

Industrial Innovation in Transition

by Erkki Ormala

Professor of Practice, Innovation Management
Aalto University, Business School

The Pilot Study in Finland

- **Innovation process**
 - Mapping the future business environment
 - Innovation strategy
 - Implementation of the strategy
 - Expanding the markets and ecosystems

Innovation process

1. Mapping the future business environment

- Extensive mapping covering key areas, but not integrated into the innovation process

2. Innovation strategy/business strategy

- Business strategy dominates leading to incremental improvements
- Very few 'bridgehead' innovations

Creation of new knowledge

Developing the existing knowledge



Innovation process (continued):

3. Implementation of the strategy

- Stage gate model dominates
- Very few customer driven, crowd sourcing, open innovation and internal incubator based solutions

4. Expanding the markets and ecosystems

- Limited understanding of the ecosystem and value chain
- Big data seen as an opportunity, but not used extensively
- Market and competition perspective conservative not reflecting the business environment vision

Challenges to Innovation activity at the company level

- A need for more creativity, experimenting and entrepreneurship in order to create breakthrough innovations
- The focus of management is on emphasizing incremental development of existing activities
- New initiatives and actively changing the business environment were not emphasized in the interviews, even if changes in the business environment were actively monitored in the strategy process
- It is often possible to promote new openings and radical innovations only outside the current organizational structure and the existing strategy
- The development logic followed by companies causes an innovation gap at the level of society

Innovation policy conclusions:

- Innovation policy should help the natural integration of the new innovation instruments into the innovation processes in companies
- Improving conditions for public/private partnerships
- Increasing the understanding of the role of innovation in economic and social development as well as in job creation
- In Finland the most important issue in reforming innovation policy is to strengthen the part of the innovation system that genuinely supports the development of new and internationally competitive business
 - Understanding of business concepts, emerging value domains and the ways of capturing the value
 - Improving systems integration in the innovation system
 - Funding of growth companies
 - Developing company spin-offs and business incubators

EU project 'Industrial Innovation in Transition' 2015-2017

- **Industrial innovation has changed fundamentally over the last ten years.**
- Horizon 2020: 'The European Growth agenda' ; 2.5 million € granted; launch 1 February, 2015
- Research partners:
 - Aalto University
 - University of Twente
 - University of Manchester
 - Joanneum Research Center
 - Zabala Innovation Consulting
- 11 Countries and 800 companies will be covered; the OECD and the ERT actively involved

Thank you