

SBS Panel on Innovation Management for SMEs

ISO 56008

Guidance on How to Think, Design and Implement Innovation Operation Measurements

Innovation is a Renewable Corporate & National Capability to be developed, harvested, used and commercialized for economic and social benefits.

Dr. Sorin Cohn-Sfetcu

President, Competitive Innovation Management & Entrepreneurship (c-IM&E)

Convenor TC279/WG3 Innovation Management Tools & Methods

scohn@rogers.com

+1.613.301-0066

Measurements as Tools for Objective Decisions

You cannot manage what you don't understand and measure

DECISIONS should be based on evidence – usually by answering truthfully critical questions like:

- ❖ *Are we doing the right things?*
- ❖ *Are we prepared to undertake them?*
- ❖ *Are we doing them properly?*
- ❖ *Are we satisfied by progress (Effective, Efficient, Ethical & Timely) ?*
- ❖ *Are we ready for the next stage?*
- ❖ *Are we gaining new highly impacting lessons for the organization?*

Then, IF measurement results are OK:

- **YES** → **Learn & Proceed** (with some necessary improvements)
- **NO** → **Learn & Abandon**, or
Learn & Go Back, Redo and Re-Measure to decide...

Implementing Innovation Operation Measurements: Guidance by ISO 56008

- ◆ **Why** Measure
- ◆ **What** to Measure → **Indicators**
 - Strategies
 - Activities
 - Effects & Outcomes
 - Processes
 - Capabilities, etc.
- ◆ **How** to Measure → **Metrics**
 - Quantitative & Qualitative
 - Properly selected and validated
- ◆ **When** to Measure and **Who** to do the Measuring
- ◆ **How** to process and present the resulting data
- ◆ **Who** to decide on the results and how to proceed
- ◆ **When** and **How** to Change Metrics

Activities, Measurements, Indicators and Metrics

Intent → **ACTIVITY** → Results

Preparation
Indicators
Econo-Socio-
Enviro

Activity
Progress & Efficiency
Indicators:

Output & Outcomes
Indicators:
Economic-Social-
Environmental

Input Metrics

Process
Metrics

Output & Outcome
Metrics

Qualitative
Metrics

Quantitative
Metrics

One can't manage what one
does not measure!

Metrics drive
behavior!

Not everything that can be counted counts, not everything that counts can be counted

Innovation (Operation) Measurements

The crux of metrics-based management is to know the uncertainties that measurements should solve

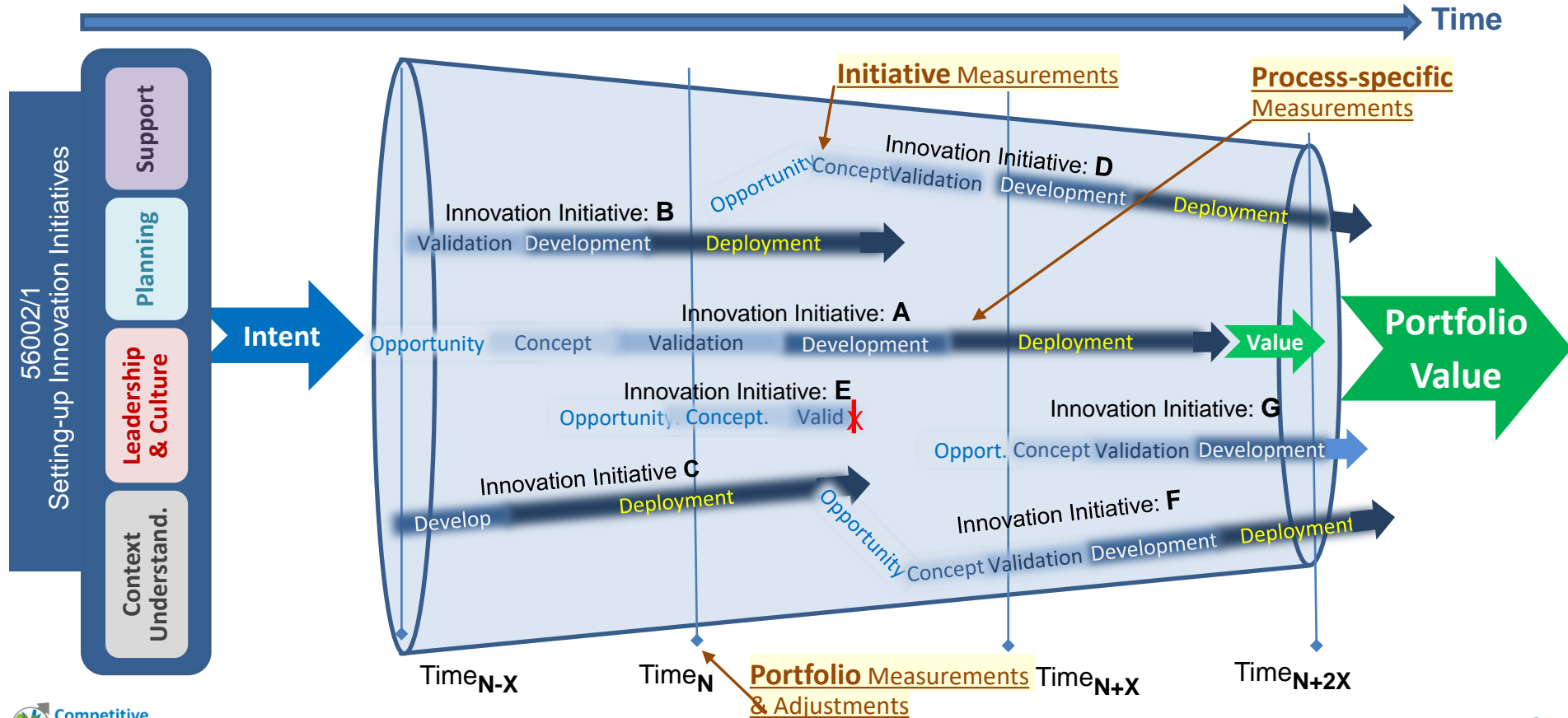
- Identifying the right questions (indicators) is very often more difficult than finding the right answers
- Measuring innovation is a combination of art and science that should be flexible and agile to match corporate situation and market conditions
- Need to cover all relevant aspects of the innovation project or portfolio pursued:
 - Intent, responsibilities, planning
 - Capabilities and inputs
 - Outputs and outcomes
 - Processes, including innovation management
- Indicators and metrics must be chosen to inspire towards specific goals and behaviors in support of corporate strategy
- Just doing something about innovation measurements is better than doing nothing
(But it will not lead to sustainable innovation unless it is done methodically and with specific goals in mind.)

**No two companies are the same →
Do not blindly copy the metrics of another**

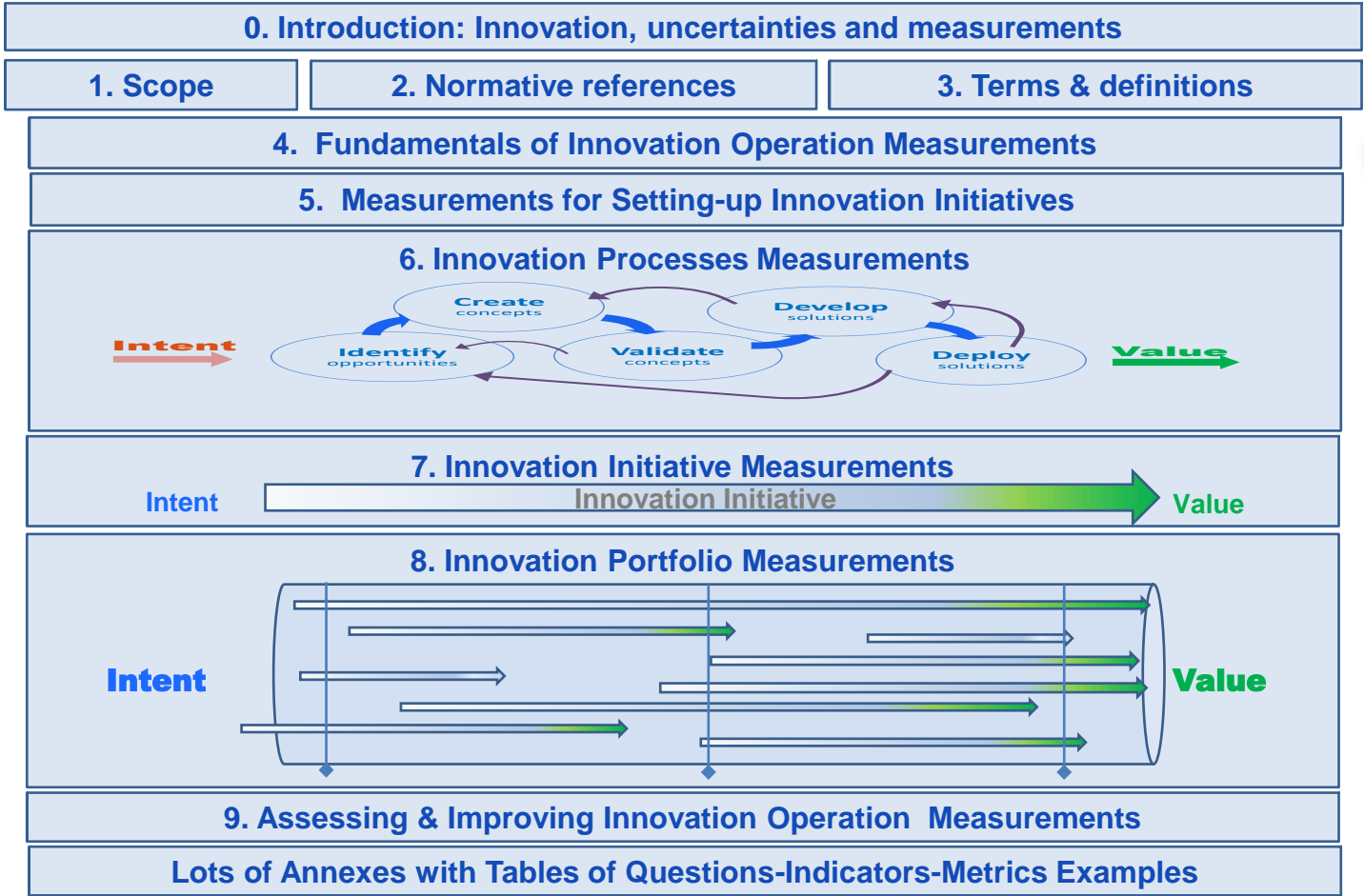
Management of innovation at organization level should disrupt the business-as-usual attitude

Innovation Initiatives, Processes and Portfolio... in Time

- Initiatives do **NOT** start at the same time, are not “linear”, and some are **Short-horizon**, others are **Long-horizon**, etc.



Innovation Operation Measurements: ISO56008 Structure



Not everything that can be counted counts,
not everything that counts can be counted

What gets measured is what gets done!
What gets done is what gets rewarded!

Innovation Operation Measurements, if properly used,

- ❖ Help select the right innovation initiatives (investments)
- ❖ Establish readiness for pursuing stated objectives
- ❖ Manage risks better
- ❖ Monitor progress and guide corrective action
- ❖ Avoid costly management mistakes
- ❖ Lead to strategic alignment
- ❖ Permit optimization of resource allocation
- ❖ Enable rewarding effectiveness, efficiency and timeliness.

ISO 56008 provides guidance on how to Think, Design, Implement and Decide based on Measurements

SBS Innovation Management Town Hall

Questions?

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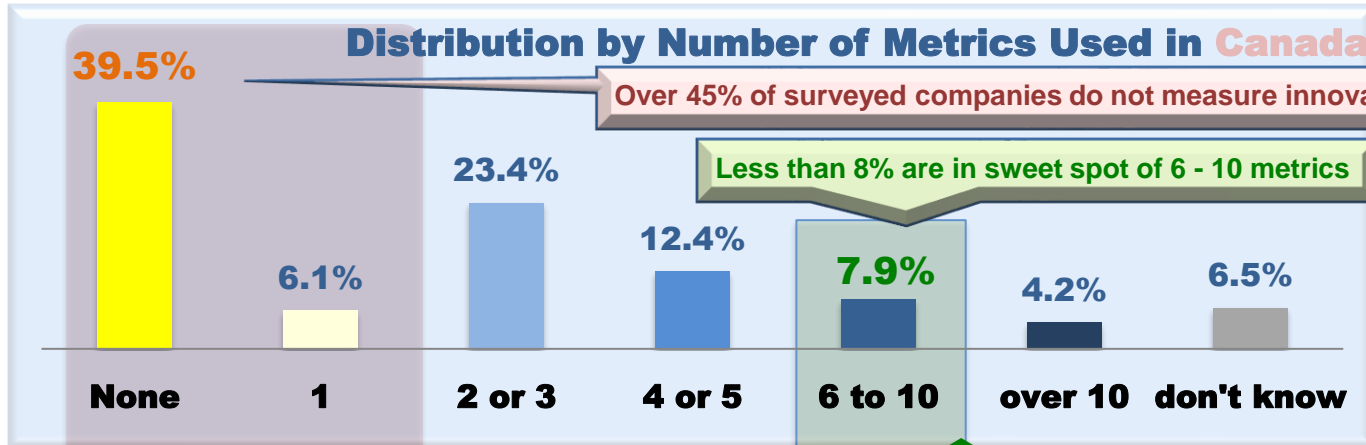
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President, Competitive Innovation Management & Entrepreneurship (c-IM&E)

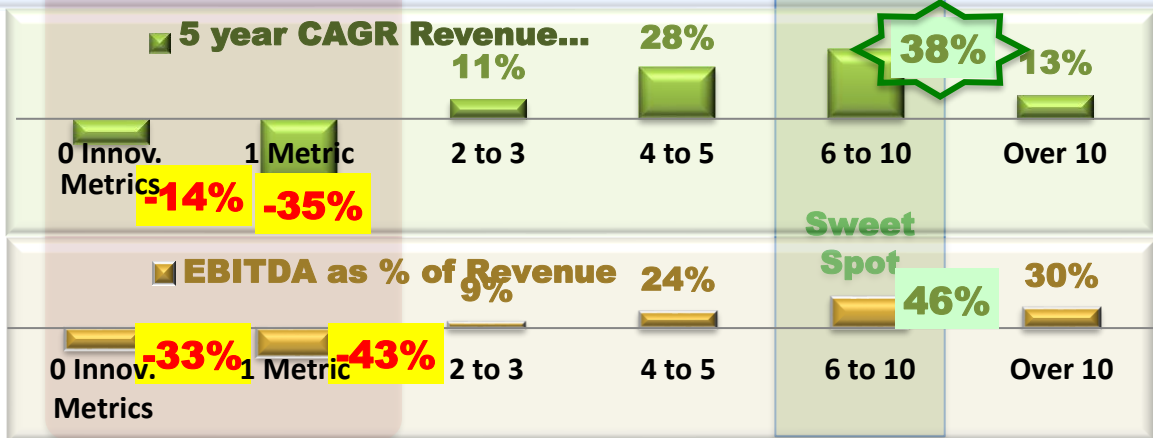
Leader, ISO 56008 Innovation Operation Measurements & Metrics

SCohn@CValueGuide.com +1.613.301-0066

Do you have a Good Set of Corporate Innovation Metrics?



How many metrics does your company use?



What could be gained in terms of industry well-being by raising the number of firms using 6-10 metrics?

Source: 2012 CBI Conference Board Study of Innovation Metrics & Management

Most “Interesting” Corporate Innovation Metrics - Canada

Most Used Metrics (416 firms)			
#	Metric	# Firms	% Perf. Effect
1	Customer satisfaction with new products	186	15.0%
2	Return on innovation investment	145	13.7%
3	New product revenue impact	138	32.2%
4	Product performance improvement	127	1.5%
5	Value of customer	123	14.2%
6	Focus on technology platform innovation	118	12.0%
7	Quality performance improvement	108	6.8%
8	Customer innovation capture (new classes of customers)	105	17.2%
9	Market position improvement	101	14.0%
10	Intensity of R&D	101	10.3%

Higher “Performance Effect” Metrics			
#	Metric	% Perf. Effect	# Firms
1	Executive intensity involvement	39.4%	36
2	Market understanding (% of products still there after X years)	38.4%	68
3	Addressable customer innovation	36.2%	68
4	Number of R&D Projects	35.7%	56
5	Innovation risk management (% projects with risk mgmt. plans)	33.6%	38
6	Distribution chain improvement	33.2%	30
7	Supply chain improvement	32.5%	55
8	New product revenue impact	32.2%	138
9	Intensity of bottom-up innovation	30.1%	36
10	Resource innovation focus	29.7%	48

“Metric Performance Effect” is indication of Culture & Process NOT of Innovation Value

Which of these metrics are being used in Your Company?

Most “Interesting” Pairs of Corporate Metrics

Top Usage Metric Pairs 2 Examples

- ❖ Customer Satisfaction + New Product Revenue
 - 110 companies → Group PE = 19.5%
- ❖ Return on Innov. Invest. + Techno. Platf. Innov.:
 - Return on Innov. Invest. + Techno. Platf. Innov.
 - 86 companies → Group PE = 22%

Top “PE” Metric Pairs 5 Examples of

- ❖ Executive Intensity + Market Understanding
 - 16 companies → Group PE= 65.1%
- ❖ # R&D Projects + Platform Innov. Coverage
 - 27 companies → Group PE = 51.3%
- ❖ Addressable Customers + Market Value in Pipeline
 - 32 companies → Group PE = 42.6%
- ❖ Culture & Org. Focus + Market Dominance
 - 24 companies → Group PE = 40.1%
- ❖ Executive Time Intensity + HR Innovation Focus
 - 7 companies → Group PE = 37.3%

Top Metric Triplet

- ❖ Exec Accountability + Market Value of Innov. in Pipeline + Market Understanding
 - 22 companies → Group PE = 71.6%

It all depends on firm's Sector, Lifecycle Stage, Size, Specifics

Change drives Everything



Management is finding & implementing solutions to challenges caused by change

