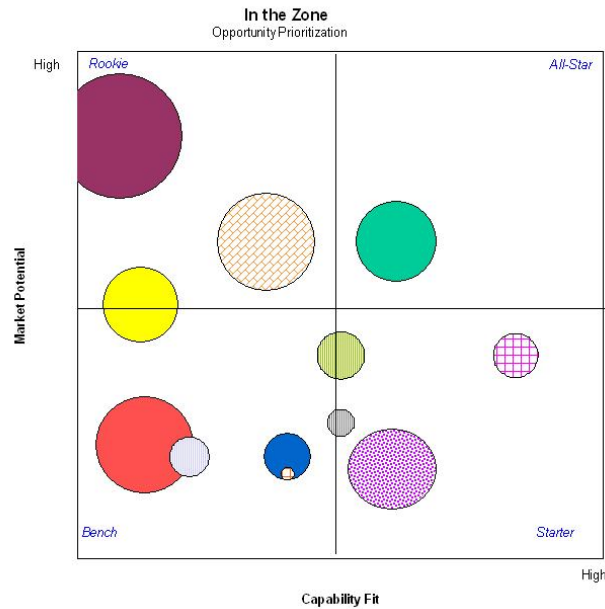


| Prioritizing Opportunities for Innovation | |
|---|---|
| Tracy Rusch Gates and Company | |
| | <p>Innovation is no longer an optional investment in today's marketplace, but with only one in seven product concepts actually becoming a commercial winner, the ability to pick the right projects for investment is critical.</p> <p>Generally, the primary drivers of innovation today are:</p> <ul style="list-style-type: none"> • Increased globalization of markets • Increased competitive pressure • Shortened product life cycles • Changing customer (and value chain participant) needs • Technology advances <p>Many businesses need to allocate scarce resources to many competing product and market development opportunities. This prioritization process is usually strategic in nature because it affects the long-term business outlook. It can also be difficult because they are often not directly comparable.</p> <p>To make this process easier, Gates and Company has developed a proprietary interactive model that both quantitatively and qualitatively compares opportunities and produces a simple chart (see sample below) that can be used for strategic planning purposes. The model uses several parameters to represent market potential, capability fit of the company, and the level of investment required for commercialization.</p> <p>This model is different from other -- seemingly similar -- models because it takes a company's core competencies (or capabilities) and market opportunity into account, while also analyzing a third parameter, resource constraints, or the company's ability to invest adequately to drive success. Although unseen on the surface, the most innovative aspect of this model is the algorithm that was developed to calculate the placement of the "bubbles" in a way that better reflects the type of analysis used in business planning.</p> <p style="text-align: center;"><i>- continued on back -</i></p> |



- **All-Stars (upper right) – High Reward / Low Risk.** These are the best opportunities, representing a large market with an unmet need that can be addressed with the company’s current capabilities.

- **Rookies (upper left) – High Reward / High Risk.** These are long shot opportunities because there is a large market with an unmet need, but the company needs to acquire additional capabilities to address that need in the form of a technical breakthrough or an acquisition or alliance with another company that has the technology, operations, and/or market access.

- **Starters (lower right) – Low Reward / Low Risk.** These are small, relatively simple opportunities that represent a share stealing opportunity from an existing competitor or addressing an unmet need in a small, niche market, either of which can be addressed with the company’s current capabilities.

- **Bench (lower left) – Low Reward / High Risk.** These are questionable opportunities and often difficult to stop pursuing once initiated. It is unlikely that they have high potential because the current market is satisfied with its existing products and/or it is small. It is also likely to be expensive to address because the company needs to acquire additional capabilities in the form of a technical breakthrough or an acquisition or an alliance with another company that has the technology, operations and/or market access. These opportunities should only be pursued if they are strategically important or if the company has excess resources after adequate allocations to opportunities in the other quadrants.

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