



How to Create Better Alignment Between Your Organization's Core Business and New Innovation Initiatives

Ben Yoskovitz, Founding Partner at Highline Beta

*Featured in Pointers, an Innovation Leader Magazine
Fall 2022 Issue*



How to Create Better Alignment Between Your Organization's Core Business and New Innovation Initiatives

BY BEN YOSKOVITZ, FOUNDING PARTNER, HIGHLINE BETA

At Salesforce, where I spent two years after the startup I worked for was acquired, I was introduced to a concept called V2MOM. It stands for Vision, Values, Methods, Obstacles and Measures. The V2MOM is a goal-setting framework meant to align an organization from top to bottom.

It's used at the company level, at the team level, and at the individual level. Every V2MOM at Salesforce is also shared internally for transparency, so everyone can learn what everyone else is doing and how they're contributing to the company's overall success.

I learned a great deal at Salesforce, including how successful organizations can achieve alignment and collective ambition.

A lot of companies pay lip service to having top-to-bottom goal setting and alignment, but very few actually achieve it. This is particularly true when a company decides to build an independent innovation team. We've all heard, "Innovation is everyone's job," but at some point, executives decide that they need a separate group, team, and/or structure to drive innovation beyond the core — what is often referred to as H2 or H3 innovation. I have no issue with separating out H2 or H3 innovation — in fact, this makes a lot of sense in many cases — but it also leads to increased misalignment.

Independent innovation groups or teams often become black boxes to the rest of the organization. Some of this is done intentionally, because there's a belief that in order for H2/H3 innovation teams to deliver, they need to be independent. This is simultaneously true and untrue. The challenge lies with determining how to connect those independent innovation groups back to the core, ensuring transparency and alignment with all stakeholders.

In my experience, completely independent, cut-off-from-the-core innovation teams don't work. They may hit the ground running, with almost complete freedom to do what they want, but inevitably, they will fail because the core will either:

(a) lose patience and stop funding the innovation initiatives (because they don't deliver results aligned with the company's shorter term goals, which are often quarterly, or require proven ROI in 1-2 years, rapidly enough); or

(b) not be able to successfully integrate and scale any new innovation projects or ventures that are built separately.

So the question is this: How do you successfully align H2/H3 innovation with the core business?

The most successful companies realize that they need to maintain and grow their core business (primarily through improving efficiencies and H1 innovation), while simultaneously exploring new opportunities, business

models, and competitive threats through H2 and H3. The bulk of efforts are focused on "keeping the lights on" (and growing incrementally), but also recognizing that what worked in the past may not work in the future. New growth has to come from somewhere, and this is where smaller, more nimble innovation teams beyond the core should thrive.

But those H2/H3 innovation teams need tangible goals.

"Experiment more" isn't a goal. "Build new stuff" isn't an outcome. H2/H3 often fails because it focuses too much on outputs and not on outcomes — tangible, meaningful results that lead to an organization's continued success.

The goals for H2/H3 innovation need to be longer term than the goals of the core business, but they need to be as clearly defined as possible.

For example, RBC Ventures (now RBCx), a group within Royal Bank of Canada dedicated to going "beyond banking," had a target to reach five million new users. The goal wasn't "build X new apps" or "launch Y new businesses." Instead, it was focused on how to engage new customers by offering solutions outside of what you would expect from a typical bank, and in turn increase market share for the core bank business.

Innovation groups focused on H2/H3 (often what I would call "growth innovation teams") need to operate differently than the core business. In V2MOM parlance, the Methods and Measures are going to be very different.

Growth innovation teams need room to try new things, experiment more, fail faster, and learn at a rapid rate. The work they do is radically different from the core, as is the way they're measured.



Ben Yoskovitz
Highline Beta

“H2/H3 often fails because it focuses too much on outputs and not on outcomes — tangible, meaningful results that lead to an organization's continued success.”

The obstacles are different, as well. Growth innovation teams often battle against the risk aversion and slowness of the core business. Those integration points — when a new business or venture is starting to grow and needs the scaling capacity of the mothership — are absolutely critical to get right.

The only chance of this working is being able to truly demonstrate how a new project, venture, or business has a material impact on KPIs and objectives of the core. The core business, which operates at massive scale, simply will not have the ability to focus on anything that doesn't improve its business; innovation groups outside the core have to prove that, and if they do, there's a chance for achieving alignment.

Innovation teams that operate outside of the core cannot operate in the shadows. The more secretive H2/H3 work becomes, the harder it is for the rest of the company (which operates at scale and pays all the bills) to get behind it and find integration points that will create value. H2 and H3 innovation does need to be separate, because the work and approaches are different, but it can't be so separate that the core business turns its back.

The most successful companies out there find a way to be transparent about their H2/H3 innovation efforts with the rest of the company, without compromising how the work gets done. This increases the likelihood of positive alignment, which leads to greater success in new venture creation and growth.

Learn more about Highline Beta at www.highlinebeta.com