

# The Breakthrough Incubator

## How to rapidly create and launch a new step-out business

### Creating a new step-out business is not easy

Achieving the revenue growth that markets expect can be challenging: growth by acquisition is expensive, and organic growth is often too slow and incremental. Therefore, a key priority for global corporations is to improve performance in breakthrough innovation to overcome the growth gap.

However, despite some successes, many companies fail to create sustainable new businesses of scale. For example, in our own breakthrough innovation survey<sup>1</sup>, more than 85 percent of companies were unsatisfied with their breakthrough innovation performances. Usually, this is not due to lack of good concepts, but because companies do not truly embrace the idea of investing in step-out business opportunities which involve commercial risks and require new competencies.

### How the Breakthrough Incubator model can help

Arthur D. Little (ADL) has been working with clients using a powerful new external incubator approach to overcome these challenges and accelerate new business creation.

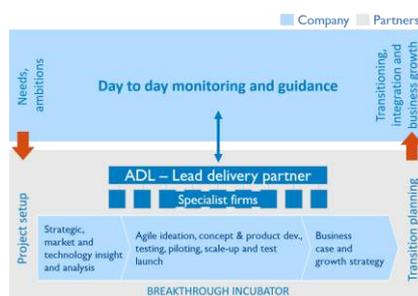
The Breakthrough Incubator (BI) is a model in which the entire end-to-end innovation process is externalized and conducted by a lead delivery partner managing a network of other players, from ideation through to launch and commercialization. In essence, this is a “build, operate, transfer” philosophy applied specifically to innovation and product development.

The key features of the BI model are as follows:

- ADL holds full responsibility for delivery and acts as an “orchestrator”, conducting every part of new-business creation, with only a small client focal-point guidance team involved in close, regular interactions with the team
- Once the scope and aims are defined, ADL commences the program with an initial strategic review aimed at establishing and confirming the feasibility of the proposition
- The product/service development process then proceeds using an agile approach with early testing and fast development cycles, including prototyping, scale-up and in-market testing stages
- The scope also includes supply chain sourcing, manufacturing/operational analysis and planning, pricing, brand strategy, channel strategy, business case and growth strategy

Once the development is complete, ADL transitions the proven and tested new business from the incubator back into the company.

### Key features of the BI approach



Source: Arthur D. Little

### The benefits for clients

The BI model offers clients major benefits. The agile approach leads to a reduction in time to market of 20–30 percent or more, as well as cost savings of 15–30 percent due to resource efficiencies. In addition, ADL is

able to take an integrated, cross-functional approach and bring the best-available global expertise to advance the company’s know-how and capabilities. Finally, the BI model mitigates risks by keeping the project external – and brand anonymous – until it is largely proven, at full scale.

### When is the model applicable?

The BI model has broad applicability across both the B2B and B2C sectors. In particular, it is suitable for companies that are:

- Looking to create new products and services in areas where they lack internal expertise
- Already resource constrained on core business innovation, yet need to make rapid progress on non-core innovation due to perceived threats and opportunities
- Looking to engage support in not only identifying new growth opportunities, but also in realizing these in practice and building a new business rapidly

### Why engage ADL for this type of project?

Delivering a Breakthrough Incubator project requires a unique combination of skills, from business strategy to product design, as well as from manufacturing planning to transformation and program management.

Most strategy consulting firms are unable to cover the deep technical expertise required to deliver the work successfully. With its 130-year heritage as a “problem solver” linking strategy, technology, innovation and transformation, as well as a deep and broad track record to draw from, ADL is uniquely qualified to deliver a BI project.

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<sup>1</sup> Arthur D. Little Survey, "Systematizing Breakthrough Innovation", 2015