

Fast & Furious: Automotive Innovators (Case)

Global car manufacturer shortens development times and eliminates unnecessary costs

Introduction

Product innovation is the most important activity in any company today. The increasing speed of innovation cycles is one of the reasons why this activity is also the most difficult to manage. The car company has the additional challenge of long product cycles combined with highly complex systems of components and suppliers. Your ideas need to be right three years in advance and you need to synchronise developments with a couple of hundred people at a time. The following realities for innovation remain consistent in any industry around the world:



Challenges

- There is **no economic linearity** in innovation: adding more people does not give more progress; spending more time does not earn success; and more money will not provide for higher returns.
- Ground-breaking innovation is **often misunderstood**. When breaking with the status quo, don't expect applause. The further an idea launches ahead the more it becomes a challenge for people to comprehend and accept.
- Innovation only happens **when everything aligns**. It starts with handling the individual sparks of ideas constructively whilst getting everything to come together at once. The right timing ensures success.

Case

Our client is one of the largest automotive producers in the world with development centres across the globe. The Research and Development (R&D) group requested help in effectively allocating resources to a number of development projects. A key requirement was to ensure a more objective and credible process to promote the economically promising projects.

The selected approach utilising a purpose-designed prediction market created a consistent and transparent way to prioritise the project portfolio and to allocate the right resources to achieve success. Our client was able to mobilise their people with our tools to achieve real global change:

Benefits

- **Communication** across departments became **faster** and **more focused**. Each innovation idea needed not only to fulfil a business case on grounds of performance indicators such as Expected Commercial Value (ECV) but it was required for other essential departments to assess its probability for success and economic prediction. The different perspectives of the organisation had a place to meet and discuss the likelihood that their innovation had a viable future.
- **Consensus** on **'What needs to be done?'** and not about **'Who is right?'**. Different views on the problem created friction between departments, led to disruptive politics and consumed an immense amount of time. The site focus and anonymity got people to stay on topic and discuss the merits of each argument in light of a specific prediction. If people doubted the revenue predictions or technical success for a certain feature it was discussed constructively and solutions found where possible.

- **Quicker time-to-market** for the projects with predicted success. After the initial business case is constructed, time passes. In the same way, market demands, the ability to deliver on the original idea and the ability to cope with problems also changes. The site became the continuing market place for assessments on the future. The predictive analysis provided the constant feedback on the portfolio. The team consensus supported decisions to use the resources on the projects with the highest likelihood of success.
- **Bottom-line results** available immediately and forecast into the future. On the site, each idea had its own market similar to the stock market. Revenue expectations for each feature or product could be translated into forecasts. This meant that unsuccessful projects were cancelled in a timely fashion, which in turn showed up in an improved bottom line. These forecasts provided substance for demand planning far earlier than before.

Conclusion

The automotive company used a stock market type setup for their innovation projects to create transparency and an objective management of the project portfolio. The client discovered a number of benefits, which it did not anticipate. Since the first case was made the prediction market site has expanded into different geographies and is used in multiple situations. The reasons are strikingly obvious but important nevertheless:

- **Creativity** is, unlike execution, not a linear process. Gated processes or project governance work in managing the process but curb innovation. Even for the best minds it was difficult to find the best solution for a problem but when one person in the community had it, everybody knew instantly it was the right one. The lesson is that the more people contribute to innovation the better the outcome.
- **The end result** is the goal, and not the journey to it. This applies especially to innovation. Using the constant feedback from the prediction markets, we found that some of the most likely success candidates could fail the test of time and unlikely ones create incredible solutions. The lesson is to be clear, specific and concrete in the results but flexible in the approach and solutions.
- **Don't be afraid** of people and their opinions. An idea that makes sense now, may not make sense when the product is launched. Keeping everybody constantly appraised on what project leads wanted to achieve and how they were doing, provided an opening to discuss risks positively for the first time. The lesson is to keep the discussion open and constructive to tackle adversities early.

THE BIG ISSUE

What are the issues that really need solving?
When we think about progress, we often don't think further than a couple of years. However the following questions will affect the generations to come and we can do something about it now:

- How will the automobile make sense in the economies of China and India?
- When and how will we become independent from fossil fuels?
- What place will mobility take in the 21 century and which solutions will we have?

If any of these questions are important to you, please get in touch on futuremobility@predicat.com and help us drive change in a big way.

If you require more insights on the technology and approach contact us at [predicat](http://predicat.com) on +49 (89) 2555 730-0 or ask@predicat.com to see how we can help you accelerate you capability for innovation