Evolving the Way You Innovate

Five high-impact improvements you can make to your idea-to-launch innovation process

BY SCOTT J. EDGETT AND MICHELLE JONES

OVERVIEW: Agility, front-end vitality, customer centricity, collaboration and gate governance are five high-impact approaches that top performing companies are using to evolve their idea-to-launch innovation processes in order to strengthen their innovation capability.

Success in the global marketplace is no longer solely about innovating products and services. Our benchmarking studies confirm that, today, it is also about "innovating the way we innovate[1]." This first article in a series shows five ways companies can do just that; thereby enabling themselves to continue increasing revenue, profitability, productivity and speed-to-market. A little effort can go a long way, and the trick is in figuring out what specifically to improve or change.

Many top-performing companies like 3M, Corning, Emerson Electric and P&G have been using the widely adopted Stage-Gate® Innovation Process for more than 15 years. Take a closer look and you will discover that, although Stage-Gate is consistently core to their approaches to innovation, its design and implementation has evolved over time, along with the companies themselves.

There is a history of progress that illustrates the careful preservation of evidence-based practices and the continuous adaptation of new approaches. This is reflected in adaption to ever-evolving strategies, customers, supply chains, competitors, capability, leadership and enabling technologies. Do you endeavor to keep your innovation process fresh, vibrant and relevant? Do you try to make it reflective of your changing portfolio of projects, and responsive to fluid business needs? This article explores five high-impact ways winning companies are improving their idea-to-launch processes. These are things you, too, can implement to ensure your company remains relevant, results-oriented and purpose-built to drive better results from innovation.

1. Agility

Agility, from an innovation perspective, means being responsive to new strategic opportunities and adapting to be able to execute with speed. It is about mastering simultaneously the perfect blend of balance, coordination, speed, strength, endurance and responsiveness.

A purpose-built idea-to-launch process gives a company the agility it needs to surface the best innovation opportunities, focus scarce resources and execute with speed. Why then are many companies with innovation processes failing the agility test? There are two common reasons:

1. They do not evolve their processes to keep pace with their increasingly diversified portfolio of innovation projects.
2. They are inflexible with respect to implementation and use of the process.

Evolving to match project risk: Progressive companies make smart adjustments to their innovation processes and right-size the rigor required to match the degree of risk associated with each type or category of innovation being pursued. In essence, they create multiple internal playbooks each designed to accelerate differing types of innovation important to the business strategy.

Each innovation process emphasizes specific, value-adding best practices together with organizational memory of past successes and failures. This guides teams to execute in a manner that will increase likelihood of success. Companies have intensified their agility by right-sizing their innovation processes.

Hallmark Cards Inc., a $4 billion manufacturer and retailer of greeting cards and gifts, pursues three types of innovation they believe will advance their overall business strategy[2]:

1. Maximize (existing product for existing customers)
2. Transform (new product for existing customers)
3. Create (new product for new customers).

As innovation opportunities are discovered, each is screened for magnitude and risk and quickly routed into one of three Stage-Gate processes tailored to enable just the right amount of flexibility and discipline. No opportunity endures more or less rigor than required for its success.

National Oilwell Varco (NOV), a $21 billion equipment and component manufacturer for the oil and gas industry, takes a similar but slightly different approach with four risk-adjusted Stage-Gate processes for global, regional and local innovations[3]:

1. 5-stage process for high-risk global-launch projects
2. 3-stage process for moderate-risk regional projects
3. 2-stage process for low risk local-launch projects
4. 1-stage for low risk, local sales-driven orders.

This effective organization-wide coordination of innovation enables NOV to surface and execute high-value, long-term, global opportunities as well as shorter-term, local projects without sacrificing responsiveness, speed, due diligence and agility.

Flexibility of the process: The most important goal of any innovation process is to enable success in the marketplace. When you lose sight of this in favor of internal control you lose a competitive advantage. The trick is to balance discipline to process with good judgment and flexibility.

While it is always preferable for teams to leverage the existing organizational know-how built directly into their innovation process, some projects will push boundaries, especially types of innovations that the company has little or no experience with and, therefore, little by way of purpose-built process value to contribute to its success. When such situations arise, does your organization opt for procedural conformity, do you take a hybrid approach (a blend of existing process with some experimentation) or do you rule in favor of a complete exception? If you are at least having this discussion, you are moving in the right direction.

For new-to-world breakthrough innovations, specialty glass and ceramics manufacturer, Corning Inc., relies on Stage-Gate for its guardrails, common language and go/kill decision gates to accelerate alignment, but looks to the context of individual projects to pinpoint unique knowledge gaps that might benefit from new, out-of-the-box techniques within the stages[4].

Teams are comprised of seasoned innovators and can operate with a greater degree of flexibility and are empowered to collapse stages, omit gates, use unique techniques (i.e. Agile, Scrum) and experiment with new practices. But there are two conditions:

1. Acknowledgement of the tailored approach before the project initiates
2. Post launch reviews to capture learnings so future, similar projects can benefit.

The evolution of Corning's Stage-Gate process over more than 15 years reflects a strong commitment to innovation and to a continuous learning culture.

2. Front-End Vitality

The innovation process works most effectively when it has a steady diet of high quality innovation ideas to consume, shape and evolve into differentiated, winning products and services. This continuous inflow and iterative activity creates an ever constant pressure on decision-makers to kill the least attractive concepts and redirect scarce resources to the more promising ones, thereby elevating the overall value of the pipeline.

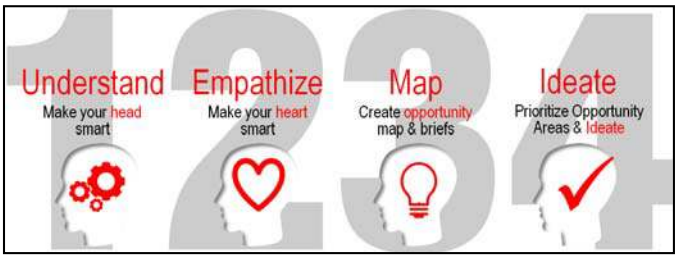
It is the front-end of the process that creates both quantity and quality ideas in the critical early stages, before the expensive development stages begin. A sustainable, vibrant and active front-end has businesses proactive on four fronts:

1. Multiple idea sources in play (internal and external).
2. Cross-functional collaboration and experimentation.
3. A focus on the voice of the customer.
4. One holistic idea-to-launch process that seamlessly links the front-end to development creating one complete Stage-Gate process.

Unfortunately, many companies simply do not devote enough people and/or resources to this important proactive activity.

Consider how two companies are enhancing their front-end to be more robust. 3M, a global diversified technology manufacturer, is a leading pioneer of customer-focused ideation. Its four step "Insights to Innovations" (i2i) program is embedded in its global Stage-Gate process and helps drive a customer-centric culture throughout the innovation process[5].

Figure 1. 3M's Insights to Innovations (i2i) Program



Kimberly-Clark Inc., a consumer goods manufacturer, further bolstered its front-end when metrics confirmed a gap between current and desired performance from innovation investment[6]. They did not wait for new innovation opportunities to serendipitously arrive; they proactively hunted for new ideas in markets strategically significant to their business.

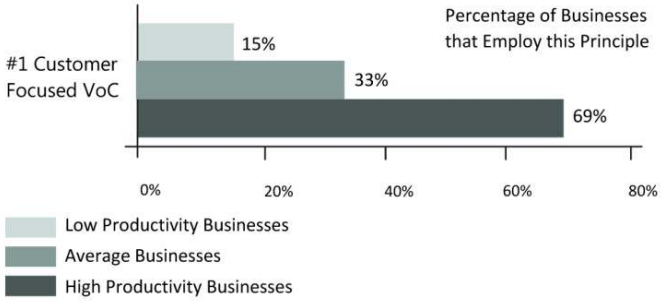
Deployment of a new variation on a proven customer immersion technique helped them gain an intimate understanding of new potential customers and markets and their most important problems. The structured, yet free-flowing, cross-functional approach generated enough opportunities to exceed their gap goal.

3. Customer-Centricity

High productivity companies are 4.5 times more likely to be market and customer focused throughout their entire innovation processes[1]. This translates into three key areas:

1. Vital customer-facing activities in every stage.
2. Selection criteria favoring products that have a superior value proposition.
3. A discipline to rely on stable and reliable voice-of-customer information when making tough go/kill decisions.

Figure 2. Innovation Performance: Critical Drivers of Success



The idea is to create a purposeful, iterative dialogue between the team and a sampling of customers representative of the target market. In the early stages, the dialogue focuses on validating big and important problems and gauging interest and reaction to a variety of potential solutions. Advances in technology, namely: storyboarding, video, web meetings, social media, and survey tools are making it easier for teams to communicate and test early concepts with customer groups without enduring the time and expense of developing a commercial-grade product first.

The dialogue shifts entering into the development and testing stages. It moves from testing a variety of options to zeroing in on a robust design for the best solution. Customer feedback obtained over several, mini design-build-test loops sharpen the quality of the product definition and prevents the team from drifting too deeply into designs that may have technical merit but lack value to the customer. Again, advances in technology, for example 3-D printing, enhance the dialogue during this stage.

The customer focus shifts yet one more time entering into the final commercialization stages. Now the value proposition is confirmed by testing value for price, volume levels, key messaging and marketing copy. After-sales support becomes a priority.

3M, for example, deploys iterative customer engagements throughout their entire Stage-Gate process. In the early stages, they seek to confirm "Does it Resonate?". In the development stage, they seek to confirm "Does it Differentiate?", and in the final stages, they seek to confirm "How best can we Communicate?"[5].

The payoff in a customer centric approach is two-fold. First, you get it right more often. Continuous voice-of-customer feedback helps teams recognize when they are moving in the wrong direction and to course correct before it is too late. Second, the progress is more efficient, saving both time and resources, because a sharper product definition is developed sooner.

4. Collaboration

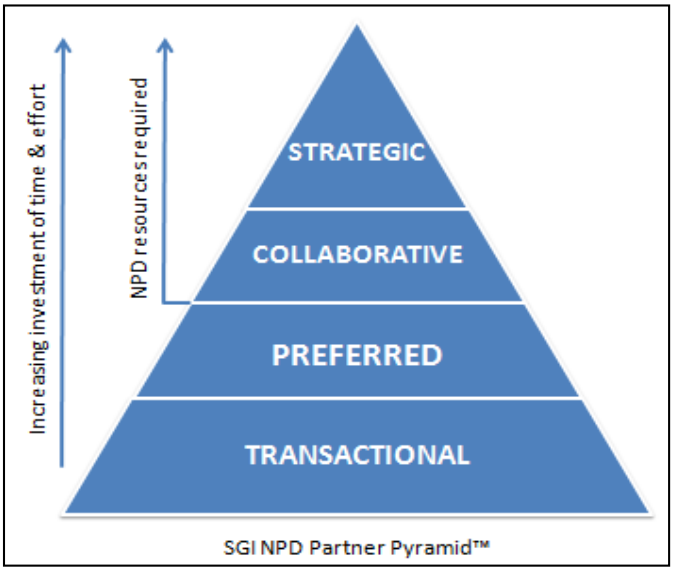
Innovation collaboration for some businesses simply describes how they outsource some of their development effort to preferred suppliers. However, for others, it has evolved into an entirely different mindset. These more progressive companies are strengthening their innovation collaboration capability to establish strategic, competitive advantages that open doors to new revenue opportunities. They also speed up existing product development efforts.

Enhanced results from collaboration exist when two or more collaborating companies can align on an effective approach to working together on innovation; for example, by developing a joint, well-defined innovation process. Establishing common processes enables them to focus on the success of the project itself. The International Foodservice Manufacturers Association (IFMA) recognized this need and led an industry-wide initiative to establish a Stage-Gate model tailored to serve the industry's complex supply chain[7].

The common framework, language and approach to product innovation helps to expedite new product collaborations and improves success rates. A critical component to this framework is the New Product Development Partner Pyramid™ designed to help partnering companies clarify upfront the type of collaboration to pursue for each project so companies can apply the right approach and resource it accordingly.

Progressive companies take this one step further by viewing their portfolio from a collaboration point of view. This visibility helps to pinpoint the types of collaborations that are most prevalent and important to their business performance and enables further refinement to their innovation processes. It also helps to build organizational capability to support successful execution.

Figure 3. SGI's New Product Partner Pyramid™



5. Gate Governance

Over the years, companies have experimented with different decision structures for innovation, looking for ways to improve, shorten, reduce and even eliminate gates (decision meetings). Some companies have even streamlined gates to a simple voting button within an email.

While there is much merit to ensuring gate meetings are as efficient as possible, stripping your innovation process of this evidence-based practice is only going to deliver disappointment, resulting in frustration and poor performance. Effective Gates are still a powerful driver for successful innovation. Leaders in best practice companies not only embrace gates, but are strengthening this capability for better optimization. Two additions that have been gaining in popularity are:

1. Delegating and decentralizing Gatekeeping Teams where possible; thereby, increasing the total number of senior leaders involved in evaluating, prioritizing and advancing innovation projects. One company describes it as "Matching the Gate budget decisions and innovation risk with the appropriate level of executive approval and decision making authority." Senior executives are still very involved in larger, more risky projects with large potential paybacks but for smaller projects the next tier of executives take over. This also helps to speed up decision making.
2. Aligning Gatekeeping Teams to specific project portfolios; thereby, improving accountability and, ultimately, the performance of each portfolio. Thus every executive does not need to be involved in every decision but only for the projects that are directly related to their business. This approach works well, for example, for multiple product lines, multiple markets and countries.

National Oilwell Varco (NOV) has multiple gatekeeping teams strategically located around the globe, each team is assigned to specific portfolios of projects by risk level and geographic location[3]. Each portfolio uses the Stage-Gate process tailored specifically to suit that particular type of innovation, including tailored evaluation criteria and specialized capabilities.

An effective idea-to-launch process is one of the four critical drivers of the Innovation Performance Framework[8]. It is a proven driver of success and, like all internal processes, can be improved over time as your organization strives to improve its innovation performance. The various techniques described in this article may stimulate some discussion within your company as you try to raise its innovation capability.

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About Stage-Gate International

Stage-Gate International is a global innovation management consulting firm providing consulting services, products and conferences to accelerate innovation. We specialize in the Innovation Performance Framework®: innovation strategy, portfolio management, Stage-Gate® process, and innovation cultural leadership.