Stimulating Innovation for Future Growth

Stay ahead of competitors and meet customer needs with forward-thinking action.

(A quick-reading parathink briefing for really, really busy people)

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Paragraphs is an award-winning, strategic design firm specializing in branding and corporate communications across all media. Since 1984, we’ve helped leading companies around the world do one thing exceptionally well: build powerful brands that grow their business.
Executive Summary

In our last *parathink briefing*, we looked at creativity’s role in the workplace and how it can impact multiple areas of business. Innovation, like creativity, can impact a company’s financial health: Companies that produce new products or those that address a consumer need are more likely to see better profits than competitors who cannot.

Still, what exactly *is* innovation and what makes an idea or product “innovative”? Can innovation be stimulated or is it just a byproduct of creative thinking?

*In this parathink briefing, we’ll give you a quick overview of:*
- What defines “innovation”
- How to measure innovation
- How to establish an innovative culture
Unboxing Innovation

To understand innovation and what constitutes something as being “innovative,” let’s first look at its definition:

Innovation, therefore, is either the conception of something that does not exist or a variation of something that currently exists. And while creativity is listed as a synonym, the two are—and should remain—separate concepts.

Innovation is Not Creativity

According to Drew Marshall, founder and Principal of Primed Associates, LLC and an innovation expert, innovation and creativity are separate entities—and it’s necessary to understand their differences.¹

• Creativity is subjective and difficult to measure. Innovation is objective and measurable.
• Creativity seeks to unleash potential. Innovation looks to make change to stable systems.
• Creativity does not always offer a solution. Innovation seeks to find a solution to a need.

It’s true that innovation uses creative thinking, but one does not have to be innovative to think creatively. Because innovation can be measured, companies can benchmark their progress and employees’ progress to see if innovation-stimulating efforts are paying off.

How to Measure Innovation

We know that innovation can be measured, but how? There’s no simple answer, as different industries and companies maintain different beliefs about what constitutes innovation and successful innovation. But based on the DuPont analysis—which measures return on equity in three components—Innosight Managing Partner Scott D. Anthony came up with three new formulas to measure innovation.²

• Innovation Magnitude = Financial Contribution ÷ Successful Ideas
• Innovation Success Rate = Successful Ideas ÷ Total Number of Ideas Explored
• Investment Efficiency = Number of Ideas Explored ÷ (Total Capital + Operational Investment)

But as Anthony points out, there is no clear definition of “success,” for it is subjective and varies across industries and companies. These formulas can only provide an idea of successful innovation, and even then, not all companies will have access to the data needed for these formulas. Still, even with its challenges, you can and should measure your innovation. You just need to be consistent about it.

² [https://hbr.org/2013/03/how-to-really-measure-a-compan](https://hbr.org/2013/03/how-to-really-measure-a-compan)
Measuring Your Innovation

Due to lack of available information (i.e. nothing is publicly reported), it will be difficult to benchmark your innovation success against competitors, but you can still benchmark against yourself and see how your company fares from year to year. Use Anthony’s formulas above or develop your own type of measurement based on company goals and practices, such as total number of ideas turned into patents by employees in a calendar year or number of teams that submit projects for innovation awards in a calendar year.³

To begin measuring your innovation, you first need to make some decisions about what constitutes “innovative,” what constitutes “successful innovation” and when you’ll measure.

Defining Successful Innovation for Your Company

What does your company consider as innovative and how does it determine success? To accurately measure your innovation, these must be defined so you are consistently measuring for the same qualities. So, what’s innovative? Have different criteria if you’re going to be measuring multiple “innovative outputs” such as both ideas and products, which (one being intangible) cannot be measured based on the same criteria.

For example, your company may decide that a product is only innovative if it is a novel product that fills a consumer need OR is an adaptation of/addition to a pre-existing product to fill a consumer need. If a product meets either of these criteria, it is considered innovative.

Once you determine that a product is innovative, you’ll want to determine if it was a success. You’ll also need to create a list of criteria that can be used to determine if an innovation is successful. Your company may decide that, to consider an innovation successful, it must have done all the following:

- Made X% return on investment;
- Made $X within a specified period;
- And increased the company’s stock value by $X.

You could even have a list of criteria and then state that the product must meet 7 of the 10 listed to be considered a success.

When to Measure

To get the most accurate data, you’ll want to make sure that you’re always measuring within similar time periods. Let’s say you launched an innovative product. You have already set your measurement process in place that states you’ll collect data—such as company stock, total investments to build and launch the product and total gross revenue—and that this data should be collected within the first 2 weeks, month and 3 months of the product launch. The same process should be used for each launch of a new product, product reiteration (adding new features or changing the design) or product generation (product series like the iPhone).

Each time you develop a product, check it against your pre-determined criteria: First, decide if it is innovative. If it is, measure its success upon launch by collecting the same data points at specified times and checking this data against criteria for success.

³ https://www.fastcodesign.com/3031788/how-to-measure-innovation-to-get-real-results
Establishing an Innovative Culture

Just as you can foster a more creative work environment, you can promote a more innovative culture within your organization. To do so, you’ll need to implement changes across several areas of your business, such as your hiring process or how you handle failures. But these changes won’t do the work for you: Employees at all levels of the company need to commit to the changes and see them through each day.

Form the Culture from the Top-Down and Bottom-Up

According to Mark Batey, a Creativity, Innovation, and Leadership Specialist at the Alliance Manchester Business School, a creative culture (which is key to an innovative culture) is only possible through complementary top-down and bottom-up initiatives. Top-down initiatives will implement creativity into the company’s culture through more formal means, such as amending the mission, vision and values statements to put creativity at the forefront. Recruitment processes, succession planning and other formal processes should also have creativity built in. With creativity at the foundation, it’s easier for current and future employees to explore their creative sides and innovate.

You’ll need to support these top-down processes with bottom-up action: Employee development. People can be trained to be creative, and it is necessary to match the pre-established formal processes by diagnosing and training individuals in developing creative skills. When focus and applied action are taken in addressing inherent creative talent and honing those skills, a company is likely to see more innovation. For more information on how to establish a creative work environment, read our white paper, Fostering Creativity to Bolster the Bottom Line.

https://www.psychologytoday.com/blog/working-creativity/201205/top-ten-creativity-questions
**Hire Individuals with an Creative Mindset**

If your hiring process doesn’t already seek to highlight creative and innovative talent, it should. While you want to determine if candidates are going to be a good fit for your company, you’ll also want to get an idea of how their mind works: How do they solve problems? What approach(es) do they take? The interview process should encourage candidates to show their creative nature through a task or series of questions. These may include:

- Handing them a random object (e.g. stapler, pen, book) and asking them to list out all possible uses for it. This exercise is a good identifier of how they approach a problem as well as their ability to think on their feet.
- Asking them what kind of tree/animal they would be and why or what superpower they would have and why. This question can provide insight into their personality as well as their perspective of the world.
- Have them tell you about their favorite band or musician. According to Todd Murphy, Vice President of Universal Information Services, Inc., this question helps identify a candidate’s passion that makes them multi-dimensional. Passion is essential in a creative environment.

Remember that your work is not done once you hire these individuals. There should be processes in place where upper management diagnoses strengths and weaknesses in creative skills. Seek to amplify natural strengths and work on developing weaker areas.

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Take the Fear out of Failure

Failure is the great inhibitor of innovation. Companies like IDEO and Facebook understand that fear of reprimand from an employee’s supervisor can prevent them from taking chances, so they’ve changed their perception on failure. At IDEO, the philosophy is that design is about problem solving, and that a design that doesn’t work isn’t a failure; it just needs to be re-designed.

Companies should encourage employees of all levels to take risks, for without trying there is no change. Highlight the value of teamwork: If an individual’s idea doesn’t quite work out, there is a group of people ready to support them. Remove the fear of failure from your employees by changing internal perception regarding risk-taking: Make it so there are no repercussions from a failure, only encouragement to try, try and try again.

“Facebook’s tolerance for experimentation and failure is so high that they joke that every summer an enterprising intern gets into the code base and, in an effort to do something new, takes the site down. ‘If you go nuts every time an intern takes the site down, then you are not fostering an environment of innovation and experimentation,’ says [Lori] Goler, [Vice President of People].”

Prepared for Future Growth

With the world continuously changing, it is vital for companies to innovate not just for future growth but for longevity as well. Innovation is about more than creating new products: It seeks to discover new concepts, services and processes for leadership, motivation, customer service and more. Companies that lack innovation and fail to adapt to changes in customer needs or technological advancements cannot expect to remain competitive in their industry, let alone stay in business. But with a creative culture and mindset of innovation, companies can prepare for the future.

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