MEASURING THE PERFORMANCE OF YOUR INNOVATION PROJECT

August, 2018
We created this guide to help you design or refine the system you use to measure the performance of your innovation project(s). We designed the process to take about a day, if you’re starting from scratch. Give yourself 20 to 30 minutes to review this guide, to prepare.

The guide is organized in five sections, which answer the questions outlined below. (Click below to navigate straight to a section.)

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WHO IS THIS GUIDE FOR?

This guide is primarily for professionals in large organizations who are responsible for executing at least one innovation project and want to measure performance of their project(s).

It will help whether you’re starting to measure from scratch, or you have a measurement system in place but are concerned that it’s incomplete or ill-suited to innovation initiatives.

We specify “in large organizations,” because there are many other resources that apply to measurement for startups and smaller organizations. We draw heavily from those resources – innovation managers in large companies can learn a lot from startups about speed and experimentation – but those lessons have to be adapted and augmented for application to the corporate world. First of all, your project may be threatening to the status quo at your company. Second, chances are you’ll have to hand off your project to someone else at some point. For both of those reasons, your measurement system has to be built to support communication with diverse stakeholders.

Additionally, your project may be one of hundreds at your company. Leaders will want to know whether, in aggregate, those efforts are forecast to meet the organization’s needs. Or whether the projects are aligned with their strategy. So you’ll need to track and report additional metrics that enable visibility and comparison across projects. We’ve highlighted these additional metrics with this icon.

This guide will be also useful to managers who are responsible for oversight across many projects, for organizations’ innovation management practices, and/or who want to design or enhance their innovation measurement systems. A separate guide to managing innovation portfolios is coming soon.
WHY MEASURE INNOVATION PERFORMANCE?

• Measurement is essential to ensuring innovation projects’ success and building support for them.

• Some people worry that measurement can stifle innovation – but well designed measurement systems mitigate that risk.
Measurement is an inescapable part of business management – innovation or R&D initiatives are no exception.

And rightly so. If you’re responsible for execution of an innovation project, measurement is essential.

Good measurement tells you if you’re making progress, and helps you make good decisions. It also helps you communicate with a variety of stakeholders to build support for your project and make clear the impact of your work.

We’d be remiss if we didn’t also point out that there’s a defensive element to high-quality measurement in the corporate setting. Initiatives that lack clarity of purpose and demonstrable value are the first to be eliminated during leadership turnover or when costs are cut.

All of this holds true no matter where your project falls in the innovation cycle. Measurement is important in the latter stages such as a new product or service development project. But it’s also important during a “front end” project – for example, when you’re seeking to identify new opportunity areas created by an emerging technology.
MEASUREMENT DOESN’T STIFLE INNOVATION

Unfortunately, measurement systems designed for the rest of the organization often don’t work well for innovation projects. They’re an especially poor fit for projects that are uncertain in nature and require constant cycles of learning and refinement. Bad experiences with mis-applied measurement systems often make people reticent to measure in the innovation context.

Others say it’s the fickle nature of innovation itself that makes it resistant to measurement – that measuring might stifle essential creativity and preempt seasoned human judgment.

In our experience working with clients over the last 10 years, NOT measuring innovation creates more problems than measuring it.

So much so that we chose to create a business entirely focused on helping organizations measure innovation.

We think measurement provides the discipline and yields the sustained support that innovation teams need, to deliver exceptional results.

But we have the same concerns. We don’t believe measurement should replace judgment; it should inform judgment. It should, in particular, be used to mitigate against our own biases that are based on limited experience. In innovation, by definition, we’re working in situations in which we have limited experience – on things that are new to us, new to our companies, potentially new to the world.
WHAT QUESTIONS SHOULD MY METRICS ANSWER?

- A framework to identify what should be measured
- Measurement of inputs
- Measurement of outputs, including learning
- Measurement of outcomes
- Measurement of relative performance
The framework on the next page helps identify the aspects of innovation performance you need to track.

The framework on the next page shows two levels of information you and your company’s leadership need to gauge the performance of your innovation project.

The top level shows the logic model that connects what goes into your project (inputs) with what you produce (outputs) and what happens as a result (outcomes).

The next level holds the questions you should be able to answer to effectively manage the project, as well as to communicate progress and the ultimate value of the project to your internal stakeholders.

The rest of this section steps through each element of the logic model in sequence and further describes the questions in the framework. It also covers comparative metrics.

We’ve provided example metrics for each, but these are intended to be illustrative only. Selecting the “right” metrics depends on your specific context and is discussed in the next section.

One facet of this selection is understanding the priorities and preferences of your stakeholders. While all 5 questions are important, some may be more critical than others given your needs, or your stakeholders’ needs.

As you read through the following pages, consider where it might be worth investing more effort to measure.
# Project Innovation Performance Measurement Framework

## Input Metrics

Inputs are the tangible quantities invested in your project, to enable it to succeed.

**Resources:** How much is being invested in my innovation project?  
- e.g., $ or FTE: budget, expenditure, forecast, burn rate.

## Output Metrics

Output metrics measure what your innovation project has produced – the most important of which is the difficult-to-quantify “learning.”

**Learning:** Is our project making progress towards unlocking future value through learning and de-risking the innovation?  
- e.g., milestones achieved; readiness scale score (e.g., investment readiness); innovation accounting.

## Outcome Metrics

Outcomes are the forecast results stemming from the intended use of the outputs of your innovation project – and eventually, once your project has launched, the actual results.

**Value:** If successful, how much value will my project create?  
- e.g., forecast net present value of project, risk adjusted.

## Relative Performance Metrics

Relative performance metrics are used to compare performance of innovation projects, over time as well as across organizations (internally or externally). They are often ratios that compare outputs or outcomes with inputs (e.g., spending) or another relevant benchmark (e.g., time).

**Efficiency:** Is my project making efficient use of resources to create and unlock future value?  
- e.g., forecast return on investment, internal rate of return.

**Speed:** Is my project unlocking future value quickly enough?  
- e.g., average (projected) time to market across portfolio.
Inputs are the tangible quantities invested in your project, to enable it to succeed. For most projects this is pretty simple and will include two things:

- Expenses: anything you invest in equipment, tools, external service providers, and staffing costs.
- Staff time: the amount of time that staff in your company spend working on your project.

Key question: How much is being invested in my innovation project?

Tracking of inputs during a project is essential. It enables you to know your project’s expenditure relative to budget, and whether you are on track or need to adjust. It also helps superiors or others who are tracking progress of your project, perhaps as part of a portfolio of innovations.

Example metrics

Both expenses and staff hours can be tracked with metrics like:

- Budget
- Expenditure to date
- Forecast expenditure
- Current / forecast burn rate

Inputs are often also used to calculate output and outcome performance indicators, such as a project’s forecast NPV or ultimate return on investment (see Outcomes).

Provided internal systems enable the data collection, measuring inputs is relatively straightforward. It’s where most firms start. But other measures of innovation performance are quickly added, because no one likes reporting spending without also reporting on outputs and results.

Note: both staff costs and staff time are worth tracking as they are both limited resources. As such, utilization of both should be optimized, and different "levers" exist to optimize each.
You’ll help leadership with portfolio-level analysis of inputs by answering one additional question: **how does my innovation project align with strategy?** To answer, you’ll need to understand how your organization tracks strategic fit of innovation projects and report where within that framework your project fits. This will likely be with a simple characterization against one or more aspects of the organization’s strategic approach – either from a business strategy perspective or an innovation strategy perspective. Examples of strategic dimensions include: target segment (market, customer, geography), mega-trend theme (e.g., aging population), innovation “horizon.”

Strategic alignment is also an important consideration when looking at both outputs and outcomes at a portfolio level.
Outputs are what you produce during your project. Learning is the most important output, but it’s hard to measure.

Outputs are the things you produce in the course of your project. Outputs would obviously include a product or service that is ready to go to market. But the main output of innovation projects that you need to measure is “learning.” That is, assessment of whether a project is making progress towards a desired goal.

Key question: Is our project making progress towards unlocking future value through learning and de-risking the innovation?

Measurement of learning is one of the most overlooked aspects of measuring innovation projects. That’s because it’s hard to do well. We get it, but ultimately, that is a bit like saying “accounting is too hard, let’s just keep our heads down working and hope we have cash left at the end of the year.” Um, no. Let’s not.

If you don’t track learning, it’s extremely difficult to know whether you’re getting closer to your end goal, or whether you need to change course. It’s the innovation equivalent of flying blind (and not even bothering with dead reckoning!).

Because measuring learning is difficult, and some aspects are less commonly applied, we’ve explored it further over the next three pages.

The basic logic of measuring learning is straightforward:

• Where do we want to be?
• Where did we start?
• Where are we today?

If you could answer these questions, you would be able to illustrate (a) how much you have learned, and (b) how much you still have to learn. While this is conceptually simple, the challenge is, of course, WHAT you can assess to answer these questions. On that front, you have some options: using milestones, a scale, or innovation accounting.
MEASURE LEARNING WITH MILESTONES

Project management milestones are a common proxy for measuring learning. But they’re ineffective when, as in an innovation project, change is inevitable.

It’s common for standard project management practices to be deployed to help track innovation projects. Where that happens, learning tends to be measured by achievement of milestones.

That’s a reasonable approach if the milestones don’t change. But innovation projects almost always involve changing milestones – sometimes dramatic pivots. In such a context, measuring learning via milestones is not useful.

A simplified example: a front-end project might have a milestone such as “submit three potential product concepts for approval and development.” In the course of the project you may discover multiple potential product concepts, but, after evaluation, establish that only one is a strong strategic fit for your organization.

To say you failed to achieve the milestone is neither an accurate assessment of learning, nor a useful assessment of project performance.

section 02
Another approach is to:

Define a framework against which an innovation project’s current status is rated (e.g., on a scale from 0 to 9), and then measure progress along the dimensions of that framework.

The framework’s dimensions aim to cover key determinants of an innovation’s successful commercialization.

Example dimensions include (a) technical risk and (b) market risk (the lower the technical or market risk the more likely an innovation is to be successful commercialized).

For each dimension, a generalized rubric is created which enables objective rating of any innovation project, based on a qualitative assessment.

The Investment Readiness Level (IRL) promoted by author and educator Steve Blank is one example of such a scale. Drawing on Lean Startup and Business Model Canvas concepts, the IRL tracks progress of a project through stages like problem/solution validation and deployment of a prototype.

This rating scale approach has definite advantages over the use of milestones. In particular, it puts the focus on an intended outcome (e.g., reducing market risk) that will remain relevant regardless of what is discovered and how the project changes along the journey.

Project milestones, in contrast, are typically defined too narrowly – resulting in them being overly prescriptive in approach, and/or becoming irrelevant when the project changes due to discoveries along the way.
Estimating learning with milestones or rating scales has a downside that limits their usefulness beyond those familiar with the specific project or innovation projects more generally.

Neither milestones nor rating scales measure learning in terms of an organization’s ultimate objective.

Imagine the CEO (with no prior knowledge of your project) asks you how things are going. You briefly describe the project, but are anxious to convey a sense of how much you have learned in the past few months. You could mention that:

- you’ve recently met a couple of really important milestones.
- your project has come down the market risk scale from “7” to “6” in the last 3 months.

But what if you could convey to the CEO how much you’ve learned in terms of what he or she ultimately cares about, for example, profitable revenue growth? If you were utilizing an innovation accounting approach, you would be able to say something to the effect of:

“The technical and market experiments we’ve run in the last three months have validated some important hypotheses. As a result, we have increased our year 3 EBITDA projection, based on validated learning, to $75M. We are halfway to our target of $150M.”

Putting learning in these terms makes your progress highly tangible and relevant to the CEO, and it’s easy to grasp quickly (there’s no need to describe the rating scale system).

For these same reasons, the innovation accounting approach is something that can help convey the value you are generating to a broad set of stakeholders across the organization.

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1 – The innovation accounting approach was first described by Eric Ries in his now-famous book The Lean Startup, published in 2011.
Innovation accounting uses a model to measure progress toward your intended outcome, based on validated learning from experiments.

There are three main steps to Ries’ innovation accounting methodology.

1: Build a quantitative model

Build a quantitative model linking the outcome you are seeking to the underlying assumptions to be tested. The outcome is the valuable result the organization wants from your project, e.g., EBITDA in year 3 for a new service, or change in OSHA recordable safety incidents for a safety innovation.

The model should not be complex, but it must link your intended outcome to the assumptions you will test. For new products or services, Ries highlights the importance of assumptions about how the innovation will create value for customers and how its adoption will grow.

2: Establish baseline & target

The model is then used to establish a quantitative target for your outcome (e.g., $150 million EBITDA in year 3). This target is based on what you think you will be able to achieve.

In addition, you use the model to establish a baseline – a measure of where you are today. Critically, your baseline is based on validated learning – established by running an experiment to test your assumptions, perhaps using a minimum viable product.

3: Measure progress from baseline to target

As you continue to run experiments during your innovation project, you will validate (or otherwise) more assumptions. Your model can be updated with these validated learnings, to estimate their impact and measure how much you have learned (compared with the baseline).

A longer description of the innovation accounting methodology is available on our blog here.
Enabling roll up of your project “outputs” to a portfolio level requires that you answer one additional, straightforward question: what stage of development is my project in?

Management will also analyze the alignment of activity with strategy at a portfolio level, but you will have answered “how does my innovation project align with strategy?” already, under “inputs.”

To answer, you simply need to know how your organization tracks “progress.” Typically this is done using a standardized classification that tracks how developed the concept is (e.g., stage gate, Lean Startup stages).
Outcomes are the forecast results from the intended use of your innovation project’s outputs. If the innovation is successful, what benefit will it have to the organization?

Outcomes are also the actual results produced when your innovation project is rolled out – e.g., what cost savings did your process improvement achieve post launch?

Key question: If successful, how much value will my project create?

Forecasting an innovation project’s potential provides a **leading** indicator of innovation outcomes. Measuring the realized outcomes provide a **lagging** indicator. Both are valuable. **Leading indicators** help you understand whether the project is on track to have the desired impact for your organization. **Lagging indicators** help you understand whether the innovation ultimately achieved the forecast results – and if not, adjust accordingly for the future.

Many innovation initiatives are striving to achieve an organizational goal of profitable revenue growth. For those innovation initiatives it makes sense to estimate the future revenue, profit, EBITDA, etc. they would produce if successful.

Other innovation initiatives target different goals, e.g., employee safety. The measure of future value created should be aligned to those goals. For example, if you’re working on an innovation project that aligns with a corporate goal related to safety, estimate and report the impact of your project on the company’s OSHA Recordable Rate.

Management will also analyze the alignment of outcomes with strategy at a portfolio level, but you will have answered how does my innovation project align with strategy? already, under “inputs.”
MEASURING UNCERTAIN OUTCOMES

It’s a mistake to forgo the work of estimating future outcomes for your innovation project.

Estimating future outcomes such as future revenue is, by definition, a highly uncertain exercise. Measures of outcomes are not intended to be precise forecasts (which would be impossible) but best estimates, based on existing knowledge.

Given the uncertainty in such estimates, some companies simply decide to forgo them altogether. In most situations, that’s a mistake:

• If you don’t estimate the future value of an innovation project, you’re effectively ascribing it a value of zero.

• In almost all organizations there are important stakeholders who have a strong bias towards quantitative estimates of value and tend to discount projects (literally and figuratively) that are unable to produce them.

• Even simple models of future value can identify critical assumptions that should be tested within your innovation project that might not otherwise have been identified. (See above and our blog post on innovation accounting”)

Finally, there are analytical approaches that help take uncertainty into consideration, like scenario analysis, Monte Carlo simulation, and real options analysis.

Example metrics

For cost metrics:

• Present value of actual or forecast cost savings.

For revenue generating projects:

• Present value of actual or forecast revenue, EBITDA, free cash flow, earnings, etc.
The "front end" includes all the activities companies undertake to figure out what to make for whom. Examples of activities at the front end include exploring how artificial intelligence will impact your business, or conducting ethnographic research on older adults.

Because front-end activities happen before you’ve identified a discrete product or service concept, it is very difficult to estimate their future impact on an outcome of value to the organization (whether that outcome is revenue, cost savings, safety improvements, etc.).

We concede it’s difficult, but it would be a mistake to forgo consideration of outcomes for front-end projects. They just warrant some different handling.

We strongly recommend investing time in understanding the underlying question(s) that you and your constituents are trying to answer (the Constituent Worksheets introduced in the next section will help). Be prepared that qualitative metrics (rather than quantitative) may be better suited for the front end.

While it’s difficult to estimate the potential impact on outcomes before you’ve started a front end project, it’s important to get to such estimates as soon as possible. Consider setting the delivery of these estimates as a project metric. They’ll help with prioritization of different concepts, and with communication with constituents who struggle to understand the exploratory nature of front-end work.

Example metrics

For front-end projects:

- Risk-adjusted total addressable market under exploration
The preceding categories of measurement characterize the **absolute** state of an innovation project. In addition, you need to understand the **relative** state of your innovation project. That is, the outputs achieved (or anticipated) relative to a relevant benchmark, often a limited resource such as the inputs used. These indicators can help enable benchmarking internally, externally, and over time.

At a project level, there are two main relative performance metrics that are useful: efficiency and speed.

**Key question: Is my project making efficient use of resources to create and unlock future value?**

Why is it important that you gauge the efficiency of your project? Given the choice, a firm would obviously want to continue to invest in a project that efficiently converts scarce funds and/or staff time into an innovation that will ultimately offer significant returns.

This is an indicator that is often estimated at the beginning of a project, e.g., when seeking approval. However, there is also value in keeping it up to date throughout a project as new information about its potential value, and costs are learned.

An efficiency indicator will normally be calculated on the basis of the inputs and outputs and/or outcomes an organization has chosen to track. For example, for a business process improvement project it might be calculated as the ratio of forecast cost savings to costs (actual to date + budgeted).

**Example metrics**

Actual or forecast indicators such as:
- internal rate of return
- return on investment
Relative Performance Metrics

Measure speed for comparison’s sake, not to prioritize quick wins over long-term endeavors.

Key question: Is my project unlocking future value quickly enough?

Innovating quickly is a priority for most firms, so it’s important to measure the speed with which your project is unlocking value. Of course, prioritizing speed as a metric should not be construed as endorsing a focus on short-term innovations. This indicator is intended to be used to estimate the pace of progress for any innovation project, whether it is expected to pay off in 3 months or 3 years.

Example metrics:

- forecast time to market/deployment
- actual versus forecast time to market

Example metrics:

- forecast time to market/deployment
- actual versus forecast time to market
WHICH METRICS SHOULD I CHOOSE?

- Guiding principles for metric selection
- A how-to guide to selecting the right metrics
- Watchouts
The previous section provides a holistic view of what questions your measurement system should answer. But the question remains: which metrics are best to answer those questions?

When we’re designing and refining measurement systems for clients, one of the maxims we adhere to is “measure only so much and not more,” which is to say you should measure what you need to, for both you and your constituents to understand your project’s progress and value (created and anticipated), without tipping over the point at which costs (e.g., of data collection, your time to manage metrics) outweigh the utility of what you’re measuring.

This maxim is one of the reasons this guide isn’t just a list of 1,001 Metrics or The Only Four Innovation Metrics that Matter. Because the “right” metrics depend on your unique context, we’ve included some of our guiding principles and a suggested process for you to surface the right metrics for you.

Don’t skimp on or skip the process – scale it according to your timeline and the relative importance of the project. You can do a good job of what follows in a day, including the time for brief constituent interviews.
The right metrics help you...

**Have high-quality conversations with your leaders.**

These conversations answer leadership’s burning questions, in their “first language,” and get you the input and feedback you need to make decisions and forge ahead. The explanation to the CEO about a project’s potential contribution to EBITDA on page 15 is a great example of [an excerpt of] one of these conversations.

**Make decisions you feel confident in, regularly.**

As a project leader, you have to decide how to allocate resources to execute on your project, when to persevere and when to pivot, and whether to advocate for ongoing investment, among many other things. While innovation always has some attendant uncertainty, you want metrics that – when paired with your judgment – support your ability to make decisions and change course when necessary. That means they provide information you can act on regularly, not just at the end of the calendar year or reporting period.

**Have high-quality conversations with diverse constituents.**

These conversations get you the input and buy-in you need to be able to leverage the expertise of others and hand off your project when the time comes. In a large organization, that means you may need to interface with colleagues in marketing, design, customer service, and R&D, in addition to leadership. The metrics you report can inform these conversations if you are adept with both the data and the stories that bring them to life.

(continued on next page)
Choose metrics that your organization can roll up to compare and analyze across projects. Avoid metrics and analysis that take a disproportionate amount of resources.

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The right metrics help you...

**Enable portfolio-level analysis.**

Leaders need to know how the organization is performing at the innovation portfolio level, and to compare projects. As a project leader, make sure you track metrics that can be “rolled up” with other projects, to enable this sort of analysis. Remember to look for suggestions in “Level Up” throughout Section 2.

**Collect the data you need with the resources available.**

If you’re like most innovation practitioners, metrics and data collection are on a long list of pressing responsibilities. It’s not the highest and best use of your team members’ time to spend most of their days collecting data, analyzing it, or reworking your next presentation to the board. So consider the costs of collection (including your time) when you choose among metrics.

**PRINCIPLES (CONTINUED)**
The 6 steps shown in the diagram and described on the next two pages outline how to choose the right metrics.
You’ll use the information gathered in this step multiple times, for several purposes, so we’ve included two worksheets in the Appendix (click here).

First, capture what you already know:

- On both worksheets, list your constituents, including leadership, other internal “customers” for your project (e.g., someone in a business unit who might ultimately take a resultant product/service to market), and your team.
- On Worksheet B, write down each person’s role as it relates to your project, any relevant experiences or set points of view (positive or negative) they have, and how available they’re likely to be.

Supplement what you know through short (<30-minute) conversations with them. Use the Discussion Guide (also in the Appendix) and update the worksheets after each conversation.

In the last column of Worksheet A, translate the needs and concerns you heard, to questions like those in the framework (e.g., how much value will the project create?) Then add your own questions – the ones that will help you make decisions confidently.

Deduplicate and arrange your questions in the appropriate boxes on the blank innovation measurement framework in the Appendix. Do you have questions in each box? If not, fill in the gaps, considering Resource, Learning, Value, Efficiency, and Speed questions.

Working with your project team, take an hour to generate metrics that will answer those questions. Be sure to consider commonly used metrics as well as custom metrics.
Still in consultation with your team, quickly evaluate each metric. Firstly, check for technical suitability – will the metric measure the thing you want to measure? Secondly, of those metrics deemed to be technical suitable, how feasible is it to collect the required data? Aim to select one metric (only) for each of the questions identified above.

Note that the practicality criteria are intentionally secondary. Identify the metrics that can do the job FIRST and then select the one that requires the least amount of time and cost. Selecting a metric that is the “lowest cost” but doesn’t adequately measure what you need to can lead to serious unintended consequences.

Look at the collection of metrics you’ve assembled and ask:

a) Will this set of metrics enable you to answer your leaders’ questions about progress and value created, in their “first language”?

b) Will you have enough information to make decisions regularly, informed by a combination of these metrics and good judgment?

c) Will you be able to talk to diverse constituents about the outputs and outcomes of your project?

d) Are you (or you and your team) able to meet project objectives and collect and present the data and stories necessary to answer yes to a-c above, within the resources you’re allocated?

If you can answer “yes” to those, congratulations! It sounds like you have an effective measurement system for your project. To be sure, put it aside for a day or two and then review the Watchouts.

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<tr>
<th>1</th>
<th>Identify priorities</th>
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<tr>
<td>2</td>
<td>Determine questions</td>
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<td>3</td>
<td>Check for completeness</td>
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<td>4</td>
<td>Generate long list</td>
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<td>5</td>
<td>Evaluate and select</td>
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<tr>
<td>6</td>
<td>Review the set</td>
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</tbody>
</table>
Review your completed framework and check:

“Just so much and not more”

Are you measuring more than you need to? Consider each metric and determine whether the opportunity cost of NOT measuring is tolerable.

Timescales

As a collection, do your metrics unintentionally prioritize short-term objectives over long-term goals? Have you considered that the “right” metrics may change over the course of your project? Document and plan for the conditions under which you’d add or de-emphasize a metric.

Risk tolerance

As a collection, do your selected metrics discourage risk taking (e.g., by forcing a narrow, prescriptive approach)?

All measurement systems carry risks and potential unintended consequences.
HOW SHOULD I COMMUNICATE ABOUT THESE METRICS?

• Guiding principles for communication
• How to plan communication of measurement results
We said it from the beginning of this guide: communication is critical to the success of innovation projects in large organizations. If you don’t do it well, you risk activation of the corporate “antibodies” that tend to attack the new and uncertain. You may jeopardize a successful transition at the end of your project. Plus, you need to communicate effectively to get the expertise and ongoing support (financial and otherwise) you need to execute your project.

Again, we start with the fundamentals. You’ll notice that some of these were baked into the How to Choose process, above.

Know the “customers” of your measurement system.

Just like you would for a new product/service concept, you need to deeply understand your “customer,” in this case your team, leadership, and other constituents to understand their priorities for your project, and therefore what should be measured.

Engage your project team in the creation of your measurement system.

Your team’s success will be judged according to the metrics you define. They’re more likely to buy into the measurement approach if they have been involved in its design (as in steps 4 and 5 in the How to Choose process). In addition, they’ll be more deeply aware of its risks and potential for unintended consequences. That awareness can help minimize the chances of those unintended consequences occurring.

(continued on next page)
Effective communication is critical to your success as an innovation project leader in a large organization.

... but keep in mind the division of responsibility.

Don’t misconstrue the guidance to engage your constituents as an instruction to build the measurement system to their specifications. Chances are you know more about the nuts and bolts of innovation than many of your constituents.

These “customers” aren’t the only arbiters of what gets tracked and reported, and how. Make sure you have the information you need to drive exceptional results and have those high-quality conversations with constituents. Not all of your metrics have to be for an audience beyond the team.

Target your constituents with the communication method and format that’s best for them.

If it wasn’t already clear, you learned from your conversations with them that your constituents have different priorities and preferences related to your project. Use and revisit the worksheets often (we keep the communication reference, Worksheet B, posted where we can see it when we’re working on a project).

Make sure you choose methods (e.g., reports, presentations) and formats (e.g., financial, visual) that speak constituents’ “first language” and maximize the chances your messages are received.
The process at right, described on the next three pages, will help you make an overall project communication plan, as well as plan each significant interaction with your constituents.

1. Segment constituents
2. Choose methods
3. Set cadence
4. Plan each touchpoint
There’s time and effort associated with communication, so decide up front which constituents you’ll engage, when and how. You’ll be able to set expectations and plan accordingly. Luckily you took the time to get to know the “customers” of your measurement system back in How to Choose. Look at Constituent Worksheet B and identify your audience segments. For each constituent, decide whether they’re important enough and/or unique enough in their information needs that you need to treat them as an audience of one. (This is rare.)

Group the others in a way that makes sense for you (as long as it also meets the expectations of leadership). You might segment based on how it’s usually done (e.g., according to assigned responsibilities, with peers, within functions), based on the frequency with which you need input or feedback, or based on level of availability. Note: don’t segment based on preferences for the kind of information they want to see (the Emphasize column in Worksheet B) you’ll need to present a mixture of formats for any group.

You might end up with segments like executive team, pipeline review board, boss, and everybody else.
Choose the method(s) you’ll use to communicate with each segment based on the size of each audience, whether you need a 2-way exchange of information, and whether their time is constrained.

Three of the most common methods are shown in the table below. Reports are dense documents that don’t require your narration, but take a lot of time to prepare—and digest. A static dashboard is quant-heavy, easy for [quant-oriented] constituents to review, but offers no opportunity for conversation. Meetings work for groups of all sizes and allow for timeboxed 2-way exchanges.

Resist the instinct to minimize these interactions. Like effective measurement itself, regular reporting can provide urgency and discipline to your process. Think of touchpoints with constituents as opportunities for learning and engagement—not just rote reporting.

Determine how often you’ll communicate with each segment based on the timescale of your project, the amount of input and feedback you need from that group of people, and whether their time is constrained. Set the actual dates based on project milestones and consider other milestones you captured on Constituent Worksheet B.

Adapted from *Communicating the New*, Kim Erwin.
Take the time to plan each touchpoint carefully. Your planning process will vary by method, but should always follow the same basic steps. Following is an example of this process, for a touchpoint in large group meeting mode. Don’t worry, the first 3 preparation steps are not time-consuming. Just write down a sentence or two (examples in italics) for each, in conversational language.

** Identify your audience. ** Revisit Constituent Worksheet B. Determine who will be in the room. Consider the milestones or pressures they’re up against, and how your project and results relate. (you might write: Dave is getting ready for the global portfolio planning meeting, and will want to know revenue projections.

** Set your communication objective(s). ** Consider what you need from participants during the meeting (advice, approvals, resources, etc..) What do you need them to do (or do differently) after the meeting? (I want leaders to feel confident in our performance to date and to approve a second prototype.)

** Choose your key message. ** Based on who’s in the room and your objective, determine your key message. Plan to present a consistent set of metrics at each touchpoint for discipline and consistency, but highlight what is critical for constituents to know right now. (We’ve been efficient with resources to date, so a modest extension would decrease time to market by 8 months.)

** Assemble the content. ** Be concise. Focus on your key message(s), in support of your objective. Select and order the content accordingly. Present it in formats you know work for those in the audience (their “first language,” in the Emphasize column of Worksheet B). Up front, specify whether you hope for questions, discussion, and/or feedback throughout; or whether you’ve allowed time after the presentation.

Adapted from *Communicating the New*, Kim Erwin.
Parting Advice

- A simple check-up for your measurement system
A good measurement system is one that will enable you to have high-quality conversations with diverse constituents (including leadership) and make decisions you feel confident in, within the resources allocated. Check to make sure these things hold true over the course of your project.

This doesn’t have to be an involved process – take 5 minutes to check in with constituents as part of the touchpoints you planned above.

Ask if you’re providing the kind of information they need, to know if your project is on the right track. Ask yourself if you feel confident in the conversations you’re having, and the decisions you’re making.

Good luck with your project!
APPENDIX

- Blank framework
- Constituent discussion guide
- Constituent Worksheet A
- Constituent Worksheet B
## Project Innovation Performance Measurement Framework

### Input Metrics

**Inputs are the tangible quantities invested in your project.**

**Resources:** How much is being invested in my innovation project?

### Output Metrics

**Output metrics measure what your innovation project has produced.**

**Learning:** Is our project making progress towards unlocking future value through learning and de-risking the innovation?

### Outcome Metrics

**Outcomes are the forecast and actual results of your innovation project.**

**Value:** If successful, how much value will my project create?

### Relative Performance Metrics

Relative performance metrics are used to compare performance of innovation projects, over time as well as across organizations (internally or externally). They are often ratios that compare outputs or outcomes with inputs (e.g., spending) or another relevant benchmark (e.g., time).

**Efficiency:** Is my project making efficient use of resources to create and unlock future value?

**Speed:** Is my project unlocking future value quickly enough?
CONSTITUENT DISCUSSION GUIDE

Ask constituents these questions to guide metric selection and ongoing communication.

Q1: What will make this project a success from your vantage point?
Q2: How will you be able to tell? (what evidence will you look for, of that success?)
Q3: What are you most interested in learning from the project?
Q4: What important decisions or milestones do you have coming up (during the project timeline), in case we discover something that can help?
Q5: Do you have any concerns about the project, or that linger from previous innovation projects?

Capture abbreviated versions of each person’s answers to Q1, Q3, and Q5 in the designated columns on Worksheet A.

Capture abbreviated versions of each person’s answers to Q2 and Q4 in the designated columns on Worksheet B.

Q2 may give the most direct answers, but review your notes from all five questions for clues as to what types of information/formats will work best for this constituent. Do they focus on financial metrics? Efficiency? Speed? Do you know from experience they’re a visual thinker? Capture your thoughts in the Emphasize column on Worksheet B.
## CONSTITUENT WORKSHEET A (FOR METRICS SELECTION)

<table>
<thead>
<tr>
<th>Name</th>
<th>(Q1) SUCCESS</th>
<th>(Q3) LEARNING</th>
<th>(Q5) CONCERNS</th>
<th>QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders</td>
<td></td>
<td></td>
<td></td>
<td>translate &lt;-these 3 columns with your team</td>
</tr>
<tr>
<td>Other constituents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## CONSTITUENT WORKSHEET B (FOR COMMUNICATIONS REFERENCE)

<table>
<thead>
<tr>
<th>Name</th>
<th>Relevant Roles/ Responsibilities or POV</th>
<th>(Q4) Milestones to keep in mind</th>
<th>(Q2+) Emphasize</th>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders</td>
<td></td>
<td></td>
<td>financials, customer stats, testimonials, visuals?</td>
<td>Time-constrained</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Freely available</td>
</tr>
</tbody>
</table>

Other constituents
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