
How to manage your corporate innovation process

FROM STRATEGY TO ASSESSMENT



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Introduction

So your company has decided to innovate and your boss has asked you to take the lead. However, you aren't quite sure where to start, and in the past you missed some steps or made some bad decisions. Managing your innovation process is quite a challenging task, but you can be successful if you make good strategic decisions along the way.

Remember, the whole point is to create value for your company and your method should be developing ideas, refining them and realizing them in the market. That's why we use the **innovation funnel** to reach our objectives, because it provides **structure and discipline**, allows **faster development** of innovations, **defines and tracks** innovations and provides 'gates' to control innovation resources decisions.

You may be successfully generating tons of ideas for your innovation funnel but only a few selected ideas, which provide extraordinary value and earn significant revenues and profits, are coming out the other side. The concept of the innovation funnel is very functional, but it requires much attention:

- Setting goals and making plans
- Motivating and lining up effort
- Coordinating and controlling activities
- Gathering and allocating resources
- Obtaining and applying knowledge
- Building and supporting relationships
- Identifying and developing talent
- Understanding and balancing external demands

That's why it's important to define and manage what happens inside your funnel with a strategic vision.

Nine-step program for success

Following these 9 steps can help you to manage your corporate innovation process and develop your innovation funnel:



At the end of each stage is a **decision point or gate**, where the ideas or concepts are evaluated with selected criteria. These gates determine whether or not ideas should continue progressing through the innovation process. It is a **prioritization process** that shapes the funnel and helps us to understand when an idea or project is more likely to succeed or fail.

STEP 1

Strategic Thinking

Strategic thinking is all about how you **manage your growth process** in order to attain optimal results. That being said, you can't innovate without a strategy, so it makes sense to start your process by thinking about what you want to get out of it.

At this stage, you should be **setting goals and requirements**, which identify the types of innovation you want, your growth target and the markets you will address.

When thinking about the **qualitative metrics** to measure your strategic thinking you should be asking yourself these questions:

Are we focusing on the right parts of our business for innovation? Can we change as fast as our markets? Are we flexible? Does our strategy permit us to develop our innovation initiatives? Do our strategies match the market's tendency? Is our innovation dashboard effective? Is our innovation being measured adequately?

On the other hand, when dealing with **quantitative metrics** you should be analyzing these aspects:

- The time senior managers use to invest in innovation
- Time needed to move an idea from the development stage to its implementation
- Money you've invested in innovation
- Growth you expect from the innovation process (percentage and dollars)

STEP 2

Portfolio Management & Metrics

It is clear that you can't manage every single innovation effort or project and expect that they are all successful. However, you can manage a **portfolio of innovation ventures** and aim for satisfying outcomes. It is normal that some will do well and others won't, but that's why a portfolio isn't measured by individual success or failures. It is measured by the **success of the company as a whole**.

The portfolio should be a compilation of projects with varying degrees of risk, which will allow you to achieve your strategic goals. The next step you should take is the implementation of this plan. However, as you will see, it takes a while before you can see if your portfolio is successful. Therefore, the real measurement of your outcomes is further along in the process.

Nevertheless, it should be clear how you want to measure your results, so all of your stakeholders understand the company's objectives and how each step in the process will be evaluated.

These first two stages of the innovation process set up an overall program and the context for the following steps. At that point, even without results, you should be asking yourself the following questions throughout the process:

Does our portfolio have a **competitive edge**? Is there a **balance between incremental and breakthrough** projects? Are we keeping up with or staying ahead of changes in the market? Are we developing new innovations at an adequate rate? Do our objectives stimulate innovation behaviors in the company? Do our metrics line up with a reward system?

In addition to qualitative questions, you should be paying attention to:

- Ratio of capital invested in early stages vs. in the sales stage
- Portfolio framework in the sales stage in contrast to your planned portfolio
- Expected metrics vs. performance attained

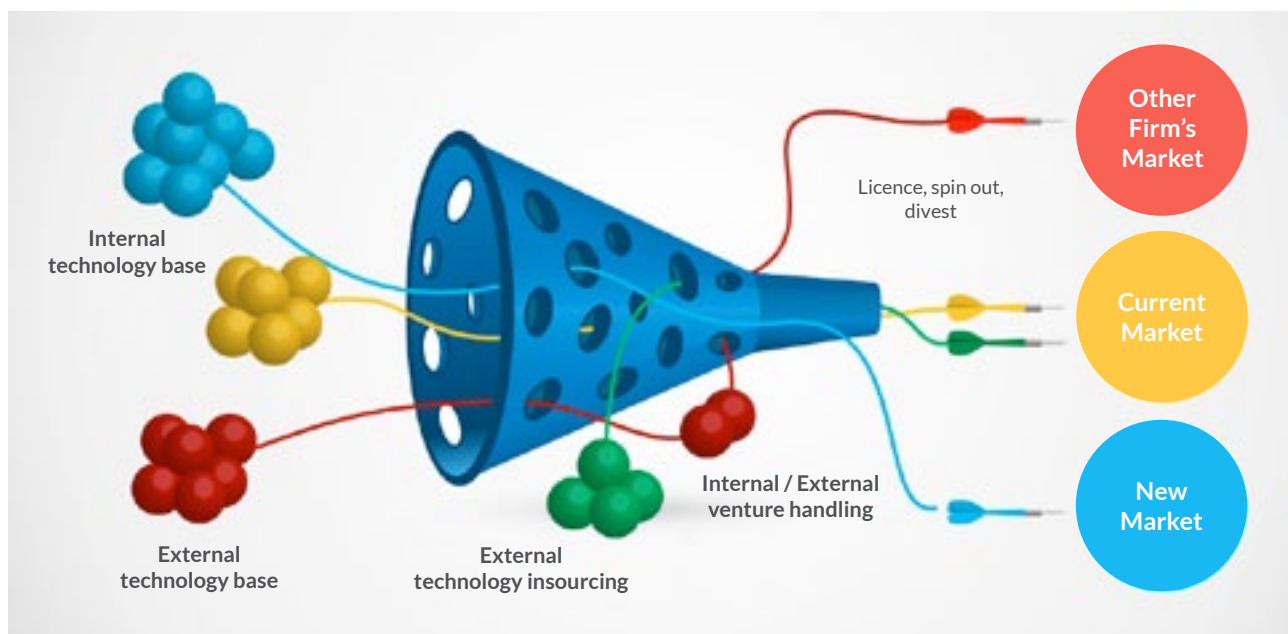
STEP 3

Investigate

Your investigation and research concerns the process of **exposing undetermined and unmet needs** and identifying market opportunities. Unfortunately, the first step to filling your innovation funnel isn't about ideas, it's about research, because it is a **goal-driven process** that requires you to track down and discover the ideas or even current or future problems that may arise.

You need to organize your resources (people, finances and facilities) in order to reach your company objectives. Fortunately, today, open innovation has become a popular and useful model for the research and ideation of ideas and concepts. In this way, you can find ideas not only from internal sources but also from external stakeholders in order to advance the R&D of new technologies.

Open Innovation Funnel



The output of research has three parts: new technologies (discoveries, developments, methods), users (wants, needs, motivations, beliefs, attitudes) and society (evolution of market). Therefore, these outputs express our knowledge of emerging technology, societal change and customer values, exposing new perspectives, concepts and possibilities.

Here are some questions you should be asking yourself while carrying out your research: Do we understand the tacit dimension of our customer's experiences? Do we understand the implication and applications of new technologies? Have our past predictions anticipated change? Is our research targeting the right innovation opportunities?

And in order to analyze the quantitative side of your research process, you should pay attention to:

- The number of customer groups examined
- Implementation of research results to support new products, services and processes
- Participation of stakeholders throughout organization
- Time and money invested in research

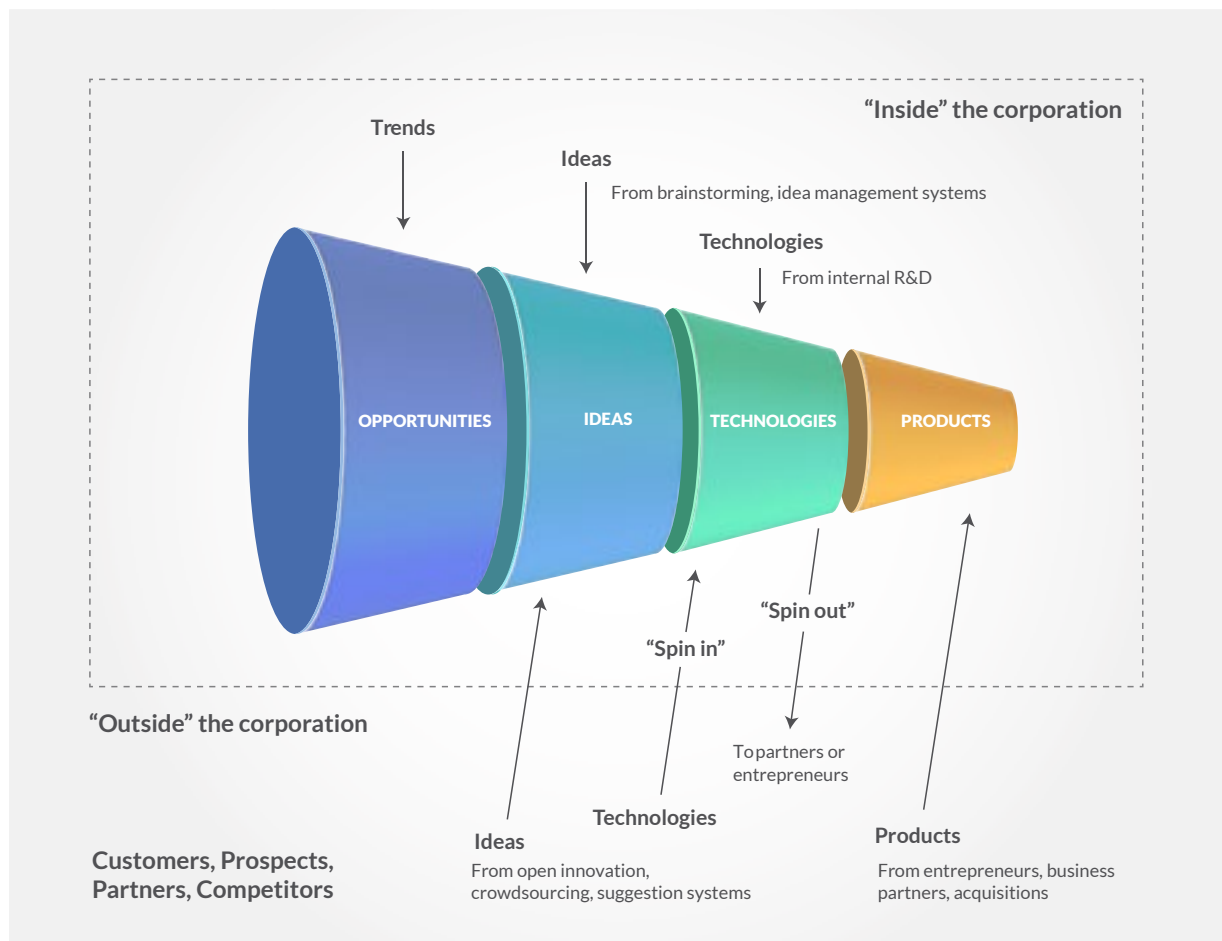
STEP 4

Ideation

This stage combines technology and customer knowledge in order to find new insights. It's all about **uncovering knowledge: explicit and tacit**. Therefore, we need to be aware of the **conscious and the unconscious ideas** being created all around us. And you can do that through teamwork, because it generates boundless possibilities for exploration and discovery.

We use the ideation stage to examine all the knowledge and findings that the research stage has uncovered.

Filling the funnel with concepts



Therefore, it's important to **connect with customers and non-customers and external and internal stakeholders** to obtain their feedback on specific notions. They can also help you to develop or understand **new business structures, supply chain models, marketing concepts, financial projections, risk assessment, etc.** A useful approach to ideation is the use of patents, which can help protect your intellectual property.

Your team can discuss and explore all of the ideas found, **brainstorming**, making lists of **pros and cons** and tackling the **output of your ideation**.

Some questions you should be asking yourself at this point are:

Do we have a wide-range of models (technology possibilities, tacit knowledge, societal trends)?
Have we created an open space for the encouragement of a wide-range of possible concepts and ideas? Are we encouraging others to share their ideas?

Qualitative aspects you should be focusing on:

- Number of ideas developed, contributed internally, introduced
- Percentage of ideas from external sources
- Number of people who are participating internally and externally
- Number of ideas collected in the ideation process
- Number of collected ideas developed
- Number of selected ideas implemented

STEP 5

Insight

Insight should be pursued in a determined way in an effectively managed innovation process, because it is the **point of convergence**. It is where you transform ideas, turning them into technological possibilities, customer understanding and market knowledge, which then create insight into innovation opportunities.

It may take some time to get to this stage, but the question you should continuously ask yourself is: **How can I turn my ideas into value?** You should also be modeling and testing your product or services for users in order to meet their needs.

Ask yourself the following questions:

Are we generating enough substantial insights/ideas? Are the insights able to be used across a wide-range of business ideas?

In addition, you should be focusing on these aspects:

- Unsuccessful technology and customer mash-ups attempted
- Successful technology and customer mash-ups achieved

STEP 6

Targeting

At the targeting stage, the portfolio comes into play, because here you will check your ideas as a whole. You can **readjust ideas and concepts** at this stage and even **shift priorities and responsibilities** within your team.

The output of this phase is a final set of ideas that your company is developing and will be assembled into separate portfolios for each type of innovation.

Questions you should be asking yourself as this stage in the innovation process are:

Have you correctly balanced your innovation portfolio? Is the management process correct for each type of innovation? What is the percent of investment in non-core innovation ventures? What are the total funds invested in non-core innovation projects? How much time is senior management investing in growth innovation?



Innovation
Portfolio Management

STEP 7

Innovation Development

Innovation development concerns the process of moving a prototype lead to a complete innovation, while also improving the technology. At this point you should be sure that your innovation will be successful and the next step is transforming your idea into a finished product.

The production of your innovation includes **extensive engineering and lab testing, building prototypes, test assumptions and customer feedback**. Also important in this stage is your business model and plan, because this process requires the involvement of many people who work for your company internally and externally. Project management is key and high valuable!

The final output of this step a finished innovation, ready for the market.

Questions you should be asking yourself:

Are the right people involved? Do we have enough failures to ensure that we are pushing enough ideas and concepts?

And pay attention to these aspects:

- Prototyping rate
- Number of prototypes per new product
- Average time from stage 3 to stage 7
- Number of patents requested and granted
- Percent of ideas funded and killed

STEP 8

Market development

Here you're hoping for a period of sales development that leads to a **rapid growth in sales**. Your R&D department has succeeded in bring your new product to the market, but that doesn't mean your company is able to **market, sell, deliver or service**. That's where market development comes into play.

You need to **capitalize on your accomplishments** and to do that you need to understand what your customers really want. The output of market development is all about **giving the market what it really wants**.

Ask yourself these following questions:

Are we trying to gain new customers as well as taking care of our existing customers? Do we understand our customers?

And pay particular attention to these quantitative measurements:

- Return on marketing investment
- Number of new customers
- Growth rate of customer base

STEP 9

Selling

After you have successfully sold your product/service, you can **reap the benefit of increased efficiency and productivity** that will **improve your brand and build your reputation**. But it doesn't end here. You just have to start the process again and again.

Important questions and aspects to look at in this part of your management process are:

- Does your sales process match your customers' needs?
- Did your total innovation investment yield appropriate results in terms of sales growth, profit growth and overall ROI?
- What are your gross sale revenue and gross sales margin?
- What are you expected results compared to your actual results?
- What was the percentage of projects terminated at each stage?
- What were the successful results for each type of innovation?
- What were your cost savings?
- Number of new customers
- What was the percentage/average of sales from new products/services?
- Number of new products/services launched
- Percentage of revenue in core categories/new categories/profits from new products/services
- Percentage of new customers from new products/services
- Time to market from the research stage to sales
- Customer satisfaction with new products/services

Conclusion

Innovation is a **learning process** and measuring it should be seen as a learning process itself. You most certainly can't answer and analyze every question here, but you can **choose the most important metrics** for your specific needs. **Learn, adapt and adjust** as you go.

Through this process you should be able to engage in dialogue on critical questions of innovation, gain deeper insights through **enquire-led conversations**, creating space where contributions are acknowledged, which then transforms and evolves your company through **collaboration and cooperation**. And finally you will be able to create a new future for your company and technology.

If you want to create an **open space for innovative thinking**, plan for this type of innovation by **incorporating market trends**, the competitive landscape, new technology available and changes in your customer preferences and trends.



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