these successes and failures. In this first section, we describe why and how corporations have learned to use corporate advantages to lead disruptive innovation. We meet our first Corporate Explorer in action, following Krisztian Kurtisz at UNIQA as he drives innovation from within a corporation. We then explain how having a scale of strategic ambition is equal to the opportunity that inspires Corporate Explorers to action.

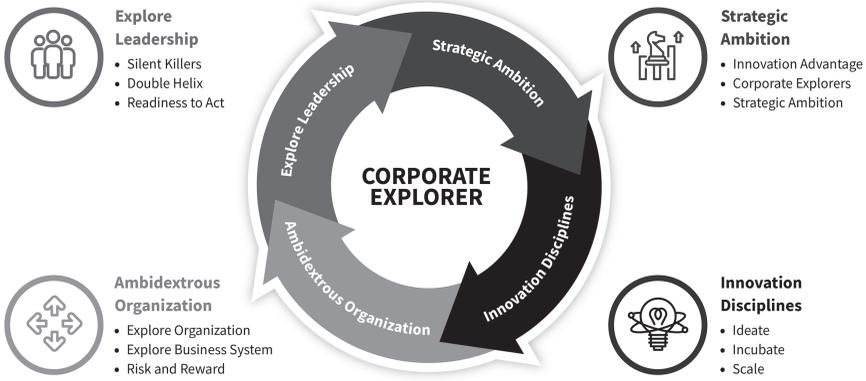


Figure I.1 Corporate Explorer

# 1

---

## Innovation Advantage

CONVENTIONAL WISDOM IS that corporations should not even try to lead disruptive innovation. It holds that companies grown fat on the profits of a mature business model are incapable of doing something new and surprising. They are too covetous of their profits to risk pursuing unproven ideas, so, while they are willing to entertain good ideas, they rarely invest enough to see them prosper. That makes them ripe for what our colleague Clay Christensen has called disruption. Disruption is a phenomenon that turns all the rules of an industry upside down in a short time. Think Uber and the taxi industry. A stable industry for a century, Uber swept aside licensed taxi operators worldwide with its ride sharing service. Within a decade, the rules for an entire industry have been turned upside down. This phenomenon has only gathered pace as first the digital revolution and then the COVID pandemic fueled the fire of market change.

Christensen's famous book *The Innovator's Dilemma* (1997) concluded it was almost impossible for an established firm to lead disruption. His data showed that the winners were almost always

insurgents, or startups, who succeed by attacking dominant market players. He argued that those that led in one generation of a product had no incentive to invent and commercialize a replacement. On the contrary, they had an incentive to defend existing franchises from being cannibalized. The rapid rise of the digital giants of the twenty-first century like Google, Amazon, and Alibaba, at the expense of technology, media, and retailing titans of the twentieth appears to confirm this hypothesis. The pace of disruption is now even faster than it was when Christensen did his initial research. Digital business makes it even tougher for established firms. Digital has democratized disruption with technologies that enable firms large or small to build revolutionary business models. More than ever, disruption is a game for startups. Firms like Uber, Lyft, Casper, Airbnb, SoFi, Warby Parker, and Bloom Energy can turn the world upside down. It is not a game for old mature business.

Conventional wisdom follows Christensen, concluding that old, slow, established organizations cannot hope to compete with the speed and ingenuity of digital startups. Despite having greater financial and technological assets than a startup, they lack the entrepreneurial spirit to grow new ventures. Innovation is a game for entrepreneurs with backing from venture capital. Corporate managers with a good idea are often advised to become entrepreneurs rather than to waste time slogging through big-company bureaucracy looking for approval. So goes the conventional wisdom that corporations cannot do radical innovation.

There is no question that large companies have struggled to respond to emerging threats from new firms that break the rules of the industry. There is a long list of firms that either no longer exist or are mere shells of themselves. One study concluded that 50% of the companies in the Standard and Poor's stock index will be replaced by the end of the decade.<sup>1</sup> The mobile phone company Nokia went from leading the digital mobile handset market in 2007 to being sold to Microsoft in 2013 for \$7 billion, only to be written off a few years later. The music company EMI had a star-studded history of

putting out recordings in multiple formats, from 78-rpm recordings and the Beatles' famous 33-rpm albums recorded at Abbey Road, to magnetic tapes and compact discs. Then, digital music and the business model that came with it, destroyed profits, and EMI ceased to exist in 2012. We could name countless others: Kodak and Polaroid in photography and imaging, and Blockbuster and Debenhams in retail, and the list goes on. Disruption has no respect for age, geography, or industry. It can happen anywhere.

## Beating the Odds

So, why a book about Corporate Explorers?

The answer is that in the nearly 25 years since Christensen's book was published, another reality has emerged: big companies are learning to use their assets to beat the odds of disruption. Amazon, one of the world's few trillion-dollar value firms, has made the invention of new businesses core to its mode of operations. It is now not only an "everything store" and online marketplace, but also one of the world's most important technology service providers with Amazon Web Services and a competitor to Netflix in the production and streaming of movies and videos with Amazon Prime. Technology firm Nvidia saw the threat of being wedded to a rapidly commoditizing PC market. Even as its market share started to collapse, it invested in relaunching as an artificial intelligence (AI) company. Meanwhile, Netflix was able to disrupt Blockbuster with mail-order DVD delivery and then pivot to create an online streaming service and, most recently, become a hugely successful content creator. These are large firms making multiple reinventions within 20 years and flatly contradicting the notion that only startups can lead disruption. They have learned to use their assets to create an *innovation advantage*.

To be fair, many of these companies are relatively young firms with founder owners. They are often "digital natives," still imbued with the spirit of entrepreneurship. This is less true for Microsoft.

The software giant had for a generation made its money on software installed on servers and personal computers on a company's own premises. The onset of the Cloud enabled an explosion of new services and solutions from customer relationship management software (Salesforce) to human resource management (Workday). Disruption theory would predict that Microsoft should have been eclipsed by this software-as-a-service era.

Instead, Microsoft reinvented enterprise email with its Office 365 online service, deliberately disrupting its own installed base of exchange servers to create a new suite of productivity offerings. The same is true for less heralded firms like online information provider LexisNexis. Twenty years ago, LexisNexis ran a legal and news information service for lawyers and corporations; it was a steady single-digit revenue growth company with high-margins. Then, starting from 2001, it created a new multibillion-dollar sister company, LexisNexis Risk Solutions. A manager won backing from his senior team to create a big data company, providing analytics and information solutions to insurance companies, government agencies, healthcare providers, and many others. Today, this new business generates more revenue than the old one.

In each case, these established firms realized that they had a head start compared with entrepreneurs. They had resources and capabilities they could leverage. They had financial muscle, skilled people, production capacity, customers, and a whole host of assets that are beyond those of even a well-funded early-stage firm. Microsoft had an enormous base of existing enterprise customers that had their email exchanges installed on servers within the company. The Office 365 offering moved these email accounts to the Cloud, cutting costs for the enterprise customers, and creating a platform of innovation for Microsoft. LexisNexis had some of the assets that it needed – mechanisms for accessing and cataloging public records information, brand identity, financial resources – and where it lacked them it acquired, such as its data-linking software.

In many firms, these assets act more as liabilities, prompting managers to defend what they have. In others, these assets are understood as giving an advantage in getting ahead of disruption. What is different? We believe there are four main factors that permit firms to initiate disruption. First, senior leaders realized that they needed to set a *strategic ambition* with a scale equal to the opportunity or threat of disruption, which would mean that they would have to act differently. Second, a global innovation industry codified *innovation disciplines* so that corporations could improve the rigor with which these methods are applied. Third, more companies are becoming *ambidextrous organizations*, separating out the core business from the disruptive ventures, so that they had the autonomy to grow, while retaining access to the assets of the core business. Finally, *explore leadership* has emerged as a distinct capability in corporations, in both those we call Corporate Explorers and the leaders who are ready to commit resources to support new ventures.

We have organized the book around these four factors. We explain that much of the difference between those firms that succeed at building disruptive ventures and those that continue to struggle has to do with their adherence to these four factors.

## **Strategic Ambition**

As digitally native firms like Google and Amazon surged to dominance in the 2000s, more and more older firms rang the alarm: “We need to innovate like Google, Amazon, and Apple.” These leaders wanted to execute new ideas with the same freedom and velocity as Google, bake innovation into their strategy like Amazon, and create new markets like Apple. They wanted to understand how to apply emerging technologies, and they also wanted to tap into new ways of doing business. CEOs saw small, nimble firms race to extraordinary market valuations and wanted to bring some of that dynamism into their own firms.

This awareness drove CEOs like Jensen Huang at Nvidia to make bold moves to get ahead of disruption when they saw the risk looming. Huang realized as early as 2007 that his firm's fortunes would soon wane if he did not act. Nvidia made the technology that enabled a computer to show images on the screen that they sold to PC makers like Dell or HP. Intel started to combine this with their own technology that runs the software on the computer itself. Combining the "core" and "graphics" processing in this way was eliminating large parts of Nvidia's market. Huang's 20-year-old firm had grown to \$10 billion of revenue and suddenly faced an existential threat. They were caught in the gravitational pull of the Intel "black hole."

Huang's response was to galvanize the firm around a new vision for Nvidia, one that deliberately staked out territory beyond the firm's historic core. He built new businesses in AI and autonomous driving, and by 2015 Nvidia started to report to the financial markets on the revenues of these businesses alongside that of its traditional PC business. Analysts were skeptical until 2017 when the company's performance suddenly leapt forward, showing that what Nvidia had been incubating was starting to gain traction. Now, Nvidia has seen its share price increase 3500% in five years. Nvidia was able to reinvent itself ahead of a crisis and put itself at the core of the digital revolution.

Others have demonstrated a similar level of commitment to getting ahead of disruption. Ajay Banga at Mastercard committed his firm to "waging a war on cash," by offering a wider array of digital-cash-processing options. Vince Roche at Analog Devices has committed his company to growth beyond the core, creating both an innovation lab – the Analog Garage – and business units dedicated to new growth areas, such as digital health. Hubert Joly launched a reinvention at retailer Best Buy, creating new elderly care services that leveraged the firm's expertise in home electronics. German Automobile manufacturer Audi launched innovation

units separate from the core organization, charged with exploring business models of the future.

The technology firm Bosch has gone a step further creating an accelerator program for rigorously testing a range of disruptive new business models beyond the core business. Japanese firms are strongly focused on getting ahead of disruption. The technology giant NEC Corporation created a Business Innovation Unit specifically for the job of finding new sources of growth in emerging areas of business. Another Japanese firm, AGC, has diversified by creating new businesses with its marketing-incubation-transfer approach. We will illustrate lessons from each of these companies, and others such as the global consulting giant Deloitte, information firm LexisNexis, and the European insurance company, UNIQA.

In addition to these successes, there are also notable failures. Jeff Immelt failed to convert the industrial conglomerate GE into a software firm. Mercedes spun out its 1886 innovation lab, implying that it could not solve the problem of integrating new business models into a legacy firm. Even Google, the one-time poster child for corporate innovation, has had to accept that it has not fully cracked the code for creating businesses outside its core markets. The mothballing of its Stadia gaming platform in 2021 is a recent example.

Despite these failures the momentum is unstoppable. There are enough corporations that now see disruption as an opportunity, not something you guard against for fear of losing to upstart competitors. These companies are willing to experiment with business models that challenge the core purpose or identity of the firm, knowing that unless they do, they may become disruption's victim, not victor.

In Chapter 2, we introduce the Corporate Explorer – that is, managers who are in the vanguard of this new approach to corporate innovation. We tell the story of Krisztian Kurtisz at UNIQA Hungary and his successful effort to create a disruptive new business in the insurance industry. In Chapter 3, we explain how a clear, compelling *strategic ambition* for innovation enables Corporate Explorers

to go beyond the incremental. Although one of our core messages is that Corporate Explorers should not wait for permission to work on innovative new ventures, there is no question that a strategic ambition opens managers to new areas of potential exploration. It is more than a vision statement. It is a new belief system for the firm that makes it permissible to challenge some of the assumptions that might prove toxic to disruptive innovation.

## Innovation Disciplines

This disruptive ambition led to a reinvention of corporate innovation departments. These units used to be the preserve of experts and process managers. As recently as the 1990s, experts – be they scientists, engineers, actuarial or otherwise – designed solutions to meet a customer need that they themselves defined. Ideas were managed through a “stage gate” process that, although helpful for improving core product development effectiveness, set rigid criteria for acceptance or rejection, mostly with the logic of eliminating risk from a project. The net effect was to focus on incremental advances and discourage disruptive ideas from emerging. In the past 20 years, a host of academics, venture capitalists, entrepreneurs, and consultants have greatly advanced our understanding of how to generate disruptive innovation. This *global innovation industry* has produced a plethora of methods and tools to guide the Corporate Explorers in their work: design thinking, lean startup, business model canvas. Corporate Explorers do not need to know them all, they just need to know how to be excellent at *ideating, incubating, and scaling* new ventures. Excellence in these three disciplines is a critical underpinning to success.

Ideation is about generating new, breakthrough ideas with which to build disruptive businesses that realize a firm’s strategic ambitions. This is partly about generating a volume of ideas – the more ideas you have the more likely it is you will find a good one. More importantly, ideation is about learning how to work outside-in, solving

problems customers care about rather than focusing on inside-out expert-led solutions alone. Amazon has its PR/FAQ (Press Release/Frequently Asked Questions) approach. Every employee can propose a new idea with a one-page press release that announces the launch and includes quotes from customers about why they find it valuable. Methodologies like design thinking have taught managers how to use deep levels of empathy with customers to stimulate creativity.<sup>2</sup> Corporations also let the outside in by collaborating directly with entrepreneurs via outposts in startup hubs like Silicon Valley, Berlin, and Haifa. Ideas alone are not enough. They need to be ideas that match the firm's strategic ambition. They also need validation.

*Incubation* is the discipline of converting a great concept into a validated business proposition. Or, if the evidence dictates, canceling or pivoting the project. In the past, the better an idea seemed to the CEO, the more pressure a Corporate Explorer may have felt to accelerate it. For example, in the 1990s, the legendary CEO of Intel, Andy Grove, became convinced that Intel's technology for videoconferencing (ProShare) would be a huge market winner. After five years of effort and \$750 million in investment, the project failed. Grove said, "We assumed that just because it could be done technically there would be high demand . . . it's just that we were wrong." Incubation replaces, or at least supplements, instinct with evidence that an idea is worth continued investment.<sup>3</sup>

Incubation starts with a set of hypotheses about the customer, the market, and the need the solution will meet. Innovators test these assumptions with low-cost experiments and iterate the proposal based on what they learn. IBM's highly successful Emerging Business Opportunity program used a six-question "business design" (for example, what is the customer problem we are solving?). At Amazon, employees whose ideas get approval at the PR/FAQ stage can form "two-pizza teams" (i.e., teams small enough to be fed with two pizzas) to validate the idea. In both cases the idea is to work backward from the business you aim to create, rather than forward from the product or technology you want to sell.

This orients a Corporate Explorer to a customer (do they want it) and the commercial proposition (will they pay). However, it is only useful if you do in-depth validation by running business experiments. Experiments analyze customer responses to low-fidelity, minimally viable versions of the solution, so that innovators can then build based on what they learn. This lean startup methodology was originally designed to help entrepreneurs.<sup>4</sup> However, large firms from around the world, have enthusiastically embraced it. GE, P&G, Intuit, and the National Security Agency are all adopters of the approach. At the end of a rigorous set of business experiments what emerges is a business proposal validated with real customer data and insight. It does not guarantee the success of the business, but it does improve the odds of success, and reduces the risk of costly failures like Intel's ProShare.

*Scaling* is the third discipline that converts a validated business model into a sustainable, revenue generating business. This means assembling the assets needed to build the business around the incubated concept. New ventures need access to customers (brand, customer relationships, sales force, route to market, distributors, etc.), capabilities (technology, product, service, operations, etc.), and capacity (manufacturing, global footprint, etc.). New ventures need autonomy from the core business as a quasi-independent unit. This helps them to stay focused on scaling the opportunity, rather than making it conform to corporate practices designed for a more mature firm. However, they also need access to core business assets, so that they can leverage the advantage of being part of a larger corporation.

Arguably, scaling is the most important of the three disciplines of disruptive innovation; unless you scale the incubated idea, there is no market impact and revenue. Even so, there is still value from innovation. Firms learn about new technologies and capabilities, they attract talent that might otherwise have gone to startups or competitors, and it creates a buzz with customers. However, this

book is about leading disruptive new businesses and that means taking them to scale. Paradoxically, despite being the most important discipline, it receives the least attention. There are only a handful of books on the topic, very few consulting firms focused on it, and no public training programs, as there are for design thinking, lean startup, and others. For example, GE is said to have trained more than 60,000 of its employees in the lean startup method. However, that focus on ideation and incubation comes at a cost. It encourages a lot of ideas, few of which will receive funding to go to scale.

The disciplines of the global innovation industry have transformed corporate practices for ideation and incubation. However, emulating the practices of entrepreneurs and participating in startup ecosystems alone are not a recipe for success. Too many corporate ventures are started but then undermined by the parent company whose short-term needs override such activities.

Across three chapters, we describe how they build new ventures using the three innovation disciplines. Chapter 4 on ideation looks at the specifics of generating ideas to solve customer problems. Corporate Explorers often start with an idea. The key to success is making sure that that this idea is one that matters to your intended user and buyer. Chapter 5 focuses on incubation and describes how to move from having an idea to a validated commercial proposition. Firms do this by applying the scientific method: run experiments to test our assumptions and find out if we can solve a customer problem in a way that they value, that they are willing to pay for, and we can deliver. This evidence-based approach runs counter to many corporate cultures, although it is essential if we are to overcome corporate risk aversion. Chapter 6 takes us to the heart of the challenge: scaling a new business. Corporate Explorers need to gain access to their firm's customers, capabilities, and capacity needed to scale. We describe how they do this by combining assets from the core with ones they build into the new venture and add from acquisitions and/or strategic partnerships. We introduce scaling paths as

a tool to help Corporate Explorers map out potential scenarios for achieving their goals.

## **Ambidextrous Organization**

One of the great myths of business is that corporations become victims of disruption because of innovations they do not see coming. The reality is that disrupted firms like Polaroid and Nokia both saw the disruption coming and had the technology assets to compete. Polaroid had the world's first commercially available megapixel digital camera in the 1990s and Nokia had all the assets to win in the smartphone era. They all saw disruption coming, but the core business was too focused on delivering immediate results to also build a new business. That's because the core business has its own operating rhythm designed to optimize results, incrementally improve to defeat competitors, and maximize profitability.

In contrast, an explore business unit has a different rhythm. It lives with high uncertainty, testing and learning its way toward a successful model. These are two equally valid, but contrasting logics – one operating in known, if complicated, environments, the other in highly complex uncertain ones. Sparks fly when you cross these two logics; one logic typically rejects the other. Core businesses drive short-term results to meet performance expectations. If this same logic is applied in an explore business, it forces the new venture to stop learning and start executing. Corporate leaders are forced to find the safest route to commercialization, often missing the disruptive opportunity. The new venture underperforms, reinforcing the core business' assumptions about the riskiness of these ventures.

One solution to the challenge of managing businesses at different points of maturity is an *ambidextrous organization*. This approach enables a company to have a portfolio of businesses at different stages of maturity, some experimental, others mature profit engines. The key is to separate explore ventures from the core business, so enabling both units to execute strategies appropriate to their maturity. They share a common strategic aspiration but operate to their

own rhythm. Explore has autonomy to operate, with a special status reporting to the CEO or other senior executive, operating outside the core business system. In 2000, IBM created its Emerging Business Opportunity Program based on this approach. In 2006, the IBM strategy team reported to its board that the business created under this program contributed over \$15 billion in revenue, 24% of the IBM total. The return on investment was double that of IBM's acquisitions portfolio in the same period. The secret to success was putting the EBOs outside the company's management system. This gave them the autonomy they needed to grow without sacrificing their access to IBM's assets.<sup>5</sup>

This same approach of separating out explore business ventures, giving them autonomy to act, while retaining access to core business assets, is one we have seen repeated at many other firms. The example of LexisNexis, we already mentioned, as well as others at Analog Devices, Amazon, Microsoft, NEC, AGC, will be explored in later chapters. In Chapter 7, we describe the options for setting up an *explore organization*, to support a single venture or a portfolio of them. In Chapter 8 we examine the different nonstructure elements of the explore business system, including measurement and management systems. Then, Chapter 9 explores how corporations can balance risk and reward for new venture teams. Unlike entrepreneurs, Corporate Explorers do not have the opportunity for life-altering wealth from a company sale or public offering, or large personal financial risks. We outline how firms have answered this question and what we have learned about how to motivate Corporate Explorers.

## Explore Leadership

We first met Corporate Explorers at IBM in 2000, as the computer giant launched Emerging Business Opportunities (EBOs), a management program designed to identify, fund, and guide new growth businesses. IBM initially incubated 7, then, over 20, new businesses within this program, and its results were startling. The EBOs

generated revenues that far exceeded the corporation's acquisitions portfolio in the same period.<sup>6</sup> Carol Kovac led the most successful EBO, IBM Life Sciences. The innovation for this team was to create solutions relevant to a fast-emerging market. Kovac had her sights set on making IBM pivotal to the revolution in life sciences that had been triggered by the decoding of the genome in the 1990s. That involved doing business with many hundreds of startups with deep science backgrounds, an anathema to IBM's traditional focus on the largest companies in the most developed markets. Kovac and her team set the goal of building a \$1 billion business inside of three years. At the end of five years, the unit's revenues exceeded \$3 billion. She got there by breaking rules and sustaining a commitment to her vision, even as she confronted the hostility of others.

A Corporate Explorer cannot be a consensus seeker who wants to remain popular with colleagues that cling to a model the explorer is committed to breaking. Kovac and her team needed to role-model a new way of working for the firm. In her case, that meant hiring people with PhDs and expertise in topics well beyond the firm's traditional core. She hired computational chemists, genetic scientists, and pharmaceutical business experts. They dressed and spoke differently from the famously staid IBM executive. The best Corporate Explorers not only disrupt the markets in which they operate, they also break organizational norms by demonstrating new ways of working. They are passionate about an opportunity to reinvent the business, know how to get the attention of executives with compelling facts, want to design a new venture for success, do not want to conform, and are willing to break the rules to realize their vision.

Corporate Explorers are working "against the grain" of large, mature organizations. In Chapter 10, we describe the many silent killers of disruptive innovation this creates.<sup>7</sup> As CEO of GE Digital, Bill Ruh was charged with creating a new future for a century-old industrial conglomerate. Despite active support from his CEO Jeff Immelt, the core business system undermined Ruh's efforts. This is

the set of operating practices, routines, and processes that underpin a successful company. Typically, it is well tuned to the job of exploiting a current business model, but it inhibits a firm's ability to build new ventures, creating these silent killers. This reality means that a Corporate Explorer needs to be as adept at managing change as they are at innovation. Chapter 11, on the double helix of change and innovation, describes how the Corporate Explorer can build support inside the organization that sustains them and the reputation of the new venture.

These four developments – leaders setting a disruptive ambition, the disciplines of ideation, incubation, scale discipline, and the rise of the Corporate Explorer – put firms in a position to beat the odds of disruption. However, they still need a willing investor, one who will follow through and make a commitment to scaling the new venture. Some leaders, when faced with the opportunity to convert an incubated idea into a new revenue stream, fail to act. They stand at the precipice, ready to commit resources, but hesitate. In Chapter 12, *Readiness to Act*, we describe this phenomenon and suggest how to overcome it. Corporate Explorers often ask: how do I know when I should scale? Experience tells us that you start asking and answering that question early on so that you know what it would take for senior leadership to commit resources to a new venture.

## **Explorer, Not Entrepreneur**

This book is about and for the Corporate Explorer, as well as those that aspire to the role or who support, manage, or advise them. Corporate Explorers are often, and erroneously, seen as wannabe entrepreneurs. They practice many of the same disciplines, but with entirely different assets and constraints. That is why we felt it important to give them a distinct identity, not a derivative one like intrapreneurs or corporate entrepreneurs. We hope that there are real and aspiring Corporate Explorers reading this book. Our

goal is to encourage and empower you to succeed. We want to see more corporations focused on creating a cadre of potential business builders from within their own ranks. Our aim is to encourage more managers to follow the path to become a Corporate Explorer and for more senior leadership teams to give them the strategic, financial, and organizational support that they need. The driving question for this book is this: How to make a Corporate Explorer successful?

These chapters are based on what we have learned from the many Corporate Explorers we have met as clients through our consulting firm, Change Logic, in our executive classes at Harvard and Stanford business schools, and as colleagues at IBM. We share some of the personal stories of these Corporate Explorers to show you how they inspire teams to innovate, lead change, and overcome barriers to successfully grow new businesses in existing organizations. These stories come from all parts of the world and from organizations of all sizes and types. Some are eye-catchingly successful, like Jensen Huang at Nvidia. Others are less well-known, and, still in progress. We will share the story of how the global consulting firm Deloitte used an experimental approach to advance its open innovation platform, Pixel. It illuminates how decision-making on new ventures plays out at a large legacy firm. We will show how LexisNexis built a separate big data unit that 20 years on has larger revenues than the original company.

These stories will enable us to introduce methods and frameworks for new business growth and demonstrate how real-world Corporate Explorers use them to overcome the barriers they face. We hope you will see that there is no single, catchall recipe to deploy. The context of each specific company, innovation, and Corporate Explorer make a one-size approach to managing disruptive innovation unrealistic. Though many of the approaches we will describe are highly effective, the answer to beating the odds of disruption does not lie in *which* innovation techniques we use. Success as a Corporate Explorer depends on *how* you manage business innovation in the context of an organization and its human

system. Corporate Explorers need to be great innovators and adept leaders of change.

## **Chapter Summary**

Conventional wisdom is that big, mature companies cannot beat the odds of disruption and compete in both mature and emerging businesses. It is true that corporates have struggled in the past. However, some are upending this viewpoint by successfully creating new ventures in established organizations.

Three factors explain this turnaround. First, they set an explicit strategic ambition or strategic intent that justifies or legitimates the pursuit of two potentially competing goals, efficiency and profit in today's business *and* exploration into new market spaces.

Second, they applied three distinct innovation disciplines: (1) ideation to identify valuable customer problems and ways to solve them, (2) incubation to learn which ideas can grow into a profitable new business, and (3) scaling by assembling the customers, capabilities, and capacity to convert a validated idea into a fully operational business.

Third, companies have learned to adopt an ambidextrous organization approach that separates the exploratory ventures from the day-to-day operational business.

Fourth, a new class of manager emerged with an interest in applying these innovation disciplines to fulfill the company's strategic ambition. These Corporate Explorers are not transplanted entrepreneurs; they bring a different skill set and motivation. They are adept at managing change, which helps them escape the negative effects of being a part of a large corporate. Together with the senior managers that authorize their work, they demonstrate a new capability of explore leadership, that corporations need to build new, disruptive ventures.



# Adventure and achievement await at The Corporate Explorer's Club

For additional support on your corporate innovation journey, including an innovation assessment and free companion workbook, join other Corporate Explorers at The Corporate Explorer's Club.

Share wins, strategies, and tactics with other Corporate Explorers in the LinkedIn Group.

And learn how to establish a Corporate Explorer's Club within your own organization.

**Visit [TheCorporateExplorer.com](https://TheCorporateExplorer.com) Now**

**CORPORATE  
Explorer**