

Seven Circles of Innovation®

Enhanced and updated version

The model “Seven circles of innovation” has been developed by Fremtidstanken and Center for Ledelse in Denmark and is described in the project report “Seven circles of innovation”, 2005.

Since the original development and conceptualisation professor Sören Salomo of Graz University has enhanced the model by editing a number of critical parameters when measuring the state of innovation in an organization. This has enhanced the diagnostic framework for “Seven circles of innovation” as depicted below. The updated version is being used in the competition “Innovation Cup 2006” in Denmark that allows individual organisations compete with each other on innovativeness.

The updated version of the “Seven circles of innovation” does not change the original model, but elaborates on a number of dimensions, such as leading indicators for customer & market, which is embedded in both “Innovation fundamentals” and “Innovation processes”.

Fundamentals

Fundamentals for innovation management have been developed further on strategic orientation of the organization, its work with innovation strategy and finally the organizations network competence.

- Strategic Orientation/Corporate Mindset
 - Aggressiveness
 - Market scanning
 - Pricing
 - Competitiveness
 - Proactiveness
 - Opportunity management
 - Market trends
 - Analysis
 - Market & customer knowledge
 - Systematic knowledge gathering
 - Futurity
 - Long-term development
 - Long-term relationships
 - Riskiness
 - Willingness to take risks
- Corporate Strategy
 - Management emphasises innovation to a high degree
 - There is an updated and communicated company strategy

- Innovation is a central element of company strategy
- Innovation Strategy
 - Explication/implementation
 - Market orientation
 - Technology orientation
- Culture & Learning orientation
 - The company allows and accept mistakes
 - Questioning processes and products is valued
 - There are no stupid questions
- Initiative/Empowerment
 - Support/train for and encourage an environment for employees to come up with ideas
 - Management implements guidelines enabling employees to act independently
 - Encouragement and support of participation in training activities
 - Constructive feedback to all employees generating ideas regardless of the success of the idea
 - Everybody knows where to go if they have comments and new ideas
 - Skunk work is allowed – employees may work on their own innovation project ideas within the work environment
 - Benefit programs
- Structure/Process
 - Formal development process
 - Clearly defined go-no-go goals and processes
- Inter functional cooperation/Team
 - Communication and work across functional departments
 - Competences of team members
- External Cooperation/Network Competence
 - Formal process and structure of external networking
- Monitoring/Controlling
 - Internal and external benchmarking
 - Review procedures of innovation projects

Innovation process – the five phases

Diagnosing the innovation process there are two main parts, one that are applicable throughout the five phases are some that are relevant only to a specific phase or must change throughout the innovation process.

General for the innovations process:

- Resources
 - Typical for innovation projects
 - Resource allocation
- Market related information

- Generation
 - Customers, suppliers, other stakeholder
- Dissemination
 - Co-operation with customers, suppliers and other stakeholders
 - Internal knowledge management
- Team functional competence
 - Functional expertise involved in which process
- Cooperation with external partner such as:
 - Customers
 - Competitors
 - Suppliers
 - Other stakeholders

The five phases in the innovation process

In the following each of the five phases in the innovation process are described in more detail. There are a set of elements which are the same throughout the five phases and a number of elements which are specific for a phase.

Phase one – Idea generation

The idea phase is the first step where ideas are generated and gathered. Ideas can be both new product ideas, ideas to save costs, distribute in ways, enhance internal processes etc.

- Top management attention
 - Involvement and high level of commitment in all major decisions
 - Helps to overcome critical barriers
 - Following progress of the innovation activities
 - Securing legitimacy of innovation activities within the organization
- Project management/steering
 - Clear and systematic milestone, resource and cost plans are used
 - Risks and their consequences are analysed systematically
 - Planning for uncertainty reduction are developed
 - Management's responsibility is clearly fixed
- Process clarity
 - Goals of innovation projects are well understood by all team members
 - Clear and well communicated criteria for GO/NO GO decisions
 - Transparent decision making
 - Important decisions are communicated to all team members
 - Clear understanding of who is taking important decisions
- External surroundings systematically scanned for ideas (e.g. via the internet, networks, competitors, other trades, etc.)
- Clear objectives and measurements for idea generation
- Formal procedure and criteria for filtering ideas

Phase two – Evaluation and planning

The evaluation phase is the first real test of an idea. This is the first reality check after the creative phase. Here the bad ideas must be removed and give place for the best ideas. The first draft of the business plan is drafted in this phase, together with market and technology evaluations.

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- Preliminary business case formulated, comprising strategy, market, technology and competencies
- Early planning for the entire innovation project, including:
 - Formulating milestones
 - Risk assessment
 - Formulated measures for the innovation project
 - Resources allocation

Phase three – Test & proto-typing

The simulation phase takes the reality check a bit further. Here ideas/concepts are prototyped, initially tested in realistic situations.

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- Innovations are always tested by means of prototypes, test runs, scenarios, etc.
- Simulation can result in rejection of the innovation or iteration in the innovation process

Phase four – Business planning

The business planning phase is the final preparation and planning for an innovation project – hypotheses are tested against the idea in general, and financial and market figures are developed into the final business planning for execution.

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- Innovation's alignment with the company strategy
- Functional areas (production, HR, sales/marketing, etc.) included in the business planning
- Objective criteria combined with strategic consideration for funding innovation projects
 - Internally
 - Jointly funded with external partners
 - Externally
- Objective criteria combined with strategic consideration for the implementation model, such as:
 - External or internal Venturing
 - Internal Project team

Phase five - Implementation

The implementation phase is the realization phase, where e.g. a initial investment in a particular innovation domain takes place. From here on, the e.g. new business area, is considered a start-up.

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- Clear and structured procedures for the transition from the innovation phase to daily operation
- Formal procedure with objective criteria for final decision to invest or not, such as:
 - Financial
 - Market
 - Technology
 - Combination
- Final responsibility for the approval of the business plan/implementation plan must be clearly fixed

Outcome and success measure

This final section of "Seven circles of innovation management" deals with the financial results from innovation projects as well the innovation activity in the organization, and the projects effect on the company/organization externally and internally.

The Fundamentals for innovation management have been developed further on strategic orientation of the organization, its work with innovation strategy and Finally, also the market and technology volatility.

- Market uncertainty
 - Level of uncertain in the competitor activities in the market
 - The market has many new competitors.
 - The market competitive conditions are highly unpredictable.
 - Customers' preferences change quite rapidly.
- Technological uncertainty
 - Technologies applied in the industry offer large potentials for future technological developments
 - The industry experiences frequent technological breakthroughs.
 - The technology in our industry is changing rapidly.

In the industry technologies from different technological areas are frequently combined.

- Characteristics of new processes introduced internally or in our supply chain over past 3 three years
 - Newness to the market
 - Impact on the market place
 - Effect on internal processes
- Characteristics of new products/services introduced to the market over the past 3 years
 - Change in customer value
 - Change in customers benefit
- Financial development over the past three years
 - Income
 - Earnings
- Business prospects for the coming three years
- Share of the company's income generated from innovations introduced during the last 3
- Share of the company's overall costs that has been eliminated from innovations introduced during the last 3 years
- Number of innovation projects aiming at product modifications and new product lines, or new processes.
- Number of successfully innovation projects introduced into the market
- Innovation activities have contributed to the performance of organizations business in the following areas:
 - Market share
 - Sales
 - Customer satisfaction
 - Competitive advantage
 - Image
 - Profitability
 - Administrative efficiency
 - More efficient processes
 - Process quality (reduction of errors)
 - Net present value
 - Product/Service quality
- Age of product portfolio compared to industry in general

For further details please see www.sevencirclesofinnovation.com.