

Innovate on Purpose™

A systematic approach to sustainable, repeatable innovation
using the Concept to Cash™ business process

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Executive Summary

As globalization and outsourcing intensify pressure on firms to increase revenues and profits, many executives view innovation as one of the last, best opportunities for sustained organic growth. For the purposes of this paper, we define innovation as putting valuable ideas into action as new products, services or business models. Recent surveys indicate that CEOs identify innovation as one of the three key initiatives in the coming years. The increasing emphasis on innovation as a business focus is indicated by the growing number of books and seminars dedicated to innovation. Clayton Christensen alone has written three exceptionally well-received books on innovation – *The Innovator’s Dilemma*, *The Innovator’s Solution* and *Seeing What’s Next*.

The challenge many businesses face is not a lack of ideas. Innovation is constrained in many businesses because it is contradictory to corporate culture, compensation and existing business processes. Firms are traditionally more focused on the “sure thing” and driving out risk and cost. Innovation requires taking more risk, but sustainable innovation also requires defined, repeatable business processes and tools to become part of the everyday business workings in a firm. Companies seeking to become more innovative face the challenges of changing corporate culture, implementing new business processes and finding new applications to support the business process.

Improving innovation by building a repeatable, sustainable innovation business process – what we call the “Concept to Cash™” business process - will vastly improve the consistency and predictability of innovation in our businesses, leading to new revenue growth opportunities and greater profitability and competitiveness. These concepts, processes and tools will help your company move from accidental or occasional innovation to a state we call Innovate on Purpose™.

These challenges are by no means atypical. Many businesses have been through similar change in the past, in efforts to improve quality and in sales force automation to provide two examples. Enhanced business processes and new software applications were instrumental in the success of both of these initiatives.

Through the Concept to Cash business process and the software applications which enable and support this business process, any firm can treat innovation as a repeatable, sustainable business process and gain new differentiation and competitive advantage through new products and services.

What stands in the way of innovation?

With the advent of free trade and globalization, many avenues of competitive differentiation have dried up. Most firms in the US can no longer compete based on low cost or in many cases product quality. Peter Drucker and Gary Hamel, noted industry consultants and innovative thinkers, agree – innovation is one of the only avenues left for many companies to generate organic revenue growth. Most firms, however, treat innovation as if it were a black art or something to be left to small teams in “skunk works”. Few companies consider innovation as something that can be managed, sustained and organized as a business process.

While innovation can greatly increase organic growth, there are several hurdles to overcome before innovation is completely and successfully implemented as a business process. One hurdle, fear of change, impacts any new concept or methodology. . A second hurdle is a lack of accountability. It can be difficult in a traditional organization to assign responsibility and accountability to individuals for increased innovation. The lack of processes and systems to support repeated innovation represents the most important hurdle, since innovation has often been viewed as a task for research and development, not an organizational initiative.

Fear of Change

Joe Tucci, the CEO of EMC, wrote an article for *The Chief Executive* in October 2004 in which he addressed the first issue. In the article entitled *The role of CEOs in innovation: we must challenge organizations to think and act differently*, he wrote:

“For a CEO, remaking a company to stay ahead of the curve often means overcoming a form of protectionism within the enterprise: comfort with familiar ways of doing business, which is a formidable obstacle to innovation within well-established firms. You can’t adapt to the future if you are unwilling to let go of the past.”¹

Many firms do not provide the management leadership and cultural imperative to promote innovation and the change associated with continuous innovation. For innovation to succeed and to thrive, senior executives must constantly reinforce the importance of innovation, through communication, cultural change and compensation. People within the lower ranks of the business are smart enough to recognize a management team that is actively committed to innovation and will tolerate change and risk, and when the management team is merely paying lip service to innovation as a corporate goal. A good indicator of the depth of interest in innovation is to determine the key corporate metrics for innovation and which team members are compensated based on those metrics. If the metrics aren’t clear and no one is compensated based on innovation, the management team is not committed to innovation.

In an article for *CEO Forum*, Walter Bugno, President of Campbell Arnott’s Asia Pacific business noted that his team established specific financial targets for innovation. “The main financial target is

¹ Tucci, Joe, *The Chief Executive*, “The role of CEOs in Innovation: We must challenge our organizations to think and act differently”, October 2004

that revenues from products launched in the previous three years need to make up at least 25% of our total revenues”². Now that’s a commitment that everyone can understand. In addition, in some teams within Campbell Arnott’s business, up to 40% of the potential bonus was tied to innovation metrics.

There’s plenty of raw material available for innovation. Most firms are awash in good ideas that just don’t get implemented. The authors of the BCG study on innovation noted “Judging from our work, many companies already have more ideas than they can effectively pursue”³. In Western Europe, the United States and some Asian countries, the workforce is highly educated and often compensated on its ability to drive new growth. The challenge most businesses face is the absence of a defined process to move an idea from the concept stage through an evaluation framework to a product or new service launch in a timely and repeatable fashion. What we call the “Concept to Cash” business process.

Accountability for innovation

Many businesses suffer from a lack of accountability around innovation initiatives. As James Andrew from the Boston Consulting Group wrote in a recent article, “In many companies, no one “owns” innovation; instead, it is the responsibility of many. Too often this means that no one is actually responsible for the “cash” part of innovation”⁴. A firm may define innovation as one of its key corporate goals, but until people are assigned to metrics based on innovation initiatives and made accountable for distinct goals, innovation initiatives will fail.

As demonstrated in a recent Boston Consulting Group survey, CEOs consider innovation to be very important – generally ranking it as one of their top three priorities, yet we know of few firms that capture and report statistics or metrics about innovation. While it is common for firms to report on the significant decrease in quality problems due to a Six Sigma project, or to read about the reduction in accounts receivable days outstanding achieved through improved collection initiatives, it is rare to read about any metrics around innovation. Without metrics, ownership and clear goals, it’s exceptionally difficult to assign accountability for innovation.

The lack of a defined business process

Boston Consulting Group has termed this new business process the “Innovation to Cash” business process. This is a recognition that merely generating ideas is not enough – there needs to exist in many firms an organized business process to move ideas through a filtering and evaluation framework to determine which ideas should be converted to new products and/or services. We at NetCentrics have defined the business process as Concept to Cash because we believe the business process should begin at the point that an idea is created.

Beyond the lack of defined business processes surrounding innovation, most businesses have few software applications which enable them to capture and manage ideas. In working with a number of large organizations from several different industries, we’ve seen “idea databases” written in Excel and Access. While these are fine tools for individual use, they are not the enterprise systems one would expect to find to support a critical business function. Many firms have no recognized method to capture and manage ideas. In conversations with the heads of research and development for several

² CEO Forum website, December 2003

³ Andrew, James et al, BCG Innovation 2005 Survey, page 9

⁴ Andrew James et al, Making Innovation Pay, page 10

large consumer product firms, those individuals indicated that their teams were not using any standard tools for idea capture, evaluation, and management.

Often merely capturing an idea is not enough – some ideas must be “incubated”. We define this process as the ability to add information or context to idea over time. Many ideas cannot immediately move into a product stage, they need time and attention in order to grow to their full potential. Idea management applications must provide tools and techniques to allow users to add value and context to ideas before they are evaluated or moved into production.

Finally, few firms have a well-documented evaluation framework for ideas. Once an idea is successfully captured and managed, the idea should be evaluated against a common framework which ensures all ideas are carefully and consistently considered. An evaluation framework within an idea management system provides the means to ensure all ideas are evaluated fairly and consistently. The lack of processes and tools means that great ideas take longer to move through an innovation business process to become new products and services. Furthermore, without evaluation data and metrics, no information is available for the firm to establish the processes and applications that improve innovation. Many firms repeat the same processes or discover the same information over and over because they have no collaborative applications to store information and share results.

Reinhard Ziegler, in an article for Accenture’s web site, noted three key factors to implement a sustainable, repeatable process:

- Metrics. New kinds of measurements need to be developed to determine if innovations are really making a difference. Sony, for example, uses a metric called “mean time to prototype”, which measures how fast a new product can go from idea to mock-up.
- Performance Management. There should be formal and informal rewards for innovation, reward systems aligned with the innovation vision and strategy.
- Collaborative technologies. If you’re going to be innovative, your people have to be able to work together, even if they are not in the same location.⁵

Based on this analysis, innovation should be a regular, perhaps even routine business process. This notion is probably contrary to popular belief about innovation. Innovation should not be happenstance or accidental, but a sustainable, measurable business process.

However, if we closely examine these challenges to innovation initiatives (fear of change, lack of process, lack of accountability) we can conclude that they are very similar to the challenges most businesses faced when implementing other important initiatives. Take for example improving the focus on quality (Six Sigma programs especially) and improving our sales forecasting and sales pipeline management. Let’s examine how successful initiatives like sales force automation and quality management that have been implemented in many businesses align with our ideas and goals for innovation and a Concept to Cash business process.

⁵ Ziegler, Reinhard, Accenture website, “Anyone here have any bright ideas?”, January 2002

Comparable business initiatives and lessons learned

Innovation and the “Concept to Cash” business process should be evaluated in context to other business processes which have been dramatically improved in the last decade. Two such initiatives involved sales pipeline management and manufacturing quality control and improvement.

In the early 1990s, many firms began to build sales management systems to better understand their sales pipelines. These pipelines are the aggregation of the many sales opportunities that the sales team is working, and the total potential value of those sales judged by the timeframes of the potential closes and the potential to win the deal. Over the last decade, most sales teams have become very good at predicting which sales will close in a specific timeframe, and estimating the revenue expected from those sales. Sales teams are compensated on achieving quarterly sales goals and meeting or beating quarterly sales expectations.

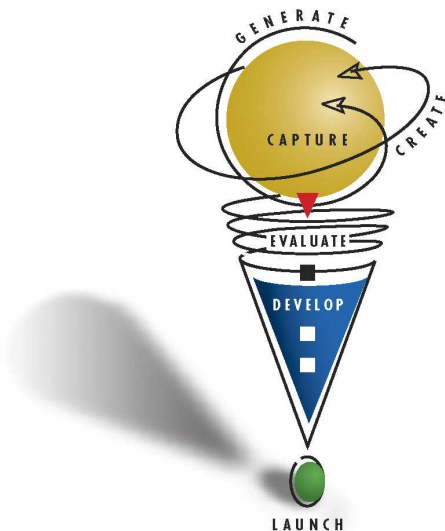
Innovation can be viewed as a business process much like managing a sales pipeline. In a sales pipeline, sales representatives indicate sales opportunities and place a number on each opportunity to represent the likelihood that the opportunity will close and a value on the opportunity. In this manner the sales management team can evaluate the potential value of the sales pipeline, even though some opportunities will be lost. Sales pipeline management has grown in capability and in predictability as new software tools such as Customer Relationship Management have become more accepted and deployed. In a similar manner, senior executives should review the innovation pipeline – the aggregation of good ideas and how they are being captured, evaluated, developed and launched.

Another comparison can be made to the increased focus on quality in the manufacturing process over the last 15 to 20 years. This shift required a serious commitment to quality from the senior executive ranks, a change in corporate culture and in business processes. In addition, the focus on quality required a number of software tools to identify problem areas and capture metrics to establish baselines and identify problem areas. Quality control and quality assurance have become an accepted attribute of business processes. In a similar manner innovation requires commitment from senior executives, cultural changes and an improvement in processes and systems.

Quality control and sales pipeline management demonstrate two business initiatives that required a similar focus and commitment as the current focus on purposeful innovation. Both demonstrate the steps necessary to successful implementation of a new innovation business process. If we can improve quality and the sales process through increased focus, accountability and new systems and processes, surely we can improve innovation, especially since it can be such a driver for new revenue growth and profits.

The Concept to Cash business process

Most successful processes are simple to understand. They are composed of as few steps as possible to minimize complexity, but with enough granularity to ensure each step adds the appropriate value. We've built a recommended innovation process – the Concept to Cash business process mentioned above. The key five steps in the process are represented by the graphic below.



- *Generate* new ideas
- *Capture* ideas
- *Evaluate* ideas
- *Develop* ideas/products/services
- *Launch* products/services/concepts

Each step of the process adds value and is necessary to the process.

Generate new ideas

In this step, new ideas are generated. There are many methods to generate ideas, including such techniques as future farming, scanning and forecasting. Making connections, especially in applying technologies or processes from other industries, is another method with numerous success stories. Peter Drucker in *Innovation and Entrepreneurship* identified seven sources of innovation that innovative companies have successfully exploited. Probably one of the best known and most used techniques is brainstorming. Of course there are other methods to generate ideas – brainstorming is only one of many approaches. Regardless of the method used to generate ideas, innovation starts as new ideas are generated.

Capture ideas

A successful innovation process must include a database where ideas can be captured and retained. Too often in firms that attempt to be innovative, ideas are generated then never recorded or retained. This means that great ideas are lost and teams are frustrated as they are forced to constantly recreate ideas that have been suggested in the past. Capturing ideas also provides a means for greater

collaboration, as ideas can be shared and evaluated across the entire team. Finally, captured ideas can be searched, connected with other ideas, people, and technologies, and combined to form promising new ideas. Currently, many firms have no standard system to capture ideas, so much of the idea generation work is wasted and there's little ability to collaborate on new ideas. A system to capture and store ideas and provide access to ideas across the organization is a great first step toward improving idea capture.

Evaluate ideas

Another shortcoming in many innovative teams is that there is no agreed framework for judging ideas. In most firms, the group that creates new ideas generates its own framework to evaluate ideas or the ideas are selected based on who supports the idea. This means it is difficult to establish a consistent evaluation framework and to understand how ideas were evaluated in the past. We advocate a common evaluation framework which ensures that all ideas are evaluated consistently. In this manner, all good ideas are evaluated against a standard framework, which ensures a more democratic evaluation of ideas, regardless of who submitted the idea. Evaluation frameworks include input from all departments, insuring that all aspects of an idea, from legal to launch, are included in idea evaluations. Different evaluation frameworks may be established for different types of ideas. Evaluating ideas within a standard framework also provides a portfolio, allowing teams to compare and manage their intellectual potential and determine which ideas to develop. Developing an evaluation framework in software along with the idea database provides a common platform for idea capture and evaluation. Such a system provides an enterprise application which enables collaboration on ideas across the enterprise.

Develop ideas

After evaluation an idea may be selected for further development and definition. The sponsor or champion for the idea may create prototypes to test with a customer, and develop a deeper business plan or business simulation to ascertain how the product or service will be received and the costs and benefits of developing the idea commercially. This step in the process allows the team to further evaluate an idea and gain more insight into its viability prior to developing the idea into a product or service. Many organizations have a new product development process to efficiently produce the offering; determining which product or service to produce is the key to making this process most effective.

Launch (products/services/concepts/ideas)

Once an idea has been fully developed, a new product or service is ready to be released to the market. Launch requirements vary widely by type of idea and by industry. Within the pharmaceutical market for example, a new drug launch program can take over 18 months, requiring the efforts of many business functions and teams. Launching a new product in any industry requires careful planning, coordination across a wide number of business functions and a significant marketing spend. Many new products and services fail due to poor launch execution and planning. Several popular innovation books focus on methods to launch products into the market in such a way as to reduce competitor response and generate market momentum from early success.

A successful launch entails coordinating the tasks, projects and timeframes of a wide array of business functions within the organization, and often includes contractors or third party business partners as well. Powerful project management and workflow software can ensure that product launches are accomplished on time and on budget.

As part of the “infrastructure” of the new process, the innovators who use this new approach should begin to define metrics and capture the actual results of their approach, to define the efficacy of the approach and to continually improve the business process. While defining, gathering and reporting metrics is not a step in the business process, metrics should be established and reported to establish benchmarks for the process and to identify areas within the process to improve.

Defining and implementing a business process to support innovation, idea generation and idea management within your organization is vital. As innovation becomes a critical factor in any firm’s ability to differentiate and generate new revenues, why leave innovation and new products and services to happenstance and to chance? Every other significant business process – order to cash, procure to pay and so forth – has been implemented, supported and maintained. Only innovation and idea management remain as a yet poorly documented and managed business process.



Software to support innovation

Once the processes are defined to support a Concept to Cash business process, software applications to support the process will enhance the process and improve collaboration and idea management. A clear goal for the Concept to Cash business process is to reduce the time and effort to move an idea from concept to new product or service, and to invest resources in the best new ideas. Software to support the Concept to Cash process will improve collaboration, reduce the cycle time from idea to new product or service and improve the quality and quantity of ideas.

We believe there are several important software applications that can greatly improve the Concept to Cash business process. These applications include:

Applications to support idea generation. There are a number of brainstorming and idea generation applications on the market today. MindJet creates a very popular application which supports brainstorming and idea connections called MindManager. Other firms have developed applications and solutions to support trend spotting, future farming and other idea generation processes. No matter which methodology and application your team chooses to use to generate ideas, your team will benefit by following a process and recording your ideas.

Idea capture and Idea management. Once ideas are generated, they should be retained and managed in a database application accessible by employees as well as business partners. The idea repository should allow the team to add context to ideas – attaching documents, links, graphics or other data. Additionally, the idea repository should capture threaded forums or comments about the idea and archive all of this information for future review and use. Capturing these ideas and making them accessible increases the opportunity for collaboration and innovation.


Evaluation tools. A standard software application leveraging workflow and business processes should be developed to help ensure a common evaluation of ideas. The evaluation solution should ensure that each idea is evaluated according to a standard evaluation framework. The evaluation solution should allow users to compare several different ideas which address one problem set against each other—an idea portfolio. For example, an automotive firm may have several ideas for a new restraint system, and will want to compare those ideas against each other. This “idea portfolio” capability should allow the user to compare all the ideas for a given problem or opportunity and rank them.

Development tools. As part of the Cash to Concept process, it is important to consider building detailed business plans for a new product or service, and to determine the best means to prototype and test the reception of those products or services. Software applications which support business planning, business simulation and rapid prototyping will speed the development process.

Launch tools. Once a product has been built or a service configured, the buying audience must be made aware of the new product. Launching a new product or service requires integrating the sales teams, sales channels, marketing and manufacturing or service delivery. A program management application that includes workflow, task management and scheduling will help ensure all the teams involved execute their tasks and responsibilities so the launch is completed on-time and on-budget. Launch tools should incorporate launch factors identified in the evaluation tool. Launching inherently includes building and sustaining the new product or service in the market.

Tools to establish and capture metrics around the innovation process. As noted earlier, every well-managed business process is defined and established with key milestones and metrics. A well-run innovation business process will require the establishment of innovation metrics, such as average time from idea to product launch or number of ideas that are eliminated from consideration or average waiting time for idea evaluation. These goals or metrics can be established, and actuals should be gathered to compare against the goals of the team. In this manner problem areas within the process can be addressed and the innovation business process can be optimized. Without metrics, it is impossible to establish accountability and to improve the process.

Any of these tools in isolation will improve the specific task or step within the innovation process it supports. Developing an integrated suite of business applications to support the entire Concept to Cash business process will greatly reduce cycle times and establish one key system for all idea management, eliminating islands of information and integration barriers.



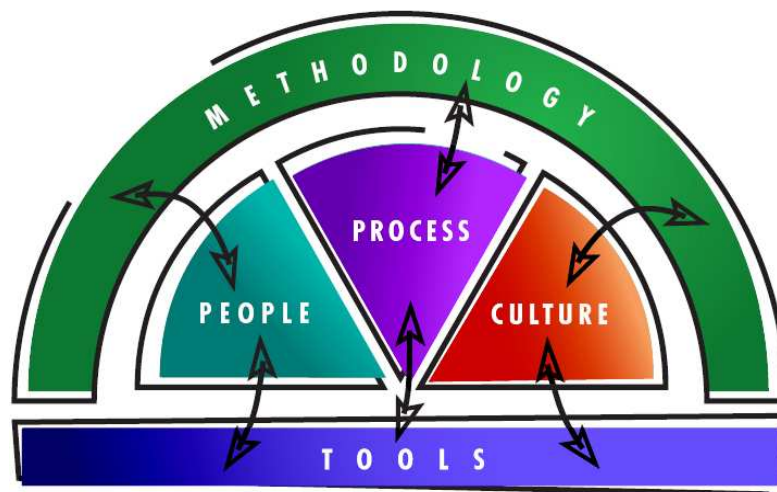
How to get started

There are three significant challenges to move from occasional or accidental innovation to innovating on purpose. Acting on these challenges will improve your ability to innovate on purpose. The challenges are:

- **Cultural.** Ensuring the management team, communications, culture and compensation structures are aligned and reinforcing the importance of innovation.
- **Process.** Designing and implementing a process. This process should reflect the Concept to Cash process with its recommended five phases – or some other defined process to help reinforce the concept that innovation can be managed as a process.
- **Software.** Tools to manage the ideas and to enable the business process.

The order of these bullets is not accidental. We firmly believe that decisions about processes and cultural changes should precede any discussion about software applications. As many firms learned when implementing enterprise resource planning (ERP) and customer relationship management (CRM) systems, implementing enterprise systems when the culture and the business processes are not aligned will usually result in poorly accepted and inadequate software solution.

Based on these concepts, NetCentrics created the Innovation Framework, which represents the issues and challenges involved when moving an organization towards improved innovation. The Innovation Framework is pictured below.



The methodology band referenced in the Innovation Framework incorporates our five step process:

- Generate ideas
- Capture ideas
- Evaluate ideas
- Develop products/services/concepts
- Launch products/services/concepts

A firm trying to become more innovative can use these steps as a foundation to their innovation process or can define their own phases and steps. What's important is to define and reinforce the concept that innovation can be repeatable, sustainable and managed as a business process.

The triangles in the center of the graphic represent attributes that can enable innovation or hinder innovation. These attributes represent the culture, the existing business processes, the motivation and compensation of the teams and the direction and leadership of senior management. All of these factors – people, processes and culture - can speed the acceptance of an innovation business process or hinder acceptance. For the Concept to Cash business process to succeed, all of these factors must be prepared and aligned. This means that the senior leadership must communicate and reinforce the importance of innovation, compensation plans and metrics must be revised, and new business processes defined and implemented.


Finally, the box at the base of the graphic represents software applications to support the innovation process. If the process and the culture are aligned, a set of software applications which support the business process will make the process even more effective and efficient. However, if the goals, processes and compensation schemes are not aligned a set of tools will not make your innovation process more effective. As many firms have learned from unsuccessful customer relationship management implementations, software applications will fail to provide value unless the organization is motivated and compensated to use the tools consistently and appropriately. The same is true for innovation processes and applications.

As a simple checklist, here are some considerations when starting to develop your own innovation business process – your Concept to Cash process:

1. Are your senior executives in agreement about the importance of innovation?
2. Do you have a senior executive responsible for innovation?
3. Is your team or company willing to reward risk takers and bold failures?
4. Is your company compensating individuals and teams on quantifiable innovation metrics?
5. Is your team willing to install new business processes or adapt existing processes to speed good ideas to market?
6. Have you determined some key innovation metrics? For example:
 - a. Number of ideas generated
 - b. Number of ideas evaluated
 - c. Number of ideas converted to products or services
 - d. Average time from idea to product
 - e. Revenue generated from new products
7. Who is responsible for generating and adding ideas to your idea management system? Do you include your business partners, vendors and customers?
8. Do individuals within your company know how to submit their ideas? Do they know what happens and what to expect once an idea is submitted?
9. Does your performance appraisal process include innovation metrics for every member of your organization?
10. What evaluation criteria do you apply to ideas to determine those that merit development? Who makes the decision to proceed?

11. What systems and applications exist to support idea management?

Placing a greater emphasis on innovation is simple – building a repeatable business process takes more focus. Innovation does not belong solely to research and development teams, but should become part of everyone’s job, just as quality moved from a QA department to an integral part of everyone’s job. Creating a culture of innovation, defining the business processes and installing the applications necessary to enable the business process will take time and commitment, but will pay significant dividends in the long term.



Conclusions

Driving growth through innovation is not only possible, but becoming an imperative for many organizations. This fact is recognized by CEOs worldwide. We stand now at the edge of a significant opportunity to implement new innovation processes and systems that can drive new revenues and profits.

Innovation must move from the back office and the skunk works to become part of what everyone does everyday. Innovation must be released from research and development and made a part of every business decision. Innovation must become a business process that your team monitors and manages, much like quality control or sales pipelines. In fact, if innovation can be a major source of revenues and profits, it should be a sustainable, repeatable process supported by the business culture and software applications which enable the process. Applying these concepts will help your firm Innovate on Purpose rather than innovating occasionally or accidentally.

There's no great revolution required for this to happen. Our businesses have absorbed similar initiatives in the past, and have become more profitable and more efficient as a result. All that is required is the executive vision and commitment to sustain innovation, and new business processes and software applications to implement a Concept to Cash business process.

The benefits businesses will recognize from improved innovation processes include:

- Increased competitiveness in the global market
- New revenue streams as new products and services are released
- Enhanced profits from new products and services
- Improved brand recognition and brand value
- Improved ability to attract employees
- Sustainable differentiation

These benefits emphasize the importance of an improved Concept to Cash business process. Without a focus on innovation, many firms will be faced with continued cost cutting as a means to stay afloat, or even just to stay in business. At some point, cost cutting hits a limit and the business ceases to exist.

What should you do now? That depends on your corporate culture and the emphasis your firm places on innovation. If you have a culture that sponsors innovation, implement a business process which improves idea management and support that process with software applications to speed the evaluation of ideas and the launch of new products and services. If your firm does not have culture that supports innovation, begin to change the corporate culture to promote innovation as a key driver for the success of the business. Change the compensation schemes and rewards individuals and teams who work on innovation initiatives. Then begin to work on the processes and the tools necessary to support innovation.

Regardless of your situation, your competition or your market, improving innovation is key for the success of any business. Innovation of products and services is one of the few sustainable methods for any firm to achieve differentiation and profits. Peter Drucker once said that "No matter what anybody else tells you: corporations achieve competitive advantage through acts of innovation."

About NetCentrics

NetCentrics is a consulting and software development firm focused on building solutions that help its customers become more productive and more innovative. Our IdeaForge product suite consists of software applications to support idea generation, idea capture, idea evaluation and new product or service launch.

With our partners, we deliver a “whole product” solution for our customers, including training and change management, business process consulting and software applications – all focused on helping teams become more innovative.

For more information, see our website at innovate.netcentrics.com or contact us at (919) 844-5644.