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VALUEPOINT™

Aligning Finance, Strategy and Innovation – Part 1

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David Matheson, President and CEO of SmartOrg, was recently joined by Arpit Dwivedi of 3M, Jeff Pierce from Pitney Bowes, Aleksandro Grabulov from Philips and Rich Duncombe formerly of HP and now with ICS, in a session titled *Connecting Innovation with Finance to Drive Profitable Growth* at the Back End of Innovation Conference in Las Vegas. The panel discussed the role of innovation in business, and how businesses must approach it in order to remain relevant in the market, produce viable products, and be lucrative in the endeavor. In this month's ValuePoint, we review the panel's observation on the role of innovation and the basic questions that must be answered by any business in order to successfully move forward.

Business loves innovation. It is exciting, gets our creative juices flowing; it is our corporate pet. Innovation keeps a business relevant in the market. We see opportunity for revenue, envision the impact we will have on the market and how the public will receive our new, fantastic idea. But, it can also be polarizing internally, if not properly managed. Some will inevitably view innovation with fear and confusion, question it as it pertains to expectations and how the roles within a new concept will be defined.

It is, therefore, every business's responsibility to analyze the feasibility of a new idea, including the company's ability to produce and deliver it.

The panel concluded that the work of innovation requires answering three basic questions:

1. Will there be customers for this innovation—what is the market? Does anybody care? What is the point of going to market with an idea if it lacks unique qualities from your competitors, is over the heads of your customers, or simply isn't relevant to them?
2. What is the strategic and economic value? Should you move forward with an idea? What is it going to cost to

take an idea from inception to execution? How many man hours, how many materials, how much equipment? Will the

potential for profit

outweigh the cost of production?

3. What is the technology or product solution? Can your company make it happen? Does your company already have the resources necessary to create this new product? Will it require an acquisition? Is it financially feasible to do so?

“It must be considered that there is nothing more difficult to carry out nor more doubtful of success nor more dangerous to handle than to initiate a new order of things; for the reformer has enemies in all those who profit by the old order, and only lukewarm defenders in all those who would profit by the new order; this lukewarmness arising partly from the incredulity of mankind who does not truly believe in anything new until they actually have experience of it.”

— Nicolo Machiavelli
(1469 - 1527)

HELLO my name is
INNOVATION

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Once these questions have been answered to the satisfaction of management, the key for any business is to align innovation with finance and strategy. To do so is to encourage profitable growth, avoiding jumping into a new project without first analyzing the risks and uncertainties. You need analytic tools appropriate for the innovation environment—the ability to methodically analyze the potential of an idea while retaining passion and excitement. You want to be honest with yourself about uncertainties in order to make an informed decision about the future of a project, without stifling creativity. Companies need a real discussion about the economic value of innovation that goes beyond traditional spreadsheet business cases.

In the next ValuePoint, we will address what needs to happen within finance and strategy to allow innovation to flourish and create the intended result of profit.

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A new white paper by David Matheson of SmartOrg
Perfecting the Recipe for Breakthrough Innovation
is now available.

[Read the white paper now](#)

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