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9 Myths about measuring innovation

from the book
Innovation Accouting

Myth #1

R&D expenditure is a good indicator of innovation

Reality #1

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There is no significant relationship between R&D spending and sustained financial performance.

It is not about how much money you throw at the problem.
It is about building a set of capabilities that involve

- ➪ talent,
- ➪ process,
- ➪ culture, and
- ➪ customer understanding.

Myth #2

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Innovation can't be measured because innovation is creativity and creativity can't be measured

Reality #2

Innovation is much more.
It is discovering an opportunity, generating and selecting the best ideas that seize this opportunity, making it tangible, and finally implementing it to achieve results that help the company to make progress.

Like in Myth #1 it is all about the right people, process, culture, and understanding of customers. And all this can be measured...

Myth #3

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The success of a new innovative venture can only be measured once it's in the market

Reality #3

1. Testing the customer-problem fit.
Observing and interviewing customers and users to discover their problems and validate if your assumptions about their problems are correct.

2. Testing the problem-solution fit.
Defining how your solution will solve the problem, so it helps the customer to make progress. Discover and validate if your assumptions about your solution are correct.

3. Testing the product-market fit.
Discover and validate how many people would spend how much money on your solution.

Myth #4

Everything is a KPI

Reality #4

There are not only Key Performance Indicators(KPIs) there are also Key Result Indicators (KRIs).

The Performance Indicators show how the innovation team is performing day-in and day out (Churn rates, number of customer interviews booked next month etc.)

The Result Indicators give a broad summary of what happened as a result of the process (net profits, return on capital employed cumulated customer satisfaction).

These two indicator types help to better measure innovation.

Myth #5

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Measuring innovation means measuring the number of ideas in the company

Reality #5

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Measuring ideas is an essential part of an innovation accounting system.

But it is not enough.

Some measure product teams, but not the entire portfolio. Some measure the initiated ideas, but not how many were really adopted.

To measure the company's innovation ecosystem, it needs a wider view, meaning to measure the whole instead of a few chosen parts.

Myth #6

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All innovation measurements work successfully in any organization

Reality #6

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Organizations differ a lot.

A B2B company is pretty different from a B2B2C Company. And in every company, innovation has a different meaning and importance.

While the principles of Innovation Accounting are universal, the reality of measuring innovation itself needs to be contextualized.

It must reflect the peculiarities and particularities of the company using it.

Myth #7

All innovation measurements work successfully for any type of innovation

Reality #7

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There are different types of innovation, like incremental or breakthrough innovations.

Different kinds of innovation need to be measured differently.

For incremental, for example, it is all about efficiency.

While a breakthrough innovation with the colossal uncertainty of making something entirely new, measurement must be different.

Myth #8

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Innovation measurements are only needed to relieve executives and stakeholders anxiety around investing in innovation

Reality #8

It is essential for executives and stakeholders but should not be designed exclusively for their needs.

This means not only focusing on the financial aspects of innovation.

Innovation measurement should reflect the whole innovation ecosystem and all of its processes.

In the end, innovation measurements should lead to changes in behavior. They should serve as the basis for continuous improvements.

Myth #9

Tying innovation measurements to incentives means more and better outcomes

Reality #9

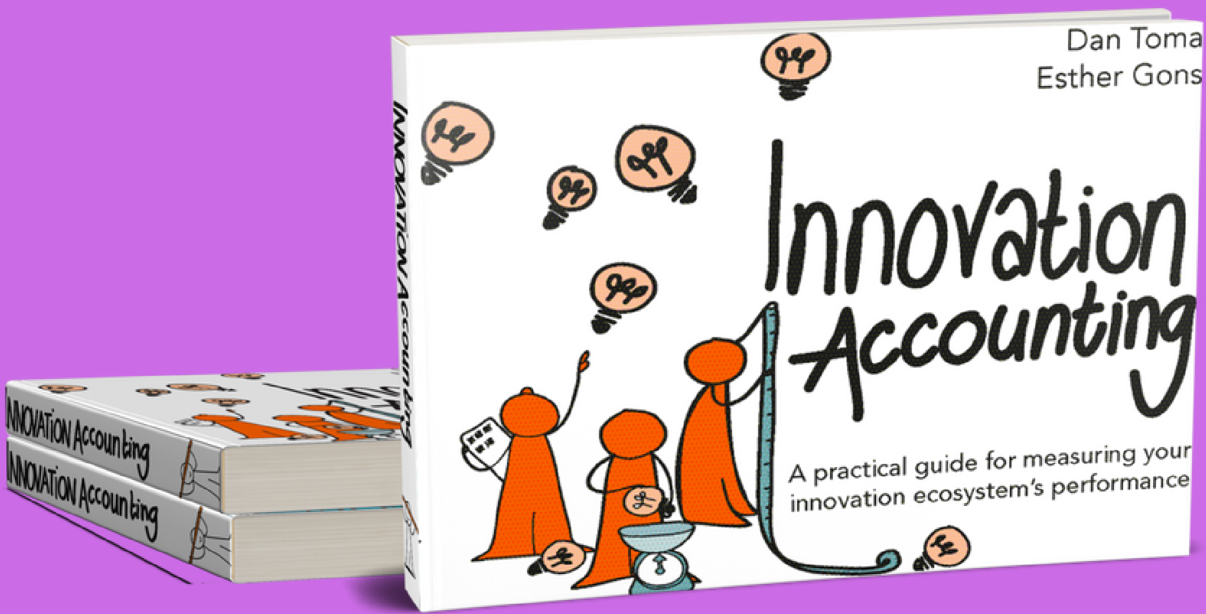
Every KPI can be gamed, but the ones tied to financial gains are more susceptible than others.

Every measurement has a dark side, a negative consequence, or an unintended action that can lead to inferior performance.

Incentives cause people to focus on the activities that result in incentives instead of focusing on what is relevant at that moment.

It counteracts We-nnovation.

Check out the book from Dan Toma and Esther Gons



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If you want to find out if your idea is worth developing and what the probability of success for it is, contact me

Florian