The five Rs of innovation

by Jorge Aguilar and Philip Ryan, Special to *Upstart Business Journal*

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Companies invest billions of dollars in innovation, but you rarely see corresponding company growth. For every blockbuster product that a company may have (think Microsoft's Kinect or Starbucks' Via) there are many more launches that result in failure (now think Microsoft's Windows Vista and Starbucks' Sorbetto) that drag down corporate results.

Most product ideas never even make it to launch. It is not a pretty picture.

Yet no company can afford *not* to innovate. According to a recent paper by the Product Development Institute, top-performing companies generate three times the revenue and profits from new products relative to worse-performing peers.

The obvious truth is that driving innovation is hard. Innovation requires significant organizational commitment and implementation excellence in order for it to yield significant results. Even though getting innovation "right" can take a long time and millions of dollars, it is critical.

An often overlooked lever in making the most out of innovation investments? Rethinking the innovation process itself. (For more on how to reimagine the customer experience, click here.) In an environment of constrained

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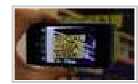

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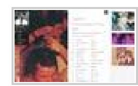

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budgets and a focus on short-term results, rethinking the process quickly enhances the return of innovation investments. Here are five effective ways a company can be successful in enhancing the return on their innovation investments:

1. Rearticulate the outcome

Precise innovation mandates are critical. Too many companies employ a broad approach where they innovate without having a clear idea of what they expect out of it, not even specifying how many launches they are targeting or what overall sales of new launches should achieve.

First, establish the “What.” Set a clear goal, such as “30 percent of revenues derived from new products.” Then outline the “How.” Define a mix of large, game-changing innovations, such as P&G’s Swiffer and incremental innovations such as line extensions like the Swiffer Wet Jet or Duster. This process ensures that the organization operates in sync, takes appropriate risks, and makes the right resource-allocation decisions.

2. Refocus resources

Focus is king. Invest resources to develop a broad gamut of ideas (at a low cost), prioritize them (also low cost), and only then invest in developing (at a higher cost) and launching (again, at higher costs) the initiatives with the most potential. Most companies appropriately start with a broad approach, but then too often continue to spread resources over a swath of projects instead of doubling down on the ones that are most likely to succeed.

With a narrow product portfolio, Apple is a great example of how an intense focus on offering a few, great products can yield extraordinary returns. Taking fewer innovations into commercialization also allows for adequate support, an area which is often overlooked and the culprit of many in-market failures.

3. Redefine metrics

Defining a standard set of metrics that are used to *evaluate* innovation projects on their individual merits and then used to *prioritize* multiple projects across the company against one another is essential. Ensuring alignment on a handful of metrics is critical to focus the discussions on what really matters to the organization.

From our experience, these metrics need to cover five areas: Strategic Fit, Market Attractiveness, Concept Attractiveness, Size of the Prize, and Risk Profile. Each metric area has a different importance, depending on where the project is in the innovation process (e.g., risk is less important in Ideation relative to Development).

4. Rouse “Portals of Discovery”

Companies need to enable learning through, as James Joyce termed it, “portals of discovery” throughout the organization. Thinking of each project as a portal of discovery means taking deliberate steps to capture learnings based on successes and failures along the way.

For projects that are getting off the ground, conduct a premortem to identify areas that could derail a project. For products that are launched, compare actual versus forecast performance and understand discrepancies. For projects that get nixed, capture the reasons why they didn’t make it to commercialization. Finally, establish resources and tools for teams to discuss learnings and ways to enhance the outcomes of their activities.

5. Rethink meetings

Set specific agendas and outcomes organized around: Decision Meetings, Learning Meetings, and Planning Meetings.

Decision Meetings are ones in which attendees are expected to make decisions on critical elements, such as moving a project from development to launch. Learning Meetings are ones where attendees not also leverage their "portals of discovery" but also take a forward-looking perspective of the operating environment, consumer trends, and competitive pressures and then use those inputs to define the implications for innovation as a whole. Finally, Planning Meetings are ones where attendees look at the state of the business and the innovation pipeline and make adjustments to reach the defined objectives.

Getting innovation "right" is critical, and process redesign is an often-overlooked lever to enhance the effectiveness of innovation investments. Examine these five ways to start enhancing innovation effectiveness for your organization. Reexamine them once a year to ensure your organization will continue to benefit from greater innovation performance over time.

Jorge Aguilar is a partner and Philip Ryan is a senior consultant at Vivaldi Partners Group, a global strategy consulting firm that helps companies formulate strategies for innovation and breakthrough growth. Jorge has over a dozen years of experience in understanding markets and consumers and leverages this understanding to develop winning strategies for large, global organizations. Philip has expertise on both the industry and consulting side of business. He has a zeal for customer-centric products and has learned the hard way what it takes to push innovations through large corporations.

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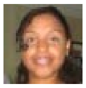

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The last sentence "has learned the hard way what it takes to push innovations through large corporations" made me chuckle. Nice job amigo!

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