



What's the Big Idea?

How to Generate
Sustainable Value
Through Innovation

Think about it. A coffee company selling music? How about a delivery company purchasing copy centers? Or a computer company creating a best-selling MP3 player? Surely you recognize these innovations from Starbucks, FedEx/Kinko's, and Apple Computer.

Indeed, these corporate giants – and plenty of others – succeed not purely because they continue to do what they know and do well, but because they continue to innovate and think differently about what their businesses can achieve. In doing so, they generate new revenue streams and create value for the business and its shareholders. What's more, they thrive even amidst difficult economic conditions while others scramble to cut costs and trim operations to stay afloat.

So, what is innovation? A fortunate occurrence? Absolutely. But you cannot build a business on serendipity. Innovation must be taken as seriously as quality, customer relationship management, or any other business initiative. Innovation cannot be left to chance. Repeatable, purpose-driven processes can ensure innovation is cultivated in an organization.

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With an innovation program, organizations can be more effective at core functions:

- Achieving corporate strategy.
- Retaining and attracting talented people.
- Driving financial objectives, including growth and profitability.
- Projecting a positive image to customers and shareholders.
- Supporting growth through new products, processes, and strategies as well as strategic acquisitions.

Antiphony's Innovation Program centers on a four-stage process that creates a strong, structured corporate innovation program.

The goal of the program is to create a repeatable process for generating new concepts and opportunities, identifying those to be pursued in earnest, and analyzing the feasibility and financial potential of the best ones.

Implementing an innovation program is a sure path for generating sustainable value through innovation and executing effectively on these opportunities.



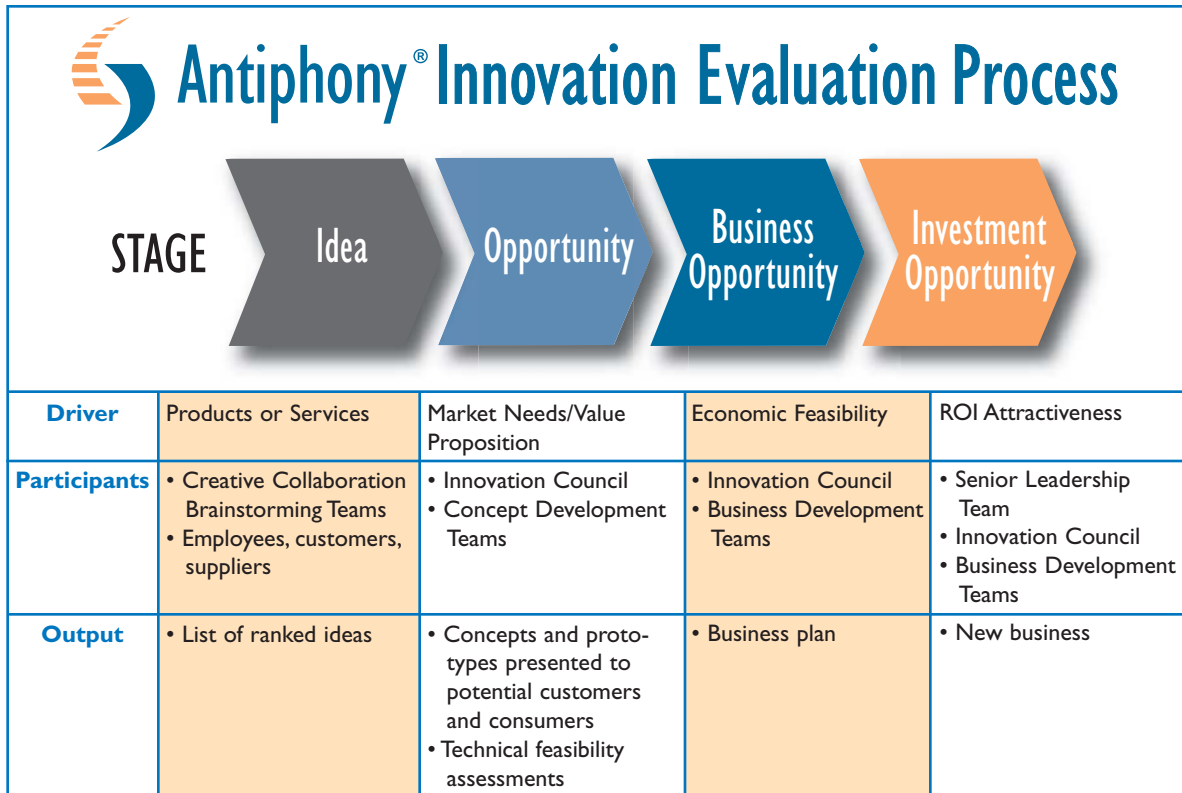
The Innovation Evaluation Process is the core of a good innovation program. It is a four-stage process in which teams develop and evaluate concepts for products, services, strategies, and processes. Concepts are brought through the process in order to accomplish four things:

- identify those with greatest potential,
- evaluate the opportunities and risks,
- assess ideas within the strategic context of the company's businesses, and
- guide the best ideas toward successful implementation and greater contributions for the business.

The process is continuous. At any given time, there must be ideas at all stages within the cycle. The innovation process includes four successive stages of idea evaluation with increasing focus on feasibility:

- 1) **Ideation** – the idea-generating stage.
- 2) **Opportunity** – the evaluation of the value proposition and market opportunity.
- 3) **Business Opportunity** – the evaluation of economic feasibility of the idea.
- 4) **Investment Opportunity** – the evaluation of ROI and final assessment of whether the idea will be pursued further.

An Innovation Council (IC), which comprises senior-level individuals who understand how to make things work in the organization, is the primary driver, and custodian, of the process. (See *The Ministers of Magic*.)



Antiphony's Innovation Program is a four-stage process for evaluating concepts and seeing them through to implementation.

Stage I: Ideation

Ideation is the collaborative process of forming ideas and is the first stage in the innovation cycle.

The purpose of this idea-generating stage is to develop a large list of concepts for new products, services, business processes, and strategies. A reasonable goal is to collect at least 1,000 new concepts per calendar year.

There are several key activities for collecting ideas:

- *Periodic Company Brainstorming Sessions*
These sessions should include representatives from different disciplines across the company and could potentially include customers, suppliers, and other stakeholders.
- *Scanning*
Ideation should include an ongoing process of watching for emergent trends or ideas in day-to-day activities that spark new ideas for the company. New ideas may be presented during brainstorming sessions.

- *Idea Management System*

While technology should not drive the process, it can help organize and facilitate it. Companies should deploy an easily accessible mechanism for submitting ideas at any time by any employee. A dedicated e-mail address or voicemail box may be all that is needed, provided it is monitored, and ideas are readily addressed. It is important that this be clearly positioned as a mechanism to solicit viable business ideas, not general “good ideas,” suggestions, or complaints.

Stage I should yield an ongoing list of ideas that will be ranked in order of interest.

Stage II: Opportunity

Stage II begins the opportunity assessment. Small, dedicated Concept Development Teams (CDTs) evaluate concepts generated in Stage I to determine those with the best potential to be fruitful: those with the most customer and market appeal. Companies should provide limited funding to develop prototypes or other proof of concepts to further evaluate the opportunities along with technical feasibility of the offering.

The most promising concepts should be shared with customers to validate interest and perceived value and determine which ones will be further vetted in Stage III.

Stage III: Business Opportunity

Once potential ideas are identified, the business opportunity must be assessed. Concepts that score high marks with target customers and that are clearly seen as having potential in the marketplace are further evaluated for feasibility. This is a next-step evaluation to determine whether or not the company can effectively produce and deliver the product to capitalize on a market opportunity.

Business Development Teams (BDTs) are created and charged with conducting feasibility studies and developing full business plans that outline the investment that would be required to capitalize on the opportunity. (These may or may not include members of the CDT.)

Stage III should yield feasibility studies, business plans, and recommendations to be evaluated by the company's senior leadership.

Stage IV: Investment Opportunity

The most promising concepts that pass through Stage III will be analyzed more thoroughly for investment opportunity. Thus, Stage IV represents the investment analysis stage. Promising concepts that have made it this far will be fully explored in terms of potential opportunity and investment or funding requirements.

The Innovation Council makes recommendations to senior leadership for funding rollouts, concept implementation, and capitalizing on the efforts of the Innovation Process.

Results: What to Aim for; What to Expect

The Innovation Evaluation Process yields a wealth of opportunities, large and small, that generate both top- and bottom-line improvements. As with any process, these interim results can be measured – both over time and against goals set by senior leadership.

Typical Idea Evaluation Metrics used by innovative companies include the following:

- Number and potential of ideas submitted to the Idea Management System.
- Share of workforce submitting ideas.
- Potential market opportunity of concepts under evaluation.
- The mix of incremental, substantial and breakthrough opportunities.
- The balance of product, process and strategy opportunities.
- Return on investments made in innovations.



Building a successful innovation process begins at the top of the organization.

Senior Leadership Ultimately Drives the Process

Innovation must be championed by the CEO. Additional senior leadership, including a Chief Innovation Officer, company presidents, general managers of business areas, and even board members can contribute to strategic implementation of the program.

Without question, executive-level support must be visible and evident. This top-level support provides the credibility needed for the program's success. Senior leadership will also be responsible for the following:

- Strategic oversight of the innovation program.
- Direction on the balance of process versus product innovation.
- Goal-setting, objectives, and metrics.
- Awarding incentives to spur support and recognize accomplishments.

Senior leadership is **not** responsible for creating or evaluating ideas, but rather for ensuring the results of the Innovation Process meet the financial and strategic objectives of the company.

The Ministers of Magic

The Innovation Council (IC) is the group that primarily drives the Innovation Program on a day-in, day-out basis within the organization. They become the organization's "Ministers of Magic" who often dedicate up to 20-30% of their time toward the innovation initiative.

The IC provides much-needed strategic and tactical leadership for the entire Innovation Program. The team is created by (and reports to) the senior leadership, which should appoint top managers who can interact effectively with all levels of the organization.

Ideally, team members will be senior-level employees who have good rapport with all areas of the company: sales and marketing, creative, customer relationship management, customer service, and development. Above all, they should have a passion and drive for the innovation process.

Prime candidates may even include outgoing executives or even newly hired, transitioning executives, perhaps new to the company through acquisition.

The IC is chiefly in place to champion concepts through the innovation process. The IC will support innovation by allocating "seed funding" for investigating concepts and market perceptions, and later, for business plan development. They'll also manage a portfolio of concepts or opportunities, tracking ideas in various stages of the innovation cycle. This group will also ensure innovation communications are shared and will organize celebrations to mark successes. Finally, they may participate in intercompany brainstorming sessions as appropriate.

In the best cases, the IC truly helps make magic happen by supporting the total innovation process.



Clearing Barriers to Innovation

The success of any innovation program depends largely on commitment from the top down, but certainly throughout the company as well.

Executives must be visible and committed to the messages about innovation and its value for the company. The CEO must be the innovation evangelist. But the entire executive team must also demonstrate its commitment with visible action on viable concepts, regular communication about the disposition of ideas, and incentives and rewards when ideas come to fruition. Time and funding need to be provided to reinforce the commitment to innovation and the message that it is a priority for the organization.

Likewise, employees must see and feel this commitment and be encouraged to participate. They are the largest resource for new concepts and ideas. Multiple methods must be accessible for employees to participate and share ideas. And it must be apparent that a) ideas are reviewed and considered and b) those with the most potential are passed through the process for serious evaluation.

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Results: Strategic Objectives

The results of an innovation program are ultimately quite basic: improved top- and bottom-line improvements. But, there is more that should be expected. Senior leadership should establish, measure, and reward other strategic objectives designed to increase enterprise value:

- Revenues from new innovations
- Share of revenue derived from products developed in the past 3 years
- Gross margins from new innovations
- Success rates of innovation efforts



Conclusion

“Innovate or die” seems to be the new mantra. In today’s economic environment, cost-cutting, streamlining, and process improvements will yield only so many results.

Organizations that are the most successful and competitive are those who innovate in every way, from new products and services to strategic acquisitions and partnerships, and the very processes upon which their businesses run. They work to maintain a vigorous innovation pipeline – where new concepts are generated and put to the test – ensuring continued health and growth of the company and a strong competitive position.

An ongoing effort to look at the business in new ways – to think outside, inside, and around “the box” so to speak – creates continuous results.

A focused Innovation Program inculcates *innovation* into the heart and soul of the business. It becomes a foundation value not just in concept, but in action, so that good ideas are not only created, but more important, they are actively pursued to create a stronger, more vibrant operation that improves profitability and growth and thereby improves shareholder results.



Contact Information

Antiphony is a strategy and management consulting firm that helps companies create sustainable value through innovation.

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