

The background of the top half of the page is a dark, textured image with a starburst or explosion effect. Numerous thin, golden-yellow lines radiate from a central point, creating a sense of energy and movement. The overall color palette is dark with highlights of gold and blue.

Start-Up Mentality for Large Enterprise Organisations

Providing you with:

- ✓ Insight into start-up techniques
- ✓ Ideas for encouraging innovation
- ✓ Methods for managing risk



Introduction

Rapidly developing and trialling new concepts, products and approaches in a lean and cost-effective manner can enable organisations to gain significant tactical and competitive advantage in their market, and is an approach used successfully by start-ups across the world to quickly get ideas off the ground and kickstart revenue generation and growth.

However, for large, global and multi-million dollar organisations achieving this level of flexibility and speed is often hindered by a reluctance to upset traditional ways of working or risk compromising the success they have built up over time. This white paper looks at some of the most commonly cited hurdles these organisations experience when attempting to adopt a more start-up-like approach, and explores how they can be overcome with the installation of a new team distinct from the main business; a model inspired by the **skunkworks** divisions employed by some of the world's most innovative organisations.

“**Skunkworks: a project developed by a small and loosely structured group of people who research and develop a project primarily for the sake of radical innovation**”

What is skunkworks?

Skunkworks is a means of fostering innovation inspired by aeronautics company Lockheed Martin, who during World War II gave the nickname to their Advanced Development Programs (ADPs); top-secret projects focused on developing aircraft for the American armed forces. The term “Skunk Works” has now become Lockheed’s official alias for their ADP projects but has also been adopted as a generic term referring to nimble, versatile teams operating separately from an organisation’s primary activities and with a specific remit to innovate.

Many well-known brands participate in skunkworks activity



Famous skunkworks include Google X, Amazon's Lab126, Ford's Special Vehicle Team and Nike's Innovation Kitchen, although it's important to note that the decision to set up a new team such as this depends on your type of organisation; the approach fits best for those with an established reputation they want to keep hold of, but who at the same time have a desire to push the boundaries of what can be done in their industry or sector.

A typical skunkworks team displays the following characteristics:

- Independent from business-as-usual
- Tactical projects realising tactical goals
- Focus on innovation
- Rapid, Agile-style iteration and testing
- Successful projects that can eventually be delivered to production



But... I already have a successful programme in place

As a blue chip organisation it's likely that you've built up steady and reliable business processes over the years and incrementally refined your activities to deliver optimal results. Being reluctant to tamper with the existing system for fear of losing established sources of revenue is normal, and particularly evident in sizeable, high-turnover organisations that have a requirement to maintain their existing trajectory and who find it difficult to introduce new ideas into their core operations.

By embracing a new model of working however you can assign responsibility for innovation to a small team with a discrete budget set aside solely for this purpose and, in understanding the exact time and funds you have available for researching and testing progressive, tactical projects, can be certain about the resources that will deliver production-ready, revenue-generating outputs. This allows you to balance the competing demands of progress and maintenance; safeguarding a baseline level of growth while still offering the opportunity to explore new chances for increased returns.





But... my existing programme doesn't allow for easy change

Even if your organisation embraces change in principle, there may be practical difficulties associated with introducing new ways of working across your operations. While start-ups can take a clean-slate approach to all their projects and therefore more easily select the frameworks, processes and tools that will work best in a particular situation, large, less nimble organisations often have to contend with legacy technologies and patterns of working that may not lend themselves to rapid prototyping. These can act as significant barriers to innovation, yet the potential expense (not to mention opportunity cost) of updating your established set-up can make it difficult to effect change in the short- or even mid-term.

Putting a small skunkworks-style team in place gives you access to some of the advantages enjoyed by start-ups as, by operating completely independently from your main team, they're not bound to existing ways of working and can therefore challenge previously held rules and assumptions to ensure every aspect of their approach is tailored to meet the specific remit of innovation. This benefit is emphasised still further when you outsource these types of projects to a third-party team. Not only will they bring a fresh perspective to your business requirements but, if chosen well, will deliver in-depth technical knowledge and expertise to support the development of cutting-edge solutions that may not have been possible with solely internal capabilities. (This approach is discussed in detail in the [“Next Steps”](#) section of this report, along with additional options available to organisations looking to embrace this business model.)



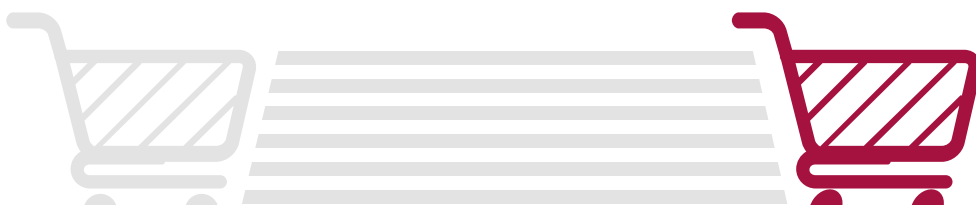


But... the market in which I operate doesn't support change

Beyond organisational reasons for resisting innovation, in many cases entire markets may be poorly equipped to respond to change (or at least be perceived as such). For example while even large, well-established online retailers can trial innovative approaches without risking revenue through A/B and multivariate testing, in industries such as recruitment, where the quality of conversions is also highly important, organisations may avoid new ideas for fear of losing ground to the competition and instead stick with approaches that have been established as industry-standard for many years.

Additionally, organisations that have traditionally operated offline may find it difficult to make the initial leap to digital; this has led some well-known brands, such as post-it note manufacturer 3M and notebook retailer Moleskine, to partner with established online names (in this case, both app provider Evernote) to facilitate their expansion.

Another challenge may lie in differentiating from other organisations in a sector. In these cases the ideal approach would be to experiment with a number of different ideas until a best-fit solution is found; something that can be achieved fairly easily by start-ups when they are in the early stages of defining a brand image and service offering. However, as already mentioned, the cost and difficulty of rapidly adapting and evolving a blue chip organisation in such a way is often prohibitive.



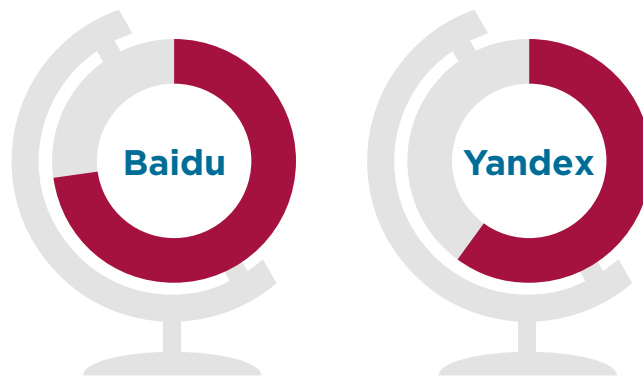
With the installation of a small team of innovators alongside your main business, though, you can test a variety of potential solutions with a small initial investment, and can quickly stop working on projects that aren't generating results without having committed vast resources. If an idea does receive positive feedback or perform well in early testing, that project's scope can be widened and moved into production.

This approach also facilitates the rapid ideation and iteration needed for teams to become increasingly flexible, rapid and therefore innovative; qualities that can significantly reduce the cost of vital first-mover status in markets with entrenched ways of doing things.

4

But... we can't risk our reputation with new markets or products

As new technologies and economic trends make doing business increasingly global many large blue chips might look to expand; whether by exploring new regions or attracting new demographics. However, the risk of entering these territories only to face strong competition from established products can act as a powerful deterrent to investment and cultural or social differences within these new markets can often act as barriers to taking the crucial first steps, especially given past failings by other famous brands. Google for example, despite their prominence in the West, has been unable to compete effectively in growing markets such as China (where Baidu has 59% of the market share) or Russia (where Yandex takes 54%).



From a different perspective, companies may also face cultural issues when trying to launch a product or service that differs greatly from their existing offering, image, or established (even perceived) brand values. In this case it is not just the monetary cost of failure that is off-putting but the potential damage to a reputation that may have taken decades to develop. To take Google as an example again; while they remain market leaders with a number of highly successful products, concepts such as Buzz, Wave and Answers that fizzled out early are remembered and may still affect the search giant's overall image.

Many well-known
brands participate in
skunkworks activity >



A small 'skunkworks' team however can be treated as a separate unit, and given its own name, branding and hierarchy, to facilitate diversification while diminishing the risk of directly linking new ideas and projects to your existing brand. These teams are, after all, specifically designed so that the primary bulk of business activity can remain focused on maintaining your core trajectory while trialling new ideas and projects around it. As discussed earlier this removes a great deal of risk, allowing you to incorporate new developments into your main offer if you start seeing results, but easily discard them if a project doesn't take off.

5

But... I have to focus on meeting high-level business goals

Whether you're a start-up or large enterprise, the metrics that matter most to your business are likely to be revenue and margin; after all, these are the measures by which you'll judge the overall success of your activities. Within the constraints of a working day this can easily lead to the prioritisation of activities that will most immediately positively affect these figures, reducing the bandwidth available to fine-tune the smaller, yet still crucially important, tactical elements of your strategy.

One of the advantages of installing a small team dedicated to the pursuit of innovation is the ability to restrict a project's parameters to focus solely on micro detail such as "do more people find the right result first time using this search mechanism, or that one?", "does this service reduce the number of steps a user needs to take to achieve their goal?" or "does this tool make our content more visible to people?". Being able to provide teams with increasingly well-defined briefs such as this, as well as minimising demand for immediately revenue-generating outputs, frees them from the pressure of having to consider the higher-level objectives of the whole organisation and allows them to concentrate on optimising every element of a project with specific goals in mind.



Being this exacting about what you want not only helps ensure your final solution truly meets your needs, it can also encourage innovation and ingenuity; qualities that are often at the forefront of any start-up's strategy. By limiting the number of criteria a given project has to satisfy, you're better able to build to extremes in those areas. Mercedes, as an example, has a well-known commercial business plus two developmental arms: Mercedes-AMG offering advanced versions of their vehicles; and a Black Division tasked with creating cars at the very limit of what's possible. This Black Division isn't expected to create solutions that will ever go into production themselves, but in four or five years' time you may find that certain elements of their designs have filtered down into Mercedes' mainstream products, helping them maintain their reputation as an industry leader.

This is also a way of working that integrates well with Agile methodologies, taking as it does a huge, complex strategy and breaking it down into smaller individual and incremental points that help define exactly how you'll go about delivering against that overall plan. For example, while your strategy may be to "increase revenue in 17 different countries", your tactics might include developing a tool with a user interface that delivers in 17 different languages, or researching search options that use visuals rather than text; projects that are ideal for a skunkworks-style team.

6

But... I'm scared of failing

By its very nature, investing in radical innovation introduces uncertainty, and with it a certain element of being prepared to fail that makes many organisations fearful of not seeing returns from the time and energy they invest into these projects. However, being able to manage any failure effectively and at an early stage can help avoid greater losses further down the line that may significantly impact your business goals. It's important to note too, that while you may fail to achieve the original goals behind the project, it doesn't necessarily mean that your overall output was a failure.

As mentioned previously, putting in place a small independent team of innovators enables you to trial new ideas quickly and inexpensively, releasing deliverables 'into the wild' to be tested with a limited number of users or a small vertical. These projects act as a proof of concept that can then be cloned and rolled out across your organisation only when proven, and ensures that solutions not fit for purpose are discarded at an early stage without you having invested a great deal of resource in a failed project.

For example, Lockheed Martin (the originators of "Skunk Works") created passenger and freight planes, while their Skunk Works team looked at potential methods of delivering a military payload without being detected; a clear divergence from their main business activity and as such a move that carried with it a great risk of failure. However, only when Skunk Works found something that worked did Lockheed Martin roll it out and put it in the air (for organisations not responsible for national defence, 'putting it in the air' can be translated as releasing to the public). These projects eventually generated huge returns for the organisation, demonstrating the benefits of testing the viability of ideas early in the development process.



For another example of this process, take a search project we worked on at Box UK. The client wanted to make it easier for users to find products ideally suited to their purpose, and were happy to try extremely innovative ideas. To minimise the impact of any potential failure the project was initially focused around a small range of products and released on a limited private beta, where we tested a service that made search easier. However, this didn't mean that our solution was going to instantly and automatically replace all their existing search mechanisms.

The client has been able to take on board what's been learned and build proven elements of the project into their main platform; however if during the test people had not responded well to the new application, it wouldn't have been carried through into production and instead would have been re-iterated, tested and the new results assessed accordingly. Importantly, any failure would have been identified with significantly less expense than if it had been rolled out across the whole organisation first, when it may have cost many hundreds of millions of pounds to reverse.

Next steps

If you're committed to introducing innovation into your organisation and challenging your competitors with new and exciting ways of doing business there are three main ways of proceeding: creating a new division from your existing workforce; hiring new people into your organisation; or outsourcing to a third party.

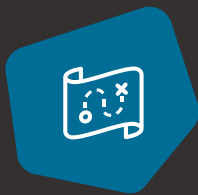
Many factors will influence this decision, not least your company culture, but here are some key considerations that you may want to bear in mind:

- Once a decision has been made to supplement existing teams with a skunkworks, you'll likely want to get off the ground quickly and effectively. One key benefit that an outsourced solution might offer is in enabling you to choose a partner that's already sourcing, testing and proving new approaches and concepts for themselves or others, and who can come into your organisation armed with a fresh perspective and new ideas.
- However you source your team, it is important to acquaint them fully with your environment, industry and ways of working, allowing them to quickly and easily apply their knowledge to solving your tactical needs.
- Finally, remember that although the work you want this team to produce is going to be removed from the safe and mainstream, it doesn't mean that the way it's managed should be. Whether you are running your own internal team or using an external partner, clearly-defined metrics and processes are vital to maintain control over activities and outputs.

At Box UK we're passionate about leveraging technological advancements to deliver market advantage for our clients. To discuss how we can help you and your business [get in touch](#) with a member of our team.



Simply brilliant thinkers making software brilliantly simple



**Strategy &
Planning**



**User Experience
& Design**



**Software
Consultancy**



**Software
Development**

At Box UK our team of simply brilliant thinkers, consultants and application developers mastermind simply brilliant solutions to the world's toughest web and software projects.

It's why blue chip organisations around the world, from airlines to car manufacturers, international banks to global charities, choose to trust us with the execution of their digital strategies, from the development of enterprise-level custom software platforms to the delivery of award-winning multi-channel experiences.

So if you want an effective, compelling software solution, talk to us.

development@boxuk.com • +44 (0)20 7439 1900