Best practices

Title: 70-20-10

Identify a problem

The 70–20–10 model is often used. This has been used by some of the biggest corporate giants, but can you replicate this ratio in your own organization?

Short summary

Many organizations have adopted the 70:20:10 model to drive innovation. This model suggests that you should invest your focus and capital in the following ways: 70% on core initiatives, 20% on adjacent projects, 10% on transformational projects.

Description

The origin of the model comes from the theory of learning. This model is so popular that Google bases its innovation investment on it. Also, other companies that have successfully used this method are Apple and L&D.

According to the 70:20:10 innovation model, your organization should invest about 70% of its time and capital on improving existing products. These tend to require a lower financial investment and fit your current customer base and work processes.

You have to invest about 20% on adjacent projects, because adjacent projects are similar to your current business, yet still a new market. No matter how successful your organization, service, or product is; eventually, you will need to adapt and change to meet new market needs. Investing in adjacent projects allows you to control and take the lead in this process.

Transformative and innovative projects can be risky, which is why resources spent on it are limited to 10%.

Impact (optional)

A great benefit of the 70–20–10 rule is that companies have the chance of becoming more disciplined with their operations. Inherent biases prevent leaders from investing across all three horizons. Thanks to this allocation model, the ideas you might have forgotten about or ignored, can now surface, and turn into assets. Managing innovation as a portfolio means that you can manage the balance of investments in the company's initiatives and support future growth. Even more, innovation becomes more predictable because when you have several projects to consider it's easier to make more reliable forecasts.

Lessons learned / Conclusion

While often called "the rule of innovation", 70–20–10 is not really a rule, it is rather a starting point. You should take upon yourself to alter the ratios according to your company's profile and needs. This is because success in innovation looks different for each company and internal structures, as well as external factors can influence the balance.

References:

https://www.itonics-innovation.com/blog/702010-rule-of-innovation

https://www.itonics-innovation.com/blog/how-to-innovate-and-scale

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