Do Your Metrics Drive Innovation? – Matching Metrics to Intentions

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Do your metrics match your stated intentions to get beyond incremental innovation?

Managers are constantly challenged to find new ways to meet unmet market needs and to meet those needs by utilizing scarce technological, financial and managerial resources. Market saturation, hypercompetition and commoditization of traditional markets have firms looking more than ever for new growth opportunities. In attempting to pursue novel, innovative business opportunities that stem from social and environmental challenges, though, managers tend to be on a constant search for an ever elusive sustainability 'business case' that depends heavily on financial metrics and cost-benefit analysis to rationalize and justify marketplace action. Too often, attempts to innovate, discover and grow new businesses are undermined by the misapplication of metrics that are more suited for gauging productivity and continuous improvement. Tools used to increase productivity and disseminate information both inside and outside the firm are poor measures for entrepreneurship, technology commercialization, and innovation.

You get what you measure, and metrics are meaningless without context. The fact is that sustainability in a business is an uncertain, ambiguous, risky and complex context in which to innovate. Unfortunately, it is a poor context for the application of traditional metrics that rely on predictability, familiarity, stability and consistency. Companies wanting to pursue innovation and entrepreneurship need to consider metrics that help highlight that uncertainty is the opportunity that stems from unpredictable, unfamiliar, unstable and inconsistent operating contexts. Both what should be measured and how measurement might be achieved requires due consideration.

Most companies are slow to recognize that they have little experience when it comes to innovation and discovery within a sustainability context. Instead of taking the time to determine what the relevant milestones might be in nurturing a new business or technology, managers tend to follow a path of least resistance and impose financial and operational metrics appropriate for activities associated with continuous improvement, not discovery. Attempting to build new businesses for tomorrow requires deliberate steps to focus on developing sets of metrics that support a productive safe space in which to incubate, experiment, share and learn about innovations and new markets. Failure to generate new knowledge, develop new insights, or share new learning geared toward organizational attempts to innovate and reposition the product-market portfolio over time will needlessly constrain nascent exploration and only help to prematurely kill projects that could contribute to firm growth over time. The need for discovery metrics cannot be understated, for they ultimately help determine where investments are made and what the overall strategic direction of the firm is going to be in a very dynamic marketplace.