The Impact of the Right Climate and Culture for Innovation and the Role of Senior Management on the Business’s New-Product Performance
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Climate and climate has a huge impact on how well business’s perform in new-product development, and many of the elements that comprise a positive climate are actionable.

Summary: Having an innovative climate is seen as one of the most important drivers of successful product development for the business. But what are the elements of a positive climate, how many businesses really embrace these, and what impact on performance do they really have? And what about the role of senior management? This article reports an update on an extensive study into best practices in product innovation. This report identifies the 12 most vital factors that constitute a positive climate and culture for product innovation, and provides illustrations and examples of how companies got these right. And the role of senior management – their practices and responsibilities – is also explored. This research-based report provides many guides to action to improve these two vital areas in the management of product and service innovation.

The Impact of the Right Climate and Culture for Innovation
and the Role of Senior Management on the Business’s New-Product Performance¹

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Note: This report is based originally on a chapter in major report done with and for the APQC (American Productivity & Quality Center)². It has been updated several times with more recent data and examples³.

Having an innovative climate is seen as one of the more important drivers of successful product development (NPD). But what are the elements of a positive climate, how many businesses really embrace these, and what impact on performance do they really have? And what about the role of senior management?

Impact of Climate & Culture

A number of characteristics of a positive climate were investigated in this research, and Figures 1 and 2 reveal the results: First, there are some major weaknesses here – many firms need to take a hard look at how they foster a positive climate for innovation. And second, this is a very important issue – there are some major differences in the climate for innovation between Best and Worst Performing businesses in Figure 1 & 2.

The conclusion is that “fostering an innovative climate and culture” (and the elements in Figures 1 & 2) is among the most important best practices uncovered in our many investigations of new-product success factors. Overall, and depending on the measure of performance, the impact of climate and culture on businesses’ NPD performance rates in the top three of all factors we have studied. Indeed, some of the individual elements of culture and climate in Figures 1 & 2 are the strongest separators of the Best and Worst Performers of all the success drivers we have uncovered over the years (see for example, success drivers in Chapter 1 in PDMA handbook, endnote 1). Those characteristics or practices of an innovative climate that very strongly discriminate between the Best and Worst Performing businesses, are noted below and in Figures 1 and 2.

Identifying the Best and Worst Performers

Best and Worst Performers were identified based on a number of financial and time criteria: percentage of sales from new products; percentages of projects hitting sales and profit targets; success, failure and kills rates; time to market and slips rate; return-on-investment from R&D, etc.

The 12 elements of climate and culture we measured are split into two main themes: The first is the general climate and deals more with values, attitudes and broad policies in the business (see Figure 1), and the second centers on specific actions and tactical programs to promote a positive climate (see Figure 2). In descending order of impact in each figure and for each theme, they are:

1. A supportive climate for entrepreneurship and product innovation: A supportive climate is one major difference between the Best and Worst Performing businesses, with 62.1% of Best Performers scoring very strongly here, and only 7.7% of Worst Performers having a supportive climate: that’s almost an 8:1 difference! (see Figure 1). Indeed, in 34.6% of Worst Performers, the climate was rated as very unsupportive. On average, businesses perform moderately weakly here: only 37.1% of businesses have a supportive climate for innovation.

An example: One Danish major pump manufacturer (considered a best-in-class firm) openly promotes NPD at every opportunity. NPD is evident everywhere – in the company’s annual report, which devotes more pages to product innovation than to finances; its show-case of new products that occupies its entire headquarters’ front lobby; and its campaign of posters seen throughout company premises emphasizing innovation. Even on company vehicles is seen the motto in bold letters: “See > Think > Innovate”. “And it works: The company boasts a highly motivated staff – both junior and senior people – who are strongly committed to product innovation.
2. **Rewards for innovation champions:** The majority of Best Performers (58.6%) recognize and/or reward their NPD project leaders and entrepreneurs (new product champions or product innovators) – see Figure 1. But this again is a weak area on average, with only 28.8% of businesses providing such rewards, on average, and Worst Performers not doing this at all.

*Examples:* In the U.S., Air Products recognizes that innovation is critical, so much so that the CTO has made it his number one priority. Innovations awards, as well as a Chairman’s award, are offered each year for ideas that have been commercialized. Rewards can approach $100,000 – a serious statement on the importance the organization accords its product innovators.

Other leading companies also place emphasis on recognizing the people that lead projects and are champions for innovation. At Kraft Foods, for example, successfully leading a NPD team is considered a necessary step in one’s upward career path. And Emerson Electric has it “wall of fame” just off its headquarters front-lobby in St. Louis, USA, where individuals and teams are honored.

3. **Rewards for project teams:** If the goal is to promote a team-based culture, then the rewards and recognition should also go to *effective teams*, and not just to team leaders and champions. Thus, in some progressive businesses, new-product *project team members* are rewarded or recognized when their product or project gets to market on time, meets sales revenue targets, or becomes a winner. But this is also a weak area on average, as it only occurs in only 30.1% of businesses! Best Performers are much stronger here: 55.2% reward or recognize their teams. Note that only 7.7% of Worst Performers provide team rewards and/or recognition... again a huge difference (a 7:1 ratio, when comparing Best to Worst).

Recognition seems to work better than *physical rewards*, according to qualitative responses here. A program of physical rewards (significant prizes and/or money) for a project well done must be managed very carefully: For example, who gets the money if it’s not really clear who the “project team” consisted of? Or when some team members contributed much more effort than others, should be money or prize be proportionately split? By contrast, recognition and peer praise are less problematic and may even be a more effective reward in some country- and company-cultures.

![Figure 1: Climate & Culture for NPD – Values, Attitudes & Policies Rank Ordered (Highest Impact to Lowest)](image)

4. **Understanding the business’s NPD process:** A few managements commented that if employees are not on board their NPD process, or lack an understanding of it, they can’t really engage in it well; and this undermines the climate for innovation. This understanding is a major weakness overall, with only 27.9% of businesses reporting that their employees really understand and support their NPD process. But in Best Performing businesses, employees do tend to understand and
support their NPD process; thus employees are able to engage in the innovation process. By contrast, Worst Performers’ employees do not understand nor support the business’s NPD process, sometimes the result of lack of training, lack of leadership, or simply a negative or skeptical attitude within the business.

5. **Open communication**: If functions or departments behave as fiefdoms or are over-siloed, don’t expect a wealth of innovative activity\(^3\). Good communication and collaboration among various groups in the business are keys to creativity and innovation. This is one area of strength among the businesses studied, with 59.0% of businesses having such open communication. And the great majority of Best Performing businesses (72.4%) provide for open communication among employees across functions, departments and locations – this helps to stimulate creativity, and makes for more effective cross-functional communication on project teams. Worst Performers are much weaker here, with only 34.6% providing open communication, weaker by more than a 2:1 ratio.

*Examples*: The use of an open office concept, and even desks on wheels that interlock, so that groups can form arbitrary clusters (teams) wherever they wish in the building are approaches seen here. Additionally, some firms rely on events – such as an “innovation fair” done by Kellogg’s, where all groups have a chance to display what they’re working on and to interact with others, much like the booths at a country or rural fair. Some firms provide creativity areas in the building where employees can gather and co-mingle to “get creative”. One consumer firm had their “Nancy’s Back Porch”, a replica of a back porch in an old country-style home, complete with rocking chairs.

6. **Risk averseness**: Is the business risk averse – afraid to invest in more venturesome projects? Here businesses are quite weak, with a total of 39.8% of businesses being totally risk averse, and only 20.4% indicating that they welcome and invest in more venturesome projects. The fact that senior management appears afraid to approve resources for riskier projects sends a message to employees – that **true innovation is not welcome** and is not supported in the business. Note that Best Performers appear far less risk averse – they are not afraid to invest in more venturesome projects – with almost one-third opting for riskier projects. Almost no Worst Performers undertake such projects. In fact, 61.5% of Worst Performers indicated that they take on only exceptionally low risk NPD initiatives!

*A solution used by some firms*: About one-quarter of firms were using a portfolio management method called “Strategic Buckets” (a term coined some years ago by the author) to help solve the problem of the lack of riskier, bolder projects. In this method, management makes strategic decisions about where the resources should go, allocating envelopes or buckets of resources (money or people-equivalents) to different categories of project types: minor modifications, significant product improvements, new products, and bold innovations. The “bold innovation” bucket of resources is then reserved for these riskier projects. Then, projects are sorted into buckets and rank-ordered within each bucket until out of resources in that bucket; thus projects do not compete against projects outside their own buckets – not comparing apples and oranges. In this way, the higher-risk projects are only judged against other high-risk projects, not against the other much lower-risk projects. Thus, a fair share of higher-risk projects are included in the development portfolio\(^4\).

7. **No punishment for failure**: Removal of fear of failure is particularly evident in Best Performers and indeed in most businesses studied, in order to encourage more innovative and risk-taking behavior (although this should not be confused with lack of accountability): 55.2% of Best Performers do not punish people for failure in NPD; by contrast, in 34.6% of Worst Performers, there is exceptionally high fear of failure.

*An example*: “Fear of failure” and “innovation and creativity” clearly cannot co-exist in the same organization – one can have one or the other, but not both. Thus some enlightened managements were working to mitigate this fear of failure. One firm even threw an Irish Wake every time a product failed or was cancelled in the late stages – a party to celebrate a “job well tried, a good effort” and also to celebrate everything they had learned.

However, there’s a fine line between punishment for failure and project team accountability. In this example, accountability is still evident and is still important. In addition to the celebration, a Post Launch Review is undertaken, where the project team presents the operating results – first year’s sales, profits, customizer satisfaction scores, etc. achieved by their
recently-completed project – to the same senior management group that approved the project in the first place. It’s a closed-loop feedback system. Reasons for the performance gaps are identified, and continuous improvement is the result – but there’s no “blame and shame”.

The second culture and climate theme contains more action-oriented items and tactical or specific programs designed to promote a positive climate (Figure 2). In descending order of impact, they are:

1. **Resources available for creative work**: A significant number of Best Performing businesses (32.1%) provide support and resources for creative employees to pursue their own projects – seed money, equipment, etc. But Worst Performers don’t at all – zero percent! This is a very weak area overall, with only 11.8% of businesses providing such resources.

   An example: One R&D executive commented that he has an “under-the-table” account that he can use to fund projects that would normally fail in the firm’s traditional gating process. Often, these early stage projects are simply “too embryonic and immature to submit to a formal review”, and thus a little “informal funding helps them to grow legs”.

   Another example: One senior technical executive at P&G reminisced with some pride about how he funded some rather exotic and early-stage research projects in the field of mixing oil with soap – two usually incompatible substances. The research concept was nuts, he commented, but the early work did not cost much. He was glad he did, because some years later the work lead to shampoo with conditioner, and a list of successful new products such as Pantene®; it’s a billion-dollar business today!

2. **Skunk works and unofficial projects encouraged**: In Best Performers, unofficial and “underground” projects, as well as skunk works projects (projects done outside the official bureaucracy of the company) are encouraged. By contrast, only 3.8% of Worst Performers do. Indeed, in the great majority of Worst Performers (79.6%) skunks works and unofficial projects are very much discouraged or not allowed at all!

   An example: Anyone who has read Steve Job’s biography will marvel at how he created a steady stream of winners this century, starting with the iPad, by working with a team located outside the business. Admittedly these teams included very sharp, talented and creative people, but the fact they they could work outside the official bureaucracy (and outside their normal departments and hieratical management structure), and report directly to Jobs, was a key to getting the projects done fast and effectively.
Skunk works of course are not a new concept and date back to the U.S. efforts to develop new aircraft in the Second World War as fast as possible.

3. **Time off or scouting time:** Many Best Performing businesses provide resources and time off to creative employees to work on their own projects of their own choice, often without formal approval. This time-off or “free time” is often the source of very creative innovation; typically it is about 15% of the work week. No Worst Performers do this at all. Overall, this scouting time or “free time” provision to do projects “on the side” is a very weak area, with only 13.7% of businesses providing this.

**Examples:** 3M is renowned for its policy of permitting their people to have scouting time (15% free time to investigate on their own). Kraft Foods has a similar policy, where early front-end teams have unscheduled time (up to 15%) for creative thinking and experiments. Google’s 15% free time policy has been responsible for the development of many of Google’s most successful new products.

In 3M’s case, a person or group can begin a project of their own choice without formal approval, and take 15% of their work week on it. Most of these are technical people. The project can be anything, but in reality about 85% are “on strategy”. Once the project requires significant resources, it is then brought into 3M’s regular Stage-Gate system, namely their NPI process for funding.

4. **NP ideas rewarded:** A handful of businesses do provide rewards to employees who submit ideas; others provide recognition. The Best Performers in particular tend to provide rewards or recognition for NP idea submissions (44.8% of Best Performers do). Not one Worst Performer provides idea rewards, while on average only 23.1% of all businesses provide such rewards—a fairly weak area.

**Examples:** At Kraft Foods, recognition is also important. For example, in the Meals division, the Division General Manager awards employees with light bulbs for developing ideas and with awards for “Innovator of the Month” and “Innovator of the Year”. Recognition at Kraft is typically not monetary, but frequently involves peer praise or pride of ownership, which is viewed as more effective than financial rewards. The company works hard at ensuring people know that NP ideas are important and valued.

Bausch & Lomb in the U.S. uses limited monetary rewards as a method to reward new ideas. The employee can get anywhere from $5 to $5000, depending on how far the idea progresses through the NPD process.

The global French glass and materials firm, Saint Gobain, uses a set of prizes to reward ideas that move forward. The size of the prize depends on how far along the idea moves in the firm’s five-stage, five-gate Stage-Gate system.

As noted above with team rewards in Figure 1, **recognition seems to work better than physical rewards.** A program of physical rewards presents challenges: For example, who gets the money when several people submit the same idea, and do they have to split it? Forcing a group to split the money leads to people hoarding their ideas and not wanting to share and work in a group, which kills collaborative efforts, one of the key ingredients in creative ideation. As above, recognition and peer praise are less problematic and may even be provide great motivation.

5. **A NP idea suggestion program in place:** This is a fairly common practice in Best Performing businesses—a system to actively solicit new product ideas from employees—with more than one-third of these top businesses having such a formal idea solicitation program. Only 7.7% of Worst Performers do, and again this is a weak area across all businesses (only 23% employing).

One problem that our other research into best sources of ideas reveals is that while employee suggestion programs are by far the most popular source of new-product ideas, they are on average not considered very effective in generating great ideas. But there is huge variability around rated effectiveness: Some firms get lots of great ideas from such employee
programs, others get few or none. The impact of such employee idea suggestion programs seems largely to depend on how well it is implemented (see endnote [6]).

Conclusions: Climate & Culture
Climate and culture for NPD and innovation is a pervasive topic, with many elements and facets. And it’s sometimes difficult to put one’s arms around what is meant by “climate and culture”, or worse yet, what to do about it: it’s difficult to change an organization’s culture!

One thing is clear from this study: One cannot ignore climate and culture if exceptional new NPD results are the goal. Indeed some elements of climate and culture proved to be the strongest discriminators between Best and Worst Performers of all the practices we have looked at in our various benchmarking studies.

The climate and culture for NPD and product innovation is surprisingly and dangerously weak in this large and very representative sample of U.S. manufacturing businesses, however. Areas of particular weaknesses include anything to do with off-line or creative but unofficial work: free time or scouting time projects, resources to support creative projects, and skunk works or underground projects. Yet highly innovative companies embrace this type of activity and support it much more so.

Another very weak area is idea submission from employees: no idea program in place, and no rewards or recognition for ideas. And finally, the third major area of weakness is the unwillingness to invest in more venturesome projects – a general risk averseness.

If the goal is to improve the climate and culture for NPD in the business, then take a look at the list of items above and the illustrations of best practice. Some actionable items include:

- Provide scouting time (free time work) and make resources available to creative, passionate employees to pursue their dream projects. Use 3M’s enduring program as a model.
- Allow some unofficial or underground projects and consider the use of skunk works – projects done outside the official bureaucracy of the company. But not too many, otherwise chaos!
- Reward and/or recognize idea generators and also project team members for their efforts, with the emphasis on recognition.
- Make it a rule: no punishment for hard work that resulted in a failed project! Try throwing a party to celebrate a product failure or a late kill. But do maintain accountability via a rigorous Post Launch Review to foster continuous improvement.
- Take on some venturesome projects – and make sure everyone is aware that you allow and encourage these riskier initiatives. Even go as far as setting up a separate resource pool (use Strategic Buckets7) for such higher risk projects.
- Put a NP idea submission system in place.
- Make sure that employees really understand the NPD process; provide some training and leadership/coaching here so that they can effectively engage and participate in innovation and its processes.
- Encourage open communication between functions (no silos allowed!), locations and countries.
- And most important – support and encourage NPD and product innovation openly and passionately – in words and in your actions.

Senior Management Practices, Roles and Commitment to NPD

Closely connected to climate and culture are senior management practices in NPD. Senior management must lead the way in NPD, providing the leadership, committing the resources, and setting the stage for product innovation to flourish, according to one major study8. This section reviews the nature of senior management’s commitment to and their role in the business’s NPD efforts. Figure 3 provides the results.
There are two particularly weak facets of management’s role in NPD noted in Figure 3:

- NP metrics (e.g., percentage of sales or profits) are typically not an explicit part of senior management’s personal and annual objectives (in only 34.3% of businesses are NP metrics part of senior managements’ annual objectives).

- Senior management is typically not engaged in the design or shaping of the business’s new product processes – they lend little help here (in only 33.7% of businesses are senior people involved in the NP process’s design).

The topic of senior management commitment and the role of senior management in NPD is comprised of a number of critical best practices (Figure 3). The role and behavior of senior management is judged to be the number ten factor overall that distinguishes the Best Performers from the Worst – that is, number ten of approximately 20 key success factors that we have studied (recall that Climate and Culture above is among the top three performance factors).

Note that all but one of the practices and roles of senior management listed in Figure 3 significantly discriminate between the Best and Worst Performers. In order of impact, they are:

1. **Senior management strongly committed to new products and product development**: This is the second strongest rated area overall of all items in Figure 3, and tied for the second most prevalent among the Best Performers. Top management commitment to NPD exists in 50.5% of the businesses overall, and in 79.3% of Best Performers. By contrast, strong senior management commitment exists in only 26.9% of Worst Performers – one third the prevalence as in Best Performers.

   An example: When he was President and Chief Executive of Procter & Gamble, A.G. Lafley, made it clear: “Innovation is a prerequisite for sustained growth⁹. No other path to profitable growth can be sustained over time. Without continual innovation, markets stagnate, products become commodities, and margins shrink,” he explained. The man was strongly and passionately committed to new projects in the earlier part of this century, and under his leadership, P&G became an innovation powerhouse, launching one big new winner after another. Times are bleaker today, and it’s noteworthy that after some years of retirement, the company has reached out to Lafley to take the helm again.

2. **NP metrics an explicit part of senior management’s personal and annual objectives**: If the objective is to engage senior management more in the business’s innovation efforts, then tie executive annual variable pay and bonuses to NP
performance results. Make senior people accountable for results! This area was rated weakly in Figure 3, with only 34.3% of businesses using this practice – the weakest of all senior management practices. But it is the number two discriminator between Best and Worst Performers among all practices listed in Figure 3, with 50% of Best Performers having such metrics linked to pay, and only 14.3% of Worst Performers doing so… a 3.5:1 ratio between Best and Worst. Thus, if one really wants senior management to lead the innovation effort, then put metrics in place. People do what they are incented to do.

An example: In one major US engineered-products conglomerate, the two metrics that senior management was held accountable for were ‘quarter-to-quarter profits’ and ‘cost containment’. And so business-unit heads ran their businesses accordingly: focusing on cutting or holding costs, and on achieving short term profits. To no one’s surprise, innovation, which typically has a longer term payback and also involves making investments (which are counted as costs) suffered.

When Wall Street pundits suggested that the company was not innovative enough, the tide turned. One measure was to institute a third metric on which senior people were measured (and incented), namely the “percentage of sales coming from new products launched in the previous five years”. Almost overnight, the behavior and emphasis of leaders of the businesses changed, with much more emphasis on NPD and innovation. Indeed the NP percentage-of-sales went from a meagre 15% to over 30% in about five years – a dramatic improvement.

3. Senior management understands the business’s NPD process: For management to play an effective role in NPD, they must understand their business’s NPD process, and particularly be aware of their own role and responsibilities in the process. This is not always the case (only true for 40.2% of the businesses), but is clearly a best practice – a major discriminator between Best and Worst Performing businesses, with 72.4% of Best Performers rating very high here. Indeed, in 48% of Worst Performers, senior management does not understand the NPD process and their role in it at all!

A recurrent message from the businesses we’ve studied is that because the business’s leadership team did not fully understand the business’s idea-to-launch systems and methods, they tended not to become engaged in them. And in many cases, their behavior was actually detrimental to the well-oiled system – for example, circumventing the process, driving their own personal “executive sponsored pet projects”, and so on… real negatives in an otherwise effective system.

4. Senior management engaged in the design of the business’s new product process: Again this is a weak area (occurs in only 33.7% of businesses), but apparently an important one – the number four discriminator between Best and Worst Performers in Figure 3. Note that in 62.1% of Best Performers, senior management was very engaged in the design of their new product process.

As one senior person put it: “Our leadership team [of the business] helped to design our new product process. Our Senior VP of Marketing actually chaired the Task Force, and got the rest of us [the executives] involved in designing gate criteria, agreeing on a set of ‘rules of engagement’ around our behaviors, and even how we were going to run gate meetings. So it became very much ‘our process’ too – we bought in.”

5. Keeping score – new product results measured each year: This is a moderately weak area with less than half (45.2%) of the businesses keeping score in NPD; but it’s also a significant discriminator between Best and Worst Performers, and must be considered a best practice. Metrics include: percentage of sales or profits generated by new products, the success rate of launches, on-time performance, etc. Remember: what gets measured gets done!

An example: 3M uses their famous NPVI to measure the new-product performance of every business unit\(^1\). The NPVI or “new product vitality index” is simply the sales generated by new products launched in the last five years, as a percent of current annual sales. The target is around 40%.

Approximately 68% of firms that employ a new-product performance metric use this NPVI or a variant of it. Some firms use three years, not five years, as the time frame – for example consumer goods, where the ‘sales ramp-up rate’ in the marketplace is much faster than in B2B.
The NPVI is not a bad metric, but not perfect either. According to some executives, this metric encourages a lot of trivial new products just to get something out there to “make the numbers”, and often “unnecessary churn” in the firm’s product offerings. Additionally, NPVI is very industry dependent, with an NPVI or 75% or greater being typical in the high-tech field, while 10% might be more normal for a more mature industry. The all-industry NPVI average in the USA is 27.5% for new products launched in the last three years, according to our research.

6. **Senior management providing strong support**, empowerment and authority to the people working on new-product project. This is a key driver of performance, but also an area of some weakness: In only 40% of businesses overall, and in 65.5% of Best Performers, top management provides strong support and empowerment to people working on project teams. By contrast, strong senior management support for NPD teams is evident in only 7.7% of Worst Performers, and 42.3% provide no support whatsoever.

An example: One of the greatest successes in recent years at Corning, the highly-innovative U.S. glass company, was Gorilla Glass – the super-tough glass screen for Apple’s iPad. The project was huge and top priority: It used Corning’s new customized project canvas stage-gate system (a risk-based contingency model); and it had a dedicated project team. But most important, it had strong top management support.

At the almost-weekly meetings the project team had with the most senior people at Corning, the standard executive question was: “How can we help you move your project along? What do you need?” Superb support from the top provided to the team was no doubt one reason for this stunning success. While Gorilla Glass is obviously an exceptional project, the approach, when scaled down, can certainly be applied to more normal projects. And this project is a good illustration of the key role for senior people to play.

7. **Senior management not micro-managing NP projects**: Top management in almost two-thirds of businesses do not micro-manage projects. Rather, they tend to leave the day-to-day activities and decisions in a new product project to the project’s leader and team. Most businesses score very strongly here – in 65.7% of businesses overall, and in 89.7% of Best Performers, senior senior people do not micro-manage projects.

8. **Senior management involved in the Go/No Go and spending decisions**: This is a fairly strong area generally, with top management in 60% of businesses involved in the critical Go/No Go and portfolio management decisions. Even the Worst Performers score moderately well, which is one reason that this practice does not discriminate that well between the Best and Worst businesses. Nonetheless, senior people in 79.3% of Best Performers are very involved in these Go/No Go decisions, almost double the rate for Worst Performers. While this practice does not significantly discriminate between Best and Worst Performers, because involvement in Go/No Go decisions is such a prevalent practice among Best Performers, we include it as a best practice.

An example: EXFO is a mid-sized Canadian company in the field of electro-optical and network testing-and-measurement devices. The firm won the PDMA’s award as “outstanding corporate innovator of the year”, largely because of their portfolio management practices. Annually, the firm runs an in-depth portfolio review (with periodic updates very three months) that looks at the entire portfolio of development projects and new entrants. It’s a tough five day meeting, chaired by the CEO and attended by the marketing and technical senior people... a huge commitment of time by senior people to this all-projects Go/Kill decision meeting.

When I queried the CEO about the amount of time he spent at this one meeting, his fast reply was: “What else should I be doing with my time – it’s only the future of my company!” Well said.

**Conclusions: Senior Management Practices, Roles and Commitment to NPD**
The role and commitment of senior management to NPD on average is adequate. But there are some major weaknesses: the fact that top management does not include NP metrics in their personal annual objectives in many businesses, and that
senior management did not help to shape the business’s new product processes. Additionally, the fact that a significant minority of businesses are weak across the eight senior management areas investigated and revealed in Figure 3 is cause for concern.

The role of senior management in leading the NPD effort of the business cannot be understated: This topic area proved to discriminate between Best and Worst Performers in a major way. All eight practices listed above in Figure 3 are important – either they discriminate between the Best and Worst businesses, or they are widely practiced in the Best Performers. And they point to the following actions and recommendation, most aimed at the leadership team of the business or company:

• Senior management must be strongly and passionately committed to NPD and product innovation. If this passion and commitment is not in place, it will be a very long road to innovation success!
• Ensure that NPD results and performance metrics become an explicit part of senior management’s annual objectives, and even linked to their variable pay; and of course keep score in product development – making sure that performance metrics such as NPVI are measured and are highly visible.
• Senior management must engage in the design (and/or periodic overhaul) of the business’s NPD process and methods, and also make sure that they understand them. Some best-practice businesses provide extensive gatekeeper and senior management training on their NPD process: “gatekeeper bootcamps”. Others develop rules of engagement to ensure appropriate behavior by gatekeepers (for example, no “executive pet projects”, no micro-managing projects, no by-passing the system, etc.).
• Senior management must provide the necessary support, empowerment and authority to project team leaders and members. This transfer of power or authority usually takes place at the gates or Go/No Go meetings, where senior management meets the project team, reviews their project, and if Go, approves the resources. Along with resource approval should go some degree of power transfer as well. Note that senior management must avoid the temptation to micro-manage projects, however, and let the project leader and team get on with their job!

Wrap-Up

Unlocking the keys to success in product and service innovation is an elusive goal for many companies and their leadership teams. And at times, it’s frustrating, because so many companies and their executives make it look so easy. While there are many keys to success here, this research-based report has probed two vital areas – culture and climate for innovation in the business and senior management practices, roles and commitment.

Not only have these two areas been identified as vitally important, but the report has drilled down into each, giving specific actions and concrete recommendations, along with numerous examples and illustrations, on how to get this right. The choice now is yours to act!

Endnotes and References:


7 See Strategic Buckets, endnote 4.


