Chapter 1
The Potential of Lean Innovation

Innovation processes play a key role in realizing a company’s strategic ambitions. The strategic need for agility and value creation forces companies to develop their innovation processes. For companies in global competition, the innovation machine needs to be well-oiled in order to produce good results quickly and with great predictability. So, is this the case?

In 2008, Boston Consulting Group (BCG) and BusinessWeek asked 3,000 global senior executives whether they were satisfied with the benefit their company obtained from its innovation processes. More than half responded no. Furthermore, more than 60 percent stated that innovative ability was one of the three most important strategic challenges. Innovation is considered important, but is not functioning satisfactorily. So there is room for improvement in a lot of companies.

A closer look at the responses from the senior executives reveals that they consider lengthy development times, a risk-averse culture, difficulties prioritizing ideas and poor coordination within the company to be the biggest obstacles to creating value from innovation. All of these challenges relate to how we lead and organize the innovation processes within the company. It is also interesting that ‘lack of good ideas’ is far down the list. So the problem is not so much ‘what’ but rather ‘how’. The senior executives see a need to improve the ability to prioritize and execute projects.
Generating Return on Innovation

As illustrated previously, the potential for value creation is greater for innovation than for production. There is a limit to how much you can achieve by streamlining production. In innovation, there is no upper limit to value creation: “Only the sky is the limit.” When it comes to innovation, it is therefore much more interesting to focus on what you get from your investments than on how you can reduce costs. ‘Innovation costs’ is actually not a very appropriate term because it suggests that innovation is an operational cost that needs to be kept down. ‘Innovation investments’ is a better term.

And a look at corporate budgets reveals that spending in innovation is far from small change. In 2007, Nokia, in Finland, spent an astronomical EUR 5.3 billion on R&D, corresponding to more than 10 percent of their revenue. Nokia holds 40 percent of the global market for cell phones, and launches approx.