Dual approaches are evermore finding their way into corporate strategy, development and innovation. There are several manifestations at play, such as

Organizational Ambidexterity: Drawing on Tushman/O'Reilly, an ambidextrous approach is deployed if a venture is of high strategic relevance and its synergies with core business are high, therefore suggesting a strong leverage of core assets and capbilities as well as an ultimate integration into core business in the course of scaling.

Dual Transformation: Drawing on Scott D. Anthony et al. from Innosight, *Dual Transformation* delineates the process of 'Repositioning the Core' and 'Creating the New' concurrently but separately. It makes use of selectively exchanging unique capabilities that provide the new venture with an "unfair advantage".

Innovation Colony: Drawing on Owens/Fernandez, an *Innovation Colony* is a dedicated external space aiming at incubating new corporate ventures that have previously been spun out from the corporate umbrella. Once those ventures become validated, they are spun in again in order to scale them by leveraging core resources and capabilities.

Another variant has been proposed by John Hagel et al. from Deloitte: Rather than attempting to transform a company's core – and thereby exciting the immune system's response to crush the innovation or transformation effort – they suggest to 'scale edges' separately through tapping into external resources and networks initially. Over time, as first results and tangible impact become obvious, resources are naturally pulled from the core into the edge (vs. the edge being pushed into the core).

In this context, *edges* are defined as growth or change initiatives that meet the following criteria:

They exhibit modest resource requirements and minimized dependency on the core in the early stages

They align with the long-term disruptive shifts in the market

In the short-term, edges are platforms for high growth that have the potential to grow the pie and scale

In the long-term, edges have the potential to transform the core and be a catalyst for change

According to the report, the rationale behind this approach is threefold:

Changing the core has an uncertain return

A company's core business is what they know best, and making significant changes to this core can be a very risky endeavor for most firms. If the project fails, then the company's core operations may be irrevocably altered. Even if a change agent within the firm strongly believes in the returns, other leaders unable to see past the uncertainty may push back, creating a cycle of resistance that can weaken or kill an initiative.

Changing the core requires a great deal of resources

An overhaul of an organization's core operations requires a large upfront investment and a willingness to accept substantial losses while the company reorganizes and refocuses. Even if an organization has sufficient resources for the project, such a large reallocation will threaten the status quo and usually

raise 'institutional antibodies' to change within the core stakeholders. As the performance pressures continue to mount on firms and executives, we believe that summoning the resources to enact change within the core will only become more difficult.

Changing the core requires a great deal of time

The high risk and uncertain reward of significant change initiatives often leads to substantial resistance. The leadership teams' natural inclination against change can take two forms: active or passive-aggressive resistance. Passive-aggressive resistance can be equally distracting and time-intensive to combat and can create the illusion of progress, where stakeholders "agree" during meetings but fail to take action after, or worse yet, work against the effort in the background.
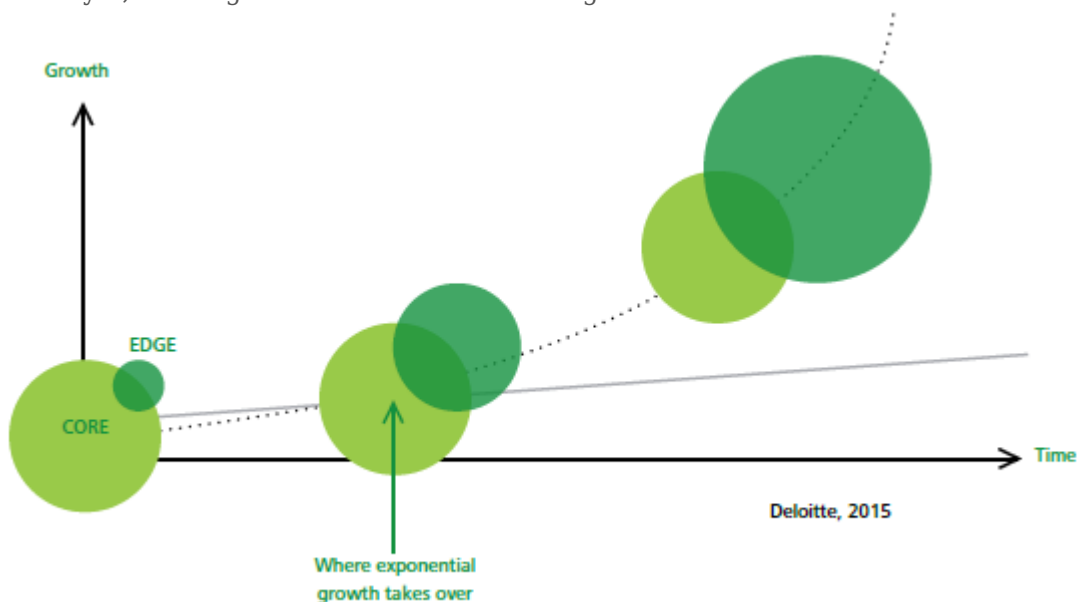
With that said, the authors draw the ensuing conclusion:

*Deploying an edge model will not be an easy undertaking for todays' firms. An edge-core mentality requires core leadership to detach themselves from promising initiatives and edge leadership to be scrappy and resourceful – despite being attached to a deep-pocketed organization. To successfully choose an edge, firms must first develop a deep understanding of the forces at work in the economy and how these will play out in their own industry, which can be a challenge for organizations used to benchmarking solely against their own peers. We believe, however, that the framework described (and elaborated upon in the **subsequent key design principles section**) can help firms start to build useful habits, both habits of thoughts and habits of action, which can move them down their own pragmatic pathway to change.*

Design Principles		
Start	**Organize**	
How do you start?	How do you mobilize the right resources and participants?	

Levers		

Focus / **Maximize upside**

| **Focus on edges, and not the core**
• *Identify an edge based on four key characteristics:*
 – Four key characteristics:
 Short-term
 – An edge requires minimal investment to initiate
 – An edge has the ability to grow the pie
 Long-term
 – An edge aligns with the long-term disruptive shifts in the market
 – An edge has the potential to transform the core
Select an edge by:
 – Looking internally at existing initiatives that are on the edge
 – Scanning the broader marketplace for edge ideas
 – Avoiding large scale acquisitions | **Staff for passion before skills**
• *Identify the right "change agent" sponsor at the senior executive level who demonstrates courage and conviction for change*
• *Create room for edge movement with minimal core obstruction*
• *Staff the edge with passionate participants and ensure sufficient mass to generate and sustain momentum. Edge participants should:*
 – Be naturally risk-seeking
 – Have a questing and connecting disposition
 – Be comfortable with failure and restarts | |

Leverage / **Minimize investment required**

| **Look externally, not internally**
• *Identify edge obstacles to scale:*
 – Lack of capacity
 – Lack of expertise
 – Lack of resources
 – Conflict with core incentives
• *Create or select an "edge type" external ecosystems to address obstacles based on three key characteristics:*
 – Level of engagement
 – Scope of interaction
 – Benefits to participants | **Starve the edge**
• *Force edge self-sufficiency to look externally for support by minimizing core resources dedicated to the edge (VC Approach)*
 – Limit financial resources
 – Set interim milestones
• *Empower edge team to engage external participants or ecosystems*
• *Create incentives to engage external participants to increase their frequency of interaction* | |

Accelerate / **Compress Lead Times**

| **Learn faster to move faster**
• *Iterate in 6-12 month windows, not in 2-3 year cycles*
• *Determine the minimal level of effort required to test the edge*
• *Engage ecosystems, edge participants and customers to rapidly gather feedback* | **Reflect more to move faster**
• *Stage edge initiatives to facilitate fast, iterative cycles*
• *Anticipate, encourage and catalyze vertical and horizontal cascades to further test and progress edge thinking*
• *Establish feedback loops with external ecosystem to drive rapid and continuous improvement* | |

Design Principles	
Amplify	**Perform**
How do you use disruptive technologies to grow?	How do you measure success to drive improvement?

Break dependency on core IT
• *Harness new and disruptive technologies that do not require support from the core and amplify your ability to grow without minimal investment*
  – Cloud computing
  – Big data analytics
  – Social software
• *Utilize social software and other networking platforms to broaden your view of potential edges*
• *Channel social software tools to seek out and identify additional passionate participants to staff edge*
	Embrace double standards
	• *Develop metrics to monitor edge performance in the short-term (6-12 months) and progress towards long term vision.*
	• *Develop distinct metrics that are meaningful to the core*

Mobilize the passionate outside the firm
• *Utilize low-cost disruptive technologies to facilitate coordination with and mobilize other edges and rapidly expand the number of participants that interact with the ecosystem*
• *Apply social software tools to access additional expertise and participants*
	Measure progress of the ecosystem
	• *Evaluate external ecosystem capabilities to overcome obstacle to scale*
	  – Network involvement
	  – Technology usage
	  – Performance levels
	  – Costs to achieve

Move from dating to relationships
• *Create shared platforms and tools to shift ecosystem interactions from transactional to relational*
• *Utilize disruptive approaches, to encourage collaboration among ecosystem participants*
  – Reputation mechanisms
  – Big Data analysis
  – Shared space
  – Gamification
  – Employee dashboards
	Focus on trajectory, not position
	• *Assess participant learning and evaluate rate of performance improvement within the ecosystem*
	  – Collaborative problem-solving
	  – Improvements to capabilities of all participants (partners and edge participants)

Takeaway

Dual innovation and transformation approaches prove to be indispensable for companies to stay future-proof. The adequate manifestation – i.e. the way a dual approach is implemented and structured

– however, highly depends on the context at hand. Relevant external and internal criteria involve

characteristics and timeline of the venture

degree of strategic relatedness between venture and core business

conflict potential

disruptiveness of the venture

degree of synergies

external industry dynamics

company's innovation and transformation maturity

What all approaches share in common: A dual set of 'units of investigation', i.e. core business and new venture (or initiative).

Where they distinguish from each other: The degree of connection between those disparate units and its evolution over time. This entails in particular different paths to [scaling up the venture into substantial impact](), e.g. business or organizational transformation/change.

Most likely, those variants build a complementary set, contributing to a comprehensive dual approach to innovation and transformation.

More on this to come soon…