

Company Value
through
Innovation Management

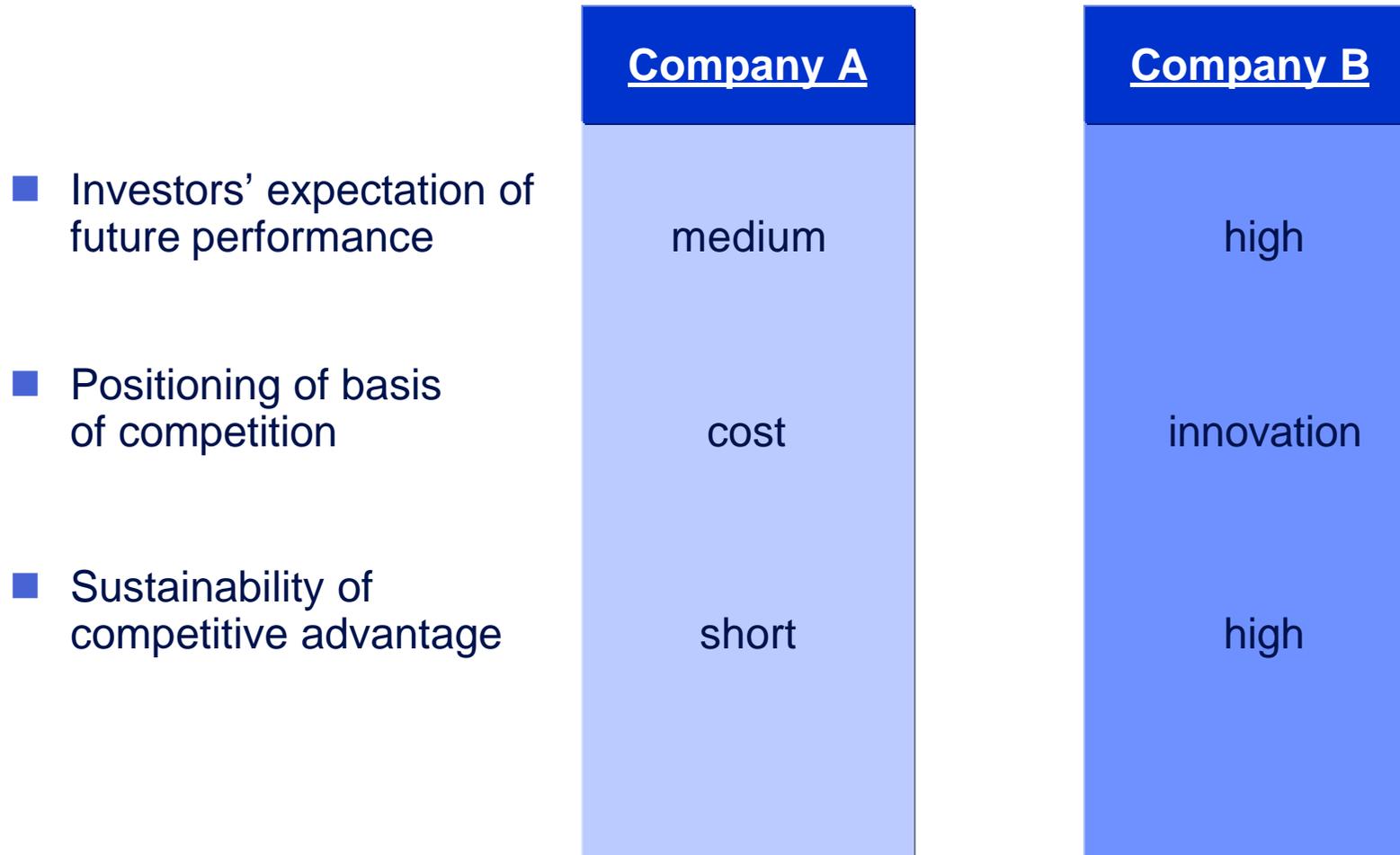
The Innovation Scorecard

Results of a Joint Project
of
European Business School and Arthur D. Little

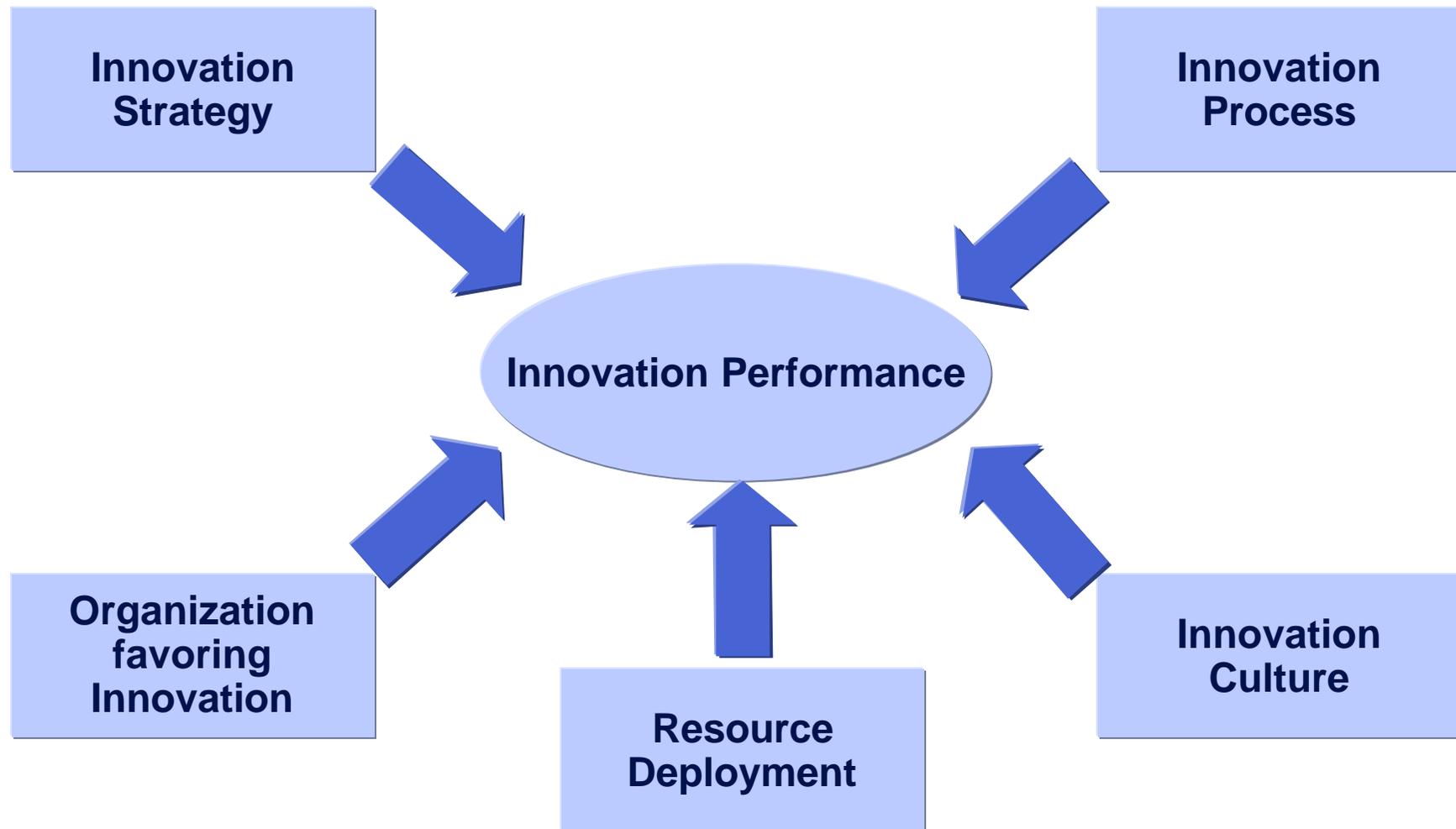
Company Value

	<u>Company A</u>	<u>Company B</u>
■ Sales	100	100
■ Earnings	10	10
■ EBITDA	25	25
■ P/E Ratio	10	20
■ Market Capitalization	100	200
■ Ability to access equity capital	poor	very good
■ Cost of capital	high	low

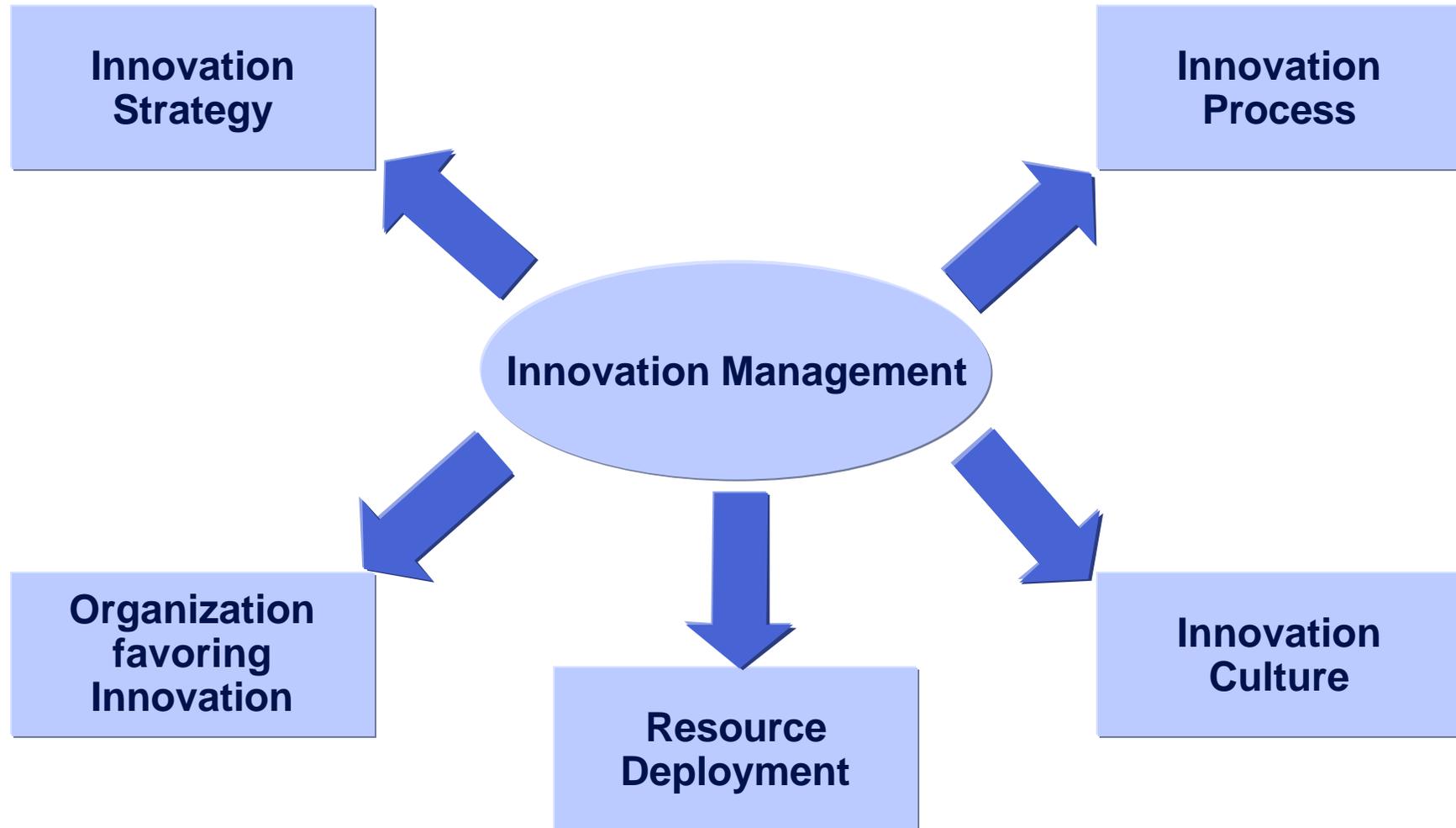
Company Value through Innovation



Company Value through Innovation Performance



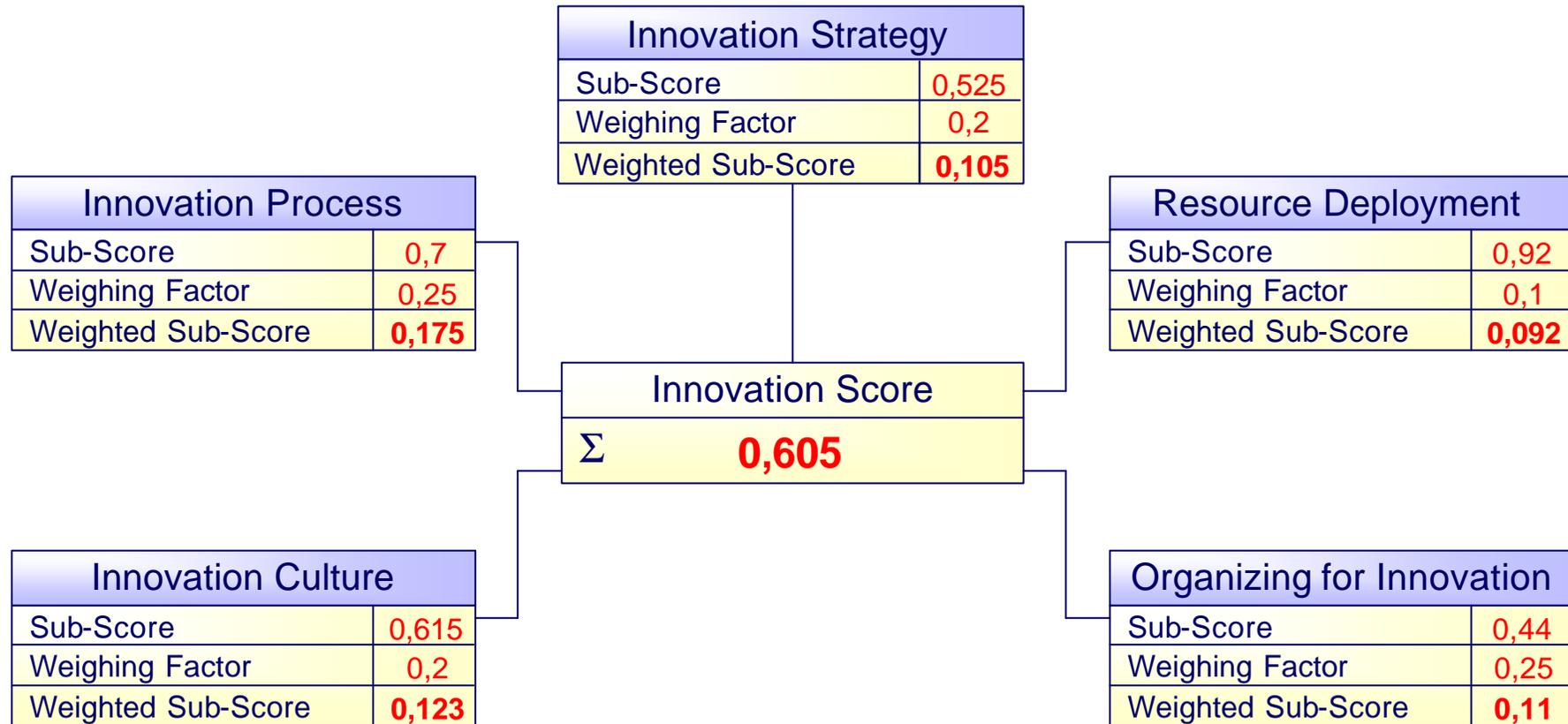
Company Value through Innovation Management



Developing an Innovation Scorecard

Innovation Strategy	Weigh- ing Factors	No (0)	Partly (0,5)	Yes (1)	Weighted Score
1. Do your core competencies and the development program of your company convince your investors/owners that your company will grow based on successful innovations?	0,2		X		0,2 x 0,5 = 0,1
2. Are systematic efforts being undertaken in your company to achieve competitive advantages through innovation, to overcome cost competition through differentiation and to avoid price erosion through offering innovative benefits to your customers?	0,1			X	0,1
3. Is the average development lead time of your innovation projects shorter than that of your competitors?	0,15		X		0,075
4. Are significant cost reductions achievable by innovative approaches in your company and are they being tackled?	0,05		X		0,025
5. Does your company pursue avenues to maintain or reinforce its critical competencies at world-class level?	0,15			X	0,15
6. Are innovation projects being evaluated and managed according to their importance for the innovation strategy of your company?	0,15		X		0,075
7. Is your company among the innovation leaders in your industry?	0,15	X			0
8. Is the percentage of sales and profits stemming from products/services introduced within the last 3 years higher than that of your competitors?	0,05	X			0
S	1,0			S	0,525

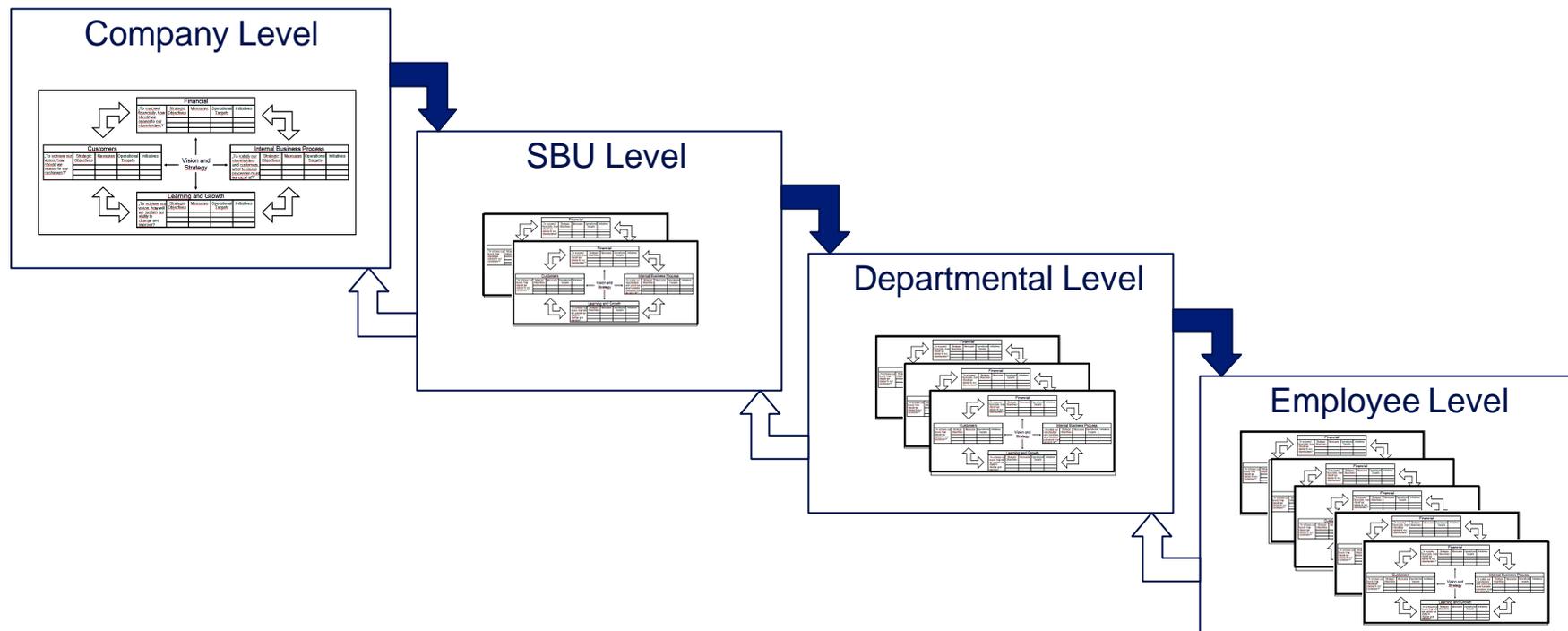
The Innovation Scorecard



Innovation Scorecard and Balanced Scorecard

The Balanced Scorecard has been developed as an instrument to implement strategies:

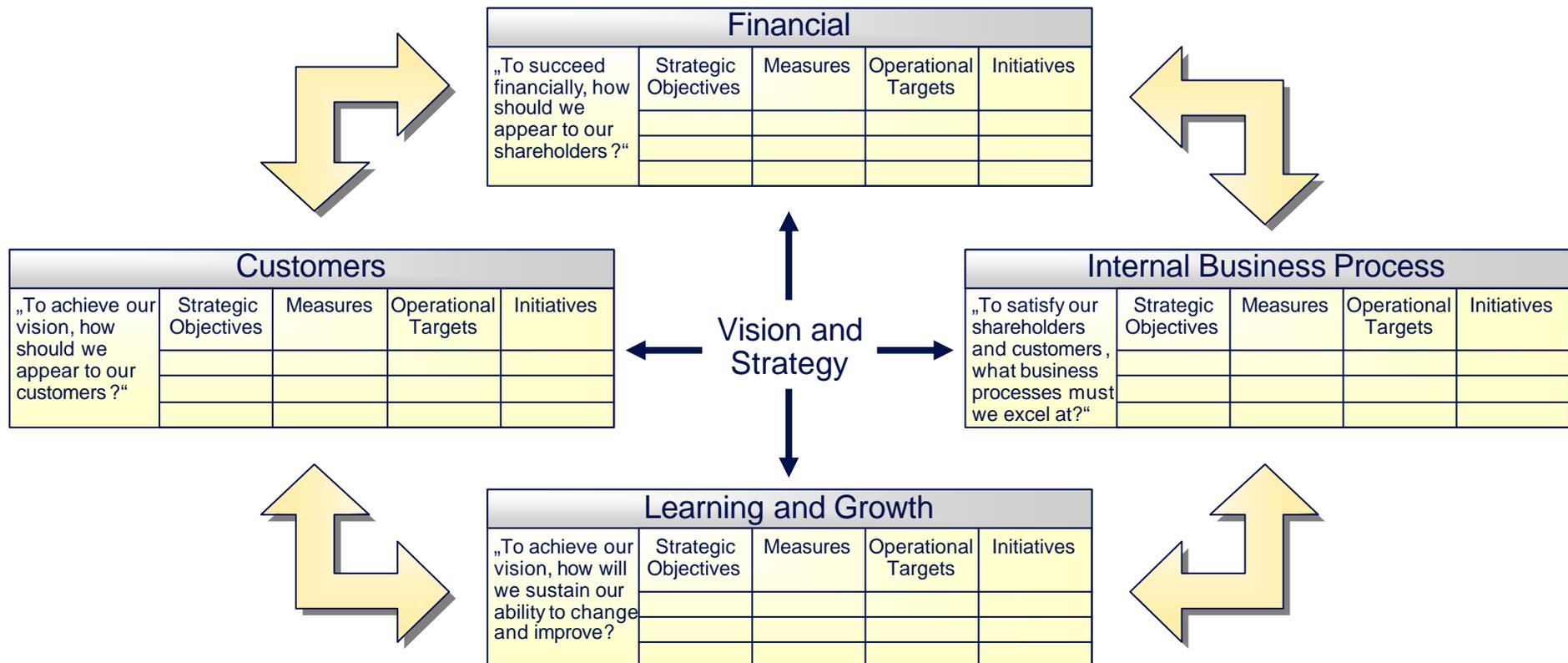
1. By breaking strategies down from the company level to the business unit, departmental, and employee level:



Innovation Scorecard and Balanced Scorecard

The Balanced Scorecard has been developed as an instrument to implement strategies:

2. By making strategic objectives measurable and breaking them down to the level of operational targets and finally to the level of initiatives and activities:



Innovation Scorecard and Balanced Scorecard

The **Balanced Scorecard** has been developed as an instrument to **implement strategies**:

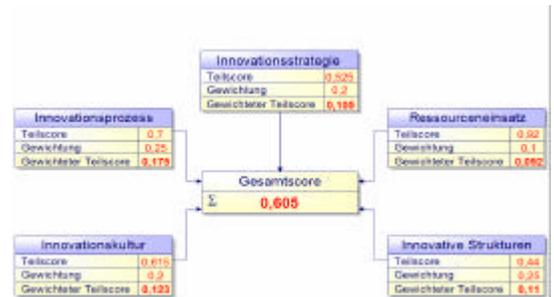
But it gives no methodical support to develop and formulate strategies.

“The Balanced Scorecard is not really a strategy formulation tool“.

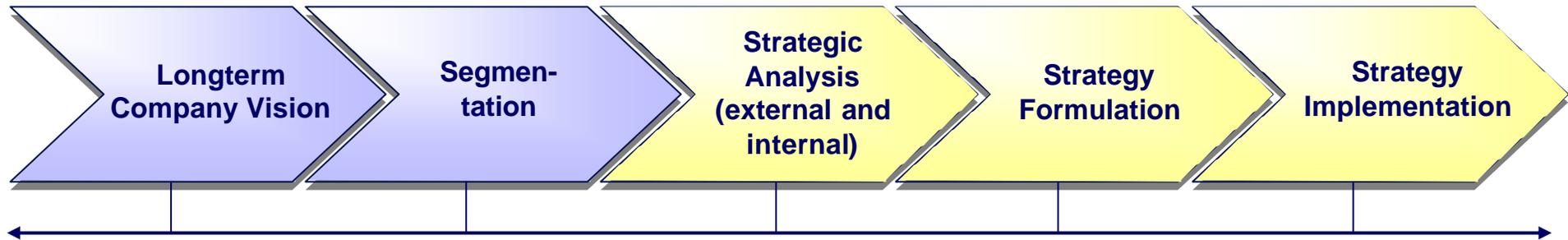
Kaplan/Norton (1996, S. 161-162)

The **Innovation Scorecard** helps to **develop and formulate strategies!**

Innovation Scorecard and Balanced Scorecard

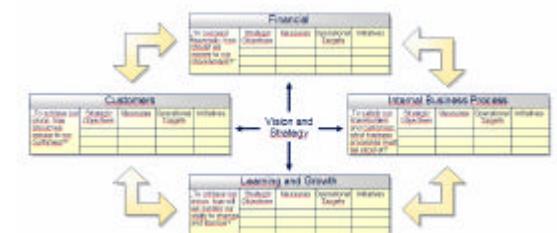


Innovation Scorecard

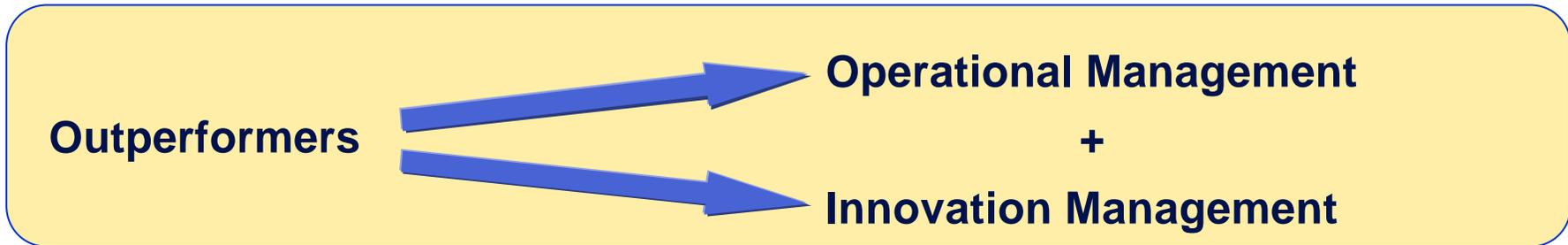


Strategic Controlling

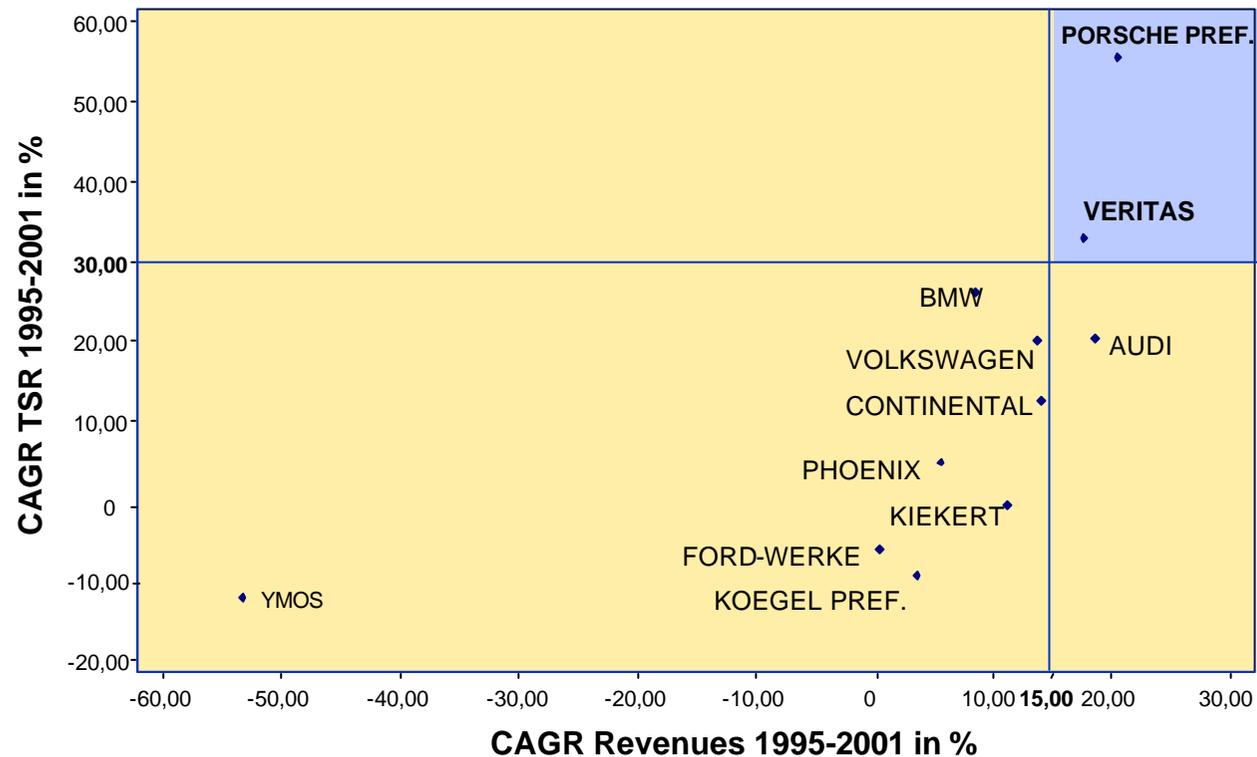
Balanced Scorecard



Company Value through Innovation Management

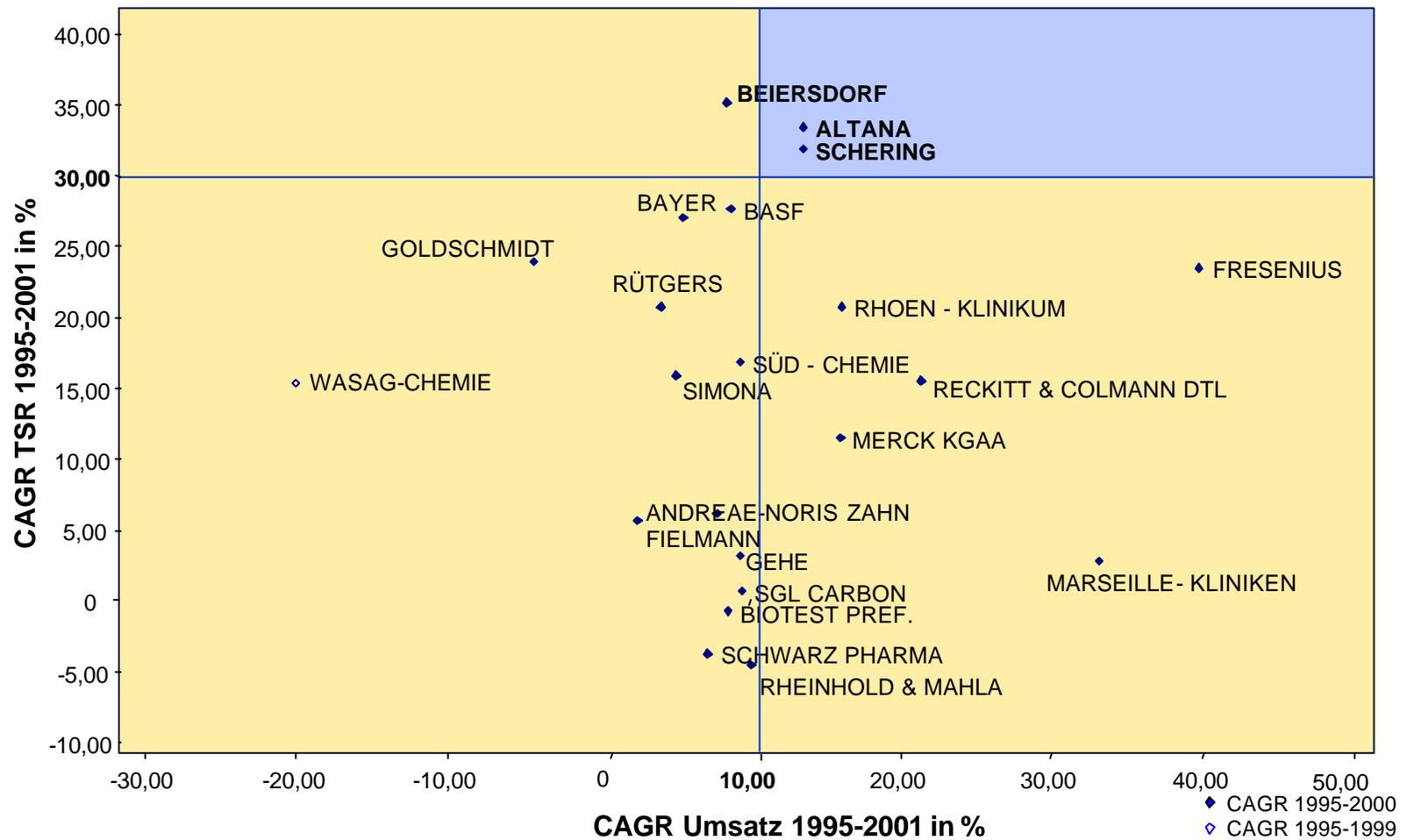


Example: Automotive Industry

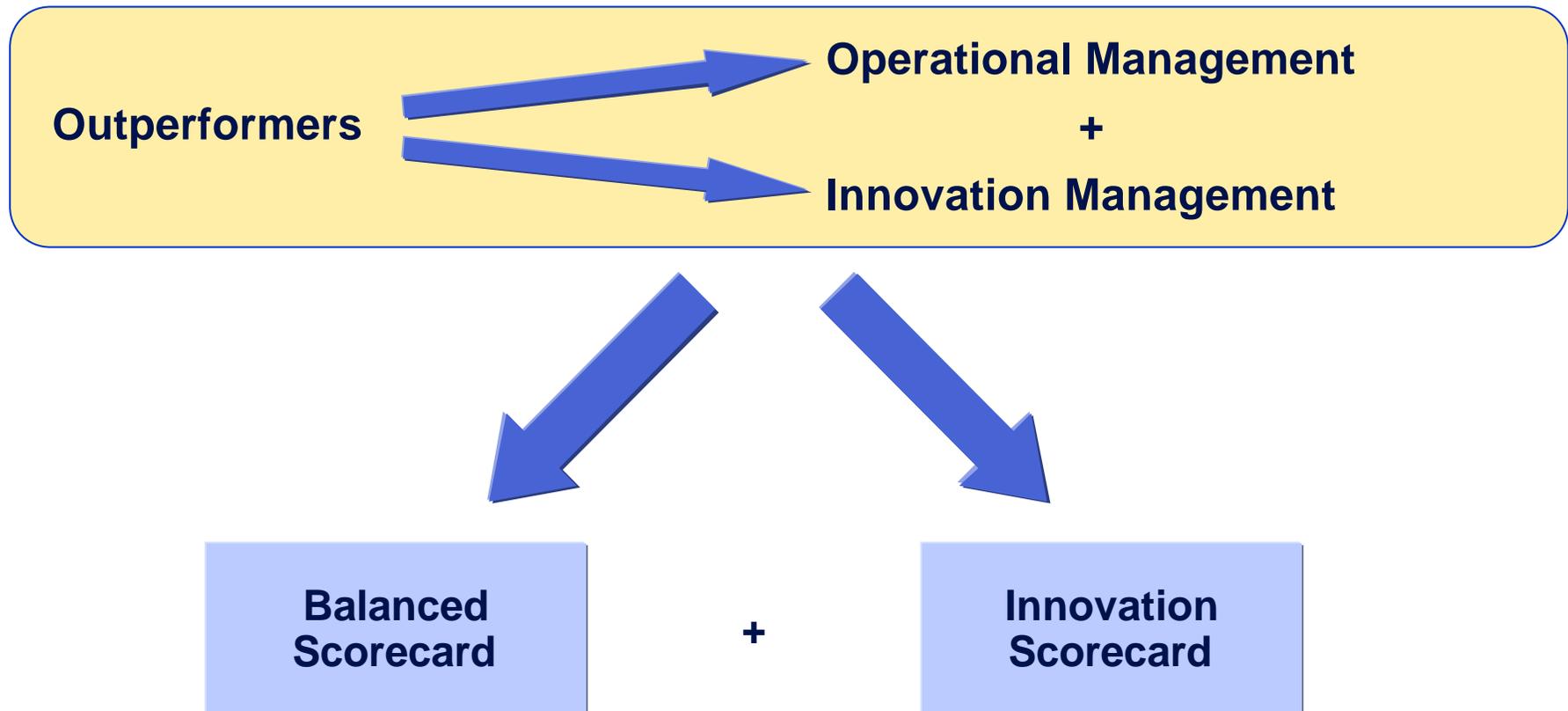


Company Value through Innovation Management

Example: Chemicals, Health Care



Company Value through Innovation Management



Innovation Scorecard

Innovation Strategy

Do your core competencies and the development program of your company convince your investors/owners that your company will grow based on successful innovations?

Are systematic efforts being undertaken in your company to achieve competitive advantages through innovation, to overcome cost competition through differentiation and to avoid price erosion through offering innovative benefits to your customers?

Is the average development lead time of your innovation projects shorter than that of your competitors?

Are significant cost reductions achievable by innovative approaches in your company and are they being tackled?

Innovation Process

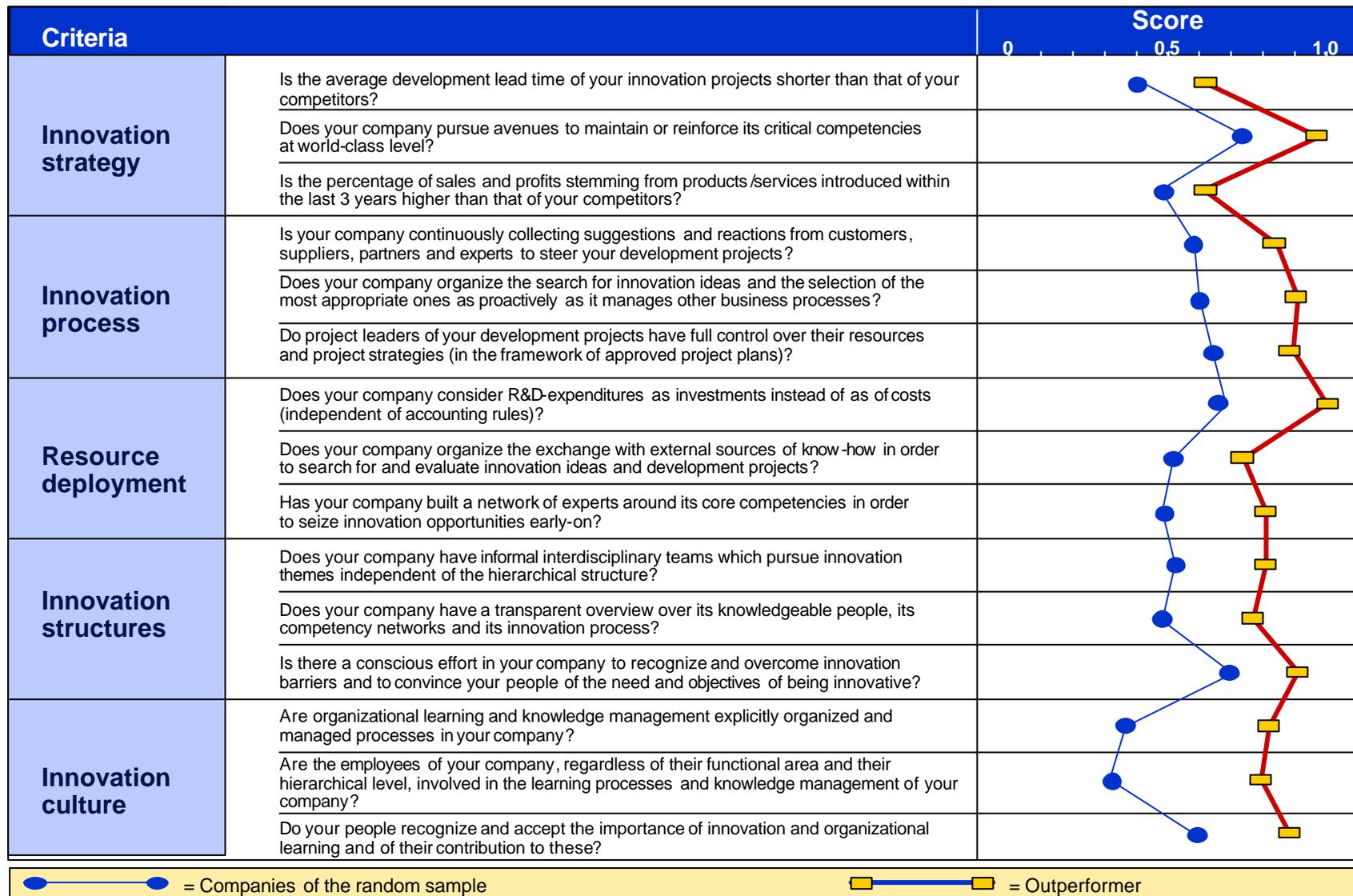
Is the systematic observation and anticipation of market and technology trends part of the development task in your company?

Is the systematic exchange with your customers about their needs, strategic challenges, cost structures and benefit potentials part of the task of your sales and marketing people?

Do project leaders of your development projects have full control over their resources and project strategies (in the framework of approved project plans)?

Is the systematic search for external sources of know-how, for licenses and for development partners part of your company's development behavior?

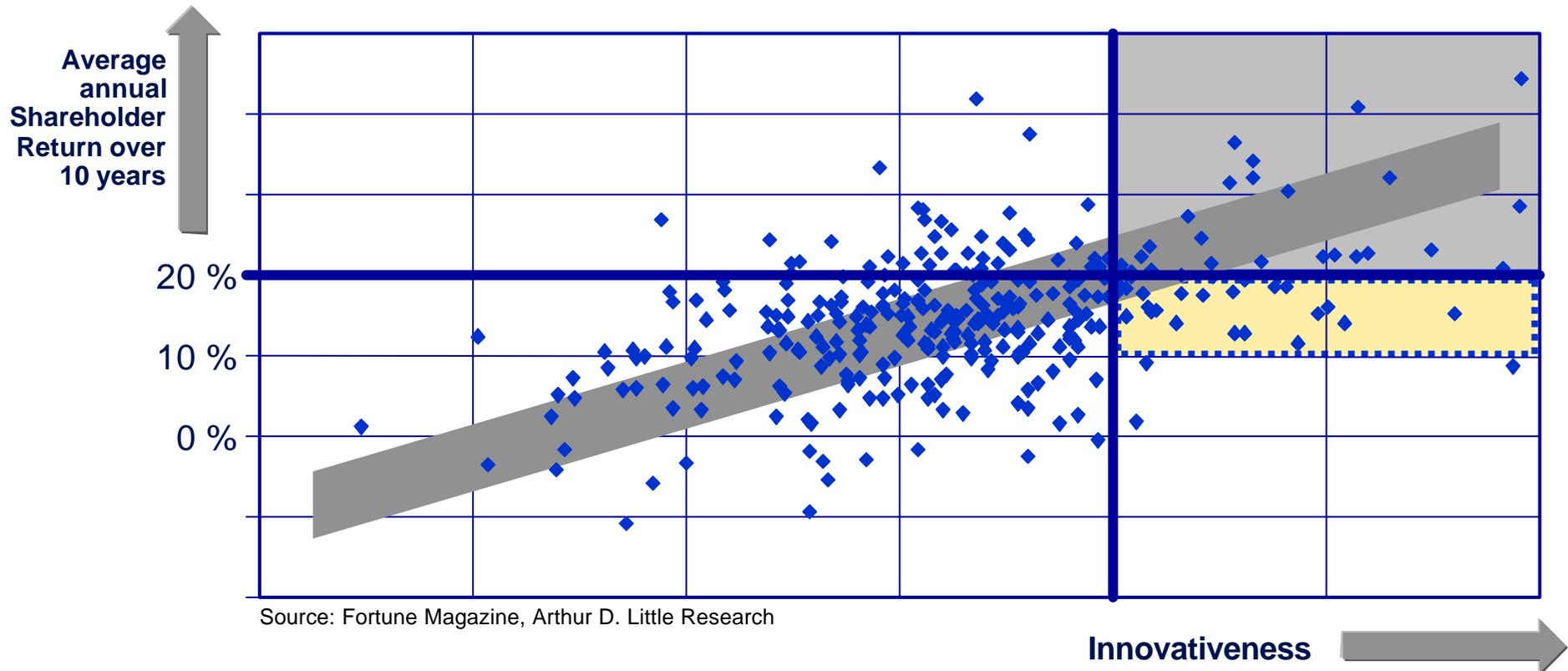
Outperformers versus Random Sample



Company Value through Innovation Management

Average Annual Shareholder Return over 10 Years:
Value through Innovation

 upper right quadrant  middle right quadrant



Source: Fortune Magazine, Arthur D. Little Research