



ACE

Allied Consultants Europe

In Search of Innovation Excellence
Identifying key drivers for top-performance

European Innovation Survey 2005

Foreword	3
Allied Consultants Europe (ACE)	4
Purpose and Key Questions	5
Executive Summary	6
Analysis	9
A Sample	9
B Innovation in Europe – Status Report.....	10
C Comparing Industries and Countries	12
D Innovation Excellence	15
Introducing Top and Low performers.....	15
Strong Leadership and Culture	16
The Innovation Process	18
Supporting Organisation	20
Recruiting and Rewarding.....	22
Progressing from Words to Action	23
Innovation Strategy.....	23
Innovation Organisation, Culture and Leadership	24
Practising Innovation	25
ACE Innovation Consultancy	25
ACE Partners and Contacts	26

Foreword

Along with increasing employee welfare, European competitiveness has been eroding for many years. The EU has set an agenda to restore European competitiveness at the macro level, the so called Lisbon Agenda. The sense of urgency has become apparent as China and peripheral countries are sustaining their booming economies and other fast growing economies are rising in the Near and Far East. Given that innovation is the key driver to restore and maintain competitiveness, how do companies act upon the need for innovation? How do they manage their own renewal?

It is not surprising that innovation is attracting a lot of interest among top managers in all kinds of organisations and that it is hard to find the answer to the question: “How do we become an innovative organisation?” Some organisations seem to be better equipped than others to continuously innovate and thereby gain an advantage in the market and in their (financial) results. What are they doing, is it a question of strategy, of organisation or of culture? Or is it maybe a question of having the “one” visionary leader?

This report sets out the results of a pan-European survey carried out by Allied Consultants Europe. It highlights our findings on key drivers for successful innovation. We feel that these results could make a major contribution to improve innovation in your organisation. If desired, we would be more than happy to be of further assistance.

Please find the list of ACE-partners and contacts at the end of this report.

Jörg Glaser-Gallion
President of ACE

Allied Consultants Europe (ACE)

Allied Consultants Europe (ACE) is a European strategic partnership of change management consultancies who have been working together since 1992. With partners in The Czech Republic, Denmark, England, France, Germany, Sweden, The Netherlands and Switzerland, ACE has built a strong European profile. Through the local ACE partners, customers gain access to a common European platform with unique know-how about local and European conditions.

With a rare combination of local presence and international vision, ACE has a proven track record of change management through people. ACE focuses on the major dilemmas and challenges faced by clients - which invariably have to do with planning and implementing complex change processes, across borders. As specialists with a strong people focus, ACE consultants work closely with clients to involve the whole organisation in the change process. ACE consultants guide companies effectively throughout implementation and obtain sustainable results. Perhaps most significant of all is the fact that ACE consultants know how to integrate local requirements by applying practical experience and cultural awareness.



Purpose and Key Questions

The survey was carried out amongst companies and non-profit organisations in all major industries throughout seven countries: Germany, The Netherlands, Switzerland, France, Denmark, Sweden and The Czech Republic.

Before conducting this pan European study, our hypothesis was that there are different interlinked variables that are the key drivers for success when it comes to innovation. We were looking for both “hard” drivers like structures and systems as well as “soft” drivers, like culture and leadership. The idea was to find a group of top performers and analyse what they do to stimulate innovation. We were also interested in finding low performers in order to find out what they were lacking in terms of fundamental innovation capabilities.

The main research questions were:

- What is the value of innovation?
- What is good innovation practice in Europe?
- How does an organisation become an innovative organisation?

Defining innovation:

In the survey we have used a definition of innovation that is not limited to products or services:

“Innovation is the translation of an idea into a new product, service, process or business model which adds significant value to your customers and your company.”

(Allied Consultants Europe, 2005)

Executive Summary

Sample

Almost 600 managers from seven European countries responded. 56% of them are in general (top) management positions. Each of those responding represents one of the following industries: Utilities, Industrial Goods, Technology / IT, Consumer Products, Retail, Media / Entertainment, Financial Services, Public Services.

Innovation in Europe – Status Report

The survey confirms that there is no doubt about the importance of innovation across all industries and countries. Also, those companies that don't yet perform well in innovation do nonetheless see the need for improving on this subject.

The most important reasons for innovation are economical factors: Return On Investment and increase of market share. At the same time, innovation is driven by external factors such as customer demands, competitive pressure and regulatory developments.

Although product innovation still is the most frequent type of innovation, other types are on the management agenda too (processes, services, business model, etc). With regard to the future, these other types of innovation are becoming even more important.

2/3 of all managers have plans to increase their future investments in innovation, only 5% foresee reductions.

Innovation Excellence

The ACE study defines critical success factors for innovation in which top and low performers show significant differences:

1. The most important critical success factors for innovation are strong leadership and having a clear innovation strategy. Especially with regard to leadership, the difference between top performers and low performers is significant. **Leadership**
2. Of the top performers, 77% responded that innovation is a high priority of top management. This is the case for only 36% of the low performers. **Management Attention**
3. There is a strong correlation between top performance and perceived innovation culture: 67% of the top performers consider their innovation-culture as strong and 82% of the low performers consider their innovation culture as weak. **Culture**
4. Most companies continuously stress areas like creativity, learning and knowledge sharing in order to create innovation. Top performers do this even more intensively (81% versus 56%). **Creativity, Learning and Sharing**
5. The lower the innovation level of a company, the more obstacles they see. The main innovation obstacles for top performers are the lack of competencies and for low performers the existing culture. **Competence**
6. More top performers have an explicit innovation process. Those that don't yet have an explicit innovation process feel the pain of not having one: $\frac{3}{4}$ say there is a need for one! **Innovation Process**
7. Top performers measure the effectiveness of innovation more consistently. Amongst the low performers the share of companies that don't measure is twice as high. **Measurement**

8. The most preferred form of organizing innovation is project organisation. $\frac{3}{4}$ agree on the importance of project management practices. Top performers tend to use more functional organisation and specific innovation teams.

9. Open innovation is more and more commonly used: top performers involve customers more often and more intensively in creating innovation; they collaborate more often with other partners (e.g. suppliers, external experts) and they have outsourced significant parts of innovation to a greater extent than low performers.

10. Both top and low performers agree on the importance of including innovation in the employees' objectives. However, employees of the top performing group are rewarded more often for successful innovation (with financial and non financial awards).

Organisation

Cooperation

Rewarding

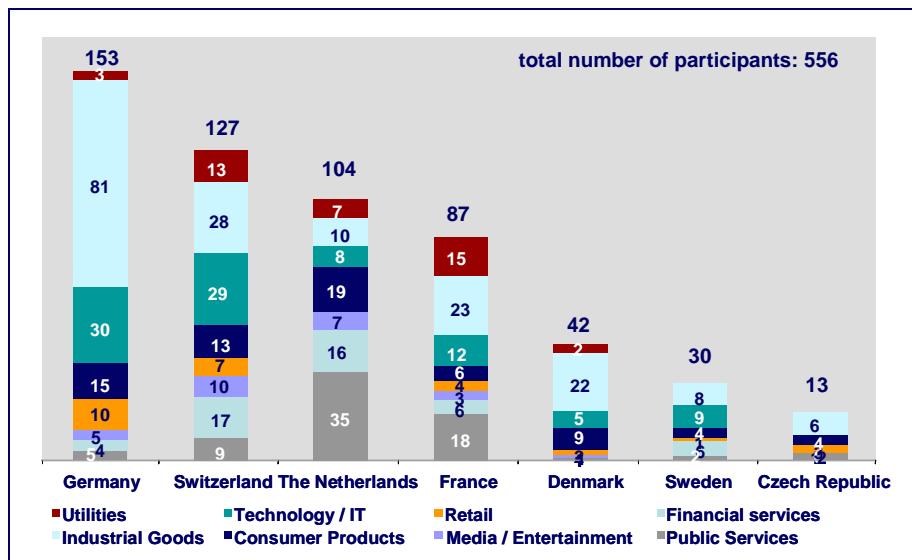
The ACE Innovation Survey points out that innovation excellence is based on outperforming competitors through overall excellence in the broad spectrum of key drivers mentioned above. Top performers simply do better on all counts!

Analysis

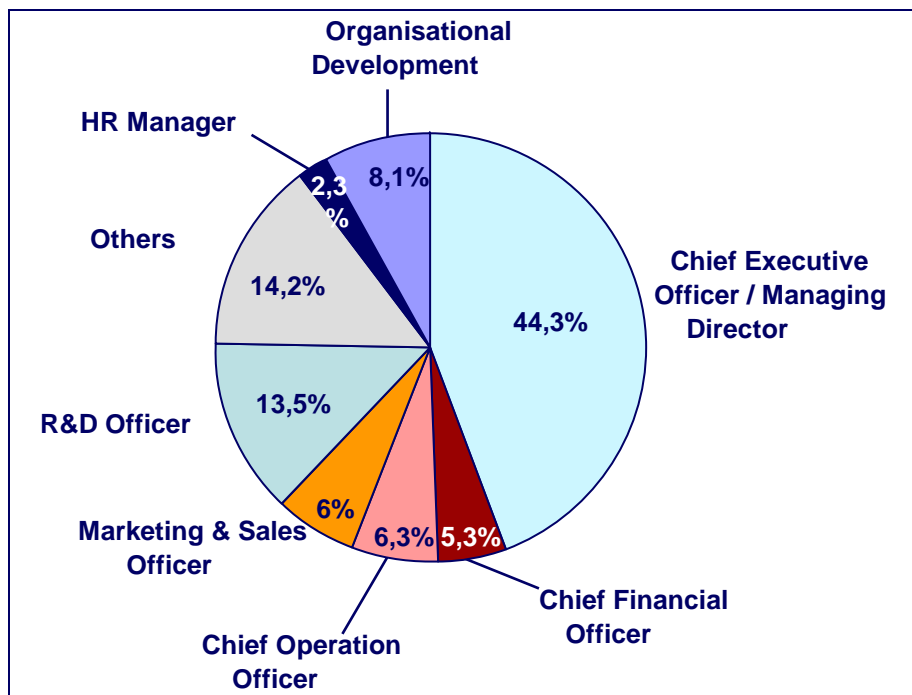
In this section you will find detailed results of the survey presented in graphs with the main conclusion per graph (blue box). As a service, we have added our consultants' reflections on each topic (orange box).

A Sample

Countries and Industries



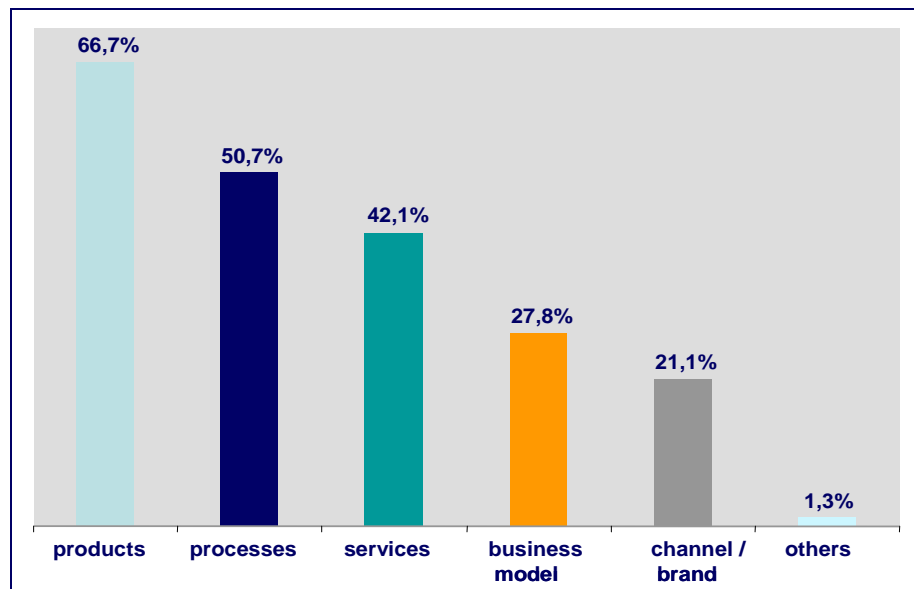
Position



B Innovation in Europe – Status Report

Innovation: a large array of outputs

„Which innovation (if any) has your company achieved successfully within the last 5 years? Innovation of...”



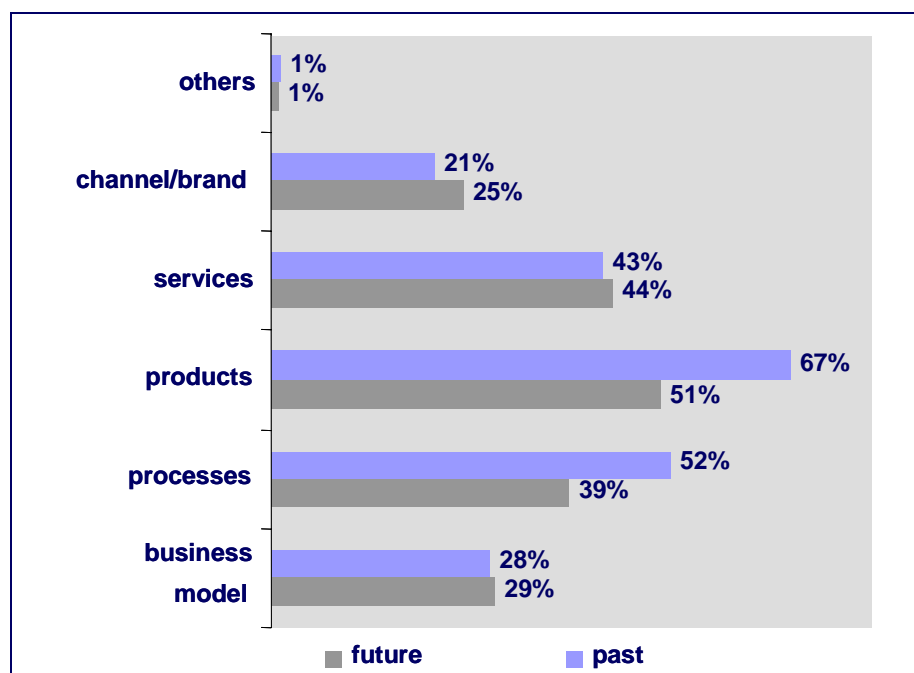
multiple choice

In general product innovations are the most frequent type of successfully achieved innovation.

During the last five years the main focus has been on product innovation. However, in all industries other kinds of innovation have been on the agenda too. This is in line with former innovation studies.

A shift in the outputs for the next years

„Which innovation (if any) has your company achieved successfully within the last 5 years? What kind of innovation would most help your business to be successful in the future?”



multiple choice

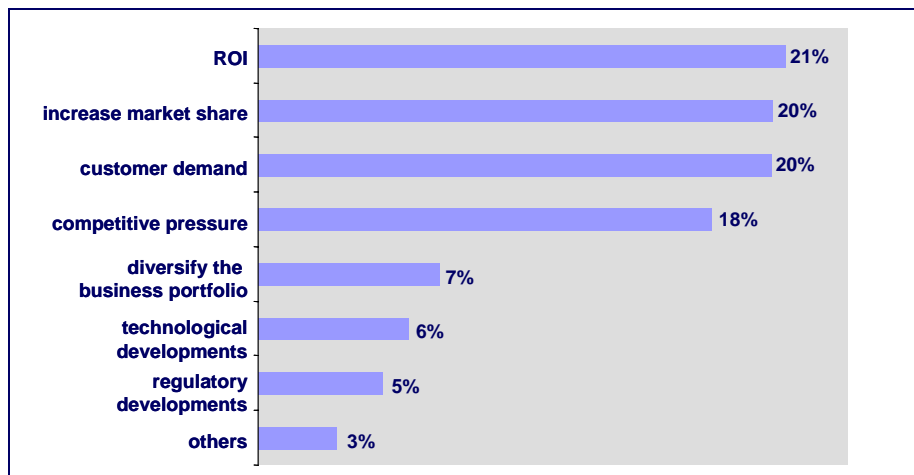
Product and process innovation is becoming less important, business model, service and channel/brand innovations are gaining more importance.

The shift in focus from product innovation to other types of innovation will have an impact on the ways of managing innovation. E.g.:

- Is a different innovation process needed?
- How should innovation in business models be organised?

Innovation as basic for success

“What are the most important reasons for your company to invest in innovation?”



The most important reasons for innovation are

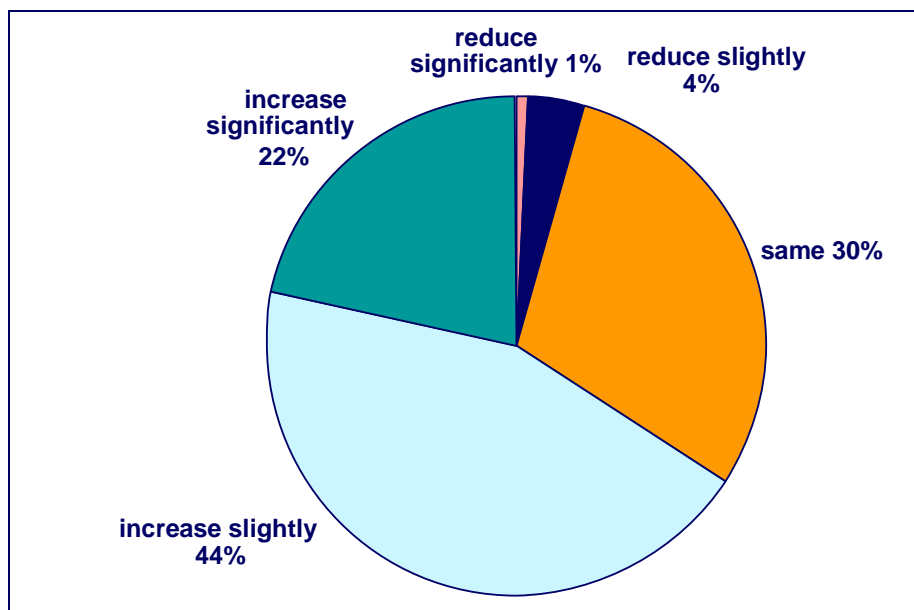
- ROI
- increase of market share
- customer demand

Obviously, the economic argument is the main driving force of innovation.

However, companies are under high pressure to innovate as 43 % of innovation is driven by external factors such as customer demand, competitive pressure and regulatory developments (e.g. environmental laws).

From constant efforts to increases in investment

“What are your plans for future Investment in Innovation?”



2/3 of all firms want to increase their future investment in innovation.

People are not just talking about innovation, they are actually willing to increase their investments!

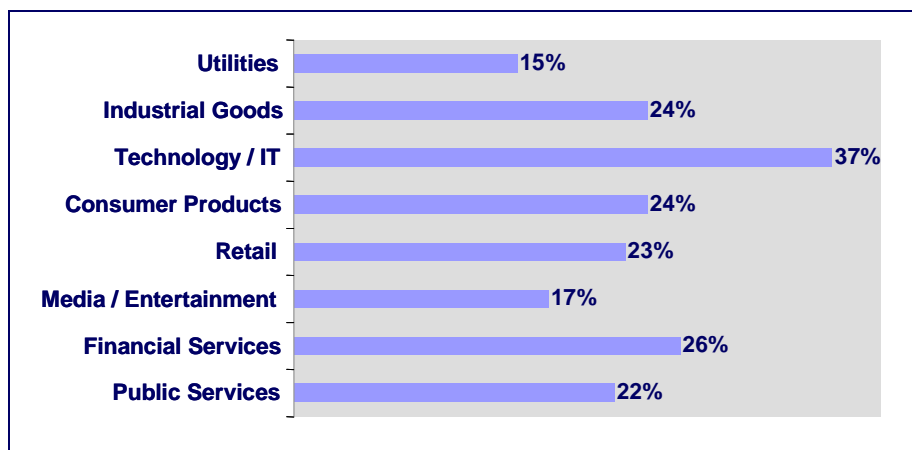
With this growth expectation, it's even more important to manage innovation better in order to get the best output from it.

Where and how should investments be made?

C Comparing Industries and Countries

Selected areas that show significant differences between industries:

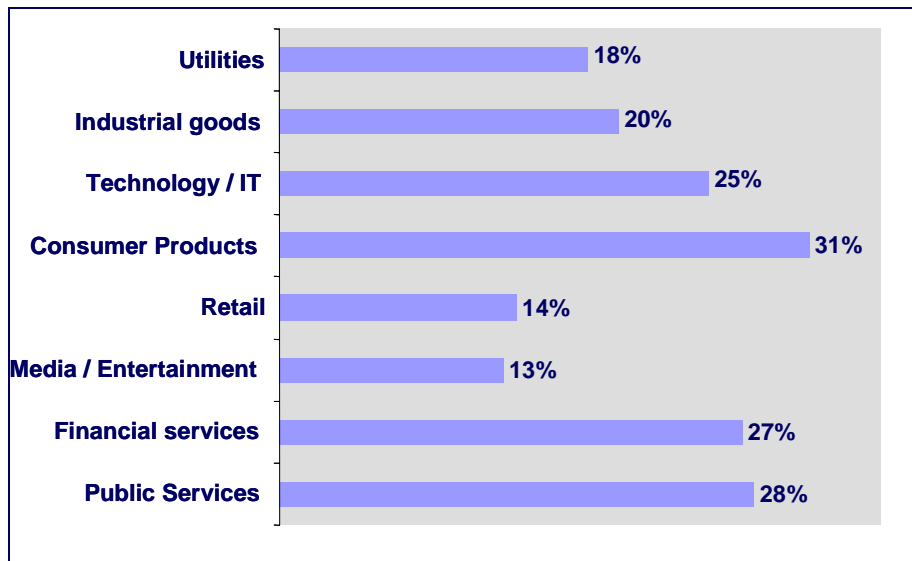
What percentage of sales comes from product, service or business model innovations younger than 3 years?"



In the Technology/IT Industry 37% of sales are made with innovations younger than 3 years.

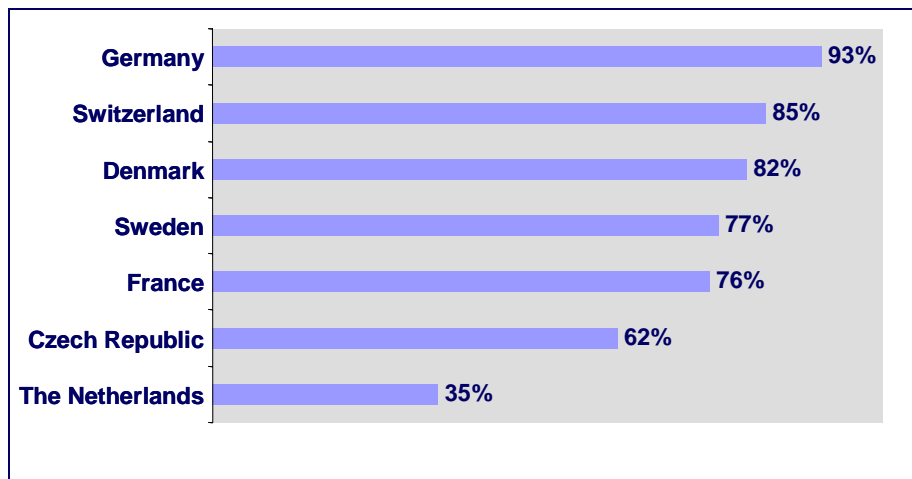
Media / Entertainment and Utilities have a lower share of innovation sales than other industries.

"Has your company outsourced any significant part of innovation?"



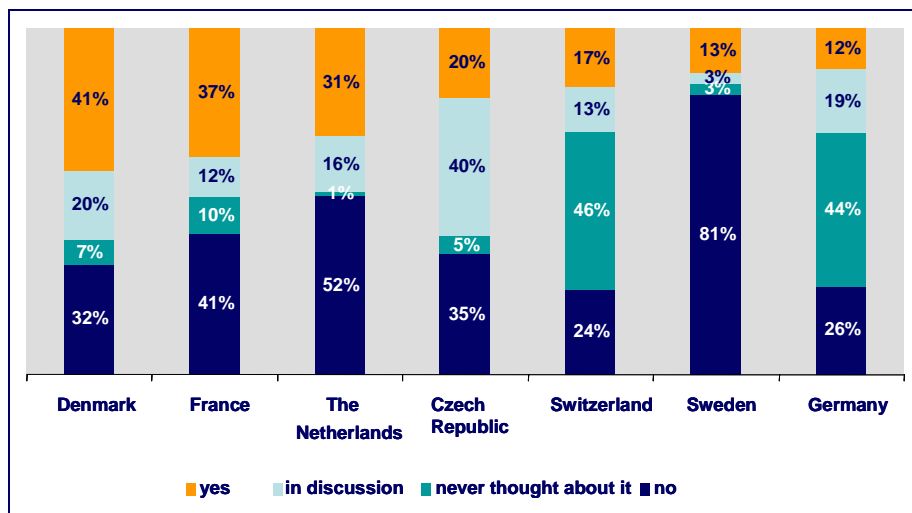
Selected areas that show significant differences between countries:

“I agree, that Innovation depends on project management practises”



In most countries there is a high level of agreement on the importance of project management for successful innovation.

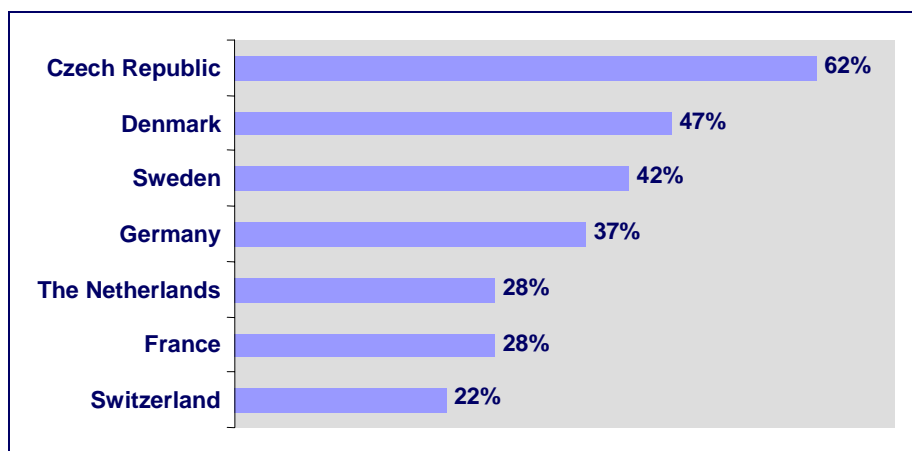
“Has your company outsourced any significant part of innovation?”



Danish, French and Dutch companies are most open to outsourcing innovation (e.g. research, material development, idea finding)

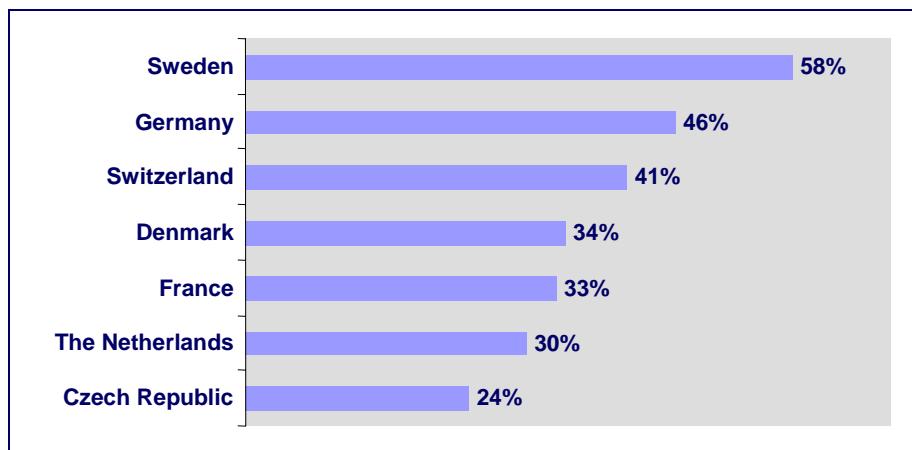
“Never thought about it” shows an interesting difference between Switzerland and Germany and the rest.

“Do you use ROI to measure the effectiveness of your innovation process?”



Czech companies are very much focused on ROI to measure the effectiveness of their innovation process.

Proportion of firms that consider their innovation culture to be strong or very strong.



The highest level of innovation culture is perceived in Swedish companies.

D Innovation Excellence

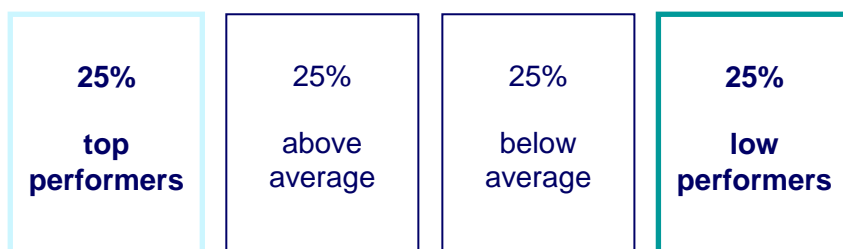
Introducing Top and Low performers

In order to find out more about drivers for successful innovation, below we have introduced an index for business performance. The index includes the following variables:

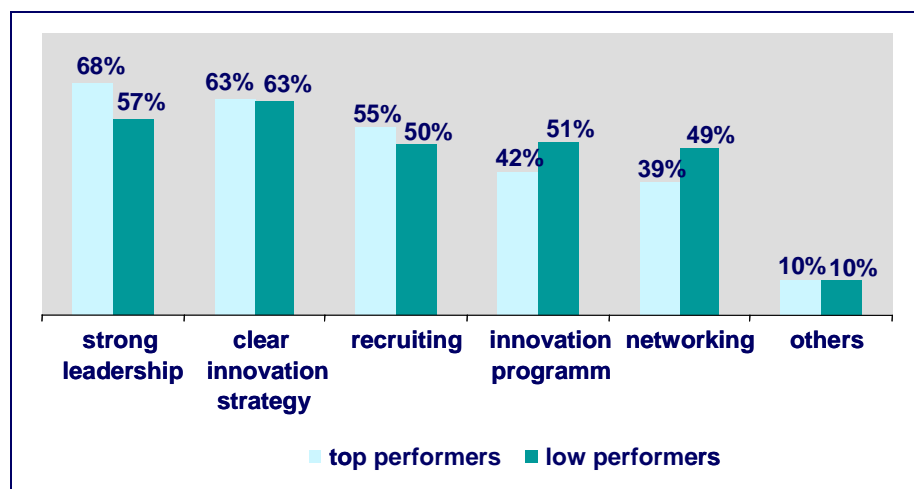
- Proportion of sales made with innovations (product, service, process or business model) younger than 3 years old
- Top-line growth of the company
- Profitability of the company

Using this index we have identified two groups of companies out of all participants of the ACE Innovation Survey:

- Top performers: 25 % of companies with the highest index ratings
- Low performers: 25 % of companies with the lowest index ratings



“What are the critical **success factors** for innovation?”



multiple choice

The most important critical success factors for innovation are:

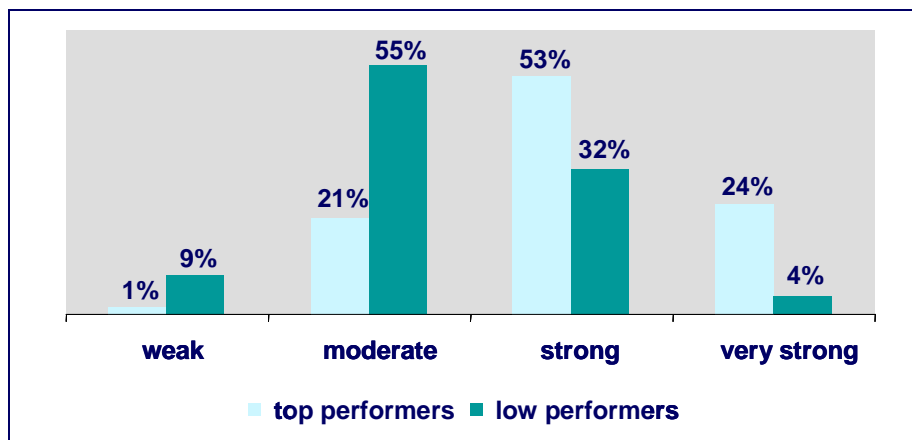
- strong leadership
- clear innovation strategy

Establishing innovation as a part of everyday business is more successful than starting specific innovation programs or relying on networking opportunities.

There is no doubt that a clear innovation strategy is a prerequisite for success. This would be one of the first steps to consider in an improvement process.

Strong Leadership and Culture

“What priority has innovation for your **management**?”

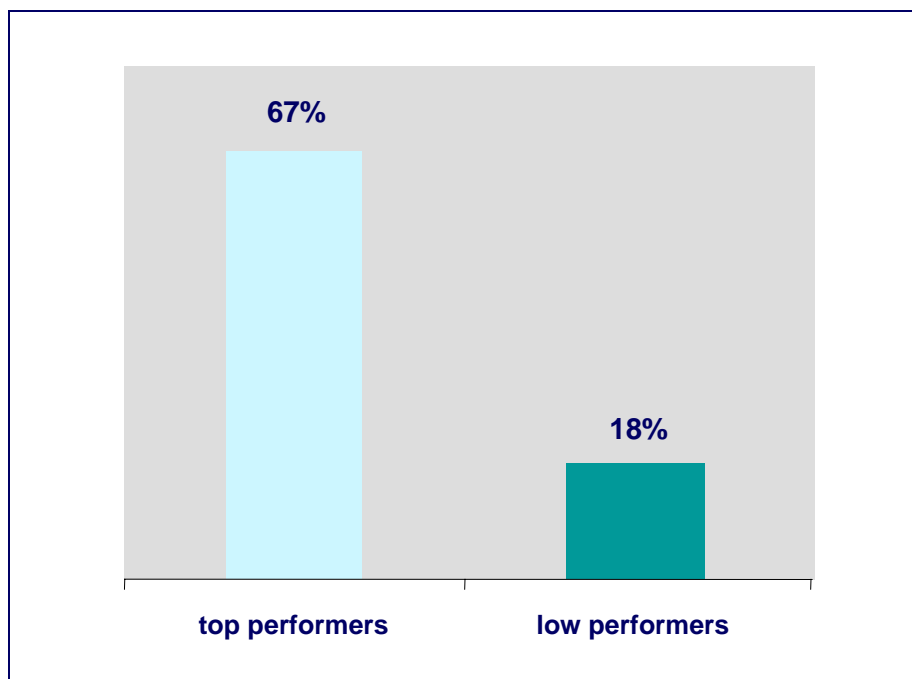


For 77 % of the top-performers innovation has a high priority for their management but only for 36 % of the low performers.

It's a leadership task to create and develop innovation. The top performer group shows that this is the key to success.

Management attention helps to focus resources on innovation.

Share of firms that consider their **innovation culture** as strong or very strong.



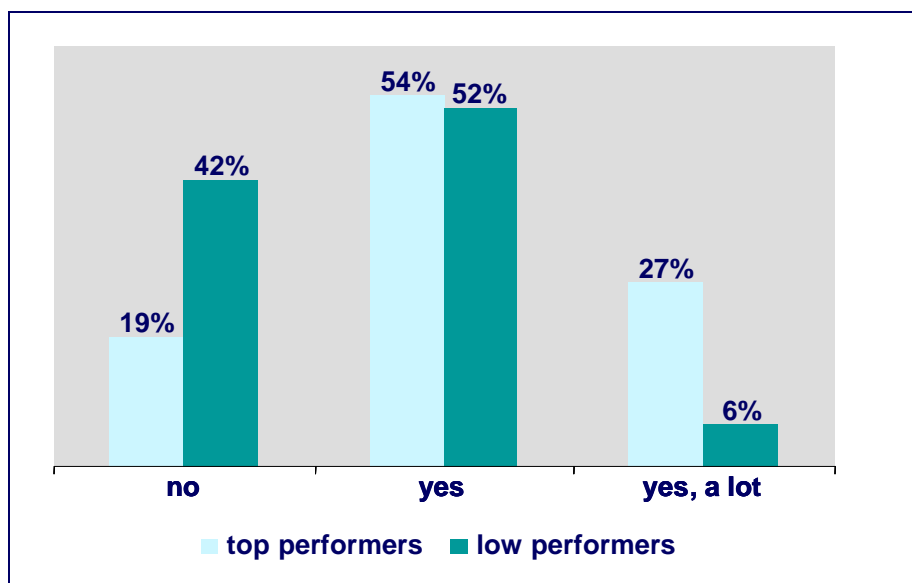
67 % of the top performers consider their innovation culture as “strong” or “very strong”. Of the low performers only 18 % do.

There is a strong correlation between top performance and perceived innovation culture.

Strong innovation culture means:

- involving customers closely in creating innovation
- giving space for creativity
- learning continuously
- sharing knowledge
- giving management attention

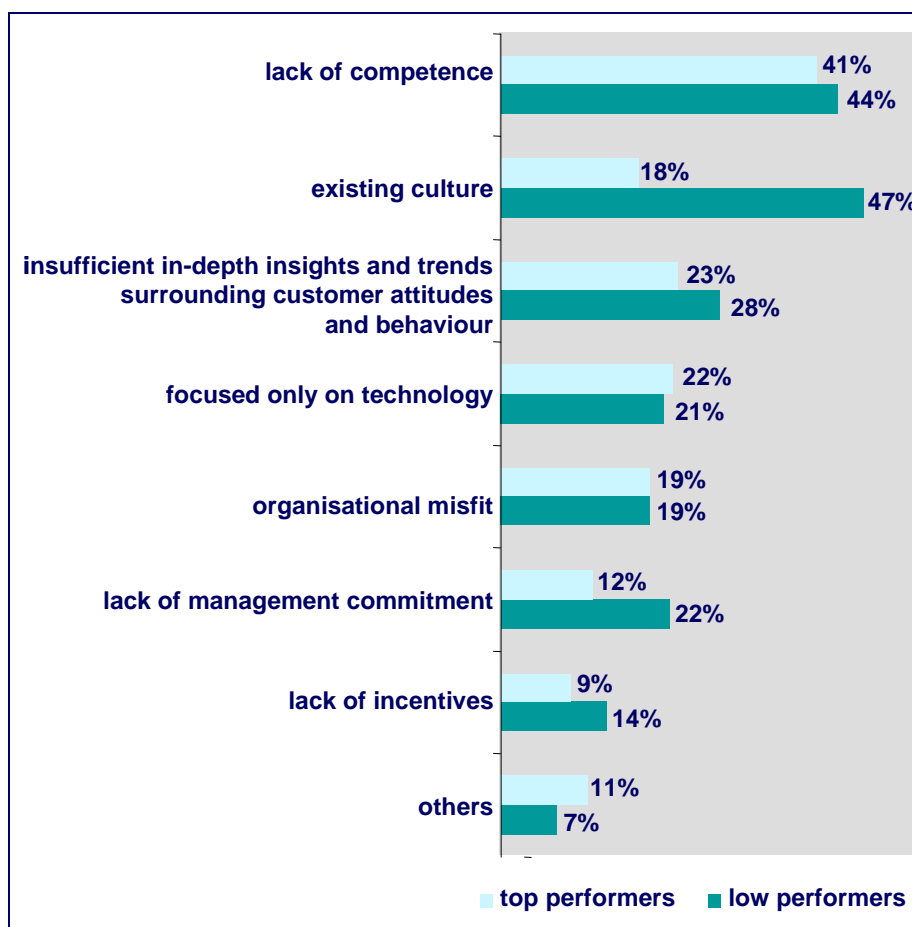
“Does your company continuously stress areas like **creativity, learning and knowledge sharing** in order to create innovation?”



Most companies continuously stress areas like creativity, learning and knowledge sharing in order to create innovation. Top performers tend to do this even more intensively.

Creativity, learning and knowledge sharing are very important elements of innovation culture which need freedom, direction and support.

“What is the **main obstacle** for the success of your company’s innovation process?”



multiple choice

The lower the innovation level of a company, the more obstacles they see.

Main obstacles for innovation:

- top performers: lack of competencies
- low performers: existing culture

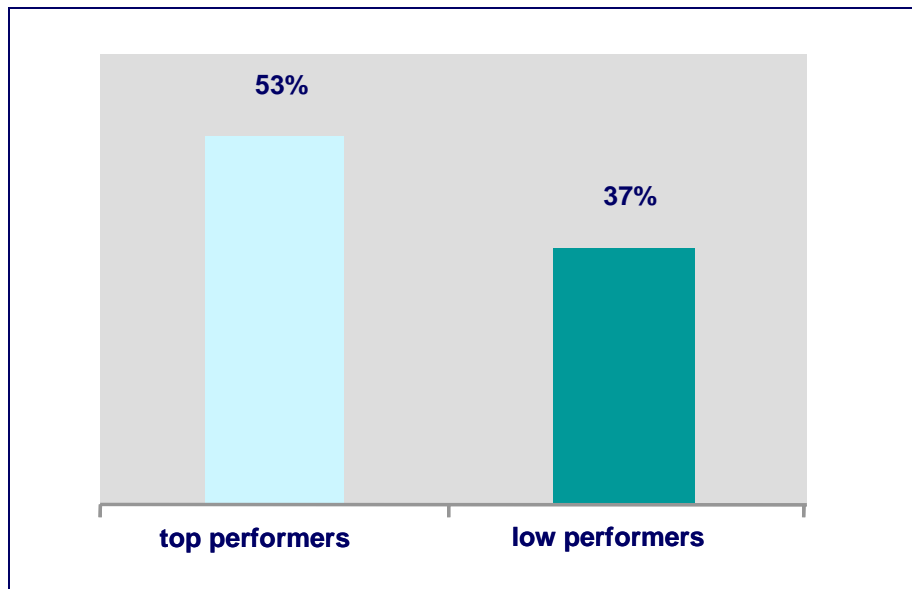
The main challenge is to recruit and develop the right people, which is seen to be a leadership task.

Be aware that the competencies needed for successful innovation differ from those needed for operational processes!

Low performers seem to hide behind the argument of a non-innovative culture.

The Innovation Process

“Do you have an **explicitly defined innovation process** in your company?”

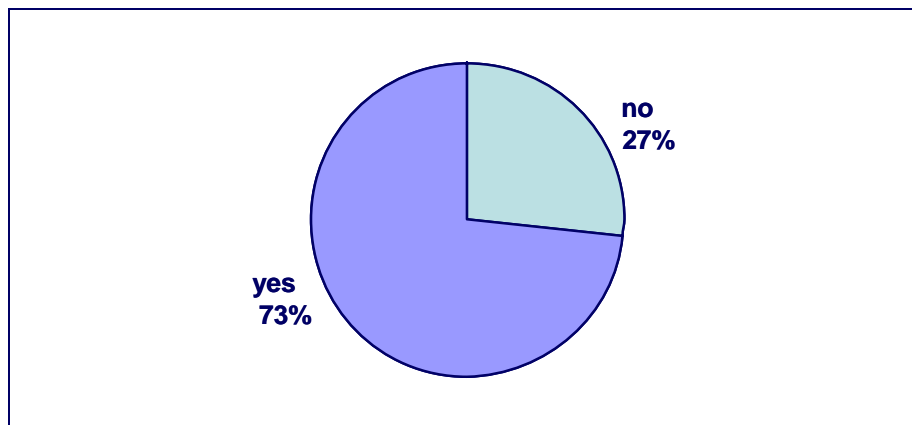


More top performers have an explicit and defined innovation process than low performers do.

There is no standard innovation process. The process needs to be designed according to the requirements of the specific business.

The process alone does not add any value. It requires strong leadership and consistent measurement to make it work.

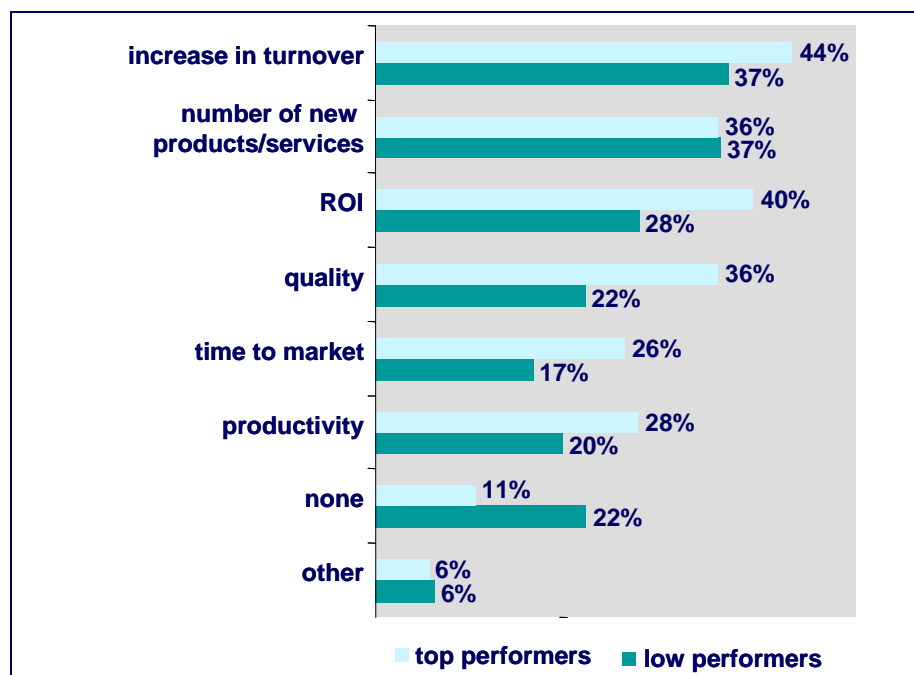
“If you don’t have an explicitly defined innovation process, do you think there is a need for one?”



¾ of the companies that do not have an explicit innovation process say that there is a need for one.

If you do not have one, why?

“How do you **measure** the effectiveness of your innovation efforts (project effectiveness and output performances)?”



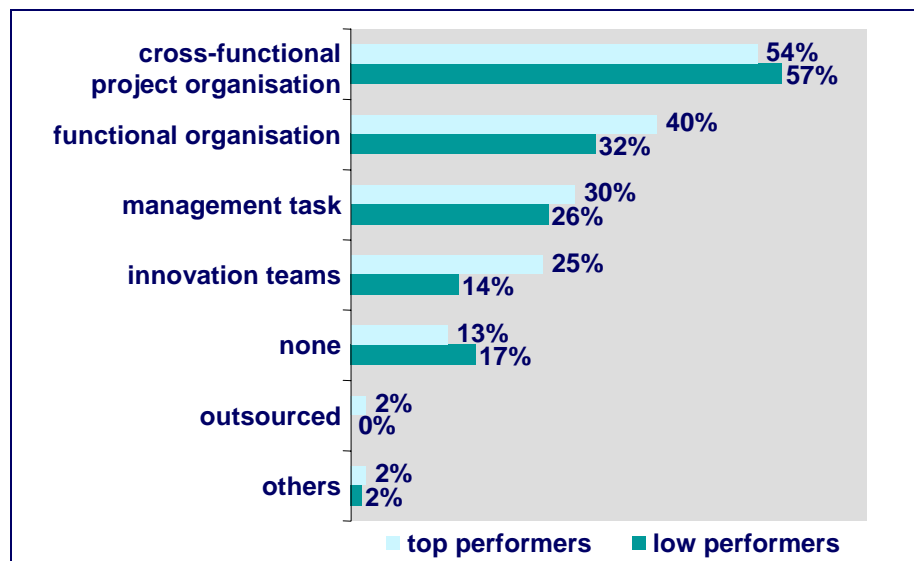
multiple choice

- Companies that are more successful measure the effectiveness of innovation more consistently.
- Among the low-performers, the share of companies that do not measure is twice as high.
- There is no preferred way to measure the effectiveness of the innovation process.

There is no one way that fits all. The Measurements need to be linked to the specific needs and objectives of the company.

Supporting Organisation

“How is innovation **organised** in your company?”

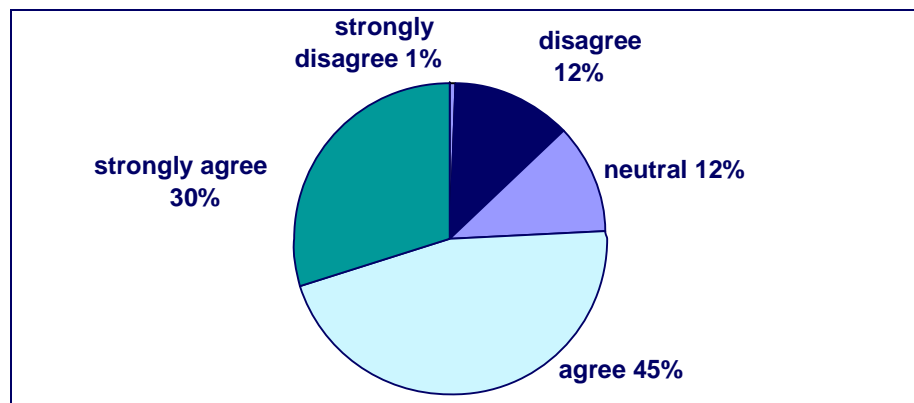


multiple choice

The most preferred way of organising innovation is project organisation. This is the same throughout all companies and industries. Top performers tend to use more functional organisation and innovation teams.

Top performers have a broader range of organisational setups for innovation.

„Do you think that successful innovation is strongly dependant on **project management practices** ?“

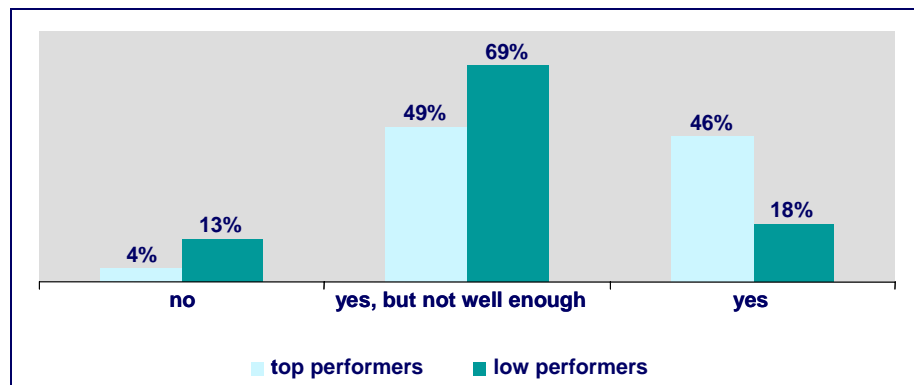


3/4 of all companies agree to the importance of project management practices for successful innovation, even low performers.

Today, project organisation is an accepted way of handling innovation.

What is the difference between a “normal” project and an innovation project?

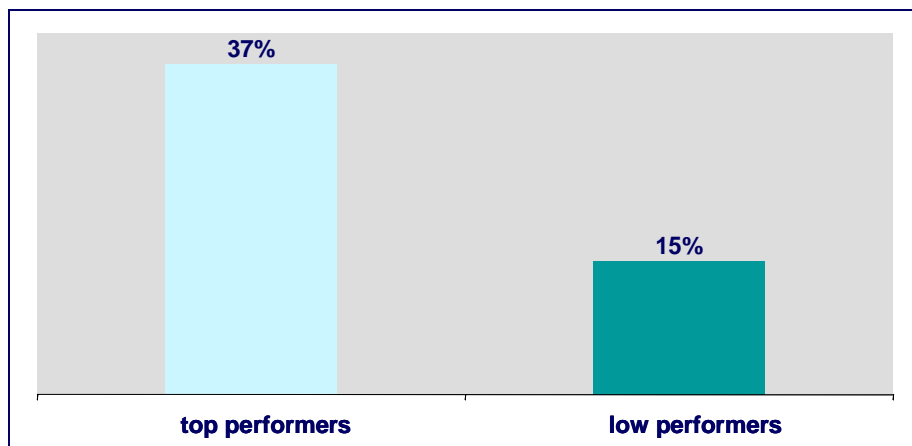
“Would you say that your organisational structure actively supports innovation efforts?”



Top performers are much happier about the support of innovation given by their organisational structure.

The more innovative a company, the more it tries to give innovation an adequate organisation structure (functional or cross functional)

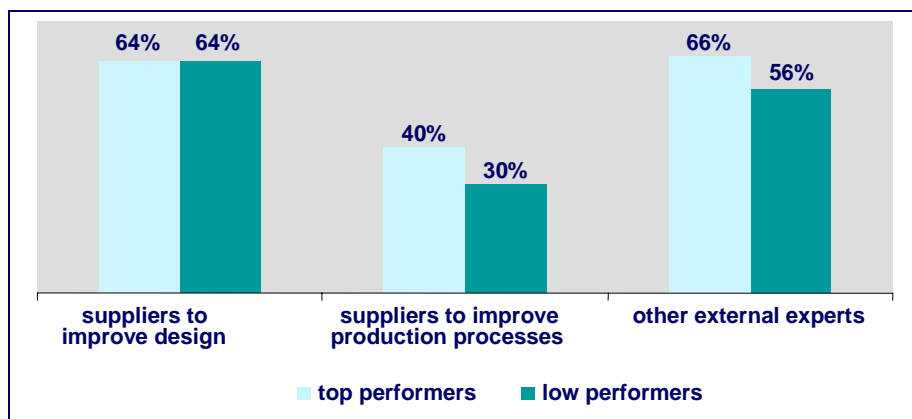
“Our **customers** are closely involved in creating innovation.”



Top performers involve clients more often and more intensively in creating innovation.

Innovation is successful when it fulfils the demands of the customer. Having this consumer insight is essential, especially as soon as possible in your innovation process.

“**Apart from customer** involvement, do you collaborate regularly with...”



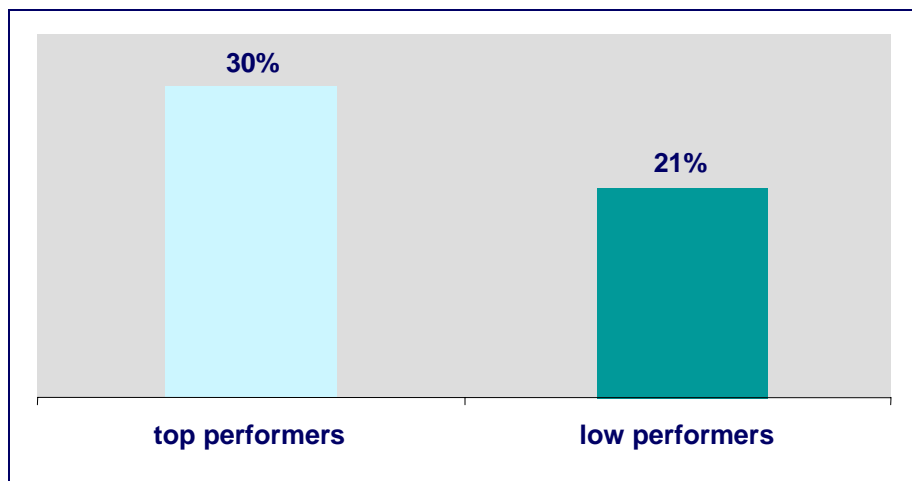
multiple choice

In general top performers collaborate more often with other partners (e.g. suppliers, external experts).

The open innovation theory in a network society is working.

Customers, suppliers and other stakeholders have knowledge that can be of help in realising innovation goals through cooperation and networking.

Share of firms that have **outsourced** significant parts of innovation:



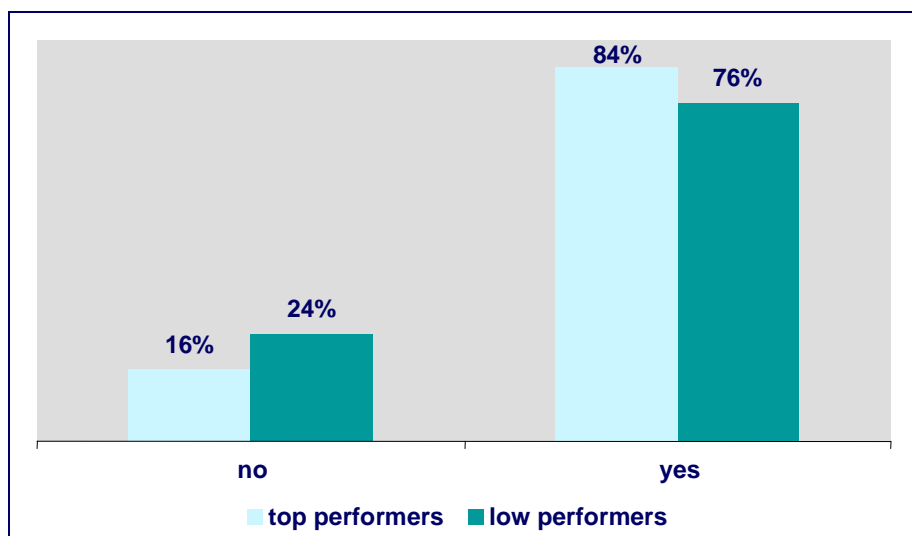
23 % of all companies have outsourced significant parts of innovation. Among the top-performers even as much as 30 %.

It seems that the “not invented here” syndrome is disappearing.

Top performers are more aware of external resources and decide whether or not to outsource specific activities.

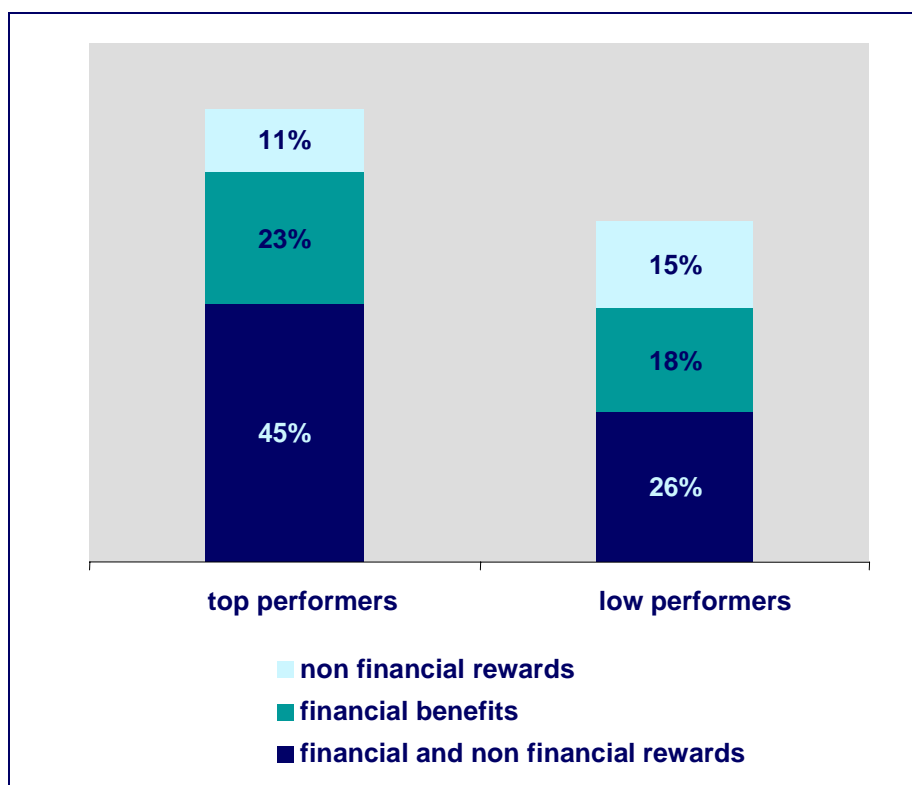
Recruiting and Rewarding

“Is innovation included in your employees’ **objectives**?”



Both top and low performers agree on the importance of including innovation in the employees’ objectives.

“What kind of rewards do your employees benefit from?”

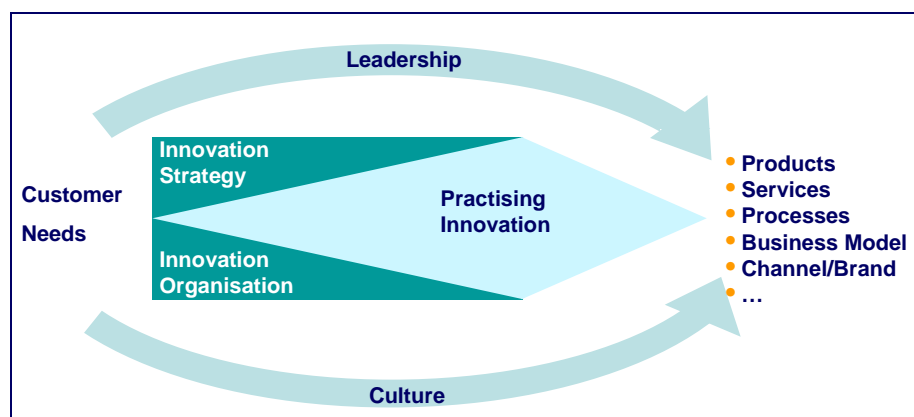


Employees of the top performing group benefit more often from successful innovation. (Financial and non financial rewards)

It’s not enough to set the objectives – employees must benefit from innovation. The best way is through a combination of financial and non financial benefits.

Progressing from Words to Action

The survey highlights important differences between high and low performers. It defines the enablers of innovation in three areas as illustrated in the figure below:



Innovation Strategy

The innovation strategy specifies the ambitions and the framework for the innovation activities of an organisation and defines important underlying drivers and principles. A strict prioritisation of the innovation resources to be allocated to areas to be enhanced creates better results with regard to both the innovation activities and the use of resources. The innovation strategy also specifies how the organisation enters into external networks with customers, suppliers, knowledge centres, financing sources and other partners who are crucial for innovation capability.

ACE supports management in establishing an innovation strategy by challenging the general strategy and by using it in a specific way to stimulate innovative effort.

What should innovation do for your company and your customers?

- Add more value to customers than competitors do?
- Create win-win partnerships with customers?
- Create profitable growth opportunities?
- Ensure that the company is equal to the best?
- Reduce costs to a new level?
- Increase preparedness and change capacity?
- Make the company attractive to employees and others?

Areas of Action regarding Innovation Strategy

In supporting organisations with their innovation strategies, ACE contributes expertise in the following areas:

- Analysis of innovation ability
- Inspiration workshops for management and/or board of directors
- Future focus workshops
- Innovation strategy process
- Innovation and development sourcing
- Product strategy
- Product plan and road map
- Technology strategy
- Portfolio management

Innovation Organisation, Culture and Leadership

Developing an Organisation's ability to become significantly more innovative requires a clear goal and takes time. It is not accomplished by just committing to one of the many offers available, such as creativity training, inspiration seminars or idea boxes. To really get innovation off the ground an overview of the organisation's current capabilities and strengths has to be established. The organisation must clarify what changes need to be made and make sure that these are implemented.

ACE contributes to creating the right organisational framework, strengthening and stimulating the innovation culture and enhancing the competencies required for innovative activities.

Areas of Action regarding Innovation Organisation

With regard to innovation organisation, ACE focuses on the following areas:

- Product development
- Project management
- Portfolio management
- Competence development
- Culture change programmes
- Leadership coaching
- Performance management
- Outsourcing and cooperation
- Innovation training
- Idea and concept development training

What should the organisations do in future? Create and detect more ideas?

- Increase idea quality and potential?
- Turn ideas into clear concepts?
- Drive development processes through more quickly?
- Increase project accuracy?
- Become better at commercialising results?

Practising Innovation

Organisations need to work towards concrete results by uncovering current and future customer needs. This is the basis for the development of clear concepts and business plans that lead to new business and growth opportunities. In order to make the most of these opportunities, systematic marketing is required.

Areas of Action with regard to Practising Innovation

With regard to taking action, ACE supports clients in the following areas:

- Creativity and idea development
- Concept development
- Customer/supplier interaction
- User involvement
- Project management
- Cooperation with external partners in projects
- Development of business plans

How do you create value through innovation?

- Development of new products and services?
- Development of new business areas?
- Discovery of markets?
- Rethinking the way our services are delivered?
- Creation of new business models to meet customer needs?

ACE Innovation Consultancy

Our clients see us as leading consultants for innovation at all levels, from the board of directors and management through to innovative teams and individuals. Our consulting service is:

Co-related: because we link the innovation strategy with the organisation and the specific competencies and tasks.

Challenging: because we add new aspects, draw on other people's competencies and turn things upside down, without being afraid to voice our opinions.

Understanding: because we have in-depth experience acquired over many years while working with innovation as consultants, managers and performers.

Pragmatic: because "roughly right" is better than "exactly wrong" when it comes to taking an organisation through a learning and development process.

Specific: because the focus should be on the implementation of strategy, organisation, competencies, work forms and specific innovative results. We want to participate directly and with commitment when it comes to showing the way to innovation.

ACE Partners and Contacts

This ACE-study was carried out as an online survey in June and July 2005. For more information on this survey or to discuss issues related to the work of ACE in innovation, contact any of the following people:

ABEGGLEN Management Partners

Industriestrasse 28
CH-8604 Volketswil/Zürich
Tel. +41 1 908 48 48
www.abegglen.com

Herbert von Burg
herbert.vonburg@abegglen.com

Thomas Lanz
thomas.lanz@abegglen.com



ALGOE Consultants

9 bis, route de Champagne
F - 69134 Ecully Cedex
Tel. +33 4 72 18 12 00
www.algoe.fr

Jean-Luc Grolleau
jean-luc.grolleau@algoe.fr

Pascal Croset
pascal.croset@algoe.fr



CONSULTUS AB

Ringvägen 100
PO Box 17812
S - 118 94 Stockholm
Tel. +46 8 51 90 95 00
www.consultus.se

Berny Einarsson
be@consultus.se

Magnus Finnström
magnus.finnstrom@consultus.se



DC VISION s.r.o

Náměstí Republiky 2
CZ - 746 01 Opava
Tel. +420 553 620 456 7
www.dcvision.cz

Libor Witassek
libor.witassek@dcvision.cz



IMPLEMENT A/S

Slotsmarken 18, 1
DK - 2970 Hörsholm
Tel. +45 45 86 79 00
www.implement.dk

Jens Vasehus
jv@implement.dk

Claus Sehested
cs@implement.dk



MANAGEMENT PARTNER GmbH

Heinestraße 41 A
D - 70597 Stuttgart
Tel. +49 711 76 83 0
www.management-partner.de

Jörg Glaser-Gallion
jgg@management-partner.de

Alexander Vogl
av@management-partner.de



RIJNCONSULT B.V.

Hofspoor 9
Postbus 233
NL – 3990 GA Houten
Tel. +31 30 29 84 250
www.rijnconsult.nl

Bas van der Velde
bas.vandervelde@rijnconsult.nl

rijnconsult

Frank Engelbart
frank.engelbart@rijnconsult.nl

SIDDALL & Company Limited

16 Tideway Yard
Mortlake High Street
GB - London SW14 8 SN
Tel. +44 20 83 92 59 00
www.siddall.co.uk

Peter Siddall
peter.siddall@siddall.co.uk

SIDDALL & COMPANY

ACE Director

80, avenue de l'Opale
B - 1030 Brussels
www.ace-europe.net

Nille Skalts
nsk@implement.dk