



R3 – 2inno diagnostic tool

How to DO an innovation audit with SMEs

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HOW TO DO AN INNOVATION AUDIT

The 2inno method focusses on a holistic and very practical approach, which will enable SMEs „to DO innovation” in very short time! This sounds great and we are convinced that this is a perfect point of departure for all those SMEs who like to start with concrete projects rather than to get trained on Innovation Management theorie. Although the 2inno consortium is aware of the fact that the implementation of Innovation Management processes in SMEs requires much more. It is important to work together with skilled trainers, who have the needed expertise, the right tools and an open mind.

Solving problems in Innovation Management is not a trivial task and requires capabilities in systematic problem-solving, in consultant relationship management and the ability to customize Innovation Management support services toward the SME’s needs.

“Satisfaction and positive experience with an Innovation Management consultant can further stimulate real demand for Innovation Management support services by SMEs.”

High-Impact Innovation Management, Europe INNOVA paper nr. 18

As further described in the above mentioned study Innovation Management consultants demonstrating good practices are well prepared and informed about the clients’ context. They provide SMEs with a good understanding about Innovation Management before starting to assess their performance. Examples of success factors are:

- Face-to-face interaction
- Customization of support services
- Long-term relationship building
- The consultant’s capability in complex problem solving and value delivery

1. „Innovation” – assess your way of thinking

There are multitudinous definitions of the term “innovation” and even more concepts, theories and suggestions how to implement innovation management in companies. In the 2inno project we will not focus on ONE definition or ONE concrete concept how to implement innovation management! We think that an open minded approach is needed in order to help SMEs to develop their own suitable strategy. Nevertheless we would like to share the following inputs with you:

“A change that makes a positive impact is a pretty good definition of innovation. Innovation is all about change for better.”

Harvey Wade

1.1. Look for problems first

Innovation experts like Roy Luebke, Jorge Barba and Gijs van Wulfen strongly advice to always “start with a problem”. Structuring a successful innovation requires a lot of energy and time from all parties involved. Why should a company do innovation if there is no problem?

Understanding a problem is the critical first step when you work on innovation with a company. In your role as a 2inno coach we would like you to listen and to observe your customer. It might be helpful to consider the following inputs from Roy Luebke when identifying a customer’s need:

- The original problem is rarely the real issue.
- Solving the wrong problem wastes time and money. Understand the cognitive, physical, social, cultural and emotional drivers that underlie the customer problem or need.
- Determine if you are involving the right people to frame the problem.
- Understand that when analysing problems, people bring their experiences, biases and assumptions, which can mask the real needs of a customer.
- Remember that the purpose of a business is to serve customers and it does so by meeting needs in unique ways. While defining the problem, a wide range of solution concepts should be generated.

“The best way to have a good idea is to have lots of ideas.”

Linus Pauling

And we would like to add “lots of concepts”. There are many ways to do innovation. Listen to the needs of your customer and choose the best methods, application and tools for them.

Another important input is the “Big Bang Approach” to Problem Definition by Jorge Barba (Creative Strategist at Blu Maya, a San Diego based Digital Marketing Firm). “The way a problem is defined guides the way people think about it. I like to experiment with various “problem definition” approaches, as I believe this is the most important step in the innovation process. “

There are the three main steps of the Big Bang approach:

- Initially define the problem.
- Think divergently about the problem by asking multiple questions that deconstruct or “explode” it.
- Based on the outcome of that exploration, converge on a crisply defined (and improved) definition of the problem.

The point Barba stresses is: “Better questions lead to better answers, and the ability to reframe a problem is one of the innovator’s superpowers. You have to allocate time to broadly defining the problem you are trying to address before the start of any project.”

<http://www.innovationexcellence.com/blog/2014/01/20/the-big-bang-approach-to-problem-definition/#sthash.LZRn6rbq.dpuf>

This leads to the next important challenge when starting an innovation process together with a company:

1.2. Innovation means Change

“One of the main reasons innovation is difficult, is because your potential users need to change their behaviour. They will have to find, buy and use your innovation. And why should they? That’s the question! You will have to give them a strong reason why! This applies both to consumers and

B2B markets. Ask yourself the question: when was the last time I changed my own behaviour? We are all stuck in our habits; doing things in fixed patterns. We as innovators do this as well."

Giis van Wulfen, The Innovation Expedition, 2013

Like many other innovation experts Van Wulfen underlines that innovation management and change management are linked processes: "For years, we go on reading the same journals, buying the same cars and staying with the same insurance company. The only reason for us to change is if a new, simple and attractive solution comes along that is relevant to our lives. I guess I can make it as simple as that."

**"Change and innovation share
a common DNA,
which is 'change' nature.**

Pearl Zhu, Change Management, Innovation, 2014

But, as Zhu further states, each one has different motivators and must be managed differently: "Innovation is a collection of thoughts, ideas, or efforts used to bring about or manage change to a desirable outcome. Not all change management is innovative however innovation only exists to bring about change."

The key for successful Innovation Management is to define what innovation means to an organisation and how they choose to deliver innovation.

In the words of Zhu: "To be innovative requires a growth mindset, a willingness to "not know" & be able to source possibilities in the emergence space, to be curious and receptive to improvisation and experimentation (and failing) and [...] courageous enough to implement or execute in new and unexpected ways, from letting go of the current reality to allowing an unknown future state to emerge."

<http://futureofcio.blogspot.co.at/2013/10/innovation-vs-change-management.html>

1.3. Create Your Own Innovation Definition

Jorge Barba recommends creating your own Innovation Definition before you start to work on the theme with companies: "As part of my auditing process, one of the key questions I ask is: what was the most recent innovation in your industry?"

Asking questions allows you to find out many things and for clients there is nothing worse than filling in long questionnaires, especially at the first meeting.

Barba further states: “Depending on how this question is answered, it will tell me a few things:

- How this company both defines and perceives innovation
- If they are focused on innovation
- If they are keeping tabs on their respective industry

That question is followed up with a similar but less obvious question: who is the most loved in your industry and why? This one tells me if they even care about delighting their customers. But it can also tell me if they associate customer loyalty with innovation.”

<http://www.innovationexcellence.com/blog/2012/08/25/create-your-own-innovation-definition/>

Posted on August 25, 2012 by Jorge Barba

Giis van Wulfen (The Innovation Expedition, 2013) also recommends starting any innovation process with questions:

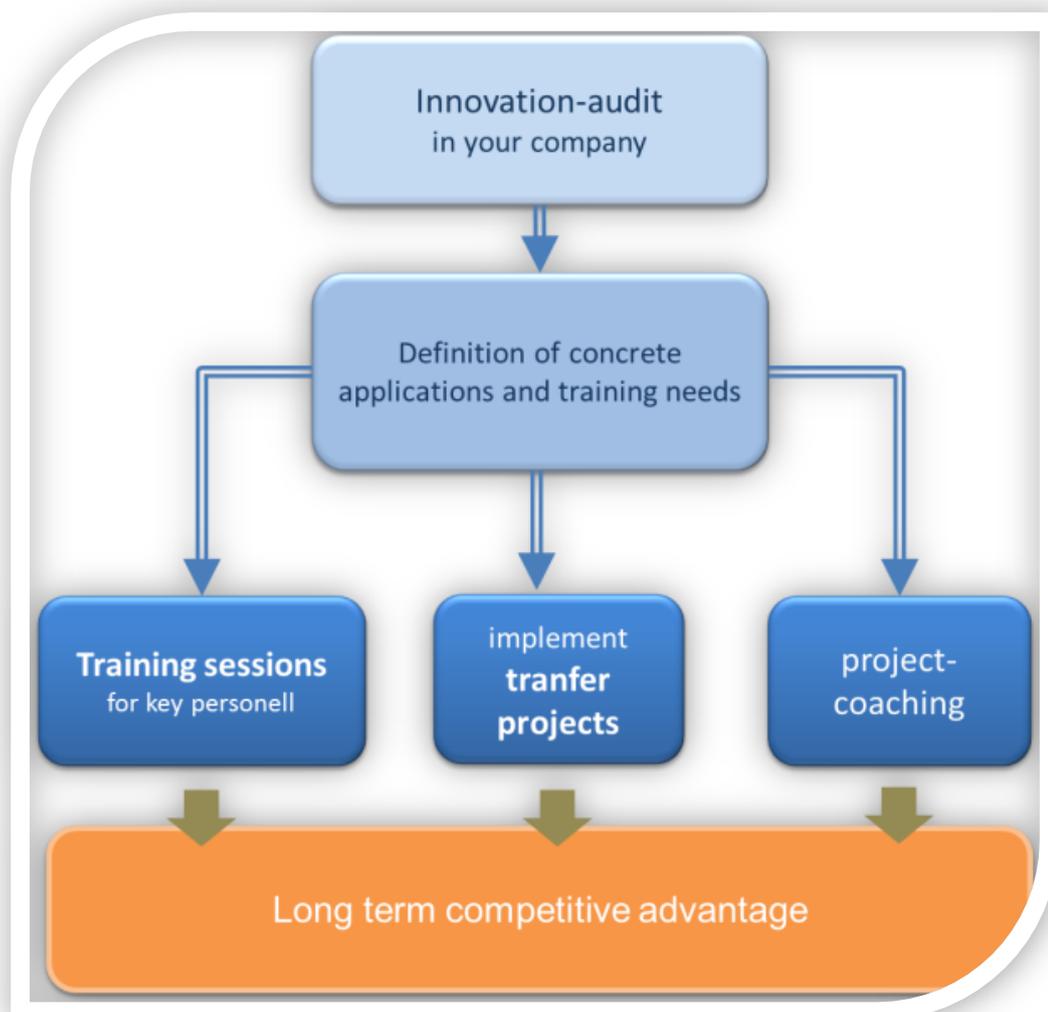
- WHY?
- WHO?
- WHY DO WE NEED TO INNOVATE?
- WHO IS THE TARGET GROUP?
- WHAT KIND OF INNOVATION? PRODUCTS? SERVICES? SOLUTIONS?
- WHICH CRITERIA SHOULD THE NEW CONCEPTS MEET?
- WHERE? COUNTRIES? REGIONS?
- WHEN? YEAR OF INTRODUCTION?

And consider another input from van Wulfen before you start working with companies: “Ask yourself the question: when was the last time I changed my own behaviour? We are all stuck in our habits; doing things in fixed patterns. We as innovators do this as well. For years, we go on reading the same journals, buying the same cars and staying with the same insurance company. The only reason for us to change is if a new, simple and attractive solution comes along that is relevant to our lives.”

2. The 2inno Coaching Process - Overview

The project aims at managing directors and senior employees of SMEs and supports them in recognizing the need for innovation management and innovation processes. Whereas multinational companies are supported by specialists (via their R&D departments, innovation assistants or other experts in the field), SMEs/MEs risk to be excluded from implementing important innovation measures. There is a huge amount of tools, methods and theoretical material available on the theme Innovation (Management). All this knowledge is easily accessible. But why is it – especially for small businesses – so difficult to put "innovation" into practice?

The way we suggest in the 2inno.eu project is the DUI-mode: "learning by doing, using and interacting mode". Small businesses should learn very practical, in just a few weeks, how they can start concrete innovation projects and further implement them successfully. In customized workshops on "Innovation Management" we want to help them to close the gap between theory and practice, so they can find their own "culture of innovation". All according the motto „DO innovation now!“



3. Design the 2inno Innovation Audit

In this chapter we give you sample questions for the different phases of an Audit. 2inno Coaches should use these examples to create their own “tailored” Audit questionnaire. Always keep in mind that you have to gather lots of information in order to develop a suitable training workshop for your client.

3.1. Find out more about Existing Capabilities

1. **How many new products / services did we launch last year?**
2. **Do we have an idea generation system? How many ideas we collected last year?**
3. **How long does it take an idea to go from initial approval to full implementation?**
4. **Do you have an innovation strategy in place at present? If so, what form does this strategy take?**
5. **How is responsibility for Innovation currently centralised or shared within your organisation?**
6. **Does your business have access to Business Advisors, Coaches or Mentors to support the development of an innovation strategy?**
7. **Have you trusted networks – comprising suppliers, partners or clients – that you can access to help you develop an innovation management process?**

3.2. Talk also about softer issues

Paul Sloane emphasizes one important point: “In addition to numerical and analytical questions the audit should examine softer issues. In depth interviews with a sample of people from different departments and levels will reveal much about the culture. Typical discussion points centre around questions like these:

8. **To what extent are people empowered to try out new ideas?**
9. **Do we recognise and reward risk taking?**
10. **Do we blame people for failure when initiatives do not succeed?**

11. Can people challenge company policy or the decisions of the boss?

12. Are we complacent or entrepreneurial?

13. Do we deliberately look outside for ideas?

14. Do departments openly collaborate on projects?

15. What is stopping us from implementing more ideas quickly?"

3.3. Concrete questions on Innovation Management

Find out more about your clients motivation to DO innovation. This might be the right time to also speak about Change Management and Innovation Culture.

16. Why do you want to innovate? What is the desired outcome of your Innovation Strategy?

- To consolidate or grow market share
- To develop a new product
- To develop a new oversea market(s)
- To achieve higher levels of staff retention
- To achieve greater operational efficiency (through cost reduction and/or process improvement)
- To improve our profile/brand recognition in the marketplace
- To improve our social and/or environmental performance

17. What are the greatest weaknesses in respect of your products, your processes, or your people and how can you best address these shortcomings?

18. Who will take responsibility for innovation in your organisation?

19. Do you have a budget to support the development of an Innovation Strategy in your organisation? If not, have you identified what funding you require?

20. How will you measure the input, workflow, and output of your innovation activities?

4. Link Collection of 'Diagnostic Tools'

We described above, that the 2inno method focusses on a holistic and very practical approach, which will enable SMEs „to DO innovation” in very short time! Therefore we are not able to provide here one specific Diagnostic Tool. All 2inno coaches are asked to go through several tools and to identify the suitable ones before working with their clients.

Below we describe suitable Diagnostic Tools and Methods and we ask the 2inno Coaches to adapt these inputs to their needs before to start the diagnostic process with their client. In Chapter 5 you find a template which will help you to design your individual 'Diagnostic Tool' in an efficient way.

4.1. The 66-Point Innovation Checklist

Gijs van Wulfen has developed a structured innovation approach connecting creativity and business reality in five steps: Full Steam Ahead, Observe and Learn, Raise Ideas, Test Ideas and Homecoming. Here he summarizes the benefits of his method in a 66-point innovation checklist.

The fuzzy front end is the nickname for the start of innovation or innovation phase. Why? Because getting innovative ideas is a vague process.

Read more: <http://www.forth-innovation.com/>

4.2. 50 Question Innovation Audit

Braden Kelley is the author of Stoking Your Innovation Bonfire from John Wiley & Sons. Braden is also the founder of Business Strategy Innovation, a consultancy focusing on innovation and marketing strategy, and an Innovation Excellence co-Founder.

The audit is designed to examine many different areas of your innovation culture and help you identify both what your level of innovation maturity is, but also the areas where you have a strong base to build from and where you need to invest more effort.

Read more: <http://bradenkelley.com/2013/03/how-healthy-are-your-innovation-efforts/>

4.3. The i-model Survey of our SI partner

When working on our 2inno method we discovered a very valuable source: The "i-model" of the Institute for Innovation and Technology in Slovenia.

Therefore we invited the team to join our project as a partner and to help us to improve our 2inno method. Overall objective of the European i-model project was to introduce the innovation management strategy into the wood processing industry. i-model is a frame of methodology, procedures and "ready to implement" materials for introducing an efficient innovation management; i.e. company's diagnostic tool and many more.

Read more: <http://www.innovation.si>

5. Sample Survey Questions for use by 2Inno Coaches

This is an example for the minimum requirement for 2inno Coaches. Please extend/change/complete this template regarding the needs of your clients:

Audit of Existing Capabilities

- 1. Do you have an innovation strategy in place at present?
If so, what form does this strategy take?**
- 2. How is responsibility for Innovation currently centralised or shared within your organisation?**
- 3. Does your business have access to Business Advisors, Coaches or Mentors to support the development of an innovation strategy?**
- 4. Have you trusted networks – comprising suppliers, partners or clients – that you can access to help you develop an innovation management process?**

Questions to Consider for Future

- 1. Why do you want to innovate?
What is the desired outcome of your Innovation Strategy?**
 - To consolidate or grow market share
 - To develop a new product
 - To develop a new oversea market(s)
 - To achieve higher levels of staff retention
 - To achieve greater operational efficiency (through cost reduction and/or process improvement)
 - To improve our profile/brand recognition in the marketplace
- 2. What are the greatest weaknesses in respect of your products, your processes, or your people and how can you best address these shortcomings?**
- 3. Who will take responsibility for innovation in your organisation?**
- 4. Do you have a budget to support the development of an Innovation Strategy in your organisation? If not, have you identified what funding you require and where you can access it?**
- 5. How will you measure the input, workflow, and output of innovation activities in your organization?**