

Are you **innovation** ready?

Plotting your journey on the Innovation Readiness Model



Message from Andy Green CEO, Logica

I believe that the future success of our global economy relies on building a dynamic and competitive environment through the promotion of innovation and enterprise, and ensuring people have the right skills and opportunities to succeed.

Most of the pressing challenges we face today, such as revitalising global financial services and slowing climate change, cannot be solved by one company, country or NGO. Without collaboration organisations cannot realise their ambitions to compete effectively on a national, international or global playing field.

Collaboration is required to accelerate speed to market and to create the right skill sets. Collaboration also brings a truly external perspective – essential for organisations to understand and respond to rapidly changing market dynamics and consumer needs.

This study conducted by INSEAD in partnership with Logica, explores collaboration within and among organisations: how it drives innovation in today's challenging economic environment, and what companies should be doing to position themselves to compete more effectively.

The study sheds light on the lack of readiness in the approach to innovation management. Business leaders recognise innovation as key to establishing or maintaining competitive advantage, and make the necessary investments. But spending on innovation does not automatically translate into corresponding

returns. Conflicting priorities, such as meeting financial targets, were the most cited reason for Boardroom visions of innovations not filtering through organisations.

More telling perhaps is the finding that while collaboration is universally accepted as essential to innovation it can fail in instances where there is a lack of trust and cultural affinity between partners. The study uncovered a gap in the internal reward and recognition of innovation and how organisations best structure and manage themselves in order to foster a fertile environment for innovating. The study also highlighted a relative lack of maturity in organisations' ability to measure innovation, and the fact that what is not measured cannot be improved...

Through the findings of this study, we have developed in collaboration with INSEAD an Innovation Readiness Model, which is a unique way of benchmarking organisations' innovation readiness in four key areas: Leadership and ambition; Organisation and collaboration; People and culture and Implementation and measurement.

All of this underpins Logica's approach to innovation, which we call 'Applied Innovation' – a pragmatic approach to making innovation happen in our business,



in our clients' businesses and across our network of partners and suppliers.

We are privileged to have had the input of 200 senior business leaders and I would like to thank them personally for their time and thoughtful contribution to this study.

The debate has only just begun. We welcome you to join us in defining best practice for a common understanding of innovation management in this new world economy.

Andy Green, CEO

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Executive summary

“ In the past, success and a positive economic environment would sometimes hide smaller organisational inefficiencies. One of the benefits of the changing environment has been that it allows us to detect and address those inefficiencies much more quickly and effectively. This has become a key priority for us.

Nikolaz Foucaud
Chief of Staff,
EMEA Enterprise & Partner Group,
Microsoft

With the global economy slowly emerging from the throes of a deep recession, it is becoming evident that this crisis will be remembered as having changed our world forever. Business as usual is no longer an option. This is not just because economic and credit conditions have changed dramatically over the last months, but also because there is a growing realisation that we need to innovate to create new solutions for a new world economy.

The global economy has become more inter-connected. It is no longer possible to craft a solution for one country or region in isolation while neglecting global inter-connectedness. Sustainability has also come to the fore. What works as a short-term fix will no longer be a good long-term solution. Global challenges such as climate change, energy shortages, food scarcity and health pandemics overshadow and influence our thinking about long-term solutions. Leaders from the public and private sectors are being challenged to rethink the interlinked relationships between business, government and society at large. All in all, we are operating in a context where fresh thinking and innovation have become paramount.

The need for innovation is clear. However, the nature of the innovation required has changed in line with the current context. Collaborative innovation will be key for success in the future. The scale and scope of the challenges facing us is so large that no one company or single country can solve them all. Even the developed world has realised that it requires the cooperation of emerging nations to create innovative solutions for global challenges. Witness the

recent flurry of changes in the governance of global institutions such as the IMF and working groups such as the G8 (now expanded to the G20). Similarly, corporate leaders realise that they need to work collaboratively with their business partners, customers and governments to innovate successfully for the future. Innovation ecosystems¹ that span across the public and private sectors and extend to include citizens and societies have to be formed. Collaborative innovation is the name of the game for future success.

But how well do organisations fare in collaborative innovation? Do corporate leaders understand the imperative for collaborative innovation? Do organisations have appropriate processes and incentives in place to ensure that innovation is supported and managed effectively across their innovation ecosystem? Or is it the case that they leave innovation to chance - not possessing even basic measures to identify and manage innovation? Are corporate cultures supportive of innovation and the stimulate creativity or dampen collaboration across different partners? Or in short, what is the ‘innovation readiness’ of organisations as they face the future. These questions are the focus of this unique research.

In one of the most comprehensive studies ever conducted on innovation², eLab, in collaboration with Logica, surveyed two hundred CxO level business leaders from blue-chip organisations from the public as well as private sectors across Europe, about their views on innovation, and more specifically on collaborative innovation. The research shows that although they claim to grant high priority to innovation,

¹A network of interdependent organisations, typically motivated to work with each other for commercial; academic or altruistic gains

²See annex for full detail on methodology and sample base

Definition of innovation

The term innovation refers simply to the creation and application of a new idea to create value in a certain context. Some of these ideas and value creation applications may translate into incremental changes – such as the introduction of additional features in a consumer product - while others may lead to radical or even revolutionary changes - such as the launch of the PC or the iPod. Contributors to scholarly literature on innovation such as Schumpeter (1934)³, typically distinguish between invention, an idea made manifest, and innovation, ideas applied successfully in practice. The ultimate goal of innovation is positive change, to make someone or something better. Innovation leading to increased productivity is the fundamental source of increasing wealth in an economy⁴.

This research takes a broad definition of innovation covering innovation in products, services, processes, business models and organisational structures. There is growing consensus today that innovation is a collective effort – with innovation teams extending both across silos of an organisation and across different players in an ecosystem.

The term ‘collaborative innovation’ is used in this report to describe innovation that is performed by individuals or teams from multiple organisations, such as companies, academic institutions or government bodies, as distinct from innovation performed within a single organisation.

most companies⁵ are handicapped by low levels of ‘innovation readiness’. This means that they are lacking in many of the key elements required to create a successful platform for collaborative innovation. Despite increasing their investments in innovation in today’s challenging economic times, organisations are not able to reap the full benefits of these investments due to such low levels of innovation readiness. If leaders do not improve their innovation readiness, their organisations will not rank among the future winners of the global economy. This is particularly true given the increasing competition from new competitors from emerging markets such as China and India.

“ 80% of organisations have maintained or increased innovation investment in the downturn, however, a lack of readiness or maturity in innovation management means this investment is effectively wasted.

Soumitra Dutta

Roland Berger Chaired Professor of Business & Technology
INSEAD

Today’s knowledge economy

Today we live in the knowledge economy. It is radically different from previous generations of economic progress. Competitive advantage is less derived from access to physical resources (as was the case with early agrarian economies) and more from the ability of organisations and societies to generate ideas and to translate them into economic and social value.

In the fast moving global order, knowledge and intellectual skills are critical to create and improve products and services, develop more efficient distribution and marketing methods and ensure customer satisfaction. New ways of information management and application are used to improve competitiveness. A knowledge economy is not about accumulating information, but using knowledge to improve performance. And that performance can be enhanced with innovation. This has become the driving force behind expanding global commerce and the rise in living standards.

As global competition intensifies and information-based innovation becomes more important, the business sector has been internationalising knowledge-intensive business functions, including R&D. At the same time, companies are increasingly opening their innovation processes and collaborating with external partners including suppliers, customers and universities. Creating effective collaborative innovation ecosystems is vital for enhancing access to knowledge from around the globe and speeding up the conversion of that knowledge into value adding products and services.

³Schumpeter, Joseph (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press

⁴<http://en.wikipedia.org/wiki/Innovation>

⁵The overall Innovation Readiness score – as described in the next section - for the aggregate sample of organisations studied comes to 2.33, putting them in the Level 2 ‘Localised’ range.

“ When collaborating, clearly IP is a challenge, co-creation and co-development are more complex processes. We are learning by doing but it is early days.

Brigitte Laurent
Group Innovation Champion, Solvay

Key findings from this research include the following:

‘Innovation is viewed as essential to success, but a lack of ‘innovation readiness’ is crippling potential’

There is possibly no stronger indicator of the importance that organisations attach to innovation than the fact that during the current economic crisis innovation spending has been protected, and frequently increased. Organisations clearly value the differentiation that being innovative can bring, and understand that not investing in it would leave them at a serious disadvantage.

At the same time, however, this research finds a startling lack of readiness in how organisations manage their efforts in collaborative innovation. We characterise this as a deficiency in ‘innovation readiness’, which creates a gap between the stated innovation goals of an organisation and its ability to achieve them. The Innovation Readiness Model (IRM), introduced in this research, is an attempt to quantify this gap and help diagnose how best to close it.

Leadership and ambition: ‘spending doesn’t make it so – it is time for leadership to step up and make the difference’

Although companies have made the financial commitment, more is required. Leadership in this case goes beyond making the money available, as the research shows that short-term demands often crowd out innovation efforts, and suggest that the communications channel from top

management to the rest of the company is blocked or ineffective.

Collaborative innovation does not succeed in a vacuum. Leadership has to create a fertile foundation for collaboration and innovation to thrive. Just saying ‘innovation is important’ does not make it so. Simply setting up an innovation function, and allocating money to it, does not create innovation. Innovation has to move beyond the hype and be grounded in the reality of the organisation. It is time for leaders to step up and meet the innovation challenge head-on.

Organisation and collaboration and change: together we can do more, faster – winning three-legged races’

Companies face ever-increasing pressure to compete in the global marketplace. Collaboration has become a must. No company can win alone – on a competitive and sustainable basis. Collaborating with other players in the market, sometimes even competitors, is the solution to keeping up with the skills, resources and speed required to successfully innovate in the face of world-wide competition.

The research reveals that while collaborating with external partners is an important enabler of innovation, executing such partnerships is difficult. This is akin to winning three-legged races. It is a game of balancing cooperation and competition while focusing on winning. Around the world, organisations are struggling to identify the best strategies and approaches to ‘win together’. The prize however can

be significant, such as achieving leading market positions, entering or creating new markets or gaining world class efficiency in operations.

People and culture: ‘innovation is a state of mind – creating an innovation multi-culture’

Whilst culture is often emphasised as an important dimension of innovation, the picture is more nuanced than simply requiring cultural diversity per se. The culture of sharing, of risk taking and of working with diverse partners, employees and goals are all aspects that touch on successful innovation, and in particular, collaborative innovation. Complementing cultures can be a strength; however, cultural mismatches are frequently the stumbling block in designing effective collaborative innovation.

This study shows that organisations need an effective innovation ‘multi-culture’ where different aspects of an organisation’s behaviour are combined in varying proportions, depending on the stage of the innovation process. For example, diversity of experience and background is more valuable in the idea generation phase, whereas common goals and working styles may be more important in the execution phase.

It is also important that leaders recognise that innovation management is a skill that, as with many other business skills, does not always come naturally to all employees and therefore there is a need for training and support. The people within a business do not become innovative purely because

of investment or because there is a desire. Clearly, organisations need to create and stimulate the right mindset, and this is achieved through selective hiring, training and incentives. Ultimately, innovation will be driven by having people who thrive in your business ecosystem’s specific innovation multi-culture.

Implementation and measurement: ‘no measurements, no improvement’

Effective implementation involves directing resources appropriately to ensure that competing priorities are resolved effectively. Getting the balance between innovation and managing the day-to-day demands of the business is one of the greatest challenges respondents experienced.

On measurement, it has long been the dictum in management theory and practice, that if you cannot measure, you cannot manage and improve. This wisdom, however, does not seem to have been adopted by organisations as far as collaborative innovation is concerned. Our research shows that very few companies have measures in place and are yet to assess and improve their innovation performance. While it is relatively straightforward to quantify and measure innovation in a classic product or service development environment, it is more challenging when companies look for innovation within bids, ongoing projects and central functions – anywhere that innovation is needed as part of doing an everyday task. As the path innovation takes is not always clear from the outset, the way it should be measured is specific to its elusive nature.

Creating a project structure and applying old and analytic Return on Investment (ROI) methods is not enough. With innovation, value creation assessment needs greater flexibility.

However, without good measures, it is not easy to assess improvements in innovation performance. As a result, short-term priorities often trump the longer term view when it comes to allocating resources for innovation. This is particularly striking in times of crisis. Organisations must act decisively and rapidly if they are to maximise the value of their stated commitments to collaborative innovation.



Innovation is only useful for our clients and teams where benefit can be obtained through reduced costs, better delivery or customer satisfaction improvements. We try to identify low investment, high impact process improvements, and apply them on specific contracts. Then we move it to other contracts (using an internal change advisory board) to improve the performance of each one.

Graeme Cross
Head of Information Technology
Morrison Utility Services



The Innovation Readiness Model – explained

The research conducted by INSEAD in collaboration with Logica has identified the 'Innovation Readiness Model' (IRM) as a way to rank organisations' ability to innovate successfully. The concept of a 'readiness' ranking can be understood as the measurement of the ability of an organisation to put into practice leading-edge thinking around a particular topic, in this case, collaborative innovation.

Based upon an in-depth analysis of the survey data and interviews with senior executives from leading organisations, the IRM has been designed to rest upon four pillars and four levels of capability achievement along each pillar. These four pillars - described below - form the four foundations on which successful collaborative innovation can be built:

* Leadership and ambition

Undirected leadership and inefficient communications can be detrimental for translating a high-level vision of innovation into reality. In other words, innovation does not percolate from the boardroom to the shop-floor without effective leadership. This category includes the overall drive, vision and ambition of the organisation with regards to innovation, and how this is reflected in its leadership and strategy. Readiness along this first pillar requires excellent communication within the organisation and across its innovation ecosystem: top-down, bottom-up and horizontally, that is, across

potential silos. It also demands a clear identification of leadership's objectives and expectations across all levels of the organisation, and a strong alignment across its various areas of activity.

* Organisation and collaboration

Whilst a large majority of organisations recognise that collaboration both internally and with external partners is essential to thrive, these partnerships are not always managed in the most effective way. The thin line between competition and cooperation is not always perceived in the same fashion at various levels of organisations and across various partners. The changing nature of relationships between consumers and producers, or between suppliers and clients is often a source of confusion and controversy. This category includes the internal organisation, and how it is set up in order to contribute to an innovative climate, as well as the involvement of external partners in innovation initiatives. High levels of readiness along this second pillar requires a better identification of best practices (as well as of their benefits), and a greater ability to adapt to changes in the innovation ecosystem. Excellence in this pillar is vital for success in collaborative innovation.

✿ People and culture

Organisations are failing to identify and harness the internal skills that are required for collaborative innovation to thrive.

The expectation is that cultural diversity is a benefit to innovation. However, if it is not managed properly – diversity can be counter-productive. This category includes culture and human resources policies, relevant to the innovation capability of an organisation.

To drive higher levels of readiness in this third pillar, several key challenges must be better understood and overcome. For example, ‘innovation skills’ are not produced by universities; innovation takes place in an organisation when it brings together the right combination of talents, incentives and opportunities. Also, ecosystems are increasingly less contained within the boundaries of an organisation, and even less so of a department. Putting teams together from varying backgrounds and disciplines, the ability to gear up to a new idea and take it rapidly to market, and the internal acceptance of failure and risk taking are all important ingredients that will be reflected in both the structure and culture of an innovation-ready organisation.

✿ Implementation and measurement

An inability to properly apply innovation practices, ill-adapted internal processes and poor measurement mean organisations are unable to accurately assess the impact of innovation initiatives, and to take the practical steps required to improve their innovation readiness. Simply identifying and correctly capturing innovations is a first crucial step in

successful implementation. Large organisations often have many brilliant initiatives that are simply not well-known enough to create their full potential value.

Integration of innovation with day-to-day activities is essential for companies to translate their innovation investment into business benefits. Without proper integration, ideas are in danger of not being realised or optimised because of conflict with other business priorities. Establishing the right types of benchmarks is vital to track innovation efforts, and steer them towards the right levels and directions. This is also key to providing the right incentives to the staff involved as well as to compare an organisation’s innovation performance to that of its competitors, at home and abroad. This category is focused on the actual innovation process, and the implementation of innovations. Without adequate strength in this pillar, the execution of organisations will be weak and success in collaborative innovation will be elusive.

The four pillars are like the four legs of a chair. Relying on strong legs enable one to sit comfortably and also to stand on the chair and reach high. However, it is also important that the legs are of the same length – else the edges of the chair will be uneven and it will not provide a level foundation to build upon. Thus, we need a mechanism to measure the achievement of an organisation along each pillar of the IRM. We have reached out to the well-established literature on software maturity models⁶ to propose four levels of achievement for organisations for each pillar.

⁶<http://www.sei.cmu.edu/cmml/>

Within the IRM, for each pillar, a ranking is awarded from Level 1 (least ready) to Level 4 (most ready) as defined below:

- **Level 1** (Ad-hoc) indicates that innovation activities are practiced to some extent but not in a planned or consistent manner.
- **Level 2** (Localised) means that the innovation activities are planned and structured in a specific function or activity but not necessarily consistently performed or spread throughout the organisation.
- **Level 3** (Generalised) indicates that innovation activities are consistently performed in a planned and repeatable manner across all relevant parts of the organisation and its associated innovation partners.
- **Level 4** (Optimised) indicates that innovation activities are not only successfully generalised across the organisation but also subject to continuous learning to optimise the full potential of an organisation and its innovation ecosystem.

The IRM is a strong foundation on which further development can be launched. We believe that this research provides a starting point for the IRM to become an industry standard measurement, and a tool to help innovation practitioners improve over time.

The Innovation Readiness Model: A unique contribution

The systematic study of product and process innovation has been documented over the last few decades. However, the definition of innovation has now evolved and encompasses a broad range of elements from novel marketing approaches to new organisational structures and business models. Innovation research can no longer be restricted to narrow product or process parameters that can be manipulated in laboratories or studied on the manufacturing floor. There is a need to include a range of actors (employees at all levels and in all functions, customers, representatives from the government and non-profit sectors, and so on) and issues (such as leadership, incentive design, communication, feedback and coaching) within innovation research. Given the range and diversity of these actors and issues, it is not surprising that the systematic study of collaborative innovation is still in its infancy.

Through the findings, we have identified a unique research model to capture the elements that are required for organisations to win at collaborative innovation. The IRM is a pioneering effort to jointly address the four critical dimensions for identifying the overall readiness of an organisation to succeed in collaborative innovation: Leadership and ambition, Organisation and collaboration, People and culture and Implementation and measurement.

There have been isolated attempts by some consulting organisations to capture innovation readiness⁷ or to create innovation maturity models⁸. However, none of these prior efforts have the breadth or depth of the efforts presented in this paper.

⁷Angsar Zerfass, Innovation Readiness: A Framework for Enhancing Corporations and Regions by Innovation Communication, Innovation Journalism, Vol. 2, No. 8, May 23 2005.

⁸<http://www.think-differently.org/2007/06/innovation-maturity-models.html>



Innovation Readiness – measured

Figure 1 describes the achievements of the organisations surveyed⁹ along the four pillars of the IRM. The shaded areas represent the levels achieved in aggregate across all respondents. An increasing level of readiness extends the shading from bottom to top. For the survey group as a whole, the aspects of Leadership and ambition, People and culture, and Implementation and measurement were all rated at Level 2, whereas Organisation and collaboration came in at Level 1.

These results show that organisations still have a long way to go as far as improving their innovation readiness is concerned. Despite widespread agreement that innovation is important (only 8% disagreed with the notion) the survey indicated that innovation activities are managed largely

in an ad-hoc or localised manner, and are particularly weak along the pillar of Organisation and collaboration.

This is most likely an indication of the relatively recent focus on collaborative innovation, recognising the changing dynamics of the business environment, and the importance of utilising all available resources in the wider network of the organisation, not just internal ones. Achievement levels along the other pillars are also not stellar and present significant challenges as organisations seek to optimise their innovation efforts. For example, the low level of achievement along the pillar of Implementation and measurement shows that thinking of innovation as a structured process that can be measured and improved is new

for organisations. However, years of management experience have shown that you cannot manage what you do not measure. Therefore, without significant improvements along this pillar, it is unlikely that organisations will make significant progress in improving the effectiveness of their innovation investments.

The overall Innovation Readiness Quotient (IRQ)¹⁰ (which is the average of the scores across the four pillars) for the aggregate sample of organisations studied comes to 2.33, where 4.0 would be the top possible score. This is a relatively low score, and supports the overall conclusion that the organisations surveyed at an aggregate level have significant scope to improve.

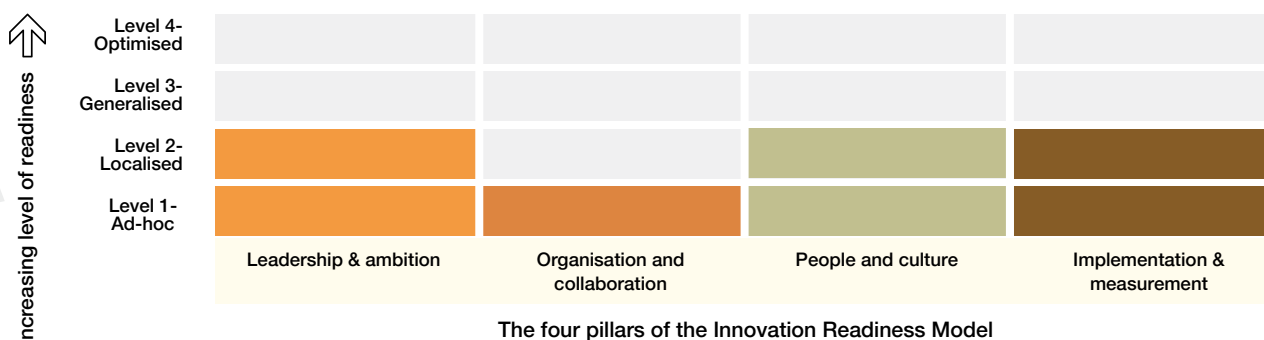


Figure 1

⁹See annex for sample base breakdown

¹⁰See annex for more details



Survey results and highlights

As described in the Methodology section in the annex, respondents answered questions via an online web-based tool. The first question asked was whether innovation can be defined as 'The successful exploitation of an idea leading to a positive business benefit'. Respondents were asked to agree or disagree with the statement, and if they disagreed, to provide their alternative definition. Only 2% disagreed, and no one 'strongly disagreed' so it has been assumed that innovation is understood by all respondents in the same way.

The results of the survey have been presented in four sections below, corresponding to the elements of the Innovation Readiness Model.

Leadership and ambition¹¹

Spending does not make it so – it is time for leadership to step up and make the difference

The survey highlighted - and most studies would agree - the importance of top-level management support for innovation to be successful.

The importance of innovation was clear: Only 5% agreed or strongly agreed with the idea that 'Innovation as a concept is more hype than reality'. In addition, 75% agree or strongly agree that 'Organisations that invest in innovation are more likely to outperform their peers'.

This was backed up by financial commitment: spending on innovation over the last two years had increased for 51% of the respondents, and remained constant for another 29%. Since 40% of respondents answered that the greatest challenge they faced was the global recession, it seems clear that despite the crisis, spending is being protected.

Surprisingly, despite recognising the importance of innovation and putting investment behind it, many organisations do not have a coordinating figure for innovation, an important role in communications and in the allocation of resources across projects. Only 36% of organisations surveyed reported that they have a Chief Innovation Officer or equivalent. We believe, through findings covered later in the report, that this is because organisations are still coming to grips with how best to deploy their resources effectively.

It is widely accepted that an environment where innovation thrives has to accept and learn from failure; however the findings show that only 37% of respondents thought that their organisations 'encourage employees to learn from failures'. Leadership has a crucial role to play here in fostering innovation – an inherently risky task that requires some tolerance of failures. While Country and Sector comparisons are covered in a separate chapter later in the report, we note that this average of 37% masks some country differences; for example 50% of the British answered that

¹¹This category includes the overall drive, vision and ambition of the organisation with regards to innovation, and how this is reflected in its leadership and strategy.

“ You need to demonstrate the real value of ideas so that the employees feel that they are making a real contribution.

Sylvia Bronmans
Director of P-Direkt

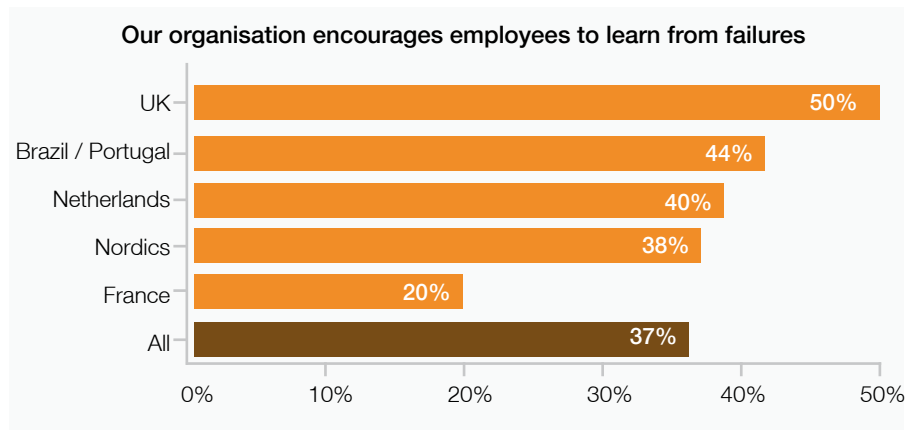


Figure 2: Our employees are encouraged to learn from failure - responses by country

they were encouraged, but only 20% of the French agreed.

While most organisations have taken the first steps in recognising the importance of their innovation, the challenge now is to capitalise on the resources allocated in the most effective manner.

Case study: P-Direkt, Ministry of Internal Affairs, The Netherlands

The Public sector demonstrates an innovative approach to shared services, driven by an appreciation for how communication and strong leadership make the difference

P-Direkt (started in 2007) is the shared service centre for twelve ministries of the Dutch government. It offers reliable, modern, standardised and efficient human resource management service to the ministries (excluding defence) and other organisations within the national

government. P-Direkt processes salary data, staff files, leave, sickness, financial compensation, and education for approximately 120,000 personnel.

P-Direkt has its origins in policy research carried out in 2003, when the Ministry of Finance was looking for efficiencies in the Human Resource Management (HRM) space, having benchmarked themselves and being unsatisfied with their performance.

The initial attempt to found P-Direkt in 2004 was a failure – it was too ambitious, it had too wide a scope and a lot of political pressure. But the team stepped back and took a year to learn the lessons of what went wrong, and re-submitted the idea. By the start of 2007, they were up and running again. Sylvia Bronmans, Director of P-Direkt, uses this as a cultural lesson for employees, a way to contrast their current vision and goals: *“You need good communication and a good vision: that makes the difference between management*

“ [The] major reason to collaborate with partners is to go to market. [We] prefer to build skills, but can't always because of a lack of time; sometimes a clean delivery of product x by partner y for cost z makes sense.

Huw Owen,
CEO, ATLAS Consortium

/ employees disappear. You need to demonstrate the real value of ideas so that the employees feel that they are making a real contribution”.

Her approach to communications is simple – be realistic and totally transparent; demonstrate what should and should not be done and what results are, and use multiple communications methods to reach people: live meetings for dialogues, written, digital, and so on.

Wherever possible the leadership team should try to create opportunities for people to meet each other in various situations, including creative environments, to receive and exchange information and ideas. A culture of risk-taking and tolerance of failure has been created to facilitate this. Because, as Sylvia observes, *“innovation can often be unplanned, but it happens because people communicate, generate ideas, and turn them into something new. Interesting innovations take place at the boundaries of an organisation, not at the core. You can encourage this by creating the space, time and money for ideas to be created. This includes cooperating with other organisations to stimulate the process”.*

Metrics are also important to the organisation. P-Direkt has goals based on a full implementation by 2012. The most important metrics are customer reviews – a ‘baseline’ measurement has been done, against which they will now work to measure progress. They also benchmark regularly with other shared services centres focused on HRM (in both the public and private sectors).

In 2008, they did a reality-check on the cost-benefit analysis they had used to start the organisation. Having planned to save 280 million euro in total, a saving of 100 million euro had already been realised.

Organisation and collaboration¹²

Together we can do more, faster – winning three-legged races

Across the four pillars of the Innovation Readiness Model, the surveyed organisations achieved the lowest score for this dimension, clearly highlighting that this is an important area for future improvements. In particular, respondents indicated significant room for improvement on collaborative projects, judging that they were generally more difficult to execute and more difficult to successfully conclude.

While organisations recognise that collaboration both internally and with external partners is essential to thrive, these partnerships can sometimes be counter-productive if not managed effectively. In an increasingly global world, only the largest of organisations have the ability to do everything alone, but even they do not always choose to do so, often preferring a ‘buy the best, build the rest strategy’. Of the organisations surveyed, 64% agreed that most of their innovation projects include external partners.

Organisations can have both positive and negative reasons to adopt open innovation strategies. When asked why external partners were involved, ‘achieving speed to market’ was by far the top choice at 36% - this represents more than 50% out of a total of eight possible answers. This choice was

¹²This category includes the internal organisation, and how it is set up in order to contribute to an innovative climate, as well as the involvement of external partners in innovation initiatives.

“ A customer should be involved so that the idea can be piloted and tested. The business needs to also provide sales and marketing commitment for it to work, not just technology.

Olaf Larssæter
CEO, Synergi Solutions, Norway

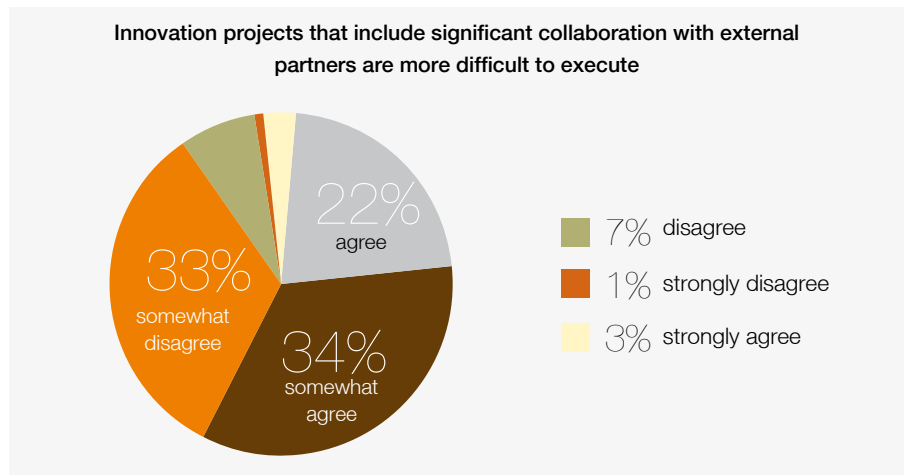


Figure 3: Innovation with external partners is more difficult

followed by ‘lack of skills in a particular area’ at 17%.

It is also interesting to note that 54% agreed with the idea that ‘collaborative processes with external partners is an important enabler of innovation’, indicating that organisations are looking for ideas, as well as execution, from external parties.

However, while respondents felt that ‘innovation projects involving collaboration with external partners were more successful’, almost half agreed that ‘executing such projects were more difficult’ than those that did not involve collaboration, suggesting that organisations do not yet think of collaborative innovation as business as usual (see Figure 3).

For collaborative partnerships to be successful, clear goals need to be agreed.

Clearly, respondents have understood and embraced the concept of collaboration: 55% believe that a culture of sharing

within an organisation makes it easier to collaborate with external partners. When asked, however, whether ‘innovation projects that include significant collaboration with external partners are more successful’ only 29% fully agreed, suggesting that there is further work to be done to maximise the value these partnerships could bring.

Collaboration between organisations includes ‘co-opetition’, where organisations that often compete sometimes also find themselves collaborating on specific projects.

Organisations clearly understand the importance of collaboration, consistently ranking it as important to their businesses, and even entrusting the generation of new ideas to external partners, but at the same time, it is not yet a ‘natural act’.

“ Cultural issues [between partners] are not really relevant beyond the ability to trust them, which is difficult to define, and have a lot of personal elements. If they have a hidden agenda to grab more for themselves than the collaboration group itself, it isn't going to work out.

Harrie Vollaard
Innovation Manager, Rabobank

Case study: Rabobank

A classic example of how an internal structure steeped in collaboration translates to working with external partners

Rabobank Group is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, asset management, leasing and real estate services. Rabobank Group is comprised of 152 independent local Rabobanks plus the central organisation of Rabobank Nederland, and several subsidiaries. Overall, Rabobank Group has upwards of 60,000 employees, who serve about 9.5 million clients in 46 countries. Harrie Vollaard, Innovation Manager at Rabobank explains that the company's unique structure has created a culture of sharing. Because the group's constituent local banks own the company, the decision-making has to be extremely cooperative and complex.

Being familiar with cooperative decision-making turns out to be a big advantage for Rabobank when dealing with external parties. Says Harrie: *“cultural issues [between partners] are not really relevant beyond the ability to trust them, which is difficult to define, and have a lot of personal elements. If they have a hidden agenda to grab more for themselves than the collaboration group itself, it isn't going to work out”*. The Bank prides itself on engaging in open dialogues with all its partners and uses the same, cooperative approach to work with external parties as with internal constituencies.

Within the Bank, central management explains and justifies decisions to the local banks at meetings known as 'central circle meetings' or Rabobank's 'Parliament', highlighting the lack of hierarchy. The central team work for the local banks, not the other way around, and doing it this way allows them to present strategies that can be adopted across the group and avoid re-inventing the wheel. This process applies across the business of the group – marketing, strategy, systems and so on. *“Take the example of social networks – it's all about the people – you get out of them what you put in”* commented Harrie, *“you need the knowledge and experience gained internally to make it work externally”*.

The Bank is careful to hire the right people, the sort of people who are comfortable with the Bank's open culture. This is the key to making the system work, and not everyone is happy in such an environment. When local banks get good ideas that are not applicable to just them, they share them with the other banks. The group has deployed technology to help this process, which is important, but people need to buy in. Now they also share with external tools as well, such as Twitter with the necessary precautions around security, but taking a pragmatic approach to ensure sharing flows smoothly.

The primary metric at Rabobank is customer value. While today, the Bank uses Web 2.0 style tools to reach customers, creating a 'virtual community' to cooperate with customers as they do internally and with partners. Its approach to collaborative innovation has always been part of its DNA. As Harrie puts it, *“it's a philosophy we have followed for 100 years”*.

¹³(This linkage between an organisation's internal culture and how successful it is in collaboration with external parties is explored more in X source).

¹⁴This category includes culture and human resources policies, relevant to the innovation capability of an organisation.

People and culture

Innovation is a state of mind – creating an innovation multi-culture

Promoting particular desired behaviours within an organisation requires corroboration from trainers or managers who have the right skill sets as well as reinforcement from senior management. Hiring people for their innovation and creative problem solving skills is an important element of this. Our survey respondents reported that just 27% of them emphasise creative problem solving as a key criterion when recruiting or promoting staff. If organisations are failing to identify, harness and promote the internal skills that are required for innovation to thrive, then clearly any results achieved will be sub-optimal compared to their potential.

Over half of respondents agreed that diversity was a positive benefit to innovation, with only 1% disagreeing.

Our in-depth interviews with respondents revealed that although cultural fit was cited as the most important factor in the success of collaborative innovation efforts the 'fit' being referred to varied according to the stage of the project. When brainstorming and seeking new ideas, working with others from diverse backgrounds, different industries, and so on is seen as valuable.

During the execution phase of a project, however, sharing common values and goals and a cultural affinity is seen as the most productive way to success. Describing innovation culture as being 'multi-culture' is therefore an attempt to capture a more subtle understanding of the importance of diversity and organisational culture in general.

Please rate in order of importance the top three factors in your organisation that enable the success of partnerships between internal teams and external partners



“ [You] need to have industry expertise in common. Beyond that, having different languages and backgrounds can help, if managed correctly, but this takes time. Doing some projects in India for example, with brilliant people, but very different cultural values, [we] needed to work hard to remove these barriers. Western European culture can be too complex, too difficult sometimes, and mixing in others helps to counteract this.

Olaf Larssæter
CEO, Synergi Solutions, Norway

The interviews also highlighted differences of opinion on the willingness of different countries to be innovative: *“We have tight teams that can be disrupted. It is important to develop and challenge our people, to integrate new people and different cultures in order to be more disruptive. This [therefore] requires focus and initiatives in the HR area too”*, noted Brigitte Laurent, Solvay, Belgium.

A noteworthy 64% of respondents reported that they did not have a Chief Innovation Officer or equivalent. In view of respondents' previous answers, there are different interpretations of this: (a) respondents do not believe in such a centralised structure, or (b) they are yet to put their Chief Innovation Officer in place, or (c) there is a contradiction between their stated opinion and the reality of the situation. Organisations must carefully prioritise the innovations they fund, organising them according to both the potential level of impact they might have, as well how difficult it might be to implement them. Having a function to ensure this is done across the entire business is often a big step in the right direction.

While respondents claim to have internalised innovation, there are further steps that can still be taken to better equip an organisation for successful innovation, in the HR field for example, and to help promote a 'multi-culture' that brings the right resources to bear at each point in the innovation process.

Case study: Portugal Telecom

Portugal Telecom (PT) is a global telecommunications operator with a portfolio covering all segments of the market, personal, residential, SOHO / SME, corporate and wholesale and all technological solutions, fixed, mobile, multimedia, data and corporate. With 74 million customers, PT has a diversified portfolio of assets in 14 countries, including Portugal, Brazil and high growth international markets, including the sub-Saharan Africa. The company has 33,000 employees of which 11,000 are in Portugal.

In March 2009, PT launched the 'Open' project with the aim of 'industrialising' the innovation process, to accelerate the roll out of novel services, and create the right conditions to leverage the power of creativity of its employees, according to Rogério Canhoto, Group Manager for Innovation.

The process has three streams, the short, medium and long-term. The short-term is aimed at innovations that can have immediate impact. The medium-term looks three to five years out and is focused on the 'next big thing'. The long-term is far ranging and involves external partners sharing their vision of the future. The long-term strategy is fed back into the medium-term to generate the candidates for the 'next big thing'.

In its short life span it has already generated significant traction across PT's employees through a comprehensive communications plan that challenges employees to come up with new ideas every five to six weeks, such

“ OPEN has unleashed the creative potential of our team and is leveraging our network architecture and customer and supplier relationships to generate new ideas. This innovation programme has also allowed us to industrialise the implementation of new ideas at our company and thus, significantly reduce our time to market.

Zeinal Bava
CEO of Portugal Telecom

as reducing cost in a particular area, or how to capture the ‘millennial’ generation.

“Employees are encouraged to participate in an ‘ideas market’” explained Rogério. “Everyone has credits that they can use to ‘invest’ in ideas and also comment on them. At the end of the period, the top 20 ideas go to the Board for debate and approval”.

The Board and a group of internal experts examine each idea for ‘game-changing’ potential and ease of implementation. Those ideas that are selected get assigned to a team made up of the inventor, someone from the Open team, and someone from the Operations team. Follow-up happens every two weeks with the Board to ensure that obstacles are dealt with swiftly.

Credits can be won or lost according to what happens to the ideas that employees back or comment on. These can be converted to small prizes, such as a box at a local football game, attending the TED conference, or – the most eagerly sought – shadowing the CEO for a day. His backing and commitment to the programme is well understood by the employees.

Backing up the project is a training programme that has already been attended by 5,000 employees. Moreover, a scorecard keeps track of participation at the departmental level, and has a direct impact on managers’ bonuses. There are also additional coaching sessions available to managers who request them, as well as a roadshow to help departments who need to improve, or field-based employees that are unable to attend the training sessions.

Implementation and measurement¹⁵

One of the most crucial findings in this category was a clash between ‘short-term management performance priorities and long-term innovation priorities’, with 41% of respondents noting that this was the top factor blocking successful innovation. This was followed by 27% saying that ‘middle management focused on the delivery of projects rather than innovation beyond project scope’. Perhaps all very understandable, particularly during uncertain times, but successful innovators need to be able to balance these competing aspects.

The follow-up interviews confirmed this line of thinking: most interviewees indicated that getting the balance right between innovation and the day-to-day operations was extremely difficult. Some respondents do have mechanisms to allocate and prioritise resources and projects, but many have a more ‘silo-ed’ approach to innovation projects and how they are funded and measured.

When it comes to measurement, it’s a well-accepted management practice: if you cannot measure something, you cannot improve it. Innovation is no different. Clearly, measuring the value of a particular process in an organisation is not easy, but without metrics it is hard to accurately demonstrate the impact of innovation initiatives. Just 16% of respondents said they have good metrics in place to evaluate the success of innovation projects (a further 20% somewhat agreed). When asked specifically about ROI as significant mechanism of measuring innovation, only 9% used it.

¹⁵This category is focused on the actual innovation process and the implementation of innovations.

“ Measurements will be complex, not simple; including perceptions of value added, not straight economic value alone, mimicking the competitiveness ranking in studies we see today.

Bror Salmelin
 Adviser
 European Commission
 Information Society and Media
 Directorate-General

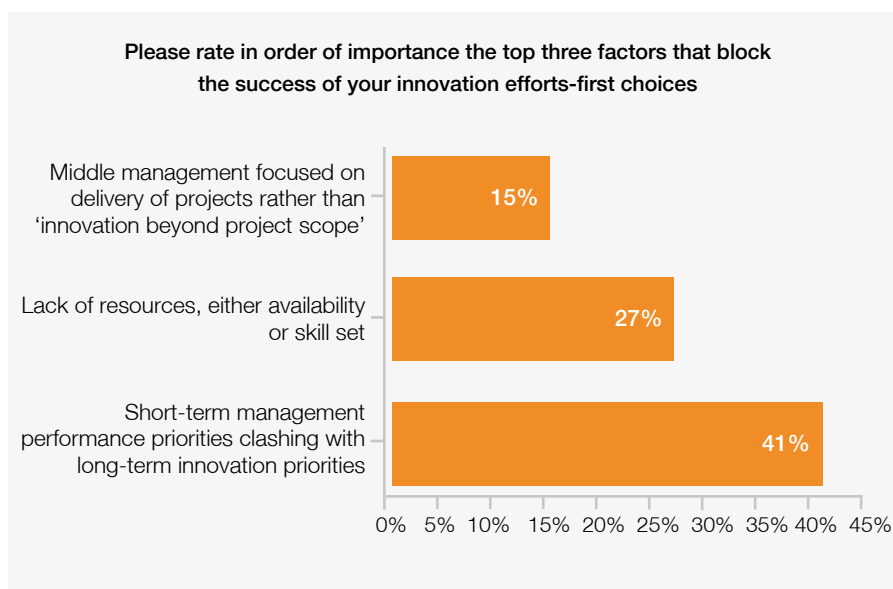


Figure 4: Factors that block successful innovation

Just 29% of respondents said they succeeded in sharing best practices within their organisation, an important aspect of improving how an organisation performs. Without effective processes and the ability to learn from all parts of the organisation, it becomes harder to implement the steps needed to improve in an effective manner.

Currently, it seems that organisations mainly believe that measuring innovation is too

difficult or insufficiently useful to spend time on. Despite this view, it is critical to develop and use such measures in order to increase innovation readiness. Organisations can then start to rank and rate themselves against their peers; this alone will allow them to start improving, as these metrics will point to the practical steps that can be taken to streamline and enhance their processes.

Case study: ATLAS Consortium

A measured approach to innovation allows for effective collaboration that brings ‘win-win’ results

The ATLAS Consortium comprises five partner companies: EDS, Fujitsu, General Dynamics, EADS Defence and Security Systems and Logica with over 3,000 staff members. The consortium was formed specifically to bid for a UK government defence contract in 2005. As a consortium, managing the relationships between five partners to ensure goals are met is a key challenge. Huw Owen, CEO of the group, emphasises measurement as a key principle. To assess and improve performance, the consortium has a scorecard that includes innovation metrics.

Each area of the business has a senior executive in charge of driving the innovation agenda, and all senior executives get regular digests of external activities, allowing them to keep abreast of innovation happening outside the organisation.

Huw Owen describes their approach to collaborative innovation as built around a well-understood need for external resources, and clear goals that are aligned. Huw also emphasises the importance of a common cultural approach to getting work done. *“The major reason to collaborate with partners is to go to market. We prefer to build skills, but can’t always because of a lack of time; sometimes a clean delivery of product x by partner y for cost z makes sense”*. The consortium has a management

board which drives the investment portfolio, and an innovation board that reports on progress on a frequent basis. The innovation board presents grassroots innovation ideas for approval in a consistent and disciplined manner, focused on the business benefits, investment required and business demand.

He notes that too often innovation is focused on a technology-based solution looking for a business problem, seeking a sponsor to create an opportunity. A collaborative approach with the client, starting from the needs of the business, always delivers better results and secures opportunities for both parties. He stresses that a focus on innovative processes and client delivery is every bit as important, as is being grounded in the real world: *“too often it’s just a ‘science project”*. It is no surprise to Huw Owen that the survey found that respondents are continuing to either maintain or increase their investment in innovation: *“in a downturn, innovation ought to be a fundamental part of the business, ring-fenced from cuts, because if you don’t innovate you will be left behind when the upturn comes, behind not only your competitors, but your customers too”*.

“ In a downturn, innovation ought to be part of the business, ring-fenced from cuts, because if you don’t innovate you will be left behind when the upturn comes, behind not only your competitors, but your customers too.

Huw Owen,
CEO, ATLAS Consortium





Country and sector comparisons

Country comparisons

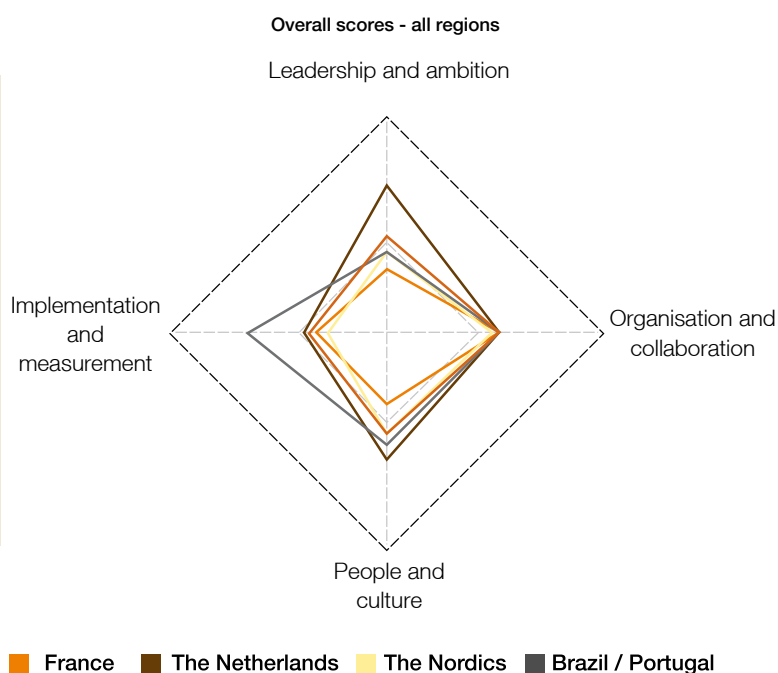
From the 200 survey responses in this study, we gathered sufficient data on five countries and three sectors to achieve statistically representative samples¹⁸. Of the countries, the Netherlands stood out as being the most forward thinking in their embrace of collaborative innovation.

The spider chart below shows Innovation Readiness scores for five regions for each pillar of the IRM. The Netherlands

scored highest on three of the four pillars and has the highest overall Innovation Readiness Quotient (2.03), driven by strong beliefs in the power and applicability of innovation. The Nordic region and France scored the lowest on implementation and measurement, whereas Brazil and Portugal scored the highest on this pillar; in part due to innovation-friendly HR practices. The UK scored close to the mean in all categories, not standing out in any one particular pillar.

Innovation Readiness Quotients by region

	UK	F	NL	Br / P	Nordics
Leadership and ambition	2.00	1.60	2.40	1.80	1.80
Organisation and collaboration	2.00	2.00	2.00	2.00	2.00
People and culture	1.83	1.67	2.17	1.83	1.83
Implementation and measurement	1.57	1.43	1.57	1.86	1.43
Quotients	1.85	1.67	2.03	1.87	1.77



¹⁸See annex for full detail on country and sector breakdowns

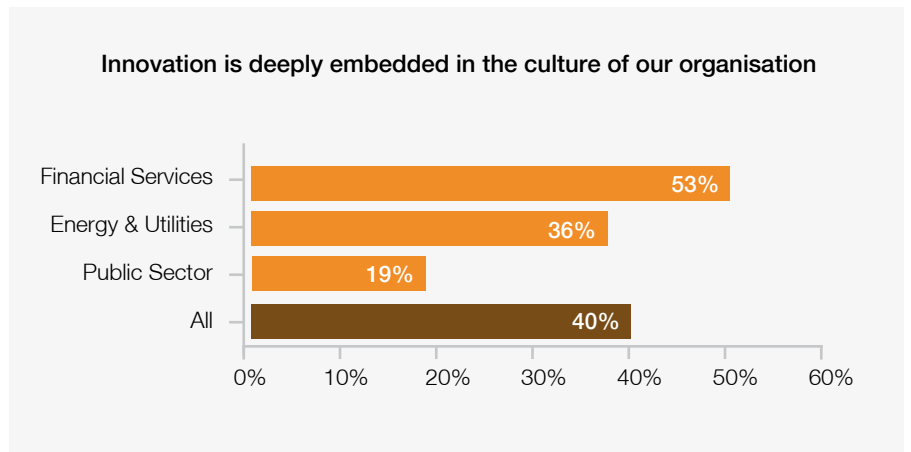
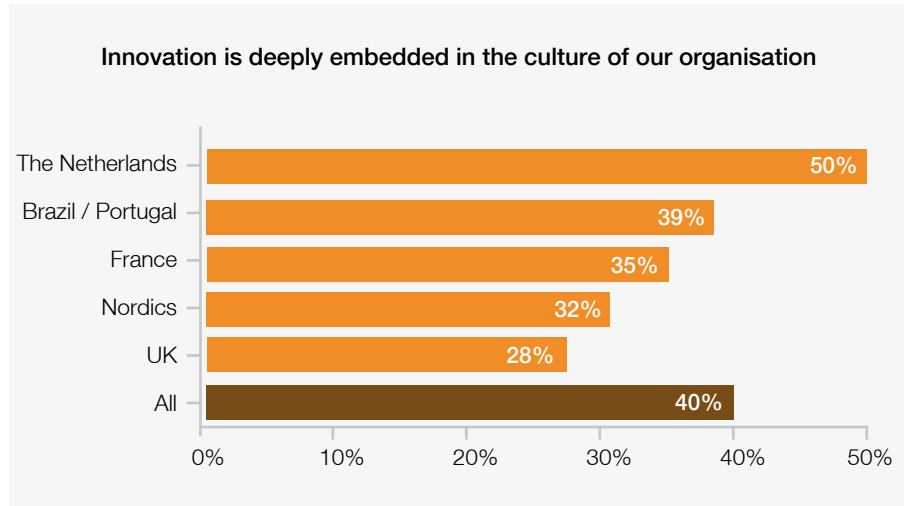
When asked whether respondents believed 'Innovation was more hype than reality' in their organisation, the Dutch - 60% of whom disagreed that this was the case - are significantly less cynical than their Portuguese and Brazilian peers, 31% of whom disagreed. The Netherlands was one of the top reporters of 'significant involvement of external partners' at 50%. Surprisingly, given the stereotype of strong cooperation and openness in the Nordic region, only 32% claimed the same.

Only 8% of respondents disagreed with the statement 'Innovation is deeply embedded in the culture of our organisation', a clear example of how seriously organisations are taking innovation. Of those who agreed, the Dutch agreed the most at 50% while the British were least in agreement at 28%.

Hiring people for their innovation and creative problem solving skills is an important element underpinning an innovation infrastructure within an organisation. Overall just 27% of respondents emphasised creative problem solving as a key criterion when recruiting staff, however, there was a wide spread of responses by country, with 45% of the Dutch respondents agreeing with the statement, but just 6% of the Nordics.

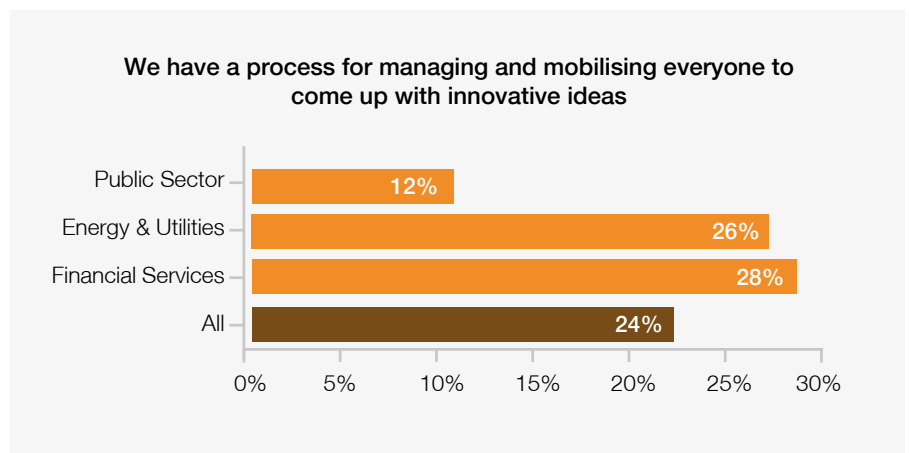
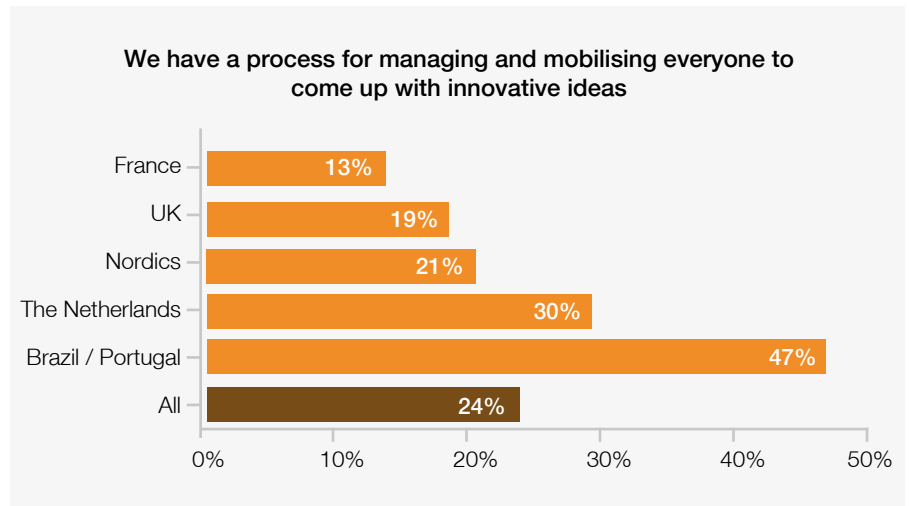
66% of Brazilian and Portuguese respondents agreed they provide learning and education to employees to enhance their ability to think innovatively; the UK lagged behind at 40%.

Figure 5: Innovation is deeply embedded in our culture



When asked whether respondents had processes in place to encourage employees to come up with innovative ideas, only 24% claimed to have something in place. The spread of answers was quite broad across the different regions – 47% in the Brazil / Portugal group compared to 13% in France.

Figure 6: We have a process to mobilise everyone to come up with innovative ideas



Sector comparisons

When the scores are broken out by sector, the Financial Services (FS) sector is rated highest across all the four pillars at 2.12 (see table below). The Public sector is ranked lowest across the pillars, with Energy & Utilities falling between the two. FS rated highly on Organisation and collaboration, in particular because of the high levels of reported collaboration with external parties on innovation. The Public sector scored badly on Implementation and measurement, with very low results around having good metrics in place, and sharing best practices. All three sectors scored joint highest on

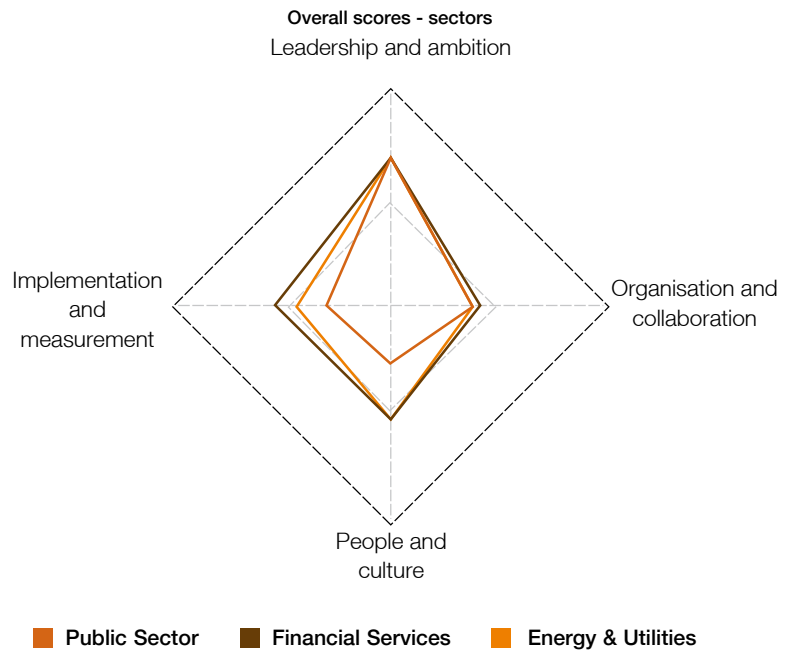
Leadership and ambition – in the case of Energy & Utilities because of strong beliefs around the power of innovation to out-perform one’s peers.

When respondents were asked whether they believed ‘innovation was more hype than reality’ in their organisation, half of the Financial Services sector disagreed this was the case compared with their more cynical counter-parts in the Public sector, 31% of whom disagreed.

When asked whether innovation capability is an important measure in our career and promotion decision process: 30% of

Innovation Readiness Quotients by sector

	Energy & Utilities	Financial Services	Public Sector
Leadership and ambition	2.00	2.40	1.80
Organisation and collaboration	2.00	2.20	2.00
People and culture	1.83	2.17	1.83
Implementation and measurement	1.57	1.71	1.43
Quotients	1.85	2.12	1.77



Financial Services respondents agreed compared to only 15% of Public sector respondents.

When asked whether respondents had processes in place to encourage employees to come up with innovative ideas, only 26% claimed to have something in place. The spread of answers was broad across the different sectors – from 13% in the Public sector to 33% in the other two.

What is clear from the breakdowns by region and sector is that being strong in

one pillar does not significantly impact performance in other pillars. Additionally, the relatively strong performance in Leadership and ambition may be due in part to a self-reported bias by the corporate and public sector leaders taking part in the survey.

“ To innovate we will need ‘organic-sations’ rather than organisations, combining elements of the private sector, public sector, and people as individuals

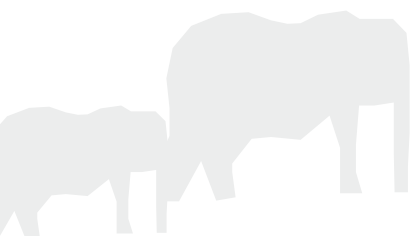
Bror Salmelin
Adviser
European Commission
Information Society and Media
Directorate-General



Conclusions

“ The innovation paradigm has radically altered, a change akin to the scope of the industrial revolution, but at a vastly increased pace.

Bror Salmelin
Adviser
European Commission
Information Society and Media
Directorate-General



Success in these challenging times will require responsiveness and the ability to recognise and realign strategies to maximise competitive advantage over time. For most individuals, organisations, and governments, simply intensifying current strategies, tactics, and policies will not suffice. Success will demand a greater ability to quickly close the gap between the generation of an idea and the creation of its value. Success will demand higher levels of investment in building effective collaborative innovation ecosystems. Success will be predicated on improving overall innovation readiness levels.

Whether in the public or private domain, the messages of the last few years have focused on globalisation, increased competition, and ever more complex business environments in which we all operate. Of the countries, the Netherlands stood out as being the most forward thinking in their embrace of collaborative innovation, driven by strong beliefs in the power and applicability of innovation. Of the sectors, the financial services sector is rated highest across all four pillars, in particular on Organisation and collaboration, because of the high levels of reported collaboration with external parties. Organisations have reacted quickly to safeguard or enhance their positions by investing in innovation. And they recognise that collaboration is required if they are to keep up - survey respondents are actively seeking out partners to deliver innovation; from ideas to execution. These changes in business culture are relatively new, it will take some time for the majority of companies and institutions to move from awareness to competence, and the survey results show some of the difficulties

that organisations are facing in making innovation 'business as usual'.

What is surprising is that the positive changes in attitudes and goals have not yet been fully supported with those elements crucial to success, such as leadership, cultural change, measurement and even implementation. The study makes it clear that organisations are spending precious resources on innovation without the processes and structures in place to take full advantage of the money and focus they have committed.

The Innovation Readiness Model (IRM) introduced in this work pinpoints these weaknesses, and demonstrates that there is still work to be done to translate these efforts into effective innovation results:

- ✿ **Leadership and ambition:** the innovation message needs to be delivered to all levels of the organisation, along with the concrete ways employees can make innovation a part of their everyday activities. Leaders need to ensure that the commitments made at the highest levels are actionable through the organisation, as a normal part of business activity, not as something that gets de-prioritised every time there is a crisis, or the quarter-end proves to be challenging.
- ✿ **Organisation and collaboration:** the organisation must be both more effective in marshalling and prioritising innovation efforts and designed for collaboration – without this ability, keeping up with competitors and customers will be impossible. Across the four pillars of the IRM, the surveyed organisations achieved

the lowest score for this dimension – clearly an important area for future improvements.

✿ **People and culture:** an internal multi-culture of openness and sharing makes successful collaboration and innovation possible. Without the right culture, goals are misunderstood and not reached; without openness, innovation cannot flourish, and collaboration cannot be a win-win. However, organisations have to leverage collaborative diversity in a smart manner - encourage it at the appropriate times, but be mindful of shared values across each of the specific stages of the innovation process. This is a dynamic balancing act where leaders need to excel.

✿ **Implementation and measurement:** defining and measuring success is the first step to improvement, leading to experience, consistency and effective innovation. Without measures,

implementation has to rely on guesswork and intuition alone. Short term priorities should also not be allowed to crowd out strategic longer term investments in innovation. Otherwise, the urgent will always take priority over the important, and innovation implementation will fail.

It is encouraging to see the concept of innovation being tackled so seriously. Through use of the IRM and other tools, organisations can help direct spending and time to those projects that need them in the most cost-effective manner.

Creating effective collaborative innovation ecosystems is vital for enhancing access to knowledge from around the globe and speeding up the conversion of that knowledge into value adding products and services. Where once we optimised for efficiency and quality, we must now optimise our entire organisations and the greater ecosystem for innovation.



Contributors

The eLab team



Professor Soumitra Dutta

Roland Berger Chaired Professor of Business and Technology, INSEAD

Soumitra Dutta is the academic director of eLab and was previously the Dean of Executive Education (2002-06) and External Relations (2006-2009) at INSEAD. He obtained his Ph.D. in computer science and his M.Sc. in business administration from the University of California at Berkeley. His current research is on technology strategy and innovation at both corporate and national policy levels. His latest books are “Innovating at the Top” (Palgrave, 2009), “Throwing Sheep in the Boardroom” (Wiley, 2008) and “The Global Information Technology Report 2008-2009: Mobility in a Networked World” (World Economic Forum 2009). He is actively involved in policy development at national and European levels.



Dr Bruno Lanvin

Executive Director, eLab

Since 2002, Bruno has edited the ‘Global Information Technology Report’, which ranks countries according to their degree of readiness to benefit from the global information economy. In 2000, Mr. Lanvin was appointed Executive Secretary of DOT Force, the G-8 initiative launched by the Okinawa Summit of July 2000 to bridge the Digital Divide. Bruno worked for seven years at the World Bank as senior advisor for ecommerce and e-government, and 20 years in the United Nations as – among other roles - Chief of Cabinet of the Director General and most recently Head of Electronic Commerce. Bruno holds a B.A. in mathematics and physics from the University of Valenciennes (France), an M.B.A. from Ecole des Hautes Etudes Commerciales (HEC) in Paris, and a Ph.D. in economics from the University of Paris I (La Sorbonne) in France.



T. Raj Singh

Research Fellow, eLab

Raj has over 20 years of experience in the IT and business sectors, as a Board member, management consultant and advisor to CEOs. Raj also consults on innovation for a number of multinational technology organisations on cleantech opportunities and venture capital fund-raising for a governmental departments. Previously a General Partner for Pervasive Technology Ventures, and Principal for the New York-based Venture Capital arm of Investcorp International. At Booz Allen Hamilton for six years, Raj was a principal and a co-founder of the e-Business core team in Europe, where he led strategy and technology projects in the electronic business, telecommunications, and financial services sectors. Raj holds an M.B.A. from INSEAD in Fontainebleau, France, and a B.Sc. (Hons.) in computing science from Imperial College in London, England. He is a member of the Securities Institute and TiE.

The Logica team



Andy Green

CEO, Logica

Andy was appointed CEO and board member of Logica in January 2008. He is also a member of the Nominations Committee and the Executive Committee. Previously, Andy was a Board member at BT plc and CEO of Group Strategy and Operations and, until April 2007, he was CEO of BT Global Services. During his 21 years at BT Andy held several senior positions, including that of CEO, BT Openworld. He began his career with Shell and subsequently joined Deloitte Haskins & Sells. Andy chairs the IT & Telecoms board of e-skills UK, the Sector Skills Council for Business and Information Technology; he is a member of the CBI President's Committee, a Companion of the Chartered Management Institute and was, until recently, a Non-Executive Director of Navteq Inc. He holds a degree in chemical engineering from Leeds University.



Vincent Berthelon

Global Director, Logica Management Consulting (LMC)

Vincent has over 20 years of experience in the consulting market from various experiences in Accenture, Capgemini and start-up consulting and IT businesses. Before taking the international lead on Logica Management Consulting, Vincent ran successfully several consulting practices in Energy and Utilities and Manufacturing industries in France. LMC has a network of 3,000 consultants located throughout Europe. Logica's consultants help drive the success of clients' transformation projects. They stand apart through their European culture, ability to work closely with customers, and unique blend of sector-based, functional and technological expertise.



GBS Bindra

Global Director, Innovation, Logica

GBS is responsible for driving Logica's innovations and works closely with the executive committee to align these initiatives with Logica's strategic goals. With expertise spanning more than 20 years, GBS has led design teams to create several new products and services that lever technology to improve business outcomes. Previously, GBS was CEO of large multi-national corporations investing in India and was responsible for establishing their Indian subsidiaries from the ground-up and also led R&D at Ariba. GBS is also a committed community leader and a strong and vocal advocate of children and women's education in underprivileged societies. He serves on numerous governmental, industry and charitable boards and panels.

To view the Annexes go to www.logica.com/innovation

Methodology and Innovation Performance Tools

Methodology

Initial hypotheses were created around the general thesis concerning ‘Collaborative Innovation’.

The hypotheses were broken down into three key areas: Internal capabilities, the External environment, and Collaboration:

* Internal capability

- Internal, company-specific factors, such as
 - creativity, degree of teamwork, intra-company sharing of best practices – together, ‘culture’
 - management capability, process discipline, performance delivery – together ‘execution’

* External environment

- Scan: sense and filter signals from environmental shifts in competition, demography (ageing population), geography (opening of markets), economy (financial crisis), technology and other triggers
- Partners: leverage external partner organisations and stakeholders who are relevant for the innovation processes

* Collaboration

- The ability of an organisation to create ecosystems of collaboration within the organisation-linked internal capabilities to the external environment

From the hypotheses a series of questions were derived that could be used to prove or

disprove each hypothesis; in turn, leading to a results-driven conclusion. As well as the hypothesis-based questions, control questions were also included.

Questions took the form of:

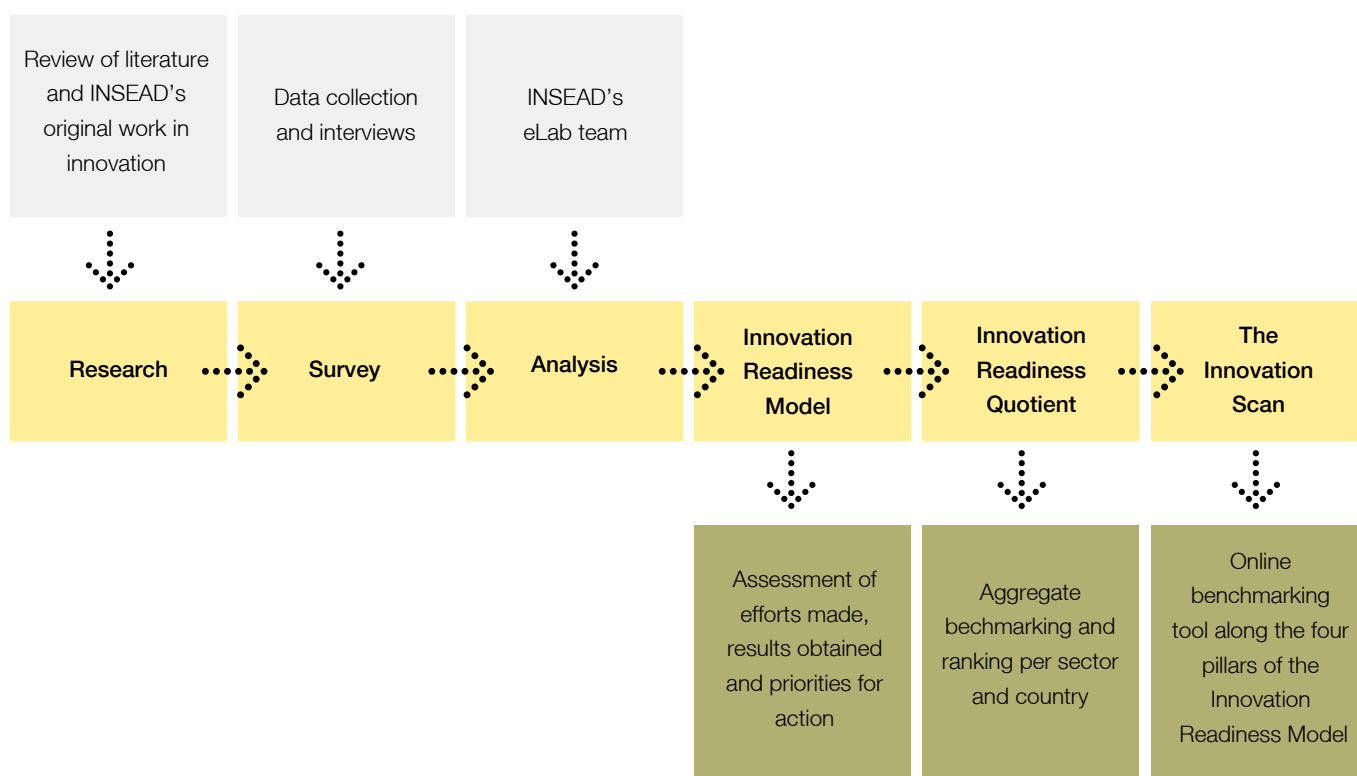
- A selection (choose one of the following)
- Choose how strongly you agree or disagree on a six point scale from strongly agree to strongly disagree)
- Top three (the three most important of a list, including the chance to add one if not on the list)
- True or false
- Open text

The survey was administered online. Results were collected over a six week period for analysis. 2,500 invitations were sent out, and 200 surveys were completed. 15 follow-up interviews were conducted to add depth to the survey result interpretation, and some respondents were called more than once when case studies were being prepared. Respondents were primarily CxOs (including Chief Innovation Officers) or MDs, plus Innovation Managers.

From the analysis, specific messages deemed to be of most interest were extracted and have been presented here in this report, and also in a series of customer-attended events in Europe.

Research methodology

The overall approach adopted in this research consists of the following sequence:



Based on available literature and research, as well as INSEAD's original work on innovation, an Innovation Readiness Model (IRM) was built. The basic hypotheses of that model were then put to the test of a survey of some 200 organisations across Europe, to which a series of in-depth interviews were added. The data collected was then used to finalise the model, and produce a series of analyses by INSEAD's eLab team.

Three instruments have been generated, namely:

1. The Innovation Readiness Model (IRM), which allows individual companies and organisations to assess where they are and how efficiently they are progressing on the path of innovation readiness;
2. The Innovation Readiness Quotient (IRQ) that offers a synthetic single index of innovation readiness, which can also be used for comparative analyses across geographies and sectors; and
3. The Innovation Scan tool, which allows an organisation to visually identify and benchmark its performance along the four pillars of the IRM; this tool can also be used to compare organisations within a particular sector or national market, or across such sectors and markets.

The Innovation Readiness Quotient

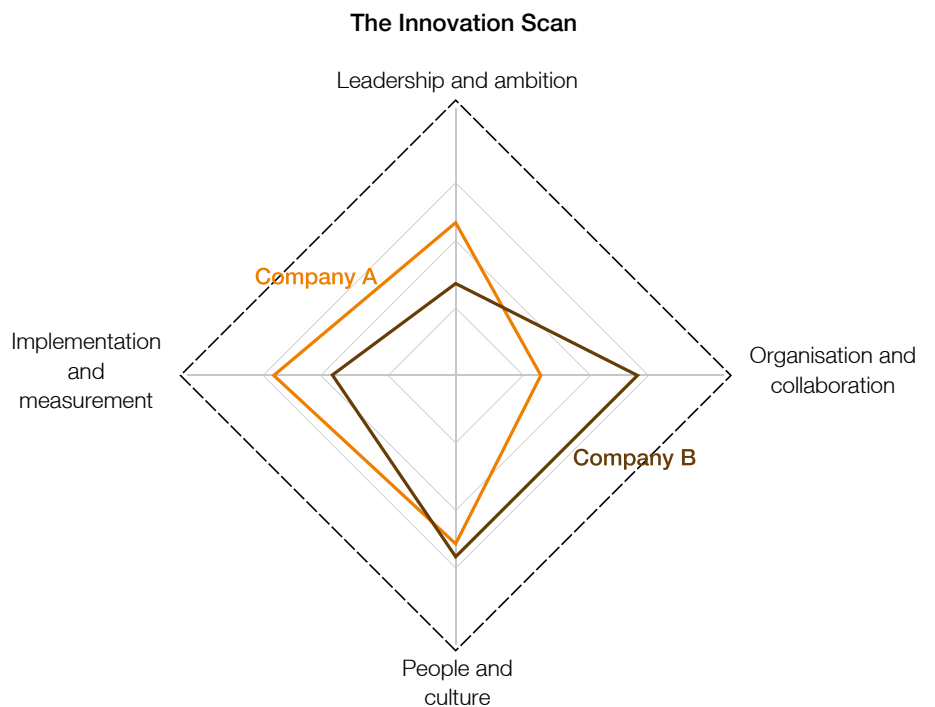
For the purpose of ranking companies and organisations, a synthetic indicator (the 'Innovation Quotient') has also been produced as the simple average of the scores obtained on each of the pillars of the IR Model. The same index can be used to compare and rank the innovation readiness prevalent in national markets around the world, or across sectors.

$$\text{Innovation Quotient} = (\text{L\&A score} + \text{O\&C score} + \text{P\&C score} + \text{I\&M score})/4$$

The Innovation Scan

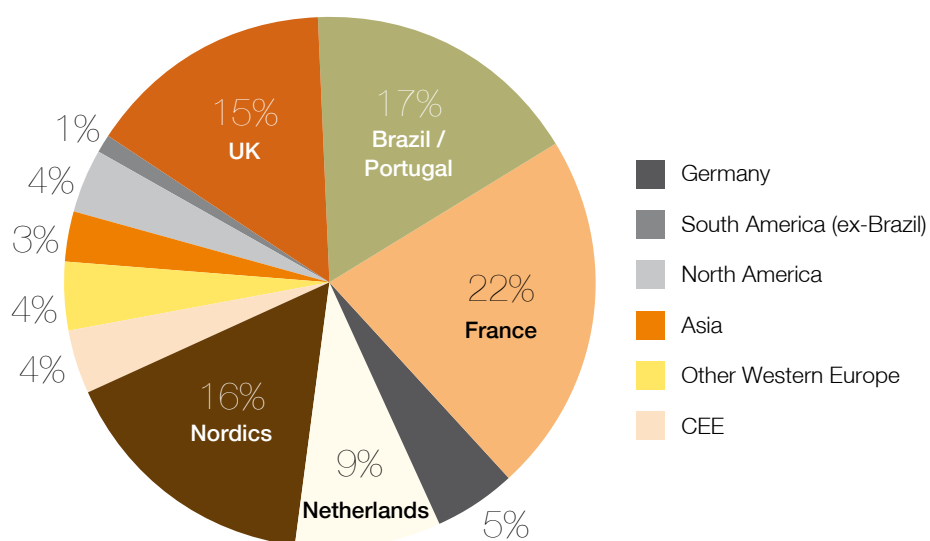
The IRM is the basic tool by which companies and organisations can plot their way to innovation readiness. However, when trying to identify how to best achieve Innovation Excellence, the leaders of such companies and organisations will also need a visual 'dashboard of innovation readiness' giving them an intuitive vision of how they fare in comparison with their competitors, and comparable companies and organisations in the same sector or market.

This is what the Innovation Scan attempts to provide. Companies wishing to measure their innovation readiness can do so with the 'Innovation Scan' tool - available through Logica and INSEAD's innovation consultancy teams - for more details go to www.logica.com or www.insead.org. The four pillars of the IRM are presented in a spider chart format (see spider graph below), which allows a rapid comparison between the relative degrees of innovation readiness of such companies and organisations.

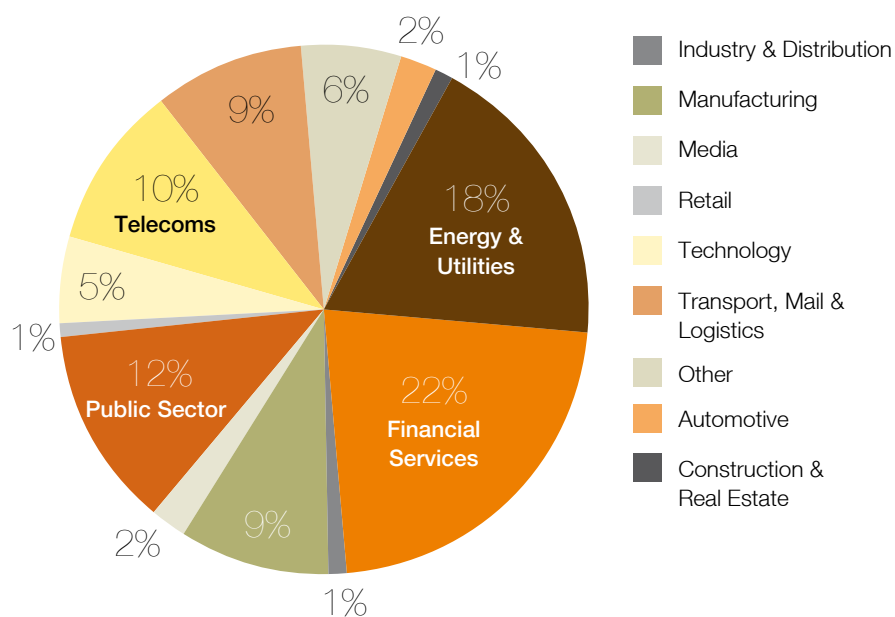


Additional tables and charts

Respondents by geography



Respondents by sector



0% Services, Defence & Aerospace and Education



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