

Assessing The Need for Innovation in Your Organization

While every organization recognizes the need to innovate to move forward, there are huge variances in the understanding of what it means. With many Executives believing “We’re good”, some recognizing “We need to be better at Innovation” (to meaningfully improve business outcomes), and a few who realize “there is a crisis in the making” (unless we successfully disrupt our business or the industry).

The challenge is to know how to assess the effectiveness of your innovation capabilities and future readiness of your organization. This reality check is required to –

1. increase relevance and revenue
2. attract new Customers
3. grow and expand markets
4. attract and retain top talent
5. demonstrate vision / look ahead
6. attract investment
7. create opportunities
8. provide high returns to stakeholders

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- A. inventing new products and services with high appeal
- B. creating new opportunities, markets, etc.
- C. evolving the business model, company culture, etc.
- D. developing the Mindset to innovate for impact
- E. becoming a more entrepreneurial organization

Question – Is your organization good at innovation to get these significant benefits ?

To help answer this question, please complete the following chart for your organization –

Organization Innovation Assessment

Valuation to Revenue Ratio	Valuation to Profits Ratio	Annual Growth Rate	Annual Return to Investors	Innovation Rating	Innovation / Future Readiness Status
≥ 4	≥ 30	≥ 12	≥ 12	A	Being a successful Innovator and future oriented company, the challenge is to determine where the money is going to be in 5, 10, 20 years.
3 - < 4	20 - < 30	8 - < 12	8 - < 12	B	Continue improving at II, SI, DI and being future oriented
2 - < 3	10 - < 20	5 - < 8	5 - < 8	C	Need to be better at II, SI, DI and being more future oriented
1 - < 2	5 - < 10	3 - < 5	3 - < 5	D	Need to be much better at II, SI, DI and being much more future oriented
0 - < 1	1 - < 5	1 - < 3	1 - < 3	E	Need for DI in near term (< 3 years) (crisis coming)
< 0	< 1	< 1	< 1	F	Need for DI now (< 1 year) (crisis situation)
_____ = _____	_____ = _____	_____ = _____	_____ = _____	_____	

_____ Insert number and rating for your organization

Innovation Legend :

II = Incremental Innovation to grow the business / H1

SI = Sustainable Innovation to improve operation efficiencies / H2

DI = Disruptive Innovation to meaningfully evolve / change the business / H3

For examples of applying these metrics to companies in the Fortune 500 to assess how well they are innovating for impact, see the following –

Innovation Status of selected Fortune 500 Companies

Company	Revenue	Profits	Valuation	Valuation to Revenue Ratio	Valuation to Profits Ratio	Annual Growth Rate 2010 - 2020	Annual Return to Investors 2010 - 2020	Overall Innovation Performance Rating
1 Walmart	\$ 559,151	\$ 13,510	\$ 382,643	0.7 = E	28.3 = B	0.6 = F	13.0 = A	C
2 Amazon.com	386,064	21,331	1,558,070	4.0 = A	73.4 = A	32.4 = A	33.6 = A	A
3 Apple	274,515	57,411	2,050,666	7.5 = A	35.7 = A	19.7 = A	29.6 = A	A
4 CVS Health	268,706	7,179	98,653	0.4 = E	13.7 = C	8.2 = B	9.3 = B	C
5 UnitedHealth Group	257,141	15,403	351,725	1.4 = D	22.8 = B	14.6 = A	27.5 = A	B
6 Berkshire Hathaway	245,510	42,521	587,823	2.4 = C	13.8 = C	12.9 = A	11.2 = B	B
7 McKesson	231,051	900	31,044	0.1 = E	34.5 = A	0.7 = F	10.4 = B	C
8 AmerisourceBergen	189,894	(3,409)	24,170	0.1 = E	(7.1) = F	- = F	12.8 = A	E
9 Alphabet / Google	182,527	40,269	1,392,562	7.7 = A	34.6 = A	16.1 = A	19.4 = A	A
10 Exxon Mobil	181,502	(22,440)	236,355	1.3 = D	(10.5) = F	- = F	(1.9) = F	F
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491 Patterson	5,490	(588)	3,088	0.6 = E	(5.3) = F	- = F	2.4 = E	E
492 Commercial Metals	5,477	280	3,717	0.7 = E	0.7 = E	- = F	5.1 = C	E
493 Boise Cascade	5,475	175	2,353	0.4 = E	0.4 = E	- = F	- = F	E
494 Hasbro	5,465	223	13,202	2.4 = C	2.4 = E	(5.1) = F	10.2 = B	C
495 A-Mark Precision Metals	5,461	31	360	0.07 = E	11.8 = C	- = F	- = F	E
496 Camping World Holdings	5,447	122	3,453	0.6 = E	28.2 = B	- = F	- = F	E
497 NetApp	5,412	819	16,176	3.0 = B	19.8 = C	12.0 = A	3.7 = D	C
498 Avis Budget Group	5,402	(684)	5,068	0.9 = E	(7.4) = F	- = F	9.1 = B	E
499 R.R. Donnelley & Sons	5,399	99	290	0.05 = E	2.9 = E	(8.1) = F	(17.1) = F	E
500 Moody's	5,371	1,778	55,885	10.4 = A	31.4 = A	15.9 = A	28.7 = A	A

* Based on FYE 2020 financial results : Fortune June / July 2021 issue. Amounts in \$ billions.

