A three-page excerpt from our 15-page Best Practice Guidebook:

Innovation Metrics Selection and Implementation Process



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Best Practice Guidebook

Innovation Metrics Selection and Implementation Process

Parker Hannifin

INDUSTRY

Diversified Manufacturing

REVENUE (2012)

\$13 billion USD



Applicability to Executive Functions





Challenge

Seeking greater insight into its innovation performance across divisions, Parker's corporate innovation team compiles metrics tracked by innovation teams companywide. However, the volume of information clouds companywide visibility into innovation effectiveness.



Solution

The corporate innovation team selects a core set of four metrics based on applicability and usefulness that is standardized across divisions. The resulting clarity enhances decision-making and improves innovation portfolio performance.



Solution Components



Reduce Total Number of Metrics » 2

Standardize Metrics across All Divisions »



Measure Innovation Performance »



Reevaluate
Portfolio Decisions »



Parker's Key Lessons Learned

- Fewer metrics produce greater insight
- Shared metrics and tools enable transparency and collaboration
- Simplified dashboard informs key decisions about the portfolio mix
- Incremental Portfolio Value helps track growth from new products year over year

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Parker Hannifin Organization



HEADQUARTERS Cleveland, Ohio, United States

GEOGRAPHIC FOOTPRINT Global

OWNERSHIP Public

EMPLOYEES (2012) 60,000



Business Results

- In 2010, Parker was tracking more than 2,400 active projects in its innovation pipeline. In 2013, Parker is tracking 1,136—a 45% decrease.
- Portfolio value has increased by 20%.
- Parker can take on higher-risk. (breakthrough) efforts because it has confidence in its risk management capabilities.
- Parker is seeing an increase in sales from breakthrough products.



Resources Required

Multiple executives at the corporate and division levels* commit time to this initiative:

- 50% time commitment from the Vice President;
 Chief Technology & Innovation Officer
- 100% commitment from the corporate process owner (Director of Winovation Systems)
- 50% commitment from each Vice President for Technology & Innovation
- 25% commitment from division General Managers
- 140 full-time division process owners (usually Facilitators)



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* For more information on Parker Hannifin's organization structure, please see the full guidebook.

Parker's corporate innovation team launches a metrics-simplification initiative that delivers greater insight into project value and enables principled adjustments to the portfolio

Innovation Metrics Selection and Implementation Process



Standardize Metrics across All Divisions

Measure Innovation Performance

Reevaluate Portfolio Decisions



Objective

Enable greater visibility into innovation performance

Key Activities

- Simplify the data senior executives review
- Gain buy-in among the corporate innovation team for the simplified set of metrics



Objective

Ensure companywide adoption and prioritization of selected metrics

Key Activities

- Conduct a speedy roll-out of the simplified metrics to all divisions
- Empower division-level teams to gather and share accurate data



Objective

Draw relationships between innovation performance and growth

Key Activities

- Prioritize Incremental Portfolio Value (IPV) above other metrics
- Translate corporate-level insight into division-level action items



Objective

Prioritize projects with the greatest potential for long-term growth

Key Activities

- Identify projects with the highest IPV score (i.e., those with the greatest contribution to growth)
- Shuffle the portfolio mix to include more high-value projects

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