



Research Project about Strategic Innovation

# The Innovation Kite

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# The Innovation Kite

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## Strategic Innovation Research Project

# 01

## Why Strategic Innovation?

- Strategic innovation is important
- Strategic innovation is difficult
- Strategic innovation requires a different management model
- Some companies really are innovative, with different approaches
- Innovative companies have a series of common features

### 1.1. Strategic innovation is important

#### *Companies are faced with a changing environment that presents them with a series of challenges*

Companies nowadays face increasingly more competition and a very turbulent economic environment, with very fast rates of technological change. Product life cycles are becoming shorter and shorter, with fuzzier sectorial boundaries.

#### Some challenges companies face nowadays

- Markets are much more global, so both competition and opportunities of expansion arise worldwide.
- Customers are increasingly more demanding, and they require new features, better services and lower prices, with solutions adapted to their specific needs.
- New technologies have accelerated dramatic changes in relations with customers and with other companies, being the joint creation of value with customers one of the new paradigms of management and an opportunity to create value.
- Leadership in innovation is increasingly more difficult to maintain, due to growing competition and the swift rate of technological progress.
- Fierce cost competition in many sectors has displaced and annulled innovative initiatives by many companies.
- Intellectual property is becoming increasingly more difficult to protect and preserve, measure and manage.
- Technological progress has radically altered the former vision of research and development, leaving many R&D departments mired in competences and technologies from the past, concentrating on internal operations, while the extended company, that includes providers, partners and customers, often remains unmanaged.
- Internet, Intranets and electronic mail are creating something akin to an “information democracy”, so the power of information is diluted and the key lies in transforming it into knowledge and differential value proposals for customers.
- Increasingly more, intellectual capital is more valuable than physical or financial capital, and the employees are becoming true “capitalists” in a world where talent and knowledge are critical factors.

*Source: Own preparation*

However, when considering their future, many companies define quite similar strategies to those of the past and which do not distinguish them from their competitors. Moreover, they do not pay attention to developing constant innovation capacity at the company, so they do not develop the new skills, practices and processes required. Thus, many companies are suffering from progressive reduction of margins and benefits and will continue to do so if they do not begin to include innovation management in their strategies.

Sooner or later, all corporate models reach a point where revenue decreases, and nowadays that is usually sooner.

*“The first step is to admit that your present strategy, your dear corporate model, may have become lifeless. Never forget that sunken good companies are simply those who denied reality and their strategic deterioration for too long.*

*When you discover you're on a dead horse, the best strategy is to dismount. Of course, there are other strategies. You can change riders. You can get a committee to study the dead horse. You can benchmark how other companies ride dead horses. You can declare that it's cheaper to feed a dead horse. You can harness several dead horses together. But after you've tried all these things, you're still going to have to dismount.”*

*Gary Hamel “Leading the revolution”*

# 1. Why Strategic Innovation?

## 1.1. Strategic innovation is important

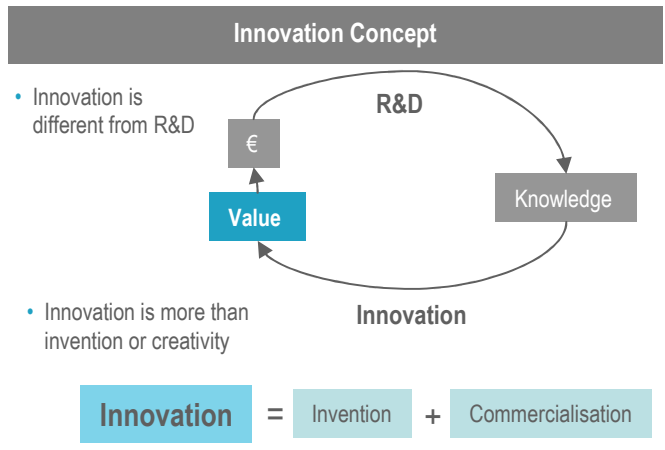
### In order to deal with those challenges, companies need to innovate ...

The only way to deal with the challenges companies now face, in a profitable, sustained manner over time, is by innovation, the main source of economic growth at corporate, sectorial, national and global level. The OECD estimates that at least 50% of growth is due to innovation.

There are many definitions of innovation, a common feature to all being that innovation is something new and it must be useful. Many problems in defining innovation arise from the different dimensions of innovation: the types of innovation (product vs process, radical vs. incremental, technological vs. management), the phases of innovation (generation of innovation and adoption of innovation) and the levels of analysis (at national, sectorial, corporate, group or individual level).

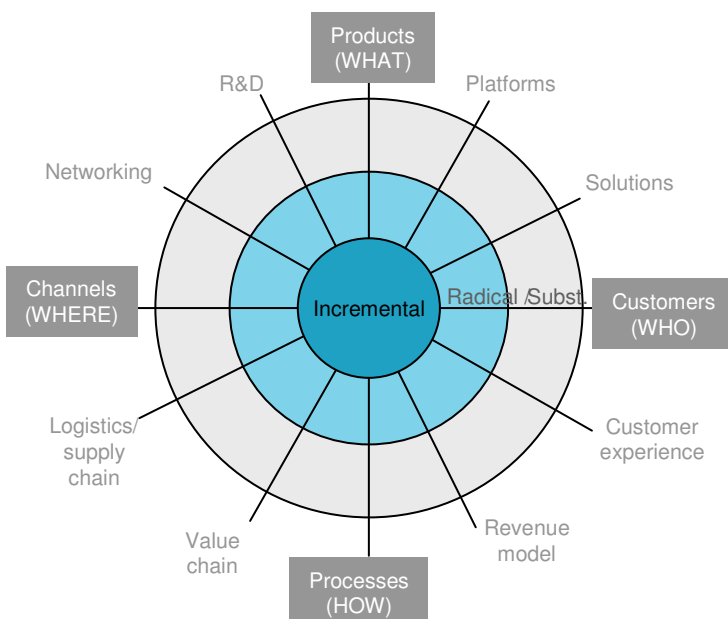
In our research project, we see innovation from the corporate perspective, with a multidimensional approach. We consider innovation transformation of knowledge into **added value**. That added value must be generated constantly in time and must be distributed among different partners (shareholders, workers, environment, society, etc.).

Added value generation takes place by creation of something new that is transformed or included in products, services, processes, systems, structures, marks, patents, etc., in something for which the customer and/or consumer is willing to pay. In that sense, we see innovation as the sum of invention and commercialisation.



Source: Göran Roos and own preparation

### 12 directions to innovation



Business innovation is substantial or radical creation of new value for the customers and company, through dramatic change in one or more dimensions of the existing business system, or by creation of entirely new business systems. Thus, radical business innovation is more than product innovation or technological innovation and requires one to think holistically about the business system, coherent and differentially changing several factors compared with competitors:

1. Products: Creating new products or new services
2. Platforms: Creating modular platforms and strategic control points.
3. Solutions: "End-to-end" problem solving for customers
4. Customers: Finding new customer segments or customer needs that have not been satisfied.
5. Customer Experience: Changing how customers interact with you.
6. Revenue model : Changing how you are paid.
7. Processes: Innovating in operating processes.
8. Value chain: Changing the position or the scope of participation in the value chain.
9. Logistics / Supply chain: Changing the way you produce, supply and transport the products.
10. Channels: Changing how you go to the market with your products.
11. Networking: Changing how you contact customers or providers.
12. R&D: Creating new technologies, materials, products or processes.

# 1. Why Strategic Innovation?

## 1.1. Strategic innovation is important

### ... and you must innovate constantly, seeking differentiation

In this research project, we have concentrated on innovation – not in the usual sense of new technologies and new products, but rather in the sense of **innovative strategies and new business models**, so they generate new value for customers, bitter surprises for competitors and new wealth for investors. What counts is not how a company is positioned in relation to its eternal rivals, but rather, how creatively it uses its key skills to create completely new markets.

Our starting point is the argument that **innovation is the competitive advantage of the coming millennium**, being the only way to avoid the inexorable competitiveness that has reduced the margins sector by sector, requiring companies to imagine absolutely new solutions to their customer needs.

To that end, the company must generate a **constant ability to innovate**, so all members of the organisation feel the need to innovate and concentrate on capturing the opportunities for tomorrow.

Thus, just as Gary Hamel states, companies must satisfy the twin challenges of the revolutionary era: **to reinvent themselves and reinvent their sector**. A company that cannot re-imagine its own essence, that of who it is, what it does and how it competes, will soon become obsolete. A company that cannot proactively regenerate its sector, in addition to itself, will attract very little future financial wealth. In the revolutionary era, **the challenge will be to match radical innovation to disciplined execution** – merging the efficiency of a Toyota production line with the innovation of Silicon Valley. In order to be a corporate revolutionary, the company must be systematic and spontaneous, highly focussed and very opportunistic, absolutely efficient and innovative.

“There have always been companies that have introduced radical innovations and have created new market spaces (“blue oceans”):

- Look back 100 years and ask yourself what industries nowadays were unknown then: such basic industries as the motor trade, recorded music, aviation, petrochemicals, pharmaceuticals and consultancy.
- Now look back 30 years and ask yourself the same question. Again, a lot of multi-billionaire industries have arisen: pension funds, mobile telephony, biotechnology, discount supermarkets, express couriers, express, snowboards, domestic videos.
- Now, wind the clock forward 20 years and ask yourself: How many industries that are unknown now will exist then? If history is a good oracle for the future, the reply is “many!” Companies have a large capacity to create new industries and to re-create the existing ones.”

Source: Kim & Mauborgne, “Blue Ocean Strategy”

“Without radical innovation, any company will spend mountains of resources on achieving insignificant differentiation. The money spent on undistinguishable beverage advertisements, the millions of free kilometres given away by airlines, the marketing investment required for investors to take notice of one of the more than 3,500 investment funds in the United States ...

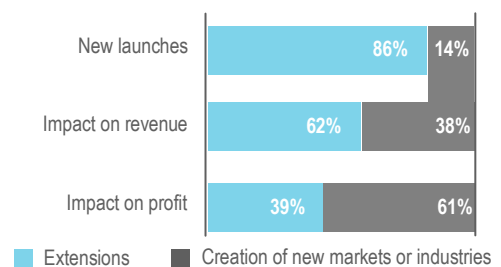
A General Manager: “I used to spend most of my time worrying about “how”: how we did things, how we operated or how we achieved efficiency. Now, I spend nearly all my time worrying about “what”: what opportunities to pursue, what collaborations to create, what technologies to endorse or what experiments to carry out”. At when the moment when a company has got up to 5% efficiency in “how”, another will have already invented a new “what”. **Inventing new “whats”**, that is the key to defending oneself in the revolutionary era.

Many companies needed a decade or more to include quality as a capacity. Creating capacity for radical innovation throughout the company is not a lesser challenge than that of flooding it with quality features – and that in turn cannot take 10 years. Creating a permanent capacity is always difficult and expensive, but the profitability of the investment in innovation will exceed profitability in any other imaginable capacity”. Gary Hamel “Leading the revolution”

“Under this new regime, wealth comes directly from innovation, not from optimization; that is, wealth is not obtained by perfecting the known, but rather by imperfectly exploiting the unknown”. Kevin Kelly “New Rules for the new economy”

### The consequences of radical innovation

In a study of launches by 108 companies, we saw that 86% of the new launches were extensions (incremental improvements of existing offers), and only 14% aimed to create new markets or industries. While extensions amounted to 62% of the revenue, they only produced 39% of the profit. On the contrary, the 14% invested in creating new markets and industries amounted to 38% of the revenue and 61% of the profit.



Source: Kim & Mauborgne, “Blue Ocean Strategy”

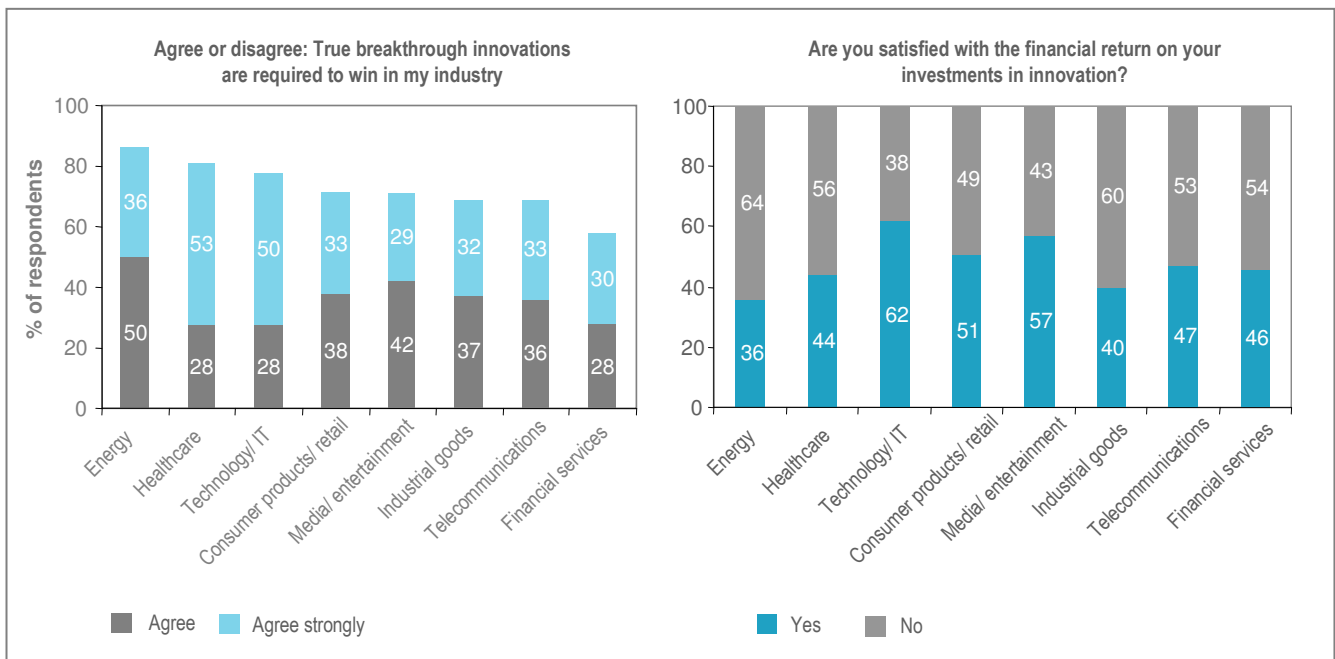
### 1.2. Strategic innovation is difficult

*The majority of companies are not satisfied with the results they obtain from the efforts they dedicate to innovate ...*

Most companies fall short on innovation and achieve little from their efforts.

According to the results of the “Innovation 2005” survey carried out by the Boston Consulting Group in which a total 940 executives participated in 68 countries and multiple sectors of activity:

- Nearly 90% of the executives said that innovation is essential for growth and success in their sector.
- More than 80% stated that true breakthrough innovation is required to win in industry.
- 66% pointed out that innovation was one of the three strategic priorities for their company in 2005.
- 74% stated that their companies aimed to increase innovation expenditure in 2005.
- However, 51% of the executives were not satisfied with the financial results of their investments in innovation.
- It was concluded that, for many companies, expenditure on innovation continued to grow, but that it was not generating sufficient profit or competitive advantage. In fact, the focus on innovation is so universal that it is also one of the reasons why it is difficult for companies to overcome competitors (it does not matter how much they invest: the competitors are also investing strongly).



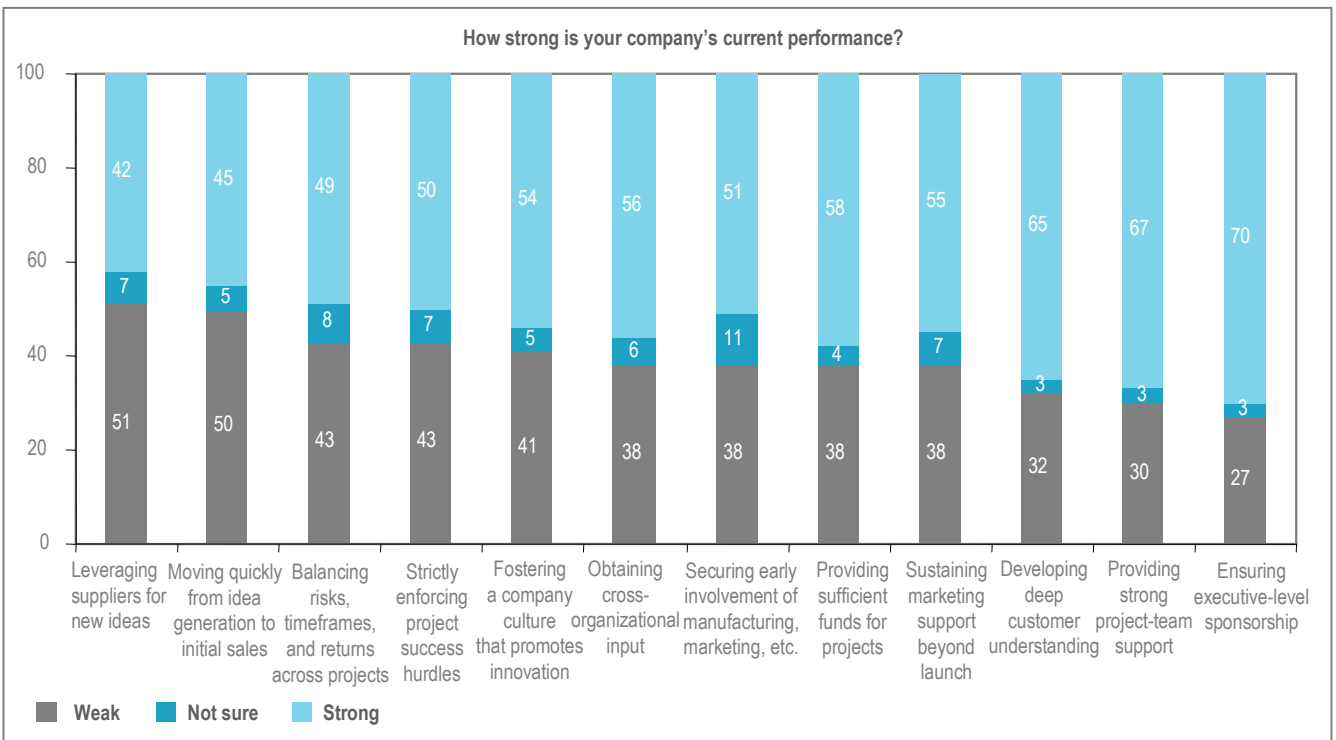
Source: BCG 2005 ITC Survey

# 1. Why Strategic Innovation?

## 1.2. Strategic innovation is difficult

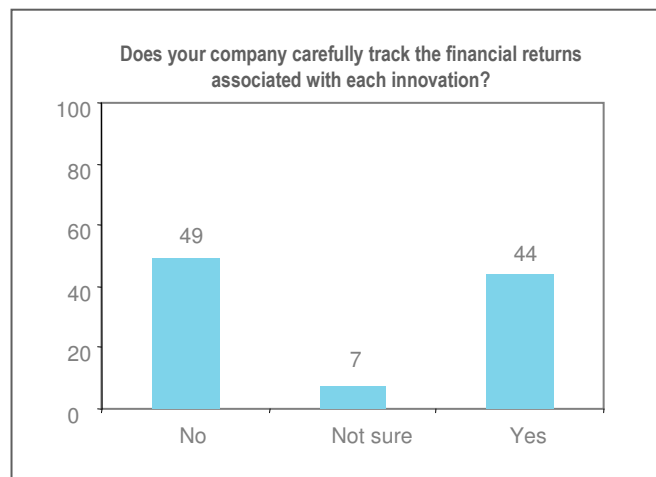
*... because they have not developed certain capacities sufficiently, ...*

On asking the executives about the aspects in which they are weakest when transforming their ideas into financial returns, the most common replies referred to the “time to market”, discovering new ideas and understanding the customer. Other areas in which the executives had difficulties were establishing project deadlines, balancing the risks, times and returns within the new projects portfolio and not “killing off” mediocre projects soon enough. In general, many of the factors that are most commonly behind lack of satisfaction with innovation are related to implementation or execution, that is, to the commercialisation processes, rather than the invention process.



Source: BCG 2005 ITC Survey

Another issue lies in very few companies having adequate indicators for innovation. In fact, less than half the executives interviewed said their company monitored the financial results of the innovation.



Source: BCG 2005 ITC Survey

### ... why are multiple obstacles or barriers encountered when innovating ...

There are diverse reasons why companies fail in development of innovative strategies:

- In some cases, companies are too focussed on cost reduction and increasing efficiency and do not consider it necessary to change and innovate to generate new value for the customers.
- At other companies, there is not a culture that favours innovation, with highly fragmented structures, leaders highly oriented by the past and without incentives to be creative and to experiment with new ideas.
- At many companies, innovation is considered important, but it is left in the hands of specific groups, without a clear vision and objectives, and without management structures, process and techniques for innovation at company level.
- Many other companies lack relational capital and invest in research alone, without networking, either with providers or customers.

The following is a non-exhaustive list of twelve barriers, that aims to summarise the most frequent obstacles companies face when preparing radical or substantial innovations.

#### Main barriers or obstacles when innovating

- Day to day pressure that absorbs all executives time.
- The pressure to obtain short-term results, that hinders investment in innovation projects with more medium to long term results.
- Excessive focus on cost reduction, optimisation and efficiency, on perfect execution.
- Lack of decisive support by the management, that does not insist on the need to innovate, or that does not provide sufficient support to people and teams who make an effort to innovate in the company.
- Excessive internal orientation (the “not invented here” syndrome), without establishing or managing relations with external agents in the innovation projects (with customers, providers, technological centres, etc.).
- Obsession with competition, with competitive position, with movements by competitors and with the battle to “seize” their market share from them, without seeking ways to avoid competitors and create new markets.
- The arrogance of success and the difficulty to “unlearn” the management’s own mental schemes.
- A culture that does not favour creativity or allow errors.
- Definition of strategies from top down, without taking into account the ideas and talent of the rest of the organisation and without creating prior conditions under which wealth creation strategies may arise.
- Failures throughout innovation projects, as well as not involving the appropriate partners in the first phases of development of the idea, not experimenting until perfectly defining the project, not providing sufficient support in the market entry phases, etc.
- Lack of indicators to measure the results of the innovation and lack of incentives to reward innovative efforts.
- The very difficulty of managing innovation projects and making decisions on innovation, because these are not repetitive processes (that one may gradually perfect) and many elements that influence the result are out of control (changes in the customers, movements by competitors, etc.).

Companies nowadays are obsessed with satisfying the shareholders. Splits, share buy-backs and efficiency programmes: all this “releases wealth”, but does not create “new wealth”. Nor is this created by major mergers. These strategies do not create new wealth because they do not create new markets, new customers or new flows of revenue. Moreover, the majority of companies are managed by directors who have exaggerated confidence in perfect execution and believe that is all one needs to triumph in a discontinuous world. *Gary Hamel, Leading the revolution.*

“The problem never lies in how to get new innovative ideas into one’s head, but rather in how to remove the old ones.” *Dee Hock, creator of Visa.*

“All great truths begin as blasphemies.” *George Bernard Shaw.*

An executive: “Success or failure is rarely measured. Basically, we react to success or failure either by putting more into the programme or leaving it out to grow. Official cancellation of bad ideas is very rare: normally they just wither away and that’s all”. *Respondent from AT Kearney’s innovation study, 2003.*

“Whenever there is the hazard of major companies becoming arrogant when they taste success. They begin to think they know the right answers, which is never true, because there are no right answers. There are many replies and some of them are correct and incorrect at the same time.” *Peter Littman, Director of Hugo Boss.*

# 1. Why Strategic Innovation?

## 1.2. Strategic innovation is difficult

### ... and why executives' perceptions often do not match reality

In a study of innovation carried out by the consultancy firm AT Kearney in 2003, at more than 200 companies in the United States and Europe, a series of striking paradoxes are shown, in which perceptions clash with the experience of hundreds of customers. They identify four paradoxes in relation to innovation:

#### 1. The aspirations of breakthrough innovations end up as incremental actions.

More than two thirds of executives mention development of breakthrough products and services as a priority. However, less than 25% of their innovation projects focus on "new for the market" efforts and most of the major innovation projects companies carry out annually – that often amount to more than 30 – may be grouped in three less innovative categories: lesser derivatives or extensions of the present products; cost saving innovations on the present projects; and new projects for the company, but not new ones for the market.

An executive explained it this way: "The most important need is for breakthrough ideas. However, much of what we do concentrates on incremental increases. These are important, but you need to do much more than that". AT Kearney's innovation study, 2003.

#### 2. The customer's knowledge does not lead to leadership on the market.

Executives give their companies high marks in research into their customers' needs and priorities and on aligning innovation with those needs. However, more than half the new products and services are in reaction to the market, more than actively initiated by a multifunctional team including R&D. Innovation programmes at most companies have little direct contact with the end user and, moreover, many companies also lack a disciplined process to prioritise projects, so the final result is a reactive behaviour.

An innovation manager expressed his frustration with the scarcity of resources: "Our main obstacle is having the people to do the work. We are in a situation in which everyone is more than fully occupied on present projects, that always have the highest priority.". AT Kearney's innovation study, 2003.

#### 3. Investment is adequate, resources are not.

While executives say their companies spend an adequate amount of time and money on innovation projects, they also cite limited resources as the main reason for poor results obtained in this area. Beyond the day to day mentality that prevails at many companies, efforts at innovation tend to be highly fragmented, with too many projects in the portfolio and very little strategic prioritisation of those efforts.

Corporate strategy is highly influenced by its roots in military strategy (front line, headquarters, etc.). Nowadays, one rarely talks of strategy without using the term "competition" or "competitive advantage". Of course, competition is important, but by concentrating on competitors, we forget two important aspects (and more lucrative ones) than strategy: one is finding and developing markets where there is little or no competition (blue oceans) and others lie in exploiting and protecting the blue oceans. Kim & Mauborgne, *Blue Ocean Strategy*.

#### 4. The majority fights against competitors

Many executives believe their companies are doing better than their rivals in innovation. Nearly 70% of the executives claim that their companies are more innovative than competitors, and less than 10% say they are less innovative. However, less than half the new products and services launched are based on reactions to the market. That gap between perception and reality may be partially explained by the lack of consistent, reliable methods to measure progress and the results of innovation.

Among this muddle of contradictions, it is not surprising what poor results companies are obtaining from their innovation efforts. Very few radical innovations reach the market and the new products and services that are launched on the market are often faced with unsatisfactory financial results, so the executives complain they are not obtaining an adequate return from their investment. Numerous studies reinforce that opinion, finding that between one third and half of all new products are rejected before or shortly after entering production. Most of the new products that reach the market absorb valuable company resources, but they fail to return the capital cost required to create and maintain them in production.

# 1. Why Strategic Innovation?

## 1.3. Strategic innovation requires a different management model

### 1.3. Strategic innovation requires different capacities and management

#### The actual way of innovating has varied in time

Roy Rothwell distinguishes five generations in the innovation process, beginning with that which concentrates on internal technological development (inherent to the 1950s-1960s), down to the fifth generation he calls “lean innovation”, just as shown in the scheme on the right.

According to Rothwell, the growing complexity and means of technological change are forcing companies to form new vertical and horizontal alliances and to seek greater flexibility and demand in responding to changes on the market. That adaptation process is leading some companies to a greater, more strategically focussed integration in networks and in adoption of sophisticated computer tools in their design and development activities, to increase flexibility, speed and efficiency in development. That new type of innovators is beginning to take elements from the fifth generation of the innovation process (5G), which is essentially a “lean innovation” process.

However, Rothwell states that reality is more complex and that even nowadays, there continue to be all the types of innovation processes in different forms. To a certain extent, that diversity is due to sectorial differences.

#### Five generations of the Innovation Process

- 1st generation (1950s – Mid 1960s): **Technology Push**
- 2nd generation (Mid 1960s – Early 1970s): **Market Push**
- 3rd gener. (Early 1970s – Mid 1980s): **“Coupling Model of Innovation”**
- 4th gener. (Early 1980s - Early 1990s): **Integrated Innovation Process**
- 5th generación del Innovation Process: **Lean Innovation**



Features of the 5th generation (5G) of the innovation process:

- Major global organisational and systems integration (including external networking)
- Flatter, more flexible organisational structures, including greater delegation in decision making.
- Very complete, highly developed internal data bases.
- Product development assisted by information technologies
- Effective external electronic links

Source: Roy Rothwell, “Towards the Fifth-generation Innovation Process”

Like Rothwell, Gary Hamel also records several phases of evolution in innovation in his book “Leading the revolution”, and indicates that in the revolutionary era, we will not only see competition between corporate models, but also between innovation regimes.

- From 1900 to 1950, **major science**, scientists in their laboratories, not all rivals, as a mechanism to create wealth.
- From 1950 to 1990, the field of innovation was **marketing**. Company spent more effort on manufacturing deeds than in performing scientific discovery. The objective was to manage to get the consumers to buy “your” own brand. The marketing people unceasingly invented to use advertising to tell the stories we wanted them to tell us.
- The new corporate order demands **innovation in corporate concepts**. The challenge is not a patent or a new advertising campaign, but rather a radically new corporate concept. It is no longer scientists or marketing managers, it is the entrepreneurs – what Charles Handy defined as “the new alchemists”, people able to make something from nothing. That is more like Silicon Valley than a laboratory or customer service group. Hundreds of new corporate ideas are competing in Silicon Valley, on what has become an open innovation market. Although R&D and marketing will continue to be routes to wealth creation, they will no longer be the only or the most profitable ones.

#### The new Innovation Agenda

|                                |   |                              |
|--------------------------------|---|------------------------------|
| Continual improvement          | & | Non linear innovation        |
| Product and process innovation | & | Corporate concept innovation |
| “Releasing” wealth             | & | Wealth creation              |
| Daring                         | & | Capacity                     |
| Visionaries                    | & | Activists                    |
| Scientists, marketing managers | & | Silicon Valley               |

Source: Gary Hamel, “Leading the revolution”

# 1. Why Strategic Innovation?

## 1.3. Strategic innovation requires a different management model

### *Breakthrough innovation radical requires focus on strategy in a different way and developing new skills within the organisation*

The significant achievement of the industrial epoch was the notion of continual improvement, and that continues to be the secular ideology of many executives (kaizen, re-engineering, resource planning, etc.). Organisational learning and knowledge management are the closest relatives of continual improvement, as they aim more to be better than to be different. The real matter nowadays is linear innovation against non-linear innovation and, to that end, companies must change their operating methods and management techniques: they must introduce variability instead of concentrating exclusively on decreasing errors; they must experiment instead of controlling down to the last detail, they must surprise and jump instead of conformity with continual or incremental improvement; and they must continuously rethink what they do, instead of perpetuating the strategies of the past.

**Firstly, companies must adopt a different strategic approach, in search of radical innovation.** The book on Blue Ocean Strategy emphasises that blue ocean creators, in strong contrast to companies that act with traditional rules, never use competition as a benchmark. On the other hand, they make it irrelevant by creating a jump in value for buyers and for the company itself.

Perhaps the most important feature of the blue ocean strategy is that it rejects the fundamental principle of conventional strategy: the need to choose between value and cost. Successful companies pursue what they call “value innovation”: differentiation and low cost simultaneously. Value innovation may occur anywhere, in a whole range of activities by the company: product, service, delivery, costs, price, and the business model.

The more effective it is, the more corporate concept innovation leaves competitors in a cul de sac: if they abandon their old tried and proven model, they risk being second in a game they did not invent, the networks of w2 they do not understand; but if they do not adopt the new model, they renounce the future. It is bad if they do so, worse if they do not. Innovation, in corporate terms, need not actually be related with “competitive” strategy. It is not a way of taking positions “against” competitors. It is based on “avoiding” not on “attacking”. Gary Hamel, *Leading the revolution*.

| Red Ocean vs Blue Ocean Strategy  |   |
|---|---|
| Red Ocean Strategy  | Blue Ocean Strategy   |
| Compete in existing market space  | Create uncontested market space   |
| Beat the competition  | Make the competition irrelevant   |
| Exploit existing demand   | Create and capture new demand   |
| Make the value / cost trade-off   | Break the value / cost trade-off  |
| Align the whole system of a company's activities with its strategic cost of differentiation or low cost | Align the whole system of a company's activities in pursuit of differentiation and low cost |

Source: Kim & Mauborgne, *Blue Ocean Strategy*

**Secondly, companies must develop a series of skills for breakthrough innovation.** It is not sufficient for the company to change its strategic approach in seeking radical innovation, but rather, in order for that search to provide results, a series of changes in the organisation are required for good breakthrough innovation ideas to continually come to the fore, and for these to be successfully be implemented.

In that sense, it is necessary to have leadership that boosts innovation and a culture that favours it (that recognises the urgency of innovating and the need to experiment and commit mistakes, that rewards efforts in innovation, etc). It is also necessary for people to be provided with innovation skills, with the necessary knowledge and information, with creative attitude and aptitude, and with the ability to liaise with external partners (customers, providers, competitors, institutions, etc.). Another series of more formal aspects must also be reviewed and changed to favour innovation: the organisational structure, the processes and actual management indicators. All these aspects are developed in greater depth by the explanation **of the model “The Innovation Kite” which we have prepared in the B+I Strategy to help companies define and implement innovative strategies.**

# 1. Why Strategic Innovation?

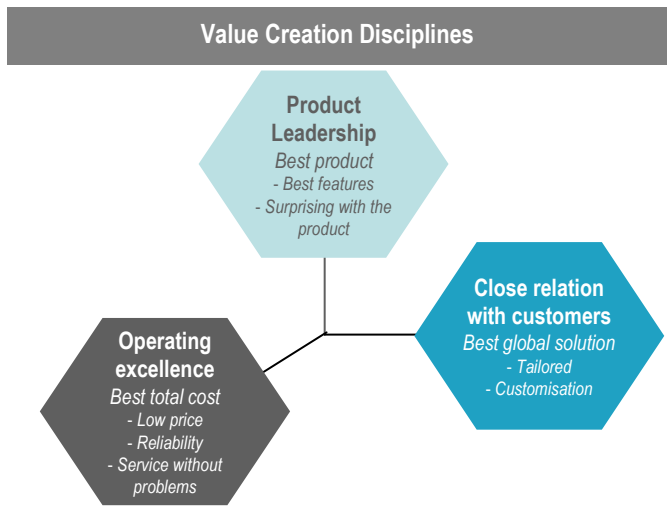
## 1.4. Some companies really are innovative, with different approaches

### 1.4. Some companies really are innovative, with different approaches

As we stated at the beginning of the document, in spite of the difficulty most companies have in innovating, there have always been and always will be innovative companies, that sometimes break out of the moulds in the sector or create completely new markets and even sectors.

Following the scheme of Value Creation Disciplines developed by Treacy & Wiersema, we note that different leading companies innovate in different ways:

- Product Excellence related innovation: Nokia, Sony, Lladró, 3M
- Innovation related to close relations with the Customer: Ritz Hotels, RACC, El Corte Inglés, Harley Davidson
- Innovation in Operational Excellence: Walmart, Toyota, Mercadona
- Innovation in several disciplines at once, developing new business models: Inditex, Ikea, El Circo del Sol, Yellow Tail.

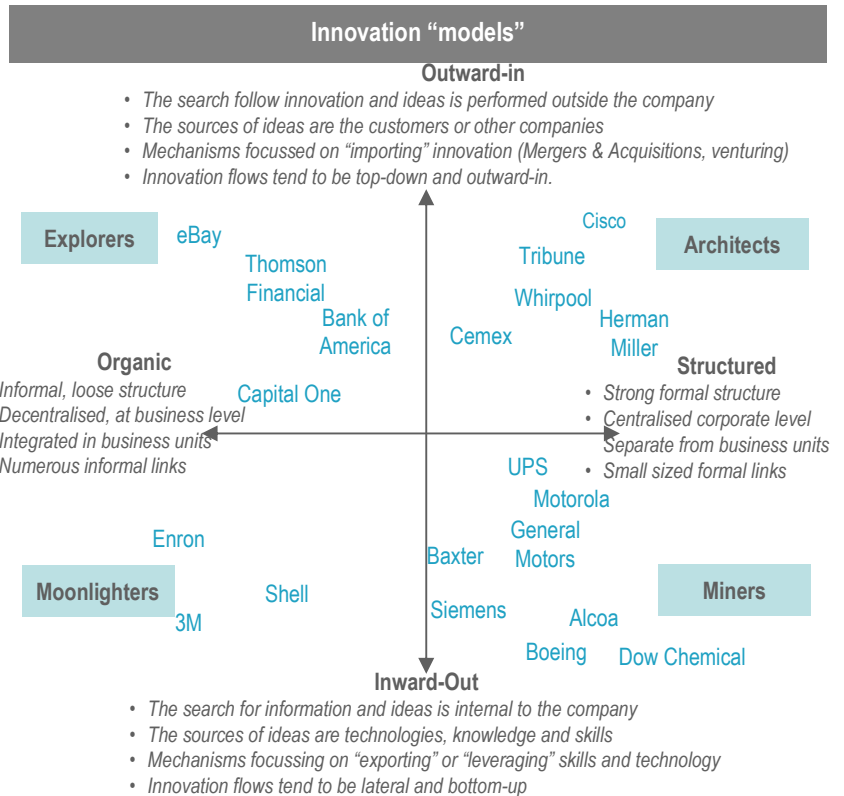


Source: Treacy & Wiersema

Another way to group different approaches by innovative companies is that taken by Sawhney, who says that companies are organised differently to innovate, according to various factors:

- Where they focus their search for (within or outside the company )
- How the innovative ideas flow (top down or bottom up)
- How innovative ideas are development (internally, or decentralised using external partners)
- Where innovation resources or efforts are located within the organisation (separate from the core business or integrated)
- How the innovation process is managed (formal or informal processes)

On the basis of the previous factors, the author defines four “models” of business innovation: “Moonlighters”, “Explorers”, “Architects” and “Miners”. There is no correct model for innovation, but rather, it depends on the context of each company (its environment and own features). Each model has its advantages and disadvantages, that must be considered.



Source: Mohan Sawhney

### 1.5. Innovative companies have a series of common features

Many companies have been successful in defining innovative strategies and in developing radically new products and services, in a highly profitable, sustainable way. Each company is different, but we may find a series of features all these innovative companies have in common:

- A clear strategy that establishes the priorities for innovation and assigns the resources in keeping with them. Innovative companies concentrate on what their brands communicate, what needs they cover and what niches they cover. They also concentrate their innovation efforts on gaps in their product and services portfolios. Likewise, an integral part of their strategy is how to focus the provider or partner base in the best way to leverage their innovative power.
- A good innovation process that turns strategy into reality. Consistent processes that ensure that ideas are generated and captured systematically, and that the projects selected are aligned with the strategy and are executed effectively. Moreover, a formal approach to collaboration between the functions and extended company – soon in the development process – is a key factor.
- Solid management of the technological portfolio helps companies to deal with the risk of new technologies adequately, instead of betting or selecting immature technology.
- An open culture that encourages and boosts innovation, providing the appropriate level of management control, valuing the result, awards risk taking and opening up to change. A system of indicators and incentives to support innovation.

In the survey conducted by the Boston Consulting Group among a total of 940 executives in 68 countries in 2004, the first five companies considered most innovative were Apple, 3M, General Electric, Microsoft and Sony. Although the executives quoted many characteristics they admired in the most innovative companies, the following skills were the most often mentioned:

- “Market insight”, the ability to enter your customers’ minds and understand and shape their desires.
- Skill to “institutionalise” innovation, that is, to maintain a corporate culture that leverages the best ideas of each and every one of the employees.
- Skill to create something new from something old. Innovation not only consists of new technologies or radically new products, but also may mean looking at an existing product, technology or service and improving or adapting it to capture a new market. (E.g. iPod, launched in 2001, when Compaq launched a similar product in 1999 and it was not successful).

Source: Boston Consulting Group. *Innovation 2005*

#### Characteristics of innovative companies

- market focus.
- Each employee knows what the company strategy means for him or her at work.
  - Demanding customers and/or a real understanding of the customers that is built into the innovation processes, right from the formulation phase of the idea / opportunity.
  - Strong skills linked to operations and strategy. The essential competencies are identified, maintained and leveraged.
  - A good Innovation Management System.
  - Constant appraisal and measurement.
  - Strategic planning linked to project planning and execution, so the options are evaluated on the basis of where they fit into the strategy, rather than on the basis of financial indicators.
  - Emphasis on learning from experience, with approaches to the market that are more experimental than analytical, and greater tolerance of error or failure.
  - “Spirit of innovation”: innovation is rooted in the DNA of the company, forms part of its culture.

Source: Own preparation

After analysing the data on blue ocean creation in the last 100 years, we discover that :

- Blue oceans are not about technological innovation. On some occasions, spearhead technology lies in the creation of blue oceans. However, in general, blue oceans are rarely the result of technological innovation in itself; the essential technology often already existed.
- Existing companies often create blue oceans and normally in their main business. E.g. Automotive and hardware. Thus, being an established company is not a disadvantage and new markets are most often in your own sector (not in far away waters).
- Creation of blue oceans generates brands. A strategic blue ocean movement may create a brand capital that lasts decades (e.g. Ford, IBM.).

Source: Kim & Mauborgne. *Blue Ocean Strategy*

Success in innovation requires all these characteristics. Even the best strategy is of no use if it is not adequately implemented and major processes are frustrated by badly aligned incentives and low morale within the organisation. Where should one begin? The first step is to evaluate the starting point objectively. The company may then work to create a solid strategy, the formal processes and adequate culture. To help you in that process, at B+I Strategy we have developed the Strategic Innovation Model (“*The Innovation Kite*”) that is presented in the following section.

## Strategic Innovation Research Project

# 02

## B+I Strategic Innovation Model *“The Innovation Kite”*

- Presentation of the Model *“The Innovation Kite”*
- WHAT: Defining innovative business
- WHAT: Developing a constant innovation capacity

### 2.1. Presentation of the Model

At B+I Strategy, we have worked to prepare a **Strategic Innovation Model (“The Kite”)** to help companies to develop a constant innovative capacity, with a series of elements and tools, and processes of change / reflection that must be adapted to each case.

The Model has two main elements that are closely related and complementary:

**WHAT: On what innovative business does the company work or does it want to work. What differential value does it offer.**

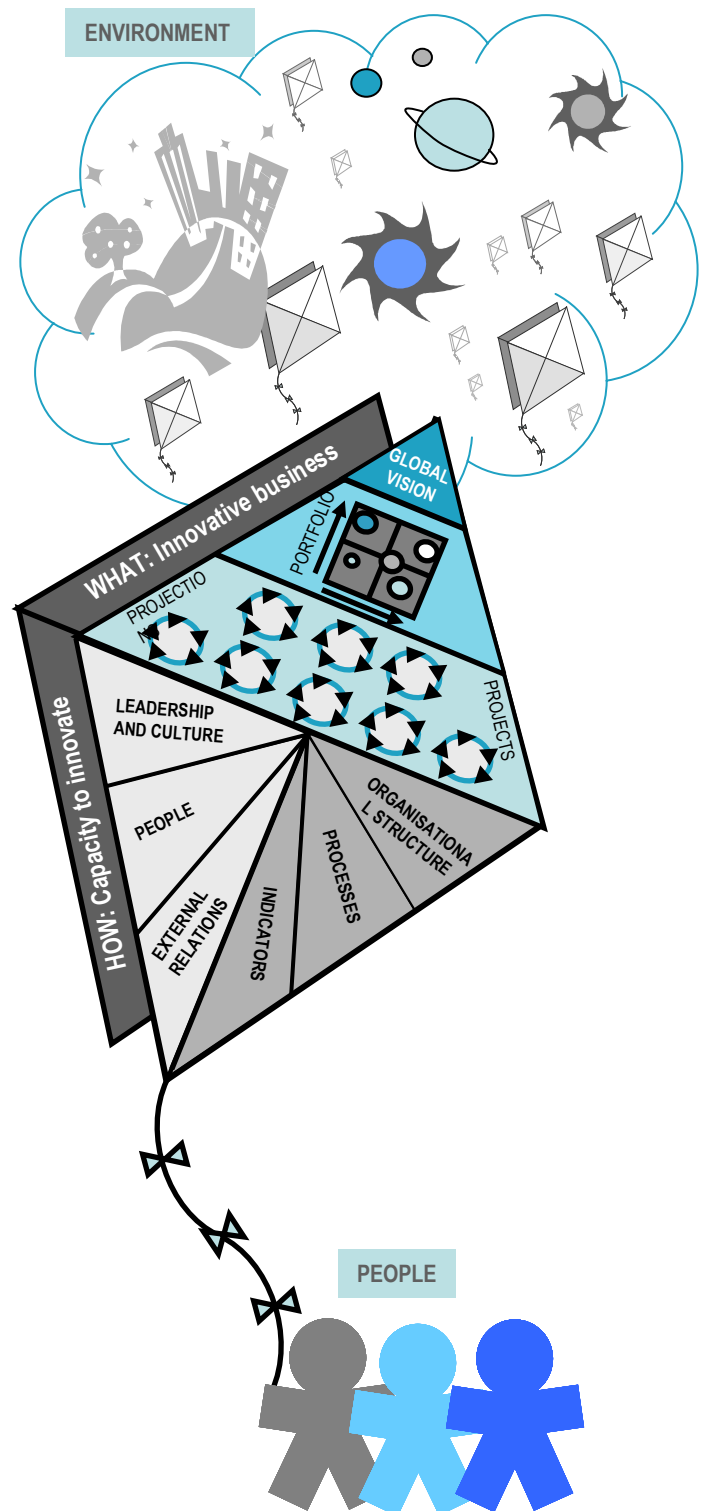
- Part of a **Global vision** of the company that is flexible and dynamic, with the aspirations and strategic axes that guide efforts in innovation.
- It is based on global, dynamic management of the business **portfolio**, experiments and ideas of new innovative business.
- It is based on a series of **innovation projects** under different phases of development.
- It focuses on seeking new business models or substantial amendments of the company value proposals.

**HOW: How to develop constant innovation capacity in the company.** The aim is to generate the necessary context for the activities of the company (the WHAT) that are really innovative. In that sense, one may work on the following elements for them to favour innovation :

- Leadership and corporate culture
- Managing people
- External relations
- The structure
- The management processes
- Management scales or indicators

Moreover, the Model contains representation of the **ENVIRONMENT** (market, technological, institutional). The actions by the agents in the environment (competitors, customers, providers, governments, research institutes, etc.) condition the innovation activities by the company and provide fundamental collaboration activities. In that sense, the Innovation Model is **dynamic**, as the environment changes and the company innovation strategies and activities also change.

Lastly, one must emphasise the model based on **PEOPLE**, as key protagonists of corporate innovation. People must accept their responsibility with regard to the future and develop an innovative culture and to that end must be supported by a management model that favours their contribution to innovation (training, rewards, recruitment, resources, etc.)



## 2. “The Innovation Kite” Model

### 2.2. WHAT: Developing successful innovative business

#### 2.2. WHAT: Developing innovative business

Businesses must continuously make decisions concerning the business in which they wish to operate, or concerning other aspects that will have a major effect in the future on business alternatives they may opt to, as well as the resources they will have to undertake innovative adventures.

Companies that wish to be innovative and successful in launching and operation of differential innovations must work on three levels in parallel:

- **Defining the global vision of the company at strategic level.**

The company management must define the future vision of the company, indicating what business it wishes to be in (products / markets), with what differential elements and with what level of ambition (goals).

Moreover, it must define strategic axes that orient the innovation efforts, the criteria with which the different projects must be evaluated and the resources they intend to assign to achieve those objectives (including resources for innovation).

- **Management of the business portfolio, opportunities and projects at global level**

Taking into account the vision and strategic axes, the company must globally manage the portfolio of present products / business along with the portfolio of ideas or opportunities and the portfolio of ongoing innovation projects. To that end it will select the ideas that deserve to be studied and developed, will continuously evaluate fulfilment of objectives on the ongoing innovation projects, and will take decisions to abandon or invest more resources in the present projects (people and money). To the extent that the company may advance toward the existence of internal idea markets, money and talent, it may manage to involve more people in the corporate innovation process and will support the best projects obtaining the best resources.

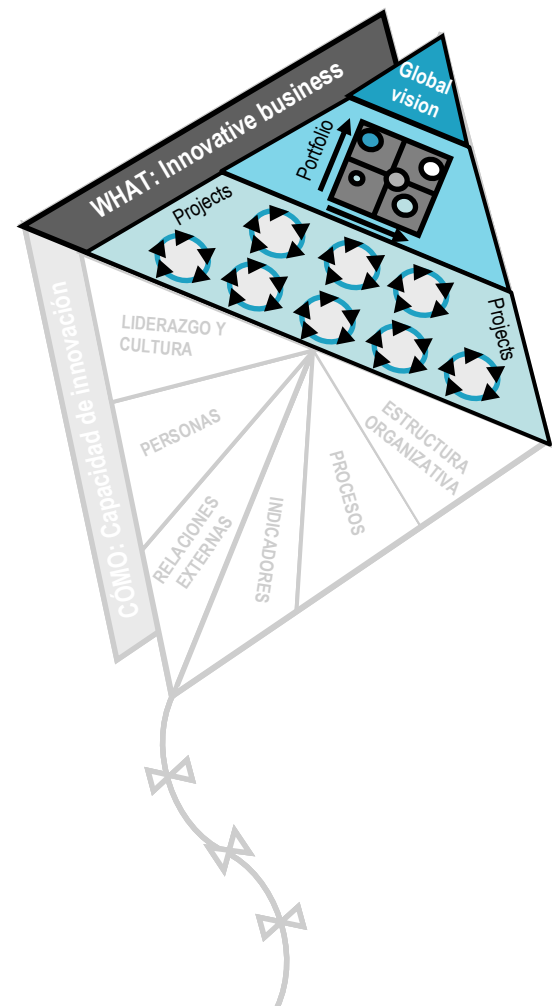
- **Managing individual innovation projects**

Moreover, it is necessary for each one of the innovation projects to be managed throughout its life. It must be supported (with the appropriate resources and recognition) and monitored, it being fundamental to ensure adequate people and external partners participate from the beginning. Likewise, it is convenient to promote low risk experimentation, in order to maximise learning over the project and to redefine the elements of the business according to that learning.

**The preceding three levels are not static, but rather, are influenced and changed in parallel.** Thus the global vision of the company will be much richer to the extent that the company has multiple innovation projects under way, in which it will experiment and learn from the market, and from the ideal nature of the vision previously defined. Thus, according to the results of the projects, the vision will be reviewed and enriched, and according to that new vision, the management criteria of the global portfolio will be changed and new research projects identified and implemented.

#### WHAT Developing Innovative Businesses

- **Global vision** : differential strategic axes
- **Portfolio management**: selection / rejection, providing resources, supporting, internal idea markets, capital and talent.
- **Specific projects**: ideas, experiments, business



#### Tools to define Innovative Businesses

The majority of organisations have very few people able to think in general and also specifically about new corporate concepts, or who glimpse radical adjustments to the existing business models. Due to this, great ideas are often not born – someone has a fragment of an idea, but does not know how to build a complete corporate model around it.

In order to help companies to define innovative strategies or to develop new corporate concepts with the maximum guarantees of success on the market, both to work with the global vision of the company at strategic level, as well as to work on the different innovation projects, especially in the initial phases of designing new business, products or services. Among the multiple tools defined, we propose the following ones, although each company must select the ones that are most useful or familiar to it and adapt them to its needs:

- **Elements of a corporate concept**, by Hamel: This describes four main components that form a good corporate concept and provides questions for reflection in the search for possible differential elements. It also provides a series of benefit factors and inducers that may favour exploitation of the concept on the market with greater efficiency and speed.
- **Value curve**, by Kim & Mauborgne: This is the central diagnosis and action scheme for the blue ocean. It shows the components of the value offer and proposes reflection on what factors must be reduced, eliminated, raised or created to achieve more creation of a new market, that provides more value at lower cost.
- **“Outcomes” the customer wishes**, by Ulwick: This proposes a scheme to reflect on the work or tasks the customers deal with when they use a product or service, the results they try to achieve and the limitations or difficulties they find. The aim is to obtain critical input for the innovation process.
- **“Building Customer Franchise”** by Wilton: The aim is for the company to become the only alternative the customer considers when making a buying decision, exceeding the expectations of the best imaginable for the customer.
- **Diffusion of innovations**, by Rogers: There are a series of elements that favour swift diffusion and adoption of new products or services, and they must be taken into consideration both in the design phases as well as in those of market launching.
- **Innovation at the Base of the Pyramid**, by Prahalad: After an analysis of multiple experiences of success, he describes the necessary focus to innovate in products and services for the poorest, in a very profitable manner, generating innovations that may be transferred to other markets and developed countries.
- **Joint creation of value with the customer**, by Prahalad: He provides an approach to deal with the continual effort by the consumer and company – the extensive network of the company and of consumer communities – to create value together through customised experiences, which unique for each individual consumer.

#### WHAT

#### Developing Innovative Businesses

#### Main tools to define Innovative Businesses

##### Tools:

- Corporate concept elements (Hamel)
- Value curve (Kim & Mauborgne)
- “Outcomes” the customer wants (Ulwick)
- “Building Customer franchise” (Wilton)
- Diffusion of innovations (Rogers)
- Innovation at the base of the pyramid (Prahalad)
- Joint creation of value with the customer (Prahalad)

*“We do not make innovative strategies, but rather, we modify our value proposals and these are clearly differentiated from those of new competitors.”. Steve Jobs. President of Apple.*

### 2.3. HOW: Generate innovation capacity

Companies that have not made efforts at innovation in the past and have concentrated on focus strategies for their products and services in recent years, and on quality and cost reduction strategies, cannot become innovative companies overnight.

Thus, there are different levels of innovation management maturity. Normally companies begin with innovation as a functional responsibility (R&D as a stand-alone cost centre, where the technical perspective prevails). Later, innovation is conceived as a project by project management process, evaluating its contribution to the profit and focussed on internal customers. Finally, companies adopt innovation as a system, with an integral direction, an established system and a strong innovation culture throughout the whole organisation.

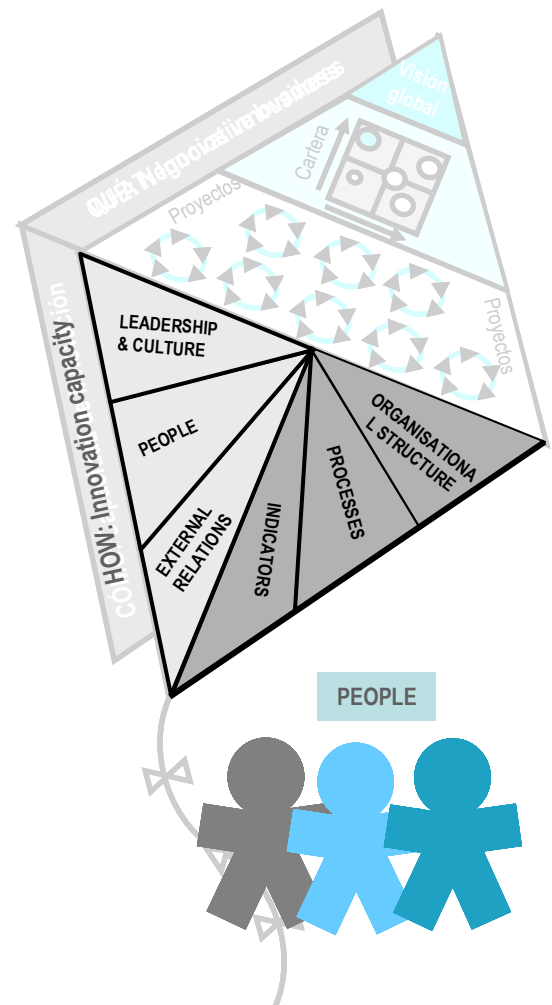
In order to be good at WHAT, to successfully define and execute innovative strategies and business, companies must develop a series of elements or skills within the organisation. Specifically, we emphasise six elements:

- **Leadership and culture:** What does the management say and do to create an environment leading to business innovation (support, motivation, example, messages, spirit ...)
- **People:** How that organisation equipped with personnel for innovation (people with knowledge, creative, motivated and diverse), how incentives are created, how the contributions to innovation are recognised, how the risk is managed, etc.
- **External relations:** with what external partners (customers, providers, institutions, other companies, etc.) are there relations (formal and informal), as a source of innovation, and how are the value connections managed.
- **Structure:** Where is the innovation activity located, how is it organised and how does it receive support or how are the business units fed.
- **Processes:** How are innovation opportunities generated, developed and evaluated. How are they implemented in the core business and how is the innovation organisation linked to the core business (how is innovation supported by the operating processes: personnel, production, marketing, purchases, etc.).
- **Indicators:** How the investments, progress and results of the innovation efforts are evaluated and how important innovation indicators are compared with other business or budget indicators.

In order to expedite corporate progress in radical innovation, it is necessary to work on all the previous elements in parallel and to adapt them to each company, as there is not a sole focus for innovation, as we have seen on speaking of the different styles and models adopted by innovative companies.

### HOW Generating innovation capacity

- **Leadership and culture**
- **People:** skilled (knowledgeable and creative), motivated and diverse
- **External relations**
- **Structure**
- **Processes**
- **Scales**



## Strategic Innovation Research Project

# 03

## Innovation capacity of Spanish companies

- Objectives of the survey
- Profile of the companies
- Structure of the questionnaire
- Main conclusions
- Detail of the results of the questionnaire

### Objectives of the survey

A central axis of our research project was the empirical contrast between the Model defined to support the companies in their innovation progress. To that end, in May 2006, a questionnaire on strategic innovation was designed and administered to more than 1000 Spanish companies in order to **empirically study how Spanish companies innovate and what the main difficulties they face are**, trying to corroborate the starting hypotheses formulated by the team at B+I Strategy.

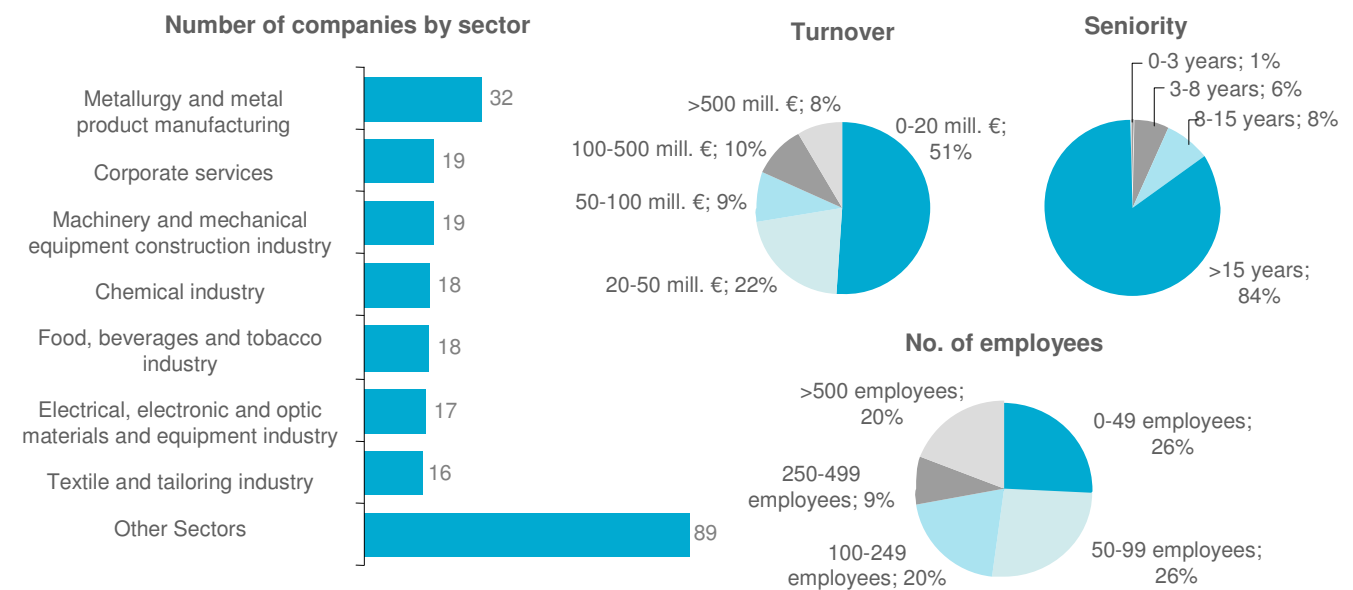
The questionnaire included 12 areas of analysis on:

- The importance of innovation at each company.
- The efforts made and the results obtained in exchange.
- The degree of strength or weakness in a series of capacities for innovation.
- The main barriers, and the reference companies in innovation.

Finally, **229 replies were obtained from companies** with different characteristics, origins and sectors of activity, which were sent an individual report comparing their replies with those of other companies in their sector of activity and all the companies in the sample. Processing the survey allowed us to ascertain how important innovation is to Spanish companies, what types of innovation they have carried out most frequently, what resources they dedicate to innovation and what resources they consider they should assign, what their main strengths and weaknesses are when innovating, what partners they work with to innovate and what are the main barriers they face to innovate, among other aspects.

The following pages show the **results obtained**, taking the questionnaires received as the basis for statistical exploitation.

### Profile of the companies that answered the questionnaire



• Note: When analysing the report, one must consider the bias that might arise from the special willingness the more innovative companies have to participate in this process, to the detriment of the least innovative ones.

#### Structure of the survey of Spanish companies

- The survey administered to Spanish companies is structured in five sections:

#### Section 1

##### Importance of innovation in the company

- How innovative do you consider your company? And compared with your competitors?
- What are your strategic priorities?
- How would you evaluate the importance of the following types of innovation in your company?
- How do you organise your company for innovation?

#### Section 2

##### What efforts does your company make in innovation and what results do you obtain

- What resources does your company assign to innovation? How many do you think it should assign?
- What results does your company obtain from its efforts in innovation? What ones should it obtain?
- What types of innovations have you performed in the last 5 years?

#### Section 3

##### What is your innovation capacity like

- How strong is your company in the following innovation skills?
- Who does your company relate with when innovating?
- How does your company measure its results with innovation?

#### Section 4

##### Barriers to innovation at your company

- What are the main barriers or obstacles your company finds when innovating?

#### Section 5

##### Companies that stand out due to their innovative nature

- What companies do you admire for their innovative nature?

*Note: The survey form sent to the companies is included in the addenda section.*

#### Main conclusions of the survey on Innovation administered to Spanish companies

In general, the companies surveyed consider themselves innovative ...

... and consider innovation to be one of the priorities for the future ...

... but they do not show a sole pattern or means of organisation when innovating.

The majority of companies considers they should increase the volume of resources spent on ....

... and that they should increase the weight of radical innovations, to the detriment of incremental ones.

The most innovative companies feel stronger in a series of critical skills for innovation ...

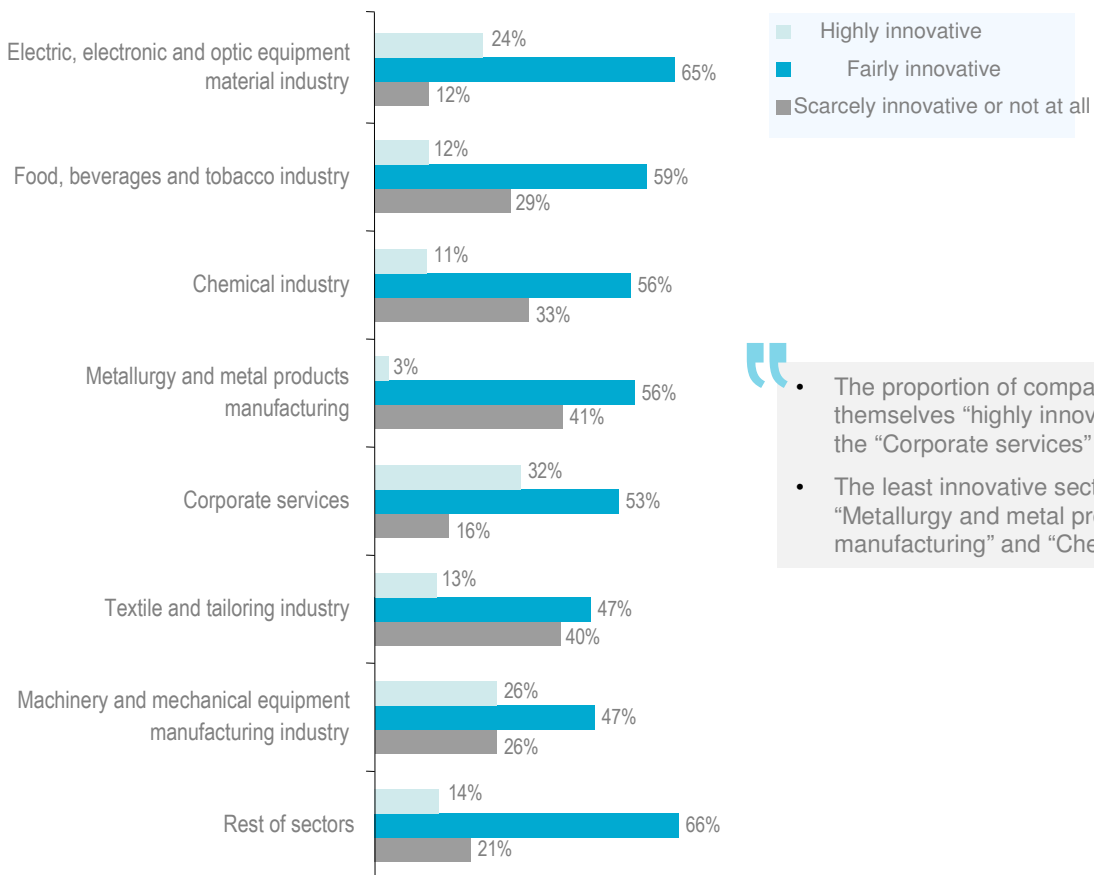
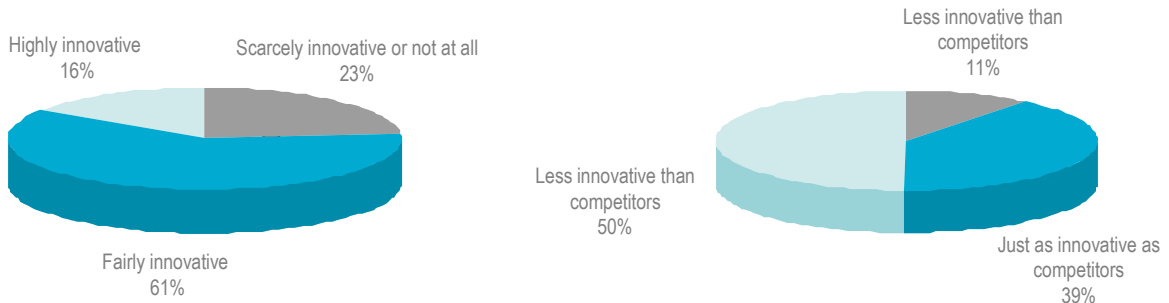
... although they all face quite similar barriers, such as day to day pressure or pressure over short term results

- Three out of every four companies that answered the questionnaire considered themselves innovative, and half of them considered themselves more innovative than their competitors.
- If we analyse the strategic priorities, the companies surveyed consider that “increasing the profitability of the company” and “reducing costs” are their main, fundamental, traditional concerns. However, “increasing innovation capacity” is beginning to take first place in strategic priority for companies.
- Companies that develop many different ways of organising themselves when innovating. Thus, at the majority of companies innovation takes place “Inward-out”, that is, the ideas are sought inside the company and there are mechanisms that concentrate on “exporting” or leveraging capacities and technologies. On the other hand, at a third of the companies, innovation takes place “Outward-in”, (the ideas are mainly sought outside). Moreover, although the majority of companies have a fairly structured organisation, in a third, the organisational structure is more informal, the innovation teams are decentralised and the external links are more numerous and informal.
- Where there is widespread agreement is concerning the need to increase the resources assigned to innovation, and the will to obtain greater results from innovation, in spite of the fact that 71% of companies is satisfied with the returns they now obtain.
- When appraising the importance of the different types of innovation (product, market, etc.) at companies, innovations on present markets are considered highly important by more than half the companies, while one out of every four does not consider new customer acquisition relevant. Moreover, over the last five years, the most frequent innovations by companies have been assigned to creating new products, technologies, processes or other solutions for customers. One must also emphasise that the majority of the innovations were incremental, and only an average of 11% were radical.
- With regard to innovation capacity, the companies feel stronger when defining a clear, differential innovation strategy, in their culture and development of innovation, and in attending to innovation opportunities. On the contrary, companies showed greater weaknesses in providing resources to innovate (including personnel, customers, etc.), in positive or negative solution of innovative projects and in management methodology for innovation (times, spaces, indicators, etc.). In general, in practically all the innovation skills recorded in the survey, the most innovative companies are significantly stronger than the least innovative ones.
- In this sense, with regard to the relations established when innovating, companies, regardless of their degree of innovation, relate above all to “customers” and “providers” as main external partners when innovating. On the other hand, “customer satisfaction” is the most frequently used indicator to measure the results of innovation (62.7%), while “higher prices” (8,6%), the “success ratio of new products” and the ROI (24%) are the least used.
- Lastly, the main barriers faced by companies when innovating are “day to day pressure”, “pressure over short term results”, “lack of internal resources dedicated to innovation” and “high costs of innovation”.

### Section 1 Importance of innovation in the company

#### 1. How innovative do you consider your company? And compared with your competitors?

- Three out of every four companies consider themselves innovative.
- Half the companies consider themselves more innovative than their competitors.



- The proportion of companies that consider themselves “highly innovative” is larger in the “Corporate services” sector.
- The least innovative sectors are “Metallurgy and metal products manufacturing” and “Chemical industry”.

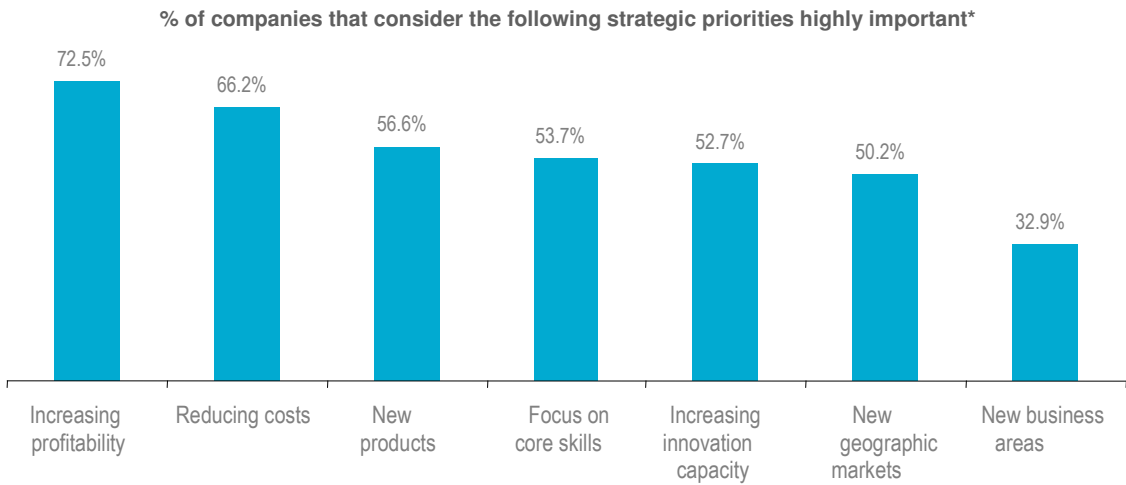
\* The percentages do not add up to 100% due to rounding up

### 3. Results of the survey of Spanish companies

#### Section 1. Importance of innovation in the company

## 2. What are your strategic priorities?

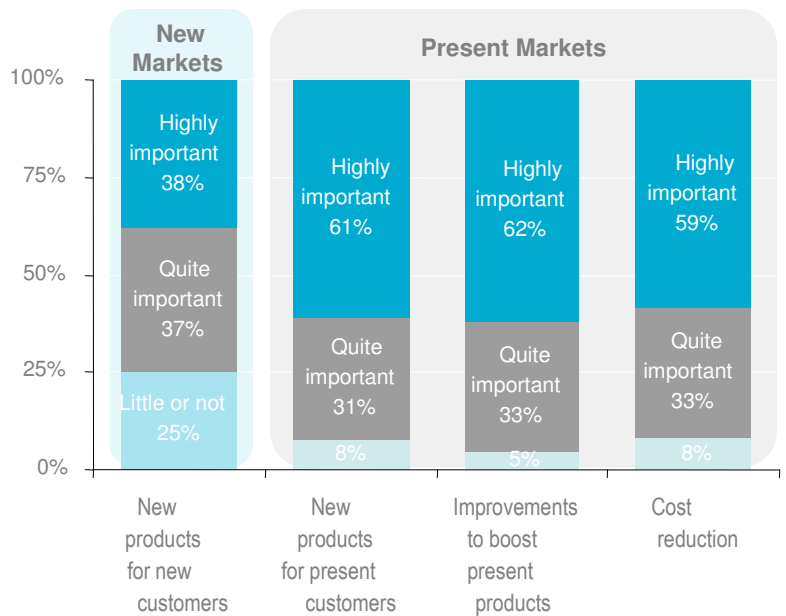
- “To increase the profitability of the company” and “Reduce costs” are the main strategic priorities of the companies surveyed.
- More than half the companies consider it highly important to “Increase innovation capacity”.



\* The percentages do not add up to 100, as the questionnaire does not allow choice of multiple attributes

## 3. How would you appraise the importance of the following types of innovation?

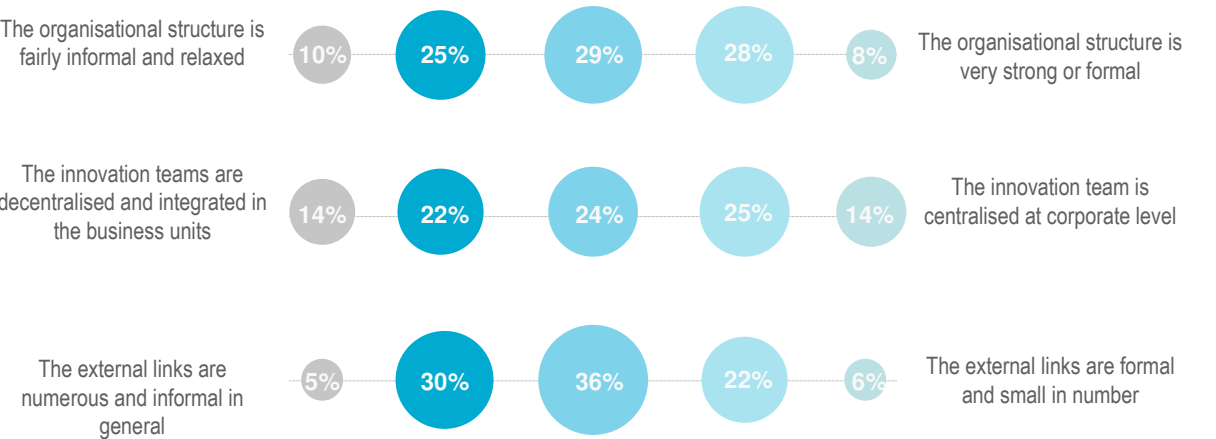
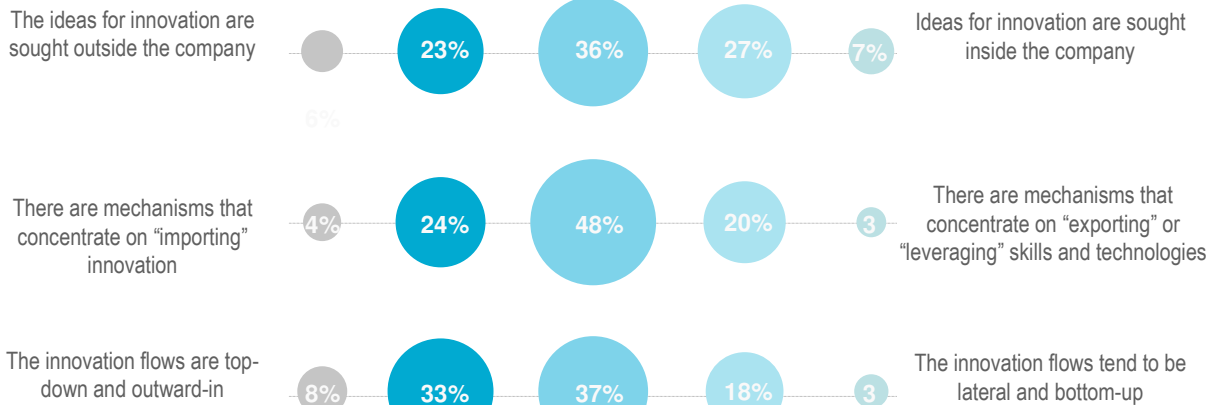
- Innovations in present markets are considered highly important by more than the companies.
- One of every for companies does not consider it important to acquire new customers



#### 4. How do you organise your company for innovation?

Companies develop many different ways of organisation when innovating:

- At most companies, innovation is performed “Inward-out”, that is, the ideas are sought within the company and there are mechanisms that concentrate on “exporting” or leveraging capacities and technologies. On the other hand, at a third of the companies, innovation takes place “Outward-in” and the ideas are mainly sought outside.
- On the other hand, although the majority of the companies have a fairly structured organisation, at a third of the companies, the organisational structure is more informal, the innovation teams are decentralised and the external links are more numerous and informal.

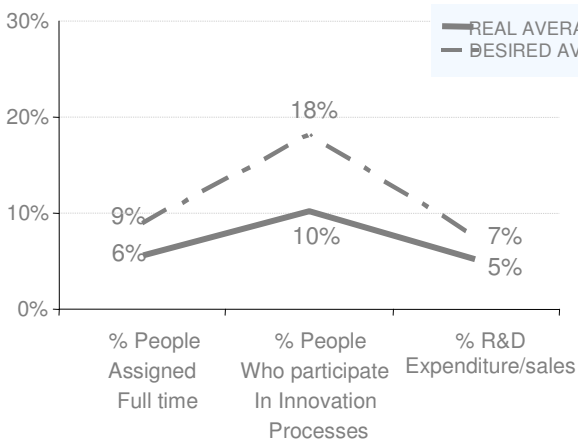


## Section 2. What efforts does your company make in innovation and what results do you obtain

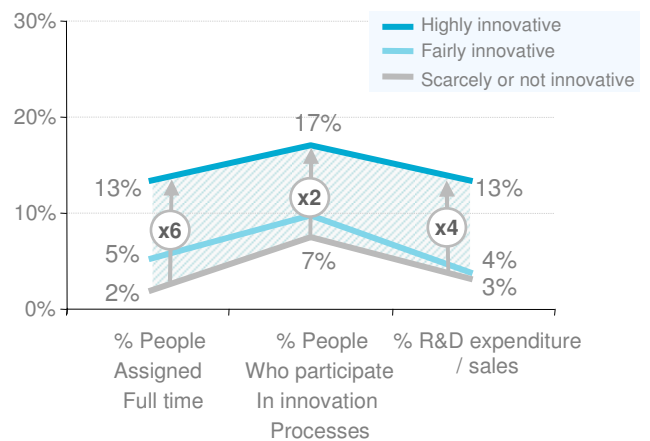
### 5. What resources does your company assign to innovation? How many do you think it should assign?

- In general, the executives consider they should increase resources assigned to innovation, going from an average of 6% to 9% of people working full time on innovation, and going from an average of 5% to 7% R&D expenditure to sales.
- The most innovative companies assign many more resources to innovation than the scarcely innovative ones

% resources dedicated to innovation out of the total company resources



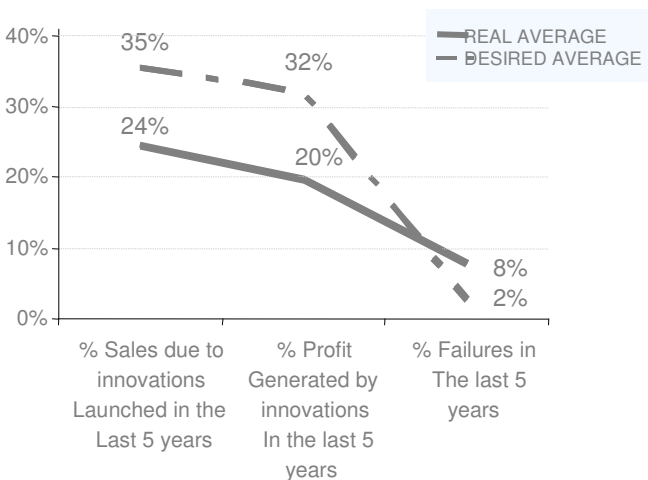
% resources dedicated to innovation out of the total company resources (at present)



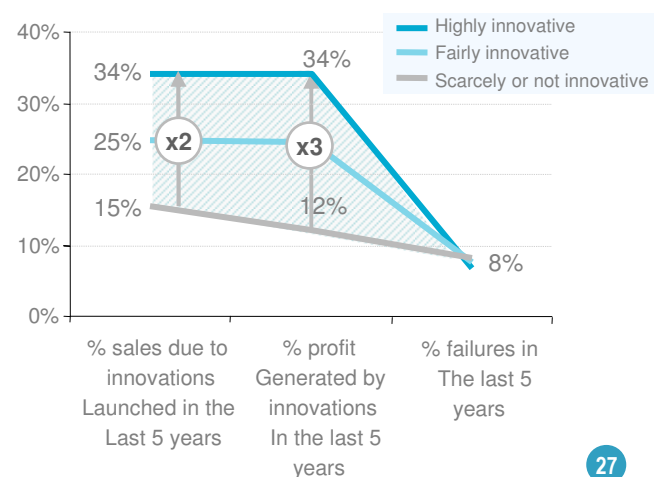
### 6. What results does your company obtain from its efforts in innovation? What ones should it obtain?

- Parallel to this, the companies wish to increase the results obtained from innovation, both in sales as well as in profits, and again, the results obtained by the most innovative companies are considerably superior.

% results obtained from innovation



% results obtained by degree of innovation



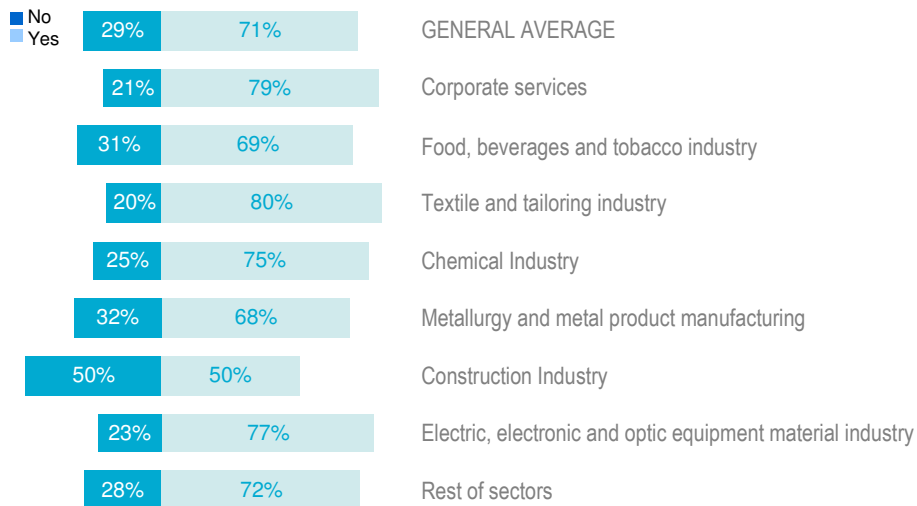
#### 6. Are you satisfied with the financial return on your investments in innovation?



71% of the companies surveyed is entirely satisfied with the financial return on your investments in innovation. That satisfaction increases in sectors such as “Textile industry” (80%) or “Corporate Services” (79%)



Are you satisfied with the financial returns from investments in innovation?



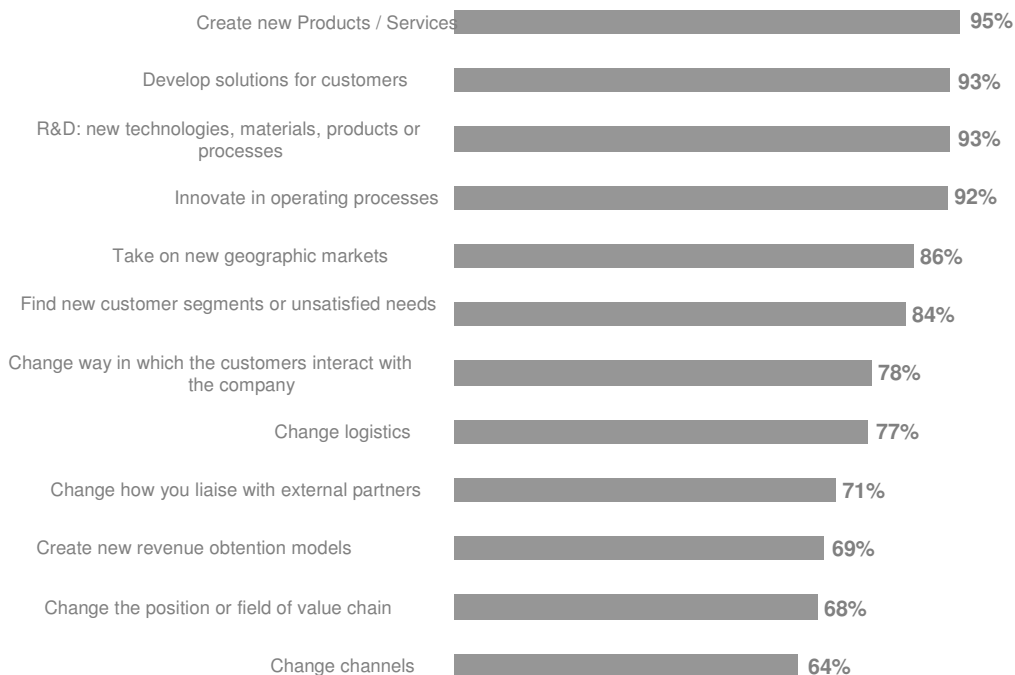
#### 7. What types of innovations have you performed in the last 5 years?



The most frequent innovations performed by companies are those intended to create new products, technologies, processes and other solutions for customers, while the least frequent are those assigned to change the channels, create new models to obtain revenue or change position in the value chain. The majority of the innovations are incremental or substantial. The most frequent breakthrough innovations in the last 5 years are those intended to create new products or services (18% of the companies) or to take on new geographic markets (17%).

|  | No innovation | Incremental innovations | Substantial innovations | Radical innovations |
|--|---------------|-------------------------|-------------------------|---------------------|
| Create new products or services                                | 6%            | 25%                     | 51%                     | 18%                 |
| R&D: Create new technologies, materials, products or processes | 8%            | 38%                     | 43%                     | 12%                 |
| Develop solutions for customers                                | 7%            | 37%                     | 46%                     | 9%                  |
| Innovate in operating processes                                | 8%            | 43%                     | 38%                     | 12%                 |
| Take on new geographic markets                                 | 14%           | 32%                     | 37%                     | 17%                 |
| Find new customer segments or unsatisfied needs                | 16%           | 42%                     | 34%                     | 8%                  |
| Change how you liaise with external partners                   | 29%           | 45%                     | 24%                     | 2%                  |
| Change logistics   | 23%           | 47%                     | 24%                     | 6%                  |
| Change channels  | 36%           | 42%                     | 18%                     | 5%                  |
| Create new revenue obtention models                            | 31%           | 33%                     | 28%                     | 8%                  |
| Change position or field of participation in the value chain   | 32%           | 44%                     | 19%                     | 5%                  |
| Change the way the customers interact with the company         | 22%           | 54%                     | 20%                     | 4%                  |

#### % of companies that have performed SOME innovation of the following kinds



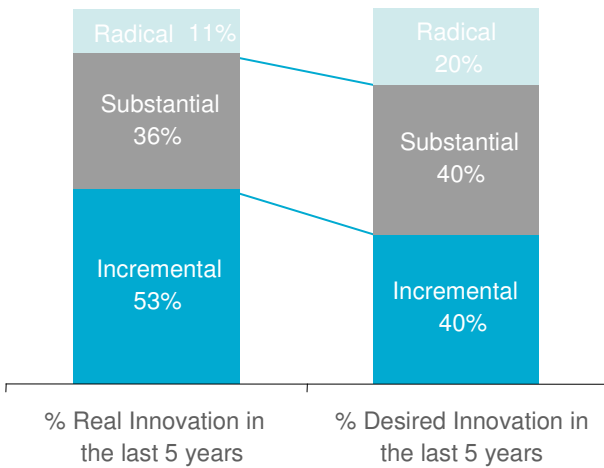
### 3. Results of the survey of Spanish companies

#### Section 2. Efforts made on innovation and results obtained



On average, more than 50% of the innovations by the companies in the last five years have been “incremental”. However, what most executives want is to reduce the weight of “incremental” innovations in favour of “substantial” and, above all “radical innovations”.

Degree of novelty in innovations introduced in the last 5 years

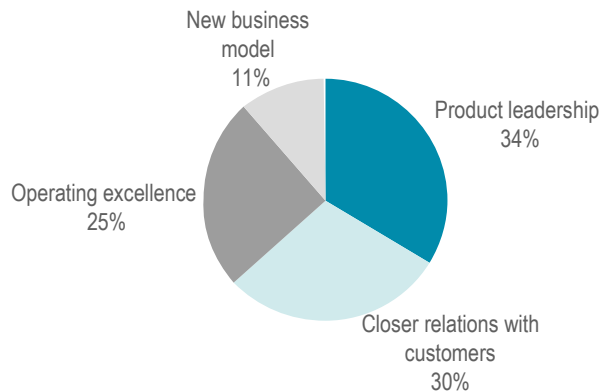


|                         | HIGHLY INNOVATIVE |             | SCARCELY OR NOT INNOVATIVE |             |             |             |
|-------------------------|-------------------|-------------|----------------------------|-------------|-------------|-------------|
|                         | Real              | Desired     | Real                       | Desired     | Real        | Desired     |
| Incremental Innovations | 33%               | 29%         | 53%                        | 41%         | 66%         | 41%         |
| Substantial Innovations | 47%               | 45%         | 36%                        | 39%         | 29%         | 39%         |
| Radical Innovations     | 20%               | 26%         | 11%                        | 20%         | 5%          | 20%         |
| <b>TOTAL</b>            | <b>100%</b>       | <b>100%</b> | <b>100%</b>                | <b>100%</b> | <b>100%</b> | <b>100%</b> |

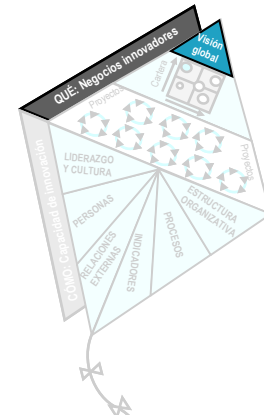
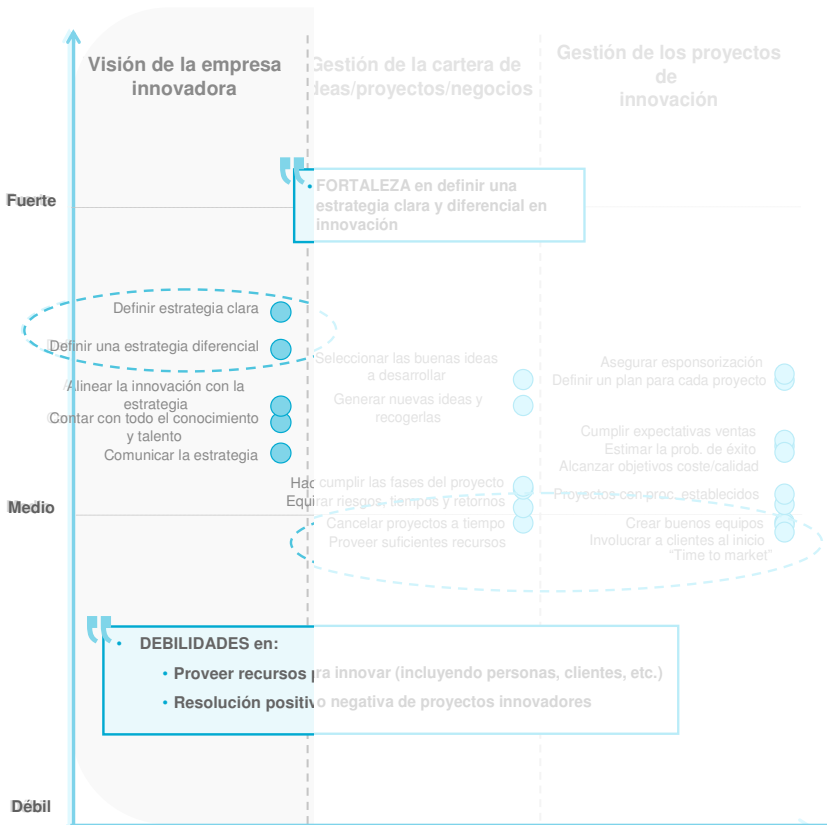


64% of the innovations by companies aim to obtain leadership in their products and closer relations with their customers

Distribution according to the type of value the innovations are intended to create in the company



### 8.1 Innovative vision



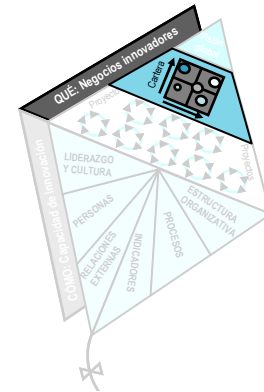
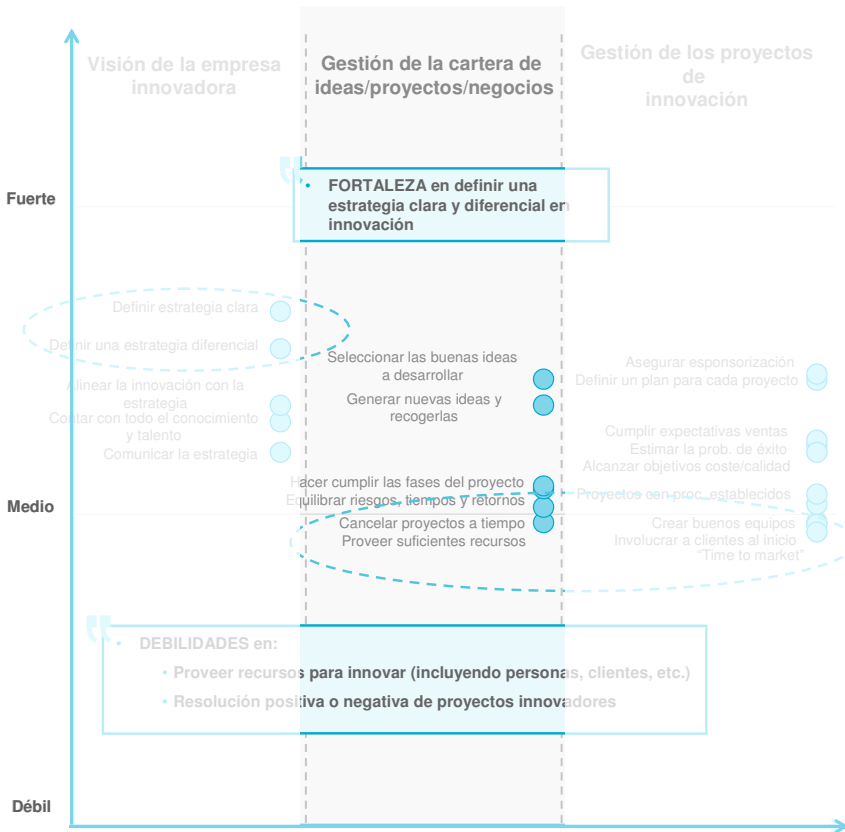
- More than half the companies surveyed considers itself to be strong or very strong in defining a clear, distinct strategy from that of its competitors.
- Highly innovative companies value themselves better in all aspects related to vision.
- Less innovative companies consider themselves weaker when trying to define a differential strategy and communicate the strategy so everybody knows what their work involves.

How strong is your company in the following innovation skills?

| VIEW OF THE INNOVATIVE COMPANY  | % companies       |                       | Average *       |                   |                   |                            |
|---|-------------------|-----------------------|-----------------|-------------------|-------------------|----------------------------|
|   | Weak or Very Weak | Strong or very strong | General Average | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 1. Define a clear strategy with objectives of products/services/ markets, key skills, investments | 9%                | 53%                   | 3.57            | 4.09              | 3.58              | 3.24                       |
| 2. Define a distinct strategy compared with competitors, ambitious, flexible and motivating       | 11%               | 52%                   | 3.50            | 3.91              | 3.59              | 3.05                       |
| 3. Having all the knowledge and talent of the organisation to Define the strategy                 | 16%               | 49%                   | 3.38            | 3.85              | 3.32              | 3.25                       |
| 4. Communicating the strategy so everybody knows what its work is about                           | 17%               | 39%                   | 3.26            | 3.67              | 3.30              | 2.93                       |
| 5. Align the innovation efforts and projects with the company strategy                            | 11%               | 47%                   | 3.45            | 3.97              | 3.51              | 3.02                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.2 Managing the portfolio of ideas/projects /business



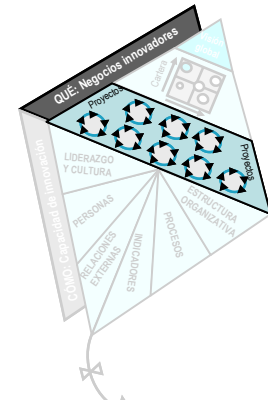
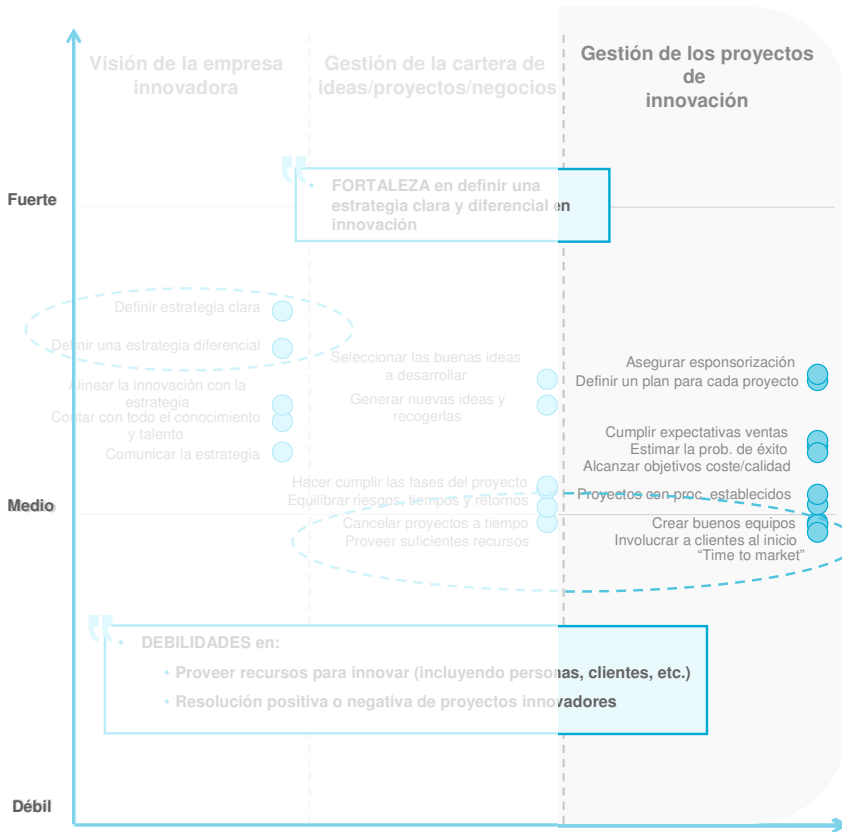
- In relation to managing the portfolio of ideas/projects/business, the areas in which companies appear strongest are: generation of new ideas and selection of the best ones for subsequent development.
- On the contrary, the more operational part of portfolio management is that with the greatest opportunities of improvement: lack of resources dedicated to new projects, management of terms, returns and risks and cancellation of projects are the main assignments pending for companies

How strong is your company in the following innovation skills?

| MANAGING PORTFOLIO OF IDEAS/PROJECTS/BUSINESSES                                       | % companies       |                       | Average *       |                   |                   |                            |
|---|-------------------|-----------------------|-----------------|-------------------|-------------------|----------------------------|
|   | Weak or very weak | Strong or very strong | General average | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 6.Generate new ideas and gather them  | 15%               | 48%                   | 3.38            | 3.85              | 3.47              | 2.91                       |
| 7.Selecting good ideas that must be developed according to strategic criteria         | 11%               | 47%                   | 3.40            | 3.73              | 3.47              | 3.04                       |
| 8. Balancing the risks, times and return throughout the new projects portfolio        | 22%               | 32%                   | 3.13            | 3.41              | 3.18              | 2.84                       |
| 9.Providing sufficient resources (people and money) for innovation projects           | 30%               | 32%                   | 3.00            | 3.41              | 3.14              | 2.43                       |
| 10. Implementing the project phases and monitoring objectives and possible deviations | 24%               | 41%                   | 3.16            | 3.53              | 3.25              | 2.74                       |
| 11.Cancelling projects in time  | 24%               | 30%                   | 3.07            | 3.39              | 3.01              | 3.04                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.3 Management of innovation projects



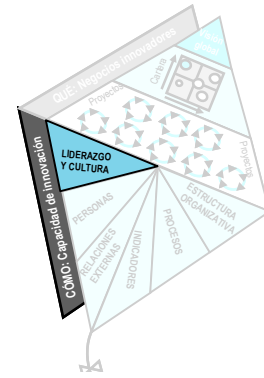
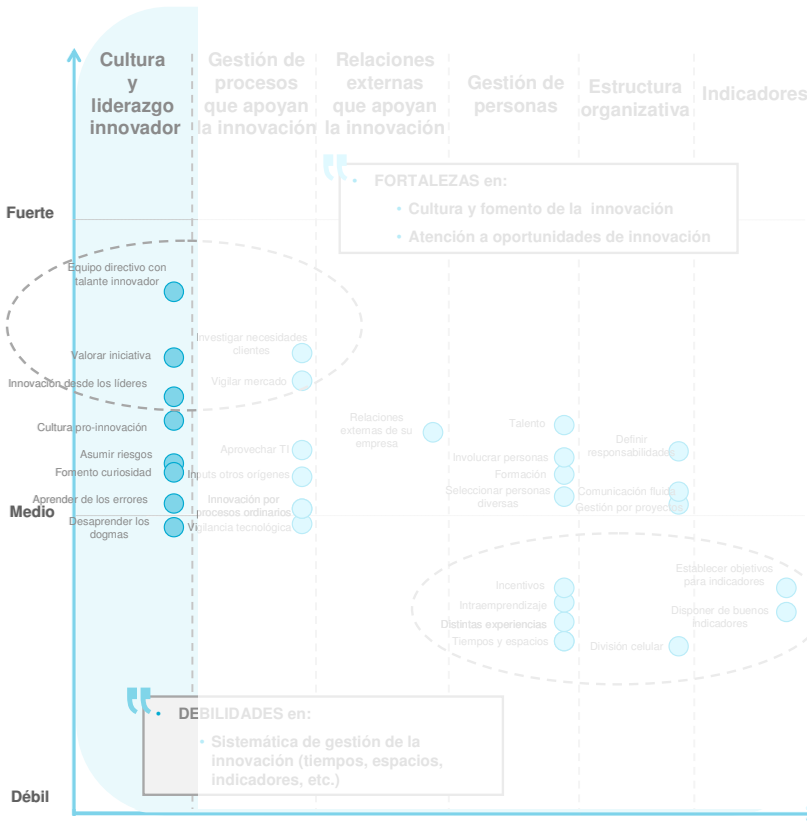
- On evaluating their capacities in relation to innovation project management, the companies consider themselves stronger when assuring sponsorship at executive level for the projects and defining a plan for each project.
- The areas with greatest potential for improvement, in which the one third of the companies consider themselves weak or very weak, are: involving companies as co-designers, working with external partners and advancing swiftly in taking the ideas to market.

How strong is your company in the following innovation skills?

| MANAGING THE INNOVATION PROJECTS   | % companies       |                       | Average *     |                   |                   |                            |
|--|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|  | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 12. Create good teams for each project with multi-functional teams to ensure early involvement of different functions (manufacturing, marketing ...) | 26%               | 37%                   | 3.30          | 3.69              | 3.43              | 2.77                       |
| 13. Estimate the probabilities of success of the projects  | 16%               | 37%                   | 3.22          | 3.58              | 3.28              | 2.88                       |
| 14. Ensure the projects are sponsored at executive level   | 17%               | 46%                   | 3.36          | 3.75              | 3.37              | 3.13                       |
| 15. Define a plan for each project, with clear objectives, phases, deadlines and responsibilities  | 19%               | 48%                   | 3.38          | 3.88              | 3.43              | 3.00                       |
| 16. Involve customers in the early phases of the projects (customers as co-designers)  | 36%               | 28%                   | 2.90          | 3.48              | 2.86              | 2.65                       |
| 17. Working with external partners (technological centres, other companies, etc.) on innovation projects   | 34%               | 32%                   | 2.96          | 3.45              | 2.94              | 2.74                       |
| 18. Quick progress from generating ideas to initial sales ("time to market")   | 29%               | 27%                   | 2.95          | 3.41              | 2.98              | 2.64                       |
| 19. Achieve the cost and quality objectives on the projects  | 19%               | 42%                   | 3.28          | 3.66              | 3.28              | 3.07                       |
| 20. Fulfil the commercialisation expectations foreseen   | 18%               | 36%                   | 3.21          | 3.61              | 3.23              | 2.93                       |
| 21. Support the projects with established procedures and adequate information systems  | 21%               | 35%                   | 3.17          | 3.66              | 3.18              | 2.88                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.4 Innovative culture and leadership



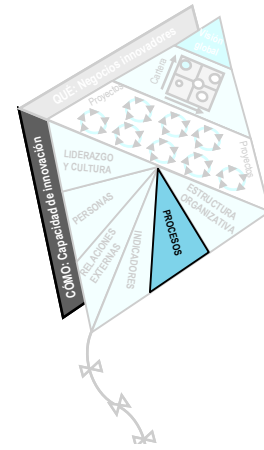
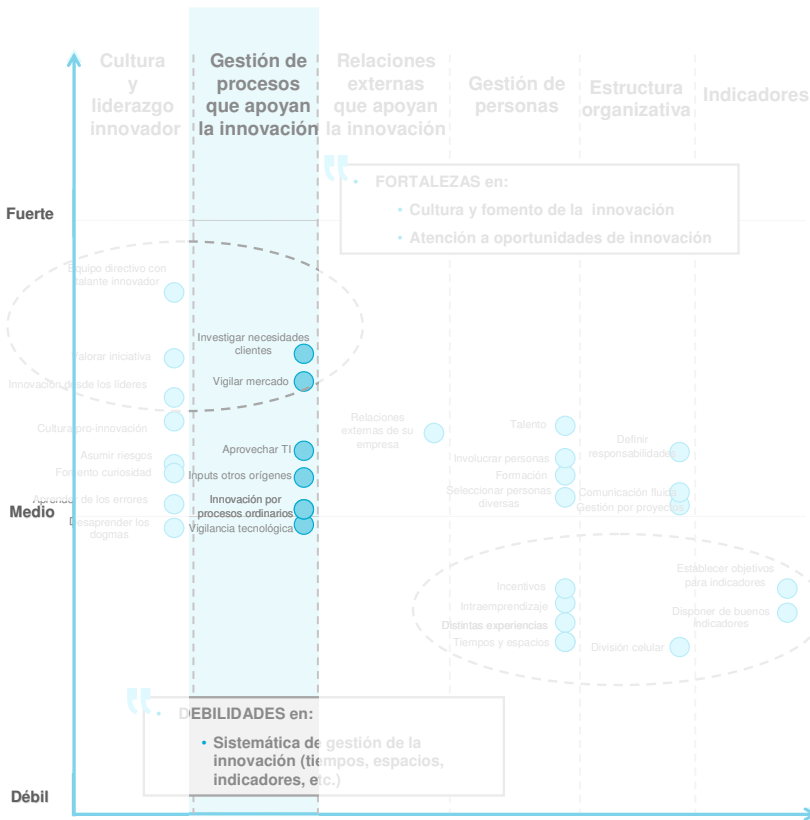
- Within the area of innovative culture and leadership, we again note major differences between the most innovative companies and the least innovative ones.
- In general, more than half the companies considers itself strong or very strong in innovative talent of its executive team and in appraising personal initiative.
- On the contrary, more than 20% of the companies considered themselves weak or very weak in time assigned to innovation by the leaders, in existence of an innovative corporate culture, in encouraging creativity, errors or undertaking risks, and in casting off mental schemes from the past.

How strong is your company in the following innovation skills?

| INNOVATIVE CULTURE AND LEADERSHIP   | % companies       |                       | Average*      |                   |                   |                            |
|---|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|   | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 22. Directing innovation from the leaders, who spend time and preach innovation   | 20%               | 46%                   | 3.35          | 3.88              | 3.34              | 3.09                       |
| 23. Executive team with innovative talent   | 8%                | 61%                   | 3.70          | 4.30              | 3.80              | 3.16                       |
| 24. Corporate culture that promotes innovation, that wakes employees to the need to innovate ("hunger", sense of urgency) and to include enthusiasm, illusion, ambition, etc. | 21%               | 42%                   | 3.33          | 4.15              | 3.36              | 2.79                       |
| 25. Encourage curiosity and creativity, interest in "imagining the future and creating it", to identify contradictions and develop new visions                                | 21%               | 41%                   | 3.23          | 3.94              | 3.27              | 2.76                       |
| 26. Unlearning the actual mental dogmas of executives and all the employees in general  | 27%               | 22%                   | 3.00          | 3.52              | 3.02              | 2.65                       |
| 27. Encouraging errors when accepting mistakes is part of the learning curve  | 23%               | 34%                   | 3.13          | 3.38              | 3.08              | 3.10                       |
| 28. Encouraging risk taking, and insisting on the "risk of not innovating"  | 20%               | 39%                   | 3.25          | 3.53              | 3.27              | 3.03                       |
| 29. Valuing people's initiative, not killing their ideas, valuing the time spent and explaining why not.  | 9%                | 55%                   | 3.56          | 3.97              | 3.55              | 3.36                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.5 Management of the processes that support innovation



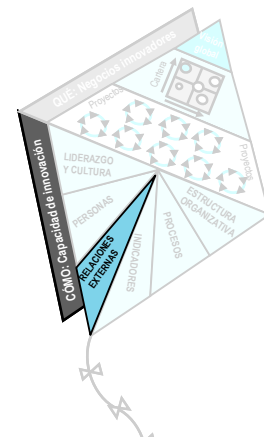
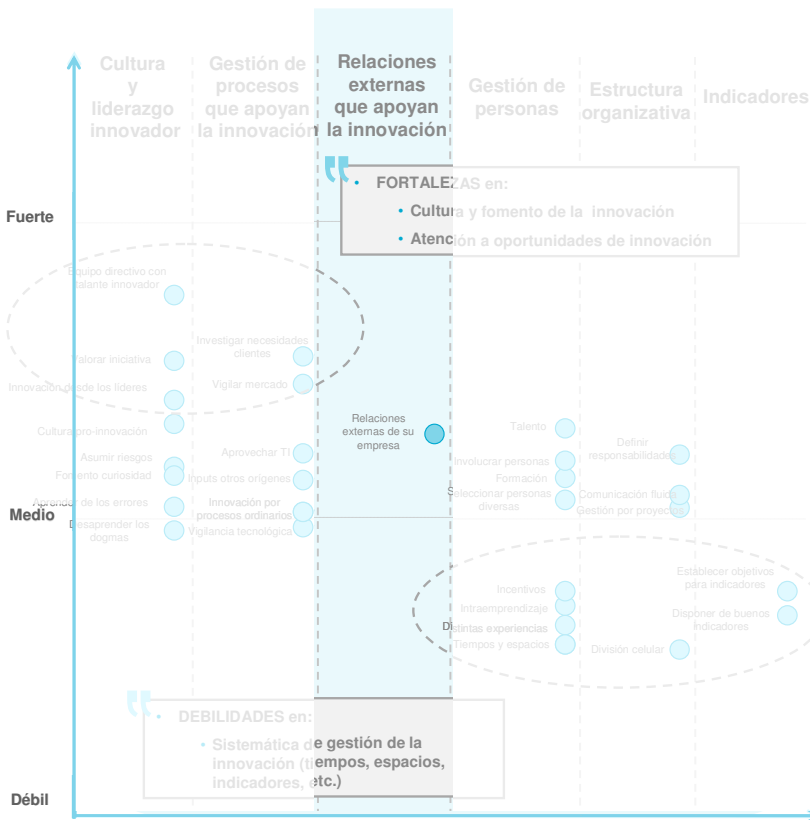
- More than half the companies consider themselves strong or very strong to investigate the needs and priorities of the customers and to systematically monitor the market in general (new offers that arise, emerging markets, changes in the population, etc.)
- On the contrary, more than 20% of the companies consider themselves weak or very weak at technological monitoring, supporting innovation through ordinary management processes and in obtaining inputs from diverse divisions.

#### How strong is your company in the following innovation skills?

| MANAGEMENT OF PROCESSES THAN SUPPORT INNOVATION   | % companies       |                       | Average *     |                   |                   |                            |
|---|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|   | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 43. Supporting innovation through ordinary management processes of the company (selection, provisioning, marketing, etc.) | 22%               | 29%                   | 3.10          | 3.41              | 3.15              | 2.79                       |
| 44. Performing technological monitoring (of new knowledge, applications, patents ...).                                    | 30%               | 34%                   | 3.05          | 3.71              | 3.02              | 2.76                       |
| 45. Researching the customers needs and priorities, managing customer knowledge.  | 14%               | 54%                   | 3.50          | 4.03              | 3.49              | 3.21                       |
| 46. Systematic monitoring of the market: new offers, emerging markets, changes in the population, etc.                    | 16%               | 51%                   | 3.41          | 3.88              | 3.51              | 2.93                       |
| 47. Taking advantage of the potential of information technologies for innovation  | 20%               | 41%                   | 3.26          | 3.91              | 3.31              | 2.79                       |
| 48. Obtaining inputs from diverse divisions and geographies.  | 22%               | 36%                   | 3.17          | 3.56              | 3.22              | 2.84                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.6 External relations that support innovation



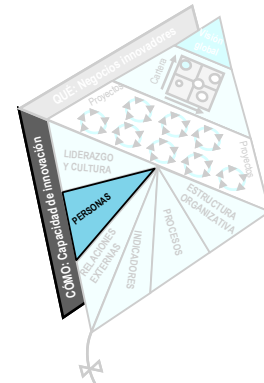
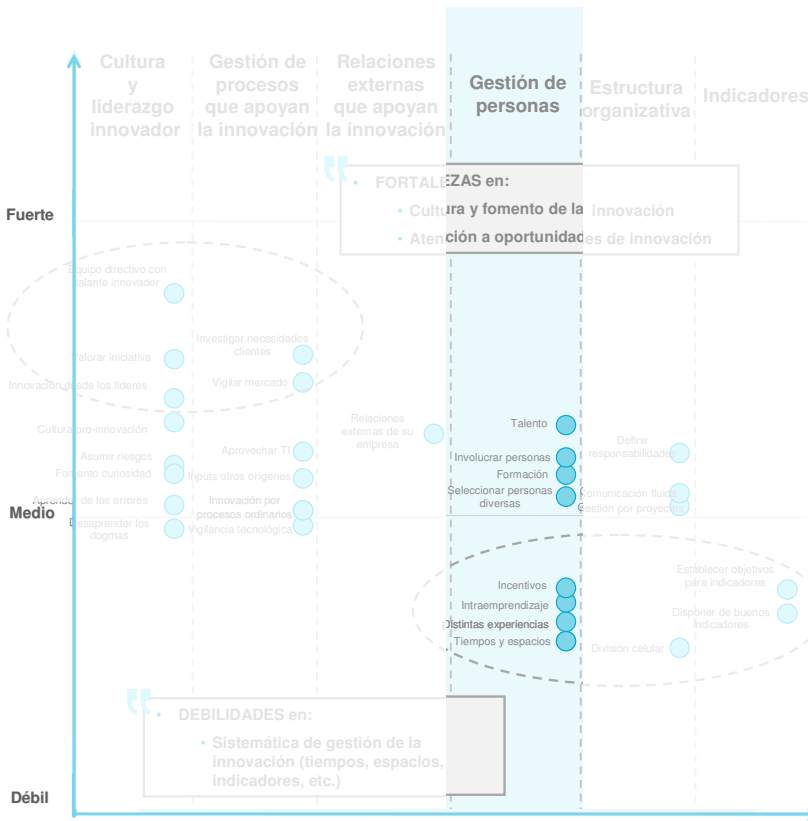
- The majority of companies that answered the questionnaire valued their capacity to encourage and leverage external relations at a middle level, without considering they are strong or weak in this aspect.
- Thus, only 36% considered themselves strong or very strong in this aspect, and 17% valued themselves as weak or very weak.
- Again, major differences are noted between highly innovative companies and scarcely innovative ones, the former being much stronger in using external relations for innovation.

How strong is your company in the following innovation skills?

| EXTERNAL RELATIONS THAT SUPPORT INNOVATION  | % companies       |                       | Average *       |                   |                   |                            |
|---|-------------------|-----------------------|-----------------|-------------------|-------------------|----------------------------|
|   | Weak or very Weak | Strong or very Strong | General Average | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 38. Encourage and leverage external relations (with customers, providers, other related companies, competitors, laboratories, Universities, etc.) to support corporate innovation | 17%               | 36%                   | 3.21            | 3.69              | 3.21              | 2.95                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.7 Managing people



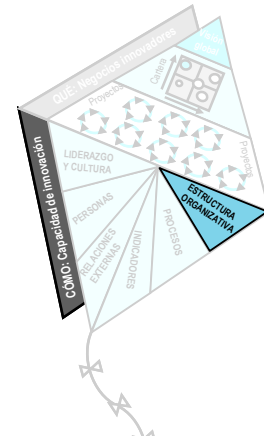
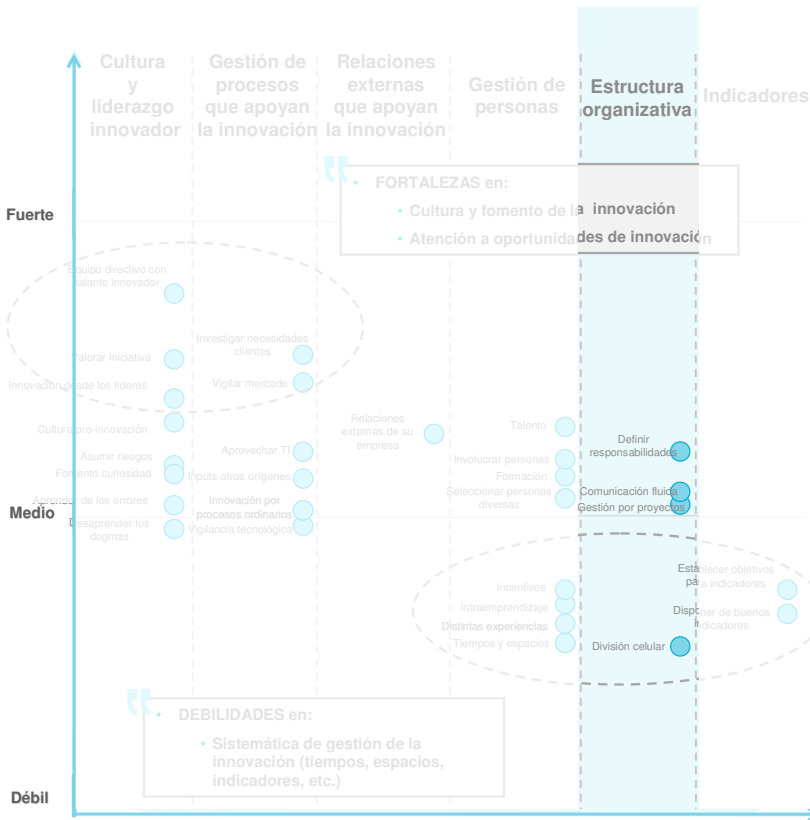
- Managing people for innovation is one of the elements of the model in which the companies seem weakest.
- Thus, more than a third of companies consider themselves weak or very weak in the following aspects: providing time and creating spaces for people to think of the future, promoting different experiences, establishing incentives for innovation or promoting inter-learning.
- However, the majority of the companies consider they have excellent people at their company, with a great deal of talent, although there is a major difference in this aspect between the most innovative companies and the less innovative ones.

How strong is your company in the following innovation skills?

| MANAGING PEOPLE  | % companies       |                       | Average *     |                   |                   |                            |
|--|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|  | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 30. Involving sufficient people in innovation  | 20%               | 36%                   | 3.18          | 3.70              | 3.28              | 2.67                       |
| 31. Selection and involvement of diverse people (in different sectors, Different origins, different ages ...)      | 28%               | 41%                   | 3.13          | 3.42              | 3.27              | 2.62                       |
| 32. Training people so they may contribute the most to innovation  | 23%               | 33%                   | 3.14          | 3.73              | 3.18              | 2.68                       |
| 33. Having excellent people, with a great deal of talent, to generate good ideas and to attract good people        | 15%               | 47%                   | 3.39          | 4.19              | 3.44              | 2.84                       |
| 34. Establishing incentives to reward innovation efforts and share the results                                     | 37%               | 26%                   | 2.84          | 3.33              | 2.95              | 2.33                       |
| 35. Promoting different experiences, rotation, new responsibilities, "taking people beyond their comfort zone"     | 40%               | 22%                   | 2.78          | 3.28              | 2.83              | 2.41                       |
| 36. Promoting inter-learning to develop ideas (leadership of new corporate projects by people within the company ) | 36%               | 22%                   | 2.84          | 3.19              | 2.88              | 2.56                       |
| 37. Providing time and creating spaces for people to think about the future.                                       | 46%               | 16%                   | 2.64          | 3.09              | 2.73              | 2.17                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.8 Organisational structure



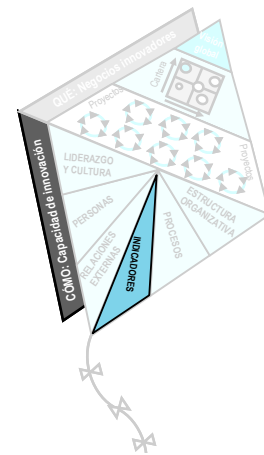
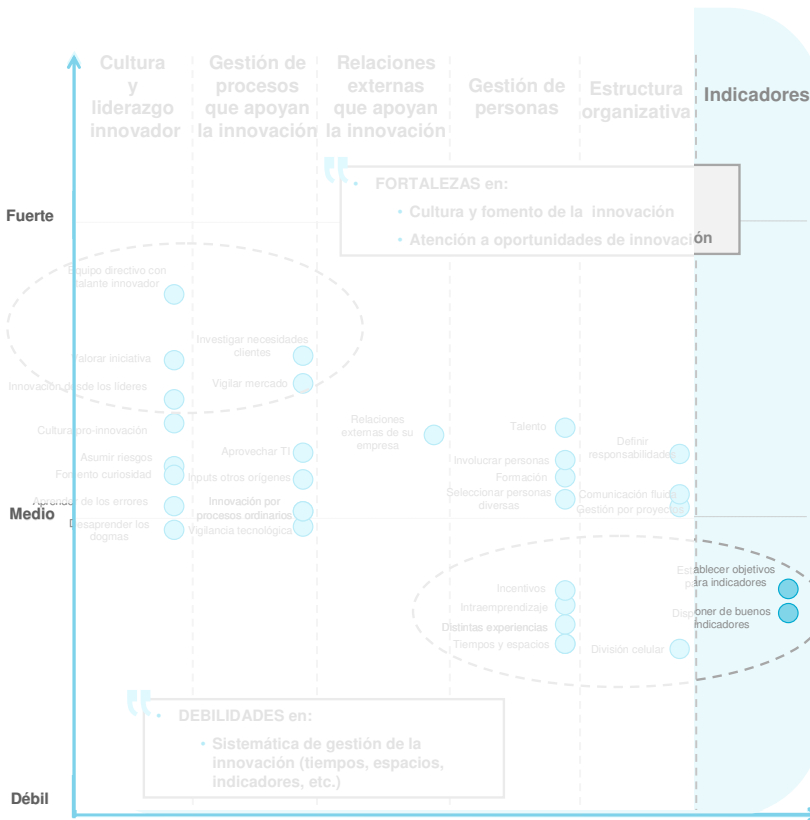
- On analysing how company organisational structure favours innovation, the best valued areas, where about 40% of the companies considered themselves strong are: defining responsibilities for innovation management and managing organisation by innovation projects / groups.
- On the contrary, 46% of the companies surveyed considered themselves weak or very weak when creating new business units for innovations to be successful, providing them sufficient autonomy for their development.

#### How strong is your company in the following innovation skills?

| ORGANISATIONAL STRUCTURE   | % companies       |                       | Average *     |                   |                   |                            |
|--|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|  | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 39. Defining responsibilities for innovation management  | 22%               | 42%                   | 3,22          | 3.73              | 3.21              | 2.95                       |
| 40. Managing organisation by projects – innovation groups  | 25%               | 39%                   | 3.16          | 3.70              | 3.20              | 2.77                       |
| 41. Facilitating fluent communication between areas, internal and external networks  | 16%               | 33%                   | 3.19          | 3.66              | 3.17              | 2.96                       |
| 42. Performing cellular division (creation of new business units or new companies for innovations to be successful, providing sufficient autonomy for their development) | 46%               | 22%                   | 2.66          | 3.50              | 2.63              | 2.26                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

### 8.9 Indicators



- Another of the areas of The Kite Model in which companies seem weaker is that of indicators.
- Thus, nearly 40% of the companies consider themselves weak or very weak over having good indicators of innovation (that are of use to make decisions), to establish objectives for those indicators and to communicate the goals and achievements obtained.

How strong is your company in the following innovation skills?

| INDICATORS  | % companies       |                       | Average *     |                   |                   |                            |
|---|-------------------|-----------------------|---------------|-------------------|-------------------|----------------------------|
|   | Weak or very Weak | Strong or very Strong | Media General | Highly innovative | Fairly innovative | Scarcely or not innovative |
| 49. Having good indicators for innovation, useful for decision making.  | 39%               | 19%                   | 2.72          | 3.22              | 2.77              | 2.34                       |
| 50. Establishing objectives for the innovation indicators and communicating both the goals as well as the achievements obtained | 38%               | 24%                   | 2.79          | 3.42              | 2.83              | 2.33                       |

\* Scale from 1 to 5 where 1 is very weak and 5 very strong

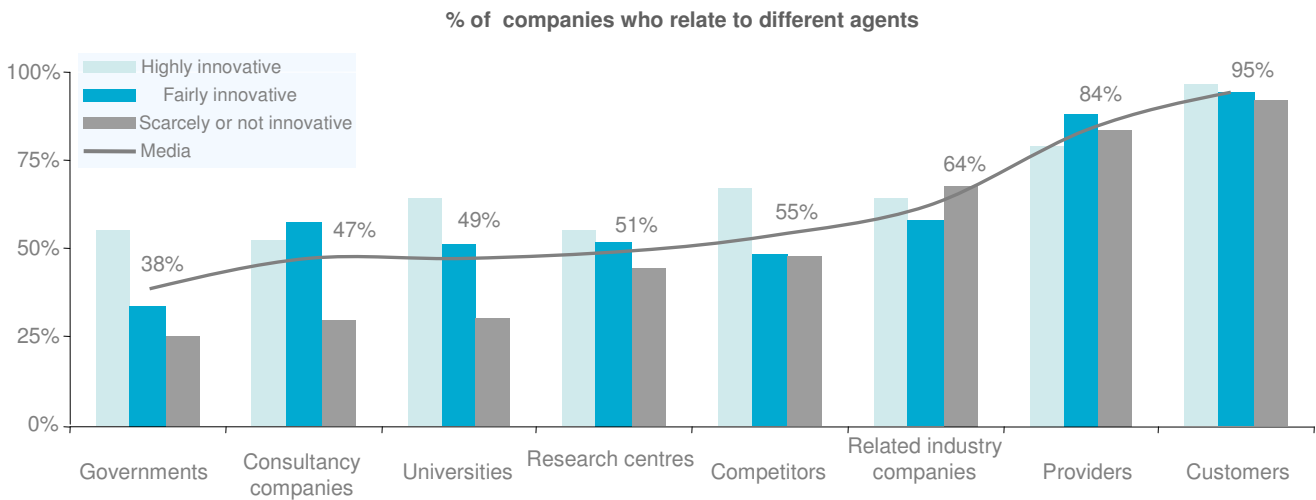
### 3. Results of the survey of Spanish companies

#### Section 3. What is your innovation capacity like

#### 9. Who does your company relate with when innovating?



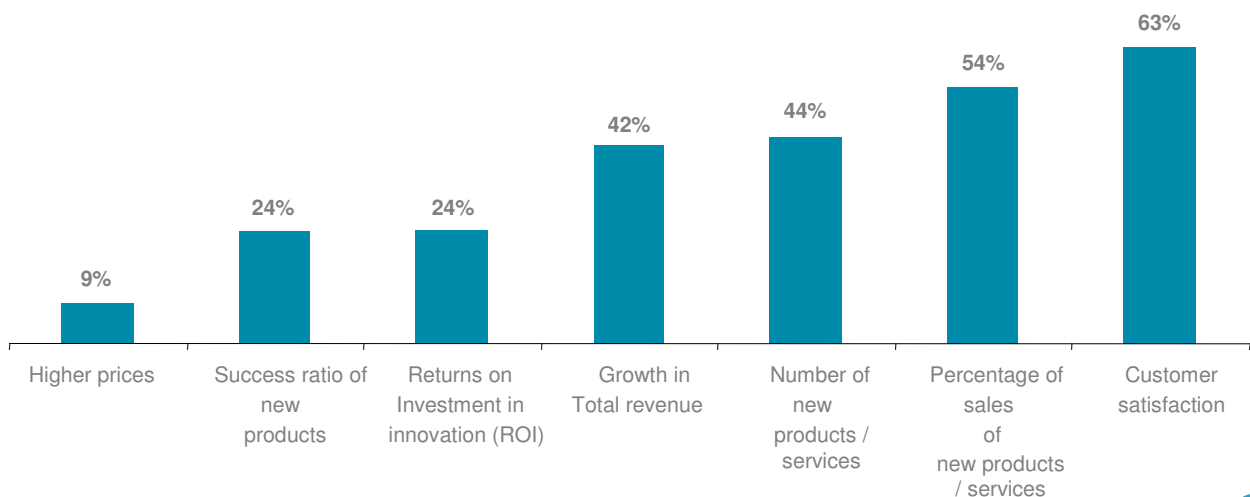
- Companies, regardless of their degree of innovation, relate above all with “customers” and “providers” as main external agents when innovating.



#### 10. How does your company measure its innovation results?



- “Customer satisfaction” is the factor must used when measuring the results of innovation (62.7%)
- “Higher prices” (8.6%), the “success ratio of new products” and ROI (24%) are those that are least used.



## Section

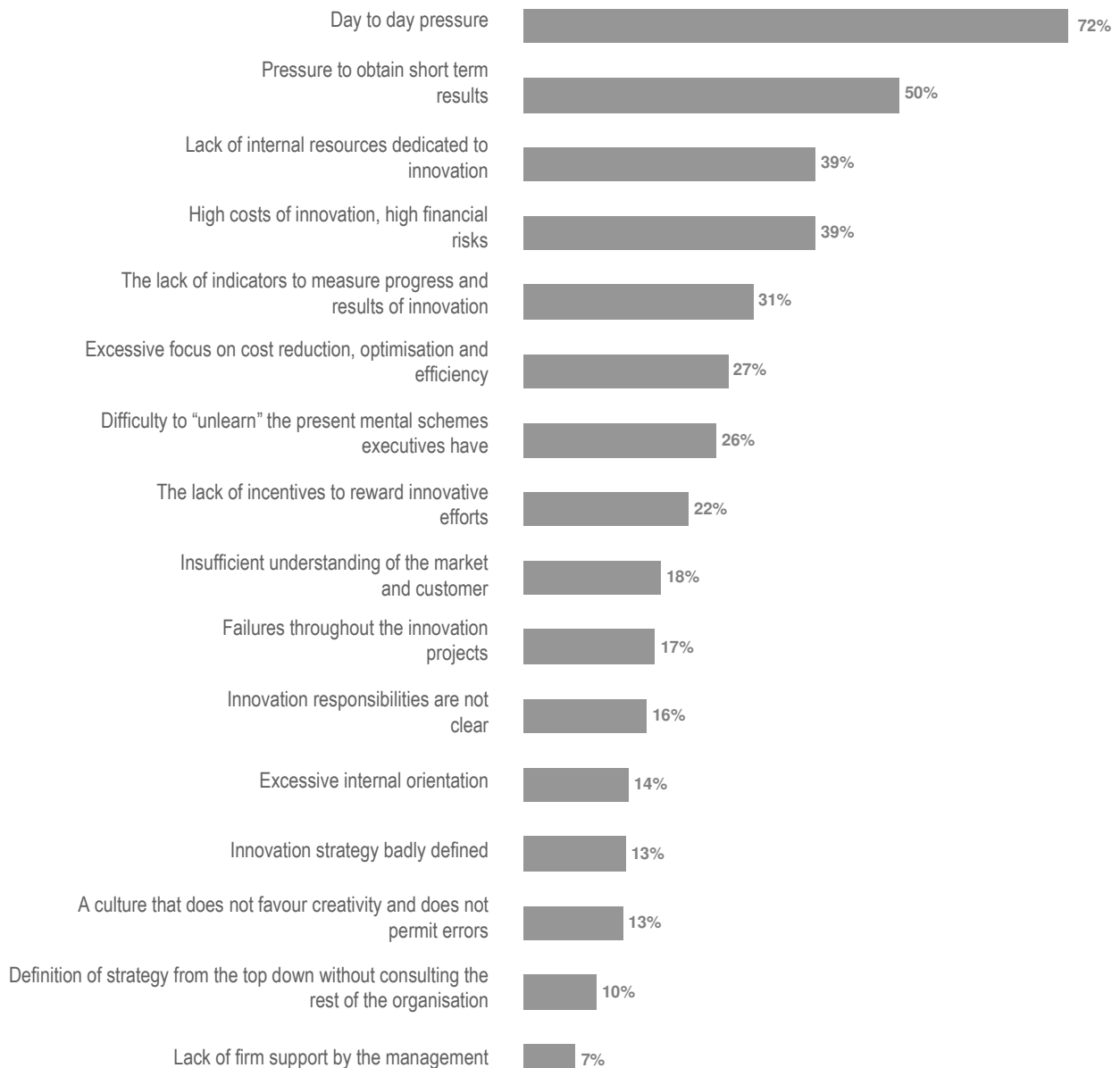
# 4. Barriers to innovation at your company

### 11. What are the main barriers or obstacles your company finds when innovating?



- “Day to day pressure”, “pressure to obtain short term results”, “lack of internal resources dedicated to innovation” and “high costs of innovation” are the main barriers faced by companies when innovating.

**% of companies that have pointed out the following barriers**






## Section



# 5. Companies that stand out due to their innovative nature

This section records the companies that are most admired due to their innovative nature and the reasons why they are recognised, according to the replies obtained from the survey.

### Textile and tailoring industry

- Inditex 
  - Highly advanced supply chain model
  - Very short "time to market"
  - Ongoing innovation in Marketing and Merchandising
- Custo Barcelona 
  - Capacity to create fashion and maintain it well positioned on the market
- Mango 
  - Great capacity for growth and adaptation to changes in its environment in a highly competitive sector
- Others: Nike, Camper, Ángel Textil SA

### Food, beverages and tobacco industry

- Danone 
  - Continuous creation and launching new products
  - Creation of products with an attractive image
- Pascual 
  - Ongoing innovation along with a high quality image.
  - Continuous search for high added value products.
  - Search for major diversification.
- Tarradellas
  - Great capacity to identify consumer needs.
  - Effective marketing.



### Metallurgy and metal object manufacturing

- Irizar 
  - Implementation of an innovative organisational model that aims to involve workers at the company.
- Cap 
  - In spite of difficulties inherent to the sector, leadership in innovation
- Arcelor 
  - Development of an innovative strategy throughout the whole value chain.
  - Constant search for new applications for its products.
  - Good interaction with customers
  - Technological leadership: search for more competitive production means that are competitive with the environment.

### Transport material

- Ficosa 
  - Continuous bid for innovative products, with the latest technologies.
  - World leadership, while being a family company
- CAF 
  - Strong growth in a sector dominated by much larger multinationals.
  - Capacity of response sought by customers
- Ausa 
  - Innovation culture deeply rooted in the company.
  - Great innovative culture with a major influence by the partners who participate in the process.
- Toyota 
  - Strong bid for new concepts in its products and a major bid to be the first in carrying these out.
  - Major skills in commercialising high range products and in extending their consumption radically.

#### Chemical Industry

- **Almirall** 
  - Constant dedication to innovation and investment in R&D&i
- **Metalquímica**
  - Organisation in constant evolution
- **Zelta** 
  - Major strategic vision when making medium to long term investments

#### Electrical, electronic and optic materials and equipment industry

- **Apple** 
  - Driver of the latest technological revolutions in the sector on different markets, segments and products
  - Continuous redefinition of products that previously existed on the market (e.g.: iPOD)
- **Nokia** 
  - Useful life of lasting product, need for constant innovation.
- **Dell** 
  - Main export line to market"
  - Innovative way of serving customers

#### Corporate services

- **Telefónica** 
  - Leader continuously alert over innovation
  - Innovation highly profit oriented
  - Innovation in new services that in practice amount to new business models
- **Google** 
  - Creation of a new business model and design of products that are highly adapted to the market needs
  - Combination of creativity, success and management of people
- **Microsoft** 
  - Innovation focussed on the business
  - Continuous innovation and modernisation of its products
- **Panda Software** 
  - Capacity to specialise on a market it is difficult to access
  - Good internationalisation capacity
  - Skill to adapt to technological change

#### Rest of sectors

- **Grupo Barceló** 
  - Innovation in "resort" hotels
  - International expansion (Caribbean, USA)
- **General Electric** 
  - Large number of successful products
  - Continuously reconsidering its position in the environment
- **3M** 
  - Strong orientation to new idea creation
  - Extremely good management of creativity management in diverse sectors
  - Business model highly adapted to the market
- **Iberdrola** 
  - Innovation capacity on a market with very homogeneous products
  - Has known how to compete very well in excellence in the energy sector
  - Strong investment in R&D&i
  - Quality policy and efficiency highly implemented in the organisation.
- **Bankinter** 
  - Very good use of ICTs
  - Customer oriented organisation
  - In spite of its low budget and infrastructure, it is a leading firm in new mobility technologies, "broker on line" etc.

## Strategic Innovation Research Project

# 04

## Project conclusions

### Conclusions of the project

Throughout the research project into Strategic Innovation, the professionals at B+I Strategy have had the opportunity to learn a lot and from many sources: from reading the main reference experts in matters of strategy and innovation, from the training sessions we have attended, from analysis of surveying companies, from valuable remarks by members of the Contrast Group, etc. However, above all, **most of what we have learned in the field of strategic innovation is due to our relation with many innovative companies** with which we have been fortunate to work throughout our professional experience and, specifically, with the four innovative companies presented in the preceding section. One of the main conclusions of the project is **the importance of people in innovation**. This sounds like a topic and it seems that nobody doubts that people are important, but at the most innovative companies, we may emphasise the existence of **leaders who are totally convinced of the need to continuously innovate** and who spend a fair amount of their time on innovation. Moreover, those leaders have **enormous confidence in the people** they work with and their capacity to innovate, giving them responsibility, resources and motivating challenges, generating highly productive tasks by **focussed teams** and developing organisation and management **structures and processes that favour people being able to contribute their ideas and skills to innovation**.

However, when speaking of the importance of people, we not only think of people inside the company, but people in other companies and organisations who are also vitally important for innovation (at customers, providers, technological centres, etc.) with which they are related, as **innovative companies increasingly use their external relations** and reach agreements, alliances or joint-ventures that allow them to carry out their business and innovative projects.

Another fundamental conclusion of the project is that **successful innovative companies have a strategic vision of innovation**, and do not reduce it exclusively to the field of technology, of launching new products or Marketing. Due to this, they try new strategies and business models that usually involve **innovation in several fields at the same time** (in the position of the value chain, in technology, in the customers / markets they serve, in conception of the service, in the channels, in the brands, in the way revenue is obtained, etc.), that amount to different value proposals to those of competitors and which are better for the customers.

In general terms, innovative companies are more successful in their bids because they make an effort to **visualise the future and** spend time thinking how they may evolve their customers' needs, relations in the value chain, etc., and how they may act and influence that future, **making decisions with agility**, sometimes with risk (although "there is no greater risk than not running risks"), and without excessive fear of failure.

However, in addition to making correct decisions concerning innovation (in most cases), with agility (without waiting to obtain all the information that never arrives), innovative companies know they must match those decisions to **brilliant execution**, assigning sufficient resources to be successful, reviewing the concept of innovation according to the market response, taking the necessary organisational measures, on occasions creating new divisions or companies so innovation may have sufficient impulse and autonomy, etc.

We would also like to conclude that innovative companies are characterised by major **adaptation capacity and a constant search for opportunities**. In general, with the perspective of several years elapsed, one may see how their evolution goes through **different phases in which, although they never lose their innovative vocation from sight, the corporate emphasis varies**. Thus, they alternate stages in which the greatest concern is to develop business, products or novel proposals that are radically better than those that exist on the market, with others where the emphasis lies on growing and expanding toward a larger number of customers and toward new markets, acquiring a certain critical mass and taking advantage of the opportunity to grow, due to major acceptance of their innovation on the market. They also experience other stages in which concern to improve efficiency and optimise organisation prevails, seeking synergies and certain common standards, and other stages in which they seek efficiency of a network of allies or the value chain. The skills to develop the different stages vary, requiring major adaptation capacity and in many occasions, equipping themselves with the necessary capacities (for example, with people to provide knowledge in financial operations for expansion, etc.).

## 4. Conclusions of the project

Based on our experience of working with many more or less innovative companies, and based on the knowledge we have acquired throughout this project concerning the innovation capacity of the Spanish companies, we may conclude the following:

### Why innovate

***The majority of companies are aware of the need to innovate ...***

- For the majority of executives, increasing innovation capacity lies among their strategic priorities, although, in many cases, cost reduction is considered a more important objective than innovation.

***... however, they do not see the need for breakthrough innovation, or it seems beyond their possibilities***

- On speaking of innovation, few companies aim to perform breakthrough innovations that break the rules of the game in the sector. The majority apply effort to innovation to following the leaders in the sector.
- Many companies think they are not large enough to make radical innovations, or think their sector is mature and that there is no room for major innovations.

### What to innovate

***Most companies perform incremental innovations and not pioneering ones, with a partial vision ...***

- Many companies perform improvements of products and services they already have, or launch new versions or extensions of their present offer, on many occasions following the movements of other competitors.
- Moreover, many executives have a partial vision of innovation and only think how to technologically innovate or bring out products with new features.

***... but they should also seek innovations in all fields and increase the number of bets***

- Innovation efforts must start with a global strategic vision, that must continually be reviewed, and with a vocation to be different, not only to copy, seeking markets where there is little competition, and to exploit these.
- In general, companies should increase the bids, having a project portfolio including radical and incremental innovations, those with a greater and lesser impact on the organisation and with diversified risk.
- In addition to technological or product innovation, one should consider innovation holistically in the services, in the channels, in the revenue obtention logic, in the value chain, etc., always seeking greater, differential value for the customer.

### How to innovate

***At most companies, innovation is not managed or is left to the R&D or Marketing department ...***

- In general, few people participate in innovation at the companies, and it is frequently left to the R&D or Marketing teams, who are isolated from the rest of the company and do not have clear strategic objectives.

***... but they should assign more resources, focus the efforts and turn innovation into a basic skill***

- The leaders must be the main preachers of innovation, becoming involved in explaining the strategies and in supporting and providing the necessary resources. People play a key role and must be motivated and skilled to be able to contribute their ideas and knowledge to innovation.
- To that end, it is necessary to work in all the areas of the company for innovation to be managed and to become a basic capacity of the company: in the style of leadership and culture, in managing people, in management of external relations, in the organisational structure, in the management processes and monitoring systems.

The following are some of the basic recommendations for companies who wish to progress on the path of innovation, with a selection of quotes we have gathered throughout the project and which we consider a very good reflection of the tasks and difficulties, challenges and passions involved in innovation. These are summarised by five actions:

### 5 actions to be an innovator

1. Believe in people
2. Think of the future
3. Aim high
4. Be agile
5. Strongly desire and enjoy it

#### 1. Believe in people

- Because people are the real protagonists of innovation, those who generate new ideas, and whether or not the new ideas are successful depends on them.
- Attract excellent people and develop good teams.
- Motivate people with new challenges and an interesting project for the future.
- Train your employees in the company strategic, concerning the need to innovate and what that means in their work.
- Give them focus, time and resources to think about the future and carry out the projects.
- Recognise their worth and contributions.
- Involve the largest possible number of people in innovation, and seek diversity of opinions, ages, origins, experiences, etc.

In order to be leaders in innovation and creativity, all our employees must have the capacity to innovate and due to that company owners and managers must be able to create the appropriate environment for ideas to flow continuously. We need to be able to communicate, to co-operate, to have a passion for the corporate project, we must enjoy working. *JM Pujol, Ficos*

Nothing is as contagious as enthusiasm. *Samuel Taylor Coleridge*

People want to be part of something larger than themselves. They want to be part of something they are really proud of, something to fight and sacrifice themselves for, something to trust in. *Howard Schultz, Starbucks*

People generally like to think about the future and they do it very well if you give them the necessary time and resources. *M. Urizarbarrena, Panda Software*

“First Who Then What” because “The best people attract better people and in the end that produces the best ideas”. *Prof. Oliver, IESE*

Within a few years, the notion that “ordinary” employees are a well of innovation will be no more extraordinary than supposing that everybody is responsible for quality. *G. Hamel*

### 2. Think of the future (be alert and seek opportunities)

- Spend time thinking about the future. Establish the necessary mechanisms so day to day routine does not take up all the executives' time and to avoid pressure to obtain short term results conditioning decision making.
- Learn to be non conventional and to be a novelty addict. To do so, you must seek discontinuities and trends that have been passed over, trying to guess the chain of consequences of the different changes. It is also convenient to go from the analytical to the experimental plane, so you live and feel the changes, and to establish new conversations with the protagonists.
- Network to think about the future, with diverse people in your own company and with people outside your company, from other external organisations.
- Prioritise the efforts and focus on what elements in the future you wish to work on, what objectives you aim to achieve and how that fits in with the company strategy.
- Leave space for opportunistic management, leaving it open to quickly take advantage of some opportunities that might arise, although they may not be among the objectives.

People often do not know what they want until you show it to them. *Steve Jobs, Apple.*

Inspiration not coming does not depend on me. All I can do is make sure I am working when it arrives. *Picasso*

No problem comes without a gift in its hands. You look for problems because you need their gifts. *Richard Bach*

Precisely the moments of greatest crisis are when someone gives up and, if you are brave, that is the moment for you to go for it. *Gabriel Barceló, Grupo Barceló*

"We have a saying: fight against the inertia of doing things like in the past, fight to continually change, because if you do not, you will be thrown out of the market". *Andrés Arizcorreta, CAF*

It is not the strongest species that survives, nor the most intelligent, but rather the one that best adapts to change. *Charles Darwin*

I attribute the skill to maintain the success of Intel to the company's ability to be constantly on the lookout for threats, both technological as well as competitive. The word paranoia would be the most adequate to describe this attitude. It is an attitude that constantly looks over the horizon, seeking those threats that might get between us and success. *Andy Grove, President of Intel*

Nobody jumps into the abyss with two leaps. *Chinese proverb*

We are already working on difficult. Impossible will take a bit longer. *Russel*

Wikinomics: How massive collaboration changes everything: *Tapscott & Williams*

Each company must become an opportunity seeking missile, the tracking system of which is based on what is possible, not on what has already been achieved. *G. Hamel*

Paradoxes usually show the way to great conceptual leaps. *Javier Sampedro*

The winners during the gold rush were not those who went looking for gold, but those who sold them the spades. *H.G. Bruster*

Market studies help you, but consumer habits are learned in the street. *José García Carrión – Founder of Don Simón*

### 3. Aim high

- Consider ambitious objectives, “not reasonable ones for your competitors”, as your aspirations set the upper limit on what is possible.
- Consider motivating objectives, so every employee feels he is contributing to something that will make a real, positive difference on the lives of customers and colleagues.

The size of your success is determined by the size of your faith. Think of minor objectives and expect small achievements. Think of great objectives and achieve large successes. *D. Schwartz*

Innovation distinguishes the leader from whoever follows. *Steve Jobs*

“The best way to predict the future is to invent it”. *George Pake, Xerox*

If you cannot be the first in a category, create a new one where you can be. *Ries & Trout*

“Always dream with your feet on the ground”. A company can never be fully satisfied because it has challenge after challenge”. *JM Pujol, Ficosa*

It is almost better to look for where there are no market segments. Thus, companies that have that inertia, that problem of cannibalisation, are kept out of your way for a time and provide you the opportunity to grow enough to create a brand and begin a network effect. Then, it is very difficult for them to get out of the way. *Bill Gross*

“Me too ” = “I’m dead”  
They say “Better”. I say “Different”  
They say “Improve ”. I say “Re-imagine”  
“Always excellent”. *Tom Peters*

### 4. Be agile (experiment and network)

- Make customers participate and be quick in taking new ideas to market. The only way to resolve the inevitable uncertainty over new opportunities is to offer something real to customers or consumers and to see if it provides them value.
- Be quick in eliminating ideas that do not work.
- The goal is to maximise the learning per investment ratio. The greater the initial uncertainty there is over what customers will buy, what product configuration is best, what price scheme will work and what distribution channels will be most effective, the greater the number of experiments that must be carried out.
- Distinguish between project risk and portfolio risk. To discover a new, surprising opportunity, all companies must create an experiments portfolio.
- Try to benefit from network effects (creating a customer network that, as it grows, makes it more difficult for possible competitors to create equivalent networks) and from the positive effects of user feedback (improving your products and services faster than your competitors).

Make mistakes, but do it quickly. *Watson (Former President of IBM)*

You lose 100% of the shots you do not fire. *Wayne Gretzky*

Nowadays, many resources that are vital for the success of a company are beyond its direct control. Design and management of value connections may be major sources of innovation in corporate concepts. *G. Hamel*

To remain where you are, you have to run as fast as you can ... and if you want to go somewhere else, you must run, at least twice as fast. *Lewis Carroll, Alice in Wonderland)*

For us, success does not lie in size, but rather in agility, speed, creativity and in understanding that being the best means knowing how to understand the needs of our employees, customers, community and shareholders to an equal extent . *(Ficosa vision)*

If you seek different results, you do not always do the same. *Einstein*

In a year’s time, you will wish you had started today. *Karen Lamb*

Of course we make mistakes. Most of them were omissions we did not think about when we initially developed the software. We fix them over and over again. Now we do the same. While our competitors are still trying to come up with the perfect design, we are already on prototype version no. 5. When our rivals are ready with cables and bolts, we are on version number 10. Everything boils down to reducing planning vs acting: we act from day one; others plan how to plan for months. *Bloomberg by Bloomberg*

### 5. Strongly desire it and enjoy yourself

- Be prepared to overcome barriers and resistance to change.
- Be the first defender of the need to innovate and fight to carry out the new projects (except if you find incorrigible defects in their conception).
- Celebrate success with joy and praise the lessons learned from failures.
- Enjoy the creative facet of innovation, and share enthusiasm to create new things with greater value for customers and for society at large.

There is a driving force that is more powerful than steam, electricity and atomic energy: willpower. *Einstein*

All great truths began as blasphemies. *George B. Shaw*

Never think of me as a businessman. I was interested in creating things I could be proud of. *Richard Branson*

My starting point is that to want is to be able. You have to set the challenge and work toward it. What is important is to work on something you enjoy and what must not be important is fear of failure. *Mikel Urizarbarrena, Panda Software*

Nothing more difficult to undertake, nor more dangerous to drive than taking the initiative in introducing a new order of things, because innovation stumbles over the hostility of all those who the previous situation smiled upon and it only finds lukewarm defenders in those who hope to benefit from the new one. *Machiavelli*

## ... because “Experts” are not always right.

“We do not believe his reputation will last”. *The Saturday Review on Charles Dickens, 1858.*

“Just a toy”. *Alexander Graham Bell’s father in law, 1876.*

“This telephone has too many defects to be seriously considered as a means of communication. The device has no intrinsic value for us”. *Western Union, rejecting the telephone, 1876.*

“When the Paris Exhibition closes, electric light will be switched off and no more will ever be heard of it”. *Erasmus Williams, professor at Oxford University, 1878.*

“I am sorry Mr Kipling, but you simply do not know how to use the English language”. *Publisher of the San Francisco Examiner, rejecting Rudyard Kipling’s work, 1889.*

“Everything that could be invented already has been”. *Charles H. Duell, Patent Commissioner, 1899.*

“That the automobile has practically reached the limit of its develop is proven by the fact that no radical improvements have been introduced during the last year”. *Scientific American, 1909.*

“There is no reason for anyone to have a computer in his house.” *Ken Olson, President, Digital Equipment Corp – 1977*

“The problem with television is that people have to sit and stare at the screen. The average American family has no time for that”. *New York Times, 1939.*

“I believe there is a worldwide market for approximately 5 computers”. *Thomas J. Watson, Chairman,, IBM, 1943.*

“You’re not going anywhere son. You should go back to driving a truck”. *Manager of the Grand Old Opry, firing Elvis Presley after a performance, 1954.*

“We do not like the sound. Guitars are out of fashion.” *Decca Records executive Dick Rowe, rejecting the Beatles, 1962*

“With more than 50 foreign cars already on sale here, the Japanese automobile industry cannot forcefully enter the American market.” *Business Week, 1968*

“In these times, no woman will become Prime Minister.” *Margaret Thatcher, 1969*

“640K should be enough for the whole world.” *Microsoft Chairman Bill Gates, 1981*

“How can you make business out of a search engine?” *Guy Kawasaki rejecting the Management of Yahoo!, 1996*

## Strategic Innovation Research Project

# Addenda

- Questionnaire sent to the companies
- List of companies that answered the questionnaire
- Bibliography

### I. Importance of innovation at your company

**1. How innovative do you consider your company? And compared with your competitors?**

- |  |   |
|--|---|
| <input type="checkbox"/> Highly innovative   | <input type="checkbox"/> More innovative than their main competitors  |
| <input type="checkbox"/> Fairly innovative   | <input type="checkbox"/> Equally innovative to their main competitors |
| <input type="checkbox"/> Scarcely innovative | <input type="checkbox"/> Less innovative than their main competitors  |
| <input type="checkbox"/> Not innovative      |   |

**2. What are your strategic priorities?** Evaluate the relative importance of the following priorities

| Strategic priorities                        | Importance of each strategic priority |                 |                    |               |
|---|---------------------------------------|-----------------|--------------------|---------------|
|   | Highly important                      | Quite important | Scarcely important | Not important |
| Cost reduction                              |                                       |                 |                    |               |
| Focussing on own main skills or capacities  |                                       |                 |                    |               |
| Increasing innovation capacity              |                                       |                 |                    |               |
| Launching new products                      |                                       |                 |                    |               |
| Increasing the profitability of the company |                                       |                 |                    |               |
| Generating new business ideas               |                                       |                 |                    |               |
| Developing new geographic markets           |                                       |                 |                    |               |
| Others (specify ) _____                     |                                       |                 |                    |               |

**3. How to evaluate the importance of the following types of innovation for your company?**

| Importance of different types of innovation  | Importance of each type of innovation |                 |                    |               |
|--|---------------------------------------|-----------------|--------------------|---------------|
|  | Highly important                      | Quite important | Scarcely important | Not important |
| Developing products/ services that are totally new for new customers                 |                                       |                 |                    |               |
| Developing products/services that are totally new for present customers              |                                       |                 |                    |               |
| Including improvements to boost / change present products / services                 |                                       |                 |                    |               |
| Reducing the costs of products/ services (modifying design, cheaper materials, etc.) |                                       |                 |                    |               |

**4. How do you organise your company for innovation?** Tick each row, according to which of the statements, nearer the left or right match your company more.

|                          |   | 1 | 2 | 3 | 4 | 5 |   |                            |
|--------------------------|---|---|---|---|---|---|---|----------------------------|
| INNOVATION<br>OUTWARD-IN | Ideas for innovation are sought outside the company. Sources of ideas are from the customers, other companies, etc. |   |   |   |   |   | Ideas for innovation are sought inside the company. The sources are technology, knowledge and skills.         | INNOVATION<br>INWARD-OUT   |
|                          | There are mechanisms that concentrate on "importing" innovation (mergers and acquisitions, alliances ...)           |   |   |   |   |   | There are mechanisms that concentrate on "exporting" or "leveraging" skills and technologies (licences, etc.) |                            |
|                          | Innovation flows are top-down and outward-in  |   |   |   |   |   | Innovation flows tend to be lateral and bottom-up   |                            |
| ORGANIC<br>ORGANISATION  | Organisational structure is fairly informal and relaxed   |   |   |   |   |   | Organisational structure is very strong or formal   | STRUCTURED<br>ORGANISATION |
|                          | The innovation teams are decentralised and integrated in the business units   |   |   |   |   |   | Innovative equipment is centralised at corporate level  |                            |
|                          | External links are numerous and informal in general   |   |   |   |   |   | External links are formal and small in number   |                            |

# Addendum 1.

## Questionnaire to evaluate company innovation capacity

### II. What efforts does your company make in innovation and what results do you obtain

5. What resources does your company assign to innovation? How many do you think it should assign?

| Resources assigned to innovation                     | Real | Desired |
|--|------|---------|
| % people assigned to innovation full time            |      |         |
| % people who participate in the innovation processes |      |         |
| % expense of R&D&i / sales                           |      |         |

6. What results does your company obtain from its efforts in innovation? What ones should it obtain?

| Results obtained from innovation                               | Real | Desired |
|--|------|---------|
| % sales generated by innovations launched in the last 5 years  |      |         |
| % profit generated by innovations launched in the last 5 years |      |         |
| % failures (launches withdrawn from the market)                |      |         |

Are you satisfied with the financial return on your investments in innovation?

- Yes  
 No

7. What types of innovations have you performed in the last 5 years? Select the applicable ones

| Types of innovations performed in the last 5 years  | No innovation | Incremental innovations | Substantial innovations | Radical innovations |
|---|---------------|-------------------------|-------------------------|---------------------|
| 1. Create new products or services  |               |                         |                         |                     |
| 2. R&D: Create new technologies, materials, products or processes   |               |                         |                         |                     |
| 3. Develop solutions for customers ("end-to-end" problem solving)   |               |                         |                         |                     |
| 4. Find new customer segments or unsatisfied needs  |               |                         |                         |                     |
| 5. Change the way the customers interact with the company   |               |                         |                         |                     |
| 6. Create new revenue obtention models  |               |                         |                         |                     |
| 7. Innovate in operating processes  |               |                         |                         |                     |
| 8. Change position or field of participation in the value chain   |               |                         |                         |                     |
| 9. Change logistics (the way the company produces, supplies and transports the products)                                |               |                         |                         |                     |
| 10. Change channels (how the company takes its products to the market)  |               |                         |                         |                     |
| 11. Change how you liaise with external partners (networks with customers or providers, other companies, centres, etc.) |               |                         |                         |                     |
| 12. Take on new geographic markets  |               |                         |                         |                     |

| Degree of novelty in the innovations introduced           | Real | Desired |
|---|------|---------|
| a. Incremental innovations                                |      |         |
| b. Substantial innovations (major change)                 |      |         |
| c. Radical innovations (breakaway from rules of the game) |      |         |
| TOTAL   | 100% | 100%    |

| Type of value the innovations intend to create                        | Weight % |
|---|----------|
| i. Leadership in products (better features, novelty )                 |          |
| ii. Closer relations with customers (customisation, tailoring)        |          |
| iii. Operating excellence (better total cost, low price)              |          |
| iv. New business model (breaking the rules of the game in the sector) |          |
| TOTAL   | 100%     |

### III. What is your innovation capacity like at your company

#### 8. How strong is your company in the following innovation skills?

| Innovation capacity at your company |   | How strong is your company ? |        |                    |      |           |
|-------------------------------------|---|------------------------------|--------|--------------------|------|-----------|
|                                     |   | Very strong                  | Strong | Intermediate level | Weak | Very weak |
| VISION                              | 1. Defining a clear strategy with objectives for products / services / markets, key skills, investments   |                              |        |                    |      |           |
|                                     | 2. Defining a strategy to distinguish the company from competitors: ambitious, flexible and motivating  |                              |        |                    |      |           |
|                                     | 3. Taking advantage of all the knowledge and talent of the organisation to define the strategy  |                              |        |                    |      |           |
|                                     | 4. Communicating the strategy, so everyone knows what their work involves   |                              |        |                    |      |           |
|                                     | 5. Aligning the innovation efforts and projects with company strategy   |                              |        |                    |      |           |
| PORTFOLIO                           | 6. Generating new ideas and recording them  |                              |        |                    |      |           |
|                                     | 7. Selecting the good ideas that must be developed according to strategic criteria  |                              |        |                    |      |           |
|                                     | 8. Balancing out the risks, times and returns among the whole portfolio of new projects   |                              |        |                    |      |           |
|                                     | 9. Providing sufficient resources (people and money) for innovation projects  |                              |        |                    |      |           |
|                                     | 10. Ensuring fulfilment of the project phases and monitoring the objectives and possible deviations   |                              |        |                    |      |           |
|                                     | 11. Cancelling projects in time   |                              |        |                    |      |           |
| INNOVATION PROJECTS                 | 12. Creating good teams for each project, with multifunctional teams to ensure early involvement of the different functions (manufacturing, marketing...)                         |                              |        |                    |      |           |
|                                     | 13. Estimating the probabilities of success of projects   |                              |        |                    |      |           |
|                                     | 14. Ensuring project sponsorship by the executive level   |                              |        |                    |      |           |
|                                     | 15. Defining a plan for each project, with clear objectives, phases, deadlines and responsibilities   |                              |        |                    |      |           |
|                                     | 16. Involving customers in the early phases of the projects (customers as co-designers)   |                              |        |                    |      |           |
|                                     | 17. Working with external partners (technological centres, other companies, etc.) on innovation projects  |                              |        |                    |      |           |
|                                     | 18. Swift progress in generating ideas for initial sales ("time to market")   |                              |        |                    |      |           |
|                                     | 19. Achieving the cost and quality objectives of the projects   |                              |        |                    |      |           |
|                                     | 20. Fulfilling the foreseen commercialisation expectations  |                              |        |                    |      |           |
|                                     | 21. Supporting the projects with the established procedures and adequate information systems  |                              |        |                    |      |           |
| LEADERSHIP & CULTURE                | 22. Directing innovation from the leaders, who spend time and act as preachers of innovation  |                              |        |                    |      |           |
|                                     | 23. Management team with innovative talent  |                              |        |                    |      |           |
|                                     | 24. Corporate culture that promotes innovation, that wakens employees to the need to innovate ("hunger", sense of urgency) and that includes enthusiasm, illusion, ambition, etc. |                              |        |                    |      |           |
|                                     | 25. Encouraging curiosity and creativity, interest in "imagining the future and creating it", in identifying contradictions and developing new visions.                           |                              |        |                    |      |           |
|                                     | 26. Breaking away from executives' own mental dogmas and those of all the employees in general  |                              |        |                    |      |           |
|                                     | 27. Encouraging errors, accepting mistakes if these allow learning  |                              |        |                    |      |           |
|                                     | 28. Encouraging risk taking and insisting on the "risk of not innovating".  |                              |        |                    |      |           |
|                                     | 29. Valuing people's initiative, not killing their ideas, valuing the time dedicated and explaining why not.  |                              |        |                    |      |           |

# Addendum 1.

## Questionnaire to evaluate company innovation capacity

| innovation capacities of your company (continued) |   | How strong is your company? |        |                    |      |           |
|---|---|-----------------------------|--------|--------------------|------|-----------|
|   |   | Very strong                 | Strong | Intermediate level | Weak | Very weak |
| PEOPLE  | 30. Involving enough people in innovation   |                             |        |                    |      |           |
|   | 31. Selecting and involving diverse people (from different sectors, different origins, different ages ...)  |                             |        |                    |      |           |
|   | 32. Training people so they may contribute the maximum amount to innovation   |                             |        |                    |      |           |
|   | 33. Having excellent people, with a great deal of talent, who generate good ideas and attract good people   |                             |        |                    |      |           |
|   | 34. Establishing incentives to reward innovation efforts and share the results  |                             |        |                    |      |           |
|   | 35. Promoting different experiences, rotation, new responsibilities, "leading people out of their comfort zone"   |                             |        |                    |      |           |
|   | 36. Promoting inter-learning to develop ideas (leadership of new corporate projects by people within the company)   |                             |        |                    |      |           |
| EXT. REL.   | 37. Providing time and space for people to think about the future   |                             |        |                    |      |           |
|   | 38. Encouraging and leveraging external relations (with customers, providers, other related companies, competitors, laboratories, universities etc.) to support innovation within the company |                             |        |                    |      |           |
| ORGANIS. STRUCT.                                  | 39. Defining responsibilities for innovation management   |                             |        |                    |      |           |
|   | 40. Managing organisation by projects – innovation groups   |                             |        |                    |      |           |
|   | 41. Facilitating flowing communication between internal and external areas and networks.  |                             |        |                    |      |           |
| PROCESSES   | 42. Practising cellular division (creation of new business units or new companies for the successful innovations, providing sufficient autonomy for their development)                        |                             |        |                    |      |           |
|   | 43. Supporting innovation by the ordinary management processes of the company (selection, provisions, marketing, etc.)  |                             |        |                    |      |           |
|   | 44. Performing technological surveillance (of new knowledge, applications, patents ...)   |                             |        |                    |      |           |
|   | 45. Investigating the needs and priorities of the customers, managing knowledge of the customers  |                             |        |                    |      |           |
|   | 46. Systematic monitoring of the market: new offers, emerging markets, changes in the population, etc.  |                             |        |                    |      |           |
|   | 47. Taking advantage of the potential of information technologies for innovation  |                             |        |                    |      |           |
|   | 48. Obtain inputs from diverse divisions and geographic areas   |                             |        |                    |      |           |
| INDIC.  | 49. Having good indicators of innovation, useful for decision making  |                             |        |                    |      |           |
|   | 50. Establishing objectives for innovation indicators and communicating both goals as well as achievements obtained   |                             |        |                    |      |           |

9. External relations by your company for innovation. With whom? For what? Select all the applicable ones

| External relations                | Yes /no | For what?             |                                  |                |                                |                         |
|-----------------------------------|---------|-----------------------|----------------------------------|----------------|--------------------------------|-------------------------|
|                                   |         | Gathering information | Identifying opportunities, ideas | Joint projects | Commercialising, sharing risks | Other reasons (specify) |
| Customers                         |         |                       |                                  |                |                                |                         |
| Providers                         |         |                       |                                  |                |                                |                         |
| Competitors                       |         |                       |                                  |                |                                |                         |
| Companies with related industries |         |                       |                                  |                |                                |                         |
| Consultancy firms                 |         |                       |                                  |                |                                |                         |
| Research centres                  |         |                       |                                  |                |                                |                         |
| Universities                      |         |                       |                                  |                |                                |                         |
| Governments                       |         |                       |                                  |                |                                |                         |
| Others (specify)                  |         |                       |                                  |                |                                |                         |

10. How does your company measure its results with innovation? Select all the applicable ones

- Number of new products/ services
- Percentage of sales from new products/ services
- Customer satisfaction
- Higher prices
- Growth of total revenue
- Returns on investment in innovation (ROI)
- Success ratio of new products
- Others (specify ) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

### IV. Barriers to innovation at your company

11. What are the main barriers or obstacles your company finds when innovating? Select all those you consider important.

- Day to day pressure, that takes up all the executives' time.
- Pressure over short term results, that prevents investment in innovation projects whose results will be more medium to long term.
- Excessive focus on cost reduction, optimisation and efficiency, perfect execution.
- Lack of firm support by the management, that does not insist on the need to innovate, that does not provide sufficient support for people and teams who make an effort to innovate in the company.
- Excessive internal orientation (the "not invented here" syndrome), without establishing or managing relations with external partners on innovation projects (with customers, providers, technological centres, etc.).
- The difficulty to "unlearn" the executives' own mental schemes.
- A culture that does not favour creativity and does not allow errors.
- Definition of strategies from the top, without considering the ideas and talent of the rest of the organisation and without creating the prior conditions under which wealth creation strategies may arise.
- Failures during the innovation projects, such as not involving the appropriate partners in the early phases of developing the idea, not experimenting until perfect definition of the project, development times too long, not providing sufficient support in the market entry phases, etc.
- Lack of indicators to measure progress and the results of the innovation.
- Lack of incentives to reward innovative efforts.
- Insufficient understanding of the market and customer.
- High innovation costs, high financial risks.
- Lack of internal resources dedicated to innovation (people, economic resources ...).
- Badly defined innovation strategy.
- Unclear innovation responsibilities.
- Others (specify) \_\_\_\_\_

### V. Companies that stand out due to their innovative nature

12. What companies do you admire for their innovative nature? Please try to identify innovative companies in the competitive area geographically nearest to you.

**Within your sector:** Name of the company \_\_\_\_\_

Why?

**Outside your sector:**

Name of the company \_\_\_\_\_ Why?

Name of the company \_\_\_\_\_ Why?

### Data on the company

#### On the company:

- Sector of activity:

- Agriculture, husbandry
- Fishery
- Mining industries
- Production and distribution of energy, gas and water
- Construction
- Commerce
- Hospitality
- Transport, storage and communications
- Financial intermediation
- Real estate activities
- Corporate Services
- Education
- Health and veterinary activities, social services
- Other social and services activities

#### Manufacturing activity:

- Food, beverages and tobacco industry
- Textile and tailoring industry
- Leather and footwear industry
- Wood and cork industry
- Paper, publishing and graphic arts industry
- Petroleum refining and processing nuclear fuels
- Chemical industry
- Rubber and plastics materials transformation industry
- Metallurgy and metal product manufacturing
- Machinery and mechanical equipment manufacturing industry
- Electrical, electronic and optic materials and equipment industry
- Manufacturing transport materials
- Diverse manufacturing industries

- Turnover:

- 0-3 mill. €
- 3-10 mill. €
- 10-20 mill. €
- 20-50 mill. €
- 50-100 mill. €
- 100-500 mill. €
- > 500 mill. €

- Number of employees:

- 0-19
- 20-49
- 50-99
- 100-249
- 250-499
- >= 500

- Company ownership:

- Listed company
- Co-operative company
- S.A.
- S.L.
- Subsidiary of a multinational

- Age of the company:

- 0-3 years
- 3-8 years
- 8-15 years
- > 15 years

- People forming the management team :

- Average age:

- < 35 years
- 35-45 years
- > 45 years

- Average seniority at the company :

- < 5 years
- 5-10 years
- > 10 years

- Distribution by sexes

- Men : \_\_\_\_\_ %
- Women : \_\_\_\_\_ %

- Degree of internationalisation of the company:

- Sales abroad :

- 0-25%
- 25-50%
- 50-75%
- 75-100%

- Purchases abroad :

- 0-25%
- 25-50%
- 50-75%
- 75-100%

- Implementation abroad (production or provision of services )

- Yes
- No

- Innovation abroad (collaboration agreements)

- Yes
- No

#### Concerning the person who filled in the questionnaire:

- Post held : \_\_\_\_\_
- E-mail address (to ensure he or she receives the results of the project):  
\_\_\_\_\_

#### Addendum 2. List of companies that have collaborated in the project

A. Raymond - Tecniacero, S.A.U.  
 ADP GSI España  
 Aena  
 Aetsa  
 Agrofruit, S.A.  
 Aismalibar, S.A.  
 Alutec  
 Amate Electroacústica, S.L.  
 Ames, S.A.  
 AMPC Europe  
 Andres Pinaluba, S.A.  
 Antaix  
 Areas, S.A.  
 Arrospe, S. Coop.  
 Arteche  
 Artexil, S.A.  
 Astilleros Zamakona  
 Astralpool Internacional, S.A.  
 Automoción Gestamp  
 B+I Strategy  
 Banco Guipuzcoano  
 Baratz  
 Barceló hoteles  
 Base: Detallsport, S.A.  
 Batz, S. Coop.  
 BBVA  
 Bearing Point  
 Biokit, S.A.  
 Bodegas Lan  
 Bolsa de Bilbao  
 Bosch  
 Brandariz i Valentin M.C.M., S.L.  
 Caballé  
 Cade  
 CAF  
 Cafes Novell, S.A.  
 Caja Laboral  
 Calzados La Molla, S.A.  
 Cámara de Comercio de Bilbao  
 Candigra y Cía.  
 Carniques Valldan, S.A.  
 Carns y Embotits Garrotxa  
 Catimatge, S.L.  
 CCS, S.A.  
 CCT  
 Centro Kursal  
 Cepex, S.A.U.  
 Ceras Especiales Martínez de San Vicente, S.A.  
 Cinteria Industrial, S.A.  
 Clarke, Modet & Cº.  
 Clínica Plató, Fundación Privada  
 Codorníu  
 Coniex  
 Construcciones Otaduy  
 Corus laminación y derivados  
 Creaciones Basallo  
 Cristher  
 Deia  
 Diario Qué/Periódico Qué  
 Dimaq Torelló, S.L.  
 Dimat  
 Dirna, S.A.  
 Diseño y Textura, S.A.  
 Dominion  
 Dopec Ingeniería i Arquitectura  
 Ducform, S.A.  
 E-novating Lab  
 E.P. Compounding, S.L.  
 Educa Borrás, S.A.  
 Elecnor  
 Eliop, S.A.  
 Embutidos Pont  
 Enrico's, S.A.  
 Envases del Valles, S.A.  
 Escuela de Alta Dirección y Administración  
 ETB  
 Eurofragance  
 Euvitro, S.L.  
 Fibosa, S.L.  
 Fibran  
 Figueras International Seating, S.A.  
 Flamagas  
 Francisco Oller, S.A..  
 Francisco Pagés Valentí, S.A.  
 Fruits Sant Miquel, S.L.  
 Frutos Secos Puig, S.A.  
 Fundiciones Monfort  
 Fytisa  
 Gaez artes gráficas  
 Gave Electro  
 Genebre, S.A.  
 General Cable  
 Geocart, S.L.  
 Gespasa Tot Comercial, S.A.  
 Girbau  
 Gpi Espagne, S.L.  
 Grudiva  
 Grupo Asysum  
 Grupo Consist, S.A.

## Addendum 2.

### List of companies that have collaborated in the project

Grupo de Moda Estilmar, S.A.  
Grupo Mesegué  
Grupo MZ  
Grupo Guascor  
Herramientas Lite  
Hexion Speciality Chemicals Ibérica, S.A.  
Hipertin  
Iberalfa  
Ibermática  
Idiada Automotive Technology, S.A.  
Idisa  
Idom  
Iebosa  
Iemesa  
Ikusi  
IMQ  
Indcar  
Indesmalla, S.A.  
Indo  
Indra  
Industrias Cosmic, S.A.U.  
Industrias Elix (Teknia-Elix)  
Industrias Puigjaner, S.A.  
Industrias Químicas del Vallés, S.A.  
Industrias Zarra  
Ingesco, S.L.  
Inoxpa  
Instituto de Ciencia y Tecnología  
Iparlat/Kaiku Internacional  
Itowa  
J. Villaseca, S.A.  
Jaz Zubiaurre  
Jbonals, S.A.  
Jympa, S.A.  
Kmec Konntrelmec S.L  
La Mallorquina  
Laboratorios Calier, S.A.  
Laboratorios Kin, S.A.  
Laboratorios Ordesa  
Laboratorios Torlan  
Lacor  
Lanitex, S.A.  
Lasem  
Leventon, S.A.  
Liberty Seguros  
Lípidos Santiago, S.A.  
Machmind  
Madaus  
Madersenia, S.L.  
Manufacturas Gres, S.A.  
Manufacturas Mago  
Max Cmmom, S.A.L  
MBN Comunicación  
Menadiona  
Metro Bilbao  
Miguel Juncasa, S.L.  
Mobenia  
MTC 92, S.L.  
Murgaca  
Naturgas Energia  
Netmaps, S.A.  
Oficina de Cooperación Universitaria  
P.Argüelles, S.A..  
Palvi, S.L.  
Panda Software  
Pantallas Altisent  
Pasapesca, S.A.  
Pferd  
Pgi Grup  
Pinter  
Pirobloc, S.A.  
Policrom, S.A.  
Prodec Equipos de envasado, S.A.  
Productos Codina  
Progres, S.A.  
Promax Electrónica, S.A.  
Pronovias  
Puertas Norma  
Pujol Iluminación, S.L.  
R. Cable y Telecomunicaciones Galicia, S.A.  
Ral, S.A.  
Ramón Soler  
Repsol YPF  
Riba Farré, S.A.  
Rich Xiberta, S.A.  
Riera Nadeu  
Sedal, S.A.  
Sedal, S.A.  
Selección Batallé, S.A.  
Serra Soldadura, S.A.  
Sidenor  
Simon  
Sinard  
Sociedad Española de Tratamiento de Agua (SETA)  
Solarca, S.L.  
Stora Enso  
SVS, S.L.  
Syngenta, S.A.  
Tecalum, S.L.  
Tejidos Estambriil, S.A.

## Addendum 2.

### List of companies that have collaborated in the project

Telefónica  
Telefónica I+D  
Telstar Projects, S.A.  
Telstar, S.A.  
Texma, S.L.  
Textil BCH, S.A.  
TNT  
Transportes Padrosa, S.A.  
Trebortex, S.L.  
Trias Nets de Joaquim, S.L.  
Troll Iluminación  
Tubacex, S.A.  
Tupe, S.A.  
Turisme de Barcelona  
Unión Fenosa  
UPB España  
Valeo Wiper System  
Vidrala  
Viveros Gregal, S.L.  
VYC Industrial  
Zedis, S.A.

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