

# Innovation Management: Improving Returns on Innovation Investments

## *CIMdata Commentary*

### *Key takeaways:*

- *Innovation is a top priority and primary growth driver as cited by many executives, but research from both Pricewaterhouse Coopers and IBM reflect that fewer than 20% of CEOs believe their investments are paying off*
- *The biggest challenge is not coming up with enough ideas; it is sifting through the deluge of competing ideas to identify and focus on the best in which to invest*
- *Product innovation is too critical a business process to be left to spreadsheets, documents, or PowerPoints, disconnected from the rest of the product value chain.*
- *Oracle's Innovation Management solution supports innovation by bridging the gap between selecting innovative ideas and transitioning the best ideas into profitable products to gain more satisfied customers*

## **Product Innovation**

Consistent product innovation has long been the “Holy Grail” of product development. As you would expect, product innovation is often cited as a top priority by most executives today. However, recent studies from Pricewaterhouse Coopers<sup>1</sup> and IBM<sup>2</sup> have shown that fewer than 20% of CEOs believe their investments in innovation are paying off. Managing innovation and making the best investments is more difficult because the product development cycle gets squeezed as time, people, and money are increasingly constrained. Global competition, government regulations, shorter lead times, and declining profit margins all have a significant impact on the ability of a business to quickly bring to market high quality innovative products that delight the customer.

The research referenced above also highlights the fact that innovation in products and services is perceived to be the primary growth opportunity over the next several years. New technology such as the cloud, mobile customer engagement, enhanced data analytics, and social tools will impact the potential to quickly and proactively identify new innovative product offerings. The challenge is to combine these technological opportunities into a solid framework that supports innovation processes from a 360-degree view, to determine the best investments, to deliver the product, to develop the market, and to support company strategy.

The biggest challenge today is not necessarily coming up with enough ideas, which along with opinions can be gathered from multiple sources. The real trick is to sift through the deluge of competing ideas to focus on only the very best. Once good ideas are selected to pursue, how can they be translated into stellar products that customers will want to purchase repeatedly? How can the most profitable ideas be identified early, and developed into great products quickly? Successfully making these determinations will allow a company to develop

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<sup>1</sup> PwC. 17<sup>th</sup> Annual Global CEO Survey 2014, p.10. <http://www.pwc.com/gx/en/ceo-survey/index.jhtml>

<sup>2</sup> IBM. CMO Survey 2014, p. 27. [http://www-01.ibm.com/common/ssi/cgi-bin/ssialias?subtype=XB&infotype=PM&appname=GBSE\\_GB\\_TI\\_USEN&htmlfid=GBE03419USEN&attachment=GBE03419USEN.PDF](http://www-01.ibm.com/common/ssi/cgi-bin/ssialias?subtype=XB&infotype=PM&appname=GBSE_GB_TI_USEN&htmlfid=GBE03419USEN&attachment=GBE03419USEN.PDF)

products with increased revenue, greater profitability, improved customer satisfaction, and greater returns on innovation investments.

### **State of the Market**

There are many solutions available in the market that attempt to support various aspects of customer input. Many of these tools support the Voice of the Customer (VOC) by aggregating surveys and trolling social sites to determine how products and services are perceived in the marketplace. Examples of this type of social ideation software include Cognition Cockpit, MindJet Spigit, and Hype.

Additionally, some stand-alone solutions like IBM Rational Doors, Accept 360, and TraceCloud, and product lifecycle management (PLM) solution providers, offer requirements management capabilities that also help to support collecting customer requirements.

The challenge with products that support VOC is the lack of linkages to the traditional downstream activities, such as product design, development, and commercialization. Once product design begins in earnest there are limited ways to proactively measure, monitor, and ensure the new product meets all requirements, and even fewer ways to monitor this during the production and commercialization phases. The result is often a product that fails to meet critical customer requirements and market expectations.

There are also multiple solutions that support gathering information from products that are already being serviced in the field. These tools provide warranty information, customer-experience survey feedback, and other information that provides a view of the current product. However, these tools are often relegated to service silos and may not have a direct impact on future products. Ideas for innovative new designs or for a new product line may be gleaned from this data, but the information is usually not easy to interpret or link to the product development process.

### **Focus On Oracle**

Today there is a new solution integrated with Oracle's *Agile Product Lifecycle Management* solution that bridges the gap between innovative product selection processes and product execution to deliver a higher rate of innovative products: *Oracle Fusion Innovation Management*. This solution allows you to collect and evaluate ideas, and then build and analyze core business cases, to determine if the ideas map into and contribute sufficiently to the company's strategy. It helps you understand where to place limited company resources to achieve business goals and maximize delivered value, while operating within business constraints of time, resources, and money.

A recent Oracle podcast<sup>3</sup> explained how, in Oracle's view, this new solution helps organizations increase revenue growth from new products. It also explained how they achieve a competitive advantage, by introducing a systematic approach to capturing, selecting, and investing in the right ideas and product concepts.

This solution has been in development for over three years and included customer and industry validation. CIMdata expects this solution to gain strong traction across many industries struggling with consistently delivering winning innovation, including high tech, industrial equipment, life sciences, telecom, and CPG, among others.

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<sup>3</sup> [http://streaming.oracle.com/ebn/podcasts/media/20174740\\_PLM\\_PROD\\_03\\_2014\\_Convert-Your-Ideas-to-Winning-Products.mp3](http://streaming.oracle.com/ebn/podcasts/media/20174740_PLM_PROD_03_2014_Convert-Your-Ideas-to-Winning-Products.mp3)

Since this solution is integrated with the Oracle *Agile PLM* solution, all decisions can be directly linked to downstream product development activities. For example, *Agile PLM* quality-problem reports can be linked to Innovation ideation as an input to the new or iterative product requirements processes; items and Bills of Material can be reused within *Innovation Management's* Concept Design capabilities to increase efficiency and communication; and business case proposals can be linked to Agile's product execution capabilities to monitor if the business case financial justification is holding true to the actual project cost, schedule, and resource utilization.

Design teams see the full linkage from ideas to requirements, to product concepts, and to products—all of which appear as a visualization of end-to-end inputs. All stakeholders can monitor the progress of ideation to commercialization by using out-of-the-box analytics that provide both the latest status and highlighted issues.

Mr. Jon Chorley, Vice President of Supply Chain Management Product Strategy at Oracle, commented that: "Product innovation is too critical a business process to be left to spreadsheets and PowerPoints and to remain disconnected from the rest of the product value chain. By providing a highly usable but systematic approach to managing product innovation, *Oracle Innovation Management* can accelerate the transformation of the best ideas into profitable products, and deliver against your corporate product innovation strategy."

*Oracle Innovation Management* enables bottom-up innovation so all stakeholders may participate in the product ideation and definition processes. Top-down financial impact analysis, and strategic alignment for key portfolio owners before, during, and after investment decisions, support executive decision making.

*Oracle Innovation Management* allows organizations to define and manage multiple product development projects within the context of the overall product portfolio. Since it is integrated with Oracle's *Agile PLM* solution, moving concepts into detailed design is a faster and potentially more efficient process. Release to manufacturing is also supported with visibility into project status.

*Oracle Innovation Management* allows selection of the winning portfolio investment against a combination of key factors: availability of resources, budget, return on investment, fit within product and company strategy, meeting stated requirements, and meeting supply chain risk objectives, among others. As more customers start using this new solution, Oracle will be able to gauge the impact on innovative product development.

## **Conclusion**

Increasing innovation is a top priority among CEOs today. Most recognize the importance of managing the requirements-gathering phase of product design to support innovation. It is also clear that gathering requirements and tracking them throughout the product design process can have a positive impact on product innovation. How to do this remains an elusive goal for many companies.

The *Oracle Innovation Management* solution supports innovation by bridging the gap between innovative ideas and execution. In CIMdata's view, this type of solution may lead to more innovative products with greater profitability and more happy customers. Who doesn't want that?

## About CIMdata

CIMdata, an independent worldwide firm, provides strategic management consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM). CIMdata provides world-class knowledge, expertise, and best-practice methods on PLM. CIMdata also offers research, subscription services, publications, and education through international conferences. To learn more about CIMdata's services, visit our website at <http://www.CIMdata.com> or contact CIMdata at: 3909 Research Park Drive, Ann Arbor, MI 48108, USA. Tel: +1 734.668.9922. Fax: +1 734.668.1957; or at Oogststraat 20, 6004 CV Weert, The Netherlands. Tel: +31 (0) 495.533.666.