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Timing Matters – Innovation Outcomes and Measures

When creating your innovation plan, resist the temptation to “wing it” or “bet the farm.” In my last article, we reviewed the three drivers of innovation – what you do, how you do it and who values what you do. A careful and systematic analysis of your current product(s)/service(s) (what you do), your process (how you do it) and your customers (market) will help you to clearly define your innovation objectives and evaluate new innovative ideas. This three driver innovation model provides a necessary framework for discovering new innovation, but it remains incomplete without consideration of timeframes for innovation outcomes. To complete the innovation framework, consider your expected outcomes. How long you are willing to wait before seeing results?

Measuring Innovation Outcomes

There are a number of valid methods to measure innovation success. Some organizations measure innovation success using short-term indicators such as revenue growth, profit or - for nonprofits – mission impact. Some organizations are willing to look farther into the future and consider increase in competitive position or market share. And some organizations are willing to look even farther out over the horizon to measure innovation success in terms of their ability to influence consumer perceptions and market behavior.

The tradeoffs between short-term versus long-term gain are widely understood. Innovation that yields short-term gains will not likely yield long-term gains as well. However, many organizations are conflicted regarding their expectation for innovation. This keeps many great ideas from ever being successfully launched.

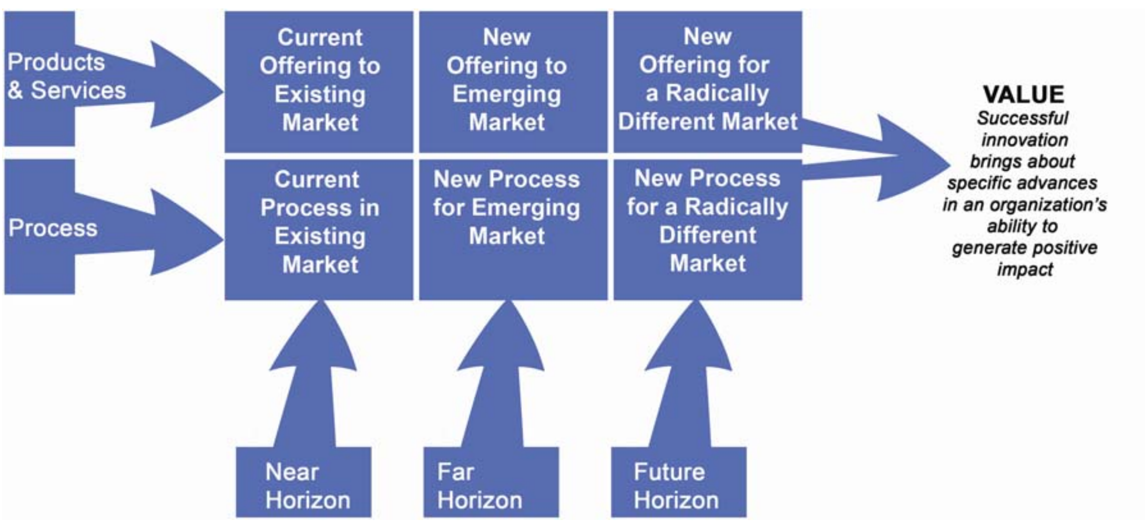
Three Horizons

Gauging the success of a given innovation depends upon what you expect and when you expect it. It helps to think of the future in three “horizons”. We describe these as “near horizon,” “far horizon,” and “over the horizon,” referring to the length of time expected to achieve a given outcome. Setting expectations in each of these horizons will help you focus your innovation efforts.

Near Horizon Expectations
Short-term innovation expectations (1-3yrs) are typically described using familiar financial performance data such as growth in revenue, profit or other traditional financial analysis (e.g., return-on-investment, return-on-assets, etc.) How can you add value to your products/services and process to better meet the current demands of your existing market?

Far Horizon Expectations
Long-range innovation expectations (3-5yrs) consider growth in market share and competitive position. Managed properly, success in this horizon will lead to future "near horizon" success. How is your market changing and what will you do to attract new customers into the emerging market?

Future Horizon (Over-the-Horizon) Expectations
Over-the-horizon innovation expectations (5-10+yrs) look at changing customer behavior in order to create market disruptions that alter the rules of competition. What new products/services or process can you envision that would radically alter market perception and create a new paradigm? Are you willing to wait for results?



Which innovation horizon should you target? That depends on the innovation outcomes you expect to achieve. Top line growth and bottom line improvement are the easiest to measure and therefore tend to drive most corporate behaviors. However, the strategic importance of first-to-market and market share are now evident for companies like AOL, Amazon, Charles Schwab, Google, and Hyundai. These organizations were content to sacrifice short term financial gain for longer term results in emerging markets. And if your goals are farther into the future, then you must consider market influence – the ability to effectively change the behavior of a market – as a strategic advantage. Think of the market impact of Apple's iPod on the consumer music industry or Procter & Gamble's Swiffer product line which created a market demand for disposable household cleaning products and altered the way consumers clean their homes. These companies remarkably altered the market demand, expectations and perceptions to their own advantage.

Can you effectively target near horizon, far and future horizon outcomes simultaneously? Yes you can - and you must - if you truly desire to reap the benefits of successful innovation. This multi-horizon perspective is the basis for keeping your innovation pipeline full and improves your chances for innovation success.

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