Your Presenters

• 40 years experience as an international speaker, trainer, college professor, facilitator, author, and consultant

• ASP Board of Directors and Certification Program Pioneer

• Developer, Nine Steps to Success™ Balanced Scorecard framework and Balanced Scorecard Institute Professional Certification Program

• Executive Director, U.S. Foundation for Performance Measurement

• Director of Performance Information Systems, Highland Technologies

• Executive Director, Advanced Nuclear R&D Program, U.S. Department of Energy

• Management Consultant, Booz Allen & Hamilton

• Operations Research Analyst, U.S. Atomic Energy Commission

• Bachelor and Master degrees in Engineering -- Iowa State and George Washington University
Your Presenters

• 40+ years experience in business structuring, strategy formulation and implementation, change management, design and execution of innovative operational business models and solutions in the private, public, government and nonprofit sectors through first-line and executive level management positions

• Profit and loss responsibilities:

  – Senior executive university management and instructor positions at the Milwaukee School of Engineering

  – Manager and Systems Engineer in marketing, hardware and software engineering, product development and management, consulting, education, and publishing with the IBM Corporation

• Bachelor in Industrial Management, MBA – Technology Management and Doctoral candidate
Topics

• How do Strategy Execution and Innovation “fit” together?
• Innovation as Process
• Innovation as Culture
• Innovation as Strategy
• Measuring Strategy + Innovation
• Innovation Management

www.balancedscorecard.org
Three Strategic Phases of High Performing Organizations
**Strategy Execution:** Leading and Communicating Effectively to Manage the Organization’s Strategy in a Climate of Teamwork, Continuous Improvement, and Change

**Innovation:** Ideation, Evaluation, Selection, Development and Implementation of New or Improved Products, Services, or Programs, and the Processes Used to Produce Them

**Two types of Innovation:** Breakthrough and Sustaining
How do Strategy Execution and Innovation “fit” together?
Innovation is a step in a strategy development process

Innovation is part of culture

Innovation is a strategy
Innovation as Process
Innovation to Reduce Waste, Improve Quality, and Reduce Cycle Time

- **Customer/Stakeholder**
  - *Start Process
  - Receive Order
  - Analyze Order
  - Revise Order
  - Notify Customer of Problem
  - Is Order Ready??
  - Problem Resolved?
  - Reject Order
  - Yes
  - No

- **Sales Department**
  - Receive Order
  - Analyze Order
  - Notify Customer of Problem
  - Problem Resolved?
  - Reject Order

- **Inventory Clerk**
  - Review Order
  - Is Order Ready??
  - Yes
  - No

- **Payment Processing**
  - Approve/Reject Charge

**Check issues:**
- Credit card
- Complete contact information
- Product in stock

**Finish Process**

**Package and Ship Product**
“...Amazon has constantly innovated both horizontally (across product areas and business policies) and vertically (over supply chain and distribution)....Amazon continues to experiment and innovate on a nearly constant basis.”

David Gewirtz for DIY-IT; ZDNet
Innovation as Culture
“Creativity is just connecting things.”

Steve Jobs

Empower employees to create new things, make things better, and improve processes.
Hi-tech companies encourage innovation starting with the culture of the organization.
IBM is pulling home office workers back to regional offices to reinvigorate innovation.
Innovation is About Change and About Changing Hearts & Minds

• Consistency in leadership commitment is a critical factor
  o Employees have to understand that innovation and change are part of normal business operations
  o Leaders must “walk the talk”
• Employees must understand the WHY and the HOW (the business case)
  o Find the “WIIFM” (What’s in it for Me?) for all employees
• Ensure that employees have the training and infrastructure they need to implement innovation and change
• Need to allow “idea failure” to find out what works better

Change is enabled when employees are involved and equipped, and they see visible commitment to innovation and change!

Source: Developed from material by Pam Weppler
“If you want to be inventive, you have to experiment a lot, which means you will fail a lot. You want to embrace "high-judgment failure" — this was worth trying, it didn’t work, so let’s try something different...All of our most important successes at Amazon have been through that kind of failure: Fail, try again, and repeat that loop.”

Jeff Bezos, CEO Amazon
Strategy Focused Organizations Start With the End In Mind

“This is not in my job description... I draw lines; I don’t remove trees”

Make Strategy everyone’s job.
Innovation as a Strategy
Innovation as a Strategic Discriminator

Strategy Profile

Market Differentiating Elements

Customer Value Proposition = Functional Attributes + Image + Relationship
Innovation as a Strategic Theme ("Pillar of Excellence")

Other Innovation Strategic Themes:
- Innovation Excellence
- Grow the Business
- Technology Leadership
Innovation as a Strategic Objective

Other Innovation Strategic Objectives:
- Increase Technology Utilization
- Improve Innovation Culture
- Increase Innovative Solutions
- Improve Process Efficiency
- Increase Services Accessibility

Strategic Result (Outcomes)

Customer

Financial

Internal Process

Organization Capacity

Strategic Objectives

Improve Product Design

Strategic Themes (High-Level Strategy)
Example: International Multimedia Company

**Strategic Result:** We will be a leading innovator of multimedia productions and products

**Financial Perspective**
- **Increase Revenue**
- **Increase Profits**
- **Lower Life-cycle Production Costs**

**Customer**
- **Expand Number of Markets**
- **Improve Customer Satisfaction**
- **Increase Speed to Market**

**Process**
- **Improve Product & Production Development**
  - Improve New Product Marketing
  - Improve Voice-of-the-Customer & Scanning Research
  - Improve Concept Development & Prioritization
  - Improve Project & Portfolio Management
  - Improve Product & Production Launch

**Organizational Capacity**
- **Maximize Technological Capacity**
- **Increase Artistic Expertise**
- **Improve Cross-Functional Teamwork**
- **Improve Culture of Innovation**
- **Improve Project Management Expertise**
Measuring Strategy + Innovation
“However beautiful the strategy, you should occasionally look at the result”

Winston Churchill

Measure what matters.
Different Types of KPIs are Used to Measure Strategy Execution and Innovation

- **Operational Measures (Product / Program / Service)**
  - Efficiency
  - Output
  - Quality
  - Timeliness

- **Project Measures**
  - Schedule
  - Resource
  - Risk
  - Scope

- **Employee Measures**
  - Human Behavior
  - Human Performance

- **Risk Measures**
  - Hazard
  - Economic
  - Security
  - Operational
  - Strategic

**Strategic Measures**
- Financial
- Customer
- Internal Process
- Organizational Capacity

**Reporting**

Performance Data / Analysis / Public and Internal Reporting
Example: Strategic Objectives (and Intended Results) Drive KPI Development

Strategic Objective: *Improve Customer Satisfaction*

- **Resourcing:**
  - Budget
  - Workforce (FTEs)
  - Infrastructure

- **Production attributes:**
  - Quality
  - Efficiency
  - Effectiveness
  - Cost

- **Customer Interaction:**
  - Accurate information
  - Problems solved quickly

- **Service or product delivery attributes:**
  - On-time delivery of services
  - Order is correct

**Customer experience drives positive behaviors:**
- Recommendations from customers to potential new customers
- Repeat orders

**Results:**
- % satisfied
- % reorders
- New customer recommendations

**Metrics:**
- Costs of products & services
- FTE costs
- Indirect costs
- Capital costs
- Input/output
- Time to process order
- Cost to process order
- Rejects/rework
- % accurate order placement
- % satisfied with service
- % delivered on time
- % delivered correctly

**Example:** Strategic Objectives (and Intended Results) Drive KPI Development
Find Relationships Among the Measures

<table>
<thead>
<tr>
<th>Theme: Exceptional Customer Service</th>
<th>Theme: Reliability &amp; Value</th>
<th>Theme: Shaping Our Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Result: Consistently exceeding customers’ expectations</td>
<td>Strategic Result: Dependable, quality utility services at a reasonable cost</td>
<td>Strategic Result: Capitalize on new opportunities for growth</td>
</tr>
</tbody>
</table>

**Financial/Stewardship**
- Earnings / Employee
- Earnings / Share
- Sales growth / year
- Profit / sales
- Cash on hand
- Sales / priority customer
- Return on equity

**Customer/Stakeholder**
- Customer satisfaction
- Repeat customers
- New accounts added
- New products added
- Key demographic reached
- Average spend rate
- Time to purchase

**Internal Processes**
- Quality rate
- Process cycle time
- Downtime
- Bottlenecks
- Time in queue
- Average inventory
- Hours lost to injury
- Missed deadlines

**Organizational Capacity**
- Employee satisfaction
- Employees trained
- Employees cross trained
- New ideas tried and successful
- Computer currency

Understand How Organization Capacity and Business Processes (and Innovation) “Drive” Customer and Financial Results
Some Tips for Measuring Strategy Execution and Innovation

• **Start with the end in mind**—what is the organization trying to accomplish

• **Identify desired end outcomes and write intended result statements**

• **Put the performance measurement stethoscope before and after critical process steps**

• **Apply innovation to selected process steps and measure before and after effects**

• **Measure the contribution of new products and services at the margin**

• **“Bake in” innovation conversations at management review meetings by highlighting the impacts of innovation decisions on operations**
Innovation Management
Innovation Management

Market Opportunity Analysis
- Opportunity Identification
- Market Research
- Voice of the Customer
- Competitor Analysis
- Forecasting
- Product Planning

Product Development
- Concept Generation
- Product Specification
- Concept Refinement and Testing
- Manufacturing Prototyping
- Process Prototyping
- Market Launch Strategy
- Project Management

SOURCES OF INNOVATION

Customers and Competitors
“SPIN-IN”

Technology Research and Development
“SPIN-OUT”

New Product Development (NPD)
- Concept Generation
- Product Specification
- Concept Refinement and Testing
- Manufacturing Prototyping
- Process Prototyping
- Market Launch Strategy
- Project Management

Launch / Commercialization
- Manufacturing Ramp-Up
- Operations Management
- Distribution and Fulfillment
- Product Management
- Follow-on Sales and Service

New Venture Creation (NVC)
- Opportunity Analysis
- Business Planning
- Firm Financing
- Organizational Design
- High-Tech Entrepreneurship

Another Dimension--The Horizons of Strategic Innovation

**Business and Industry**

**Horizon 1**
- Extend and defend core businesses
- Core – innovation in existing operations and markets

**Horizon 2**
- Build emerging businesses
- Adjacent – innovation in new but related areas of business and markets

**Horizon 3**
- Create viable options for new businesses
- Transformative – innovation to create new businesses and markets

Profit Performance vs. Time (years)

Source: Adapted from The Alchemy of Growth, Baghai, Coley, White (1999)
### Start by Asking These Questions

**Business and Industry**

1. How could we increase sales and services to the same customers or constituents with the same product or services mix?

2. How could we extend the business by selling existing products or services to new customers or constituents?

3. How could we grow by introducing new products and services?

4. How could we expand sales by developing better delivery systems for customers?

5. How and where could we expand into new geographies?

6. How much could we grow by changing the industry structure through acquisitions or alliances?

7. What opportunities are there outside existing industry or our structure boundaries?

*Adapted from: The Alchemy of Growth, Baghai, Coley, White (1999)*
Another Dimension--The Horizons of Strategic Innovation

**Government and Non-Profit**

- **Horizon 1**
  - Core – innovation in delivery of existing operations, and programs and services

- **Horizon 2**
  - Improve the cost-effectiveness of existing programs and services

- **Horizon 3**
  - Transformative – innovation to solve problems with new solutions and/or new partners

Source: Adapted from The Alchemy of Growth, Baghai, Coley, White (1999)
### Start by Asking These Questions

**Government and Non-Profit**

#### 1. Do we have a clear understanding of stakeholders’ needs, and the available programs and services to satisfy those needs?

#### 2. How could we extend program reach by offering services to new stakeholders?

#### 3. How could we involve other stakeholder groups to reach more constituents?

#### 4. How could we expand services by developing better delivery systems or improving current delivery systems for our stakeholders?

#### 5. How can we expand into new service areas or localities not currently served?

#### 6. How much could we expand our services’ reach by building partnerships with other stakeholder groups?

#### 7. How can we improve the cost-effectiveness of our programming to “do more with less”?

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*Adapted from: The Alchemy of Growth, Baghai, Coley, White (1999)*
• **IdeaStorm** was launched in February 2007 as a way to talk directly to our customers.

• **IdeaStorm** was created to give a direct voice to our customers and an avenue to have online “brainstorm” sessions to allow you, the customer, to share ideas and collaborate with one another and our company. We need to hear what new products or services you would like to see the company develop.
Enablers of Successful Innovation

**Leadership:**
- Innovation becomes a priority
- Happens systematically

**People:**
- Empowered employees, partners, customers and others
- Identify ideas and capture the best ones
- Innovation managers assigned and accountable

**Process:**
- Structured but dynamic
- Ideas from inside and outside
- Develop new capabilities
- Support business cases
- Ensure the innovations are subsequently delivered
- Benefits realized
Enablers of Successful Innovation (Con’t.)

**Funding:**
- Funding mechanisms in place to foster early stages
- Why? Major opportunities for innovation could be missed
- Business case and initiatives proven
- Sponsors happy, fund further development and delivery
- Benefits realized

**Culture:**
- Develop innovation culture across the organization
- Everyone should be looking for ways to improve the business today and tomorrow
- And they need to be rewarded when they get it right
Summary

“A common misconception with innovation and communication is the illusion that they have taken place.”
“It’s a journey...not a project.”
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Contact Tarina at:
E | tarina.newcastle@informa.com
T | +971 4 407 2590
See You in Dubai!

Questions?

Download the presentation here:
www.balancedscorecard.org/Resources/Strategy-Innovation