

Innovations and performance measurement



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Some general facts 1 (according to BCG survey, 2009)

- 73% executives believe measuring innovation is important
 - 32% executives are satisfied with their company's innovation-measurement practices
 - 46% executives said that they actually use such practices
 - 52% executives said they use up to 5 metrics
 - 27% executives attempt to drive innovation by linking employees incentives to innovation metrics
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Some general facts 2 (according to BCG survey, 2009)

- *Companies consider themselves*
 - ❑ *most effective at measuring innovation outputs*
(revenue growth, shareholder return, brand impact)
 - ❑ *less successful at tracking innovation inputs*
(people, funds invested)
 - ❑ *not effective at measuring the quality of their innovation processes (input □ output)*

What are companies measuring and which metrics are they using?

■ Metrics used

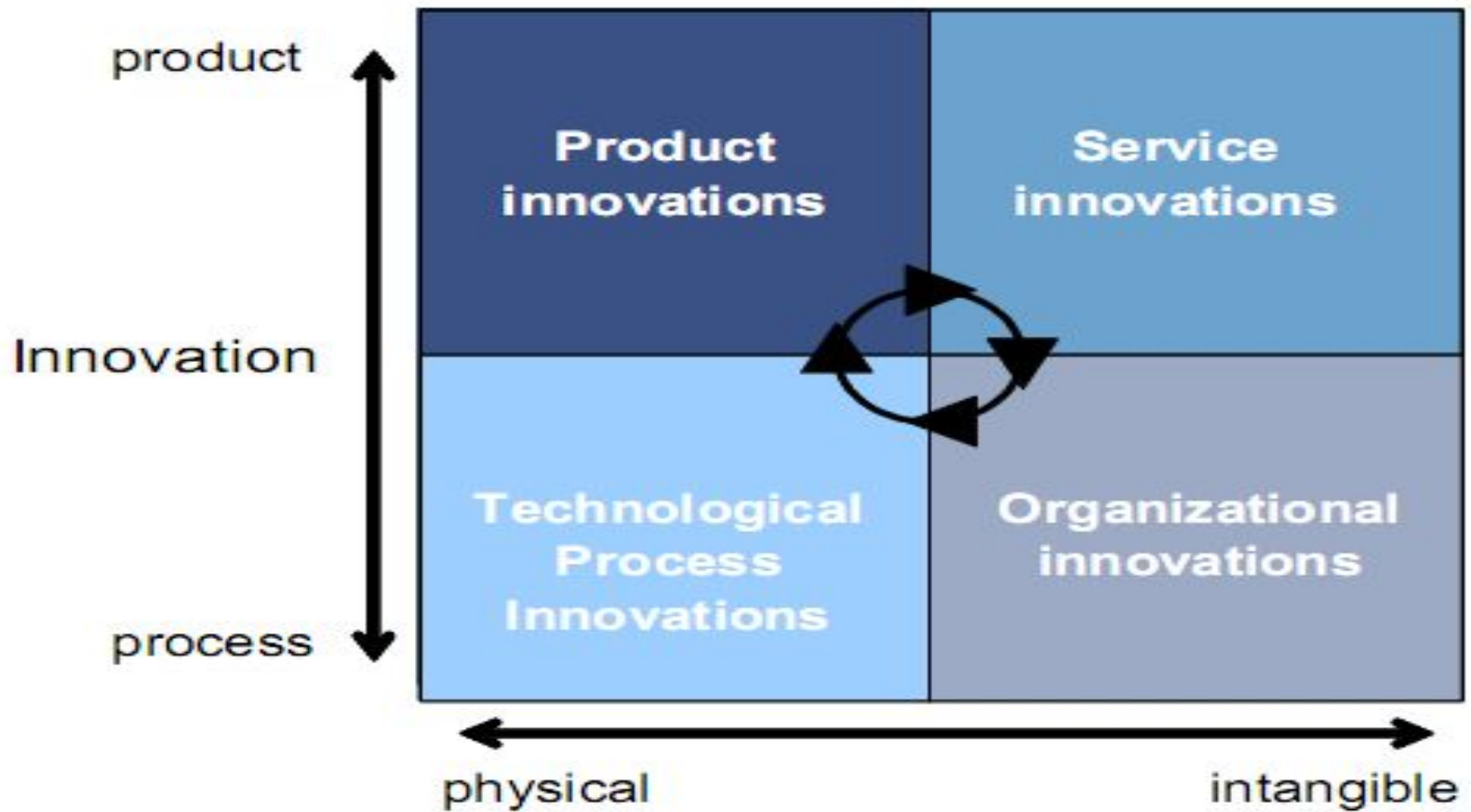
- ❑ total funds invested in growth projects
 - ❑ revenue from new offerings
 - ❑ allocation of investments across projects
 - ❑ projected VS actual performance
 - ❑ average development time per project
 - ❑ number of projects that meet planned targets
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What are companies measuring and which metrics are they using?

■ **Alternative metrics**

- ❑ percentage of sales derived from new offerings
 - ❑ number of senior inventors allocated to each innovation
 - ❑ number of patents and awards earned by staff
 - ❑ number of project-quality tests passed successfully
 - ❑ gains in market share (including cannibalism)
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What's the problem?



Example – technological company



Inputs

- ◇ Number of new ideas
- ◇ Business-unit investments by type of innovation
- ◇ R&D as a percentage of sales
- ◇ Full-time technical staff and how (and where) it is used



Processes

- ◇ Idea to decision time
- ◇ Decision to launch time
- ◇ Projects by type and launch date
- ◇ Sum of projected net present values



Outputs

- ◇ Patents granted
- ◇ Launches by business segment
- ◇ Percentage of sales and profit from new products
- ◇ Innovation ROI

Measuring technical efficiency of innovation performance of a company

- Regional aspects
 - impact of institutional factors
 - Industry aspects
 - impact of industry norms
 - Size aspects
 - impact of implicit relations within organizations
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Inputs

- % companies with special employees for innovative activities
 - % employees involved in innovative activities
 - % time spend on innovative activities
 - % employees with masters or university degree
 - % employees with training financed by own company
 - % companies with relatively more advanced machinery and equipment
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Processes

- % companies that made use of national innovation and technology subsidies
 - % companies with continuous innovating as part of the company strategy
 - % companies that have written down innovative plans
 - % companies with a change in organizational structure in last 2 years
 - % companies that performed or outsourced market research in last 2 years
 - % companies that cooperate for innovative activities
 - Use of the intermediary organization for information or advice
 - Outsourcing of innovative activities
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Outputs

- % companies that possess patents
 - % of new products or services in total turnover
 - % companies with new product/services for industry
 - % companies with new product/services for country
 - Number of different innovative activities
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Thank You!

- List of information sources
 - A BCG Senior Management Survey, “Measuring Innovation 2009”
 - Fraunhofer Institute Systems and Innovation Research, “Measuring organizational innovation”, 2007
 - R. Kemp “Innovation and firm performance”, 2007