A Data-Driven Approach to Building a High-Impact Innovation Program

INNOVATION BENCHMARKING REPORT 2015
Survey objective & methodology

• 25 questions, crafted with input from innovation executives, Innovation Leader, and Innosight

• 197 qualified responses in Q4 2014

• Largest respondent clusters: Consumer products, technology, healthcare, insurance

• 43.8% large companies (>-$10B rev), 34.6% medium, 21.6% small (<-$1b revenue)
Program structure

Innovation Program Structure

- **50.6%** Hybrid approach
- **32.1%** Centralized (central office, function)
- **17.3%** Distributed (within business units)
Program focus

Innovation Program Focus

- **53.5%** Hybrid approach
- **31.9%** Incremental / Adjacent
- **14.7%** Transformational / Breakthrough
Program maturity

How Mature is your Innovation Program?

38.0%
27.9%
15.2%
13.9%
5.1%

Consider Themselves Less Mature:
(“Ad Hoc” or “Emerging”)

- Banking & Capital Markets: 100%
- Healthcare: 76.4%
- Entertainment & Media: 71.4%
- Insurance: 58.3%

Consider Themselves More Mature:
(“Integrated” or “Optimized”)

- Consumer Products: 37.0%
- Industrial Manufacturing: 30.0%
Team size & budgets
Where do ideas come from?

How many of the company’s innovation ideas are generated by each group, below?

- Employees
- Innovation Team
- Innovation Center / Lab
- Business Lines
- Executive Management
- Customers
- Partners

- None
- 1% to 9%
- 10% to 19%
- 20% to 49%
- 50% to 74%
- 75% to 100%

0% 20% 40% 60% 80% 100%
Questions so far?
Revenue is the top metric

<table>
<thead>
<tr>
<th>Metrics Used</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue generated from innovation products</td>
<td>68.5%</td>
</tr>
<tr>
<td>Projects in pipeline</td>
<td>67.4%</td>
</tr>
<tr>
<td>Stage-gate specific</td>
<td>58.4%</td>
</tr>
<tr>
<td>P&amp;L impact, or other financial impact</td>
<td>56.2%</td>
</tr>
<tr>
<td>Number of ideas generated</td>
<td>45.5%</td>
</tr>
<tr>
<td>Patent applications, or patents received</td>
<td>37.6%</td>
</tr>
<tr>
<td>Internal Rate of Return, or similar metric</td>
<td>33.2%</td>
</tr>
<tr>
<td>Earned-Value Analysis (EVA), or other scoring</td>
<td>21.9%</td>
</tr>
<tr>
<td>Media references or press mentions</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

Total exceeds 100% as many respondents cited more than one metric.
Why do projects get killed, and how much is spent up to that point?

Why Projects Get Killed

- No business-unit buy-in: 50.9%
- Technically unfeasible: 49.7%
- Limited upside: 46.3%
- Low priority: 43.4%
- Don't hit deliverables: 42.3%
- No senior buy-in: 33.7%
- Conflict with businesses: 22.3%

Total exceeds 100% as many respondents cited more than one reason.
Death by committee is common

Who Kills Projects

- Chief Innovation Officer: 28.5%
- VP Innovation: 30.8%
- An innovation committee: 44.2%
- Sub-group of employees: 37.2%
- Survey-based decisions or input: 2.9%
- Chief Executive Officer: 16.3%
- Other C-Level Executive(s): 45.4%

Total exceeds 100% as many respondents cited more than one reason.
Key challenges for innovation leaders

1. **Defining mission/role.** The “all-you-can-eat-buffet” approach to innovation, trying to do a bit of everything, is not viable long-term.

2. **Avoiding the “idea avalanche.”** Too many resources are dedicated to sorting/sifting ideas, not enough to developing a few high-potential ones.

3. **Speed + buy-in.** Finding ways to engage business unit executives and others — without getting bogged down by process and approvals.
Key challenges (continued)

4. **Fly or die.** Companies need to get better at accelerating or killing projects quickly, cheaply, and for the right reasons. Most need to gather more external perspectives/market-based data as part of that process.

5. **Aligned metrics.** Identify metrics that senior management truly cares about, and avoid a measurement regime that squashes real innovation.
Your questions & comments

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