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# Innovations and performance measurement



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Anton Mikhailov

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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)*
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*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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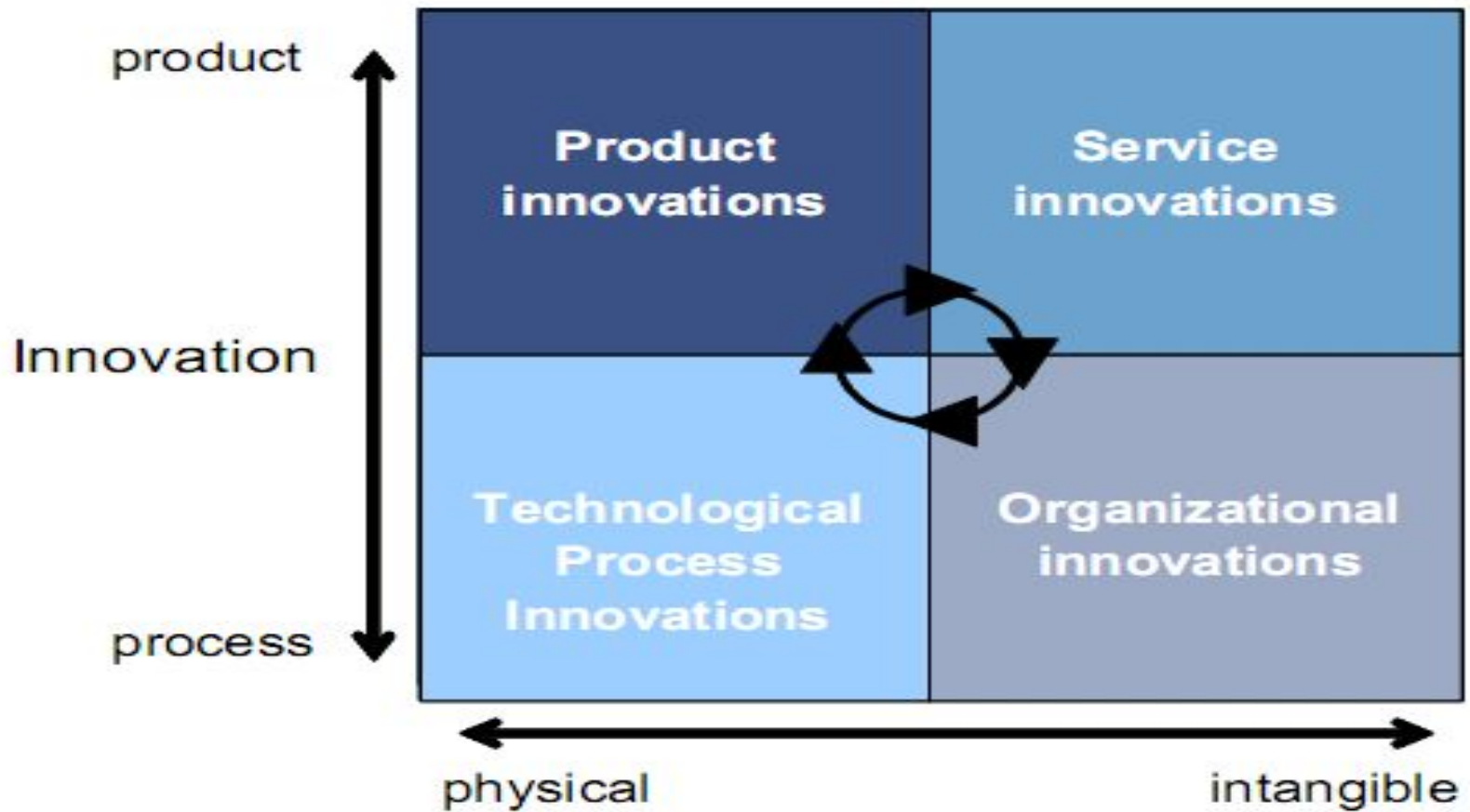
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*What are companies measuring and which metrics are they using?*

- **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

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# *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