

# How the Inno-Gate System Can Boost your Rates of Innovation Success

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A complimentary white paper from

The Canadian Innovation Centre

*Guiding **Innovation** to be Market Ready...*

*Management decisions on whether to proceed and how to execute a specific innovation strategy can seem arbitrary and emotional. They rely on informal processes and limited feedback. Andrew Maxwell looks at a formalized process to make the innovation process more predictable.*

Most big companies are not good at innovating, or taking advantages of disruptions to their everyday business. Company policies and culture were established to work in other environments, where processes and roles were clearly defined, and the simple mantra of taking care of the customer would ensure success.

Senior management in these companies recognize the challenge presented by the need to innovate, to respond to changes in the market place due to changes in markets, technology or competitor activity. Yet they are challenged to know how to respond for fear that making a change will at best damage, or at worse destroy, their existing business. These issues are well recognized in the management literature, especially in the work of Christensen (The Innovator's Dilemma). In fact, without knowing it, in many cases the internal processes, systems and cultures which have previously led to corporate success, can now become the companies Achilles heel.

*There is no shortage of innovation opportunities for existing businesses.* Geoffrey Moore, in *Dealing with Darwin*, identifies a number of areas of innovation that can apply to a company, no matter what stage in their industry lifecycle. These include: product innovation, process innovation and customer innovation. However, as he notes, while innovation may previously have arisen from one area, now innovation opportunities are scattered throughout the organization, affect different functions and often require cross-functional teams for success. Yet most organizations are not designed to both identify such opportunities, or evaluate which should be implemented. The biggest challenges in fostering innovation in an organization are thus related to capturing innovative ideas, deciding which to implement and making sure there are sufficient resources to implement.

In most organizations, where there may be some process for identifying and evaluating new opportunities, the speed of change in technology and the marketplace can provide too much information to both capture and assess. As a result, it is often difficult to determine which innovations to look at and even more challenging to establish a decision-making process to decide which to implement. *Organizations are not well designed to make decisions that affect multiple functions, or that raise questions about the strategic direction of the business.*

Developing a strategy to decide which opportunities to address and how to take advantage of each is challenging. Market place disruptions can come from changes in global supply chains, demographics or political changes, and from the rapid development and deployment of new technologies that provide existing products or services more cost effectively, or create whole new applications and markets. While the traditional sources of innovation might come from internal resources, sources of current innovation come from customers, existing competitors, potential competitors, suppliers and many other places. Further the number of innovation opportunities is increasing, technology development is accelerating, the world is getting flatter and the sources of potential competition are multiplying.

The reaction of most senior executives to this enormous upheaval is usually one of three responses:

- a) to try and create an open and innovative culture that can react to many of the new opportunities presented
- b) to try and focus the attention of senior management on specific areas deemed to be of strategic importance to the company, or
- c) to ignore these major challenges completely and simply to look to improve the effectiveness of existing products, services and processes.

Unfortunately, none of these tactics is particularly effective, each brings certain inherent problems into the company. Complete open innovation often undermines the key capabilities of the company and causes a level of chaos and underperforming projects which do not have the impact that was expected. It is also challenging to appoint innovation champions inside the organization who can adequately represent external innovations. To avoid responding to too many opportunities, it is useful for an organization to focus on specific types of opportunities. However it is often challenging for the company to decide which specific focus areas should be chosen and how the organization reacts to clear opportunities outside this focus area. The third option, simply continuing to improve existing products and services is all too often the preferred choice, maintaining the status quo, satisfying short term investor expectations and building on existing strengths. All too often, this makes the business very susceptible to the types of competitive disruption that if handled differently could have created longer-term commercial success.

In our experience in dealing with enterprises facing these challenges, we have seen many ways of dealing with innovation and disruption, often hearing the phrases “we already have enough innovation here” or “sticking to our knitting” as a universal response to new opportunities. Such organizations usually like formal processes and metric based cultures, which have served them well in the past and do not have the bandwidth or risk appetite to embrace these new opportunities. Unfortunately in most cases this will lead to a longer term decline in shareholder value and a failure to leverage existing resources to take advantage of new opportunities. As a result, we developed a gating process, called Inno-Gate, which was designed to use a similar process to Bob Cooper’s Stage-Gate ® process to identify, evaluate and track the progress of many different types of innovation in a formal system. This provides the open innovation capability which CEOs are seeking, combined with the formalized processes and metrics which their companies are well placed to implement. This process looks at a broad range of innovation opportunities, aligns the decision making process with company objectives, and creates multi-function teams to both decide the opportunities to implement and to oversee their implementation. The process is designed to build on existing company processes and innovation successes while expanding the stakeholders involved in innovation within the company. The company is a critical element in balancing trust and control within the innovation, by establishing a formal process which encourages creativity and sharing of ideas, with a controlled system that provides resources and communicates outcomes.

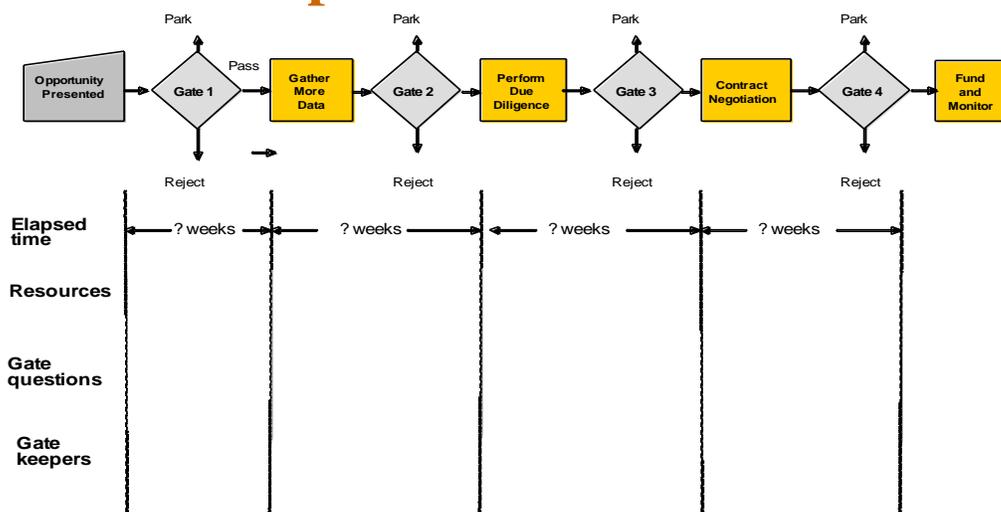
The Inno-Gate process (shown below) has five important stages: identification, assessment, validation, proof of principle and development. Each stage involves a formal decision making process (Gate) as to whether to proceed to the next stage, to park the innovation or to reject the innovation, leading to a significant culling of opportunities at each stage. Each gate is followed by a process stage, where resources are spent in order to answer specific questions and achieve well defined milestones. Moving from one stage to the next involves greater levels of resource commitment and a clear understanding of the questions to be asked at the next Gate. However as this greater resource commitment is spread over significantly fewer opportunities, the resources expended are controlled and overall a higher portion of resources are spent on opportunities which eventually find their way into the business.

The benefits of such a process include:

- Alignment of understanding of the innovation process
- Clarity around innovation objectives
- Transparent decision making to facilitate future innovation
- Resource management to make available required resource for successful implementation
- Milestone tracking and embedded project management to ensure timely implementation and moving to subsequent stages in the process rapidly
- A formal process which enables communication about the goals and outcomes of innovation

The implementation of an Inno-gate process starts by developing a cross functional team from the company that identifies the companies innovation objectives, the types of innovations which might meet these goals and the barriers that currently exist that might stifle innovation.

### Simplified Gate Process



Once the goals and barriers are understood, the innovation team starts to develop a simple scoring matrix to determine the relevance of new innovation opportunities company goals. Such a matrix starts by identifying broad company objectives, relevant to the company's position in the marketplace, and industry and might include categories such as: building customer equity, enhancing sales revenue, reducing production costs, reducing development times and enhancing resource utilization. Each category is then quantified so that projects can be measured and assessed for each. Categories are also provided with an internal rank, so that the difference between opportunities which rate high or low on each factor can be evaluated against each other. *The process of determining these factors and identifying how each should be measured, is often eye opening for the participants, and creates an alignment of understanding and confidence in the process itself.* This work provides the framework for the initial assessment.

The process of building these criteria is not a single event, but is open to modification as time progresses and the experience of the innovation team develops. More importantly these criteria are often modified when:

- New innovations which can not be clearly categorized using the existing metric are found
- Resource limitations affect the sequence in which opportunities can be implemented
- External market factors, or internal corporate objectives change,
- Reviewing a previous project, rejected at a later stage, can improve earlier gating decisions

The last case is particularly significant as it can cause a re-alignment or re-evaluation of the categories. Alternatively, the nature of the evaluation at prior stages is re-examined to see if better questions could have been asked previously, which would have provided enough information to cancel or park the project earlier, thus in the future saving the expenditure of resources which were committed at subsequent stages.

In addition to the direct benefits of implementing such a process, the introduction of such a process involves the development of categories for making decisions, which leads not only to improved decision making but a better understanding of the decision making process. *To foster innovation in an organization, it is important that participants in the organization understand the criteria by which innovation opportunities are evaluated.* If they see this and understand how decisions are made, they will have increased confidence in the process, leading to better quality

An important part of the introduction of such a process is that it is inherent to process implementation that information is provided back to the innovation originator and wider community as to why specific projects were rejected at each stage of the process. The verbalization of such information is important in understanding the decision-making process and the communication of this fosters a culture of innovation that encourages participants to submit new (and often better quality) ideas in the future.



## The how the Inno-Gate System can Boost your Rates of Innovation Success

The other major benefit from the introduction of the Inno-Gate process, relate to the allocation of resources at each stage. Quantifying how much can be spent, before a certain result is achieved, sets expectations, and allows everyone to clearly manage budgets and outcomes. Whilst the introduction of the process does not stop time or cost over-runs, it introduces a level of accountability and everyone is made aware of what is occurring and why. More importantly Gate managers can halt developments at a gate, until certain specific milestones have been reached. This makes it easier to kill big projects if the original expectations form the project can no longer be achieved, even when significant resources have been spent.

The introduction of Inno-Gate into a company or the division of a company provides a platform to manage the innovation process, enhance the innovation culture and identify opportunities in a time effective manner. It does this by using companies existing strengths in the management of processes and the measurement of milestones. It also helps companies to better understand the cultural and organization issues that currently limit their rate of innovation, such as their attitude to risk and the impact of failures. Faced with a changing innovation landscape, Inno-Gate is a more formal process that can provide benefits to companies wrestling with the complex issues of introducing a more innovative culture, and enabling the benefits to shareholders and employees of such activities.

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## About the Canadian Innovation Centre

The Canadian Innovation Centre (CIC) is a not-for-profit Canadian corporation that provides services to assist entrepreneurs and innovators in the commercialization of their innovations. Through experience, networking and research, we strive to provide insight to assist businesses achieve sustainable success sooner.

We have over 30 years experience working with inventors, start-up companies, and enterprises of all sizes, validating innovations and enabling the commercialization path. Our experience, insight, and recommendations direct efforts and investment toward successful market entry with an emphasis on sustainability. This impact has been recognized by both international awards, government engagements and tens of thousands of clients who have accessed the Centre.

In addition to the CFA family of services, the CIC provides a full suite of offerings that support the end-to-end commercialization process.

The **Canadian Innovation Centre** can help you:

- o Validate your ***product or business concept***
- o Create a high performance ***business model***
- o Optimize your ***intellectual property strategy***
- o Pursue venture or non-equity ***financing***
- o Develop a ***market-entry approach***
- o Access ***government programs***
- o Determine and enhance ***business valuation***

*"The Canadian Innovation Centre is... an affordable expert resource in the business related skills required to successfully commercialize technological innovations."*

*- Venture Economics Report*

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