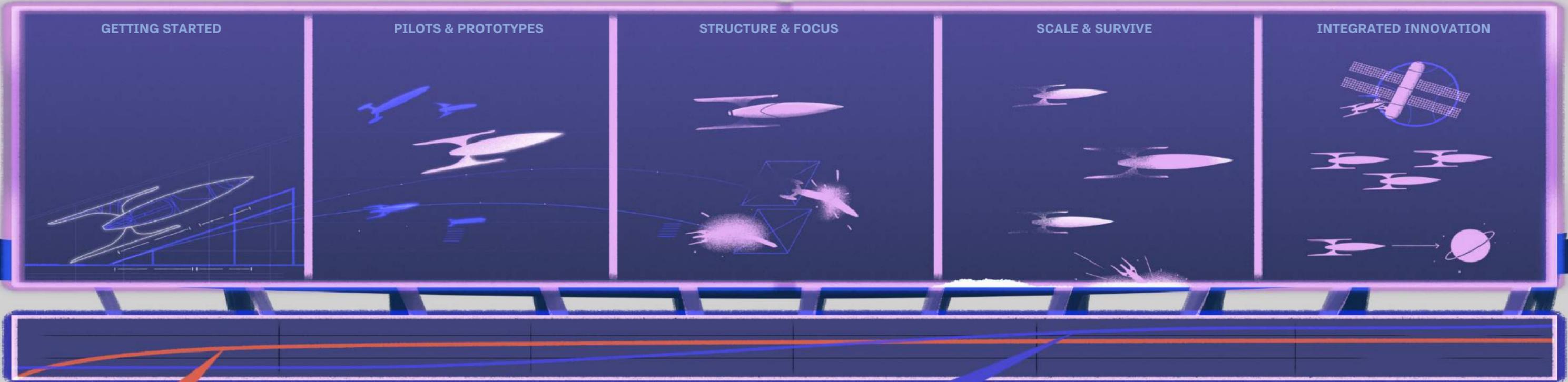


Measuring Innovation

Corporate innovators need metrics to show where they're delivering impact, and ideally, to gain access to additional resources. But measuring innovation is much more challenging than measuring on-going operations, since by definition it is about exploration and experimentation – and failure is not only an option, it's part of the journey. Here's Innovation Leader's look at how you can design an effective "Mission Control" for your innovation work, along with questions to discuss with your team and senior leadership.

For more on the stages of innovation listed below, see <https://www.innovationleader.com/navigating-maze-of-corporate-innovation/>



ACTIVITY METRICS

There are two kinds of metrics: **activity metrics**, which show what you've been doing, and **impact metrics**, which show the results you've achieved. Most programs begin by tracking activity metrics, like:

- # of ideas submitted by employees
- # of patents filed/issued
- # of startups met with
- # of prototypes built or pilot tests run
- # of training workshops run
- # of sessions held in new innovation lab

IMPACT METRICS

As innovation programs mature, they need to be collecting and communicating **impact metrics** to show that they are delivering clear business benefits (and to help make better forward-looking decisions.) Examples include:

- Revenue generated by new offerings
- Improved employee retention
- Cost or time savings
- Media/social media coverage
- Customer satisfaction/Net Promoter Score
- Stock price

GOVERNANCE

As the strategy for an innovation initiative takes shape, work with your governance committee to create a set of initial measures. Key questions:

- What are the activity and impact metrics that we believe will matter most?
- Who needs access to metrics data, in what form?

PROCESS

Collecting data is a messy task, especially when projects involve multiple functions and business units. Key questions:

- Who is responsible for gathering/reporting results?
- Will you use an existing system/tool, or something new?
- Are there ways to pare back less relevant metrics as your program evolves?

CHALLENGES

Many benefits of innovation work can be fuzzy, tough to measure, or measurable only over a long time period. Other challenges to consider:

- Keeping metrics aligned with overall corporate strategy
- Small innovation teams can spend too much time on metrics and reporting vs. "doing stuff"
- Measuring impact as projects move across functional or business unit "borders"

DISCUSSION QUESTIONS

- What current innovation metrics does your leadership care about most? Least?
- What is difficult to measure, but might be worth measuring?
- How can you help leaders understand that certain initiatives will take time to show results?
- How broadly should you be communicating the impact of your program?



ALIGNING METRICS WITH STRATEGIC INTENT

BY MICHAEL TULANEY, SENIOR INNOVATION MANAGEMENT CONSULTANT, SOPHEON

Managing and measuring innovation is complex. The task of determining what to measure is critical, as the metrics used will focus efforts, influence decision-making, and impact the overall performance of innovation portfolios.

METRICS TO USE

Every organization has a unique set of innovation initiatives and processes to drive them. Collectively, the objectives for each initiative should play into realizing the general innovation strategy of the organization.

In general, consider two classes of metrics:

Activity Metrics: The measure of the cost, effort, and activities or programs related to developing new products and services, or launching an innovation initiative.

Impact Metrics: The measure of the contribution to the strategic and financial health of the company's portfolio of offerings, both new and existing.

While most companies with mature innovation processes forecast the financial impact of their

innovation investments with classic metrics such as net present value (NPV), return on investment (ROI), and gross margin, it may not be obvious that the metrics used can actually drive behavior of decision makers, potentially to unintended outcomes.

Executives and process designers must be sensitive to this subtle dynamic and ensure that appropriate metrics for forecasting, prioritizing, and measuring performance all align with the strategic intent of the innovation portfolio.

Stated simply: You get what you measure.

DATA VOLUMES REQUIRED FOR DECISION-MAKING

Business insight is not free, nor should it be if it is to lead to a profitable opportunity for an organization.

Project teams typically see modeling, forecasting, reporting, and then defending the information provided to support executive decisions as a distraction from “actual product development work.”

To the contrary, if modeled thoughtfully, the development of this information is product development work, and typically saves teams from

time wasted working on low-value projects.

The right balance is struck when decision makers can confidently defend the choices they make, not because there are volumes of accurate data behind the decision, but because they have sufficient insight to pursue an advantage without waiting for more information.

RE-EVALUATING WHAT'S BEING MEASURED

Rapid market change and digitalization now require all organizations—large and small—to operate in an agile manner. Thus, it is becoming common practice to revisit metrics as regularly as you revisit innovation strategy and operating plans. This is not to suggest that metrics necessarily be changed, but rather that organizations appreciate and exploit the deep connection between measurement and performance.

CONCLUSION

Forecast and measurement of activity, as well as impact metrics, are critical tools in the innovator's toolbox. High-performing organizations work hard to establish a framework and align measurement with strategic intent. They seek

balance in what and how much is measured, so teams can be productive and leadership can make agile decisions based on trusted data.

An end-to-end, decision support software platform like Sopheon's Accolade® significantly simplifies and automates this process while boosting productivity, giving corporate leaders clear visibility into what matters so they can make informed decisions based on trusted, cross-functional data generated by the daily work of business units and team members.

A successful innovation management program will help a company realize sustainable, profitable revenue for new products and services via increased value, improved success rate, throughput, and reduced time to market.

Interested in learning more about metrics and influencing outcomes? Visit www.sopheon.com/metrics

