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Subject: Pace of Frugal Innovation
Revision: January 29, 2013
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thoughtpaper

The Pace of Frugal Innovation

Key Words:
Innovation
Process
Cycle
Iteration
Rhythm
Cadence
Flow
Rapid

Introduction

As organizations look to balance growth from acquisition with organic growth, a typical question is "how much effort should we allocate towards innovation?" The classic "Mercedes" diagram found in New Product Development texts divides a pizza pie wheel into three slices - inorganic growth efforts (acquisition), organic growth of current products (extension), organic growth of future products (innovation).

Trying to predict the yield of innovation efforts is quite difficult, so leading organizations focus more on the pace of innovation rather than the output of innovation. The key hypothesis being that market & technical risks prevent managers from making decisions based upon output, so they choose instead to manage by input and activity.

Measuring the input is based on budget, time & resources while measuring activity is based upon the flow of ideas along pre-determined innovation activities or "touch points". Input and activity are the basis of establishing an expected Pace.

Frugality is achieved by getting more output from the same input and activity. By looking holistically at the overall Pace, it becomes clear where money may have been wasted in prior years, and how to take some of that budget and re-direct it to areas of the innovation cycle where good ideas tended to die without support. Measuring Pace becomes a logical way to force the organization into making these trade-offs and governing future effort.

The Pace of Innovation

Prior to the recession, much of the money spent on creativity and innovation consultants flowed to support discrete innovation activities - brainstorm sessions, team building, creativity classes, etc.

Annual spending on these types of innovation consulting services rose every year, yet the average success rate of new products in the market stayed flat. That is because each and every one of these experts can deliver a successful engagement, yet never deliver a result that impacts the top line growth of the organization. Quite simply - paying for separate activities failed to knit together a cohesive flow of ideas from the front end to the back end of innovation. In short, they found that it is better to pay for a series of smaller and more mundane connected events that help ideas to mature, than it is to host elaborate events in disconnected topics.

A range of activities, approached in a logical sequence, at a desired pace, under the eye of an appropriately empowered governance body is required. Only then will and organization create an output stream that feeds the top line.

The goal is that the moneys invested have a sufficient focus that propels ideas along development, building momentum as they grow. In other words, it is better to invest smaller amounts along the whole path of innovation than to be excellent at any one of the discrete disciplines; and that it is better to strive for an ongoing flow of innovation rather than hunt for one big idea.

There are three aspects required along the pace of any Innovation Cycle:

- Context
- Creation
- Control

Context: Market research provides "content" - the data that is required to make decisions. Most organizations have a surplus of data content. And, competitors often have access to the same content in the same industry. Facts are facts.

Given the homogeneity of data, do we get a good ROI on market research? Can we re-direct budget to a more productive effort?

Innovation in the face of homogenous data only occurs when we create a disparity in Context. In other words - it is not the data that will create new ideas - it is the way in which we look at the data that drives new thinking.

As an example - most oral care companies have the same data regarding the sales of toothbrushes. They also have conducted similar focus groups to understand consumer preferences. But, until a start-up looked at this data in a new light, there was a slow pace of innovation. The $5 Spin Brush was invented by a small company that translated its knowledge of low-cost toy motors into a new toothbrush that established a new category. Because this category did not exist before its launch, major toothbrush companies rejected the option to buy the patents and technology when the small company first tried to sell it to them. It wasn't until after the small company conducted test sales in one retailer that the opportunity became understandable to the major toothbrush companies. Because the idea fell outside the context of their categories - they could not recognize the value. Once they re-contextualized the needs of their market - they bought the technology - but at a much higher price.

To get good ROI, a quality Contextual process must deliver both high quality Information and high quality Perspectives.

Empathic research is low cost and creates face-to-face contact with patients and customers in their own setting to see the world through their eyes. This helps provide radically new ways to look at the problem and unlocks new thinking.

Creation: Given a quality new context to view the marketplace and a set of historical data to analyze (Context), generating new ideas becomes more productive with less time, effort and money.

What you do with the ideas, however, is more important than the idea itself.

"Breakthroughs are not the result of new insights… but rather new context through which to view existing data."

We have found that ideas and concepts that emanate from a brainstorming session are vulnerable to lack of attention. They can die on the vine without proper creative attention. Thus, a $50k brainstorming session will not provide ROI unless creativity continues beyond the event. Creative ways must be envisioned to foster the growth of the idea along its life.

By creating an innovation process that includes support touch-points, you can require new ideas to that are generated to be presented at a routine schedule, to help inject life into them, and create a governance score keeping method.

The pace of innovation, therefore, ensures that good ideas are driven forward from touch-point to touch-point.

For example, ideas that are created in a brainstorm might be required to pass through a management presentation touch-point within 6 weeks of the event.

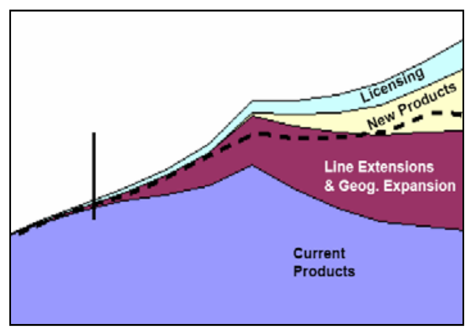
Control*:* Now that an organization has illuminated new needs/opportunities in its market (Context), brainstormed novel ideas and refined those ideas into a tight business case, technical case & positioning (Creation) it must transition them to a long-term owner that will take the necessary steps to develop and launch the product into the market.

Ideas that are a basic improvements or line extensions fall squarely in the hands of the business unit that has P&L responsibility for the product. However, if the idea is a truly novel solution, it will likely not fit into any current organization line structure.

Control processes anticipate the eventual transition from R to D and establish steps in their processes to familiarize the Development organizations with the novel ideas. Their knowledge of the market will help shape the ideas while still malleable, so that when they make the transition to the "D" organization, they have already been shaped, twisted, modified, and re-arranged to meet the diverse needs of the market, the channel, and the internal organization. Handing-off prior to ironing out the changes and modification kills ROI.

Open Innovation paradigms allow for truly novel ideas to be supported internally, through external collaborations, through co-development programs, etc. By sharing risk and expertise, an external partner can make the difference between a truly novel idea dying in the "chasm" or prospering through controlled collaboration.

Setting a Frugal Pace:
Looking over the output of prior years' innovation efforts, companies can adjust future year's innovation budgets (input) and activity levels (touch points).



As the organization leans out innovation, it strives to align its resources so that they are distributed along the development path and foster growth over time. As opposed to investing large amounts in big events and hoping that good ideas "will take care of themselves" they invest along the lifecycle of the idea, using Pace as a means to govern and ensure that ideas make regular progress.

Summary:
The Pace of innovation can be a governance tool to ensure that good ideas don't die on the vine. Establishing a frugal pace forces organizations to clarify their innovation activities so that they create a sequence of touch-points through which ideas can be fostered and by which team leads can be both supported and evaluated.

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