

First steps towards innovation management

Basics of Innovation Management

Abstract

Innovation is a goal that many companies aspire to. However, only few manage to become truly innovative in the process. This white paper provides an overview of the basic rules companies who want to transform themselves into innovators should follow and simple innovation framework which serves as a starting point for this.

Introduction

Nowadays global markets change faster than ever. The only way for companies to survive is to re-invent themselves and establish an adaptable value chain. Corporate innovation management itself is in a transitional period these days. In the past, only a select number of employees had the power to suggest new ideas and introduce new concepts. Essentially, innovation management answers the following question: How can you remain flexible and inventive enough to cope with an ever-changing economic landscape? Using a well-managed innovation process that makes full use of modern organizational approaches and enabling technologies is certainly a step in the right direction.

Innovation management as a process can be tied to any goal that management deems worthy to pursue. Fig. 1 displays the results of a survey among companies regarding the significance of various goals and goal attainment for their corporate innovation programs.



Fig. 1: What companies want to accomplish when they start innovation programs. Light orange denotes the significance of the goal, dark orange achieving the goal. (Source: German Institute of Economics, 2012)

The innovation cycle within a company

Innovation does not exist as an island within the company. It is a densely interlinked process that requires strategic alignment and astute management in order to yield the optimum results. There are four *generic* stages in the innovation cycle of a company. All of these elements are key when you want to achieve sustained innovation success in a company. The four constituent parts of the innovation process are:

- **Idea generation:** How new ideas are identified
- **Idea evaluation:** How to assess ideas
- **Idea implementation:** How to put ideas into practice
- **Idea impact:** How do you measure the impact of ideas?

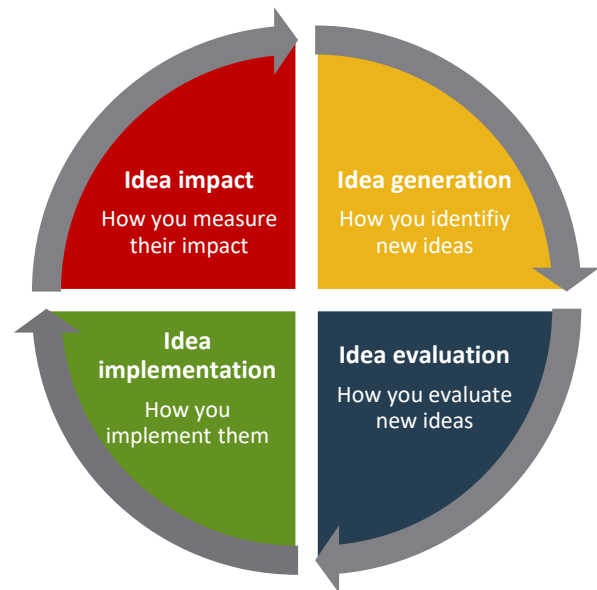


Fig. 2: The innovation cycle in a company. (Source: Fáilte Ireland, 2013)

A popular manifestation of the above generic process is the phase-gate model, also called stage-gate model. It divides the process of innovation into stages or phases, separated by gates. At each gate, the continuation of the process is decided by a manager or a committee. Factors that influence the decision are, among others,

risk, viability and the availability of resources. The number of gates such a process involves can range from 3 to 9 or more. Each company usually designs its own stage-gate process which spans all four parts of the innovation process.

Idea generation

The foundation of any innovative activity within a company is new ideas. You need to ensure to have a steady stream of ideas coming in. Also make sure that the quality of ideas is adequate. There are two sources for ideas to consider: Internal and external.

Internal sources

Your best source of ideas are your employees. They know the business and the internal processes like no one else. They should be your main source for new ideas. If you decide to solicit suggestions from employees, do it right. The traditional suggestion box approach yields very little in terms of usable results and is deemed no longer adequate. A much better way to go about this is integrating idea generation into everyday activities and make it mandatory rather than optional. Innovation should never be a stand-alone process, but something your employees should be thinking about as part of their daily routine. New ideas could for example be a topic in your monthly 1:1 meeting with individual employees.

To facilitate such an ongoing process, you need to put both monetary and non-monetary incentives in place. People should feel their voice matters, which is why it is important to also provide timely feedback. Another point to consider is to offer a very easy and fast to use platform where people can contribute to regardless of their rank in the hierarchy. Such a platform is the big enabler for any organization which wants to broadly tap its whole workforce and not just monthly management circles for new ideas.

When you are starting out, there should be a focus on generating and evaluating ideas – on growing a culture of participation. You need to build up your innovation pipeline. Moreover, you will be observing the kind of

ideas flowing in and you will adjust your innovation process accordingly, e.g. by establishing the later stages in the process (see the following chapters).

External sources

Sometimes great ideas come from outside your company. A fresh pair of eyes sees opportunities that insiders cannot perceive. This approach is called open innovation, since you open up your processes to external suggestions. These can come from suppliers that you work with, your customers or even members of the general public.

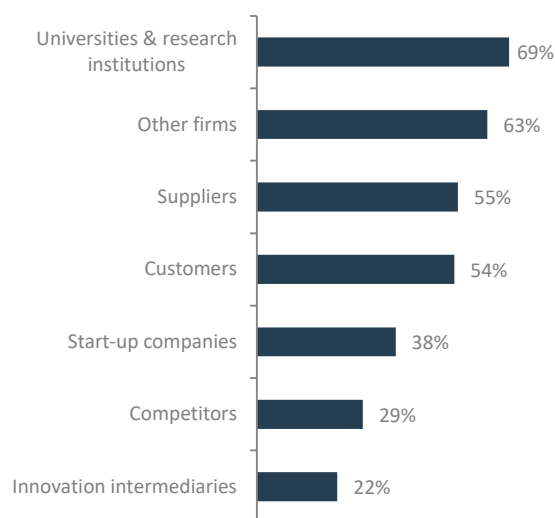


Fig. 3: Universities and research institutes represent the most important knowledge source for innovating companies. (Source: Ridder & Haagedorn, 2011)

There are number of ways that you can harness the power of external input. One way is to have an effective feedback system in place that allows third parties to provide you with ideas and suggestions for improvements. Another method is to create focus groups with key customers or suppliers in order to keep in tune with the requirements of those groups and receive their feedback and ideas. CrowdWorx provides access to an Open Innovation Crowdsourcing panel where you can tap into the wisdom of an ad-hoc crowd of smart people to provide you with new ideas and solutions to current issues.

Idea evaluation

In a second stage the ideas generated by the various sources need to be closely examined in terms of their viability, cost-benefit and impact. Small, incremental ideas should be treated differently than big, out-of-the-box suggestions. Not all ideas are useful. Managers should explain to the employee in question why an idea is not suitable and cannot be implemented. However, if the basic idea behind a suggestion is still valid, a manager should give some pointers regarding the direction the idea should be explored in order to align it better with company goals. It is important to encourage employees to keep submitting ideas – the right ideas – and, as mentioned before, to reward good ideas.

This stage of the process is critical. Figuring out which ideas are the ones that move the business as a whole forward and which ones don't is a hard task. Very often this task is assigned to managers that are already overburdened with work. Therefore they often lack the time to really deep-dive into new ideas and fully appreciate potential risks and benefits. Such evaluations carry an inherent bias and a high probability of missing out on great ideas.

Depending on your company you will want to create a specific idea evaluation process based on one of the three core models. In the 'traditional model', all ideas go to a central idea management department which routes the ideas further down the pipeline. In the decentralized 'line manager model' approach all ideas are first checked by line managers before they proceed to implementation. The most popular approach is mixed models these days which join the best of both worlds into one flexible process. Fig. 4 shows the results of a survey of small, medium and large businesses on what organizational model is being used for evaluating ideas.

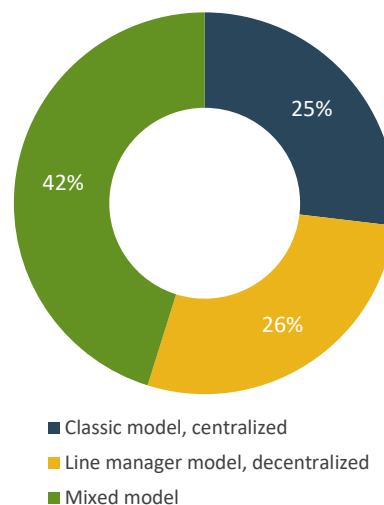


Fig. 4: Most common organizational models of innovation programs in companies. (Source: German Institute of Economics, 2012)

A good innovation management software platform will offer multiple built-in evaluation methods, e.g. voting systems, and a professional workflow to route evaluation tasks to evaluators. Such an automated solution reduces the workload of all involved departments and saves significant internal resources.

This is as far as most innovation management systems go when it comes to evaluation. They are limited to internal means of evaluation. They cannot provide market insights or data on sales potential or pricing for a new idea. One cost-efficient way to generate market insights early on is Social Forecasting™. Social Forecasting™ technology has been empirically proven to forecast correctly market and sales figures as well as price points for new products based on collective intelligence. It provides a more objective and proven more accurate assessment when evaluating new ideas and concepts, therefore minimizing the chances of discarding a good idea - or going forward with a poor one. The market insights gained by tapping into collective intelligence are invaluable. To see the performance and accuracy of Social Forecasting for new products and services, please refer to our case studies and white papers on Social Forecasting.

Idea implementation

Implementation will vary with respect to the magnitude of an idea. Some incremental ideas can be implemented right away after approval is given, which is good for generating more feedback to the participants (“Your ideas have come to life!”).

Bigger ideas need more planning and extra steps, which are really dependent on the idea, the industry and many other factors. Either you already do have an implementation process for big and complex ideas in place or you will need to build one. If the latter is true, consider consulting with innovation experts from your peers or with innovation vendors who have experienced consulting teams for innovation.

Consider establishing a cross-functional implementation team to guide the process. Where possible, those who came up with an approved idea should be involved in that team. This team would then be charged with bringing a particular idea to life. It also helps to designate idea champions in the various departments affected by the change. He or she will help implement the idea, solicit buy-in from the respective employees and generally evangelize it in his or her department.

A good implementation process will influence the throughput of new ideas, how fast your company can adapt and how successful it will be against the competition. The size of your company can also determine how fast and innovative you can be as is shown in Fig. 6.

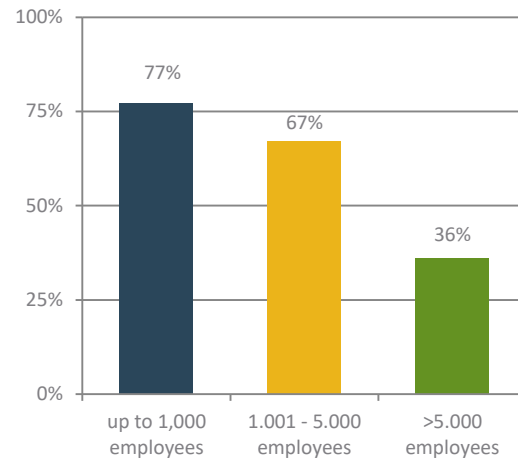


Fig. 6: Percent share of ideas being implemented. (Source: German Institute of Economics, 2012)

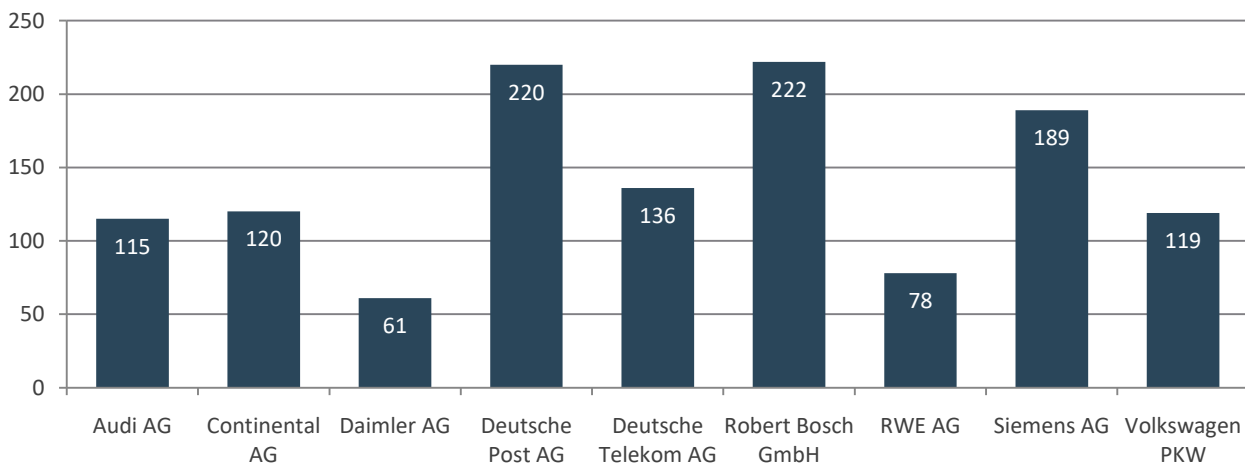


Fig. 5: Bottom-line effect of new ideas in their first year, in m€. (Source: German Institute of Economics, 2012)

Idea impact

When companies enter the implementation stage they should already be thinking about how to measure the impact of an innovation at the workplace. Only by measuring it will become evident whether an idea is producing the desired outcome or not. Popular KPIs measurements include cost saving, increase in productivity, hours of time saved. Gauging impact takes time.

It is necessary though that the management team tracks the relevant financial and non-financial measures attached to each idea implemented to see how it has helped the business over the longer term. Fig. 5 shows the financial KPIs of well-tracked corporate idea management programs. When a positive impact is measured, it is worth looking more closely at those successful ideas to find out if similar approaches could work equally well in other parts of the business.

Conclusion

Innovation is necessary to ensure the continued existence of a company. The above four stages in the innovation process outlined above provide an effective and straightforward approach to managing the flow of ideas within a company. The evaluation phase (stage two) is especially critical. Consider applying collective intelligence technology in the evaluation process to ensure that you're not missing out on great ideas.

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About CrowdWorx

CrowdWorx® is headquartered in Berlin, Germany. Founded in 2007, CrowdWorx is the leading Innovation platform for small, medium, and global enterprises. We serve clients in Europe and North America with the full range of tools and services for Idea Management, Open Innovation and Innovation Consulting. CrowdWorx' proprietary technology provides unique advantages for innovation programs, which generate measurable results and long-term impact.

Berlin, Germany

Oderbergerstraße 44
10435 Berlin, Germany
Tel. 1: +49 30 549-053-74
Tel. 2: +49 30 549-053-75

www.crowdworx.com

Poznań, Poland

Ul. Krysiwiczka 2
64-887 Poznań
Poland
Tel: +48-61-88577-00
Fax: +48-61-88577-15