

Overcoming Barriers to Sustainable Market Differentiation

Part 3: Turning Great Ideas into Great Products

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Executive Summary

Many companies have an abundance of ideas. Some don't have enough. Others simply generate a lot of bad ones. By 'bad' we mean low-value ideas or ideas that end up not contributing to an organization's strategic goals. Research by the Product Development Institute found that seventy-nine percent of companies suffer from a lack of high-value projects in their portfolios. The bottom line is this: not enough high-value ideas are entering their pipelines.¹

The success of idea generation efforts cannot be measured solely in terms of quantity. Rather, success is defined by the *business value* of the best ideas brought forward, and an organization's effectiveness in converting those ideas into products. Most companies would prefer 20 bad ideas and a single outstanding idea to 21 merely good ideas. "In the world of innovation, the extremes are what matter, not the average or the norm."²

This paper, the third in a series addressing primary barriers to achieving sustainable market differentiation, tackles one of the most critical phases of innovation management. It examines challenges and solutions to successfully building and maintaining a viable idea pipeline, and introduces five key principles of idea development:

- Drive ideation with strategy;
- Connect submitters to other valuable knowledge sources;
- Create cultures that encourage ideation;
- Design idea flows for consistency and efficiency; and
- Ensure seamless transition to execution processes;

Adherence to these principles can make the difference between a portfolio of average ideas and a portfolio of great ideas... that become great products.

Barriers to Sustainable Market Differentiation

Executive teams face a critical imperative as they strive to bring more value to shareholders. They must find new ways to grow the business, often with unprecedented resource constraints. Eighty-four percent of the senior executives participating in a recent global survey by McKinsey said that innovation is extremely or very important to their company's growth strategy. Sixty-eight percent said that they believe new products and services in existing markets provide the most direct path to organic growth.³

Fact is, even the most innovative products can be reduced to commodities over time. As this happens, their financial value to the business steadily diminishes. The challenge is to avoid the usual trajectory of decline by creating a *predictable, evergreen* pipeline of innovative, high-value products that ensure *sustainable market differentiation*.

The success of ideation efforts should be measured by the business value—and not the quantity—of ideas it feeds into the innovation process..

The challenge is to create a predictable, evergreen pipeline of innovative, high-value products that ensure sustainable market differentiation.

In our work over the years with hundreds of prospects and customers, we have identified four common barriers to creating sustainable differentiation. Part 1 of this white paper series focused on the challenge of successfully executing a gated process. Part 2 looked at what it takes to effectively manage a product portfolio. This paper addresses a third area of challenge—ensuring that your organization has a strong pipeline of high-value ideas feeding into your innovation process.

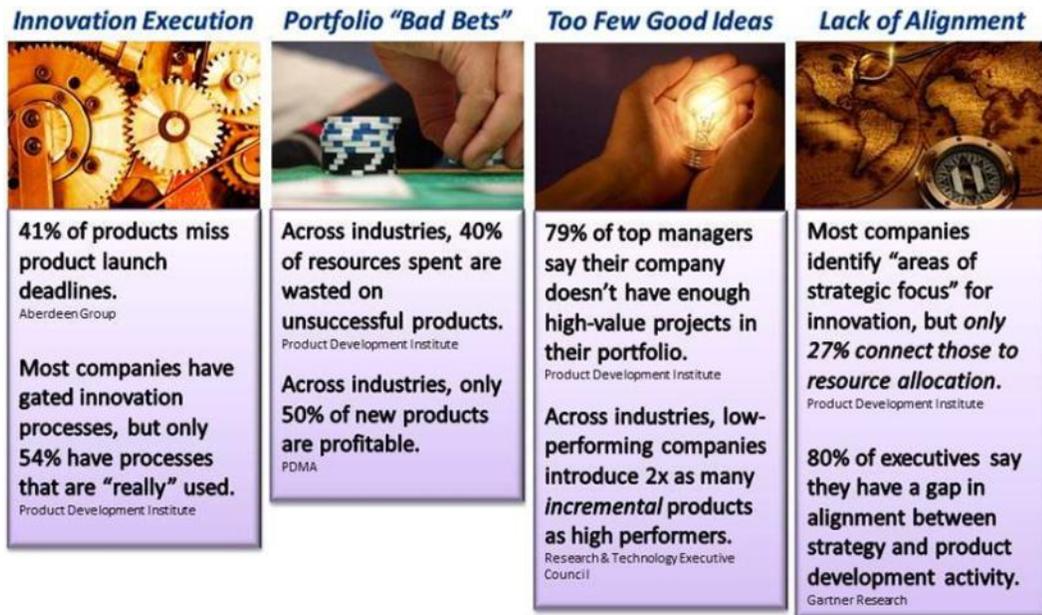


Figure 1: Barriers to Sustainable Market Differentiation. In Sopheon's experience, there are four common barriers to creating sustainable differentiation.

About Idea Development

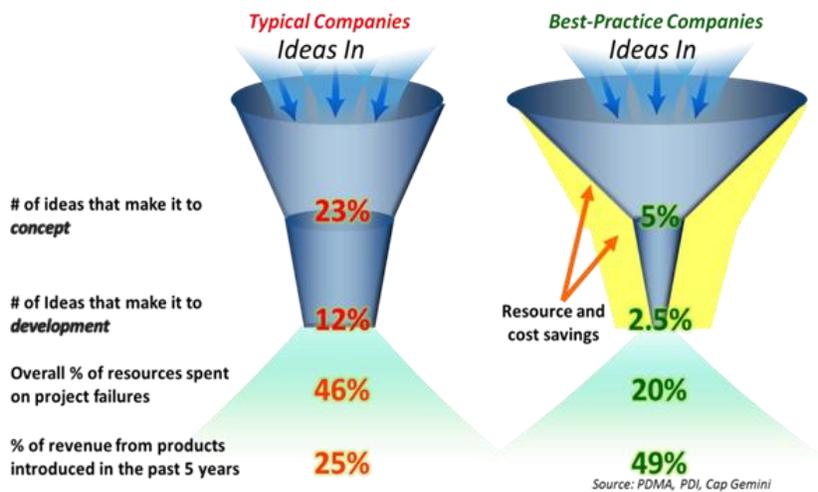
The outputs of your innovation efforts can only be as good as the inputs going into the process. A corollary truth is that the value of your new products or services is directly linked to the value of the ideas you choose to develop.

Great ideas are developed; they don't just 'happen' on their own.

Some companies struggle to get enough new ideas into their innovation processes. But in general, new ideas are rarely in short supply. Most organizations have an abundance of them. If anything, they have too many.

Our research and experience have shown that although it is important to maximize the number of ideas at the front end of the innovation cycle, it is equally—if not more—important that those new ideas be of high value. So how do you generate more good (i.e. high-value) ideas? And how do you make sure that bad (i.e. low-value) ideas are eliminated before they enter the development process and start consuming precious and expensive resources?

Answering these questions will significantly enhance your organization's ability to generate desired returns on innovation investments. And a basic tenet of innovation that should be kept top of mind is that great ideas are developed, they don't just happen on their own.



On average, best-practice companies advance only 5% of ideas to concept, compared to 23% in a typical company.

Figure 2: Overall Impact of Quantity and Quality of Ideas Entering the Innovation Process. Best-practice companies have a significantly higher number of ideas entering their vetting process. But their innovation funnel has a tighter collar. On average, only 5% of ideas advance to concept, compared to 23% in a typical company. An even smaller percentage make it to development. These process differences result in dramatically higher new product success rates and substantial reductions in the amount of resources wasted on project failures. The real win, of course, is a lot more profit and revenue from new products.

Common Impediments to Developing High-Value Ideas

In Sopheon's experience, there are five impediments that consistently deter companies from generating more high-value ideas.

- 1. Business silos block the nurturing and development of ideas.**
 The functional and geographical silos that regularly impede communication and interaction can also hinder idea development. Some of the best ideas come about when people find ways to break through these artificially imposed boundaries and collaborate with others.
- 2. Inconsistent processes for managing ideas cause inconsistent prioritization.**
 Most companies do not have consistent methods for facilitating idea generation. As a result, the front end of the ideation process is disorganized and chaotic. The process dynamics often resemble those of the old idea suggestion box: an idea comes in; someone decides if it has merit, and it either dies or disappears into the ether.
- 3. There's no support for connecting ideas.**
 Another common hindrance to effective idea development is a lack of support for linking related ideas to create higher-value concepts. One aspect of this problem is that there is typically no systematic way for individuals associated with synergistic ideas to discover one another.

Sopheon has identified five impediments to consistent generation of more high-value ideas.

4. **Ideas are unrelated to business strategy.**
Too often, the ideas being generated have no relationship to the strategic direction and priorities of the organization. This issue is prevalent among companies that simply launch idea generation programs and leave it up to the employees to figure out what kinds of ideas are needed.
5. **Ideas do not transition to the execution process and end up in a black hole.**
Lastly, many companies report great success in generating high volumes of ideas. But almost as many report that ideas are sometimes lost in the potential black hole between idea generation and the developmental pipeline. When employees see this going on, they quickly lose interest in contributing to the ideation process.

Driving ideation with strategy helps to ensure that resources are focused on ideas that are a good fit with identified market opportunities, product and technology plans, and corporate growth strategies.

Five Principles of Effective Idea Development

Despite the significant challenges to successful idea development, most organizations can make this critical process phase a predictable, consistent and highly productive aspect of their innovation efforts. Sopheon has identified the following proven, best-practice principles that, when followed, will improve both the quantity and quality of ideas that enter the front end of your innovation process.

1. Drive Ideation with Strategy

Even when companies understand that ideas need to be developed and invest in systems to address those requirements, potentially great ideas can be squandered. That is because, too often, idea portfolios stand alone. They, and the systems governing them, are 'islands' in the organization, disconnected from both innovation strategies and execution processes.

Simply stated, idea generation, selection and development should be directly linked to defined strategic priorities and direction. Driving ideation with strategy helps to ensure that resources are focused on the right kinds of ideas, such as those that fall into areas that the company has identified as being the most lucrative. Unless idea generation and development are aligned with innovation and product strategy, the idea portfolio can become filled with low-value, non-strategic ideas. Tools such as idea 'campaigns' or 'challenges', when linked to strategic roadmaps, increase the probability that incoming ideas will be a good fit with identified market opportunities, product and technology plans, and corporate growth strategies

Connecting idea submitters to individuals who have made related submissions or to relevant subject matter experts can also contribute to the development of higher-value ideas.

2. Connect Submitters to Other Ideas and Valuable Knowledge Sources

The best ideation systems provide support for connecting similar ideas to aid discovery, synergy, symbiosis and further development. A pair of ideas may be of low value on their own, but when combined they may have great value.

Connecting idea submitters to individuals who have made related submissions or to relevant subject matter experts can also contribute to the development of higher-value ideas. The insights gained through subsequent interaction can be used by idea submitters to improve and develop their original concepts and may even spark

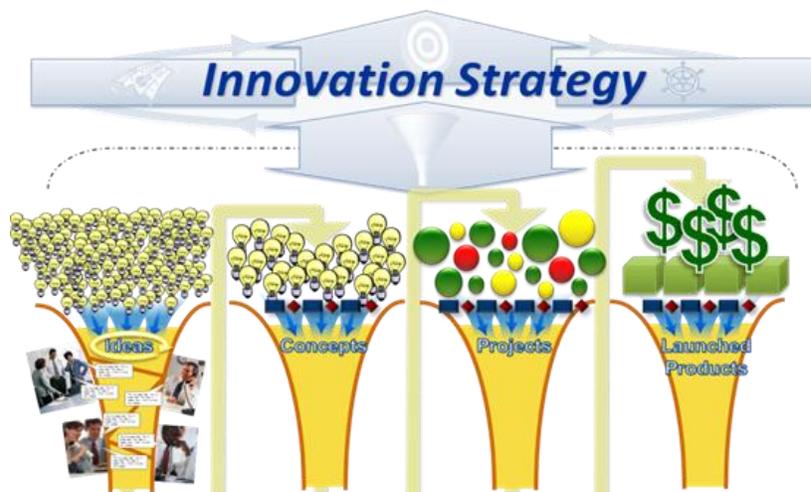


Figure 3: The Business Value of Strategy as the Driver for Ideation. Top innovators apply exceptional rigor to winnowing incoming ideas and making sure that resources are focused on those new product opportunities that have the strongest alignment with innovation strategies and the greatest commercial potential. This approach results in more product successes, significantly lower expenditures on product failures (in some cases up to 57% percent less), and more revenue from new products.

additional ideas. Enabling ideation process participants to easily make those connections facilitates serendipity and often increases the potential worth of ideas as they move through the front end of the innovation funnel. Solutions such as Sopheon's Accolade® Idea Lab™ can foster this connection by automatically notifying idea submitters and other stakeholders of ideation activity, thereby reducing the effort required to share new ideas.

3. Create a Culture that Encourages Ideation

Effective development of ideas requires a climate that nurtures creativity and helps produce a culture of innovation.

Reward and recognition programs can play a role here. But it is most important that an organization's actions reflect an understanding that good ideas do not emerge from rigid structures such as gated processes, but rather through inputs amongst peers, teams, and internal and external communities-of-interest.

Innovation excellence requires an infrastructure for identifying and supporting development of the most commercially promising ideas. Many top innovators have realized great benefit from creating communities to support collaboration and by implementing tools that automatically increase the visibility of ideas of high interest to community members. The dynamics of their systems allow anyone in a community to build on new ideas via collaborative discussion, and enable idea submitters to improve and develop their ideas based on community feedback. Ongoing 'communities of practice' are excellent forums for answering questions, solving problems and sharing knowledge.

Effective development of ideas requires a climate that nurtures creativity and helps produce a culture of innovation.

Consistent but flexible workflows are required for building on and improving ideas.

4. Design Idea Flows for Consistency and Efficiency

As previously noted, good ideas do not emerge from rigid, gated or phase-based structures but rather through interaction and discussion. There must also be consistent but flexible workflows that focus on building and improving ideas. Because most new ideas are relatively raw, they must be enhanced and nurtured before they are of good quality. It is not uncommon for an idea to take on an entirely new form as it passes through the innovation funnel.

5. Ensure Seamless Transition to Execution Processes

In order to operate effectively, idea development must be integrated with other business processes. It is particularly critical that there be a strong connection between ideation and execution processes. This helps to ensure that good ideas are acted upon. Ideas must be able to flow freely between phases of the innovation process, from idea development to concept development into product or technology development, and through to commercialization.

Transitioning ideas from the inception and development stage to concept development is an area where many companies fall short. One reason is that ideation systems are often not designed to support both stages. During idea development, process capabilities should emphasize enablement of divergent thinking, wide-open discussion, creativity and brainstorming. In the concept development stage, process capabilities

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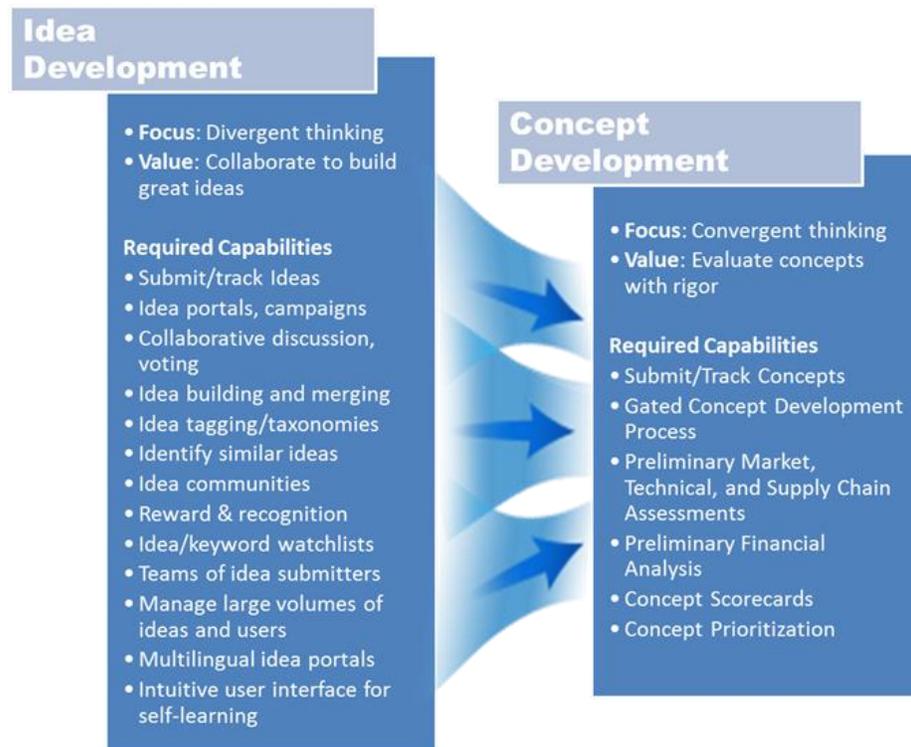


Figure 4: A comparison of idea development and concept development. The transition from idea development into concept development requires a fundamental shift in orientation. Innovation systems must support both modes of activity or else they risk becoming a ‘black hole’ for submitted ideas.

should be focused on support for convergent thinking, rigorous evaluation, and tough decisions. At the start of this stage, the work effort shifts to an official concept development team and takes the form of a more traditional project.

To ensure successful advancement of ideas, your development system should enable seamless stage-to-stage movement. Important contextual and historical information should accompany each idea as it proceeds through the cycle.

The system should also provide for automatic feedback to the idea submitter so he or she can track the progress of the idea as it moves to fruition. This feedback loop is essential to reinforcing idea submission and development behaviors and, ultimately, to the viability of your ideation process.

How Sopheon Can Help

There are a number of ways in which Sopheon can offer practical assistance for the development and execution of your ideation process.

We can help you establish the baseline of where your company stands compared to companies considered best-in-class in product ideation and execution.

We recognize that organizations vary greatly in the maturity and sophistication of their innovation and ideation practices. Regardless of where your organization stands in these areas, we can demonstrate how Accolade Idea Lab will provide your organization with a comprehensive process for successful idea generation and development, all within a framework that is uniquely suited to your business.

Idea Lab allows global teams to gather, exchange, develop, and collaborate on building product and technology ideas into transformational innovations. Among other benefits, Idea Lab will allow you to:

- ☑ Increase the number of high-value ideas in your pipeline;
- ☑ Align ideation efforts with market, technology, and corporate growth strategies;
- ☑ Convert small ideas into high-impact, commercially-promising concepts;
- ☑ Automatically connect submitters to other knowledge sources to better develop ideas;
- ☑ Apply consistent, sustainable methods for generating, organizing and evaluating ideas;
- ☑ Enable cultures and communities to participate in the innovation process;
- ☑ Enable a workflow of ideas in a way that is different from traditional gated process; and
- ☑ Seamlessly advance your best ideas into development and on to commercialization.

We encourage you to engage us in further discussion on how we can assist you in growing your good ideas into great ideas that you can turn into great products.

“Our company has a history of innovation. Sopheon’s idea development solution is intended to support us in our drive to establish ‘Passion for Solutions’ at the heart of our business.”

Mike Lewis
VP EMEA
Afton Chemicals

Related Reading in the Sopheon Resource Center

- ⇒ [The Prepared Mind: Best Practices for Selecting and Managing Winning New Product Ideas](#)
Author: Frank van Ruyssevelt, Business Consultant, Sopheon
- ⇒ [Guided Ideation: A Management Approach to Creativity-Based Performance](#)
Author: Anders Hemre, founder of Interknowledge Technologies and the former chief knowledge officer at Ericsson Canada
- ⇒ [Overcoming Barriers to Sustainable Competitive Advantage, Part 1: Successfully Executing Gated Processes](#)
Author: Bryan Seyfarth, Director of Product Strategy, Sopheon
- ⇒ [Overcoming Barriers to Sustainable Competitive Advantage, Part 2: Making Product Portfolio Management Real](#)
Author: Iain King, Business Consultant, Sopheon

Reference Notes

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- ² GIROTRA, K., TERWIESCH, C., and ULRICH, K. (2009). *Idea Generation and the Quality of the Best Idea*. MANAGEMENT SCIENCE Vol. 56, No. 4, April 2010, pp. 591-605.
- ³ McKinsey Global Survey 2010, McKinsey & Company.

About the Author

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About Sopheon

Sopheon (LSE:SPE) is an international provider of software and services that help organizations improve the business impact of product innovation. Sopheon's Accolade® software suite is the first in the industry to provide end-to-end support for strategic product planning, ideation and innovation process execution. The suite's Vision Strategist™ component automates the roadmapping process, allowing users to visualize and plan the future of products and technologies. Accolade's Idea Lab™ component helps organizations generate, select and develop winning product ideas. Accolade Process Manager™ automates the product innovation process and provides strategic decision support for the management of product portfolios.

Sopheon's software is used by top innovators throughout the world, including industry leaders such as BASF, ConAgra Foods, Corning, Electrolux, Honeywell, Northrop Grumman, PepsiCo, SABMiller and Total Petrochemicals.

Sopheon has operating bases in the United States, the United Kingdom and the Netherlands, with distribution, implementation and support channels worldwide. For more information on Sopheon and its software and service offerings, please visit www.sopheon.com.



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