

IDEAS MANAGEMENT

Capturing the spark that ignites innovation

Executive Summary

Ideas management is a disciplined approach to generating, capturing, and analyzing ideas within an organization. Provided a company creates a culture that values creativity and encourages employee participation, a formal ideas management process should improve a company's ability to innovate, and especially to maintain a steady flow of innovation.

Ideas management technologies can simplify workflows and drastically reduce administrative headaches by:

- ▶ providing a universally accessible forum for employees to submit ideas
- ▶ reminding people of deadlines and individual responsibilities, such as reviewing idea submissions
- ▶ ensuring reliable feedback for participants in the form of automated email updates
- ▶ permitting analysis of the organization's idea pool
- ▶ integrating with key enterprise systems (e.g., ERP, stage-gate, HR, payroll)

Did You Know?

Kodak and NCR make dueling claims to have instituted the first suggestion box system in the United States. NCR says 1895, and Kodak claims 1898.

Either way, ideas management is one of the earliest management tools to improve performance.

Baroudi Group has begun a study of ideas management, interviewing innovation teams at several large companies. In this analyst brief, we consider:

- ideas and innovation in the enterprise
- the emergence of enterprise ideas management
- key benefits identified by innovation teams
- best practices in ideas management
- Imaginatik's Idea Central application, as a leader in this space.

Introduction

Necessity is still the mother of invention as today's market advantage is always vulnerable to "newer," "better," "cheaper," and "faster."

The promise of ideas management is steadier, more reliable innovation. As artists and inventors who actually make a living from their art and inventions will tell you, the muses don't visit often enough on their own. Inspiration comes more readily with a disciplined approach, which is why serious writers sit down at their desks every day, and researchers keep going to their labs.

Similarly, companies cannot rely solely on serendipitous "aha" moments to innovate at a pace that will keep them ahead of the competition. Companies need a method for drawing out the ideas that kick off the innovation process, that in turn can improve, even revolutionize, their products, services, and processes.

Certainly, there is a dovetail between ideas management and knowledge management. As Peter M. Senge preached in *The Fifth Discipline: The Art and Practice of the Learning Organization*, the only durable competitive advantage is an ability to learn faster than your competition. In that light, systems that promote collective learning and knowledge sharing also accelerate ideas and innovation that translate into measurable success.

The three keys to success in managing ideas are widely understood to be:

- visible support from senior leadership
- an idea-friendly corporate culture
- a reliable process, including broad accessibility, feedback, and rewards

Information technology can help a lot with the process part. Collaborative applications such as email, instant messaging, forums, groupware, and intranets lend themselves immediately to idea sharing and deliberation on an ad hoc basis. With advances in search technology and databases, you can begin to see the possibility of storing and actually retrieving ideas from many different groups. Finally, with workflow capabilities, you can establish procedures for gathering and reviewing large volumes of ideas that are still sensitive to individuals' needs for recognition and response. Put them all together, and you have the beginnings of valuable ideas management software.

Ideas and Innovation in the Enterprise

In the context of the enterprise, innovation is typically discussed in terms of new products and technologies. However, it is just as critical to internal processes. Innovation can spring up anywhere—sales, marketing, HR, finance, customer service, order fulfillment, and distribution.

Innovation can improve a company's top and bottom lines with faster revenue growth and cost reductions associated with process improvements. It's also a prime non-financial contributor to market value.¹ International studies of innovative companies (often ranked by revenues generated from new products, sometimes by number of new patent applications) generally indicate that they significantly outperform their non-innovative peers.

Innovating When the Wolf Is at the Door

BorgWarner's stock price was taking a dive while the market boomed in the late 1990s. The chart below compares BorgWarner with the S&P 500 index over the last five years.

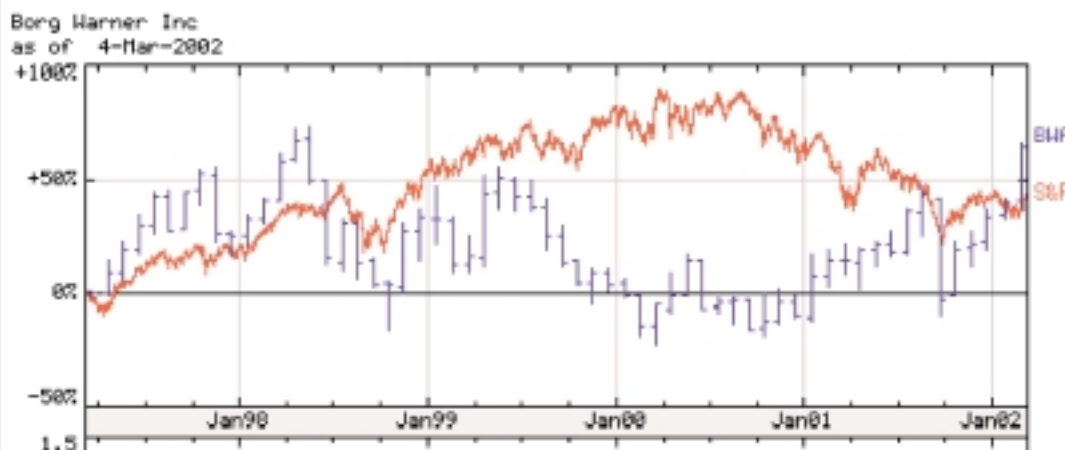
In response, CEO John Fiedler set an ambitious goal of virtually doubling the automotive parts manufacturer's revenues by 2004 to \$4 billion. At least \$600 million would have to come from new products.

As a first step to demonstrate the renewed commitment to product leadership through innovation, the company held a three-day meeting dedicated to finding ideas that would take advantage of newer, more powerful automotive electrical systems. On the last day, senior management chose one of the 140 ideas submitted and funded it immediately.

The company currently spends 4% of sales on R&D, and by 2000 credited its strong performance in a down market—and approximately half of its revenues—to its leading-edge technologies for air quality and fuel economy.

Sources: CEO Interview with John Fiedler, *The Wall Street Transcript*, November 2000; *The Leading Edge*,

by Thomas A. Stewart, *FORTUNE*, March 5, 2001; and BorgWarner. Chart: © 2002 Yahoo! inc.



¹ Measuring the Future: Value Creation Index. Cap Gemini Ernst & Young Center for Business Innovation, 2000.

And the Surveys Said...

PricewaterhouseCoopers profiled 402 high-growth companies, and found that those who emphasized innovation most grew 61 percent faster even than their counterparts over the past five years.
—*Trendsetter Barometer Study, 2001*

Accenture surveyed executives in Europe, Japan, and the United States and found that 82% “expect to become more dependent on innovation over the next three years.”
—*eEurope 2001*

PricewaterhouseCoopers reported that 54% of the high-growth companies they surveyed said their innovation management programs were only in the early stages of development.
—*Trendsetter Barometer Study, 2001*

A joint 3M/CBI study in 2000 suggested that less than 15% of companies have IT systems specifically tailored to their innovation management process.
—*CBI Innovation Survey 2000*

Enterprise Ideas Management

Innovation begins with ideas, and not just big ideas. In business, ideas represent potential value that may be realized as new and updated products, processes, or services. Though it sounds like less fun, corporate goals should be the starting point for idea generation, and companies should generally pursue ideas that keep focus and resources devoted to core strategies and goals.

Where do you catch ideas? Ecologists and biologists have long understood that “edge” environments (e.g., where forest meets meadow, or tropical changes to sub-tropical) are exceptionally rich and diverse because different species meet and intermingle. In the enterprise, we find edge environments between business units, departments, and teams that can be particularly fertile ground for idea exchange. Where companies interface with partners, vendors, and customers, the same creative conditions apply, and joint innovation and new value creation can flourish.

Managing that first step of innovation, ideas themselves, allows organizations to leverage the creativity of every employee, customer, and partner. Many companies already use local brainstorming sessions and suggestion boxes to elicit ideas. But these techniques don’t allow the company to reach its entire work force or to coordinate ideas readily. (One brainstorming session never pulls in the whiteboard from the last, for example, especially if it was held on the opposite coast.)

Dr. Winston J. Brill is an innovation consultant with an impressive resume and an idiosyncratic web site. His largely anecdotal study of 350 great ideas confirmed what most of us know intuitively: our work ideas often come to us when we’re by ourselves and away from our day-to-day jobs. Only 2% of the 350 great ones came out of scheduled meetings. Twenty-three percent arose from informal discussion, and 43% came when the person was alone.

What Ideas Management Software Should Be Able to Do

Unlike idea mapping or other applications intended to get one’s creative juices flowing, ideas management software should primarily be a smart place to write down business ideas—or great ideas you had in the shower—and to see what your colleagues are thinking about.

And here's what makes it a smart place:

From an employee's perspective

- easy online access from an intranet or web site
- intuitive user interface
- up-to-date information on what areas the company is looking for ideas in
- clear sense of procedural flow
- reliable feedback on the status of ideas
- viewing access to a broad repository of ideas
- opportunity to develop and refine other people's ideas
- anonymity options for greater confidence in submitting ideas

From a reviewer/manager's perspective

- opportunities to seek expert opinion
- a clear scoring methodology that ensures the most consistent possible evaluations among multiple reviewers
- tools for analyzing the idea pool that will reveal emerging trends
- triggers for further ideas through the review process

From an administrator's perspective

- integration with other enterprise systems, such as HR, payroll, ERP
- logical hand-off to a next-phase project management system
- results tracking
- complete control over the data (vs. a third-party host)

Innovation Landscapes

Doblin, an innovation strategy firm, uses the landscape metaphor with its elegant and proprietary information graphics that convey a topographic sense of an industry's overall innovativeness in ten areas, such as customer experience and technology. Companies may find these graphics useful in identifying neglected areas for innovation in their own industries or in comparing their individual progress with their industry.

Key Benefits of Ideas Management

Baroudi Group interviewed several pioneering companies in the chemical, pharmaceutical, and food industries that are deploying ideas management software. They were enthusiastic about the results so far. Here are a few quotes.

Innovation manager, pharmaceutical company

“It gives employees a voice to the company, and we emphasize that creativity is part of everyone’s job.”

“We collected 429 ideas in two weeks. We got a range of responses—all on target.”

Senior product manager, consumer goods company

“We can tap into all functions, every location, and at every level of the company.”

“It empowers everyone to impact the business.”

“Our second week into our challenge we had almost twice the number of idea submissions as the industry average.”

Senior research engineer, chemicals company

“Until now, ideation was only at headquarters. Our company is worldwide, and we want to include everyone.”

Below are some of the key benefits they identified:

Increased probability of meeting revenue generation or cost-cutting goals

Innovation and ideas management are key revenue generation strategies for these companies. Some believe an “idea funnel” will help them meet their stretch sales goals. Others have already set their goal for new product development as a percentage of sales (e.g., 20 percent), based in part on their expectations for the ideas management system.

Better chance of capturing strong ideas

One company believes that to get 10 quality ideas, they need a base of 100 idea submissions. Since ideas management software taps a wider population for ideas, they hope to hit that 100 mark more quickly.

Opportunity to leverage vast pool of ideas

Employees can readily share and develop ideas across boundaries of location or department. Companies hope that the simple fact of reviewing many, varied ideas will inspire even more creativity and problem solving. Thus, even “no-go” ideas have value.

A new communications channel for management to clearly articulate company goals

The ideas management process helps to convey management priorities and objectives and to create a sense of urgency in reaching goals. When employees know that the company is looking for improvements in particular areas, they align their activities with corporate priorities. Extending a similar channel to partners helps performance by tapping into their ideas.

Among the companies that Baroudi Group interviewed, one had already reduced its go-to-market costs for new products through ideas management. Companies also found that their ideas management processes improved employee morale and communications. They believe employees appreciate an environment that encourages risk-taking and collaboration. Companies also felt that using ideas management software helped to establish and maintain predictability in the innovation process.

Best Practices in Ideas Management

The companies Baroudi Group interviewed shared some of their best practices for soliciting, reviewing, and rewarding ideas. Notably, the human element is extremely important.

Gain visible upper management support. It is key to launching the ideas management process and maintaining momentum.

Appoint an ideas management team to facilitate, guide, and encourage participants.

Communicate goals widely and clearly. This fosters trust, focuses employees on business goals, and also casts a wider net for knowledgeable contributors.

Keep requests for ideas fresh through an event- or campaign-based approach to idea capture.

Create a friendly environment with clear rules to encourage broad participation.

Think carefully about focus. Sometimes you will want to solicit ideas only from particular groups, but more often, you should embrace the entire company.

Use internal marketing programs to help clarify campaign goals and increase participation. Use email, voicemail, and posters to raise participation at all levels. A campaign without adequate marketing will not achieve its goal.

Provide training for reviewers and business sponsors on the ideas management process.

Make reward programs that are sensitive to the corporate culture and will not create dissension among the participants. Rewards such as dinners, gift certificates, tickets to events, and plaques have proven successful. Start small. You can always give larger rewards, but cutting back is disastrous.

Imaginatik's Idea Central: A Leader in This Space

The term ideas management is new enough and loose enough that Baroudi Group found companies providing rather different services in this space. For example, some companies sell project management applications that offer "ideas management" functionality as an afterthought. Some companies offer hosted services only. Most companies offer some training and/or consulting and workshops in addition to software, And this human component of the sale is extremely important.

Imaginatik, a software company with nearly ten years' experience in the field, stood out for its success within its customer base. Fortune 500 companies using the Imaginatik solution were enthusiastic about the software and the company's nuanced approach to ideas management.

Imaginatik's Idea Central is a flexible, web-based ideas management solution. Databases, email, and workflow capabilities power the browser-based application, which can be deployed on a company's intranet or hosted by Imaginatik.

Idea Central's user interface can be tailored to suit customers' needs and still be rolled out in a matter of days.

The software is deceptively simple in appearance. Indeed, as Imaginatik CEO Mark Turrell freely admits, in-house development is his company's biggest competition. But companies are well advised to consider the high costs of a jury-rigged solution. Besides requiring maintenance and support inversely proportional to the care expended on development, any solution that alienates users (through a clumsy interface, insensitivity to their needs, or inadequate process support) can sink the entire initiative.

Idea Central's workflow incorporates shrewd insight into individuals' frequent ambivalence about coming forward with ideas. To provide just one example, it offers idea contributors anonymous and semi-anonymous submission options. At the same time, it encourages accountability because fully anonymous ideas are ineligible for rewards.

Idea Central also ensures that the person who originates an idea sees comments and feedback straight through to the go/no-go decision. Of course, the software doesn't remove the burden from reviewers of making thoughtful and appropriate comments.

Idea Central features:

- idea capture, review, and feedback
- built-in customization capabilities
- detailed guidelines for scoring to improve the consistency of reviewers' ratings
- email-based reporting and feedback
- evaluation tools
- searchable idea repositories
- rapid deployment with customization
- integration with enterprise name/address files
- potential integration with enterprise portals such as Plumtree

Here's how it works: An "innovation manager" sets up a "campaign" (i.e., a call for ideas on a specific topic). Email announcements include the subject of the idea campaign, the time frame, and a specific URL for submitting ideas. Contributors are notified of the status of their submissions.

Designated reviewers and experts get email reminders as deadlines approach. As a campaign winds up, reminder email is sent asking for final submissions. After the campaign, all contributors get thank you messages along with any reward announcements.

Imaginatik provides custom versions of its software to incorporate company-specific requirements. For example, one company we surveyed has worked with Imaginatik to build a points-based reward program that recognizes people who build on others' ideas along with the original submitters. Customizations such as this often end up in the Idea Central product itself, either as updates to the core product, or as integrated, add-on modules.

Conclusion

Companies cannot afford to sit on their hands anymore when it comes to innovation. Therefore, Baroudi Group sees little danger in predicting that demand for solutions that streamline and accelerate the innovation process will grow quickly.

We would give a wide berth to any software application that promised to do too much, because there is no substitute for talented, motivated people or leaders who aren't afraid to be challenged. Nor are there any shortcuts in establishing a corporate culture that values creativity at every level.

In creating its Idea Central ideas management software, Imaginatik is one company that we believe has demonstrated the necessary understanding of the opportunities and inherent limits of automation in this space.



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