

# MANAGEMENT

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**Focusing early  
innovation activities**

Transparency is the way forward – or is it?



# Focusing early innovation activities

## Transparency is the way forward – or is it?

**It generally pays to innovate, although entering uncharted territory is a risky pathway. However, the risk of new product failure decreases if a firm focuses attention on its innovation process. In particular, being able to handle front end activities such as ideation and idea screening in a fruitful manner is important to later market success. But what is a good way to orchestrate such early innovation activities?**

av Marianne Harbo Frederiksen

The majority of firms experience difficulties reaping the benefits of their innovation efforts by successfully commercializing new products. Across continents, three quarters of firms struggle with failure rates near 50%. As opposed to this, firms that are good at managing the new product development process experience success rates above 80%.<sup>1</sup> An obvious connection, you might think. However, achieving this is far from trivial, although inspiration can be found in recent research showing that firms increase their chances of new product success if they:

- Have enough and good quality ideas to choose from.
  - Have a corporate new product strategy directing and integrating their entire new product development.
  - Have a formal way of assessing new product development projects that includes a view to the requirements for performance of the final product after market introduction.
- Let us take a closer look at what this implies.

### Collecting the ideas

In order to ignite the innovation process, firms need to ensure having promising new product ideas to choose from. This can be done e.g. by motivating the employees to share their ideas and help improve the ideas of others.

One of Sweden's largest firms collects its employees' ideas by means of a web-based ideation system. A general finding from an interview-based study is that the firm's employees think of qualified feedback on ideas and also public praise

as being highly motivating.<sup>2</sup> Although the level of participation could be better, the system enables such recognition. Submitted ideas are visible and available to elaborate on to everyone within the firm, both peers and superiors. However, local idea managers and innovation

performance.

To do so, the management first needs to know what it is striving for, and then it can decide on the corporate innovation strategy. Next, the strategy must be disseminated throughout the organization to ensure that everyone is on the same

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boards make the final decisions on the quality of incoming ideas according to their own criteria. These criteria are typically not disclosed. This makes it difficult for the employees to see through how ideas are evaluated and why some ideas are deemed better than others. Such lack of transparency easily demotivates the employees. Thus, even though the firm already collected many ideas by means of the system – and some good ones, too – the case demonstrates the need for more transparency with regard to both goal and procedure.

### Keeping the goal in sight right from the start

Firms with innovation on the agenda strive for generating value by successfully commercializing products that are innovative to some degree. In that connection, it is critical that the management addresses whether, but also how, innovation activities lead to the required level of

page. Simultaneously, it is important to appoint the assessors and determine what criteria they should use for assessing new product ideas. The criteria should be picked out according to the strategy, i.e. with a view to the desired goals of developing and commercializing new products. Figure 1 illustrates this alignment between early innovation activities and the corporate innovation strategy.

When going for innovation, three overall criteria stand out as being particularly important: novelty is needed for ensuring some degree of differentiation compared to existing products; usefulness is needed for creating value to the intended recipients and render possible that they will adopt the new product; and market potential is needed for sufficiently exploiting the new product and, thereby, generating value to the firm.<sup>3</sup> By underlining the importance of using these criteria as a minimum for screening ideas,

the management encourages a focus on innovation potential already at the front end of the innovation process.

**Ensuring the assessors’ focus on innovation potential**

Firms using a formal and somewhat structured idea assessment procedure enhance the chances of new product success. In that connection, it is important that the assessors have relevant and diverse expertise. Therefore, many firms appoint a product committee. Typically, it consists of the heads of department who meet regularly to decide on ‘go’ or ‘no go’ of new product ideas.

Despite the assessors’ executive positions, they are not automatically aligned to the overall goals of the firm. This is illustrated by the findings from in-depth interviews with all the product committee members of a Danish SME.<sup>2</sup> The firm is known in its line of business as the provider of both classic and technologically innovative products. And it is expected to be the most innovative firm in the holding company it is part of. Interestingly though, the firm does not have an innovation strategy. Moreover, the committee members received no instructions in what assessment criteria to focus on – or in a potential weighting of such criteria. There is no explicit reason for this. However, it entails that assessment of new product ideas will not be made with a view to specific performance requirements. This lack of direction in how the committee should handle ideas is potentially detrimental to the firm’s future product portfolio and market position.

Interviews with the firm’s target customers and users reveal that, although they focus first and foremost on the immediate usefulness of new products, they also highly appreciate the innovativeness of the firm. Thus, in order to maintain the firm’s image, the committee should focus on usefulness and novelty alike. However, the committee members are mainly focused on the market requirement for usefulness and the firm requirement for market potential. This could prompt the committee to deselect ideas for very

early innovation activities. It can help motivate employees to engage in ideation, and it can align assessments of new product ideas with the corporate innovation strategy. Knowing the ultimate goal of new product development makes it easy for employees to understand what kind of ideas to pursue, how to motivate them, and how to assess and select. Thus, everyone within a firm can discuss and evaluate ideas on equal terms. Transparency can thereby target the employees’ innovation efforts and increase the chan-

” *When seeking to have the right ideas and the right assessors using the right assessment criteria, a firm generally needs to offer its employees insights into both goal and procedure* ”

novel products, unless the usefulness and market potential hereof are readily detectable. And this is unfortunately not always possible to determine when screening rough ideas. Presumably, this (and any other) product committee could increase the expediency and accuracy of its decisions by having insights into the corporate innovation strategy – and by knowing the most important criteria for assessing early ideas. Again, this calls for transparency.

**Transparency: a recurring theme**

Judging from the above, transparency is an important means of orchestrating

ces of new product success.

However, in my dissertation, I identify some potential downsides of such transparency:

- Setting clear goals and determining the criteria for assessing ideas can result in some, potentially good, ideas not being submitted. Maybe those behind an idea are not keen on making it available far and wide. Maybe they feel incapable of motivating the idea sufficiently. Or maybe they do not think that the idea will interest or bring value to the firm, because it does not readily fit the announced assessment criteria. This may prevent someone from sharing their ideas.

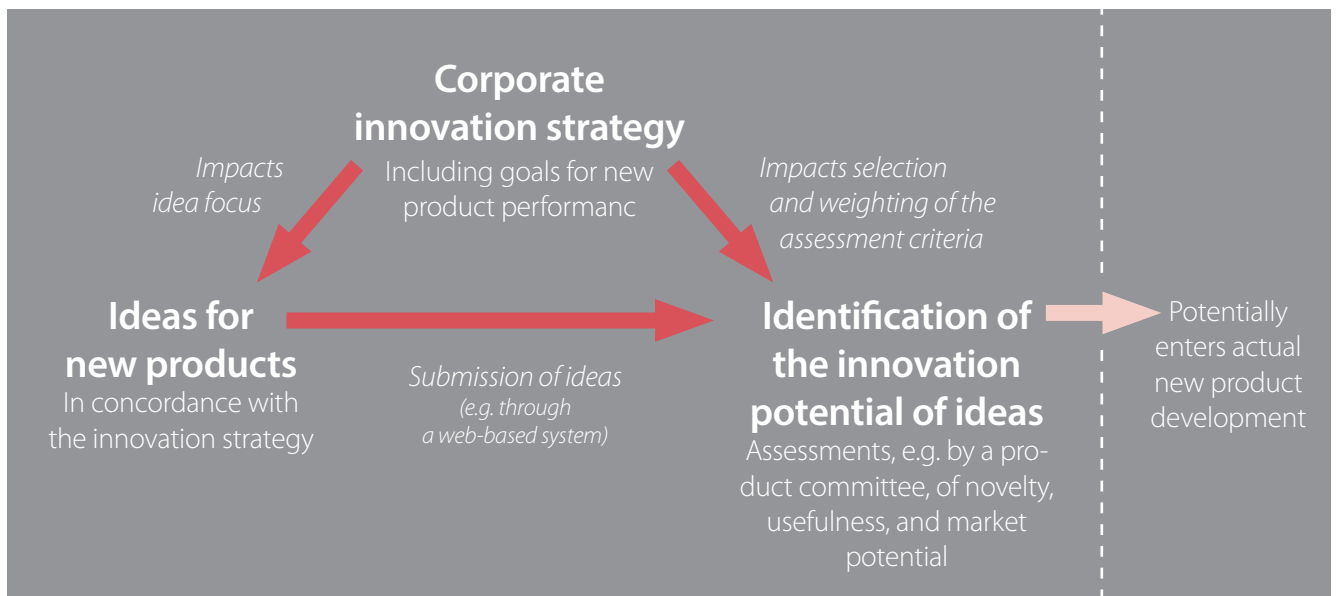


Figure 1: Alignment between early innovation activities and the corporate innovation strategy.

Management initiatives for transparency	Pros of such transparency	Cons of such transparency
Formulating and disseminating throughout the organization the corporate innovation strategy.	Makes it possible for employees at all levels to see and know what to aim for.	
Implementing a web-based ideation system where submitted ideas are visible and available to everyone within the firm.	Enables that the person who submits an idea can get immediate and competent feedback – and other kinds of recognition – from all employees, no matter hierarchical position or geographical location.	May prevent some employees from sharing an idea, e.g. because they feel incapable of motivating the idea sufficiently or do not wish to make the idea available to everyone within the firm.
Defining and communicating the criteria for assessing new product ideas.	Makes it easy for any employee to see through the qualities required for an idea to be selected for further development.	May prevent some employees from sharing a potentially good idea if they do not think it will fit the assessment criteria.
Picking and/or instructing the assessors with a view to the corporate innovation strategy.	Ensures that assessments of ideas are made with a view to the desired new product performance.	Potentially valuable ideas, e.g. those for something radically new but not readily useful, may be dropped.

Table 1: Some pros and cons of management initiatives for transparency.

• Moreover, a potentially valuable idea may be discarded by its assessors, because it does not directly live up to some of the criteria. This is especially so for radically new but not yet clearly useful ideas.

To prevent this from happening, firms may consider e.g. a dual track innovation strategy: one for incremental ideas and one for more radical ideas. The weighting of the selected assessment criteria should then reflect these nuances and be sufficiently clear to the employees – also to those assessing ideas.

Table 1 summarizes the main messages of this article, i.e. that regarding early innovation activities there are both pros and cons of management initiatives for transparency. However, essentially, it is important to keep in mind that people drive innovation. They contribute their diverse ideas, experience, and expertise to the innovation process. Therefore, when seeking to have the right ideas and the right assessors using the right assessment criteria, a firm generally needs to offer its employees insights into both goal and procedure. This can ensure consistency in the way that early innovation activities are carried out. ●

<sup>1</sup> Markham, S. K. and Lee, H. (2013). Product Development and Management Association's 2012 Comparative Performance Assessment Study. *Journal of Product Innovation Management*, 30(3): 408-429.

<sup>2</sup> Frederiksen, M. H. (2016): *Drivers of Innovation: From Motivation for Ideation to Assessments and Market Reception of New Product Proposals*. Article-based PhD dissertation from University of Southern Denmark. Co-authors on some of the articles: Knudsen, M. P., Magnusson, M., Björk, J., and Zheng, M.

<sup>3</sup> Frederiksen, M. H. and Knudsen, M. P. *From Creative Ideas to Innovation Performance: The Role of Assessment Criteria*. Forthcoming in *Creativity and Innovation Management*.

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The research of Marianne Harbo Frederiksen revolves around certain aspects of innovation, including idea management, the emergence of business eco-systems, and the innovation potential of new technologies. With a background as an industrial designer she has been co-owner of a design company and has worked in and together with a number of industries as a designer and R&D Manager. She has also been an adviser in public-private research projects focusing on e.g. the development of use scenarios and ideation.

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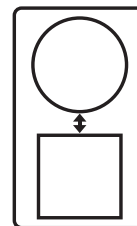
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