



Creating Prerequisites for Innovations

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Economical growth originates from innovations. Innovations are built on ideas. Ideas are carried out by people. The capability to develop new thoughts and transform them into products, services and processes is assigned to the individual's needs and willingness to change. The innovation process will unfold in a context based on rules that may support a positive transformation or, alternatively, reduce or in the worst case hinder progression. The organizations, regions and countries that use human capabilities in the most efficient way will also gain advantages in the economic and technology growth-race. Hence, progress is all about creation of good conditions where innovators both are encouraged to generate and then have rich possibilities to develop and pursue ideas. Of utmost importance is to design and implement clear, relevant, flexible and sustainable innovation incentives for individuals and companies as well.

Progress leading to enhanced wealth creation will be reached through focusing on entrepreneurship and innovation-driven research and development in prospective areas. However, policy incentives in this direction can be effective only if they are combined with relevant methods for production, organisation and commercialisation, and, above all, if policy recognizes that new ideas, products and services origin and take shape through the innovator as an individual.

From a society point of view, the government and other authorities have to create a fruitful breeding ground, partly by supporting universities and colleges in their scientific as well as pedagogical tasks, partly by giving political signals that innovations of various kinds are important for progress in the vaster societal perspective. There are several ways to achieve such a mission, including supporting access to risk capital, introducing SME-friendly legislation and creating favourable fiscal conditions for start-ups, spin-offs and other forms of RTD-based ventures. Such a policy framework has to be based on the idea that growth as well as future sustainable development will emanate from the many small enterprises rather than from the comparatively few big multinational players.

From "Picking the Winner" to "Making Winners by Matching"

In order to bring policy recommendations into practice it is imperative to recognize that transforming ideas into commercial products on a market is far from trivial. There is a need for breaking new ground in the development of models and methods both to "capture" ideas and to make them evolve in a productive way; to make them "spire" sort to say. The overall strategy for innovation should not be based on an approach built on choices between ideas according to a "pick the winner" philosophy; the hunt for grains of gold. This is a strategy represented by many of the venture capitalists, explicable of course by the fact that they are not in a position to take unmeasured financial risks. Venture Capital, although an important cornerstone in innovation support, has the drawback of being canalised towards already safe cards and often in the late stage of the creativity and innovation processes, just before introducing a product on the market.

A more sustainable policy, oriented to capability development, should be based on the objective to create success from a various and a large range of ideas; that is to say a "make a winner" philosophy. All ideas, and all potential innovators, have to be given an honest chance to develop. This is all about matching. In the early processes we do not know which of all ideas that over time will be most successful and economically sound. Ideas tend to change and adjust when meeting the reality. It is an evolutionary logic. New functions will be put on the basic idea, others taken away. When prerequisites are changed it affects the entire innovation process. Hence, the unfolding of innovation is much of a trial-and-error or "tinkering" process where the dynamic matching between a large number of factors is the basic driving force for progress.

In order to achieve this "make-a-winner-by-matching" strategy, successful examples such as the "Innovation Stockholm" model have shown that *professional guidance* by industrialists and experienced peers helping the innovator to stepwise take ideas to markets, and *system groups*⁽¹⁾ where a number of individuals collaborate regularly with the explicit goal to rethink and reshape ideas are very efficient. Key success factors in this process include:

- o That the advisor of the innovation group is an innovator him/herself;
- o That the idea generators are both encouraged and exhorted: pressure is put to truly advance towards testing out ideas in depth and implementation;
- o That financing is provided in small portions with a constant flow as long as the process progresses, but with a possibility to stop the financing and thus the innovation process if the idea is not matching requirements from the market or, conversely, to increase disbursement if needed;
- o That frequent decision points are integrated where the advisor has the authority to say "go or no-go", or "revise" depending on how the process unfolds.

Contrary to the "pick the winner" philosophy, the focus and pressure in this approach are equally distributed in all stages from idea to market, enabling "embryos" that over time may have a great potential, to make it beyond the initial needle eye where many high potential ideas are else blocked.

Concluding Remarks

To be successful in the age of information and communication revolution, the society as a whole, companies and public institutions have to organise for innovation. Viable methods and strategies are needed in order to handle the whole process from generating ideas to commercializing products and services based on these ideas in the market.

The capability to innovate originates from the individual. It is the driving force and will of an individual that make innovation happen, it is not a company or authority that creates new ideas. Modern ICT-technologies shape prerequisites for new ways of thinking, behaviour and acting on global, regional as well as local levels. To organise for innovation is also a fruitful way to leverage the human need and willingness to develop and gain self control. The ideas generated today are the future services and products that we will live from and with tomorrow.

Footnotes

(1) Systemgroup methodology in order to develop innovation is described in Andersson, R., Rollenhagen, C. (2003) *Systemgrupper och innovativ problemlösning*. Lund: Studentlitteratur (in Swedish).