colinked
corporate innovation club

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Establishing a Metric to Articulate the Contribution and Value of Open and Collaborative Corporate Innovation

Recognise, implement & maximise

The Corporate Innovation Club is a community of nearly 100 international and global corporate brands as well as some government departments and NGO's. All the members of the community share a common responsibility and ownership for their organisation's engagement with open and collaborative innovation.

The community is by invitation only and has grown now to be the largest community of Corporate innovators in the world. The community come together to connect with each other; learn from each other and, at times, collaborate with each other. The community meetup once every two months to discuss a topic or theme which has relevance to their innovation vision, strategies and execution. The discussions are held under Chatham House Rules to encourage open discussion and the meetings are always hosted by a member of the Corporate Innovation Club.

From November 2018 we will have also launched an online collaborative innovation platform for Corporates, Founders and Investors from around the world to connect, learn and collaborate. The platform will be free to use for all but is a private community where access is by request or invitation only. Find more details on the platform and register to participate at www.colinked.io.

Meeting Theme

Throughout the series of Corporate Innovation Club gatherings, the concept of quantifying the impact of Corporate innovation has often been discussed. Whatever the theme of a given meeting, the potential and challenge of measuring innovation is never far from conversation.

Of course, innovation is an abstract practice. From process to results, the endeavour of innovating in a Corporate context is often not about tangibles. Abstracts, of course, can be hard to communicate. But C-suite and other senior figures within a corporation can understandably expect the effort and cost of innovation to be justified. What is the process achieving? Where are the results? What is the 'Return on Investment'?

Answering those questions can be a delicate business, and one that inspires some soul searching within innovation teams. How should we communicate the benefits of learning from failure? Is there a means to articulate the impact of open collaboration? What is the importance of the process of innovating? What value does innovation endow on existing Corporate assets?

With those questions in mind, the Club members set about exploring notions of robust metrics to allow for reporting back on – and understanding – the impact of innovation.

Key Takeaways

A relevant metric is well needed

C-suite clearly wants a metric that lets them understand the impact of Corporate innovation. A startling statistic emerged at the beginning of the Club's meeting. It was reported that 20 per cent of today's Corporate CEOs say that they do have an innovation program, and believe its initiatives will succeed. At the same time, 95 per cent of contemporary Corporate CEOs actively measure the impact of innovation instigated within their companies. That highlights the likely fact that faith in corporate innovation is perhaps dwarfed by the desire to see its impact expressed as a tangible metric. With C-suite so often holding the purse strings that enable Corporate innovation to thrive, a communicable metric appears essential to both maintain and empower the discipline.

However, a single, linear and universal metric may present an impractical or irrelevant approach. A diverse metric – or multiple metrics – may be more meaningful. A system of measurement that successfully communicates the impact and outcomes of Corporate innovation may indeed amalgamate or consider several independent metrics. That will be particularly true if the innovation community looks to establish an 'Innovation Index' or 'Innovation Score' (see below).

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Return on Investment' vs 'Risk of Inaction'

There is a logical challenge at the heart of establishing a metric that meaningfully communicates the impact of Corporate innovation. 'Return on Investment' in the traditional sense is a founding metric across myriad forms of business. It was proposed at the Club, however, that we should also ponder what it would mean if 'ROI' stood for 'Risk on Inaction', even if only as a thought experiment. Risk of Inaction is not the foundation for a metric, but a factor to consider in developing a language or metric through which to engage C-suite. What is the risk of not pursuing Corporate innovation? How can a 'Return on Innovation' metric demonstrate the gains of innovating?

The diversity challenge

The role of Corporate innovation can be wildly varied. The process and impact can be subtle, close to the core business, wildly creative and abstract, focused on a particular Corporate mechanism, or holistic in application. As such we must ask ourselves about how to value a diverse discipline, and consider how others perceive what is valuable to a corporation. That valuation may be realised as a diverse metric.

Innovation as a process to create economic value

If C-suite and others within a corporation are focused on understanding internal processes through a financial lens, it is reasonable to consider that it could be useful to communicate the economic impact of corporate innovation through a framework that speaks a compatible language.

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An example of such a framework could be based on a balance sheet that looks beyond the assets accountants traditionally chose to present; the likes of tangible assets, working capital and cash or debt. That traditional balance sheet could be updated to reflect and recognise all the assets of a business. Updating a view of a business' assets to also reflect all intangible assets and the value of the workforce provides a framework on which the results of innovation could be meaningfully placed.

For example, if an open, collaborative innovation initiative brings a start-up on board that leads to the development and adoption of virtual robot to improve efficiency, that technology adds value to the business and can be recorded in the form of a technology asset. Marketing intangibles and customer relations in their various guises also bring value to a business, and can equally evolve as a result of innovation initiatives. In fact, all investment in innovation has the potential to create an asset, the value of which can be estimated using commonly applied methods. Being able to talk about innovation successes in terms of increases in the value of specific assets may help bridge the gap between the abstract and the financial, and emphasise to key stakeholders that the business has assets beyond those that can be seen on a traditional balance sheet.

Building a working metric

The first step to building a meaningful metric to communicate the value and impact of corporate innovation should, it was suggested, start with crowd-sourcing existing and in-development internal metrics, so as to understand what is needed, and what is – and isn't – working. That is already happening within the Corporate innovation community represented at the Club, but must be an evolving and continual process. Collaboration, fittingly, is key.

Establishing and sharing an 'Innovation Index' or 'Innovation Score'

It was suggested that any working metrics for innovation in a Corporate context could be used to establish an universal system that could give an individual business an overall 'Innovation Score'. As such, each corporation would – using universal metrics – be granted a score as to the success and value of their innovation endeavours. It was put forward that sharing these scores publically would encourage corporations to strive to improve the support for and impact of Corporate innovation. However, some in the room were sceptical about corporations sharing anything but their better scores. It was suggested that sharing innovation more generally is comparable to an individual's personal use of social media.

It is easy to make public a 'highlight reel' showcasing an idealised projection of one's life: or the innovations within a corporation. Some in the room suggested we should not be distracted by what other corporations choose to share with regard to their own innovation initiatives, as we will be seeing an edited projection of the reality. It was equally posited that a drive is needed to encourage more openness in Corporate innovation.

“Collaboration, fittingly, is key”

Recognising the reality of innovation's contribution

If Corporate innovation is a series of experiments and initiatives that hope to steer and refine wider corporate strategy, that should be factored into any developing metric. Corporate innovation has to an extent replaced the gamble of a corporation fully committing to a two-year or five-year plan on a particular strategy development initiative. It lets companies 'stick a finger in the air' to test the validity and potential of available paths forward. As such, it is a continual process, and not a series of isolated and clearly defined acts. Any metric to value and validate Corporate innovation must consider this. It was noted by attendees that that on its own presents a significant challenge.

An example of a working model for an index built on innovation metrics

A considered working model of a potential system to both report on the impact of Corporate innovation and establish an Innovation Index score was proposed at the Club. It was founded on the idea that three new core valuations could be used in combination to offer a meaningful overall index, with a view to taking a step back from focusing on the process of innovation, so as to equally embrace the culture of innovation, and its less tangible impacts. Those were:

- **Empowerment:** How much does a given company enable and support innovation through resources, time and C-suite ambition? How many ideas or initiatives are supported or rejected? What open-mindedness to the new exists?

- **Performance:** How many launches, success and releases conceived through innovation initiatives have reached market, or been implemented internally? How have learnings from failures been understood and quantified? What revenue can be attributed to Corporate innovation? How many projects are underway at any one time?

- **Advantage:** How far ahead of other corporations does the output of your Innovation projects place your company? How readily could an individual or start-up duplicate the work and outcome of your Innovation team? It was noted here that a potential lack of confidence in the successes of projects exists.

Further to the above factors of value, it was proposed that 'Empowerment' and 'Performance' should make up around 40 per cent of the Innovation Index score each, while 'Advantage' should offer the remaining 20 per cent.

It was made clear that such a framework was a proposal or example rather than an entirely functional working model. It was highlighted, for example, that it lacked a means to track how the learned knowledge within a Corporate innovation initiative permeates the thinking of the broader workforce at a corporation. Equally, while the above endeavours to recognise the value of failure, it was made clear that a lot more work is need to more precisely track and communicate the gains in 'failing forward'.

The power of the 'post mortem'

Conversation in the room turned to the potential in Corporate innovation teams regularly valuating their own projects. It was agreed that 'post mortem' meetings looking back at an individual project, period or experiment should be frequent, detailed and factored into any metric.

For Further Discussion/Consideration

- How can the annually-focused framework of other Corporate metrics and reporting processes best be paired with the relatively 'slow' process of innovation? If innovation takes longer than a year, how can we make any innovation metric couple with the boarder administration of a Corporation?

- What effort is needed to better understand how to collate and consider the data outputted by Corporate innovation initiatives? How should that be fed into a metric (particularly a universal one where different companies may well produce incomparable data sets)?

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- If Corporate innovation is constantly changing, and necessarily exists with the freedom to take on different shapes and practices, how can a single metric even stay truly relevant at a lone company; let alone across the innovation landscape? Is a flexible really metric even possible and meaningful?

- How can we track how a given corporation's innovation projects contribute to the wider collaborative understanding of innovation across the Corporate innovation community?

- Can tools and technologies be engineered that actively track innovation as it happens? Would these tools need developing outside of innovation itself?

- Should the board have agency in helping establish any metric, or should it be developed in isolation from their input?

- Should external entities such as investors, clients, regulators and government be consulted on establishing such a metric? How can any metric recognise the fact that different facets of innovation mean different things to different people?

- If a meaningful metric is established, what can it be used for beyond communicating to C-suite and proving value in the process? Can any metric be used to guide future collaboration, for example? What can Corporate innovators learn from their won metric, and how can it guide them?

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