



INNOVATION METRICS

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Innovation Metrics – keys to increase competitiveness

The need for innovation becomes more and more evident in today's corporate world. Western companies in particular are facing high competition due to the continuous globalization. This calls for focus on making innovation more comprehensive in order to effectively be able to manage and improve it. In 2009 the Innovation Pioneers International network decided to map and study the field of measuring innovation. Jan Sandqvist at Googol was given the mission. Apart from reading literature on the subject and studying the reports and surveys from large consulting firms such as Boston Consulting Group and McKinsey, an investigation of the situation in 26 Swedish companies was made. The results and conclusions are presented in the Book of Metrics.

Why measure?

Innovation metrics are not only important in order to measure the current situation, but is also a tool for improving it. By measuring and monitoring management can decide on strategic direction and identify where to allocate resources for innovation projects.¹ Well communicated metrics also steer behavior by letting all employees know how innovation capability is measured. Innovation Metrics thus plays an important role in enhancing the long-term innovativeness through having all employees on board.² Measurable numbers are also an easy way of sending a credible signal of innovation capability to your shareholders.³

INNOVATION
PEOPLE CREATING AND
IMPLEMENTING NEW
IDEAS THAT ADD VALUE

Googol offers services focusing on Innovation Management and Corporate Venturing. We identify, develop and commercialize hidden assets. Amongst other matters, Googol operates innovation portfolios, we develop corporate cultures, selection processes, as well as measure and manage innovation ability. With a large and dedicated network, and several cutting-edge projects, Googol is a leader in the innovation field.

In 2008 Googol initiated the network Innovation Pioneers.

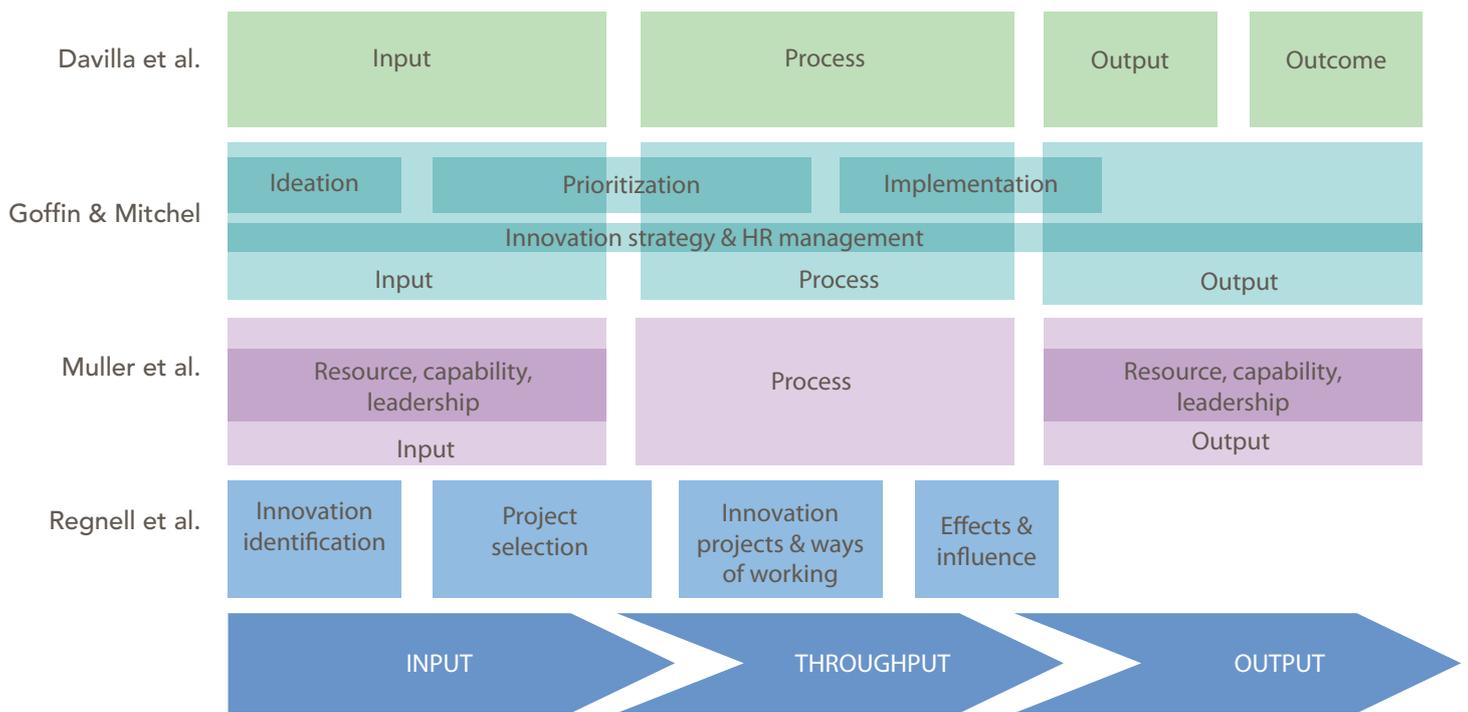


Fig #1: Input, Throughput, Output

Measure for whom?

Different Innovation Metrics should be chosen for communicating to your shareholders, managers and employees. Shareholders want tangible numbers that can be used to predict future revenue. Managers need information on how the company is doing right now and what, if any, changes have to be made in order to reach set goals. Employees want to know how they will be evaluated in order to perform well.

Support the Strategy

For Innovation Metrics to be useful and powerful you have to select them carefully. The innovation strategy sets the direction for the organization. If the innovation metrics you have chosen does not support the strategy you really cannot expect anyone to deliver on the strategy. Yet it is fairly common that the Innovation Metrics companies' uses not are based on the innovation strategy.⁴

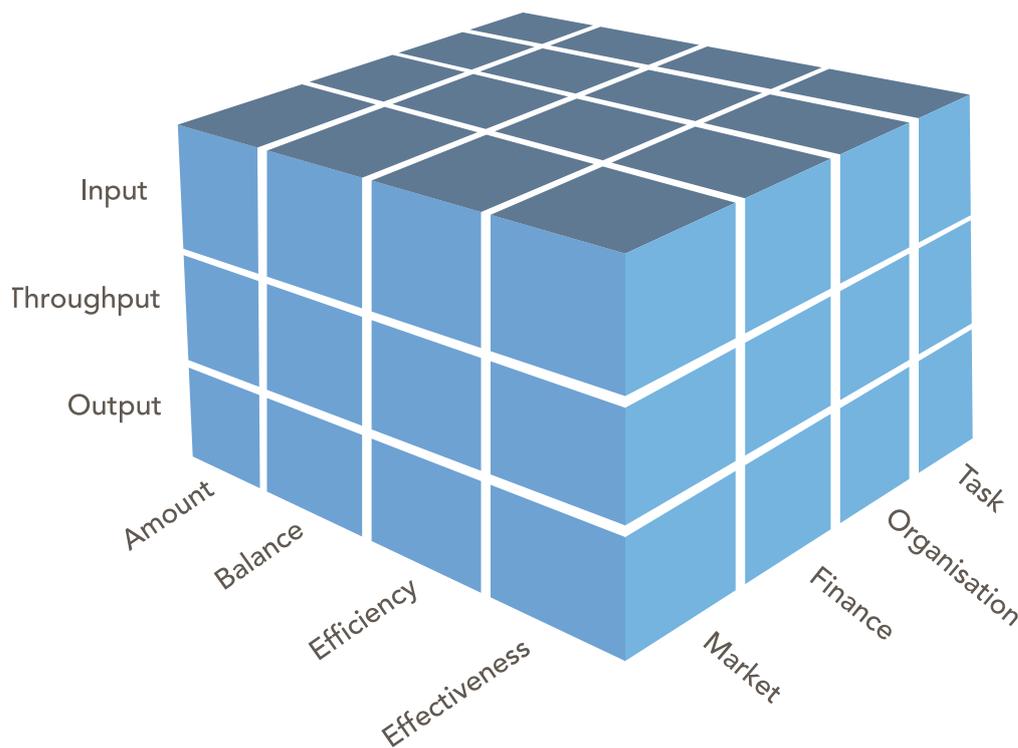
Choosing Innovation Metrics

In order to create a working model for structuring Innovation Metrics some generalizations have to be made. The basic steps of all innovation Processes can be divided into Input, Throughput and Output. (fig #1)

Reading current literature on the subject (Davila, Goffin and Regnell) a pattern of four central levels of metrics can be distinguished: Task, Organization, Finance and Market. Combining these four levels with the three process steps described above you have 12 different fields which represent different aspects of an organization. Depending on several factors such as the type of business you are in, the size of your company or the maturity regarding innovation you will fill some or all of these fields with one or more Innovation Metric suitable for your organization.

Metric type

Different metrics measure different things and the effect on the organization's behaviour will differ as well. In addition to the Metrics Matrix, four types of metrics is identified; Amount, Balance, Efficiency and Effectiveness. Amount shows how much of something is done. These types of metrics play an important role in understanding the absolute figures that a company is working with, especially as it allows for the company to compare changes over time, but also for potential benchmarking against competitors. Balance indicates the balance of what is being done. The importance of balance is discussed heavily in theory, and is crucial for any company looking for long-term, stable innovation. Efficiency indicates if you do things right. Efficiency is crucial to any company acting in a competitive market, making sure that their innovations hit the market, or become implemented internally, as early as possible. Effectiveness indicates if you do the right things. A company can create any idea or concept, but if the market does not like it hence it is not an innovation, the efficiency does not really matter.



The Metrics Matrix

Conclusion

In the Innovation Pioneers International study presented in the Book of Metrics we have seen that the practical ways of measuring innovation differ highly from the metrics suggested by theory, through highly unbalanced and seemingly random metrics. There is a need for a framework on how to select which Innovation Metrics an organization should use. The aim of creating this framework is to show that rather small changes of the metrics in use, improvements could be achieved fairly easily. Using a metrics framework opens up for common organizational understanding for managers decisions and allocation of resources.

References

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