

INNOVATING NEW IDEAS FOR GROWTH

WE REALLY HAVE NO CHOICE



INTRODUCTION

Successful companies have a huge respect for the products and services through which they earn their living. They recognise that although their purpose is to make profit they can only achieve this by trading their products and services with customers willing to buy.

They also recognise that trading products and services for profit is increasingly difficult because in a modern global economy:

- Competition is much stronger.
- Customers are more demanding.
- The pace and magnitude of change are greater.

Innovating new ideas and getting them successfully to market has never been a more important or demanding challenge.

Successful companies focus on two main aspects of innovation:

- Developing an innovation culture within the organisation to ensure that ideas are generated, captured, and worked on.
- Establishing appropriate processes and controls to:
 - Develop and evaluate new product and process concepts.
 - Take concepts efficiently and effectively to market implementation.

CREATING AN INNOVATION CULTURE

Important lessons learned include:

- Linking innovation directly to the business strategy.
- Appointing a senior manager to have single point overall responsibility for the processes and outputs, and to give weight to projects.
- Creating an effective internal market for new ideas – so that they are recognised and appreciated.
- Encouraging creativity – eg by
 - Regularly allocating time at meetings to harvest and sift new ideas as well as just working on old ones.
 - Involving suppliers and customers in the creativity process.
 - Taking staff away from the day to day to experience a different environment in which to explore and test boundaries.

- Valuing and appreciating ideas just as ideas, and long before they are evaluated.
- Enjoying panning for gold, where success is a potentially ore bearing nugget – not a finely crafted piece of gold jewellery.
- Appreciating innovators and not criticising them because they think and behave differently
- Appointing 'change champions' to:
 - Oversee the process of taking an idea to implementation.
 - Overcome organisational barriers – the 'system' and the 'function silos'.
 - Succeed by force of personality and usurped authority.
 - Enjoy the risk and the uncertainty.
- Working in cross functional, cross divisional, cross cultural teams – and genuinely valuing the different inputs and perspectives.
- Training staff in the appropriate skills and processes.
- Giving publicity and recognition to successes and those involved.
- Developing processes which exercise control without unnecessary constraint.

DEVELOPING AND EVALUATING CONCEPTS

Some ideas will be relatively straight forward and it will be easy to decide their value and to implement them. Most significant innovations however will need to be developed into workable concepts before they are implemented. This can be a costly process and needs to be carefully managed.

The key problem is to select those projects which justify further and ongoing support. This is difficult because so much is unknown and normal financial measures are probably unusable.

At its simplest the task is to determine for each project:

- Is it needed?
- Is it practical?
- Is it commercial?

Successful companies employ variations on the following stages to help answer these apparently simple questions.

STRATEGIC DIRECTION

Successful innovation is linked to a clear strategy, because this gives direction and purpose. It is important to select projects that will contribute to overall company objectives.

'If you don't know where you are going every road is a good one'

CLASSIFICATION

When there are a large number of possible projects it can be useful to group them into meaningful classifications, linked to the business strategy. Categories might include:

- Expansion of existing products – eg into new markets.
- Improvements to existing products – to create a new market or extend the product life cycle.
- New product – to complete an existing product range or take advantage of a technical development to create a new market.
- New service – to improve the value added offering to the customer.

It is also useful to categorise innovations in terms of their internal impact – eg

- Increased turnover.
- Impact on profitability.
- Utilisation of existing production capacity.
- Reduction in costs.

STRATEGIC EVALUATION

In this stage projects are ranked against the strategic objectives and other selection criteria deemed significant. This is normally best done by a cross functional team, involving people from eg marketing, sales, technical, finance, etc.

The simplest process is as follows:

- Select the appropriate decision-making criteria.
- Assign numerical values to each project against each criterion – say a score out of 5 or 10.
- Weight each of the criteria in terms of importance to the company.
- Multiply the project score by the weighting for each criterion.
- Total the scores for each project.

This process will not give an objective answer because each of the constituent elements are in themselves subjective, but it will add some structure to the decision about the level of strategic importance of each project.

CONCEPT TESTING

For some major projects it may be sensible at this stage to test the concept in the market.

The ideas have so far been generated internally and although cross functional teams have ideally been involved as a cross check it can still be possible for an inappropriate head of steam to be developed. It is important to focus on the business need and not be carried away by the projects inherent 'goodness' or excitement.

Using external agencies and direct market research can help to confirm support or give early warning of unforeseen risks.

RISK ASSESSMENT

The project evaluation process will help to determine the potential value of the project to the company in strategic terms, but it is also important to understand the level of risk involved. This might be determined in terms of:

- The level of funding required.
- The length of time to implementation.
- The fundamental likelihood of success.
- The level of financial and human resources needed.

It is difficult to obtain an accurate assessment of risk in any quantifiable way at this stage but a simple ranking of projects in terms of their risk will be informative and useful.

Projects can then be positioned on the following Risk/Potential Matrix

High	High Risk Low Potential	High Risk High Potential
	Low Risk Low Potential	Low Risk High Potential
Low	Low	High

It is important to recognise that this whole process is subjective and surrounded in uncertainty. The objective is to use critical judgement as best you can.

Successful innovation programmes are likely to have a mixed portfolio of projects.

The process must be seen as iterative, with decisions being revisited as the project progresses and more information becomes available.

This process is also important for project reviews.

Costs rise quickly and it is tempting to continue with a project because significant amounts of time and money have already been invested. It is essential that as more information becomes available it is fed into the above processes on an iterative basis so that ongoing decisions are based on technical feasibility and market potential – ie on a FUTURE risk/potential analysis.

PROJECT IMPLEMENTATION

Innovation projects are characterised by UNCERTAINTY and COMPLEXITY.

- Uncertainty is best countered by the continuous use of cross functional teams to provide checks and counter checks from different business perspectives.
- Complexity demands the use of appropriate planning and control processes.

PLANNING AND CONTROL PROCESSES

Key points to remember are:

- Planning processes should be kept as simple as possible and should reflect the complexity of the project. Gantt charts are almost always useful.
- Complex or lengthy projects should always produce a simple project overview plan for use both by the project team and the reviewing managers – to serve the same purpose as an executive summary.
- All projects plans should clearly identify the critical stages or milestone points as the project unfolds.
- Project teams should be provided with a clear project brief – including the following, where possible and appropriate, for the size of the project:

- Clear specification of the task.
- Relevant background details about why the project is important.
- Research so far completed and any information which is available.
- The outputs required – how complete the task should be.
- Standards and quality procedures to be adhered to.
- Constraints imposed – time, money, environmental standards, authority levels and review procedures.

Review points should be agreed and adhered to. They should cover:

- Progress to date.
- Costs v budget.
- Timescales.
- Agreed actions to correct any slippage.

SUMMARY

Innovating new ideas for growth doesn't just happen. There is little point in talking about it as an organisation if there is no agreed approach to making it a reality. However, like most things that require rigour and resourcing, there must be sufficient corporate 'pain', or the need for substantial gain, for the topic to be taken seriously. Even then there has to be an acceptance that 'in the doing the way will appear' – and the future direction of the organisation may be very different from its past!