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How to Search for and Select Innovation Projects

Managing innovation requires generating lots of ideas and saying ‘no’ to potentially good innovation projects so you can pursue those within the bounds of your resources, capabilities and strategic direction.

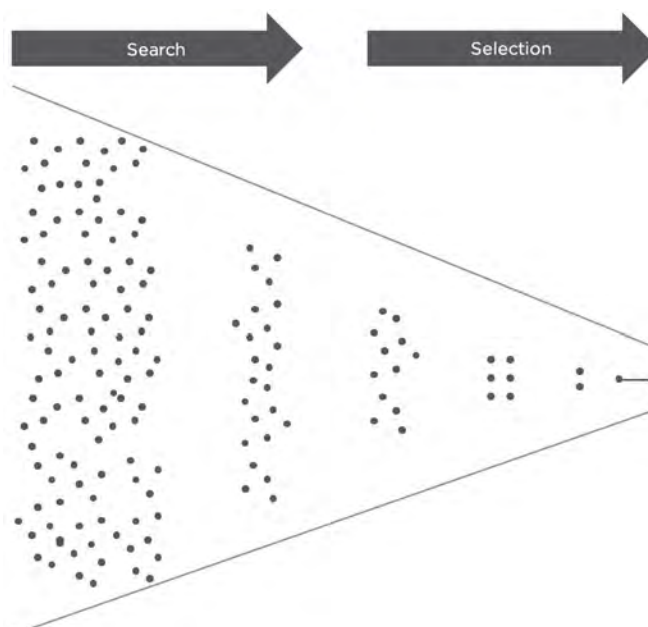
You can’t afford to innovate at random or pursue all potential innovation projects – you must select those that match your circumstances and achieve your goals.

Innovation is a matter of resource allocation. Without allocating resources, innovation doesn’t happen. By deciding to allocate your resources to one cause, you effectively close off other innovation projects and create lock-in. This isn’t easy.

Innovation project search and selection

To develop innovation as a core competency, you need to establish suitable innovation search and selection processes to allocate your resources where they will count most.

Regardless of whether you start your innovation journey with a single or several innovation projects, the search phase establishes the routines and activity needed to generate as many innovation opportunities as possible within a range of search areas.



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By contrast, the selection phase aims to filter those opportunities into a suitable 'portfolio' of innovation projects – those most suitable for commercialisation.

Innovation is best conducted by generating many ideas and constantly filtering them into a portfolio of innovation projects (that align with your innovation strategy). Then you can launch those that make it through the entire selection process. Some key questions to address during your opportunity selection process are:

- What *could* we do (what are our knowledge-push or need-pull opportunities, and which could we feasibly achieve)?
- What *should* we do (what are our distinctive competencies, will we strengthen them further or do we need to build new competencies)?
- Do we *want* to do it (does it fit with our overall business and innovation strategies)?

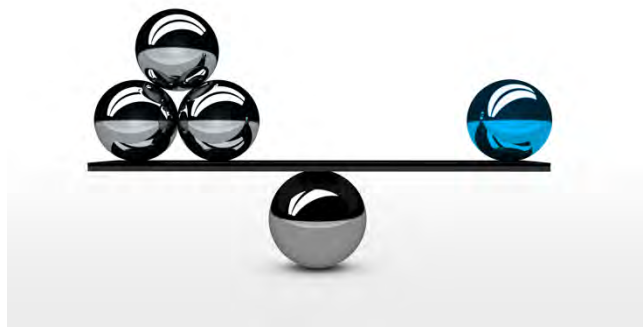
Idea selection can be more challenging than idea generation because you need to weed out ideas that:

- Don't have sufficient merit (which ones do you dismiss?)
- Don't currently meet your needs (which ones do you save for later?)
- Meet your needs, but you're forced to 'kill' them because you can't do everything (you have limited resources and can focus on only a few things at once)

Innovation project selection involves trade-offs

The filtering and selection processes require you to make trade-offs – that is, making hard choices about what you will and won't do.

Once made, these choices create a 'lock-in' that prevents you from pursuing other things. That is, the particular choices you make often excludes you from making other choices (the trade-off).



You need to take care when you make material choices. The opportunity cost may be significant, and you may severely limit your ability and willingness to change course or pursue other innovation projects as lock-in increases. These risks need to be well managed.

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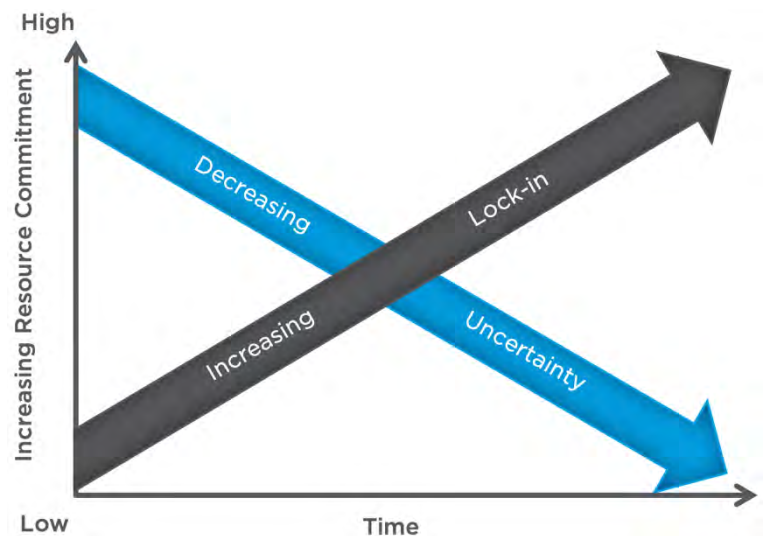
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Innovation and uncertainty

Idea selection is challenging because it typically involves making trade-offs in an environment that involves a lot of uncertainty.

By its very nature, innovation is about the unknown. Innovation requires you to work with uncertainty – to make choices when you have limited information and knowledge.

This makes idea selection a potentially perilous and costly exercise (especially if you don't follow the right processes for reducing uncertainty and incrementally increase your resource commitment).



At the idea development stage (early-stage innovation projects), uncertainty about an idea's future prospects can be very high. It's only with additional time and after committing the further resources required to investigate and develop an idea that uncertainty about its future prospects reduces.

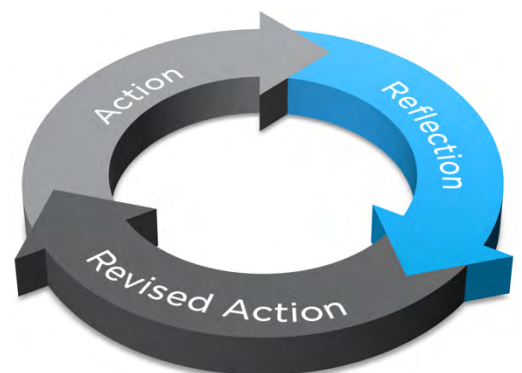
Uncertainty only reduces when you commit additional resources to learn and build knowledge about the key unknowns involved. As you explore the potential of an innovation, you naturally create lock-in because you become unwilling and/or unable to pursue other innovation projects.

Accordingly, it's unwise to throw the 'kitchen sink' at any given idea in the hope it might work. Often the risks are simply far too great, as you will likely jeopardise your innovation efforts and perhaps your entire business. **Instead, you need procedures that manage your resource allocation process in a controlled and measured way as you seek to reduce uncertainty.**

Learning and uncertainty reduction

Learning is the key to lowering uncertainty. You must research, experiment and test to learn, build knowledge and ultimately reduce uncertainty and risk. You must make the unknown known! In effect, learning happens with:

- Action – taking action in the form of research, experimentation, testing, and so forth



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- Reflection - reflecting on the outcomes of that action
- Revised action - revising the action taken and continuing this process to build knowledge, skill and competency

The quicker and more cost-effectively you can learn, the more rapidly and cost-effectively you can reduce uncertainty and risk. Consequently, idea selection goes hand in hand with progressive learning and filtering, coupled with measured and controlled resource commitment.

Innovation routines

As learning progresses, you can allocate additional resources to innovation projects that satisfy the necessary requirements for continued investment (such as funding, time, and so forth). You can then filter out those that don't (altogether or save them for later use, perhaps in a different context).



Learning and filtering out ideas while building knowledge about others is an essential innovation task that needs to become part of your routine business operations. Ultimately, managing innovation is a delicate balance between the:

- Cost of continuing investment in innovation projects that may ultimately prove unsuccessful and a diversion of resources away from other, more promising opportunities
- Danger of closing down a project too early and potentially eliminating high-value opportunities.

It's best not to make these decisions on an ad hoc basis. Where possible, establish a structured approach with clear decision points and agreed rules about when to proceed and desist.

If you'd like to learn more about searching for and selecting the right innovation opportunities for your business, call [Fortitude Business Consulting](https://www.fortitudebusinessconsulting.com.au) today on **1300 551 040**.

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