5 Keys to Effective Innovation and New Product Development (NPD) Planning
Innovation & NPD Planning is Difficult for Many Companies

There are several primary management factors that make innovation and new product development difficult for many companies. Here are some of the more common ones:

- There’s big disconnect between what projects NPD / R&D teams work on versus current strategic business strategies and growth objectives.
- Project and investment decisions are made to support pet projects and politics, rather than using fact-based data to make the right decisions.
- Project teams work on too many projects which strains resources and results in too few high-quality initiatives coming to market, and usually late when they do.
- Project teams lack prioritization and direction on which key strategic initiatives to work on.
- Short-term financial decisions whip-saw plans and resources, resulting in too few really new or major initiatives coming to market.

Gaps in Alignment - 94% have a gap in alignment between product development growth strategies

Decision Making - 85% make investment decisions based on politics rather than data

Too Many Low-Value Projects - 59% say their resources are “stretched too thin” because of too many active projects

“Product Launches Hindered by Major Challenges”, CGT September 2011
Innovation and New Product Development is Unique to Your Company

The well-known Ansoff Matrix depicted on this page is commonly used to define strategic choices to achieve business, product and market objectives.

The decisions you make here will determine the unique Innovation and NPD strategies for your company.

Additionally, the specific characteristics and vision of your company will further define your unique approach:

- Your markets
- Your products
- Your technology
- What you want to be known for

On the following pages, we'll discuss the 5 keys to planning effective and successful innovation, and new product development strategies for your company.

Start with a focused, actionable vision that provides the framework for innovation success

It all starts with the corporate vision of what a company wants to be known for, or what they want to be. Take a look at the sample company visions on the right. It should be quite clear to anyone working on innovation and new product development at those companies, where they should focus their attention and which projects to work on. Now look at these actual, real-world visions and determine what projects you would work on if you were there:

- Enabling people and businesses to realize their full potential (Microsoft current)
- Maximize our customers' ability to get their work done
- Pragmatic disruption of the status quo
- We turn innovation into impact
- To create a better everyday life for the many people

Does your company have a focused, actionable vision that you can use as the framework for making relevant project decisions and achieving innovation success?
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Research has demonstrated that best practices in innovation planning use a strategic approach:

- The traditional PPM (Project & Portfolio Management) approach is bottom-up – rolling up existing projects to see the status and how they stack up.
  - This rearranges what’s already in process regardless of alignment with strategic objectives.
- The better approach is the top-down strategic approach – first focus on the business strategies and objectives, and use these to drive portfolio, project and investment decisions.
  - This approach aligns your innovation and new product development plans with the business strategic objectives.
- You need a strategy before you execute. Following the traditional approach may improve execution, but the results won’t produce value or support the business objectives.
- Relevant innovation and NPD performance metrics must be established that align with the plan.
October 2012: Wendy’s announces new branding and vision to provide innovative products and fast-casual-level quality at Quick Service Restaurant (QSR) pricing. The chain intends to grow its share of the QSR business’s premium-price-burger category.

Pretzel Bacon Cheeseburger and other innovative new products introduced, along with improved customer experience, new restaurant designs, and engaging advertising and digital media.

December 2013: Wendy’s was named Restaurant Stock of the Year by Yahoo! Finance thanks to a combination of menu creativity, a continuing brand transformation and rewarding shareholders.
Clear line of sight from objectives to the innovation measurements for success

- Innovation and new product development is a cross-functional process.
- Strategies and objectives can be initiated by different and/or multiple functional areas of the business:
  - Marketing may drive a strategy to penetrate new or additional market segments.
  - Product management may drive innovation for entry in a new or different product category.
  - R&D may drive innovation of new technology that supersedes or disrupts current capabilities.
- Project teams need to work across functions to gain agreement on direction and make long-term plans real.
  - This way, when you are ready to make the required investment decisions, all stakeholders have confidence that these investments are aligned with your future growth plans.
- This cross-functional line of sight must be real-time to make decisions and adjustments dynamically.
Because innovation is a widely recognized, critical requirement for virtually all companies across all industries, metrics are an imperative for success. Leaders must establish a new breed of metrics that move beyond conventional measures and that:

- Create an organizational environment that supports and drives strategic innovation.
- Establish critical capabilities tuned to the evolving competitive business landscape.
- Evaluate innovation efforts to ensure both return on investment and support feedback loops of learning and improvement.

Input Metrics
- % of capital invested in innovation activities
- Number of new products launched
- Number of new market segments penetrated
- Number of new capabilities (technology, skills, etc.)
- % of product or strategic innovation projects with assigned executive sponsors
- Time executives allocate to innovation

Output Metrics
- % of revenue/profit from products or services introduced in the past X years
- Royalty and licensing income from IP
- Number of innovations that significantly advance existing businesses
- Number of new opportunities in targeted market/product combinations

Remember that innovation and new product development are unique to your company – your metrics should reflect that uniqueness. (The metrics on the right are merely suggestions.)
5 Keys to Effective Innovation and New Product Development (NPD) Planning

Make it easy and repeatable so it can be near real-time

- Innovation and NPD planning is not an annual or occasional event. Planning should have a dynamic top-down cadence with graduated timing.
- Certain elements of portfolio planning will tie into your higher-level planning cycles. Portfolio plans are often created or updated during key events in these cycles.
- These plans are connected to the framework and constraints for gate and resource assignment decisions that are managed dynamically in real time as circumstances evolve or change.
- Automation and integration is critical to having repeatable, real-time planning processes:
  - If not, you’ll have cycles of significant effort every year and short spikes of limited value generated before returning to the previous status quo.
- With an automated, integrated and structured database approach, your effort is significantly reduced over time, while the value realized continues to build and sustain over time.
Key Take-Aways for Your Innovation and New Product Development Success

1. Establishing a planning framework is key to developing, communicating, and building transformational strategies.

2. Innovation and new product development success is unique to your company, brand, product and market:
   - Sustained and scalable innovation can only occur with actionable line of sight.
   - Effective plans allow for projects to be judged in merit of a portfolio, not as a stand alone entity.

3. Innovation targets should not feel bureaucratic to the teams, they should be engaging.

4. Success metrics must support and drive strategic innovation and new product development success.

"Perhaps what you measure is what you get. More likely, what you measure is all you’ll get. What you don’t (or can’t) measure is lost”

– H. Thomas Johnson

Getting a Better Return on Your Innovation Investment, Arthur D. Little, 2012
Get to Know Sopheon

- **Who we are**
  A global supplier of end-to-end solutions for Enterprise Innovation Performance, providing best-in-class software, domain expertise, and best practices

- **What we do**
  Enable our customers to improve innovation and new product development performance to achieve exceptional long-term growth and profitability through sustainable innovation.

- **How we do it**
  Sopheon’s Accolade® solution provides unique, fully-integrated processes for the entire innovation management and new product development lifecycle:
  - Strategic Innovation Planning
  - Roadmapping
  - Idea and Concept Development
  - Process and Project Management
  - Portfolio Management and Optimization
  - Resource Planning
Some of Our Customers

Sopheon works with the world’s largest and best-known companies and brands. We have implemented more solutions for Enterprise Innovation Performance than anyone in the world.
How to Contact Sopheon for more Information

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About the Publisher

Sopheon partners with customers to provide complete Enterprise Innovation Performance solutions including software, expertise, and best practices to achieve exceptional long-term revenue growth and profitability through sustainable innovation.

Sopheon’s Accolade® solution provides unique, fully-integrated coverage for the entire innovation management and new product development lifecycle. For the first time, businesses can access a single source of the truth across:

- Strategic Innovation Planning
- Roadmapping
- Idea and Concept Development
- Process and Project Management
- Portfolio Management and Optimization
- Resource Planning

Sopheon’s solutions have been implemented by over 200 customers with over 60,000 users in over 50 countries.

Contact Sopheon for more information, feedback and comments.