Mending the Innovation Disconnect

Regardless of the state of the economy, companies demand results from their investments in innovation. Recent research conducted by BIC reveals six significant insights about the impact of expectations, methods, and results on the innovation process.

These insights, drawn from survey research and in-depth conversations with industry leaders, tell a story of a process in need of mending: a gap exists between expectations and results that is not being effectively addressed by innovation teams. Fortunately, there is a path to better results.

Expectations and Results

Insight #1: Expectations favor disruptive "first to market" products

We've found that when it comes to investing in innovation programs, the objectives and framework provided by most company leadership is appropriate and reasonable. The wide involvement across corporate, marketing, and R&D groups, appropriate timeframes, and recognition that external technologies are a valuable resource to gain competitive advantage, is well aligned with success.

Observations:

- Most companies have invested in "Innovation Programs"
- Corporate, Marketing, and R&D groups are involved
- The timeframe for results is a reasonable 3 years
- Sourcing external technologies is seen as a viable, if not essential, path to success

Insight #2: Growth and time-to-market from innovation efforts lags expectations

Though market acceptance and revenue figures may be the best direct metrics of success, company growth and time-to-market are often used as surrogates. In each case, there is general dissatisfaction with results of innovation efforts.

Observations:

- Few companies report that growth is exceeding expectations
- Rarely are concepts moving quickly to market

The Innovation Disconnect

While there are a number of possible paths to deliver on the expectations of innovation, the path most innovation teams pursue could be improved. The disconnect between expectations and results does not bode well for the future of innovation teams in many organizations. The insights below suggest where some of the problems exist.

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Insight #3: Innovation teams are focused on short-term goals

It is revealing to see that innovation teams are not focusing their efforts in areas that are aligned with "first to market" expectations.

Most companies are reporting priorities of the innovation teams as:

- Improving share in existing market
- Creating value-add products
- Reducing costs

Insight #4: Innovation and feasibility processes are lacking

Newly formed innovation teams have a short timeframe in which to begin showing results. This means there is little time to build the necessary processes required to get products to market in 3 years, as expectations demand.

Observations:

- Fewer than half the companies have a well-codified innovation process
- Few engage in determining business and technical feasibility of their concepts before they enter a stage-gate development process.

Insight #5: Innovation teams are limiting sources of innovation

Company leaders recognize the value in sourcing external technologies (Insight #1), yet few innovation teams focus their efforts in this area.

Observations:

- Most firms rely on internal innovation as the primary driver of growth.
- Technology partners are rarely considered low performers, yet few innovation teams have a role in developing them.

Insight #6: Resource diversion robs innovation teams

Short-term priorities are a fact of business life, especially in difficult economic times. This situation is reflected in responses from BIC's network of companies.

Observations:

- Most firms cite technical, marketing, and business resource diversion as a leading challenge
- Fewer companies cite budget reallocation as a significant challenge

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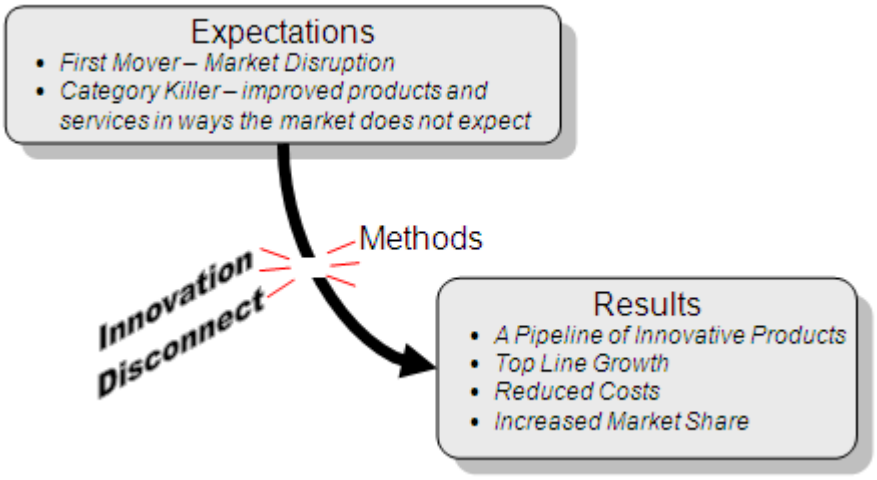
Mending the Disconnect to Deliver the Right Result



Based on these insights and observations, we've identified the distinct elements a successful innovation organization must address to improve results: process, network, feasibility, and expansion.

Process

At the heart of any repeatable outcome is a repeatable process. (Random results are the result of random processes.) The benefits of process include (1) an increased confidence that results will come, and (2) reduced focus on short-term goals that are more achievable. While no process can guarantee blockbuster products, a good process will deliver useful results every time.

For example, BIC developed a process that has proven effective in connecting market needs to technologies to products to revenue - resulting in a portfolio of technically feasible products. Suggested elements of the process include:

- Market Needs
- Technology Capture
- Technology Assessment
- Platform Formulation
- Concept Articulation
- Risk – Reward Analysis

Resource diversion is cited as a challenge to innovation teams. One of the factors that make this so disruptive is the continuity problem that crops up as people are reassigned. In larger corporations, we have seen relatively short tenures (less than innovation timelines) be especially problematic. By concentrating knowledge in the process, via a technology database for example, risk of interruption is minimized. This supposes, of course, that the process is well-codified and widely usable.

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Network

The mechanism for finding (and qualifying!) external technologies is not well understood by many innovators. The positive potential associated with external technologies should suggest a large effort in this direction. However, many innovators are surprised with just how much effort is required to define the technology requirements, connect with unfamiliar sources, and assess and qualify the technologies. Consider also the lack of anonymity, and the fact that many (if not all) holders of technologies are trying to sell you on their solution.

Another aspect of the network, and possible resulting technologies, is the opportunity to create a focused "technology push" effort internally. Most internal R&D organizations are tasked with finding technologies to fill market concepts developed in response to stated customer needs. One advantage of looking externally to fill these needs, it that it frees up internal technology resources to consider technologies that can power products that customers don't even realize could exist.

A good technology network extends beyond a company's immediate industry. A good starting point is to tap into existing networks by outsourcing technology searches to companies that offer "open innovation" solutions. While most of these companies offer only technology searches, the results can be integrated into the steps of the overall innovation process. What external technology search firms don't offer, however, is an assessment of the feasibility of the technologies - a critical and daunting task.

Feasibility

Product concepts where business and technical feasibility have been quantified have a much higher likelihood of being desired in the marketplace, and being profitable for the company. They also have a higher likelihood of moving through product development efforts quicker, and with lower risk of technical failure.

When technologies are sourced externally, the burden of proof of principle/concept can be shifted. This function, though critical to seeing products progress to market in a timely manner, often requires some involvement of internal resources. While test results can be provided by technology sources, internal experts will still be required to interpret their meaning and validity, and possibly follow up with more questions and requests. Critical to this step is settling on the right technology and product before making this resource investment. A "down-select", process, based on clear criteria, allows groups to focus on areas most likely to bear fruit.

Proof of principle/concept data should be obtained, to the extent possible, prior to expending licensing funds. Most external technologies have been proven to some extent already (with someone else's investment), and these results provide enough confidence to advance to issues related to specific applications and product forms.

A suggested evaluation scale for technologies includes:

- Accessibility – the ability to obtain exclusive license
- Availability – meeting the required timeframe
- Complexity – readiness and suitability for product formulation
- Competitive Impact – visibility to competitors and position vs. prevailing competitor technology

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Expansion

While the majority of innovation teams focus on internal innovation, BIC has found great opportunity in identifying smaller companies with great technology. As part of the process of acquiring technology, acquisitions of small- to modest-size pay big dividends by saving time and securing exclusivity for those technologies with platform and disruptive potential. The technologies or products held by smaller companies can often flourish due to expanded market scale and synergies of a larger and more competitive product family.

A natural benefit of a well-designed technology search, through a network providing sources external to your company, is the discovery of smaller companies and individual inventors.

Conclusion

The results of BIC's innovation survey, supported by input from our extensive business and technology networks, point to a significant disconnect in the innovation process. The disconnect is often played out in cycles – innovation programs move in and out of existence, and product portfolios alternate between feast and famine.

The specific steps to mend the disconnect are not difficult, nor especially costly, but pay big dividends in producing a continual source of innovative products – aligned with the intent of "first to market" – with all the associated financial advantages.

The BIC Value...

Business Innovation Consulting (BIC) operates at the intersection of business and technology, finding new opportunities and developing new big hits (acquisitions and products) based on winning technologies.

As a business and technology firm that combines market research with external innovation to find new business opportunities, our approach bridges the gap between marketing and R&D to determine **the right opportunities**:

- BIC determines the **Right** new business and products to drive top line growth and reduce costs
- BIC determines what is Right by thoroughly assessing **Business and Technical Realities**
- BIC's key to success is a **Proven Process** and a **Robust Network** developed over two decades

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