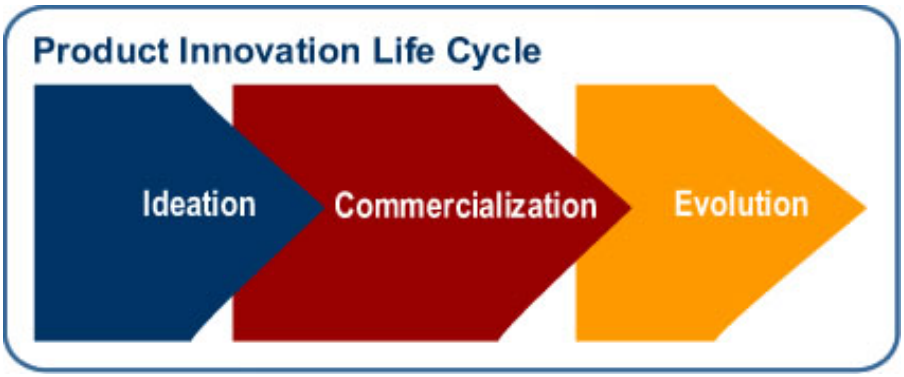
BlueMineGroup
Taking innovation to market

Ideation: your foundation for new product success

Developing and growing new products and services is a core focus for innovation in many companies. Based on our experience with dozens of product and service innovations, as well as a survey of the literature, we have developed a simple but powerful framework for managing the product lifecycle comprising three broad phases: ideation, commercialization and evolution.



In this framework, *ideation* covers the stages from idea through funding; *commercialization* covers development through launch; and *evolution* covers life cycle management - evolving the product offering over time to maximize long term product profitability and value. In this article, we will explore ideation in more detail. Subsequent articles will cover commercialization and evolution.

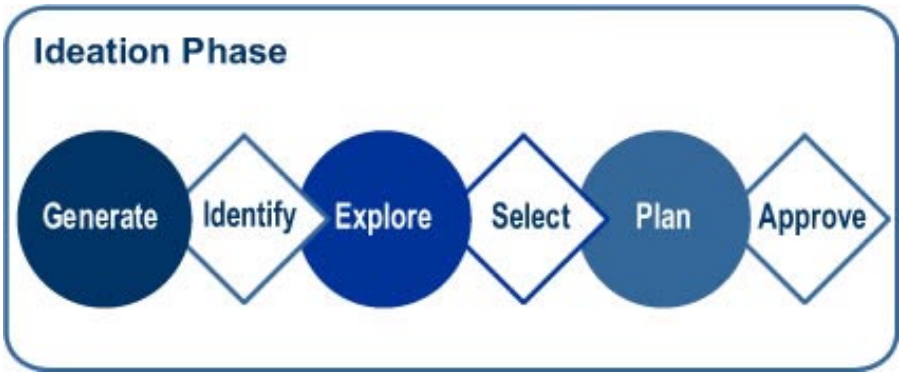
In our model, ideation is a holistic process to generate, qualify and secure funding for new product and service ideas. This definition differs from the more common use of ideation to cover just the idea generation stage. We define it more broadly, as in our view moving from initial idea through to securing funding is an integrated sub-process that requires relatively little investment, and has a clear end-point – the decision to invest in a promising new product or service. Following that decision, commercialization begins, a phase with very different characteristics.

In many companies ideation is the most neglected and poorly performed phase. Many companies rush into product development based on a limited pool of ideas, with little understanding of real market potential. Conversely, some companies have begun exploring ways to expand the range and sources of innovative ideas, but do not have in place an effective system to select and focus on the best ideas.

At the same time, ideation is the phase where improvement often yields the biggest payoff. The difference between generating, selecting and focusing the best product ideas on the most attractive market opportunities, and coming up with fewer, average ideas and giving them no clear focus, is enormous. This difference is very real to many companies – in terms of capital invested, product time-to-market, sales growth and long term value created.

Building on the work of thought leaders like Henry Chesbrough, Robert Cooper, Scott Edgett, Rowan Gibson, Vijay Jolly and Peter Skarzynski, our ideation framework comprises six steps. It encompasses a systematic approach to generating ideas from diverse sources, and a risk-optimized methodology for moving viable ideas through to commercialization. The quality of the ideas, and the time, effort and risk involved, is relatively low to begin, and increases with each step. This ensures that you consider a wide range of options, but really focus on the small set of options with the greatest

potential for your business. Note that, like all parts of our model, this is a generic framework that must be adjusted and tailored to each company's specific needs.



Generate:	Generate a rich set of ideas in key areas of innovation focus
Identify:	Identify ideas that fit your criteria for further exploration
Explore:	Explore each idea's technical, market and financial potential
Select:	Select the highest potential ideas for in-depth analysis and planning
Plan:	Develop a comprehensive business plan and pitch decision makers / investors
Approve:	Secure approval and funding to proceed to commercialization

Step 1: Generate

The first step of the ideation process is to determine your key strategic areas of focus for innovation, and to generate a rich set of ideas in those areas from both internal and external sources.

Develop an innovation strategy to guide your idea generation efforts. The process begins with defining and communicating your innovation strategy for your business. Your innovation strategy includes setting your qualitative and quantitative objectives, and the broad market and technology areas of focus, for your new product development efforts. These parameters must be broad enough to allow for breakthrough, out-of–the box ideas, yet give sufficient guidance to provide coherence to your idea generation efforts and avoid wasting resources. These guidelines form part of your assessment criteria in step 2.

Generate ideas from a wide range of internal and external sources. With the rapid spread of the concept of open innovation pioneered by companies such as Proctor & Gamble and Philips, leading companies now recognize the value and importance of generating a rich mix of new product ideas from both internal and external sources. Such an approach ensures you consider a wide range of perspectives and don't get trapped in corporate blind spots. It also helps build a culture of innovation in your organization.

Source ideas internally both top-down and bottom-up. Internal sourcing should be a combination of a top-down directive and bottom-up, experimental methods such as:

- Setting up a website to promote, capture, sort and store ideas
- Allocating employee time to creative thinking – companies such as Google and 3M have maintained an innovative environment by doing so
- Creating brainstorming teams with distinct perspectives to shape raw ideas or explore new industries / markets
- Assigning individuals and teams to examine customer, competitor and technology trends in your and related industries
- Assigning teams to create alternate internally consistent future scenarios to explore options and ideas.

Source external ideas from a wide range of stakeholders. External sourcing of ideas is really about harnessing the collective knowledge of, or at best co-creating with, partners, customers, suppliers, vendors, and even competitors. This encompasses a wide spectrum of activities including:

- Working collaboratively with individual innovative customers
- Researching customer needs using "voice of the customer" tactics such as extended observation, in-depth interviews, focus groups or advisory panels
- Seeking ideas from outside partners and vendors
- Accessing the external technical community through innovation communities such as InnoCentive
- Seeking and rewarding submission of ideas from users, customers and other external parties
- Co-creating products with customer, partners or vendors from start-to-finish
- Utilizing large group, web-enabled models such as open source or crowd sourcing.

Step 2: Identify

Once you have generated a comprehensive range of ideas, the next step is review them to identify which ideas are worth exploring further.

Create a set of screening criteria. Using your innovation strategy parameters as well as other considerations, develop a set of criteria to use in evaluating and ranking each idea. These criteria may include strategic alignment with your priority core and emerging target markets and technologies, estimated level of investment and risk, ability to leverage core resources and competencies, and fit with company values and policies.

Use these criteria to assess and rank the ideas. Each idea should be quickly and objectively assessed against your evaluation criteria. Ideas that meet all criteria should be prioritized for further consideration, while those that do not must be either refined or scrapped.

Step 3: Explore

Once you have a prioritized list of ideas, the next step is to conduct a quick and relatively inexpensive preliminary assessment to explore the potential of each idea. Critical to this step is to conduct three, integrated assessments: market, technical and financial.

Market assessment. The market assessment comprises a first cut target market definition, and a high level analysis of the urgency of demand and likelihood of market acceptance, the possible current and future market size, and the current and emerging competitive landscape. It should also include a first cut assessment of go-to-market options. The goal is to explore whether there are obvious market reasons to either pursue the opportunity or drop it. This activity should primarily comprise online research, internal discussion, and interviews with a range of customers, partners, competitors, thought leaders and other market participants.

Technical assessment. The technical assessment focuses on the first cut product definition, and the high level feasibility, possible options, general timeframe and resource requirements, and potential risks and obstacles to develop and produce the product. Again, the goal is to explore whether there are any immediate reasons to pursue or drop the idea. Activity should comprise internal discussions as well as interviews with selected partners and vendors.

Financial assessment. The financial assessment should build on the market and technical assessment to create a preliminary, back-of-the-envelope financial model to test the idea's fundamental economics and assumptions.

Step 4: Select

With the preliminary assessment completed for each prioritized idea, you are now in a position to select those ideas that appear to really have potential.

Develop a more in-depth checklist. This step involves developing a more sophisticated checklist and scoring model, building on the criteria developed in step 2.

Review and select the highest potential opportunities. Those ideas that promise the best short and long term potential should be selected for in-depth analysis and planning. The rest of the ideas should be either sent back to be refined, stored for possible future considerations, or dropped.

Step 5: Plan

This step is the most time and resource intensive in the ideation phase, and is thus reserved for those few ideas that are under serious consideration for investment. This step involves building a comprehensive business plan using a sound innovation business model framework. It is essential to develop a solid plan through a combination of creative thinking and fact-based analysis. This business plan will the basis for the investment decision, and all future work. It is vital that the plan developed is *not just for presentation to investors, but is actually going to be implemented and followed*. For independent ventures, this step also comprises identifying and pitching prospective external investors.

Develop the business plan. Based on our innovation business model, the business plan should comprise the following seven elements:

- **Product market strategy**
  - Definition of target markets and customers, the needs to be addressed, and the markets' current and future size.
  - Clear definition of the whole product offering, including features, benefits, technology, pricing, positioning, value proposition and customer experience.
  - Detailed competitive analysis, including competitive offerings versus customer needs, and how your offering meets customer needs better than all options.

- **Product development and lifecycle management** – approach, organization, skills, processes and resources required to design, build and evolve the product.

- **Sales and marketing** – approach, organization, skills, processes and resources required to attract, win and grow customers.

- **Operations** – approach, organization, skills, processes and resources for production, delivery and support.

- **Partners** – strategic alliances and partners needed to accelerate any part of the business model.

- **Financial model** – key assumptions, revenue, cost and cash flow forecasts, amount of funding required, sources of funding; for independent ventures, capitalization table.

- **Strategic management**
  - Your strategic management system – governance, and how you will plan, implement and control the product or venture launch and growth.
  - Detailed implementation plan, with tasks, responsibilities and timing.

Build the plan through both creative thinking and detailed analysis. In addition to a series of internal discussions and brainstorming sessions, it is essential to develop your business plan through solid research and analysis, including:

- Customer research and concept testing (product, message, pricing, buying process)
- Detailed product requirements definition
- In-depth technical research, including defining and building a prototype
- In-depth discussions and preliminary agreements with key vendors and partners
- Legal, IP and regulatory evaluation
- Detailed financial modeling, risk and sensitivity analysis, and option evaluation.

Pitch (and for independent ventures, source and pitch) investors. This step also includes presenting the business plan to the investment decision makers. For independent ventures, this step normally includes the added complexity of securing external funding. Through your planning efforts, you need to determine the right categories of investors to pursue – angel, venture capital, private equity or strategic corporate investors. You then need to identify and contact a number of prospective investors just to secure a first meeting. Thereafter, the presentation process and subsequent discussions and negotiations are analogous to, but far more complex than, securing investment internally within a large corporation.

Step 6: Approve

The final step is to secure approval and funding to proceed. Following the presentation of the business plan in step 5, there is normally a process of reworking and fine-tuning the plan, and negotiation over investment terms and conditions, leading up to the decision to proceed.

For independent ventures, this is a longer and more complex process, as it normally involves negotiation over company equity holding, governance, personal commitments of founders, as well as a due diligence process.

This step, and the ideation phase, is concluded with the final decision to invest and proceed, or to delay or abandon the opportunity.

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An effective ideation phase is critical to maximizing the chances for success for your new product and service innovations. Ideas that graduate through steps 1 to 6 have been carefully selected from a broad range of exciting options, and have been methodically analyzed and carefully planned. This phase requires far less time and resource than subsequent phases, and done well, will make an enormous difference in time-to-market, capital needed and success probability.

As is widely known, many ideas that are funded for development never reach the market, and a majority of those that are launched do not achieve success. For this reason, your product innovation model should be built on a solid ideation foundation. By implementing a dynamic, but disciplined ideation system, you will create and harness innovative thinking, focus your limited resources on the best concepts and opportunities, and maximize your organization's ability to achieve your innovation goals.

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Resources

Bughin, Jacques, Michael Chui and Brad Johnson. "The next step in open innovation" McKinsey Quarterly, June 2008.

A recent article discussing the advantages and challenges of co-creating products with external partners. Among other topics, the article focuses on the technologies enabling these product development activities.

Cooper, Robert G. and Scott J Edgett. "Ideation for product innovation" PDMA Visions Magazine, March 2008.

An informative article based on a 2007 study, which had over 160 companies assess the effectiveness and popularity of 18 ideation methods. The resulting analysis presents a useful matrix plotting the effectiveness and popularity of these ideation methods.

Cooper, Robert G. Winning at New Products: Accelerating the Process From Idea to Launch.

One of the classic product development texts. It presents Robert Cooper's Stage-Gate process, which has been adopted by innovative companies over the past two decades.

Jolly, Vijay K. Commercializing New Technologies: Getting from Mind to Market.

This book, focused on new technologies, lays out a end-to-end framework that differs from the strictly linear processes previously developed. The technology commercialization process presented by Professor Jolly advocates the use of five diverse sub-processes linked to each other by intermediate stages of stakeholder mobilization.

Skarzinski, Peter and Rowan Gibson. Innovation to the Core: A Blueprint for Transforming the Way Your Company Innovates.

Building on the ideas of strategist Gary Hamel, *Innovation to the Core* presents a holistic guide to instilling innovation into your corporate DNA. Particularly relevant to this month's Insights, the authors not only advocate widening the innovation pipeline through ideation, but also stress the importance of enhancing the quality of ideas through focusing on themes and creating collisions of diverse insights.

About the Authors

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