

## How To Improve Your Innovation Success Rate



In the past few newsletter articles, I have been using Creativity and Innovation almost interchangeably. They really aren't the same thing. Before we start talking about how to manage innovation, let's define what it is. David Kelly, the head of the new D-school at Stanford (the D stands for design) has this to say: "If we can move people from saying, "You creative guys, to saying, You innovative guys" – meaning the guys who have big ideas but also have a methodology and are clever about how you make them viable in the world – then I think you've got something." Thus **creativity plus implementation equals innovation**. Both creativity and implementation can and should utilize a defined, measurable process. And if the process is defined and measurable, it can be managed. An approach to innovation based on business strategy, design strategy, innovation methods and metrics can dramatically improve innovation success rates.

What are some of the **pitfalls to avoid**?

- **Confusing R&D with innovation.** Last month we talked about the effectiveness of R&D spending and how important it is to properly manage the R&D process. Hiking R&D spending doesn't automatically increase innovation success rates. Seeking new ideas from around the globe can often be more productive. The companies having the most success developing innovative new products are those focused on collaboration, both inside and outside of their own companies.
- **Confusing marketing with customer understanding.** Understanding the unarticulated needs of your customers is very difficult and something very few companies do well. You have to get out there and interact with your customers and ask questions. There is no substitute. And I'm not talking about just your sales and marketing people. It has to be a collaborative effort including product designers, engineers, and even manufacturing.
- **Confusing "out of the box" thinking with innovation.** Creativity is a key part of innovation, but true innovation is so much more. Remember you have to create a process that can be measured and managed.

Procter & Gamble and General Electric are acclaimed to be leading the way in creating innovative cultures within their companies. Here are some of the **lessons** they have **learned**.

- **Open up.** Companies need to end their "not-invented-here" cultures. R&D work should be linked to online networks of scientists, engineers, consultants, and overseas labs. Bring in outside design, innovation and technical expertise. Get your people out of the office to interact with customers and suppliers. GE's CEO Jeff Immelt in an interview with Business Week had this to say: "**Creativity is important.** It's an ingredient in innovation, but it's not the only thing. **We're trying to stimulate new thinking by bringing people in from the outside,** such as [design consultants] IDEO, to make sure we're not too internally focused."
- **Lead the revolution.** You are trying to change the culture of your company. That can only be done from the top. The CEO has to personally champion the goal of becoming innovative and introducing innovative new products.
- **Change managers.** Only some managers trained in Six Sigma and other traditional business process improvement methods will be able to make the

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change. GE's Jeff Immelt had this to say: "I look at Six Sigma as a foundation on which you can build more innovation. I don't think every manager can do both [Six Sigma and innovation], but I don't need every manager to do both." He went on to say: "We want to make it **O.K. to take risks** and do things that aren't just going to [produce results] this quarter. We went through a comprehensive internal effort and came back with five traits we now use at our training center in Crotonville [N.Y.]. They are: external focus, decisiveness, imagination and courage, inclusiveness, and domain expertise. This is the foundation of how you become more innovative."

- **Change incentives.** Link bonuses to new ideas and customer satisfaction. Tie spending to breakthrough projects that identify new markets, sell to new customers and create new products. This is very important. As Eli Goldratt is so fond of saying: "Tell me how you are going to measure me, and I'll tell you how I'm going to respond".

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