

Innovation and Policy: A Business Perspective

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To provide a business perspective on innovation policies in the focus countries of this year's Global Innovation Index (GII), a survey of over 400 business leaders across several different countries was conducted by A.T. Kearney and IMP³rove – European Innovation Management Academy to gain a bottom-up perspective on innovation policy and to serve as a complement to the overall GII. This chapter presents the results of that survey.

Study methodology

In order to elicit an understanding of the framework conditions needed for innovation and to determine key aspects of policy that would enhance the innovation environment, the survey was composed of three thematic pillars:

- the identification of current challenges faced by companies in managing innovation;
- the receipt of feedback from business representatives about how they perceive framework conditions for innovation in their countries; and
- the synthesis of a business perspective on the implications for innovation policies.

More than 400 innovation experts and leaders of large companies participated to provide a bottom-up perspective on innovation policies.

The survey analysed the perspective of large corporations in order to receive feedback from those firms with a strong international representation; this international perspective enabled them to compare framework conditions for innovation in different countries. The survey addressed innovation experts or business leaders of these companies to receive direct feedback from those affected by innovation policies.

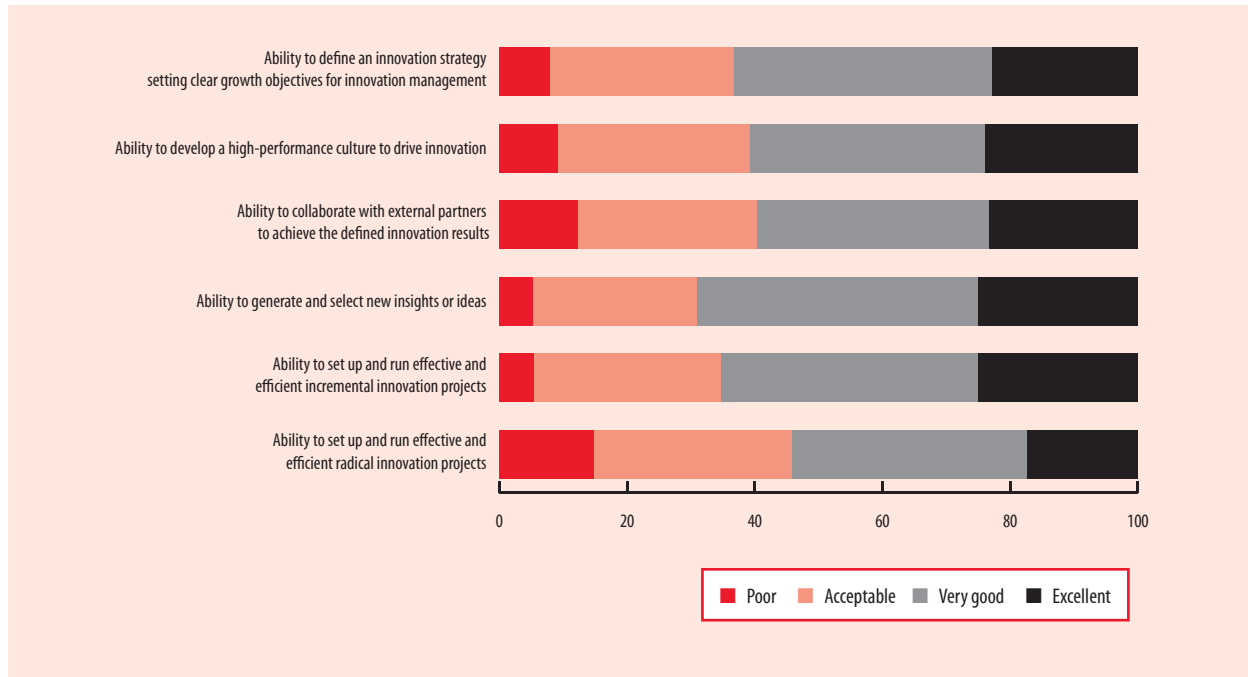
Company representatives were located in four focus countries—Malaysia, India, Singapore, and Turkey—that were selected based on their placement in the GII report. Malaysia and India are representatives of 'innovation outperformer' developing countries that, as a result of their strong performance in the seven pillars of the GII, have been chosen as countries central to this year's analytical chapters. Singapore was selected as a top-20 country of the GII 2014 and is geographic neighbour of Malaysia. Turkey was selected for comparison because it is a newly industrialized country.

In addition, and with particular focus on qualitative feedback, a small sample of evidence from Germany and Poland serves to provide a comparison to the situation in the European Union, and results from the United Arab Emirates provide a perspective from the Middle East. Key findings from all countries are provided in Box 1.

Box 1: Key findings

The survey's findings fall into two general categories: areas where innovation is considered to be well supported and areas of concern. The list below summarizes these findings.

- Surveyed companies were confident about their own innovation capacities; over half of those surveyed rated their performance as 'excellent' or 'very good' across all areas.
- Delivering radical innovation and collaborating with external partners were the two areas where companies saw the greatest need for improvement.
- Eighty percent of survey respondents said that conditions in their countries enable them to pursue strategic objectives for innovation.
- However, respondents highlighted policy concerns in three areas: forward-thinking legislation to support future markets, the predictability of regulation, and the harmonization of international regulation.
- More than 60% of survey respondents consider policy measures to be 'important' or 'highly important' to support innovation.
- Respondents suggested that the innovation environment could be improved by policies aimed at enhancing innovation and entrepreneurship-related skills, providing large R&D infrastructure support (e.g., lab space and equipment), and providing direct financial support.

Figure 1: Self-assessment of innovation capability

Source: A.T. Kearney and IMPProve – European Innovation Management Academy Survey.

Note: The figure depicts responses to the survey question ‘How would you rate your company’s ability to ...’

Key innovation management challenges: Company self-assessments

Managers were generally positive when evaluating their own innovation capabilities. However, they identified the ability to deliver radical innovation and the ability to collaborate with external partners as those areas most in need of improvement.¹

Respondents were asked to rate their companies in several crucial aspects of leading innovation management, including the ability to:

- define an innovation strategy that sets clear growth objectives for innovation management,
- develop a high-performance culture to drive innovation,
- collaborate with external partners to achieve the defined innovation results,
- generate and select new insights or ideas,

- set up and run effective and efficient incremental innovation projects, and
- set up and run effective and efficient radical innovation projects.

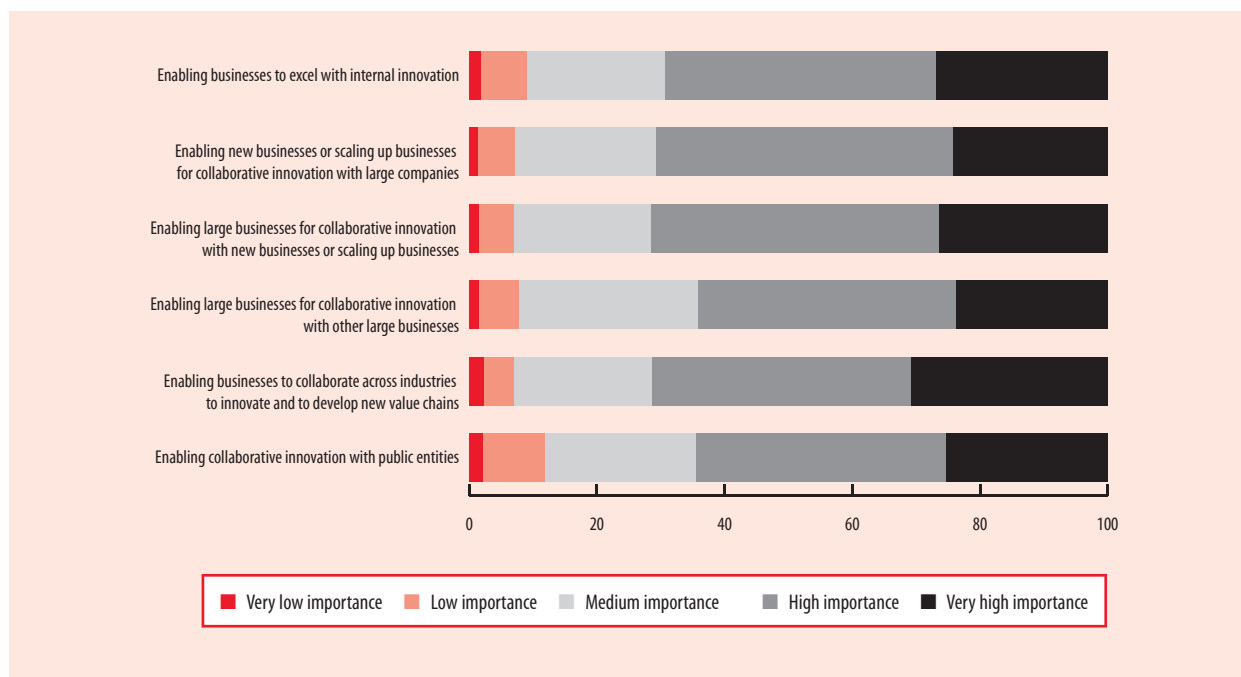
Figure 1 summarizes the results of the self-assessments. On the positive side, more than 50% of large company representatives rated their firms as either ‘very good’ or ‘excellent’ in each of the categories. Companies viewed themselves most critically with regard to their ability to set up and run effective and efficient radical innovation projects. This ability was rated as ‘poor’ by 15% of respondents. The second challenge identified by respondents was the ability to collaborate with external partners to achieve the defined innovation results; 12% of all participants rated this ability as ‘poor’. Participating companies provided comparable self-assessments with regard to the ability to develop a high-performance culture to drive

innovation (9% rated this as ‘poor’) and with regard to the ability to define an innovation strategy (8% said ‘poor’). The least serious problems were seen as the ability to generate and select new insights or ideas (5% rated this issue as ‘poor’) and the ability to set up and run effective and efficient incremental innovation projects (5% rated as ‘poor’).

Feedback from businesses: Framework conditions for innovation

Of the survey respondents, 80% answered that conditions in their countries permit them to pursue strategic objectives for innovation. This outcome suggests that policy environments are currently broadly supportive of innovation.

However, the responses also reflected the need for policy makers to maintain a forward-looking orientation and to create policy frameworks that will support innovation in the future, not only in the

Figure 2: The importance of policy measures

Source: A.T. Kearney and IMPProve – European Innovation Management Academy Survey.
 Note: This figure shows responses to the survey question ‘How important are policy measures to support the following innovation models?’

present. When asked about future policy needs to support innovation, survey participants had a number of suggestions. These included:

- **Adopting forward-thinking legislation.** Developing adequate supporting legislation for emerging technologies prior to their entry into the market (e.g., supporting legal and regulatory infrastructure for autonomous cars) will be an important step in ensuring that the innovation environment is sustainable.
- **Enabling anticipation of regulation.** Providing market participants with the tools to effectively plan on a mid- to long-term basis with regard to regulatory considerations, and to ensure transparency in regulatory processes and changes so that companies can calibrate business innovations appropriately and reduce risk in long-term investments (e.g., in the area of policy supports for

renewable energy) will be vital to ensuring that the business community remains supported and has the confidence to make innovation investments.

- **Improving regulatory harmonization.** Providing consistent classifications, restrictions, terminology, and supports across different geographies and jurisdictions—including cross-border harmonization so that, for example, comparable standards are provided and upheld in the area of heating, ventilation, and air conditioning in various countries—will be essential to ensuring the smooth implementation of the results of innovation into the marketplace. Moreover, regulatory harmonization will reduce the investment requirements needed to address a given market potential with an innovation.

Business perspectives: Implications for innovation policies

More than 60% of survey respondents consider policy measures to be important or highly important to support different models of internal or collaborative innovation (Figure 2).

As Figure 2 illustrates, 69% of survey respondents see policy measures to support internal innovation models as having either ‘high’ or ‘very high’ importance. By generating an increasingly complex innovation environment, current mega trends—such as digitization and connectivity—will make policy supports even more vital. This is particularly true in the area of collaborative innovation—for example, collaboration between large corporations with market access and appropriate resources and entrepreneurs who lack either access or resources but have innovative ideas in need of development.

Overall, 71% of survey respondents saw high or very high importance in policy measures intended to enable new businesses or to scale up current operations to collaborate with large, established businesses in innovation—and vice versa.² Of the survey respondents, 72% consider enabling businesses to collaborate across industries to innovate and develop new value chains to be important or highly important. Both the importance of policies that enable collaborative innovation between large businesses and the importance of enabling collaborative innovation with public entities were highlighted by 64% of survey respondents.

Survey participants were further asked to name up to three specific actions that would develop enhanced conditions for innovation in their country (Table 1).

The highest priorities identified by the group were:

1. to enhance innovation and entrepreneurship-related skills,
2. to provide large R&D infrastructure support (e.g., lab space and equipment), and
3. to provide direct financial R&D support.

These priorities reflect the findings of the GII 2014, which indicated room for improvement in Human capital and Market sophistication-related factors such as access to finance, innovation linkages, and infrastructure (see Table 2 for an overview).

Business representatives see three priorities for policies to foster *collaborative* innovation: to support investment, to enhance education (on the level of both personal skills and firm competency), and to strengthen innovation linkages.

In the specific area of collaborative innovation, over 60% of respondents from Singapore, Malaysia, and

Table 1: Top three priorities for innovation, by focus country

	1st priority	Percent of answers	2nd priority	Percent of answers	3rd priority	Percent of answers
India	Provide large R&D infrastructure support (for example, lab space and equipment)	25	Improve ICT infrastructure	22	Provide direct financial R&D support	22
Malaysia	Provide large R&D infrastructure support (for example, lab space and equipment)	33	Enhance innovation and entrepreneurship-related skills and education	28	Improve ICT infrastructure	27
Singapore	Provide direct financial R&D support	34	Provide innovation support services	25	Develop measures to lower factor cost	21
Turkey	Enhance innovation and entrepreneurship-related skills and education	41	Provide direct financial R&D support	40	Enhance political stability	32

Source: A.T. Kearney and IMP³rove – European Innovation Management Academy Survey.

Note: These data are the results of the survey question “Which (up to three) specific actions by policy makers or business representatives would be most important for developing enhanced conditions for innovation in your country?”

Table 2: Global Innovation Index 2014 scores: Comparison of focus countries

GII pillar or sub-pillar	Score			
	India	Malaysia	Singapore	Turkey
Institutions	50.8	68.2	92.8	54.9
Human capital & research	22.7	41.6	64.9	33.3
Infrastructure	32.1	45.7	65.6	35.6
Market sophistication	51.2	63.9	78.2	49.1
Business sophistication	28.0	42.9	66.7	25.4
Knowledge workers	25.0	48.1	76.4	34.4
Innovation linkages	38.9	33.8	51.5	25.1
Knowledge absorption	20.2	46.8	72.1	16.8
Knowledge and technology outputs	32.2	35.5	46.7	32.3
Creative outputs	28.6	42.0	43.1	41.2

Source: GII, 2014.

Table 3: Priority policy areas for collaborative innovation, percent of answers by focus country

Country	Policy intention				
	To support investment in research and technologies (%)	To enhance skills for innovation (%)	To enhance innovation competencies of firms (%)	To strengthen linkages within innovation networks (%)	To enhance demand and framework conditions for innovation (%)
India	63	51	63	55	28
Malaysia	67	63	47	52	29
Singapore	68	57	62	51	35
Turkey	44	34	30	20	18

Source: A.T. Kearney and IMP³rove – European Innovation Management Academy Survey.

Note: The table presents answers to the survey question “Which policy instruments should policy makers focus on to foster collaborative innovation?”

India and over 40% from Turkey highlighted the role of policies needed to support investment in

research and technologies (Table 3). Education and skill needs, however, were rated nearly as high as

financing needs by participants. Policies to enhance skills for innovation (including personal skills developed through education) and the competencies of firms were selected as a priority area. Reflecting the important challenge of identifying and selecting appropriate partners in innovation, the role of policies to strengthen linkages within innovation networks was also noted as being crucial.

Conclusion

A recent study has shown that business representatives not only acknowledge the importance of innovation management, but they expect its significance to increase in the future.³ As the results of this survey with more than 400 business representatives indicate, policy makers play an important role as enablers for innovation management of their businesses. Importantly, enabling innovation not only includes providing funding but also developing framework conditions that can enable businesses to excel in and beyond their home country.

A business perspective clearly demonstrates the essential role that innovation plays for business. But it plays an essential role for the overall economic development of countries as well—and, of course, it is a virtuous circle: A growing economy is good for business. Encouraging policy that supports the development of an environment in which innovation can thrive should be a focus of efforts from the business community.

Notes

- 1 Radical innovations result in totally new products, services, processes, organizations, or business models. Incremental innovations lead to improvements to existing products, services, process, organizations, or business models.
- 2 For a detailed analysis of collaborative innovation between large corporations and entrepreneurs, see the World Economic Forum, 2015, forthcoming.
- 3 IMP³rove – European Innovation Management Academy, 2015.

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