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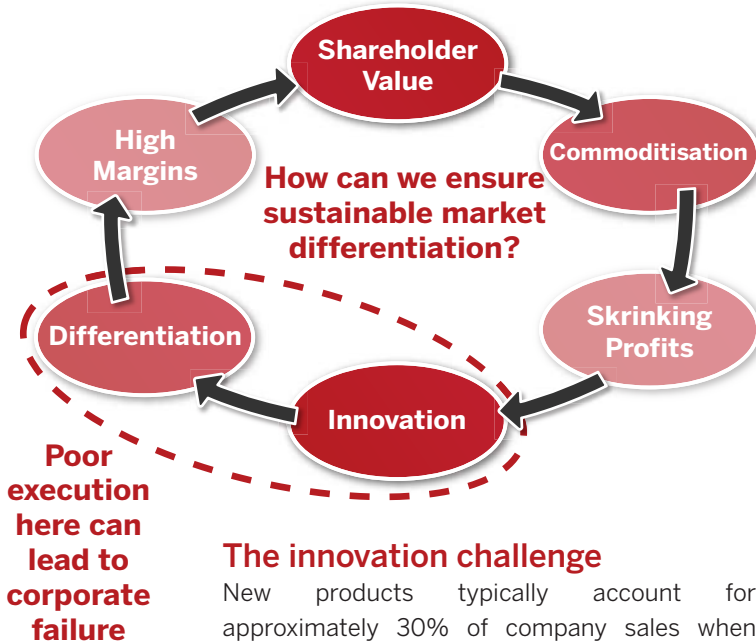
Innovation Maturity: A Framework for Increasing Innovation Productivity

The term “**Innovation Maturity**” implies not only that some companies may have higher levels of innovation maturity than others, but also that they may be enjoying benefits from their innovation investments that others are yet to realise. Prodex Systems’ Managing Director, **Gerard Ryan**, discusses how to build innovation maturity to better leverage the investments made in New Product and Business Innovation.

Innovation has come of age!

After years of lip service, innovation is now firmly on the corporate agenda as the key to survival and growth.

Competitive pressures, the fragmentation of markets and the relentless trend towards the commoditisation of products and services demands an effective response - the creation of a highly effective and highly efficient innovation program.

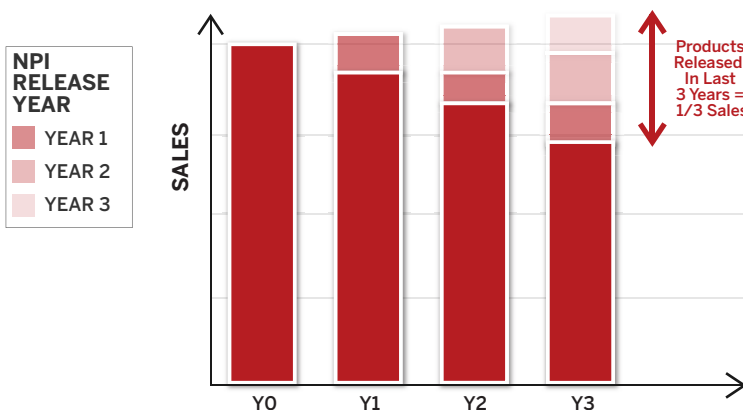


The innovation challenge

New products typically account for approximately 30% of company sales when defined as products which have been on the market for 3 years or less. While this metric varies between industry sectors and between companies, the rate of new product introductions and corporate dependency on their success is increasing and is expected to grow by a further 21% over the next 5 years.

Despite demand for growth through innovation, **almost half of product innovation projects fail to deliver against their project objectives.** Worse still they are often late to market and over budget.

Vintage Chart: % Sales from New Products based on release year



Average companies get average results

Across any measure, the contrast between "average" performers and "best" performers in new product surveys is staggering.

METRIC	AVERAGE COMPANY	BEST PRACTICE COMPANY
% of sales from New Products	25.2%	49.2%
% of profits from New Products	22.0%	49.2%
# of ideas for 1 success	8.4%	3.5%
% of resources spent on project failures	46.0%	20.0%

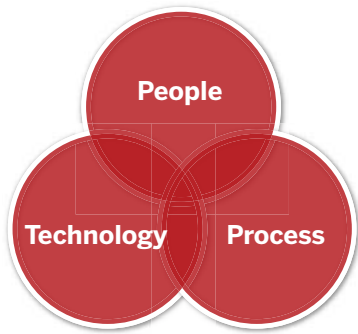
Translated into business results, an effective innovation program will:

- Increase the success rate of new products
- Reduce time to market for new development projects
- Increase the proportion of projects delivered within budget
- Shift portfolio balance away from incremental product development
- Increase the proportion of 'new to company' and 'new to market' products
- Reduce the total number of development projects
- Increase the average value of each project
- Increase sales and margin

Defining Best Practice

The good news is that the core set of practices which differentiate 'best practice' companies from 'average performers' have been thoroughly researched and can be easily identified.

The identification and implementation of innovation 'Best Practices' has been the focus of new product development management research for decades. Leading this field of research for many years has been Dr. Robert Cooper whose studies have identified 3 key drivers of innovation success: Strategy, Process and Resources.



Organisational Change Model



Key Drivers of Innovation Success

“Companies who focus on these 3 dimensions realise a 30% to 70% increase in the productivity of their innovation investments ”

In the parallel world of implementing effective organisational change, the mantra to focus on People, Process and Technology has prevailed. Technology is recognised as a key enabler of increased productivity and, when implemented with due consideration of processes and resources, can deliver significant payback.

There are many tools and processes which companies use to increase their innovation effectiveness and there are several definable phases of maturity through which companies pass as they progress towards best practice.

Product Innovation Maturity Model (PIM)

Integrating these frameworks is the basis for the Product Innovation Maturity model which places four key drivers of organisational change in Innovation Governance as the horizontal swim lanes and the four phases of Innovation Maturity as the columns.

This model assists in defining the EXISTING and PLANNED position against each of these dimensions.

		KEY PHASES OF INNOVATION MATURITY			
		ELEMENTARY	EFFECTIVE	ADVANCED	ENHANCED
KEY DRIVERS OF INNOVATION PERFORMANCE	STRATEGY	Ad Hoc Opportunistic	Integrated project plans	Strategic Portfolio Management	Market and technology led Platforms
	PROCESS	Unstructured Linear	Stage Gate Idea management VOC processes	Integrated process models + Portfolio reports	Knowledge management + Information reuse
	RESOURCE	Functional Hierarchical	Early Cross Functional	True Cross Functional with Matrix structure	Distributed Global High performance platform teams
	TECHNOLOGY	Excel	MS Project Early Stage Gate automation	Integrated Idea, Stage Gate + Portfolio tools	Integrated Road mapping and Platform Planning

Product Innovation Maturity Model

Prodex	ELEMENTARY	EFFECTIVE	ADVANCED	ENHANCED
STRATEGY	Ad Hoc Opportunistic	Integrated project plans (S1)	Strategic Portfolio Management (S2)	Market and technology led Platforms (S3)
PROCESS	Unstructured Linear	Stage-Gate Idea Management VOC processes (P1)	Integrated Process Models + Portfolio Reports (P2)	Knowledge management + Information reuse
RESOURCE	Functional Hierarchical	Early Cross Functional (R1)	True Cross Functional with Matrix Setup (R2)	Distributed Global High performance platform teams
TECHNOLOGY	Excel	MS Project Early Stage Gate Adoption (T1)	Integrated Idea, Stage Gate + Portfolio Tools (T2)	Integrated Road mapping and Platform Planning

Application example: Alpha Corporation

STRATEGIC INITIATIVES

Alpha Corp has been predominately reactive with discrete examples of genuine product innovation. In evolving its innovation strategy, Alpha Corp now seeks to make the following shifts:

(S1) → (S2)
[YEAR 1]

- Increase the proportion of new to company and new to world product innovation
- Increase the average margin of all new products

(S2) → (S3)
[YEAR 2 & 3]

- Develop key platform technology solutions
- Deploy a systematic sequence of high value to customer, derivative new products

PROCESS INITIATIVES

In support of this Strategic Initiative, Alpha Corp will evolve its:

1. Stage-Gate Process

Define discrete process models for:

- Technology Platform projects
- New to Company (4 stages)
- Incremental (2-3 stages/fast track)

2. Portfolio Management Process

Introduce methods to shift resources from incremental projects to allow the realisation of "Fewer, Bigger, Better!"

3. Ideation Process

- Align ideation processes and programs with strategic arenas and portfolio objectives
- Define discrete idea process models, templates and scorecards
- Appoint idea managers for each idea process model

4. Voice of the Customer Process

Initiate Voice of the Customer projects to identify unmet customer needs within arenas of strategic focus

RESOURCE INITIATIVES

- To achieve this program of process evolution, a prioritised training program has been defined over a 12 month time frame to introduce and develop organisational capabilities.
- Training activities will be aligned to each of the process evolution activities

TECHNOLOGY INITIATIVES

- To support the total program of effort, Alpha Corp, reorganises the need for an enhanced information, communication, work flow and decision support system for Innovation Governance.
- An IT project has been initiated to communicate early evaluation of options and plan a realistic implementation program aligned with organisational change management capacity.

Summary

The Product Innovation Maturity Model provides a framework for the realisation of increased profitability through New Product Innovation. The model is an effective way to communicate the interdependency which exists between the key drivers of innovation performance (strategy, process, resource and technology). It provides a systematic framework for the progression toward an enhanced, world class Product Innovation capability.

Prodex Systems use the Product Innovation Maturity Model as a framework for defining and deploying its integrated range of consulting, training and technology services to achieve **Product Development Excellence.**