

## How well do we manage innovation?

This simple self-assessment tool focuses attention on some of the important areas of innovation management. Below you will find statements which describe 'the way we do things around here' - the pattern of behaviour which describes how the organization handles the question of innovation. For each statement simply put a score between 1 (= not true at all) to 7 (=very true).

*Around here.....*

	<i>Statement</i>	<i>Score 1= Not true at all to 7 = Very true</i>
1	People have a clear idea of how innovation can help us compete	
2	We have processes in place to help us manage new product development effectively from idea to launch	
3	Our organization structure does not stifle innovation but helps it to happen	
4	We have good 'win-win' relationships with our suppliers	
5	There is a strong commitment to training and development of people	
6	Our innovation strategy is clearly communicated so everyone knows the targets for improvement	
7	Our innovation projects are usually completed on time and within budget	
8	People work well together across departmental boundaries	
9	We are good at understanding the needs of our customers/end-users	
10	We take time to review our projects to improve our performance next time	
11	People know what our distinctive competence is - what gives us a competitive edge	

- 12** We have effective mechanisms to make sure everyone (not just Marketing) understands customer needs)
  - 13** People are involved in suggesting ideas for improvements to products or processes
  - 14** We work well with universities and other research centres to help us develop our knowledge
  - 15** We learn from our mistakes
  - 16** We look ahead in a structured way (using forecasting tools and techniques) to try and imagine future threats and opportunities
  - 17** We have effective mechanisms for managing process change from idea through to successful implementation
  - 18** Our structure helps us to take decisions rapidly
  - 19** We work closely with our customers in exploring and developing new concepts
  - 20** We systematically compare our products and processes with other firms
  - 21** Our top team have a shared vision of how the company will develop through innovation
  - 22** We systematically search for new product ideas
  - 23** Communication is effective and works top down, bottom up and across the organization
  - 24** We collaborate with other firms to develop new products or processes
  - 25** We meet and share experiences with other firms to help us learn
  - 26** There is top management commitment and support for innovation
  - 27** We have mechanisms in place to ensure early involvement of all departments in developing new
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products/processes

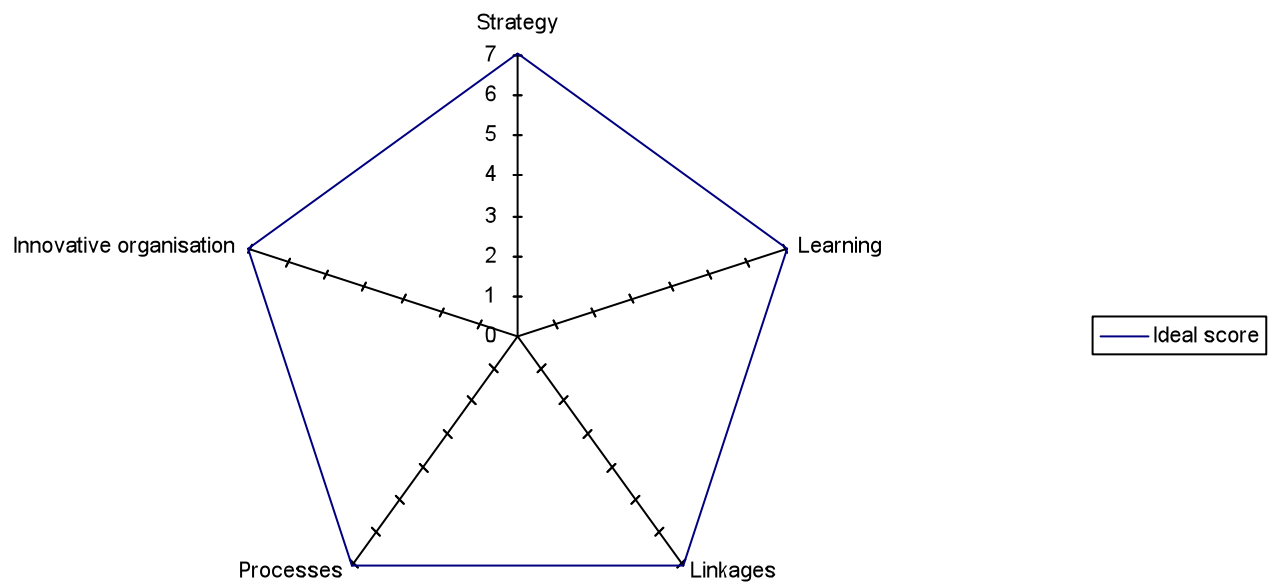
- 28** Our reward and recognition system supports innovation
  - 29** We try to develop external networks of people who can help us - for example, with specialist knowledge
  - 30** We are good at capturing what we have learned so that others in the organization can make use of it
  - 31** We have processes in place to review new technological or market developments and what they mean for our firm's strategy
  - 32** We have a clear system for choosing innovation projects
  - 33** We have a supportive climate for new ideas - people don't have to leave the organization to make them happen
  - 34** We work closely with the local and national education system to communicate our needs for skills
  - 35** We are good at learning from other organisations
  - 36** There is a clear link between the innovation projects we carry out and the overall strategy of the business
  - 37** There is sufficient flexibility in our system for product development to allow small 'fast track' projects to happen
  - 38** We work well in teams
  - 39** We work closely with 'lead users' to develop innovative new products and services
  - 40** We use measurement to help identify where and when we can improve our innovation management
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When you have finished, add the totals for the questions in the following way:

<i>Questions</i>	<i>Total</i>	<i>Score (= Total divided by 8)</i>
1,6,11,16,21,26,31,36	Strategy =	
2,7,12,17,22,27,32,37	Processes =	
3,8,13,18,23,28,33,38	Organization =	
4,9,14,19,24,29,34,39	Linkages =	
5,10,15,20,25,30,35,40	Learning =	

Now plot a profile for the five dimensions.

### Innovation audit



## Using the innovation audit

Below you will find the audit questions together with a brief explanation of what a low score might mean – and what steps you might take to improve that situation.

*Around here.....*

<i>Statement</i>	<i>What does a low score here mean?</i>	<i>What can I do about it?</i>
<p><b>1</b> People have a clear idea of how innovation can help us compete</p>	<p>Lack of a clear innovation strategy – or failure to communicate it effectively</p> <p>In the first case the issue may be that there is a general recognition of its importance but no clear understanding of how innovation will take the business forward. What are the targets for change? Which projects will be undertaken and why? What's the balance between simple incremental improvements ('do better' innovations), and more radical (and higher risk) 'do different' projects? Is the focus on product, process or other kinds of innovation? Exploring, discussing and making explicit the underlying strategy is strongly linked to innovation success.</p> <p>Alternatively the problem is that there <i>is</i> a strategy but it is not communicated effectively. People don't know where and how innovation can help the</p>	<p>Develop a strategy – a clear statement of where and how innovation will take the organization forward.</p> <p>Use policy deployment tools to communicate and build 'buy-in' to the strategy</p>

business move forward. They see change, if and when it happens, as something which happens but which they do not contribute to (although it may often affect them, especially if it concerns changes to working processes). This can have an impact on morale – and it also misses out on a major opportunity to mobilize the creativity and knowledge of the staff to contribute ideas and energy to support innovation efforts

**2** We have processes in place to help us manage new product/service development effectively from idea to launch

There is a risk that projects will overrun in cost and time, resources may be poorly utilized and innovation becomes something of a gamble rather than a managed risk

These may be symptoms of a lack of enough discipline and structure to the process of innovation. To improve this:

- Implement a stage gate system
- Put in place 'good practice' tools and techniques for project management and review
- Ensure early involvement and concurrent working across the different

			groups involved
			<ul style="list-style-type: none"> <li>• Create cross-functional teams to ensure the relevant knowledge and skills are available to the project</li> <li>• Use post-project reviews to map the innovation process and identify where it could be improved</li> </ul>
<b>3</b>	Our organization structure does not stifle innovation but helps it to happen	The culture – ‘the way we do things around here – is not supportive of innovation – people feel constrained. May be seen as too bureaucratic, too structured, too rigid, etc. Is there space for innovation? Specific time allocated? Where do people take innovative ideas? Is innovation recognized and rewarded?	Organizational development – enabling structures, training, facilitation, new routes for ideas flow, reward/recognition linked to innovation, etc.
<b>4</b>	There is a strong commitment to training and development of people	People don’t feel they are valued and may withhold their innovative ideas. Or they may be limited in what they can achieve by the lack of skills or	Increase investment in training, improve its effectiveness. Develop a training strategy. Use frameworks to guide

		knowledge	the process – for example, ‘Investors in people’
5	We have good 'win-win' relationships with our suppliers	Overall performance weakened –the whole is less than the sum of its parts. Failure to capitalize on their role as innovation sources and failure to deploy process improvements in their world to upgrade overall system effectiveness. Open innovation opportunity missed	Introduce a supplier development programme to build partnerships. Share vision about overall strategy and encourage their input to delivering this. Share or provide resources to help – training, ‘guest engineers’, etc.
6	Our innovation strategy is clearly communicated so everyone knows the targets for improvement	People don’t know where or how to focus their innovative efforts – innovation is just a slogan. The risk is they won’t bother or else they will innovate but in random fashion which may not help the organization move forward	Policy deployment of a clear strategy
7	Our innovation projects are usually completed on time and within budget	Overruns on time and/or budget usually mean there are weak or no processes in place to manage projects systematically and appropriately	Stage gate and other project management inputs. Deploy ‘good practice’ tools and techniques – early involvement, concurrent working, cross-functional teams, etc.
8	People work well together	Silo mentality, failures of	Review and change co-



<p>across departmental boundaries</p>	<p>communication – key information not being shared or shared too late. Conflicts between different parts of the organization – the whole is less than the sum of the parts</p>	<p>ordination arrangements. Use secondment, cross-functional teams, early involvement, quality function deployment, etc. Teambuilding and training across the innovation process</p>
<p><b>9</b> We take time to review our projects to improve our performance next time</p>	<p>Without some way of capturing and holding on to learning about what works – and what doesn't work – the organization risks making the same mistakes again and again. There is no 'organizational memory' and success becomes a hit and miss affair.</p>	<p>Deploy post-project reviews and other learning capture devices. Link to 'standard operating procedures' and other ratchets to capture and preserve and share. Codify tacit experiences.</p>
<p><b>10</b> We are good at understanding the needs of our customers/end-users</p>	<p>Products/services which people don't buy! Missed opportunities in terms of their design ideas. Risk that we offer 'the better mousetrap' that no-one wants!</p>	<p>Review and extend your market research tools, especially those aimed at getting close to 'the voice of the customer' (VOC). Explore tools and techniques which bring in users at the 'fuzzy front end' of the innovation process. Use quality function deployment (QFD) to ensure the VOC gets heard throughout the organization.</p>
<p><b>11</b> People know what our distinctive competence is - what gives us a competitive edge</p>	<p>If we don't know what we know – and more important, what do we know which is unique or hard to imitate – then we</p>	<p>Develop and share an understanding of 'core competencies' and how we can leverage these in products,</p>

	<p>don't really understand how we will compete. Building an awareness of the things we know about and can do well- means that innovation is not a random set of ideas but linked to areas of strength.</p>	<p>services and processes. What are our distinctive strengths? And how do we protect and exploit our intellectual property (IP)?</p>
<p><b>12</b> We have effective mechanisms to make sure everyone (not just Marketing) understands customer needs)</p>	<p>Successful innovators understand their customers needs – that's a key message from countless studies. But it is important that the understanding gets through to everyone in the organization – otherwise they may put their ideas and energies into creating products/services which no one wants!</p>	<p>Deploy approaches – like quality function deployment (QFD) - to ensure everyone understands customer needs and how their innovation activity can contribute to meeting these. Engage people from other functions – not just Marketing – in customer visits, market research, etc</p>
<p><b>13</b> People are involved in suggesting ideas for improvements to products/services or processes</p>	<p>Is innovation seen as something confined to the 'licensed few' – and do you risk losing potential ideas and input from everyone else? The danger is also that ideas for new processes – ways of working – may be resisted because people weren't involved in their development</p>	<p>Develop and implement a formalized high involvement programme – training, tools, process, enablers</p>
<p><b>14</b> We work well with universities and other research centres to help us develop our knowledge</p>	<p>Your knowledge net may be spread too thinly and you could be failing to build the rich links needed in open innovation world. Possibly 'reinventing wheels' because you aren't aware of or using what is</p>	<p>Develop an 'open innovation' strategy – identify key needs and where to find them. Develop mechanisms to form and manage knowledge supply relationships – for</p>

	available in the wider knowledge environment	example, through Knowledge Transfer Partnerships with universities.	
<b>15</b>	We learn from our mistakes	Reinventing wheels, making the same mistakes again	Learning and review mechanisms – reflection tools and aids, learning cycle
<b>16</b>	We look ahead in a structured way (using forecasting tools and techniques) to try and imagine future threats and opportunities	Being surprised by unexpected developments not on the current trajectory. Too little time to react because not aware until the crisis hits	Deploy futures tools and techniques – forecasting, scenarios, horizon scanning, etc.
<b>17</b>	We have effective mechanisms for managing process change from idea through to successful implementation	Resistance to change, lack of buy in or maybe direct hostile action. Lack of user input means weaker design and lack of ownership	Deploy change management approaches which ensure buy-in – communicate, share visions, training, user involvement in design, etc.
<b>18</b>	Our structure helps us to take decisions rapidly	Slow decisions which affect the speed and flexibility of innovative response – too late for opportunities, overruns on time and budget etc.	Optimize decision routes – for example multi-track for big and small innovation projects. Cross-functional teams, concurrent working, early involvement and other time compression techniques Lean thinking applied
<b>19</b>	We work closely with our customers in exploring and developing new concepts	Loss of important ideas which can shape a better product / service. Missing out on smoothing the user	Deploy user-led innovation tools – crowdsourcing, prototyping, etc. Web

		acceptance path through engaging early adopters, in prototyping, recommendation and viral marketing, etc.	2.0 approaches. Customization toolkit. Lead user workshops and methods.
<b>20</b>	We systematically compare our products/services and processes with other firms	Unawareness of where the frontier is, or what 'best practice' is. You may risk being surprised by faster, cheaper or other performance advantages. Or you may find that all you have are 'me too' products/services or processes which are only at – or even below – the industry average.	Deploy approaches to enable benchmarking of products, process and services
<b>21</b>	Our top team have a shared vision of how the company will develop through innovation	No clear sense of direction or complacent and comfortable without a sense of stretch	Develop and share a strategic vision
<b>22</b>	We systematically search for new product or service ideas	Innovation is a random hit and miss activity with no product/service strategy. No steady source of ideas for new products/services – risk of pipeline running dry	Product strategy linked to portfolio analysis Structured search methods – benchmarking, profiling, reverse engineering, etc
<b>23</b>	Communication is effective and works top down, bottom up and across the organization	Slow information flow, missing elements, conflicts and other 'friction – affects time and costs of innovation	Communications review and strategy
<b>24</b>	We collaborate with other firms to develop new products or processes	Missing key source of insights and chance to leverage someone else's competencies. Costs of growing your own and reinventing wheels. Open	Develop an 'open innovation' strategy – careful understanding of our competencies and what we need from others. Strategic

		innovation – ‘not all the smart guys work for us’ – if we believe they do we carry the costs of that	alliances and managed relationships
<b>25</b>	We meet and share experiences with other firms to help us learn	Insulated view of the world and belief in home grown solutions. Risks being surprised by other developments and misses out on learning opportunities	Commitment to learning networks and clubs. Building informal and formal networks to enable this. Use opportunities offered by 3 <sup>rd</sup> parties – trade associations, regional organizations, support agencies, etc
<b>26</b>	There is top management commitment and support for innovation	No leadership and no resources - key factor in innovation success and absence linked with failure	Explicit support and clear resource and other expressions of commitment – e.g. time, godfather roles, etc.
<b>27</b>	We have mechanisms in place to ensure early involvement of all departments in developing new products/services/processes	Delays and overruns in cost, failure to meet technical specs, etc. Downstream fixes and their associated costs	Early involvement, cross functional team working. Project team design and training pre-project
<b>28</b>	Our reward and recognition system supports innovation	People won't contribute because they don't feel recognized and rewarded	Review/develop reward and recognition system linked to innovation Build innovation goals into appraisal processes
<b>29</b>	We try to develop external networks of people who can help us - for example, with specialist knowledge	Limited input and insulated view of the knowledge world – the ‘closed innovation’ problem. Missing key source of	Open innovation strategy – commitment to developing networks. Sending out scouts,

	insights and chance to leverage someone else's competencies. Costs of growing your own and reinventing wheels. Open innovation – not all the smart guys work for us' – if we believe they do we carry the costs of that	using other channels – web 2.0, etc. – to help build them	
<b>30</b>	We are good at capturing what we have learned so that others in the organization can make use of it	Mistakes are repeated and loss of organizational memory. Problems of delays and overruns persist	Deploy post-project reviews and other learning capture devices. Link to 'standard operating procedures' and other ratchets to capture and preserve and share. Codify and share across the organization
<b>31</b>	We have processes in place to review new technological or market developments and what they mean for our firm's strategy	Risk of being surprised by external developments – open to disruption	Peripheral vision and external environment scanning approaches. SWOT/ PEST etc.
<b>32</b>	We have a clear system for choosing innovation projects	Spreading resources too thinly. Picking 'wrong' projects which don't match competencies or with poor market potential. Conflicts downstream over reasons for choice – politics etc around pet projects	Deploy portfolio management linked to stage gate review
<b>33</b>	We have a supportive climate for new ideas - people don't have to leave the organization to make them happen	Entrepreneurial ideas and enthusiasm are blocked – through lack of channels, through lack of resources, through lack of commitment, through lack of time and other space to	Create opportunities for intrapreneurship – routes through the system – idea contests, innovation challenges, seed funding, etc. cf 3M,

	take forward. Entrepreneurial players keep their heads down or become so dissatisfied that they leave Consequent loss of creativity and energy.	Google and others	
<b>34</b>	We work closely with the local and national education system to communicate our needs for skills	Lack of key skills to support new developments – and inability to exploit opportunities as a result	Develop a clear skills strategy and close links with external agencies in the system
<b>35</b>	We are good at learning from other organisations	Insular view – can lead to being surprised by events, or complacent assumptions about performance and portfolio. Not learning from others may create vulnerabilities	Develop networks and structured approaches to learn – benchmarking. Develop absorptive capacity – how to assimilate ideas from outside.
<b>36</b>	There is a clear link between the innovation projects we carry out and the overall strategy of the business	Innovation activity which does not move the organization forward and may even represent an opportunity cost, starving other projects of resources. Lack of commitment or support for innovation projects.	Clear strategic planning process and linkage between innovation and other components.
<b>37</b>	There is sufficient flexibility in our system for product development to allow small 'fast track' projects to happen	Projects get slowed or starved of resources because they need to wait for the 'heavy hand' of stage gate and other major project management systems. May even cost more than the innovation idea will create. People get turned off because the wait is too long or the process is seen as too bureaucratic	Use multiple tracks and idea management system

<p><b>38</b> We work well in teams</p>	<p>Conflicts and failure to get the whole to be greater than the sum of the parts – leads to delays, cost overruns, sub –optimal technical solutions etc,</p>	<p>Team building and appropriate project management structures</p>
<p><b>39</b> We work closely with 'lead users' to develop innovative new products and services</p>	<p>Missing out on key user perspectives and in particular the shaping and development which lead users – with tolerance for failure – can bring. Co-creation means they have buy-in and ownership and become not only good test beds abut also powerful advocates</p>	<p>Use lead user methods – find them, engage them, deploy them in co-creation but also in diffusion</p>
<p><b>40</b> We use measurement to help identify where and when we can improve our innovation management</p>	<p>Operating an informal or sub-optimal innovation process – missing the chance to enhance performance. Attempts to improve are poorly targeted so the momentum falls away and there may be little apparent benefit</p>	<p>Regular review of how the innovation process is working. Deploy innovation audit approaches – surveys, interviews, etc. Link to explicit models and frameworks</p>