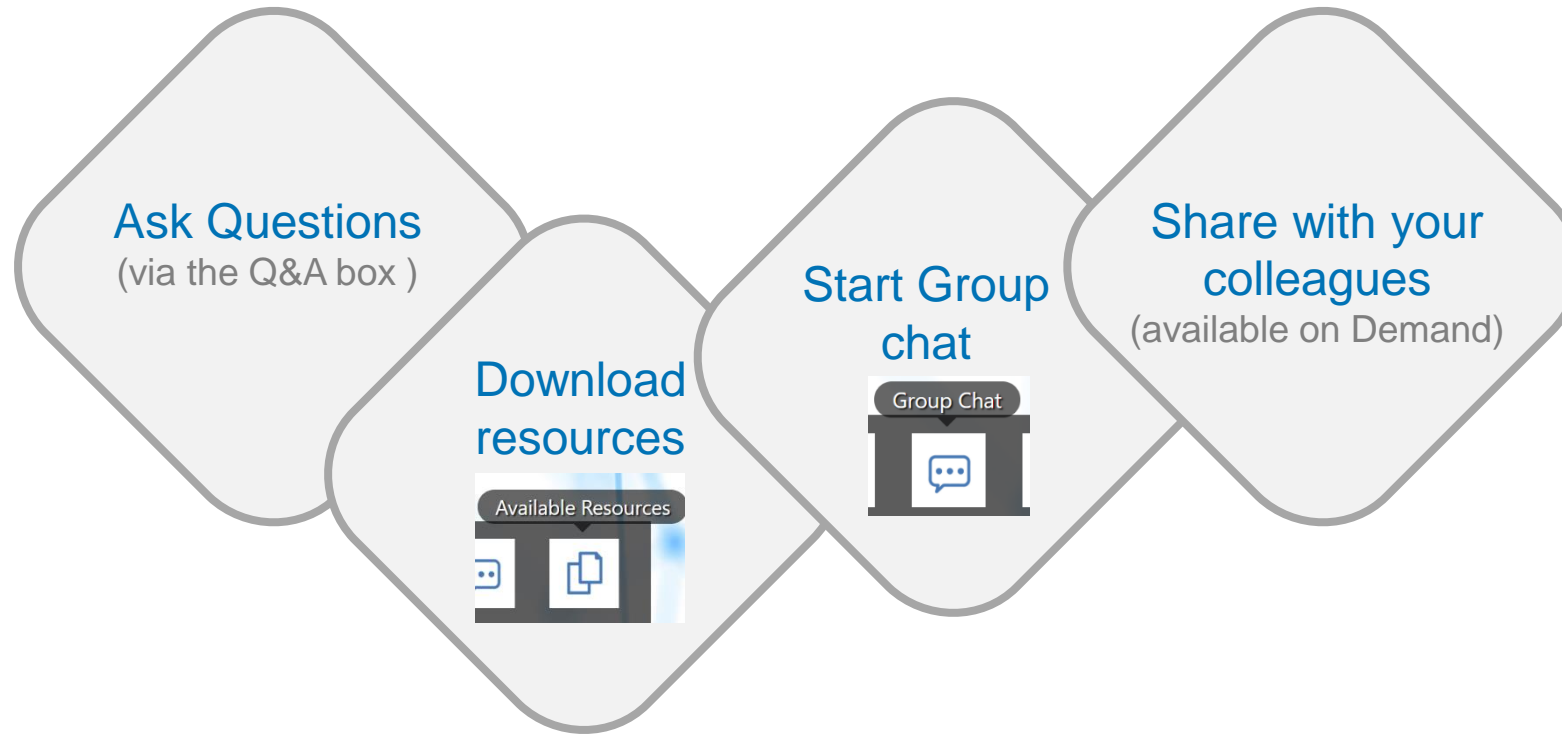


The Conference Board Special Webcasts

January 18, 2022 09:00 AM ET [09:00] (New York), 03:00 PM CET [15:00] (Brussels), 10:00 PM SGT [22:00] (Singapore)



Making the most of the webcast



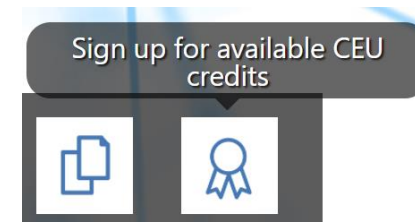
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Panelists:



Dan Toma

Founding Partner

Outcome

[Bio](#)



John Metselaar

(Moderator)

Co-Leader Innovation & Digital Transformation

Institute

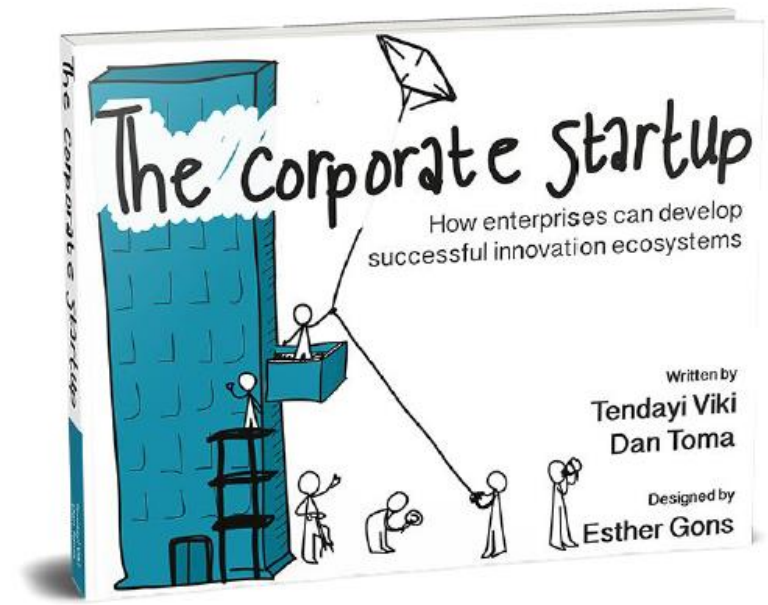
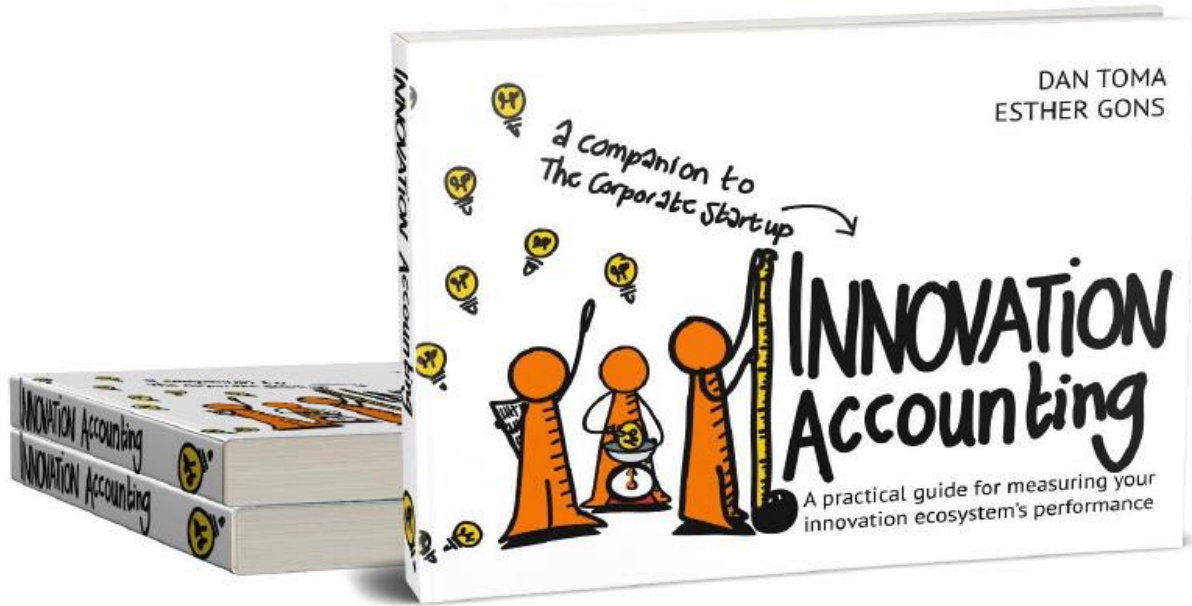
The Conference Board

[Bio](#)

Innovation Accounting: How to measure and account for innovation

Dan Toma
Co-Author The Corporate Startup & Innovation Accounting
Partner at Outcome





“

*The (lean) startup expert for
big businesses.*



About OUTCOME

We help companies transform while still efficiently operating their respective core businesses and we help leaders lead for the future.

In this capacity we worked with clients around the world helping them crack the code of ambidexterity, building growth beyond today's core.

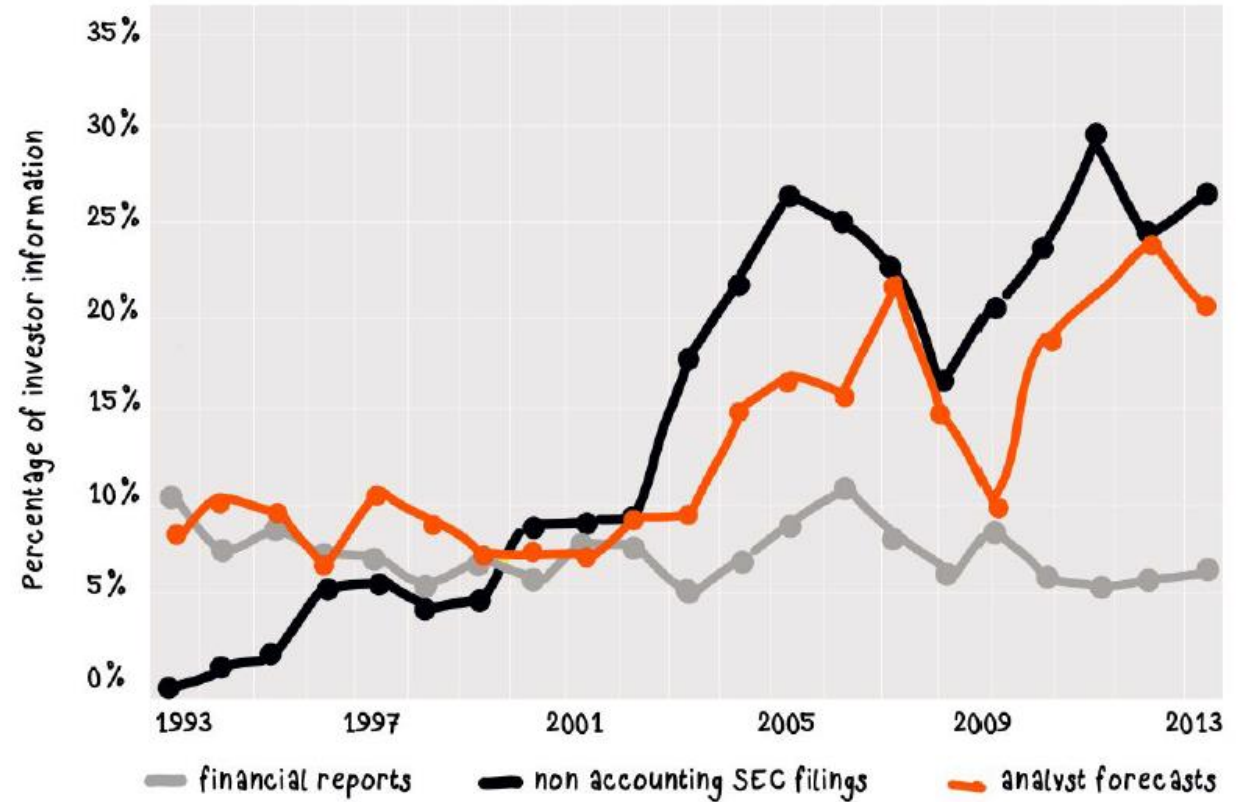


www.weareoutcome.co

@danto_ma | @weareoutcome

The value of financial documents is dropping

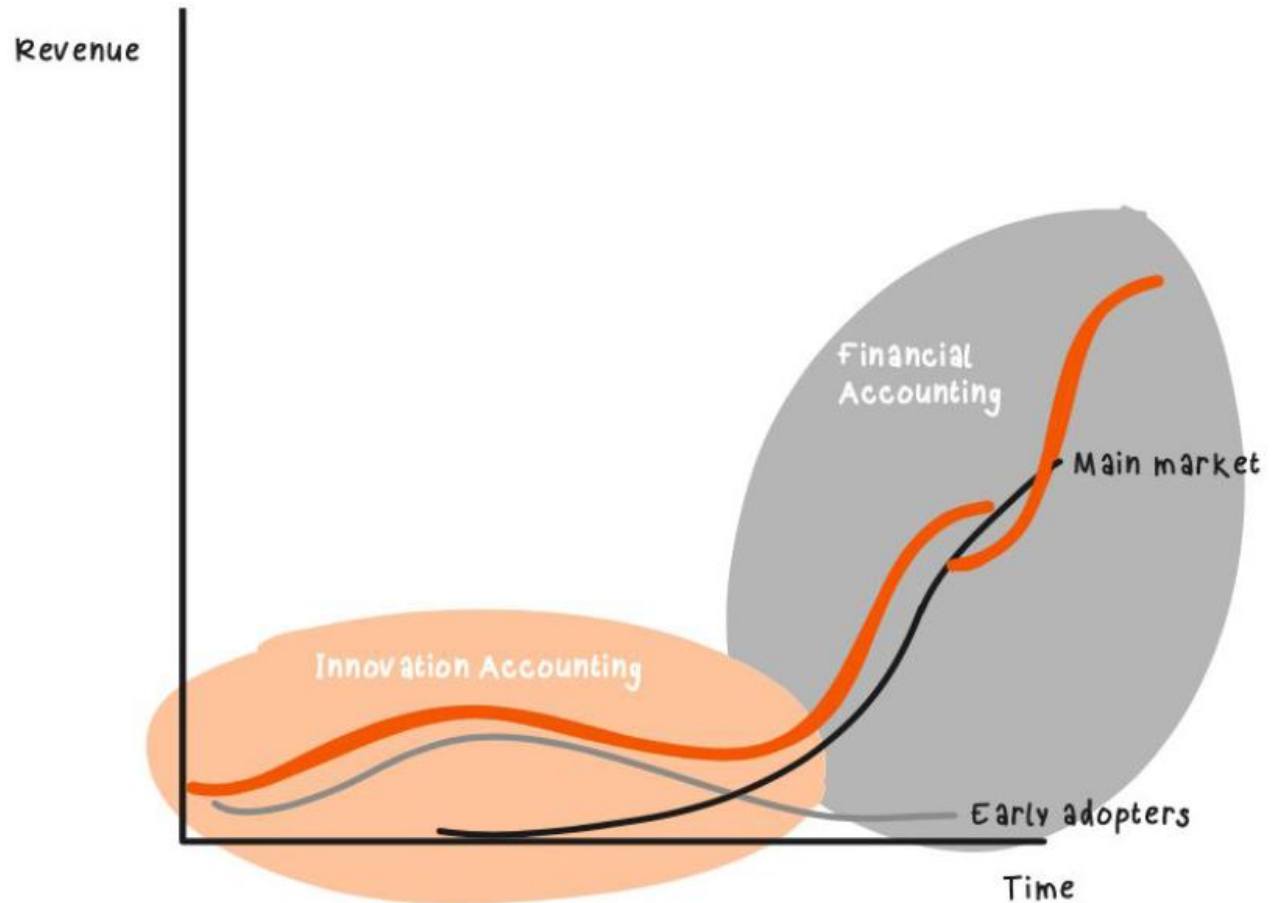
Investors are looking for alternative sources of information when it comes to their investments.



The need for innovation accounting

5 successful companies that weren't profitable for the first 5 years:

- FedEx
- Amazon
- Turner Broadcasting System
- ESPN
- Tesla



Conundrums of financial accounting



1. In spite of its fact based nature, financial accounting is a poor tool for understanding the potential of a new company, or of a new idea within an existing company.
2. Accounting-based financial reports show only the final outcome of asset deployment: revenue & earnings.
3. The financial accounting system can't measure something that hasn't happened.
4. The most valuable assets are not financially recognized.

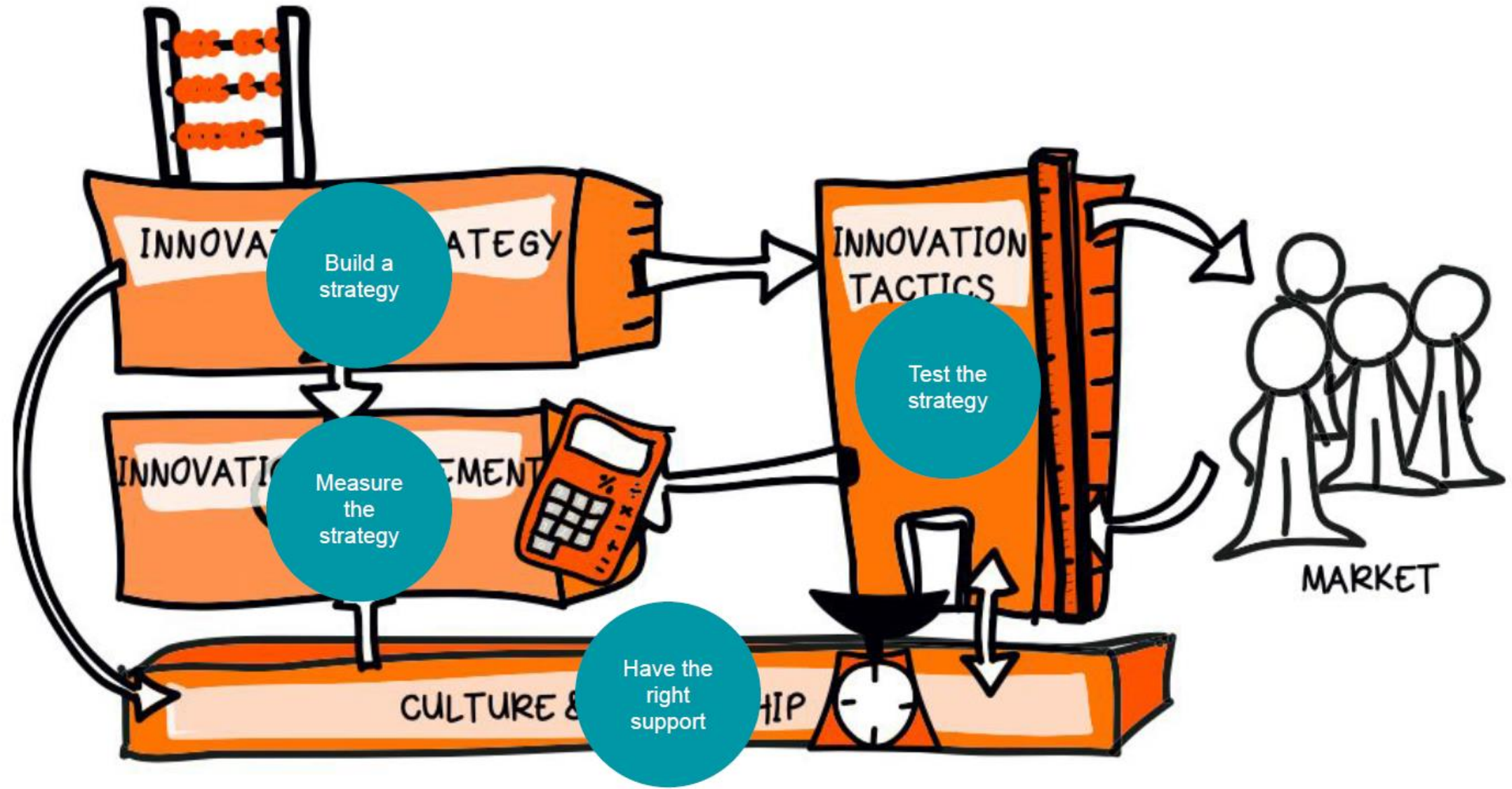
Innovation Accounting

/inə-ve-sjun ə-kao-nt-in/

NOUN

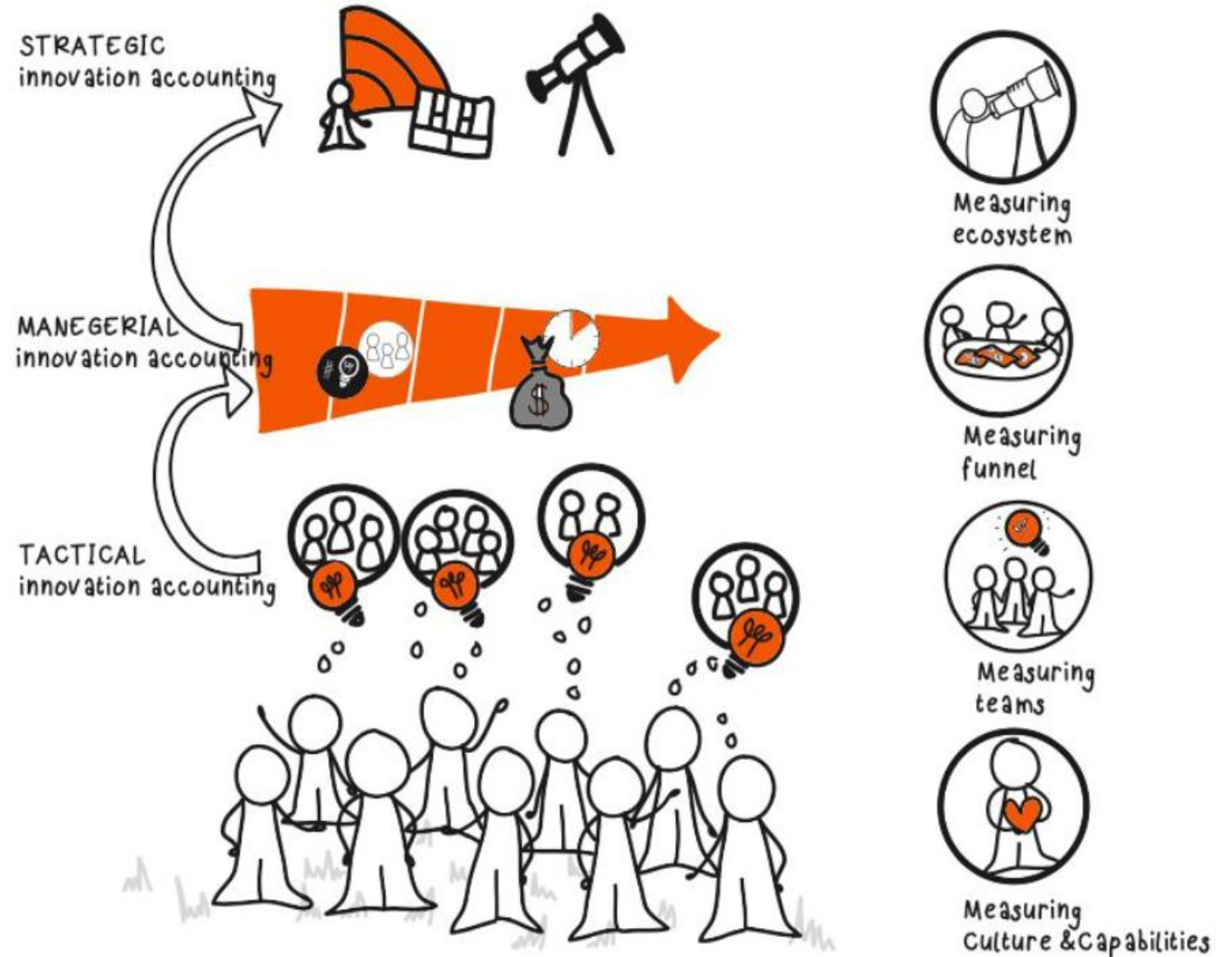
“an organized system of principles and indicators designed to gather, classify, analyze and report data about a company’s breakthrough and disruptive innovation efforts - working to complement the existing financial accounting system”.

How does an innovation ecosystem work



Innovation Accounting at all layers of the organization

Innovation Accounting is part of the management block but it manifests itself across all layer of the organization.



Performance and results



Input indicators:

- Result of other activities

Performance indicators:

- Measure the process
- Can be influenced by actions
- Are real time or have short delay
- Reflect the value creation process
- Can be extremely detailed and customized

Result indicators:

- Measure the outcome/impact
- Can't be influenced but can point to the source of the issue
- Are mainly lagging
- Are generic and/or cumulative

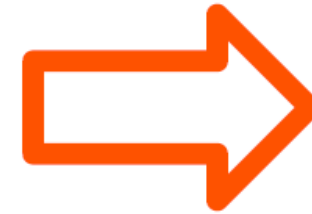
Measuring teams

KPIs

- Depend on the ideas' maturity (eg. p-s fit vs. scale)
- 'Learning velocity' and 'Experiment to learning ratio' for early stage ventures are good examples
- AARRR business model specific measurements for later maturity stages (eg.: conversation rate, cart size etc.)

KRIs

- Depend on the ideas' maturity
- Financial indicators for mature businesses
- **Confidence** in the ideal progress in to the next maturity level (confidence the idea's desirability, viability or feasibility respectively)



Measuring ecosystem



Measuring funnel



Measuring teams



Measuring Culture & Capabilities

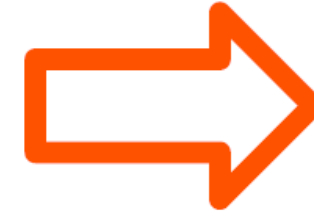
Measuring and managing the pipeline

KPIs

- Weighted value to cost ratio
- Standard deviation for value

KRIs

- Percentage of ideas progressed from one stage to the other
- Average cost per maturity stage
- Estimated likelihood of progression to the next stage
- Value to cost ratio



Measuring ecosystem



Measuring funnel



Measuring teams



Measuring culture & capabilities

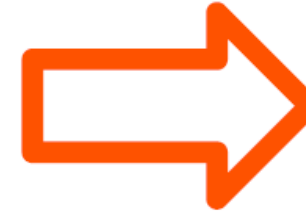
Measuring the ecosystem

KPIs

- Portfolio Distribution
- Innovation Funnel Investment Distribution

KRIs

- Cost of Innovation
- Innovation Profitability Ratio (IPR)
- New-to-existing Profitability Index (NEPI)
- New Product Vitality Index (NPVI)
- Efficiency of Innovation Investment (EII)
- Average Time to Sustain (ATS)
- Average Funnel Conversion Rate (ACR)



Measuring
ecosystem



Measuring
funnel

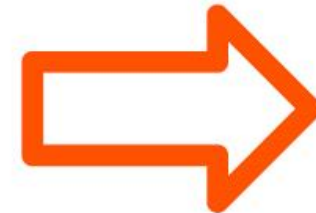
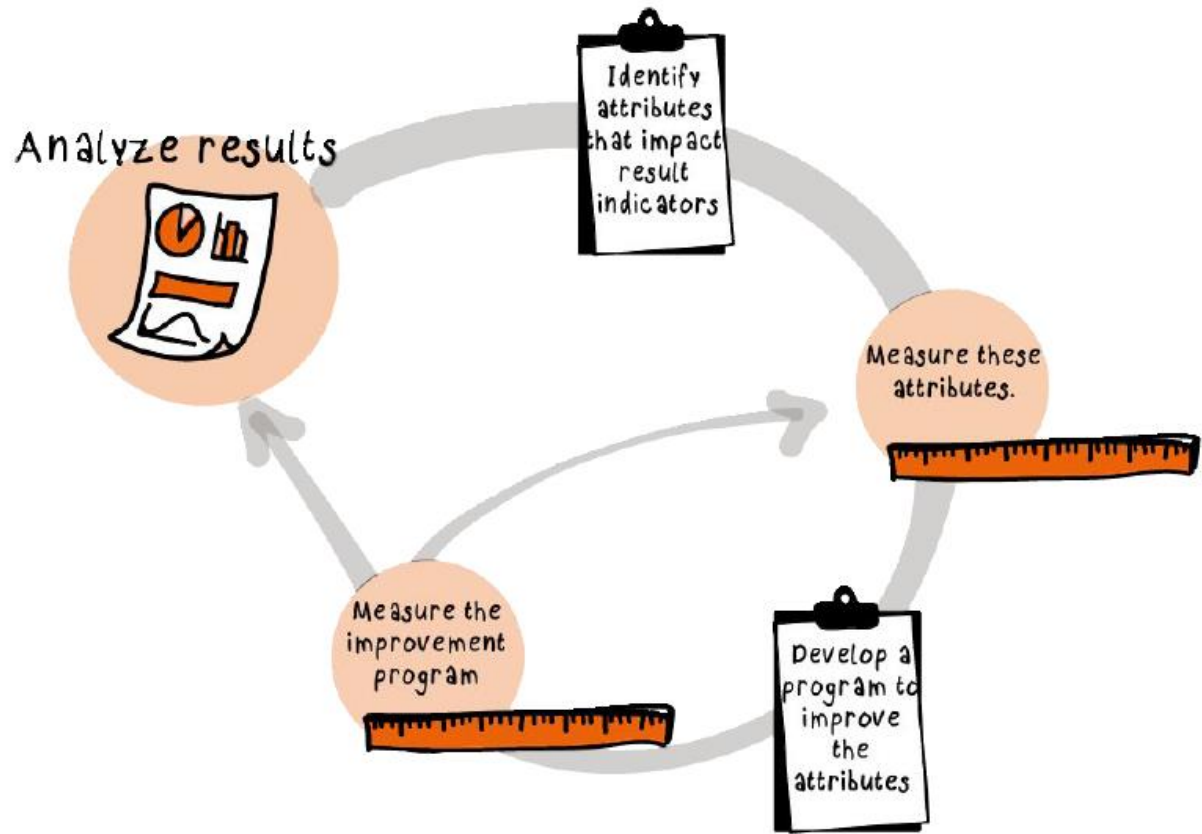


Measuring
teams



Measuring
Culture & Capabilities

Measuring culture and capability



Measuring ecosystem



Measuring funnel

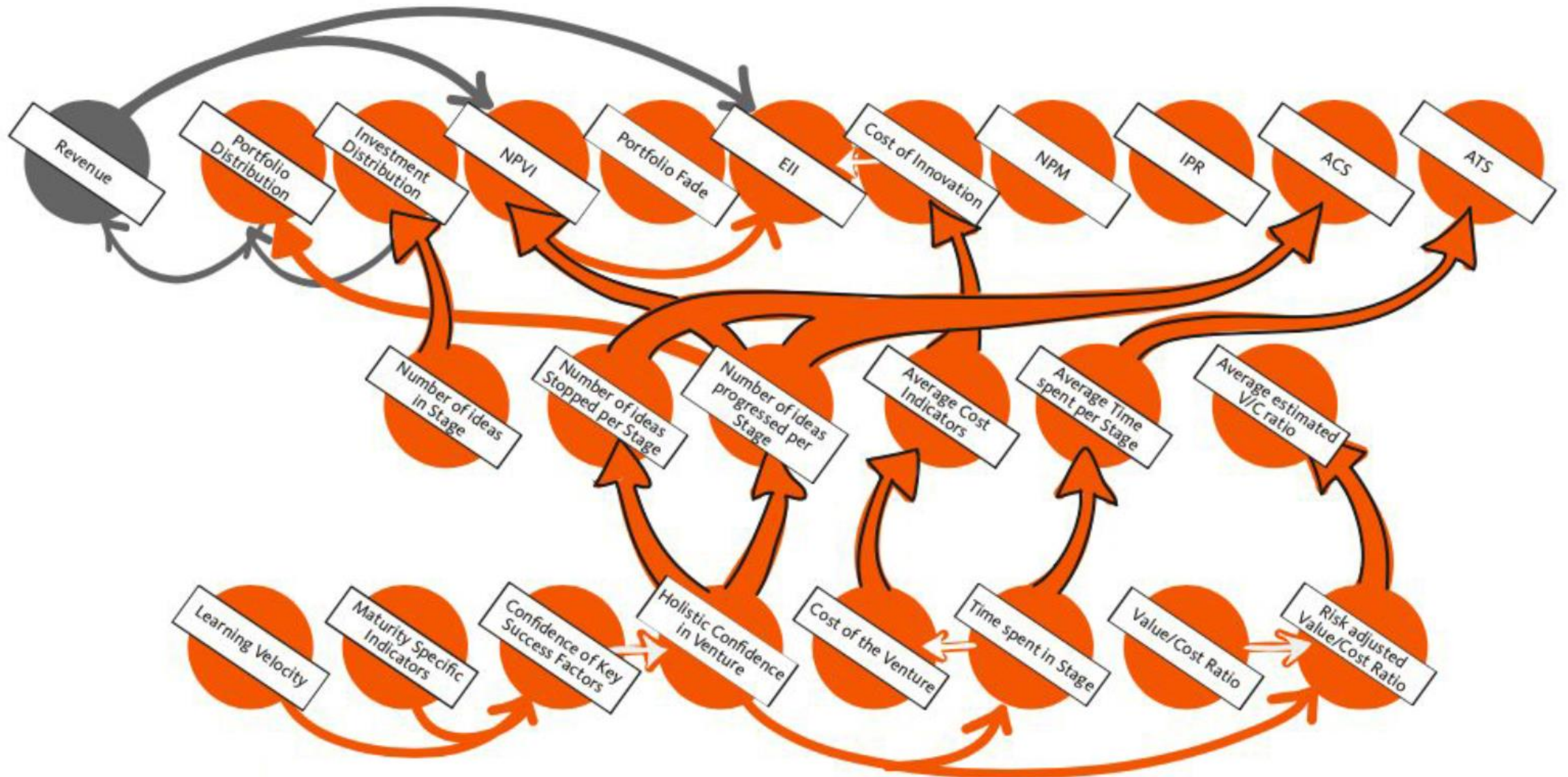


Measuring teams



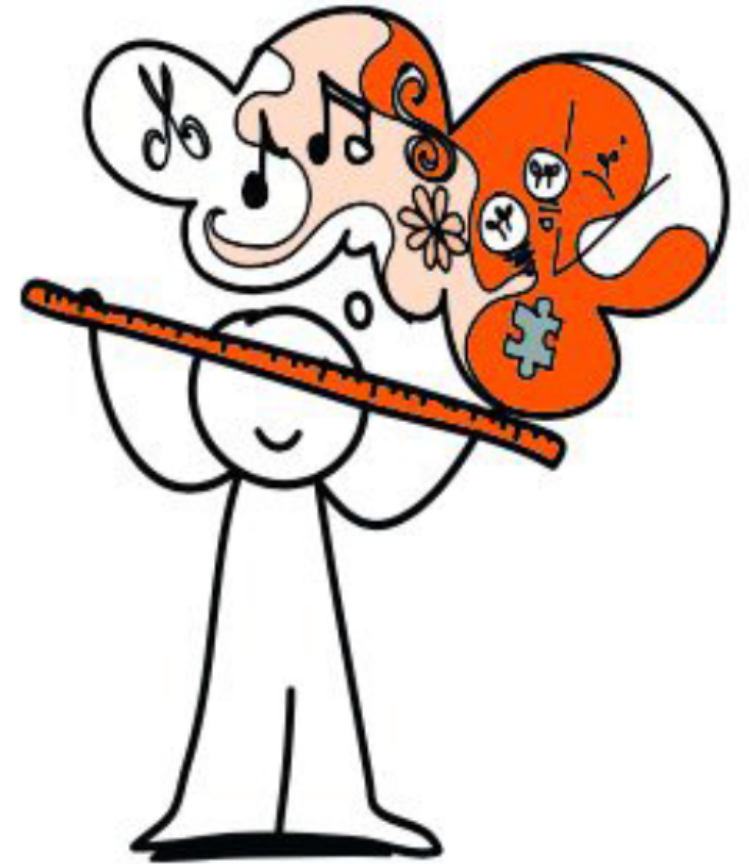
Measuring culture & Capabilities

Mutually supporting indicators



Benefits of having an Innovation Accounting System

- A way to take data based decision regarding your innovation ecosystem
- Track the cost and the impact of innovation in your company.
- Get earlier feedback on your innovation strategy. Financial results take time - innovation accounting can provide earlier feedback and help adjust the strategy
- Get input regarding the intangibles



Principles of an Innovation Accounting System

Company wide system



Abstract information



Surface intangible assets



Highlight risk of disruption



Help improve the innovation ecosystem



Bring focus on critical success factors



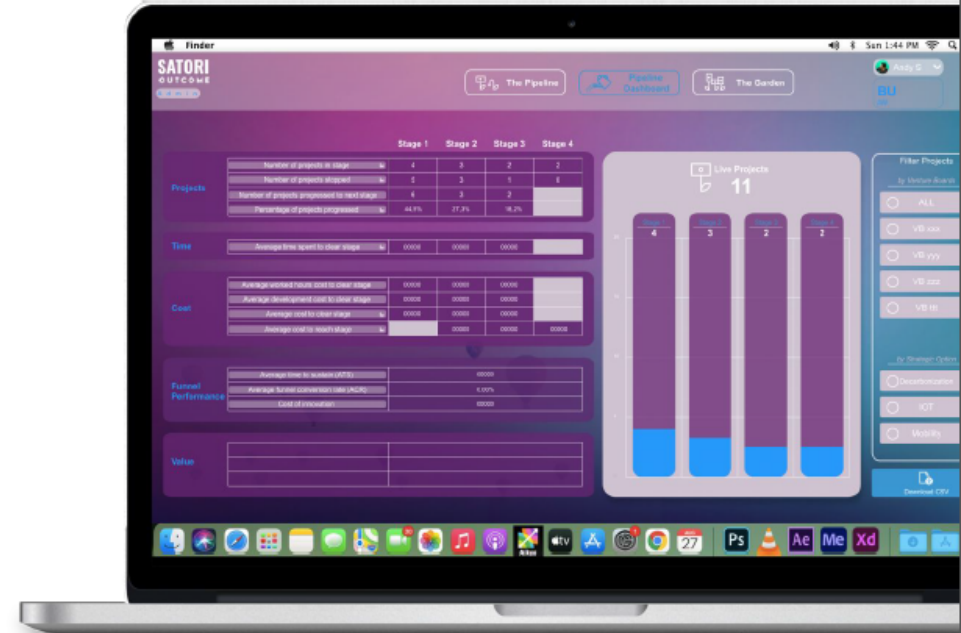
You can't do it pen and paper

Innovation accounting is a complex affair, you can start measuring innovation with pen and paper but once innovation grows in your company you need a software tool.

SATORI will help you:

- measure the cost of innovation
- measure your innovation strategy
- understand the potential value of your innovation funnel

More info: <https://satori.weareoutcome.co/>



- Innovation accounting is more than just measuring a team or a single part of the organization. Innovation Accounting is a system of measures
- Innovation accounting won't replace standard financial accounting, it will complement it. Both are needed
- You can't talk about innovation accounting if your organization is not mature enough innovation wise
- Managers can't influence results they can only influence the process, therefore measuring the process is important
- We change what we measure so let's measure what we value



Contact

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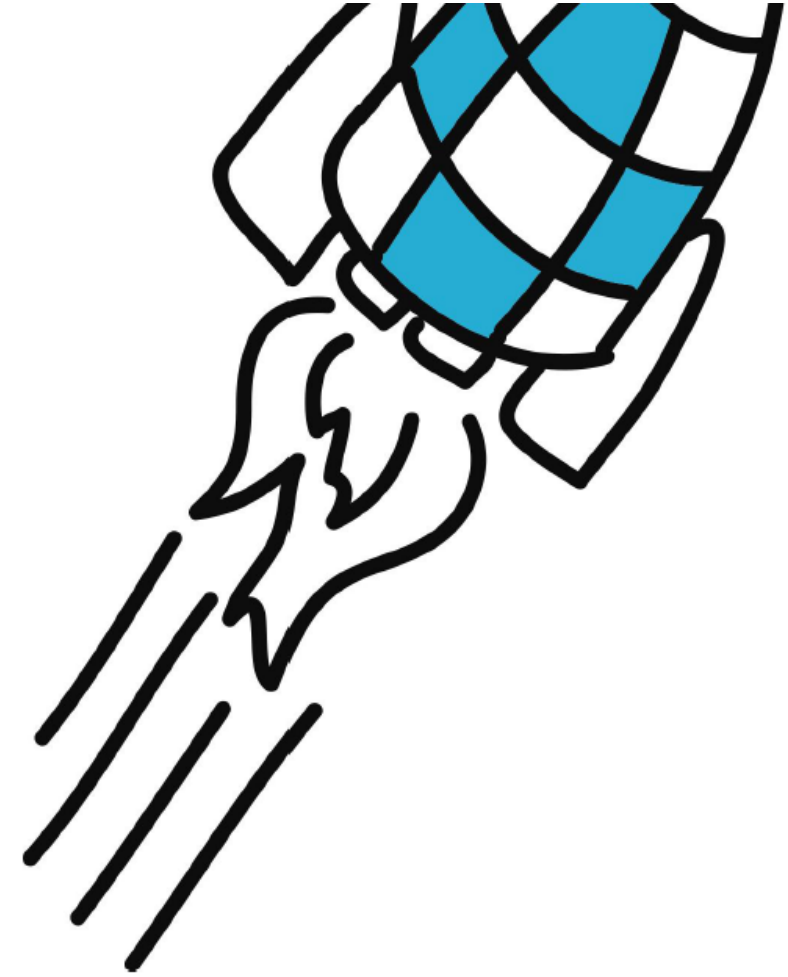
Website: danto.ma

thecorporatestartupbook.com

innovationaccountingbook.com

Twitter: [@danto_ma](https://twitter.com/danto_ma)

LinkedIn: [linkedin.com/in/dantoma/](https://www.linkedin.com/in/dantoma/)



Typical steps in creating a company wide innovation accounting system

#1 create a definition of innovation

#2 understand the maturity of the organization

#3 get buy-in for the implementation of an innovation accounting system

#4 implement a company wide product lifecycle and establish the KSFs for each stage.

#5 define the KPIs and KRIs most relevant for your company

#6 implement a Venture Board process, train manager and create the accompanying artefacts

#7 pilot the system in 2 business units

#8 review, adjust, scale

