Lisa Bodell

is the founder and CEO of futurethink, an internationally recognized innovation research and training firm that helps businesses embrace change and become world-class innovators. Her company has spent years working with hundreds of leading innovators to create the largest offering of innovation research, tools and training in the world. She has extensive experience helping companies innovate, taking a commonsense approach that brings clarity to an otherwise complicated field. She is an accomplished salesperson with a great respect for results-driven cultures, and has led and managed several teams to beat their revenue targets over the course of her career.

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Innovation needs to be well managed like other key business functions

Sales best practices can be applied to innovation

Lisa Bodell
futurethink
242 West 30th Street, Suite 402
New York, NY 10001, USA
Tel: +1 212 629 0913
Fax: +1 212 967 4106
E-mail: lbodell@getfuturethink.com
http: www.getfuturethink.com

Opinion Piece

What innovation programmes can learn from sales

Lisa Bodell

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Abstract

Innovation is a critical business function that is still woefully misunderstood and mismanaged within companies. Organizations that leverage some of the best practices from sales teams — pipeline management, well-defined goals and quotas, established incentives, and more — can lay the foundation for a winning innovation effort.

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Management summary

Few CEOs today would argue with the fact that innovation is important to their business. It gives them a competitive advantage and offers an engine for growth. In a world of increasing competitive pressures, innovation is a critical component in keeping ahead.

But a look inside companies today reveals relatively few well-established and supported programmes for innovation. While leaders like Shell, P&G, and Samsung inject innovation into everything they do, the majority of companies address it on a sporadic project basis rather than as a strategic platform for success. With innovation, luck rather than leadership seems to be the process by which many breakthroughs occur. This is hardly the way to approach such a critical component of a successful business.

Organizations can achieve higher growth and stronger competitive advantage by borrowing techniques from sales to manage innovation. Doing so will help management better frame its programmes and generate ideas, while improving the way it qualifies and funds innovation proposals.

Why isn't innovation more widely adopted?

The first issue is that of newness and acceptance. Innovation, as a company-wide practice, is relatively new; sales is not. Few companies have organization-wide innovation efforts, but everyone has a salesforce. It's necessary and common, so we don't challenge it as much.

Innovation programs need to have the same structure and rigorous measurement as sales efforts

The second issue is that very often innovation doesn't have a home. The creativity aspect of innovation is unfamiliar territory to many, sometimes intimidating management and alienating its proponents. As a result, innovation can be treated like a foreign object, prompting confusion on where exactly it should reside within the organizational structure (Strategic Planning? R&D? A separate innovation group? Product Management? Marketing?). Related to the uncertainty around where it sits in the company is the fog around how it works. Innovation is largely seen as a creative process centred on free-thinking and brainstorming — activities that people historically struggle with putting a process around and measuring.

The third issue is that it takes time. While sales identifies a quantifiable opportunity to pursue, with innovation revenue targets are largely best-guess business plan projections, and results aren't necessarily immediate. As businesses must operate in a bottom-line-driven market, the lack of guaranteed, immediate financial results makes investing in such efforts less palatable.

What makes sales standard operating procedure?

To begin, sales is about action and survival. Sales teams are not paid to talk about prospects; they are paid to convert prospects into customers. They are encouraged to network, build relationships, ask questions, and propose ideas that can lead to new prospects. They must continually go beyond the thinking and strategy phase and execute a plan of action to meet clear, quantifiable goals. If they don't, they don't survive very long.

Next, sales efforts have an expected and accepted level of risk. No sales team expects to close 100 per cent of its deals. Even after rigorous efforts to qualify a prospect and craft detailed proposals, not every one is a winner. But managers continually help teams understand the difference between a qualified prospect and one that is less qualified, committing corporate resources against those prospects that may achieve strategic goals while not crippling the business in the process. While long-shot proposals are sometimes pursued because of the potential for larger payoff, managers strive for a balanced pipeline that doesn't put all their eggs in one basket.

Finally, and most importantly, sales generates revenue. The goal is to make money. A company without sales is ... not a company. Sales is a practice that is measured and managed; it has to generate revenue on an ongoing basis. In an age where companies can only cut expenses to a point, an engine for top-line growth is critical. Arguably, business can't afford NOT to invest in innovation. The key is getting a roadmap that sets the organization up for success.

What can innovation learn (and borrow) from sales?

While sales organizations vary by industry and company size, the fundamentals are similar. Teams, tools and processes are organized around consistently moving prospects (ideas) through the pipeline to

To ensure innovation success, leadership needs to rely on a roadmap, not luck

Table 1: The sales pipeline process

	Suspect	Prospect	Proposal	Close
Number of leads	100	10	5	2
What	Identify lead, introductions	Quality lead, present credentials	Engage prospect, detailed discussions	Sign-on, begin relationship
Participants	Sales person	Sales person, senior manager	Sales person, other business specialists	Transition to delivery, business unit
Support tools	Standard letters, brochures, Web site	Marketing materials, credentials presentations	Proposal templates, estimating worksheets	Contracts
Conversion rate (%)	—	10	50	25–30

Sales managers correct problems and ensure success by actively monitoring dealflow

close a deal (launch). The objective is to better qualify leads at each stage, committing more resources and effort as the likelihood of success increases over time.

By summarizing sales performance data using a pipeline or ‘dashboard’ approach, sales managers are able to troubleshoot problems and track the effectiveness of their sales investments (see Table 1). For example, if half your proposals generally convert to deals, you know how many offers need to be on the desks of your prospects at any given time. The sales pipeline also helps monitor conversion ratios and pinpoint where sales needs additional help. For example, when proposal close ratios fall, sales managers can collaborate with salespeople and product managers with things like ‘sunset reviews’ to get clarity on the location of the problem. They can then collectively solve the problem.

Similarly, when conversion ratios improve, this provides evidence that certain sales initiatives are working. This gives sales managers ammunition to protect the investments they are requesting for continued sales support or marketing and promotion efforts.

Using the pipeline process for innovation

Developing a pipeline approach to innovation projects, much like sales does for prospects and proposals, is critical for allocating resources and making decisions

Using a similar pipeline approach, managers of broader innovation efforts can monitor their programme’s successes and identify areas for improvement (see Table 2). For example, if innovation teams find that the number of viable ideas in the pipeline rapidly decreases from the initial idea-gathering phase (rough ideas) to the idea-filtering stage (those worth further review), they may want to spend more time fuelling the organization with a variety of new idea sources or try new idea-generation techniques. Similarly, if the pool of good ideas continually increases, they know their efforts to provide diverse information to employees and create an innovative climate that recognizes ideas are paying off.

Table 2: The innovation pipeline process (compared to sales)

		Suspect→Find	Prospect→Filter	Proposal→Focus	Close→Fund
Number of leads What	Sales	100 Identify lead/introductions	10 Qualify lead/present credentials	5 Engages prospect/detailed business	2 Sign-on, begin relationship
	Innovation	Gather rough ideas	Refine promising concepts	Build detailed business plan proposals, Pilot-test-refine	Launch
Participants	Sales	Sales person	Sales person, senior manager	Sales person, other business specialists	Transition to delivery, business unit
	Innovation	Product development or innovation team	Product development or innovation tem/management champion	Product development or innovation team/business specialists	Transition to product/brand/ service team
Support tools	Sales	Standard letters, brochures, Web site	Marketing materials, credentials presentations	Proposal templates, estimating worksheets	Contracts
	Innovation	Idea capture form	Concept frameworks, idea screeners, scorecards	Business plan templates, financial worksheets, portfolio matrices	Launch and marketing materials
Conversion rate (%)	—	—	10	50	25–30

The four-lens framework: How to apply sales best practices to innovation

The four lens framework needs to be applied

Both sales and innovation efforts strive for efficiency to get the best results and grow business. If the target for sales is prospects with established budgets, the target for innovation is ideas with revenue-generating potential. Comparing innovation programmes to sales programmes using the following four lenses can help frame innovation efforts in a way that is understandable and palatable to management:

Set direction, goals, and make teams accountable

1. *Strategy and Metrics* — Communicating your vision and measures of success

Sales organizations are good at setting goals and measuring them. Teams are held accountable for their efforts through weekly call reports, status meetings and closely managed pipelines. Similarly, today's most innovative companies establish a clear vision for their innovation efforts and monitor their progress using a pre-defined set of metrics. It is this clear definition of 'where we want to go' and 'how we'll know when we get there' that facilitates smart idea generation throughout the organization. For example, communicating that your company's innovation efforts will 'Set the global standard in product design' helps employees laser-focus their energy on product-driven ideas, not services or brand experiences. Further, a suite of metrics such as 'percentage of annual profit from new products or 'number of ideas per employee' can help teams know when they've achieved success.

2. *Process and Tools* — Detailing the roles, roadmap and tools to support it

With most innovation efforts, getting ideas isn't the problem. It's the *execution* of these ideas that's difficult. Now that you have an idea, what do you do with it? How do you decide which ideas are worth pursuing in the first place? Here's where sales has a lot to teach us.

Detail each step of the innovation process to get ideas to market more effectively

Sales is all about execution. Leading sales organizations have a clear process in place — from prospecting to deal closing — with resources to support the process all along the way. But while processes exist, sales teams also allow for some 'freedom in the framework', letting people flex their individual style in order to best close a deal.

Similarly, innovation programmes should give teams a clear process to follow that helps them shepherd ideas from the nascent stage to product launch. Resources (subject matter experts, for example) and tools (screeners and scorecards) should be provided to the organization so that innovation has a foundation of consistency and fairness. Most importantly, the process that is put in place should allow for flexibility, serving purely as a framework to build, grow and launch ideas, not as a handcuff that stalls them due to too much paperwork or meetings for the sake of consistency.

Continually seek out new ideas like sales

3. *Information* — Fuel that keeps teams aware — and ahead

Sales teams must constantly refresh their rolodex with new contacts in order to close new deals. Getting these contacts can be time-consuming,

teams look for new leads

and the best salespeople are both resourceful and creative in their approach. They are constantly scouring trade journals, attending events, and informally networking to uncover a hot new prospect. Innovation teams must behave similarly — constantly tapping a variety of resources and proactively seeking out things of interest. Innovation teams must continually fuel the organization with an eclectic range of information to help employees ‘keep their antennas up’.

Create a climate where people are motivated to drive change and efforts are celebrated

4. *Climate* — Creating an environment that rewards, recognizes and sustains efforts

Sales organizations ensure that their people are motivated to participate and succeed. The same must be done with innovation. Establishing a programme of rewards and recognition is an important part of sustaining innovation for the long term. If people believe that their ideas can make a difference, and that they can be recognized for them, they are more likely to contribute. Alternatively, if their ideas are submitted but nothing ever happens to them (or worse, something happens to them and their contributors aren’t recognized at all), participation in the innovation process slows to a halt. Management must reward or recognize ideas, and celebrate innovative efforts throughout the organization.

Diagnose where your innovation efforts are today

Getting started

While establishing innovation efforts can be complicated, there are some simple ways to break them down to be more manageable.

Firstly, you will have to diagnose your current efforts. Where are you strong and where can you improve? Understanding where you are today will help you more clearly define where you need to better concentrate efforts. Getting an innovation dashboard is just one way to put definition around innovation, since it makes innovation tangible and visible.

Secondly, you must identify your hotspots. Many businesses have formal and informal innovation efforts in place, but still have specific areas to work on. Got plenty of ideas but finding it hard to get agreement on which to choose? Re-look at your selection criteria to see how they might be better defined. Amount of idea submissions tapering off? Take a look at the rewards and recognition system in place for ideas to see how it could be more effective.

Focus on a few things to start. Don’t try to do everything at once

Thirdly, start with a few specific challenges. Innovation efforts often start out with a bang and end in a whimper. This is because we take on too much before we’ve worked out the kinks. Start your efforts by proactively focusing on a few key challenges and attacking them (‘Let’s get ideas that address our need to appeal to the college market’ or ‘We need to improve our service around the check-in experience at our hotels’). In the process, you’ll learn better resources to tap, the issues your teams have in working together, and new ways to evaluate and build ideas.

Take a pilot test approach. Try, get feedback, refine

Finally, you must refine and expand. Listen carefully to the feedback you receive in the early stages of your efforts. Revise your process

accordingly and prepare for larger roll-out. Once this is achieved, you can be both proactive (pre-determined challenges that need to be solved) and reactive (see what comes in the pipeline and choose).

Getting to 'yes'

When will you know that innovation is an accepted part of your organization? When the corporation treats innovation as Standard Operating Procedure. When it spends as much time on what it's selling as on the sales process itself. And when the CEO doesn't just boast that 'Everyone in my company is a salesperson', but that 'Everyone in my company is an innovator'. Now that's a big idea.