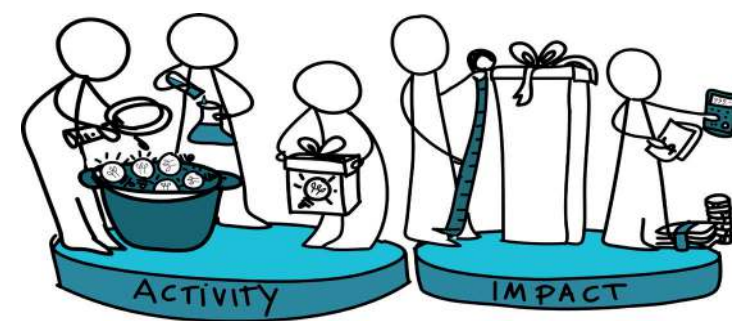
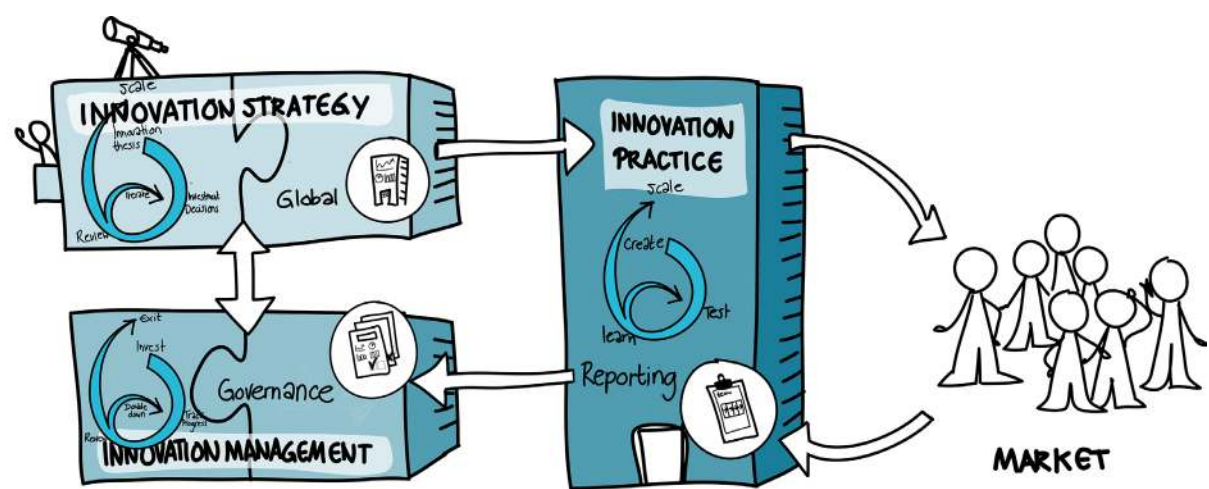


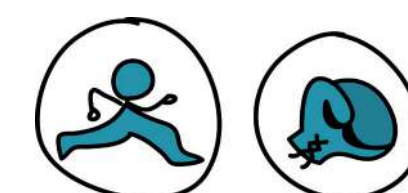
Innovation Accounting

Manage the development of new products and business models and align innovation with your business strategy.



Within our model, there are three types of key performance indicators (or KPIs) each company should be tracking for innovation. **Reporting KPIs** are connected to innovation practice. These focus on product teams, the ideas they are generating, the experiments they are running and the progress they are making from ideation to scale. **Governance KPIs** are connected to innovation management. The focus here is on helping the company make informed investment decisions based on evidence and innovation stage. **Global KPIs** are connected to innovation strategy. The focus here is on helping the company examine the overall performance of their investments in innovation in the context of the larger business.

Activity metrics focus on how busy the company has been with innovation. They measure the level of innovation activity going on (e.g. number of new products launched, number of experiments run, ideas prototyped). In contrast, **impact metrics** measure the tangible results that are emerging from this innovation activity. Revenue and profits are the ultimate measure of impact.

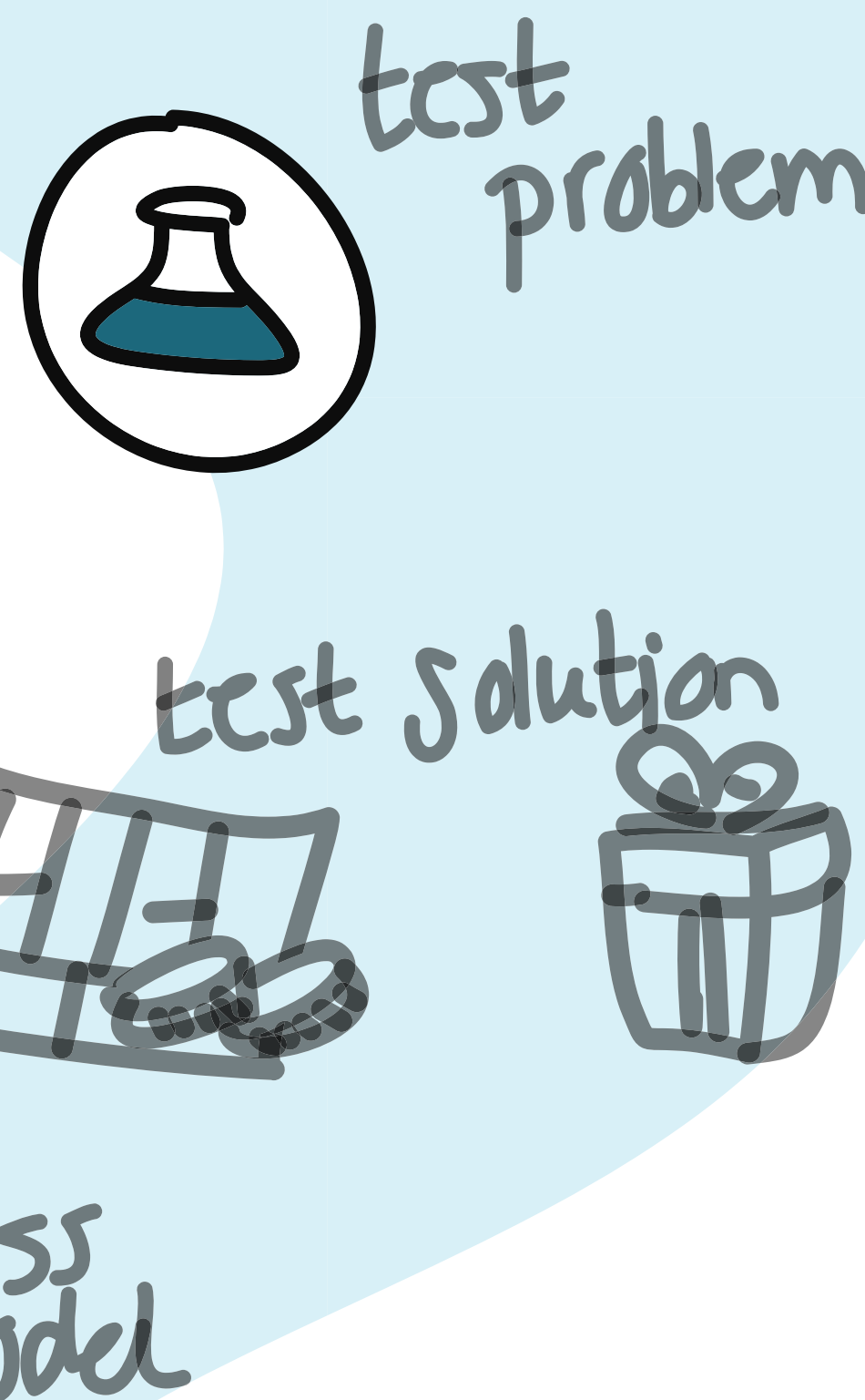


Innovation Accounting for Creating Ideas

KPIs	ACTIVITY METRICS	IMPACT METRICS
REPORTING	<ul style="list-style-type: none"> number of ideas generated number of ideas chosen assumptions identified 	<ul style="list-style-type: none"> hypotheses developed minimum fail criteria set
GOVERNANCE	<ul style="list-style-type: none"> number of ideas submitted number of decisions made products moved to next stage average amount invested 	<ul style="list-style-type: none"> alignment with thesis alignment with portfolio assumption-to-knowledge ratio
GLOBAL	<ul style="list-style-type: none"> number of products by innovation type (core, adjacent, transformational) number of products per substage (generate, select, review) 	Not Applicable

Innovation Accounting for Testing Ideas

KPIs	ACTIVITY METRICS	IMPACT METRICS
REPORTING	<ul style="list-style-type: none"> number of experiments run number of customer conversations number of customer interviews number of customer observations number of prototypes/MVPs built number of hackathons/design sprints 	<ul style="list-style-type: none"> experiment results decisions made (pivot or persevere) cost-per-learning time-cost-per-learning learning velocity validation velocity
GOVERNANCE	<ul style="list-style-type: none"> number of products in pipeline number of applications submitted number of decisions made number of products moving stages average amount spent per stage 	<ul style="list-style-type: none"> stage-gate criteria assumption-to-knowledge ratio % of products at problem-solution fit % of products at product-market fit % of products ready for scale
GLOBAL	<ul style="list-style-type: none"> number of products by innovation type (core, adjacent, transformational) number of products per substage (problem, solution, business) % of products aligned to thesis number of patent filings partnerships and collaborations 	<ul style="list-style-type: none"> process improvement metrics number of patents granted new business models ready to scale cost savings innovation conversion new market segment entered



Innovation Accounting for Scaling Ideas

KPIs	ACTIVITY METRICS	IMPACT METRICS
REPORTING	<ul style="list-style-type: none"> number of growth tactics tested number of experiments run number of customers engaged number of channels tested number of usability tests run validation velocity 	<ul style="list-style-type: none"> cohort analysis pirate metrics (acquisition, activation, retention, revenue, referral) Growth Engines (lifetime value, retention rates, viral coefficients) revenues and profits
GOVERNANCE	<ul style="list-style-type: none"> number of products in pipeline number of reviews submitted number of decisions made number of products moving sub-stages average amount spent per sub-stage 	<ul style="list-style-type: none"> stage-gate criteria average growth rates growth hypotheses validated return on investment (ARR, IRR, NPV) process improvement metrics
GLOBAL	<ul style="list-style-type: none"> new products by type of innovation (core, adjacent, transformational) % of products aligned to thesis number of patent filings number of products built using lean partnerships and collaborations 	<ul style="list-style-type: none"> innovation contribution cost savings innovation conversion market share (new segments, shelf space, share of wallet, distribution footprint) patents granted customer satisfaction