



WHEN EVERYONE OWNS INNOVATION, WHO DECIDES IT'S SUCCESSFUL?

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Innovation Defined

What Does Good Look Like?

LivaNova

FROST & SULLIVAN





Key Principals for LivaNova in Clearly Defining Innovation

We needed to make sure all team members could see themselves in the journey of Innovation

Distinguish between process innovation and product innovation

Focus on the criticality of incremental innovation; this is what ensures progress

“Innovation is the process of delivering differentiated value to the Market.”

(Economist David Teece)

So, How Do We Measure Innovation?

The Innovation Scorecard



Freshness Index

Measures the percentage of a company's sales derived from products approved within the past five years



Milestone Attainment

% of project milestones set that are achieved on time



eNPV

(est. net portfolio value)

A measure of the risk-adjusted value of the current pipeline



Revenue to R&D Spend Ratio

% of Revenue spent on R&D

FRESHNESS INDEX

A Look Back



Functional Teams
Who Will Want
Input

- Sales, Finance, Regulatory
- Critical to be clear that this is an Innovation metric, not a Commercial metric

When is a product
“fresh”?

- New SKU?
- Anything that goes through a PDP?
- Who decides on edge cases?

When is a new
product part of this
calculation?

- 1st regulatory approval?
- 1st shipment?

MILESTONE ATTAINMENT

The Current State of Your Portfolio



Aim for 80% completion



Teams and Project Heads can't be so focused on this metric that they cut corners or hide risks



Celebrate wins broadly and openly, but also look for opportunities to showcase strategic risks, even when they result in unplanned outcomes



Standardize milestones across portfolios whenever possible to create a shared reality and common language



If key project milestones are tied to larger, strategic corporate goals, ensure clarity of their ties to that enterprise strategy

ESTIMATED NET PIPELINE VALUE

Where Innovation is Going



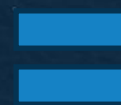
*Provided by Finance
and informed by the
Business Case*

Raw eNPV



*With clinical and
regulatory risk
considerations*

Apply Net Risk
Adjustment %



*Forward-facing
measure of Innovation*

Risk Adjusted
eNPV

Criteria for risk adjustment:

- Presence of a clinical study
- Regulatory Pathway
- Current stage gate

THE BOTTOM LINE OF INNOVATION SUCCESS

The 3 Rs



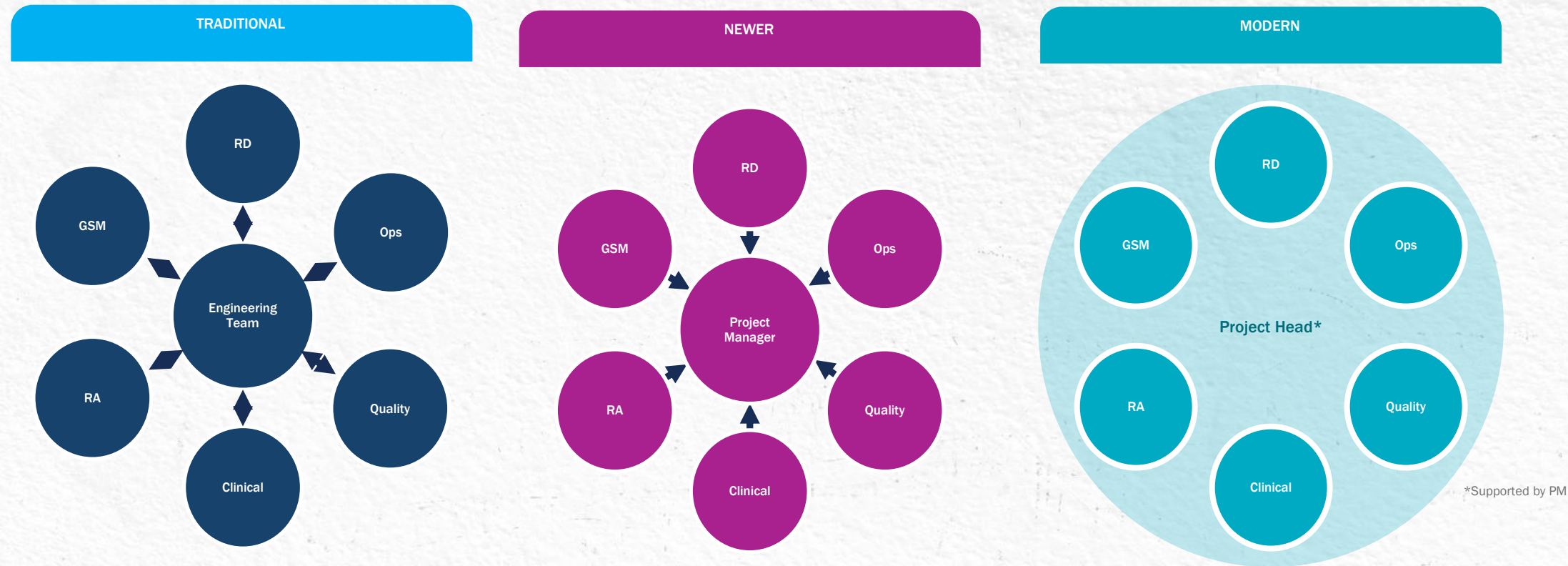


LivaNova's Innovative Operating Model

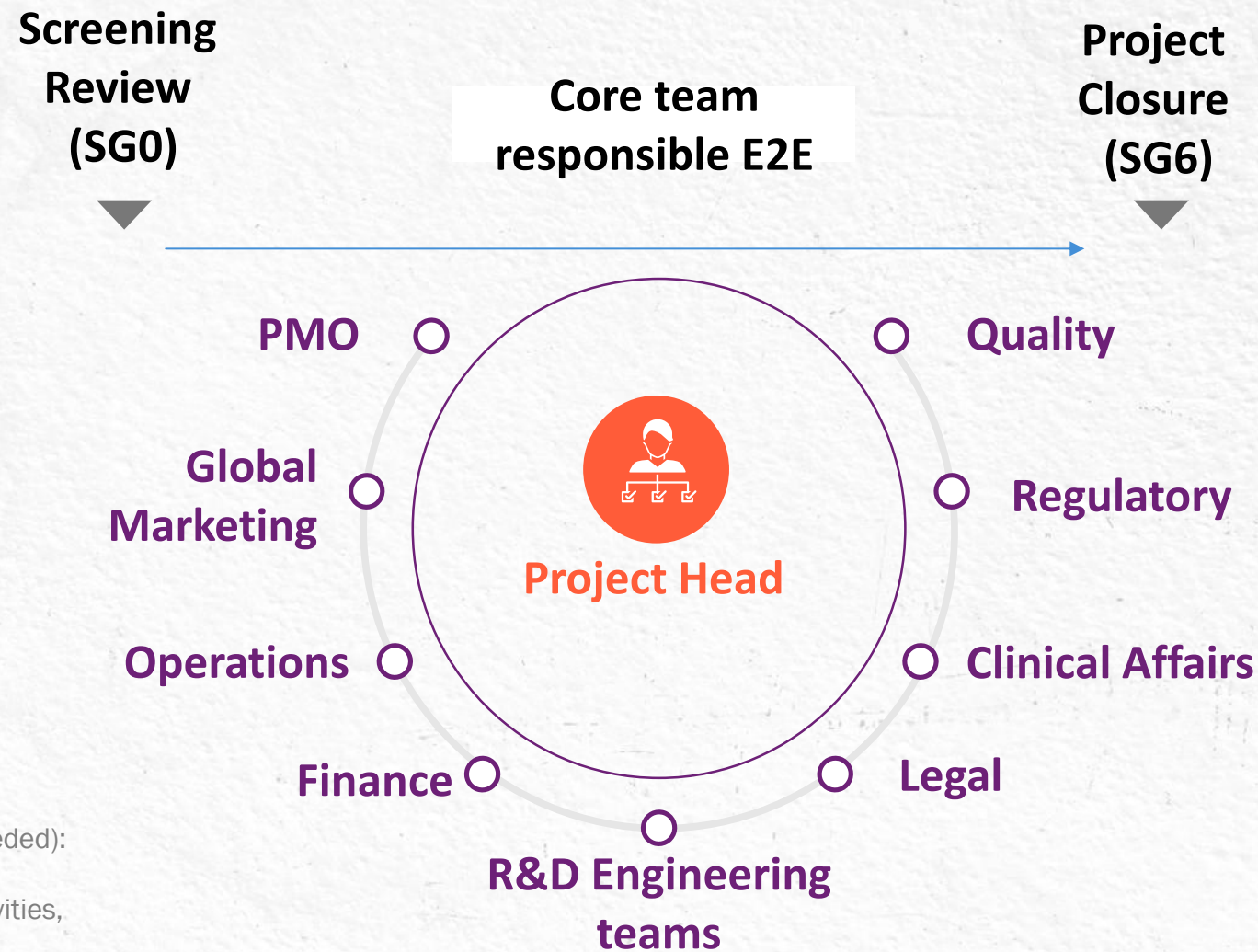
Supporting clarity in decision-making, success criteria, and escalation pathing

THE EVOLUTION OF OUR OPERATING MODEL

LivaNova's Team Structure Focusing on Supporting Innovation



THE PROJECT HEAD LEADS A CORE TEAM OF CRITICAL FUNCTIONS



- Core team to be led by a single Project Head (PH) with strong technical and business expertise, responsible for guiding the full core team through the PDP stages
- Project Head to own comprehensive execution and oversight of the PDP for a project, and steer core team
- Project Head to be supported by a Project Manager (PMO), responsible for planning and tracking of projects along the PDP
- Functional core members responsible for co-ordinating within their respective functions to drive their relevant deliverables forward

Extended Core Team (As Needed):
IT/Product Security, SCM,
Customer Service, Field activities,
Medical Affairs, HE
Reimbursement and Market
Access, ...

PROJECT HEAD AND PROJECT MANAGER: A CRITICAL DISTINCTION



- Accountable for end-to-end execution and serves as single point of ownership
- Accountable for final execution decisions and driving Core Team decisions (challenging approach)
- Delivers against Target Product Profile (TPP)
- Accountable for overall cost and timelines, including integration points within project and prioritization of activities



- Responsible for overall timelines and integration points within and across the projects including prioritization and tradeoff assessments
- Identifies program risks and supports mitigation definition and execution
- Ensure execution of technical risks and integration into timeline
- Facilitate and support design reviews/stage gates and driving accountability with functional teams

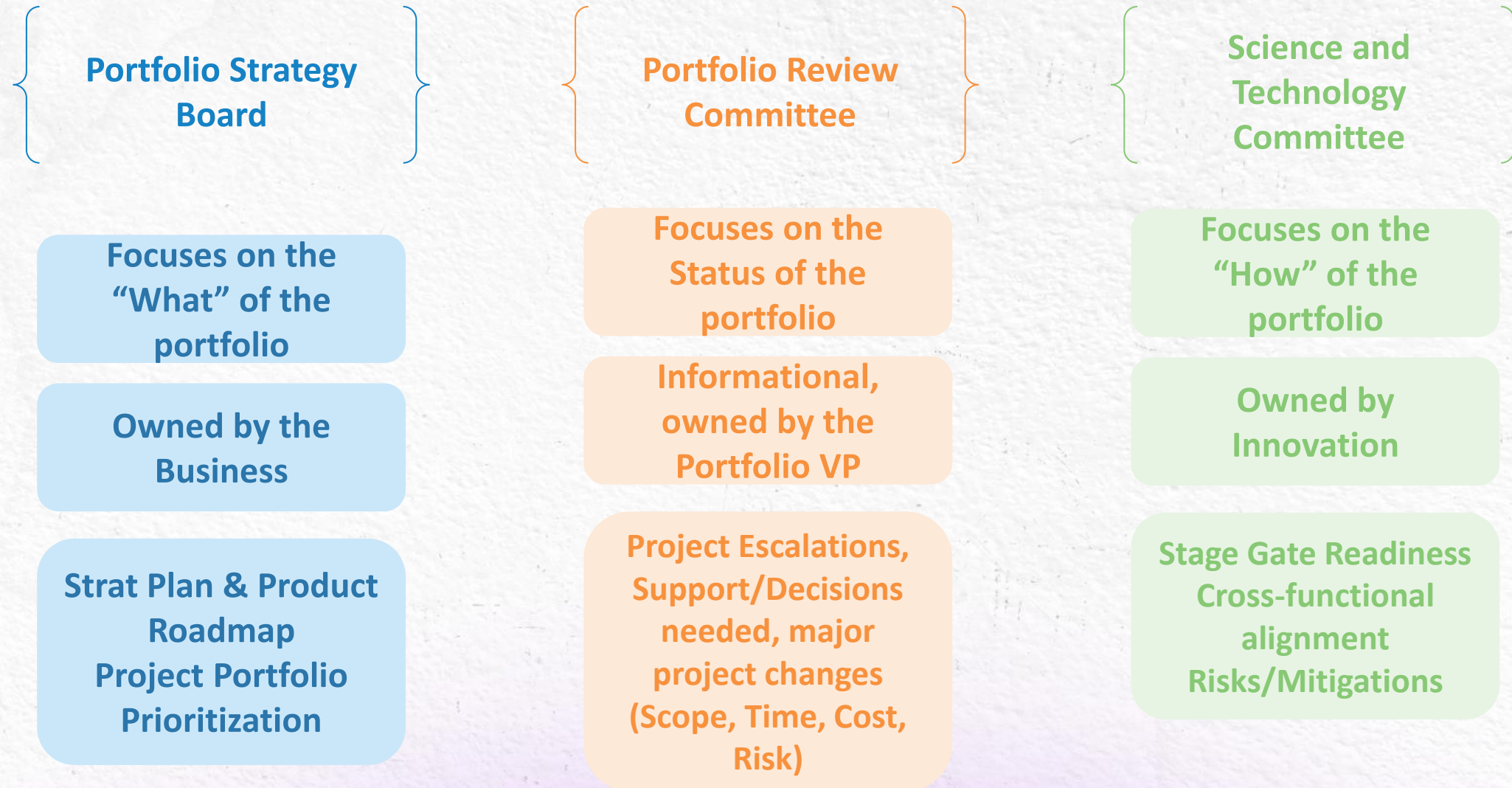


A Note on Governance

Separating the “What” and the “How”

3 PRIMARY FORUMS

Everybody loves Governance





None of the Matters Without the Right Culture

How we're creating the environment we all want to work in

CULTURAL GUIDELINES FOR HOW WE INNOVATE

Challenging Our Teams and Partners to Think Differently



01

Create physiological safety but be unapologetically candid.

02

Understand that collaboration does not mean all opinions are relevant and should be considered. Good collaborators know when not to collaborate.

03

Be comfortable with leadership conflict. No conflict will just make your organization mediocre.

04

Always be paranoid when you are winning. This will help you understand your competitors.

05

Process/Governance is not bureaucracy.

06

Your knowledge and expertise can become your blind spot.

07

Don't rely on your expertise to lead. You are there to ask questions, validate assumptions and challenge perceived constraints.

THE 5 DIMENSIONS OF AN INNOVATIVE CULTURE

How We Expect and Encourage Our Teams to Operate



“I can be honest about my thoughts and I’m not afraid to hear yours”

Set the example of psychological safety; recognize task/ relationship conflict; choose to believe in positive intent

“I think critically”

Focus on inclusion, but know when to collaborate; choose diversity of thought

“I am willing to reconsider my position; I have an open mind”

Build confident humility; beware of confirmation bias & desirability bias

“I seek first to understand, then to be understood”

Be sincerely curious; ask questions to better understand

“I have a healthy relationship with risk & I am willing to fail strategically”

Learn how to identify strategic risk; develop prototypes; celebrate failure, learn quickly, & improve

LivaNova

F R O S T  S U L L I V A N



Bringing It All Together

