



RESEARCH

INNOVATION

INFORMATION MANAGEMENT

# INTRODUCTION TO LODESTAR INNOVATIONONE<sup>®</sup>

# What is Innovation?

(Means a lot of different things to different people)

## How We Think of Innovation

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- The creation, development and implementation of a new product, service, process or business model, with the aim of improving efficiency, effectiveness or competitive advantage.
- It is most often viewed at a product or process level, where product innovation satisfies a customer's needs and process innovation improves efficiency and effectiveness.
- Innovation is ultimately reflected through the way employees think and act.
- Innovation will be the next form of competitive advantage. It is one of the only tenets in your organization's strategic profile that is not imitable.

## What Leaders Are Saying About Innovation



*“The only source of profit, the only reason to invest in companies in the future is their ability to innovate and their ability to differentiate. ”*

Jeffrey Immelt, GE Chairman & CEO



*“A culture of innovation can be a company’s primary source of competitive advantage, and can pay off steadily over the years.”*

Stephen Shapiro, 24/7 Innovation

## Key Facts & Figures on Innovation Importance

### **Booz & Company Global Innovation 1000 Study, 2010**

- Companies that focus on a set of innovation capabilities most consistent with their innovation strategy and tightly aligned with their overall corporate strategy... reported higher profit margins than their competitors, by up to 22%.

### **International Journal of Innovation Management, 'The Relationship Between An Innovation Orientation and Competitive Strategy,' C. B. Dobni, 2010**

- Enhancing the innovative ability in organizations is one of the most important levers to increasing profitability and growth in organizations

### **Boston Consulting Group Senior Executive Innovation Survey, 2009**

- 64% of senior executives agree that innovation remains a top strategic focus

### **Accenture Process & Innovation Performance Survey, 2009**

- 89% of executives agree that innovation is as important as cost management for success. *But* most companies are *not satisfied* with their management and performance of innovation

### **Arthur D. Little Consulting Innovation Surveys, 2005-2006**

- Innovation excellence can boost EBIT by 4%
- Top innovative companies have 2.5 times higher sales of new products, and get more than ten times higher returns from their innovation investments

## So Why Innovate?

### Strategy Spiral (Downward)

- ▽ Hyper competition
- ▽ Lack of differentiation
- ▽ Competing on price

### Systematic Innovation Creates A Competitive Advantage

- △ Improve top and bottom line growth
- △ Reduce competitive and financial risk
- △ Better positioning and performance outcomes
- △ Report higher levels of customer satisfaction
- △ Elevate employee behaviors and actions

## High Innovating Firms Improve Business Outcomes

**HIGH  
INNOVATING  
FIRMS**



### **Performance**

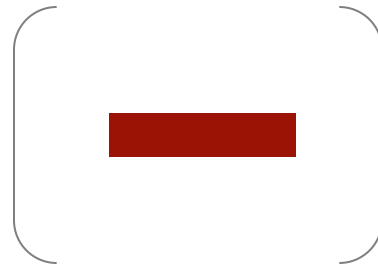
- Top-Line growth (revenue)
- Bottom-Line growth (EBIT)
- Return on investment
- Profitability
- Customer satisfaction

### **Positioning**

- Product/Service quality
- Product/Service customization
- Market segmentation
- Market penetration
- Price leadership
- Research and development
- Customer service
- Brand reputation
- Collaboration with value chain members

## ... Compared to Low Innovating Firms

**LOW  
INNOVATING  
FIRMS**



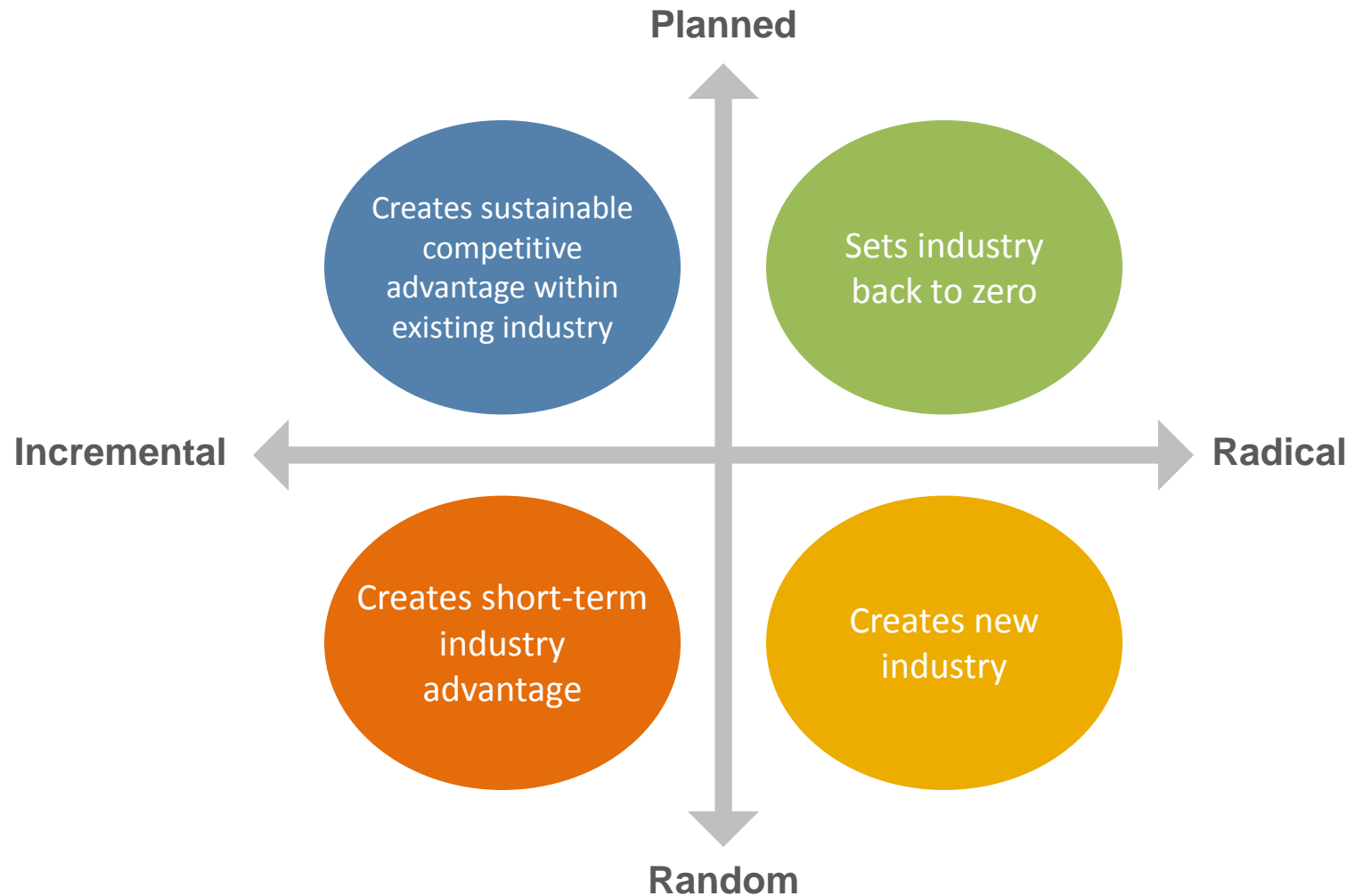
### **Performance**

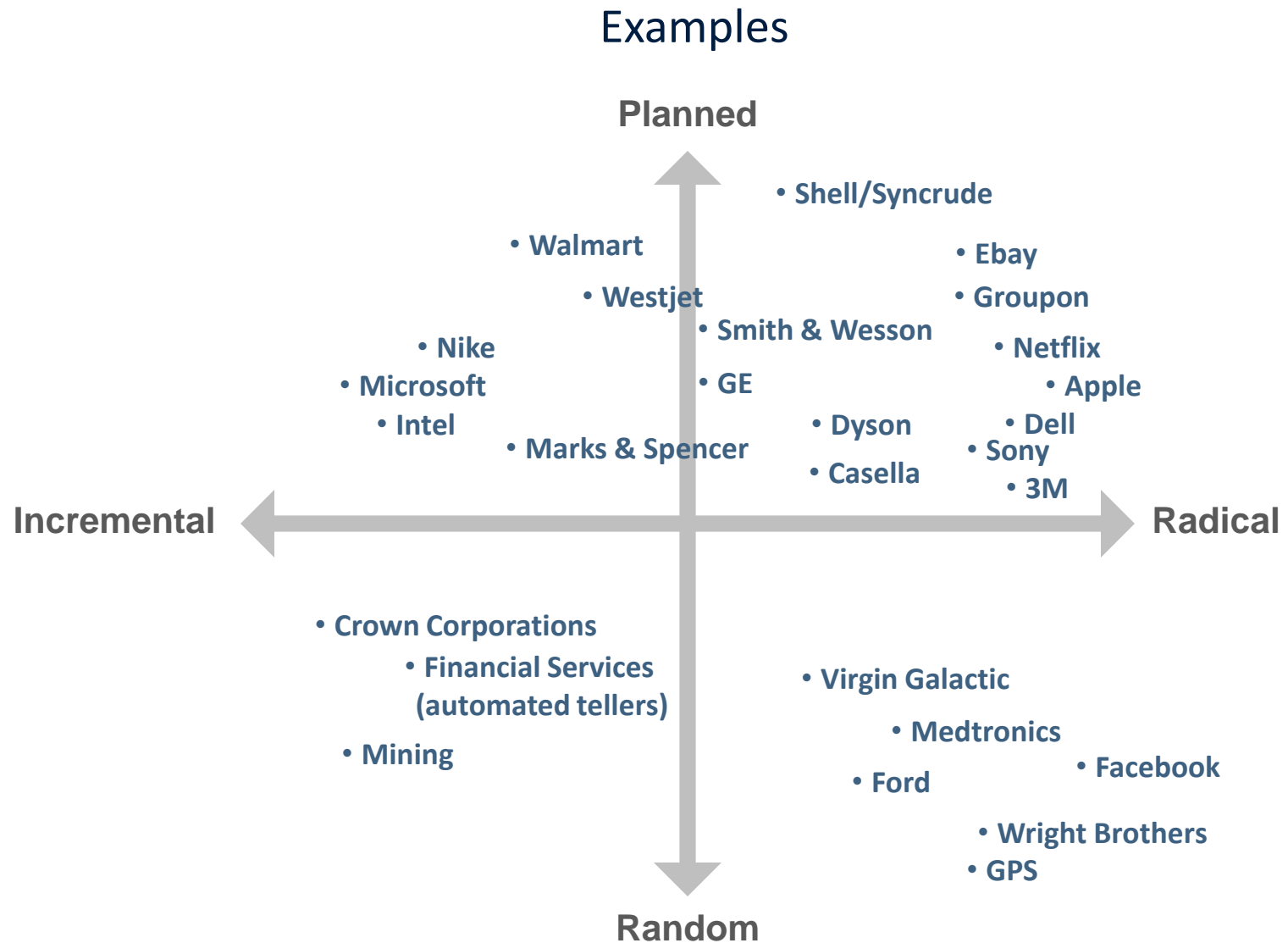
- Top-Line growth (revenue)
- Bottom-Line growth (EBIT)
- Return on investment
- Profitability
- Overall firm performance

### **Positioning**

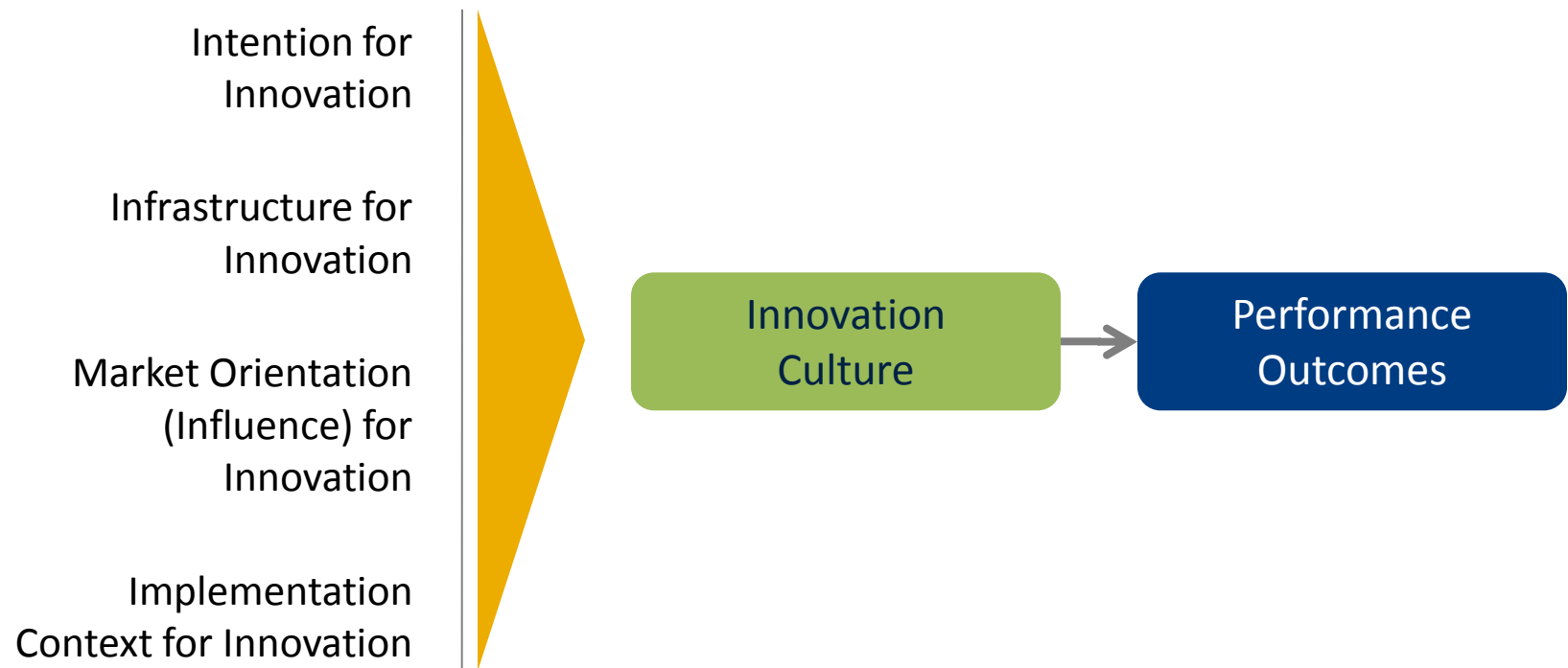
- Developing new products/services for new markets
- Customer service
- Research and development
- Brand reputation/resilience
- Product/Service quality
- Product/service customization
- Technology acquisition

## The Innovation Map

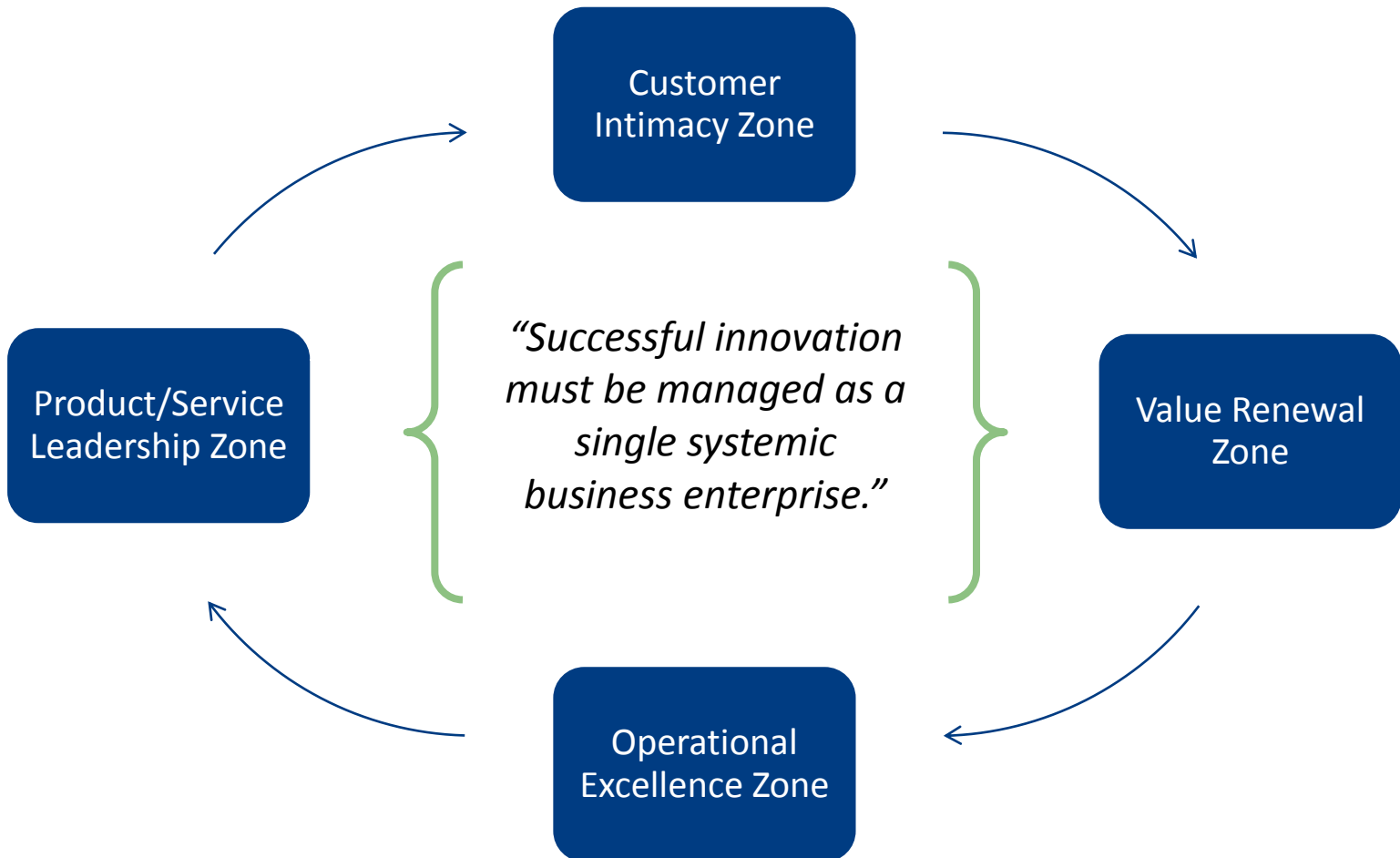




## Achieving Planned Innovation



## Examples of Innovation Performance Outcome Zones



## Performance Areas of Focus in Innovation Zones

### Customer Intimacy

- centricity
- channel relationship
- experimental
- engagement
- communication
- industry, competitor, client orientation
- research
- CRM

### Value Renewal

- value definition
- value creation
- relevancy
- co-definition
- CCCS (customer, company, societal, stakeholders)

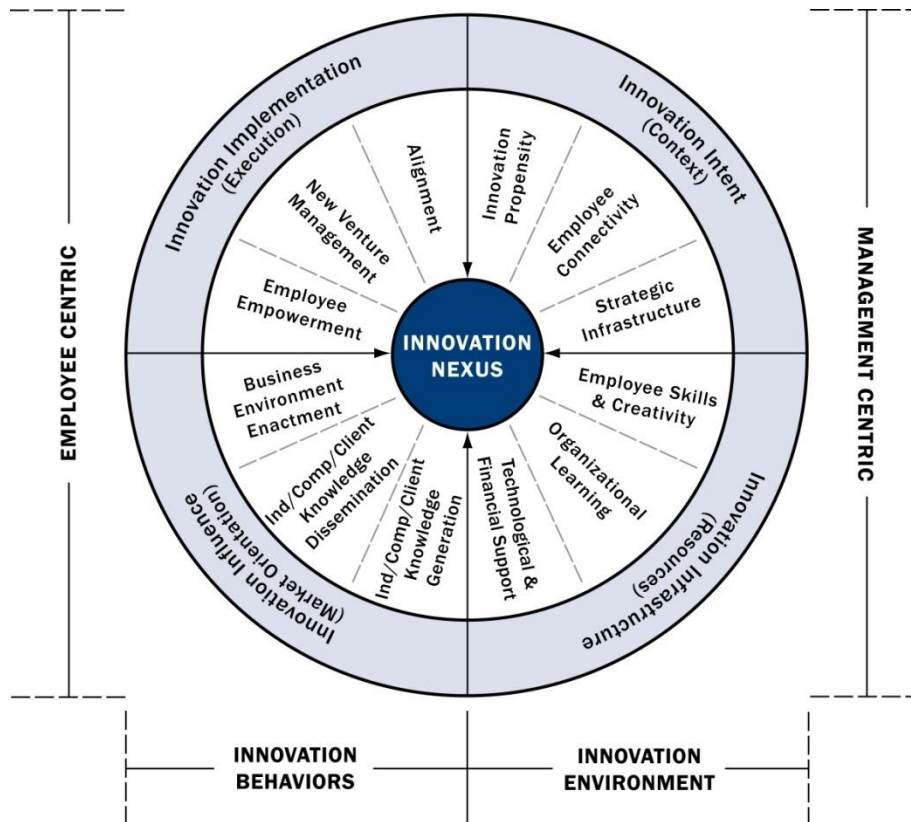
### Operational Excellence

- process innovation
- operations/logistics integration
- technical/financial focus
- business model innovation

### Product/Service Leadership

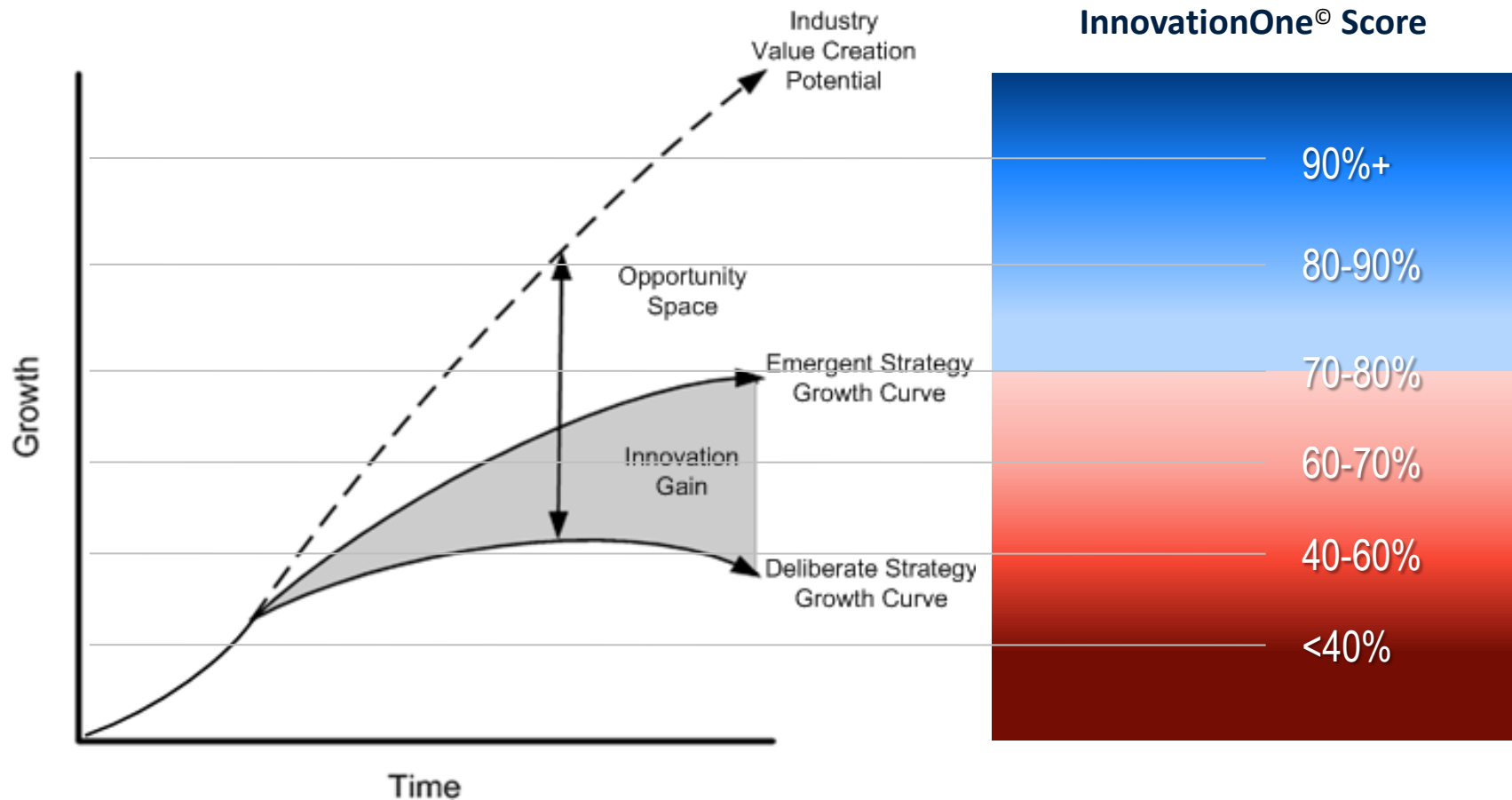
- research and development
- product/service management
- intrapreneurship
- line extensions
- market growth/market penetration

## Introducing Lodestar InnovationOne<sup>®</sup> Diagnostic



- InnovationOne<sup>®</sup> is the most robust, multi-dimensional measure of innovation orientation available.
- Scientifically developed and statistically significant.
- Used by over 800 organizations and thousands of employees.
- Quantitative benchmark of the 12 zones used as a platform from which to develop an innovation strategy.
- Both diagnostic and prescriptive.

## Why Innovate? Planned/Incremental; Planned/Radical Blue Ocean Opportunity Space



## InnovationOne<sup>©</sup> Pulse (performance implications of InnovationOne<sup>©</sup> score)

**Competitive advantage is based on market position and capabilities**

### 90% +

- Extremely innovative
- Culture-based strategy
- Industry driving
- Creating new value space (blue ocean)

### 80 – 90%

- Consistently innovative
- Culture-based strategy
- Industry leading
- Innovation is a competitive advantage

### 70 – 80%

- Innovation becoming fully engendered
- Growth based upon emergent and higher value-added opportunities
- Innovation correlated with performance

**Limited or no meaningful differences to support a competitive advantage**

### 60% - 70%

- Transitioning to capabilities –based strategy
- Strategic platform is primarily resourced-based
- Competitively vulnerable, still imitative
- Pockets of innovation

### 40% – 60%

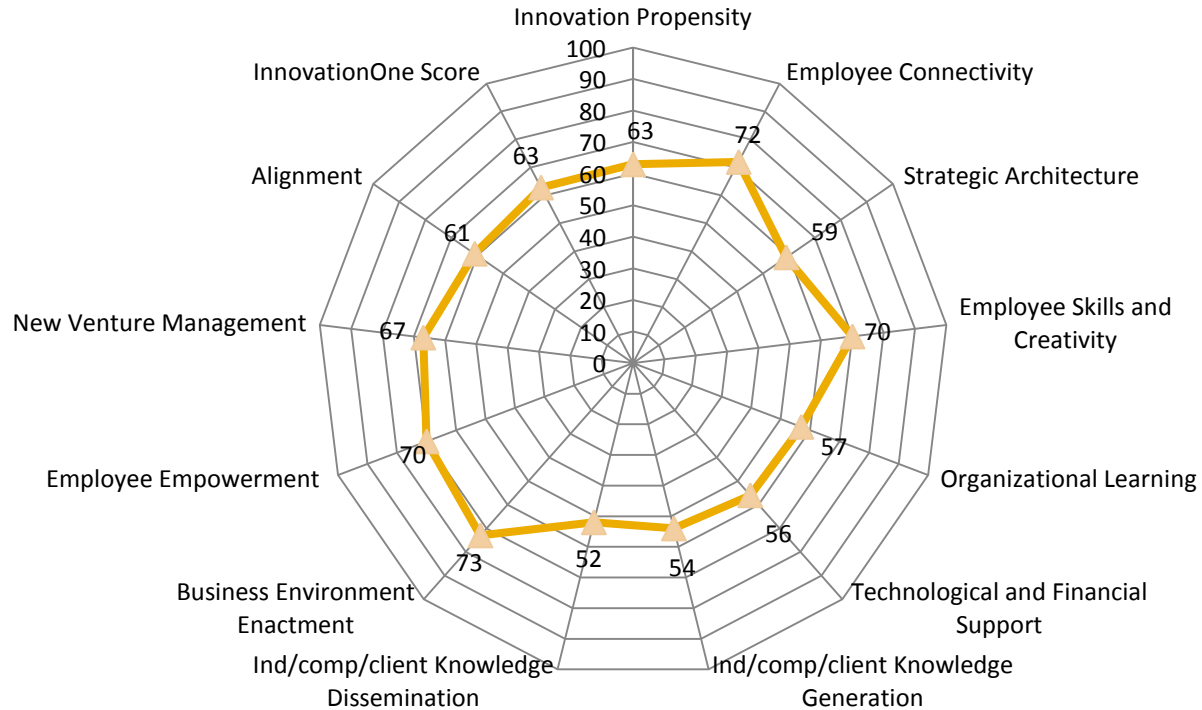
- Little to no innovation
- Resource-based positioning
- Protecting market position
- Red ocean – ultimately fatal in the new competitive environment if not addressed

### Less than 40%

- Dead or on life support

## Sample Output – XYZ Corporation

### *XYZ Corporation* 2011 InnovationOne<sup>®</sup> Score - 63%



## Diagnostic and Prescriptive Sample Output – XYZ Corp

DIAGNOSTIC	PRESCRIPTIVE
<p>Innovation at XYZ Corp is more incremental/random than systematic/planned at this point. The goal is to increase the innovation orientation through advancing the benchmark scores, particularly in areas where scores are low.</p>	<p><i>The post-assessment approach will involve moving XYZ into the systematic/planned space by focusing on intent, resources, market orientation and execution.</i></p>
<p>XYZ's strategy architecture is still resource-based and reactive. This will involve targeted communications, training and development, and a review of the business model to support innovation.</p>	<p><i>The post-assessment approach will involve transitioning XYZ to a capabilities based approach that is more proactive and capable of taking advantage of emergent opportunities.</i></p>
<p>XYZ Corp has experienced pockets of innovation, but the orientation is not widely shared throughout the organization. As a result, there have been no measurable outcomes from their innovation platform. Innovation is not contributing to a competitive advantage at this point.</p>	<p><i>The post-assessment approach will include the development of an innovation strategy that is aligned with the organization's vision and mission.</i></p>
<p>XYZ's employees understand the concept and value of innovation, but they are unsure how they contribute to it, or what they might do to advance the innovation strategy within their area. This is particularly the case amongst non-management personnel.</p>	<p><i>The post-assessment approach will be to close this gap.</i></p>

## Innovation Scorecard - XYZ Corp

### Innovation Intent (context)

- propensity (63%)
- connectivity (72%)
- architecture (59%)

**C**

Senior management needs to take further steps to embed innovation into the core values and mission of the organization on a go forward basis.

Employees are ready to embrace innovation but are not incentivized to do so at this time.

Current business model does not support innovation. Need to reconsider alternate strategic approaches to engage employees.

### Innovation Infrastructure (resources)

- skills and creativity (70%)
- organizational learning (57%)
- technological and financial support (56%)

**C-**

Need to refocus organizational learning opportunities on innovation and creativity.

Redistribute current resources to the support innovation activities.

Employees consider themselves to be creative but do not have the time to fully express this. Allocate more time/opportunity/situations for innovation time and space for employees

### Innovation Influence (market orientation)

- knowledge generation (54%)
- knowledge dissemination (52%)
- business environment enactment (73%)

**D**

Communications practices currently do not support an innovation environment.

Employees are not concerned about the proprietary value of knowledge as it pertains to the organization's competitive position. They feel it is someone else's responsibility.

Knowledge does not flow from division to division.

Employees feel that any new value generated will come from within their existing competitive cluster, but they are unsure who is responsible for creating this value.

### Innovation Implementation (execution)

- employee empowerment (70%)
- new venture management (67%)
- alignment (61%)

**C**

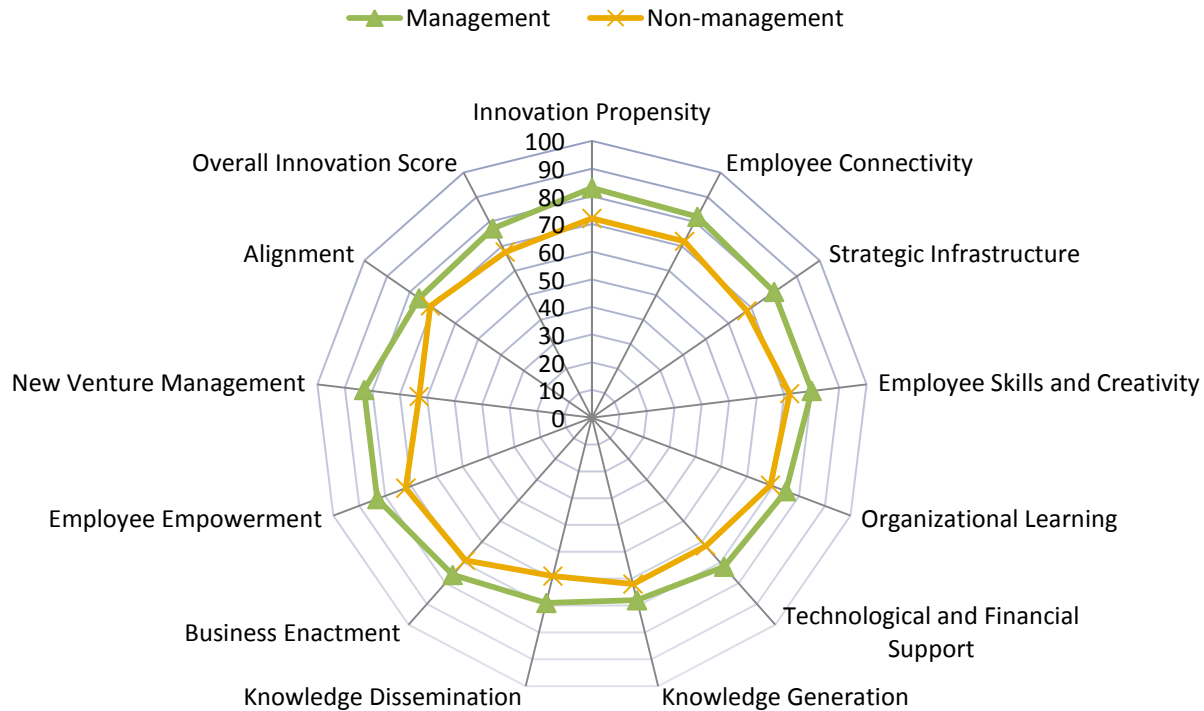
Employees generally feel empowered, however they are reluctant to try new things. There is a fear of failure and the consequences of same.

Employees are not intrapreneurial.

Many employees do not feel that (or understand how the innovation strategy of the organization is aligned with the overall organizational strategy. Further emphasis has to be placed on aligning vision, mission, objectives and tactics.

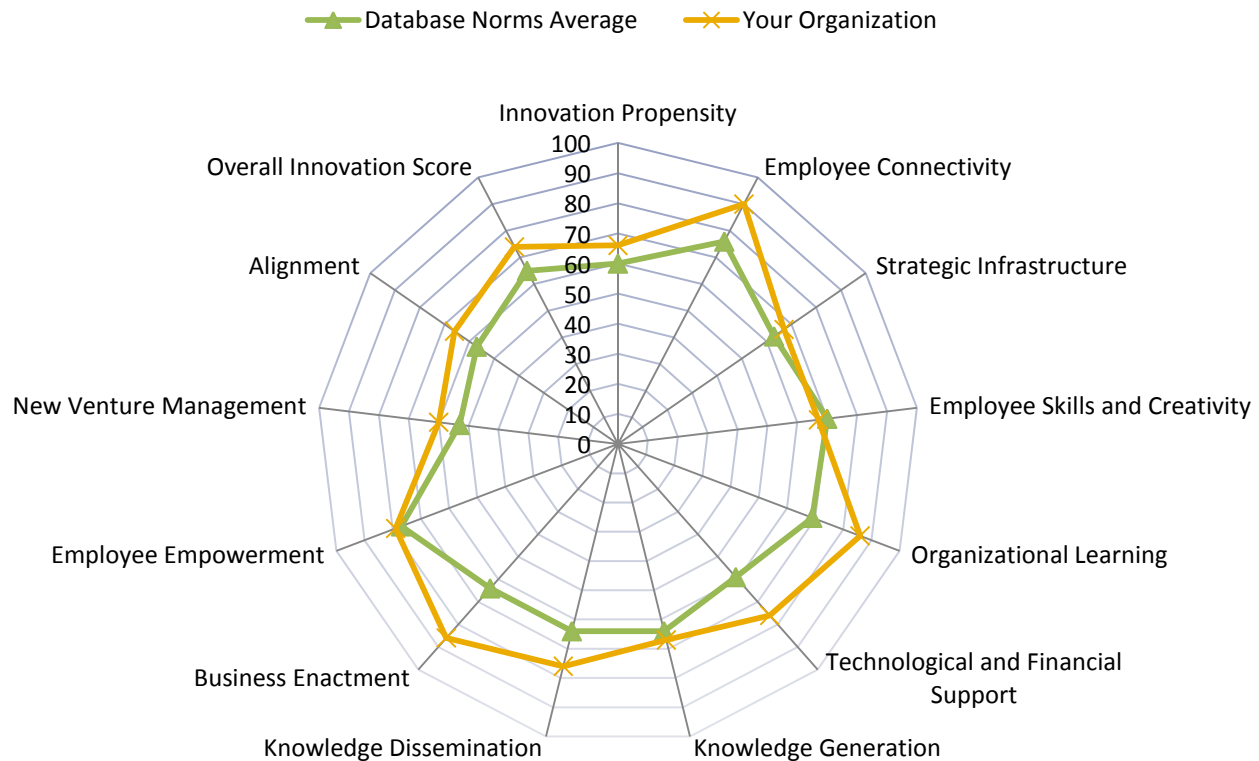
# Sample Output – XYZ Corp Intra-Organizational Analysis

## XYZ Corp Organization Sub-Group Analysis Management vs. Non-management Overlay Scores



# Innovation Benchmark – Database Norms Average

## How Does Your Organization Rate?



## Representative Sample of Clients

**HITACHI**  
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RESEARCH

INNOVATION

INFORMATION MANAGEMENT

CASE STUDIES

**Hitachi**

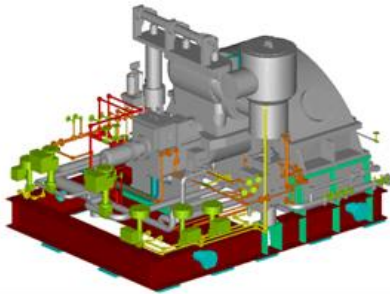
**SaskCentral**

## HITACHI

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## Challenge

**Hitachi (Japan) has asked that all of their divisions incorporate advanced innovation approaches into their vision, mission and objectives.**



- ✓ Need to understand what innovation means to their organization, and how they might benefit from it.
- ✓ Establish a benchmark score of their innovation orientation, and determine how/if it is aligned with their current vision and mission.
- ✓ Help them develop an innovation strategy commensurate with their orientation with a view to increasing the innovation orientation across the organization.
- ✓ Define/illustrate what innovation would look like/how it would work by co-defining projects around operational efficiencies and product/service development improvement/development.

## Solution: InnovationOne<sup>®</sup> Diagnostic and Prescriptive Assessment

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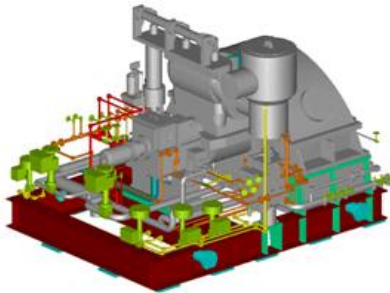


### Hitachi's New Innovation Platform

- ▶ InnovationOne<sup>®</sup> assessment of senior management
- ▶ Benchmark innovation orientation score
- ▶ Seminar with employees to review score/discuss innovation
- ▶ Counsel on alignment of innovation with current vision
- ▶ New vision statement as a result
- ▶ Co-defined two innovation projects within Division
- ▶ Further counsel on prescription to advance innovation orientation
- ▶ Cascade approach to other units/divisions
- ▶ Post-assessment monitoring and measurement

## HITACHI

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## Outcomes

- ✓ Provided a benchmark innovation score that was used as a platform advancing the innovation agenda at Hitachi Power systems.
- ✓ Renewed the vision at Hitachi to incorporate a focus on innovation.
- ✓ Re-focused the intention for, and the resources to support innovation – effectively resulting in a new business architecture to move the organization forward.
- ✓ Illustrated how innovation would work in Hitachi through co-defining an innovation strategy and related projects.
- ✓ Provided counsel on how to increase their innovation orientation going forward.

## Challenge



**In 2005 SaskCentral needed to become more innovative to remain competitive. Their mandate was to innovate in everything they do. But how do they accomplish this with no innovation history?**



- ✓ They needed to understand what innovation is, and how to incorporate it into their daily practices.
- ✓ Needed to understand their innovation orientation, and identify roadblocks to innovation.
- ✓ Needed to remove these roadblocks as well as embed innovation enhancers in the organization in efforts to change the orientation.
- ✓ Needed to consider a new business model that would incentivize and support innovation on an ongoing basis.



## Solution: InnovationOne<sup>®</sup> Diagnostic and Prescriptive Assessment



### SaskCentral's Approach

- ▶ InnovationOne<sup>®</sup> benchmark of entire organization in 2005 (score of 62%)
- ▶ Diagnostic to prescriptive counsel
- ▶ Worked with management and divisions re: educate and implement. Created discussions around innovation.
- ▶ Counsel on alignment of innovation.
- ▶ Establishment of an innovation management group and an “innovation swat team” made up of a cross section of employees. Started with small wins and cascaded out.
- ▶ Re-design of business model/divisions to help establish a focus on integrated ‘solutions’ for clients.
- ▶ Ongoing counsel on prescription to advance innovation orientation.
- ▶ Post-assessment measurement in 2007, 2009, and 2011.



## Outcomes

- ✓ Benchmark innovation score of 62% in 2005, 70% in 2007, 78% in 2009, 2011 survey not yet administered.
- ✓ Business model and approaches changed by up to 50% - signaling a new approach to business and the marketplace.
- ✓ Re-focused the intention for, and the resources to support innovation.
- ✓ Much improved positioning and financial performance.
- ✓ Employee attitudes are focused externally on the customer and how to innovate in everything they do, and internally on how to provide integrated solutions.
- ✓ Voted one of the top 100 best workplaces in Canada in 2010.



## About Lodestar InnovationOne<sup>®</sup>

### **About Lodestar**

Lodestar is a B2B consulting firm that integrates Research, Innovation and Information Management, enabling our clients to build more effective organizations. Our collaborative approach results in evidence-based recommendations that help our customers tell their story, develop new products and growth strategies, measure the impact of their investments and maximize their use of information resources.

### **About InnovationOne<sup>®</sup>**

InnovationOne<sup>®</sup> was originally developed by Dr. Brooke Dobni, founder of Strategian, the thought leader on innovation in Canada. Initially a research tool for evaluating the market orientation and business performance of U.S. telecommunications firms, InnovationOne<sup>®</sup> has evolved into today's most robust measure of innovation. InnovationOne<sup>®</sup> provides a benchmark in assessing an organization's innovation capacity, and a platform from which to develop an innovation strategy; more effective business models; and new architectures for employee participation and engagement.

## For More Information

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