

Managing the Innovation Process: Evaluating Innovation Ideas (Excerpted from the SPARK Innovation Model)

If the first stage is carried out in the right way, lots of new ideas will be collected. There is a need for a stage where somebody with a cool mind and an eye for detail look at all the generated ideas to identify the pros and cons of each idea.

The validation of ideas with a wider circle of customers or beneficiaries can play an important role at this stage, usually through small focus groups or other similar means of interaction. A clear distinction needs to be made at this stage between admitted needs where potential users (customers or beneficiaries) have a clear understanding of the nature of the issue and latent needs and wants where potential users may require some training before being able to provide some feedback.

A good practice for evaluating innovation ideas is the consideration of the proposed innovation with regards to its usage from extreme groups of users (be it customers, beneficiaries or other stakeholders). The underlying rationale is if a new solution is easy to the people in at the extreme ends of a spectrum, it is going to be very easy for the rest of the targeted population. For instance if a new urban cultivation method is fine for an urban resident who has no knowledge of agriculture, then it would be very easy for the rest of the population.

Finally the evaluation of innovation ideas should address three different aspects: (a) the technical feasibility of these ideas (b) the social acceptance of these ideas and (c) the economic feasibility of these ideas as final outcome. Unless an innovation can respond satisfactorily to all three aspects, the innovation cannot flourish in the real world.

What does this mean for me?

You probably have many ideas you want to develop. With limited resources of time, money, and people how should a social entrepreneur decide what ideas have promise?



Key concept

Limited resources are useless if they are spread too thin, so focus your resources and attention on the most promising ideas for innovation.

What is the Balanced Scorecard and why is it useful?

3.2 Evaluating Innovation Ideas

Traditionally, the success or failure of a company has been measured on purely financial measures such as profit and loss, the state of the balance sheet, or the cash position of your organisation. But as you know, there are many more elements to a successful social enterprise than the bottom line.

The Balanced Scorecard is a tool to help you plan and measure your strategy beyond this financial element by bringing in additional non-financial criteria to measure success. It is a relatively simple exercise that can help you manage and improve your enterprise's performance against your social or environmental aims and objectives.

It will also help you decide between alternative activities to ensure you are meeting your long-term strategy.

The Balanced Scorecard – How does it work?

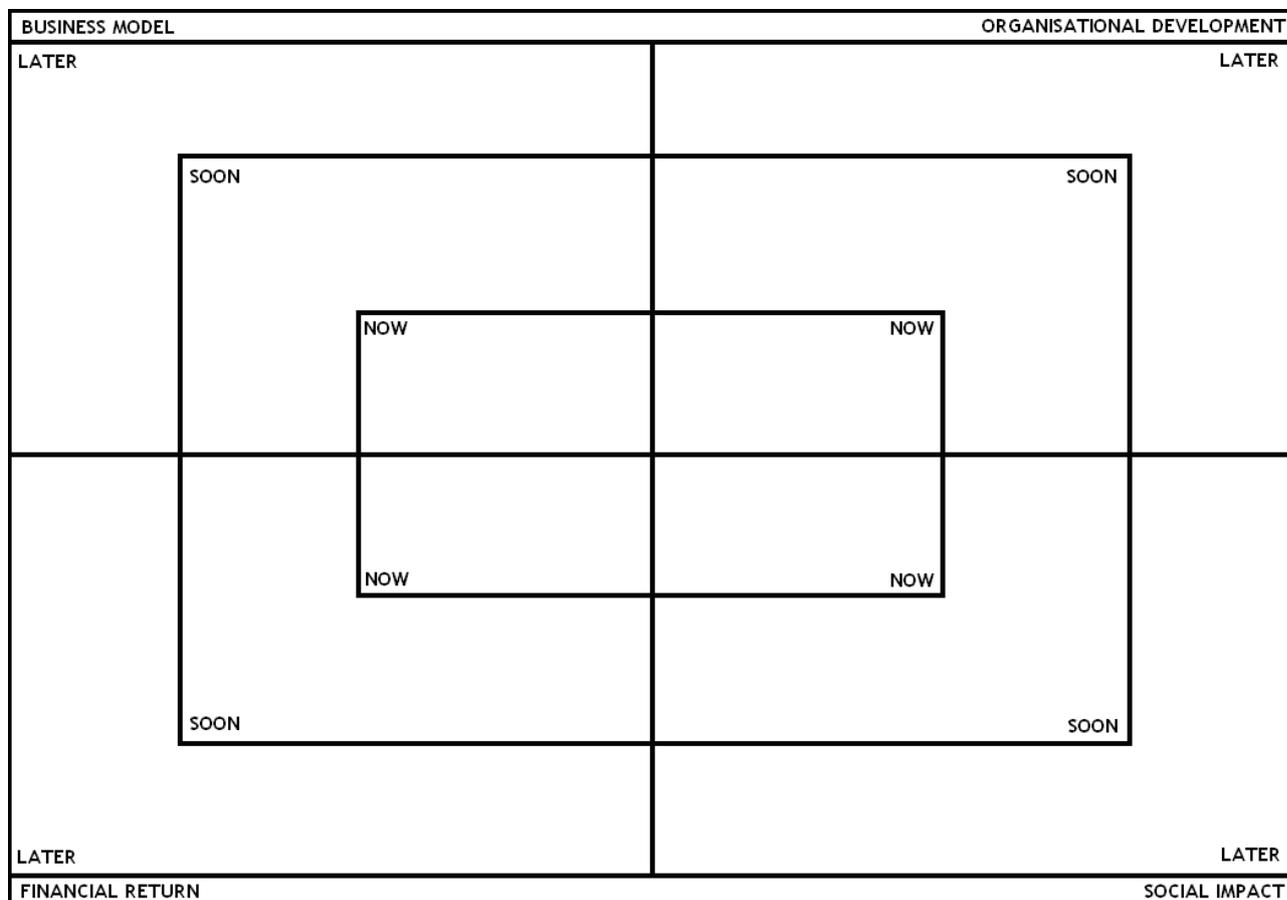


The Balanced Scorecard presented overleaf uses four criteria that are particularly relevant to social enterprises:

- **Social Impact** – this is usually where social enterprises start; you want to do something for society or the environment that will make the world a better place, and you have defined this in your vision and mission or in your aims and objectives.
- **Business Model** – this is about how your enterprise operates and the way in which your products and services support your social impact.
- **Organisational Development** – this is about the way you develop and grow your organisation, including how you recruit, promote and train your staff to deliver your social impact. Note that for certain types of social enterprises this can also be the main way they achieve their social impact, such as social firms (enterprises that employ a proportion of people that are severely disadvantaged in the job market).
- **Financial Return** – this is about being financially sustainable. No matter how well your enterprise meets its social impact, if you do not have the cash flow to pay your invoices or are not financially viable in the long term, you will go out of business and will not be able to continue meeting your social impact objectives.

The diagram below illustrates what a Balanced Scorecard looks like:

3.2 Evaluating Innovation Ideas



Using the standard balanced scorecard normally involves four stages:

1. **Set organisational objectives** in the short, medium and long term. This could be for example, this month (short term), in six months (medium term) and in two years (long term). Four to six objectives are normally enough. You should have already defined social enterprise aims and objectives that you can use or review for the Balanced Scorecard. If you haven't yet got aims and objectives, see our guide on Setting your aims and objectives.
2. **Write down your objectives** and allocate them to the appropriate sections of the Balanced Scorecard.
3. **Assign tasks and resources** that will be required to meet each objective. As those tasks are completed, you will know that you are on track to achieving your objectives.
4. **Monitor progress** against the Balanced Scorecard and review your activities in light of your objectives regularly.

Social enterprise example



Case Study

A start-up social enterprise wishes to provide training for young people who are not in employment, education or training (NEETS) to increase their employability.

Social Return

The enterprise begins drawing up the Balanced Scorecard by looking at their social impact objectives.

They decide that:

- In the short term: they want to begin training with two groups of ten beneficiaries as soon as possible.
- In the medium term this will rise to an additional 80 beneficiaries. They also want 50 of the beneficiaries to have work placements throughout the course of the programme.
- In the long term the aspiration is for ten of the beneficiaries to be in a stable permanent job and for 80% of the participants to report an increase in their confidence.
- These outputs and outcomes are captured on the Balanced Scorecard in the appropriate space.

Business Model

In order to achieve this social impact the social enterprise must deliver a product or service through its business model. In this case the enterprise begins by piloting a series of training courses paid for by the local statutory sector, for instance through a Job Centre Plus contract. Over time this is scaled up to support the increased number of young people using the programme.

Organisational Development

A work placement scheme is also put in place for the beneficiaries that have completed the training programme. The idea is that in the long term, some of the placements will be made permanent within local companies. To help ensure that these placements are available and effective for as many beneficiaries as possible, the social enterprise offers a staff support, development and mentoring programme to the local companies providing the placements. This could be all or part funded by the companies, or even by the public sector.

In order to ensure this business model works, the social enterprise has to develop its skills and capacity. They begin by incorporating the enterprise, and by appointing a programme coordinator and a qualified trainer/tutor. The capacity of the organisation is then increased

by recruiting an additional qualified tutor, an accredited assessor and a placements coordinator. In the long term the social enterprise will need infrastructure in place to manage the internal and external development of the business, such as staff training and facilities management.

Financial Return

All of this activity will incur costs which means funds are needed. In the short term, expenditure (including start-up costs) may be larger than the income of the organisation. Over time, however, training volumes will increase, generating more revenue for the organisation. Increasing the scale of activities is also likely to make the organisation more efficient which will reduce its costs. The new services will continue to generate income and contribute to the long term sustainability of the organisation. However, there will also be significant cost implications to delivering the placement programme and the mentoring scheme. The main costs will be related to the staffing costs, and knowing this in advance will help significantly in the planning of resources.

An example of the Balanced Scorecard used by this organisation can be seen overleaf.

To make sure your own Balanced Scorecard is a working document, keep it to hand - don't file it away in a drawer. Perhaps keep it on one page and pin it up over your desk, or scan it and use it as the wallpaper on your computer desktop. Once completed, the Balanced Scorecard can help you centralise many of your other documents and ensure that your activities, objectives and overall strategy are aligned at a glance. Refer to it when developing or reviewing your marketing strategy, operations, capabilities and finances.

Looking at new opportunities

The Balanced Scorecard can also be used as a tool to evaluate potential opportunities and to compare different scenarios in terms of scale of social impact, financial investment, financial return and business model.

Use it to help you assess the value of different opportunities for your enterprises and look into the risks associated with each opportunity.

A simplified version of this approach is downloadable as [2.1.4_3.2_Ex_Options appraisal.docx](#)

3.2 Evaluating Innovation Ideas

BUSINESS MODEL		ORGANISATIONAL DEVELOPMENT	
LATER	Staff development, mentoring and monitoring schemes implemented successfully	Staff development coordinator	LATER Mentors
	SOON Implement work placement scheme Delivery and scale up training course	Additional qualified tutor	SOON Work placements coordinator
	NOW Pilot training course	Recruit qualified tutor & coordinator Company registration	NOW Internal assessor
	training delivery cost: 8 x £6000 training price: 8 x £7500 SOON	staff recruitment cost: £5000 training development: £12000 NOW work placement programme cost: £50,000 price: £60,000	Employability training for young people: two intakes of ten students NOW 80 students receiving training 50 students in work placements SOON
	Support programme staff cost: £10,000 price: £15,000		ten students still in employment after 12 months
LATER			LATER
FINANCIAL RETURN		SOCIAL IMPACT	



Dig Deeper

- Balanced Score Card
- Options appraisal
- Opportunity evaluation
- Opportunity cost