

## Video Transcript

### Innovation Strategy by Kuczmarski Innovation

Innovation strategy. One of the things I love most about an innovation strategy is that most companies don't have one. Lots of times when I'll ask senior leaders, "Do you have an innovation strategy?" "Could I take a look at it?" Do you know what I'm shown? A list of their top 60 innovation projects that they're currently working on or sometimes it's more like a hundred and forty different innovation projects they're working on but they haven't taken the time to really figure out what's the strategic role that they're trying to fill by pursuing new innovations.

There's four key components to an innovation strategy.

The first is innovation vision. What's the overall reason, the overall purpose for the innovation that we're trying to use it for? Is it to enable us to gain access into a new geographic market? Are we really trying to use innovation as a way to build a competitive advantage? Are we using and wanting to use innovation as a way to bolster our current business or perhaps create a totally new disruptive technology that will enable us to enter a segment that we're not even in today? So, from a strategic standpoint what's our overall vision for innovation?

The second component is, what's the financial revenue gap we're trying to fill? So, if our company today has 500 million dollars in revenues and we're expected to grow over the next five years to become an 800 million dollar company and we have a 300 million dollar growth gap the question is, what portion of that are we expecting to fill from price increases, from acquisitions, from strategic initiatives or joint ventures, and from new products and new services, new to the world line extensions, and total innovations? So, perhaps we'd be looking to fill one hundred or a hundred and fifty million dollars worth from new innovations over the next five years that begins to frame and calibrate the relative importance of innovation and importantly the resources that we'll need to achieve that goal.

The third is really understanding and setting screening criteria. So how will we evaluate one new idea from the next relative to customer fit, strategic fit, financial screening criteria, technical feasibility, and market attractiveness? Those tend to be the screens that are most often used in any company's set of screening criteria.

The fourth and last is what's the overall investment level that we're willing to make to innovation both in terms of people resources as well as financial resources, and what's the expected return that we're seeking over a five year time period?

So, if we have those four components in place to really serve as the cornerstones of an innovation strategy, the vision, the financial growth gap to screening criteria and the investment levels and returns we now have a roadmap that we can share with people throughout the entire company. Here's what I think is often the most important thing, the top leaders within a company should view this innovation strategy or sometimes I'll even call it a declaration of innovation similar to our declaration of independence and that means that the people at the top of the organization have to literally sign this innovation strategy put their

John Hancock's on it and in so doing they convey to the entire organization that they've reached agreement on this important document, they've all discussed it and reached consensus, and then employees throughout the organization better understand senior management's commitment to and belief in innovation.