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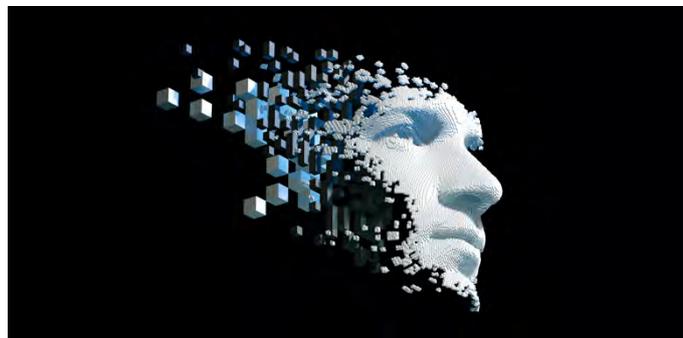


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Post COVID Innovation Strategy

With the enormity of disruption caused by COVID and the tough times that will continue to emerge, an effective innovation strategy is more important than ever.

When you are in the thick of major change and uncertainty, it's hard to focus on anything but 'today's' problems. However, you must.



COVID will create winners and losers and in this environment, it's more important than ever to give consideration to 'tomorrow' and the 'next' day.

Significant disruptive events mandate the need to revisit and reassess the key assumptions and beliefs that are implicit in your business model and your view of how success is achieved and sustained.

If you have a clear innovation strategy, it's time for a review.

If you don't, it's time to prepare your innovation strategy as follows.

Six Steps to an Effective Innovation Strategy

An effective innovation strategy involves making choices about what you will and will not do and sticking to them.

You must be focused and disciplined if you want to:

- Maximise the use of your resources
- Accelerate the development of your innovation capabilities
- Minimise the time it takes to achieve your goals

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Developing an Effective Innovation Strategy

The six steps to developing an effective Innovation Strategy are:

1. Establishing the amount of value that you must generate from your innovation investments (what level of innovation investment returns you must achieve)
2. Defining your area of focus, where you will look for innovation opportunities and importantly, what's off-limits
3. Establishing your key innovation investment objectives and priorities
4. Establishing your investment portfolio weighting and level of diversification
5. Setting the high-level investment performance metrics for each category of innovation
6. Setting your performance review cycle



Step 1 - Innovation Investment Returns

When developing an effective innovation strategy, the amount of innovation activity and the returns you need to achieve depends on the:

- Nature of the industry and the broader environment you operate in
- Business's current position, level of resources and its capabilities
- Goals you have set for your business

A base level of innovation activity will be required to simply maintain your current profitability and position within your industry. The greater the pace of change and intensity of competition in your industry, the larger this base level innovation activity is.

If your goal is to exceed industry performance and outcompete your rivals, you will need a more significant investment in innovation – something above the base level.

An effective innovation strategy must seek to meet both your base profitability and business growth requirements, however, this should be undertaken within the confines of your current capabilities.

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If you are new to innovation, you may need to develop some new capabilities before you are in a position to achieve the returns you desire!

Step 2 - Area of Focus and Where to Invest

Before you invest material resources into innovation, you need to make sure each innovation investment is **strategically relevant**.

If they are not strategically relevant, they'll result in wasted time, effort and resources and will not advance you towards your goals.

To a large extent, the question of strategic relevance is addressed when completing your mission, vision and business strategy, and incorporating key aspects of these into the context of your innovation strategy.

To be effective, your investment in innovation must align with and reinforce the business's goals and objectives.



Step 3 - Innovation Investment Objectives

As with any portfolio of investments, there are typically several key objectives you seek to achieve.

Your specific objectives and their priority will depend on your particular circumstance.

Some of your key objectives might include:

- Establishing the base level innovation activity needed to keep pace with your industry
- Maximising the commercial value of your innovation efforts and exceeding average industry performance
- Creating the additional innovation activity needed to exceed your industry performance by a particular factor or outcompete a particular rival
- Capturing the value of pre-existing opportunities
- Addressing an imminent crisis that the business may face



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- Providing a sound platform for the development of your innovation capabilities
- Ensuring innovation projects stretch your innovation capabilities but do not exceed them so far as to waste time and effort
- Establishing a diversified and balanced innovation investment portfolio
- Ensuring that the size and nature of your innovation projects do not put the business at unacceptable risks

Step 4 - Portfolio Weighting

Managing a portfolio of innovation projects is much like farming in that you must simultaneously:

- Harvest the current crop
- Prepare ground for next year's crop
- Search for new crops to grow in the future

To minimise the risk and maximise returns, you need to have a portfolio of investments spread across the three investment time horizons of:

- 'Today' (the short term)
- 'Tomorrow' (the medium term)
- 'The next day' (the long term)

You should avoid 'putting all your eggs into one basket' (one innovation project, one type of innovation or one investment time horizon).

Having a diversified innovation investment portfolio is an essential long-term growth strategy and risk management tool.

Step 5 - Investment Performance Metrics

The performance metrics you hold your innovation activities accountable to plays a significant role in the success of your innovation endeavours.

In managing a diversified portfolio of investments, it's critical to set different performance metrics for each class of investment.

You cannot hold your long-term innovation investments accountable to the same performance metrics as those applied to your short-term investments without killing off high potential projects.

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If you do, you will fail to invest in projects that may involve high degrees of uncertainty but have the potential to become highly valuable business opportunities.

Each investment time horizon needs dedicated performance metrics.

As a project transitions from one time horizon to another, it should then only become accountable to those performance standards.



Step 6 - Investment Review

An effective innovation strategy means it must adapt as circumstances change.

It should not be 'set in concrete'!

To facilitate this process, you need to engage in a regular review process where you review your circumstances, goals, innovation capabilities and reset your innovation strategy.

This may involve a re-weighting of objectives and innovation portfolio, or it may be a little more comprehensive.



However, it should be a relatively straightforward process and provide an opportunity to assess progress and realign activities as required.

If you would like to learn more about how to develop your innovation strategy, give the team at [Fortitude Business Consulting](#) a call today on 1300 551 040.

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