

# **PAYBACK**

## **Reaping the Rewards of Innovation**

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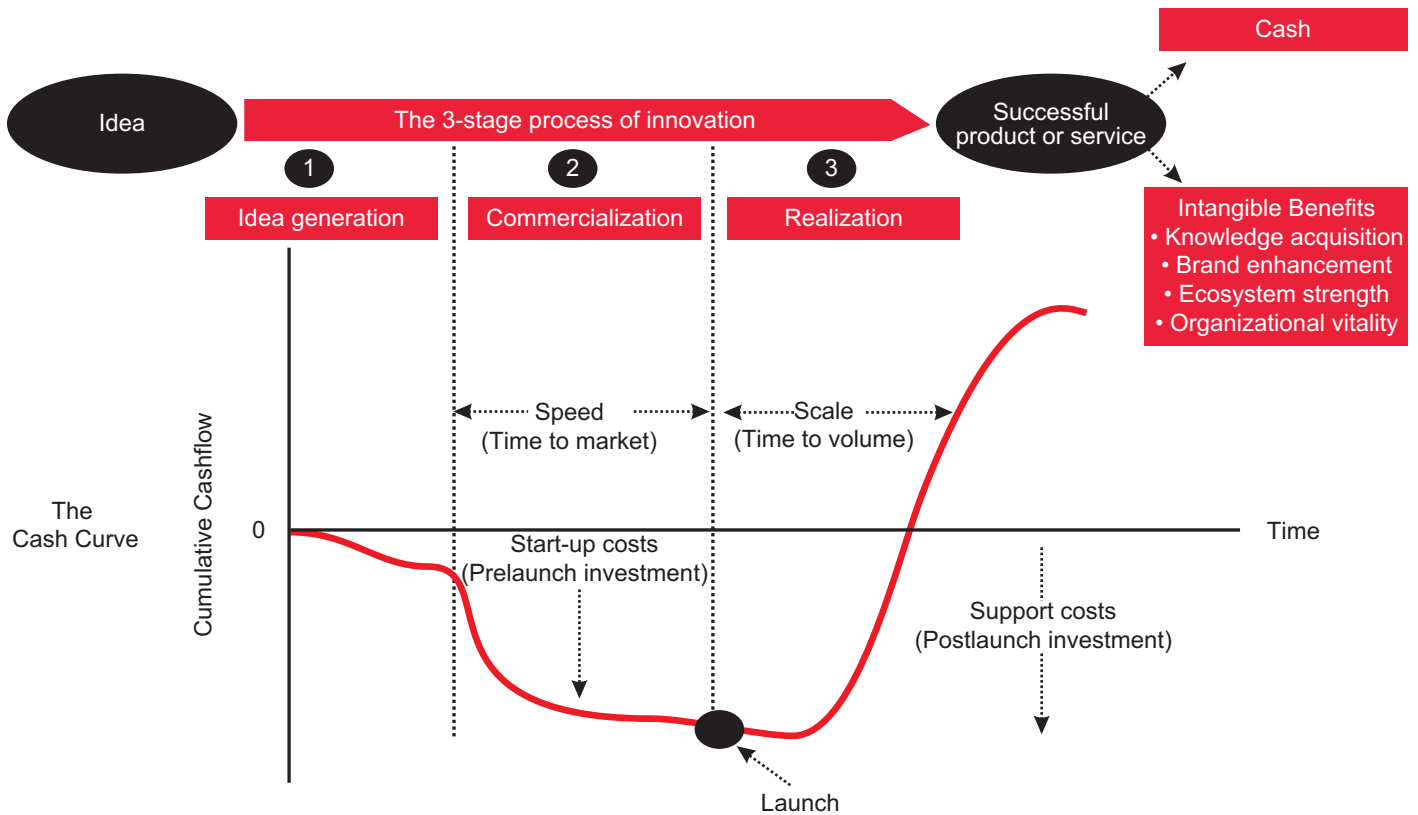
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**MAIN IDEA**

How can you generate a better return on any and all of your investments in innovation?

Rather than being a hit-and-miss affair, innovation can actually generate consistent and healthy returns if you:

- Set clear and unambiguous goals for what you want to achieve with each innovation effort.
- Operate your innovation projects in a disciplined and structured way.
- Select and use the optimal business model for each innovation project from the three choices available.
- Align your organization around innovation as the best way to grow.
- Utilize leadership practices which encourage, motivate and enable innovation to happen.



**1. The four factors which affect payback** . . . . . Pages 2 - 3

When it comes to successful innovation, cash is king. There are four factors which will ultimately influence just how much cash is generated by your innovations and which should be tracked on a “cash curve”:

1. Start-up costs – your prelaunch investment
2. Speed – your time to market
3. Scale – time needed to achieve volume production
4. Support costs – your postlaunch investments

**2. Choosing the optimal business model for each innovation project.** . . . . . Pages 4 - 6

There are in fact three distinct business models which can be used to commercialize innovations: integration, orchestration and licensing. Choosing the most appropriate business model for each innovation can make a significant difference in your company’s ability to achieve payback. None of these business models will be right all the time and most large companies will use all three business models at the same time for different innovation projects. The decision as to which model to use should be explicitly made, reviewed regularly and changed when a different business model offers a better payback.

**3. Aligning and leading for payback** . . . . . Pages 7 - 8

To maximize payback, leaders need to organize their entire organizations around supporting and enabling the processes which drive innovation and generate payback. In practical terms, that generally means getting all of the requisite internal elements aligned and having leaders who will engage and make key decisions which support rather than dilute innovation.

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