The innovation diagnostic quiz

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*Executive summary – There are many definitions of innovation. With a few questions, you can start to understand which views are alive in your organization. This can provide direction on which capabilities need to be made available and what characteristics the enterprise's climate must have.*

This Executive Technology Report is based on a personal essay by Peter Andrews, Consulting Faculty Member at the IBM Executive Business Institute in Palisades, New York.

Innovation has come to mean anything from saving the world to doing things a little better. That's okay. In fact, for any organization of a reasonable size, there should be a range of innovation projects in progress that have a range of risks, possible results and business objectives. The problems come in when people working on the same project or collaborating to drive innovation for an organization are not clear about what innovation means to them. Different kinds of innovation require different capabilities, environments and measures. If these get confused, failure is inevitable.

As a guide toward coordinating your innovation efforts, let's work through a short quiz, consisting of three brief sets of questions. (You can do this for your own organization or for your client's.) This quiz is approximate, not purely diagnostic, so trust your own opinion.

**Defining innovation within an organization**

For the first set of questions below, you may mark down as many answers as apply, writing down A, B, C, D and/or E. At the end, count up how many of each letter you have recorded for questions 1 through 6.

**Question 1:** What is the perspective of your organization on innovation?

A. Innovation needs to make a return-on-investment contribution this quarter
B. Innovation should continually and reliably improve our offerings and follow a known, accepted process
C. Our innovations include adopting the best ideas in our industry
D. We believe in getting our innovations from everywhere, even if it means we must adapt and re-envision them from other industries
E. Innovation from us should catch everyone with surprise and should occasionally disrupt competitors
It’s not unusual to be able to poke into the corners of your organization and find people who hold all of these perspectives. That’s fine, but generalize which style fits best. The second question is a bit more challenging because it goes from belief to action – specifically, measurement.

**Question 2:** How do you measure innovation?
A. Innovation proves itself quarterly with standard business measures related to profits, growth and market share
B. Our innovations start from a solid business case, and then must achieve standard milestones along the formal innovation process
C. We measure our innovation by comparing ourselves with the best in our industry
D. In addition to maintaining a solid track record over the years of contributions to the business through innovation, we use specific measures of how we are viewed by the public and the media vs. other innovative organizations
E. We look at our stock price, the requests from others for advice on how to innovate, who wants to partner with us and whom we have disrupted with our innovations

Let’s push things a bit further and look at the results of your activities. Let’s look at the innovations themselves.

**Question 3:** What do successful innovations for you actually look like?
A. The project gets done on time and delivers the business results we committed to
B. Our offerings are constantly being improved
C. We are quickly able to match any innovations by our competition
D. We have our share of important “firsts” in the marketplace
E. We change how success is measured in our marketplace and our innovations make us the unqualified leaders

Now we’ll shift to an outside perspective, one of the most important ones.

**Question 4:** What do investors expect of your organization?
A. Our investors expect steady performance, but do not expect much, if any, growth
B. Our investors expect us to fulfill our plans and to grow as well as our market
C. Our investors push us for growth, and we sometimes please them
D. Our investors are focused on our steady growth and improving market share
E. We offer our investors lots of sizzle, backed up by dramatic successes
Now, some of those questions touch indirectly on the investors' view. That's intentional. In general, investors looking for achievement do not like you to take too many risks with their money. More and more, they want you to perform within a time period that really puts the pressure on, like the next quarter. But with the right story and a good history, they'll accept, and maybe even welcome, a longer view. Of course, that view needs to be balanced against what your competitors are up to, which brings us to our next question.

**Question 5:** In the context of innovation, how would you describe your relationship with competitors?

A. Competitors often throw us off balance, force us to change our plans and sometimes make us miss our financial targets
B. Our competitors often beat us to market and take share
C. Our competitors respect us and know we can match them in most instances
D. Our competitors follow our moves closely and are frequently forced to follow where we lead
E. Often, organizations are dismayed to discover we are their competitors

When we talk about competitors, it’s tough to give an honest answer. We are doing a quick diagnostic here, but you'll need to move to real business intelligence and a good set of measures to get a more quantifiable view of where you stand versus competitors. Our last question is one that pulls together the others, in a way. But it's worth asking.

**Question 6:** What is your organization's reputation as an innovator?

A. Our organization is thought of as dependable and reliable, but not exciting
B. Our organization is important within its marketplace, but not looked to for trends
C. We are considered to be a competent organization that validates new trends
D. Our organization is looked to for leadership
E. We are lethal to competitors, great to partner with, and people never know what we are going to do next
Really looking at the content of each question and discussing it with your team should lead to some insights and maybe even a sense of the opportunities before you. In the meantime, count up how many of each letter you put down. Each of them point to a specific kind of innovation that has credence within the enterprise you are taking a look at. Here are the kinds of innovation that inspired the questions:

A. Innovation is changing something for the better within our organization
B. Innovation is making incremental improvements within our products and services
C. Innovation is adopting the best practices for our marketplace
D. Innovation is doing something that is new to our market
E. Innovation is breaking into or disrupting marketplaces

If you have three or more A’s, the first kind of innovation is probably happening. If you have three or more B’s, innovation includes incremental improvements to products and services. And so on. You may have all five of these kinds of innovation going on within the organization you’re looking at. Or only one. What you should have depends on your market, your strategy and your real-world business situation. The important thing is to get a more realistic view of what is actually going on and to make sure this is broadly understood.

**Identifying existing innovation capabilities**

No matter what innovation means, it can only be successful if the capabilities to support it are available. In general, the more challenging the innovation is and the broader the portfolio of innovation efforts, the more capabilities you’ll need. Here is another set of questions to get a start at both assessing and thinking about innovation capabilities.

Innovations are done by people, so that’s the starting point. For questions 7 through 11, record your answers using the numbers 1, 2, 3, 4 and/or 5.
**Question 7:** What kind of people does your organization have?
1. Our people know their roles and generally execute with experience and competence
2. Our people are great at doing analysis on new projects, then making sure they stay with the plan and achieve expected results
3. Our people work out the details, but are willing to make corrections mid-project and to take on some uncertainty
4. Our people work on a variety of low and high risk projects, but they all include those who are willing to try new things and push the limits
5. Our people are always looking for the big opportunity and everyone (even our clients) is an innovator

And innovations are never done in a vacuum. They are always tied to real world needs and possibilities.

**Question 8:** How does your organization detect opportunities for innovation?
1. We watch to see how competitors are getting business value
2. We listen to our customers and pay attention to the ideas our innovators have for which a good business case can be built
3. We scan our industry annually for best practices
4. We look far and wide for good ideas and are particularly driven by innovation successes that are related to our capabilities and our market, even if they come from another industry
5. We not only want the best we can come up with, we want the best innovations possible, so we provide forums for ideas and opportunities for action that include our people, our clients, researchers, suppliers and even competitors

But it's not just about the payoff. Every innovation effort must be considered against the possibility of failure.

**Question 9:** How do you view the risk presented by innovation?
1. We manage risk by limiting activities and punishing failure
2. Adherence to our process limits our risk, as does the careful monitoring of milestone achievement
3. We are comfortable with a limited range of risks for different kinds of innovation projects, but look for a record of proven benefits
4. We always include high risk (but high potential) projects among several options in a managed portfolio of innovation efforts because our leadership understands the value of leading our market
5. If the possible benefits are high enough, we’ll bet the company
The ultimate reality check on capabilities in a business is funding. Where does the money come from and how reliable is it? Funding is an action that speaks much louder than any vision statement.

**Question 10:** How do you fund innovation?
1. Every innovation project must compete with all other projects and show higher value in our budgeting process
2. We have an annual process where research and development organizations get a set percent, then allocate according to our roadmap and commitments
3. We always ensure that some of our funding goes to strategic projects aimed at our maintaining our leadership position
4. Funding for each project depends on the criteria established for its place in the portfolio, and we continually rebalance our portfolio of innovation efforts to maintain an aggressive posture
5. We dedicate all the resources that are needed to ensure the success of our high-impact innovation projects

Finally, there needs to be a process for getting the innovation done. And for any broad portfolio facing dynamic situations, there may need to be many processes.

**Question 11:** How does innovation get done in your organization?
1. We identify the innovation and manage the same way we would any other important program
2. We have a standard process in place to identify opportunities for improvement, select them, develop them and introduce them to our offerings
3. We have more than one formal way to bring innovation ideas forward and make them happen, depending on the goals
4. Our innovations have been realized through a variety of pathways, both informal and formal
5. We provide time and resources to actively encourage our people to get new things started, then provide opportunities for them to move things along informally before they are finally introduced into formal pathways
That completes a quick and dirty gap analysis of the capabilities available for the innovations to which organizations aspire. Below, the dots between the two are connected, and some labels are provided for the specific capabilities implied by the questions.

A. *Innovation is changing something for the better within our organization* – so you need “1’s”: Project management, measurement, relevant skill/talent and leadership

B. *Innovation is making incremental improvements in my products and services* – so you need “2’s”: Planning, defined development process and technology transfer

C. *Innovation is adopting the best practices for our marketplace* – so you need “3’s”: Business intelligence, strategy, integration and a flexible business model

D. *Innovation is doing something that is new to our market* – so you need “4’s”: Risk management, research and portfolio management

E. *Innovation is disrupting my marketplace* – so you need “5’s”: Creativity, communities and informal processes

**Evaluating the innovation climate: Motivating people**

Developing or obtaining these capabilities is hard work and requires the focused and coordinated efforts of management. This work is necessary, but not sufficient. Even with all the capabilities in place, there still needs to be a good climate for innovation – specifically for the innovations that are desired. Five final questions provide a quick check on the current climate.

Again, innovation begins with people and what they need to be motivated. For questions 12 through 16, record your answers using the lowercase letters a, b, c, d and/or e.

**Question 12:** What rewards does your organization provide for innovation?

a. Everyone in our organization can name an innovator who left or was pushed out

b. Those who successfully improve our offerings are given bonuses on an annual basis

c. We reward inventors with new patents and those who help us implement new, strategic projects successfully

d. We have a variety of rewards at many levels for those who invent, discover new possibilities, adapt innovations to new situations, nobly fail and help their teams achieve milestones that are appropriate for the kinds of projects they are working on

e. Our organization shares the successes and learns from failures, but we create millionaires every year
The innovators need to be able to team together, often across the organization.

**Question 13:** How would you describe the status of informal networks and processes in your organization?

a. We don’t discourage camaraderie, especially during holidays, but going outside our established areas or processes is frowned upon
b. We expect people’s primary allegiance to be to their teams and we have good formal process for them to get their work done

c. We are encourage informal communications by moving people into different business units so they can build their networks

d. We always make sure there is some extra time and opportunity for experimentation, and our people have communities of practice and some opportunities specifically designed to encourage cross-organizational conversations

e. Informal communities are where most of our key innovations get their start and we have lots of routes – both formal and informal – to get new projects off the ground

**Question 14:** How does your organization respond to change?

a. We are reluctant to change, do so slowly and only with difficulty
b. Since most of our changes are introduced gradually, through a well-recognized process, we have little difficulty

c. We have one or more big changes each year and we rely on change management techniques (e.g., leadership, communications) to get us through
d. Our changes are not entirely predictable so we work aggressively at getting the right people involved and devoting resources to manage change

e. We depend on each person in our organization to be ready for change, and this is supported by a great track record in leading change and benefiting as an organization from successful change

**Question 15:** How would you describe the culture of your organization?

a. We have established processes and rules and our people shouldn’t violate them
b. People know what is expected of them and they collaborate well across the organization through familiar interlock processes
c. We can move people to other business units for projects without major disruptions; competence is celebrated
d. Our people are primarily dedicated to the success of the whole organization, rather than their business units, and we have matrix management and formal communities to help support that
e. We look messy and have lots of tough discussions across the organization, but we have basic belief, a common vision and strong, organic communities that keep us working together
**Question 16:** What kind of customers does your organization have?

a. Our customers are low growth, so they mainly push for cost savings
b. Our customers are successful, but they don’t include the industry leaders
c. Our customers expect us to be as good as our competitors and to provide dependable roadmaps for adoption of any new technologies
d. Our customers include a significant number who look to partner with us to do things that are new to our industries
e. Our customers are also our partners and they have high expectations that we will create the next generation of offerings

These last five questions help you do a simple analysis of the readiness of your climate for innovation:

A. Innovation is changing something for the better in my organization – so you need “a’s”: Adherence to processes, focus on results and clear rules
B. Innovation is making incremental improvements in my products and services – so you need “b’s”: Well-defined roles, attention to deadlines, evaluations that are complete and fair and an emphasis on working well within your team
C. Innovation is adopting the best practices for my marketplace – so you need “c’s”: Enthusiasm for change, opportunities for working across the organization, rewards for adaptiveness
D. Innovation is doing something that is new to my market – so you need “d’s”: Tolerance of risk, flexibility, open communications with clients and suppliers, rewards for inventiveness
E. Innovation is disrupting my marketplace – so you need “e’s”: Celebration of rebels and honest failures, rewards for many roles, appreciation of talent, vibrant informal communities

It would not be fair to pigeonhole any one company into any of these styles. However, since organizations are largely driven by their marketplace, some industries are more prone to one model versus another.
Just to help you map the innovation culture styles:

**A’s** – Regulated utilities may be appropriate

**B’s** – Airlines may be a good example here. They often try to lead or quickly follow changes in the marketplaces. However, some are more successful and there are clear leaders and followers

**C’s** – There are a wide spectrum of auto companies but a few obvious industry leader fit into this style

**D’s** – High tech’s typically fit here and a few leading consumer oriented firms jump to mind as they continually lead and re-invent themselves

**E’s** – Very few organizations fit here and it would only be unfair to point out leaders like Google (but you already discovered that yourself by taking the quiz)

Going from intent to outcome is never easy. Aligning the climate of your organization to enable innovation is difficult and may take time. Culture is notoriously difficult for organizations to change.

The questions above, however, provide a first step toward understanding what your organization really expects from innovation. And, discovering the gaps – between what the relevant capabilities and climate are and what each needs to be – can be a key step toward the required outcomes.

**Related Web sites of interest**


Christensen, Clayton M. *The Innovator's Dilemma.* 1997.


**About this publication**

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