

## IMPLEMENTING THE INNOVATION MEASUREMENT FRAMEWORK

Companies that are changing their innovation measurement practices need to consider a number of key questions during each step of the process.

PHASES	STEPS	ACTIONS AND QUESTIONS TO CONSIDER
<b>PHASE A: ASSESS CURRENT INNOVATION MEASUREMENT PRACTICES</b>	<b>1. Identify existing innovation measurement practices.</b>	<p><b>Compile a list of all key measures and measurement activities in your organization.</b></p> <ul style="list-style-type: none"> <li>• Can you identify particular patterns?</li> <li>• Are you using qualitative or quantitative measures, or both?</li> <li>• What is the frequency of follow-up?</li> <li>• Which tools and routines for innovation measurement are currently applied?</li> <li>• Which of your measures have a direct effect on innovation — and which have an indirect effect?</li> <li>• Who uses the key innovation measures, when, and for what purpose?</li> <li>• How are key innovation measures linked to incentive systems?</li> </ul>
	<b>2. Assess the current innovation focus and set priorities.</b>	<p><b>Assess your innovation goals and priorities.</b></p> <ul style="list-style-type: none"> <li>• What's the desired balance between serving existing customers versus entering new markets versus targeting new customer needs?</li> <li>• Where is your core innovation focus? Products, services, business model, technology or process, or a combination of these?</li> </ul>
<b>PHASE B: IMPROVE CORE INNOVATION MEASUREMENT PRACTICES</b>	<b>3. Develop or improve measures for evaluating the innovation portfolio.</b>	<p><b>Develop measures that help you assess what type of innovation initiatives are underway and how far they are from realization.</b></p> <ul style="list-style-type: none"> <li>• To what extent do you make explicit strategic choices in the balancing of the portfolio?</li> <li>• Are you discovering and evaluating the balance between high- and low-risk projects; large and small projects; and radical and incremental innovation projects?</li> </ul> <p><b>Consider using the following measures:</b></p> <ul style="list-style-type: none"> <li>• Proportion of innovation resources/projects devoted to incremental, extension, and breakthrough initiatives in the short and long term</li> <li>• Percentage of projects targeted to result in offerings that are new or in new markets</li> <li>• ROI for new products or services</li> </ul>
	<b>4. Develop or improve measures for evaluating the innovation process.</b>	<p><b>Develop measures that help you focus on what is important to you: speed, resource consumption, and/or output.</b></p> <ul style="list-style-type: none"> <li>• Have you identified measures of input, throughput, and output for the innovation process?</li> </ul> <p><b>Consider using the following measures:</b></p> <ul style="list-style-type: none"> <li>• Percentage of projects launched that lead to revenue</li> <li>• Average duration of the innovation process versus target performance</li> <li>• Average project performance against schedule/target</li> <li>• Number and percentage of projects in different stages in the innovation process</li> <li>• Number and percentage of projects terminated after each stage</li> <li>• Number of projects stalled</li> </ul>
	<b>5. Develop or improve measures for evaluating innovation projects.</b>	<p><b>Develop measures that help you spot bottlenecks in innovation projects and help make the projects customer-centric.</b></p> <ul style="list-style-type: none"> <li>• Do you know why projects stand still?</li> <li>• Is there enough slack for innovation?</li> <li>• Are mechanisms for securing external feedback an integral part of projects?</li> </ul> <p><b>Consider using the following measures:</b></p> <ul style="list-style-type: none"> <li>• Percentage of time project is moving ahead versus waiting for input or resources</li> <li>• Number of prototypes per new product/service</li> <li>• Number of customer tests before launch</li> <li>• Number of patent applications</li> <li>• Time from idea submission to commercial launch</li> <li>• Time to profitability</li> <li>• Project cost versus budget</li> <li>• Percentage of projects involving third parties</li> </ul>
<b>PHASE C: DEPLOY THE IMPROVED INNOVATION MEASUREMENT PRACTICES</b>	<b>6. Set routines for innovation measurement.</b>	<p><b>Set up targets and follow-up activities.</b></p> <ul style="list-style-type: none"> <li>• Decide the appropriate total number of innovation measures.</li> <li>• Decide which measures can change over time, and which should be kept constant.</li> <li>• Decide how innovation measures should be linked to general performance assessment and incentive systems.</li> <li>• Set targets for each of the measures identified in Phase B.</li> <li>• Decide the frequency of measurement.</li> <li>• Assign a responsible "owner" for each measure or group of measures.</li> </ul>
	<b>7. Implement the new innovation measures and routines.</b>	<p><b>Make sure the new innovation measures are being used.</b></p> <ul style="list-style-type: none"> <li>• Make a reasonable time plan for implementing the new innovation measurement practices.</li> <li>• Ensure commitment to new innovation measurements from key stakeholders.</li> <li>• Ensure that new innovation measurement practices are known within the organization.</li> </ul>