



Value-adding Innovation Management Consulting at an SME

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1 Executive Summary

IMP³rove (<https://www.improve-innovation.eu>)¹ is part of the support products that Scottish Enterprise² (SE) offers to the most successful companies in Scotland. The intention is to enable a deeper strategic engagement with specific innovation and R&D focussed companies. The IMP³rove Assessment has many benefits for SE and its clients:

- providing a consistent properly formatted agenda for an in-depth discussion on innovation
- pulling out the key issues when engaging with a company regarding their innovation agenda
- helping to identify weaknesses in structure, management and people issues
- once the IMP³rove report is analysed, it provides a solid basis for the development of an action plan

The following case study provides an overview of such an engagement. A thriving e-learning provider, operating internationally for the energy industry, wished to review its innovation strategy and innovation management in order to:

- introduce a comprehensive innovation approach
- prepare for the next steps of annual turnover growth by £2m annually
- plan for the upcoming due diligence work that is necessary for potential changes in the shareholder structures

This report describes how this company has used IMP³rove services, supported by a trained consultant from SE. First, the workshop will be illustrated, including the preparatory work as well as the subsequent analysis work. Secondly, the report portrays what other workshops were organised to start the implementation of an innovation process. Lastly, the author provides suggestions for running such an IMP³rove project with a company in order to enable for a most successful outcome.

¹ IMP³rove represents offerings developed and provided by IMP³rove – European Innovation Management Academy (non profit), an organization which emerged from the European Commission's flagship program "IMP³rove".

² Scottish Enterprise is Scotland's main economic development agency funded by the Scottish Government. High-growth companies have access to 1-to-1 services which is managed through an Account Manager. The Account Manager maintains a strategic relationship with the company, which means to understand, challenge and support the Company's Management Team – their ambitions, plans for growth and what they need to unlock to achieve their growth.

2 The company

The company was established more than ten years ago as a developer and provider of e-learning courses for the energy industry. They are now one of the leading international developers and distributors of e-learning and technology solutions to major companies in the energy sector. Much of their sales are driven by legislation and compliance. However, other key revenue drivers include the need to develop skills within a rapidly changing global workforce, often in challenging and remote environments. The company's mission is to improve overall business performance through learning and training, whilst reducing legislative and operational risk.

Since started trading more than ten years ago, the company went through a significant transition following Private Equity Investment, and the installation of the majority of its Senior Management Team. Since then it has experienced significant growth through effective implementation of its international growth strategy.

In the last two years, the company's client base has increased from over 150 to more than 750 companies worldwide, with employment in Scotland rising more than 80% to about 100 FTEs and its export sales now representing over 55% of its sales.

The company secured a long-term contract with a professional organisation to develop and deliver a required online training course to be taken by an estimated 1.5M workers worldwide. The strategic intent of such a course is to provide savings to the industry, which are estimated to be £20m of every 60,000 learners.

The company has established e-learning in the energy industry, which is reflected in multi-million pound contracts to internationally operating clients. Turnover for the previous year is projected at more than £10 million with EBITDA of £3m. This means an increase by about £2m in sales.

The following activities underpin the company's growth aspirations:

- Increase focus on upselling
- Enter new international markets as planned
- Introduce greater Account Management
- Implement more robust sales processes
- Measure customer feedback and interaction
- Increase marketing activity (especially refreshed brand image and value proposition)
- Maintain leading-edge new product development activity
- Increase licence sales

- Actively research new markets for suitable entry point - eg: Mining, Renewables, Nuclear, and Defence

2.1 Innovation

Stated objectives include:

- To have New Product Developments account for 26% of sales (approx £4m)
- Launch 10 new generic courses each year
- Develop 3 new product enhancements in learning and IT/technology each year
- Establish R&D budget for NPD
- Ensure that existing course content can be deployed across a range of media and technologies

2.2 Strategic objectives

Since the company is wholly owned by investment companies, all current strategic development is driven by the upcoming sale in the next years.

3 IMP³rove Assessment

The company's motivation for an IMP³rove assessment was to take stock of its innovation performance and to identify areas that could deliver results with relative high impact at a relative low cost in a short amount of time. Both the CEO and the R&D director stated that the company could benefit from improving the 'time to market' and 'time to profit' ratios as outlined in the "Innovation Lifecycle" chart (chart B) which features in the SE brochure to outline IMP³rove.

3.1 Approach

The company's CEO identified a member of staff to lead on this project internally. The employee was employed as a project manager to deliver change across the company in order to improve inefficiencies. Upon a first consultation with me, the IMP³rove consultant, the project manager recruited a cross-company team of managers for the assessment workshop.

3.2 Assessment Workshop

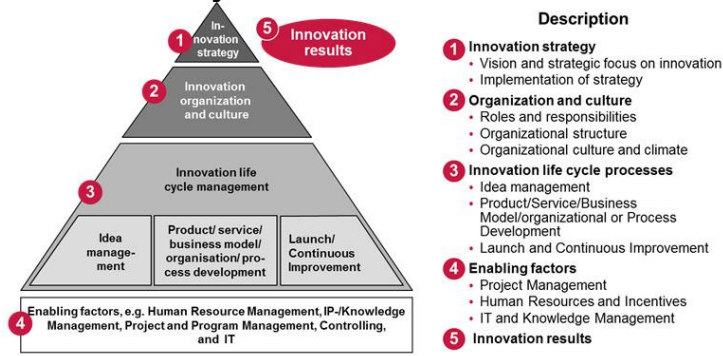
Part of the assessment involved several hours spent with the Financial Director to put together the required financial achievements. Three difficulties had to be clarified:

- projects/services/processes, organisational forms/business models that would count as innovation
- distinguish the various innovation projects between incremental and radical innovation
- identify the costs of resources that it took in order to develop the different innovation projects

None of these details had been captured in the past, hence the lengthy preparation time it took.

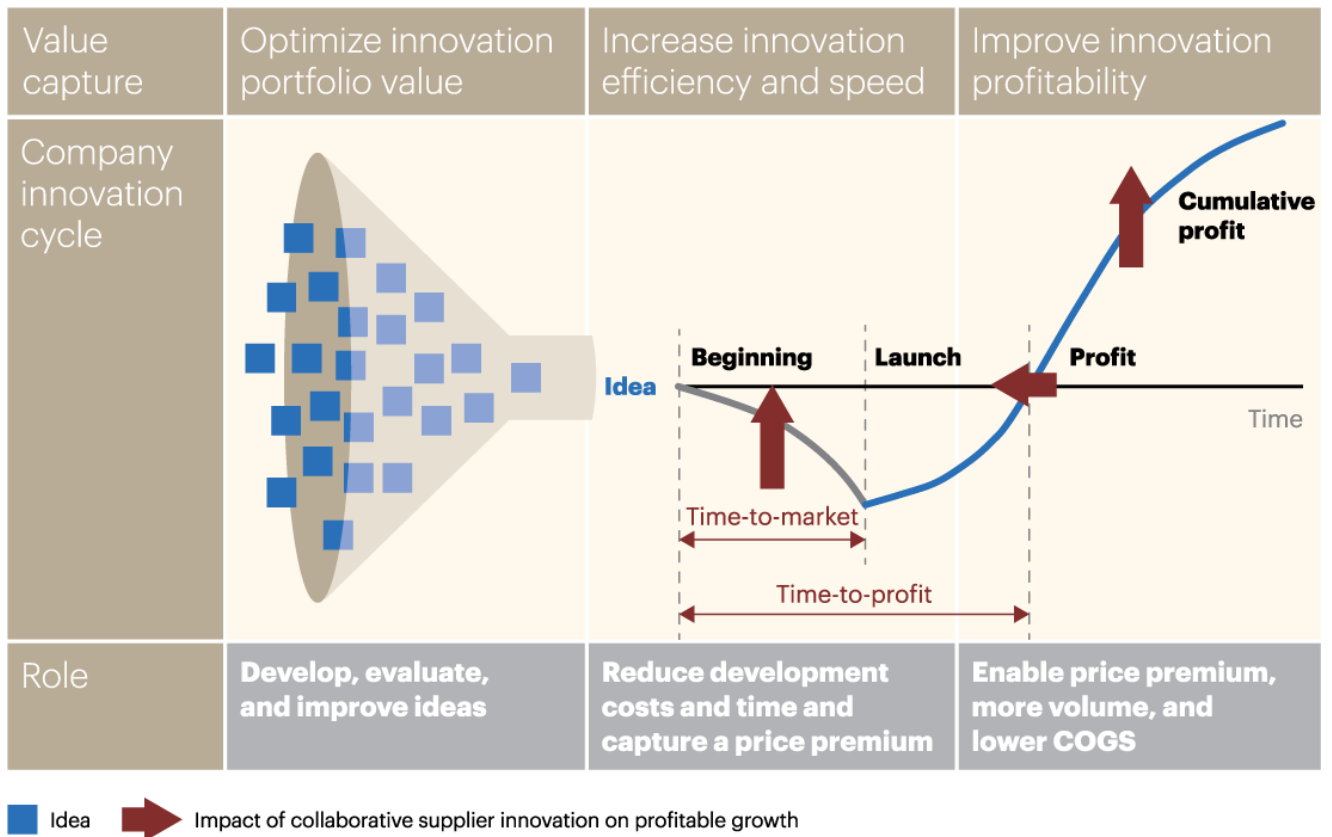
The IMP³rove workshop was initiated by outlining the essence of the IMP³rove concept. To that end, I had prepared a page with the A.T. Kearney "House of Innovation" on one side and the chart "The Value of Collaborative Supplier Innovation" on the other side (see below).

Chart: A.T. Kearney “House of Innovation”



Source: A.T. Kearney

Chart: The Value of Collaborative Supplier Innovation



Source: A.T. Kearney analysis

Upon explaining the background to IMP³rove, I turned the focus over to the participants and asked about the company's objective for the next 3-5 years. Moreover, to ensure a common understanding of each other's roles and responsibilities, I asked each of the participants for their division's 3-5 year objectives. As diverse they were, it became apparent that they were all focussed on the main objective: a substantial increase in turnover.

The fact that the participants came from different departments of the company lead to several people vent-off frustration related to how the company was organised, managed, structured, etc., as we were going through the various topics and questions. While this might not have been directly related to innovation, these conversations led to further ideas to initiate change which were taken off-line.

3.3 Learnings from the IMP³rove Workshop Process

After experiencing several IMP³rove workshops, several observations have been made:

- Clearly state that use of mobile phones for texting or emails is off-limits. It distracts people from the task at hand.
- It is useful to have a Financial Director participate at the workshop because financial details can contribute to the discussion in a helpful way. Yet, ensure that the financial results are worked on separately from the workshop as this takes too much time.
- All throughout the workshop, it is helpful for the participants to be able to check where in the process of the questionnaire they are. To that end, I have introduced a one-page list of the headlines and the sub-headlines matching what they see on the screen. Please see the chart below.

Chart: Handout during the workshop

Results and Preparation for the Feedback Workshop

Following the workshop, two IMP³rove reports were produced using different filter options in the online system:

- companies in the sector: Education (85) in all size classes, age classes and countries. That resulted in 30 benchmarking companies.
- an additional report with the focus on *21-100 members of staff* was requested. That resulted in only 8 benchmarking companies, which means these results do not qualify for further in-depth work. However, it was helpful to see what challenges the companies of similar size face.

In preparation for the feedback session, I studied the report in detail and put significant findings together that will be detailed below. I discussed the findings with the SE Account Manager of the company as well as with further members of the account management team. Also, I filtered the most relevant issues as stated in the company's annual budget document.

This is a detailed 45+ pages outline of the company's performance and its plans for addressing issues. Together with my colleagues' input, I was able to test my arguments in the process of developing a structured approach to deliver the essential recommendations - from the overriding question, the issues, hypothesis to the recommendations (see chart below on page 12).

In the IMP³rove report, the company is shown to have outperformed the benchmark in various areas, both the Growth Champions and the average of companies included in the sample; however, several areas for improvement were identified:

- Learning from product life-cycle management: the company engages in new product/service development without taking into account the learning from previous projects. This results in the company starting with innovation projects that are too complex while they promise to achieve high value.

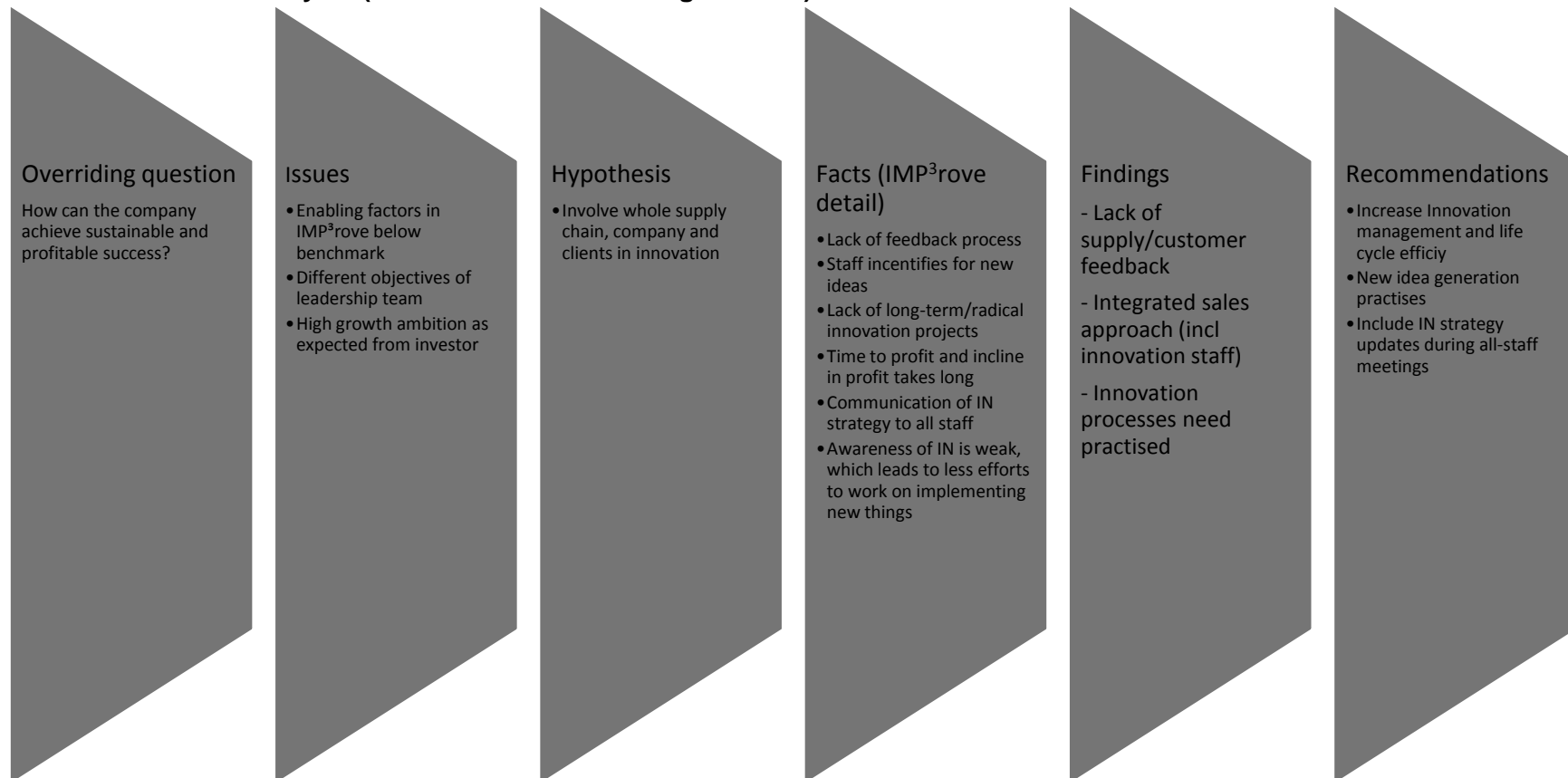
- Innovation means more than product and service innovation. Often the monetary value is not directly visible. However, during a subsequent workshop several ideas have been identified that can be introduced in order to optimise efficiency and effectiveness.
- Not all members of staff are actively contributing to the company's innovation development. This is due to a lack of motivating initiatives.

This led to the formulation of a few key points:

- Develop a holistic approach to innovation that involves everything and everyone in the company
- Introduce structured and efficient innovation life cycle processes
- Review current sales process and ensure a robust sales process is in place

The following chart shows the IMP³rove based analysis of how to develop the most suitable and effective measures for the company to achieve their growth objectives.

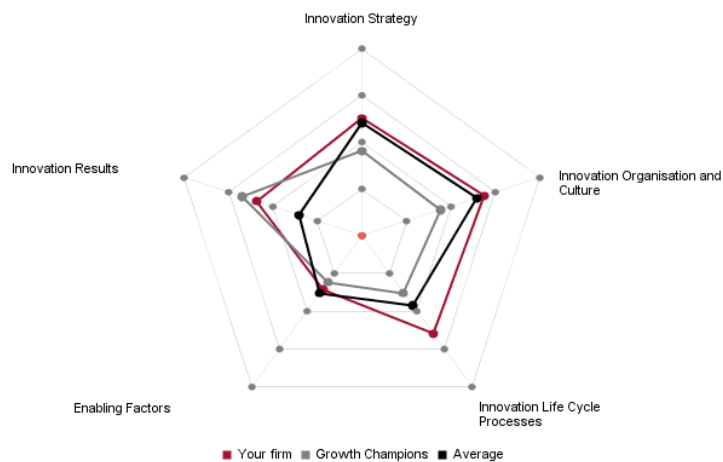
It was essential for the feedback session to generate action points and recommendations that would lead to immediate participation, ownership and motivate action. The company is very busy and already very successful by what they are doing now.

Chart: IMP3rove Based Analysis (Source: IMP3rove training material)


3.4 Results

It was expected that there would be different members of staff participating at this session compared to the assessment workshop. Therefore, I provided a 2-slide summary of the IMP³rove pproach, including a chart on the 5 types of innovation (product, process, service, organisation and business model). Also, in order to generate common ground I presented our understanding of the company – the current reality. Using the trigger points, I discussed the overriding question: how to make the company ready for the next step to change in turnover increase. At this stage, I suggested a potential answer: “The company should focus on rolling out innovation into all levels of the company”, which was based on a hypothesis as I had developed during the preparation for this session. As a further reference to the IMP³rove workshop, I showed the overall very positive results as they presented themselves in the Spider Diagram (see below).

Chart: The Company’s Spider Diagram (source: IMP3rove website)



3.5 Presentation of Recommendations

I chose to use a different way of presenting our recommendations, as I had learned during the IMP³rove training workshop. I walked the participants through what they discussed to be their issue: too busy delivering on the day-job instead of embarking on innovation. Following that, I showed that ‘innovation’ must not be a big task but can be different projects of smaller or larger sizes, as long as they are planned properly.

I used a modified Ansoff Matrix (see below) in order to illustrate what it means to expand the embedding of innovation throughout the company. Guided by the questions, I pointed out another finding, which has to do with learning to improve the efficiency and effectiveness of innovation management. This includes systematic idea generation by assessing new ideas by complexity and value.

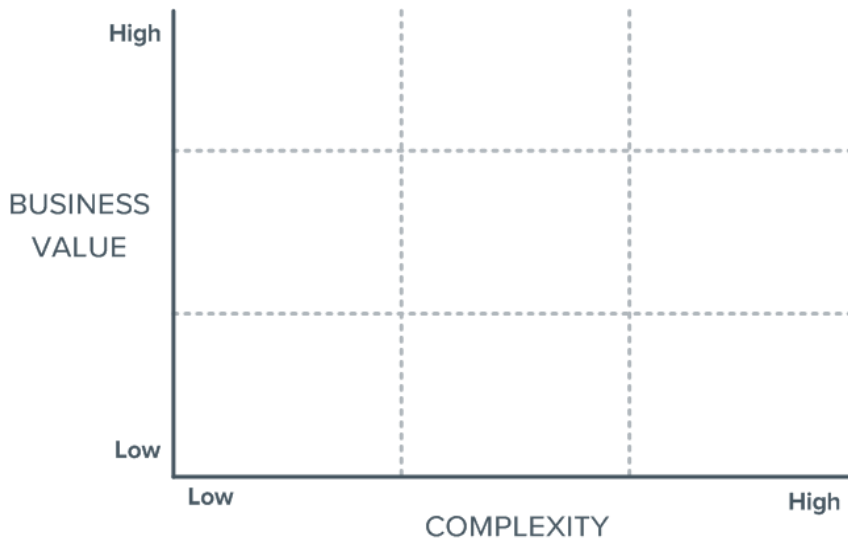
Chart: Ansoff Matrix extended

New Relationship	New Market	What other market needs our product?	What could we do ?
	Existing Market	Business Development to find new clients	Market focussed innovation: how can we develop a new product?
Existing Relationship		Sell More Become more efficient	Client focussed innovation: how can we deliver a better product / service?
	Existing Offerings		New Offerings

In order to facilitate the following discussion about these outcomes, I asked the participants to write up ideas to improve something within the company on a post-it note and put them on the Ansoff chart. That way we generated about 45 new ideas that ranged across all areas of the business functions.

At a second session, one week later, we agreed on ideas to put forward for realisation. For that exercise, we used the Value/Difficulty chart to plot the ideas. We explained that SE would support these projects with either grants or individual expert support.

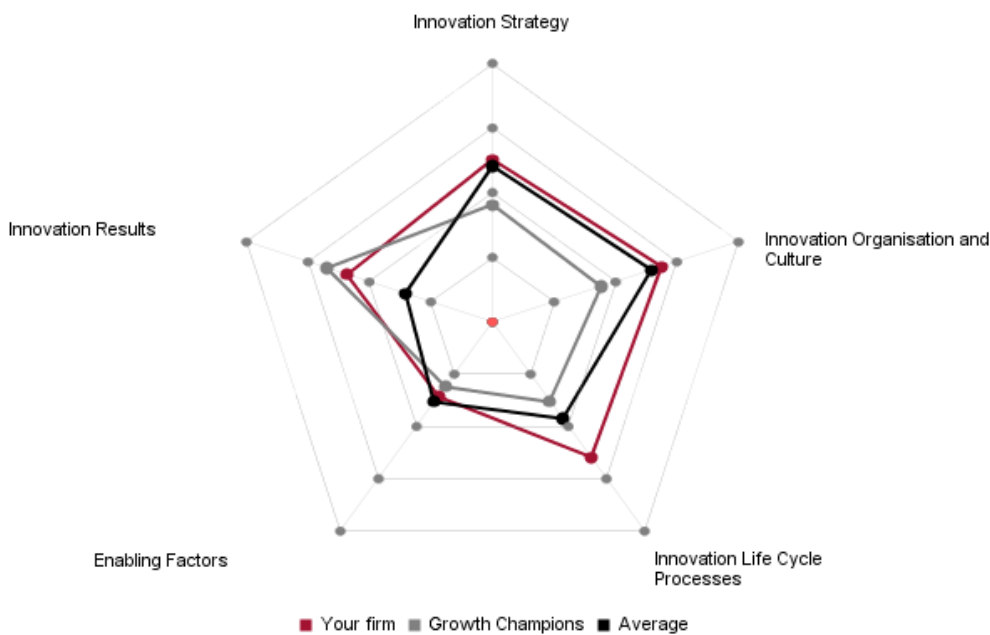
Chart: Value/Difficulty Matrix



3.5.1 IMP3rove Assessment in Detail

The following charts provide an overview of the results of the IMP3rove report for the assessed company and relates detailed findings to the company’s situation.

Chart: IMP3rove 2013 - Innovation Management Performance Profile - Overall



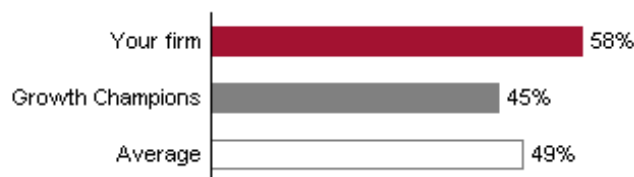
The evaluation is based on the benchmarking class of 30 companies with the following profile: Industry group: Education (85); size class: All, age class: All, country: All.

Source: IMP3rove – European Innovation Management Academy, www.improve-innovation.eu

Although this spider diagram shows the company outperforming significantly its average benchmarking cluster and the Growth Champions in the category Life Cycle Process, there are a few factors to consider: the benchmark companies for this project were predominantly smaller (with only eight companies having 22-100 staff). This means, they might react differently to challenges in the marketplace. The company at stake here will need to ensure to maintain its competitiveness with potentially a different effort due to its size – “Innovation is not tied to size but to Operating Rules”³.

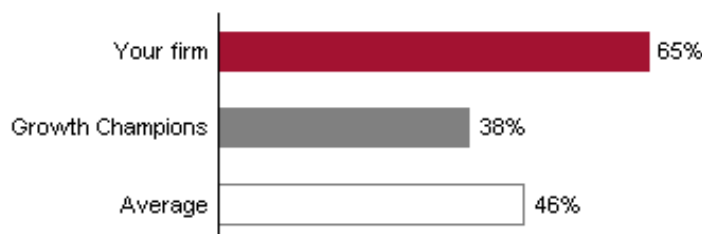
Therefore, there is room for improvement, especially in the areas of Enabling Factors and Innovation Results. The analysis below will focus on this area in particular as all further work has concentrated on it.

Chart: IMP³rove 2013 - Innovation Management Performance – Overall



This chart illustrates that the results of the average benchmarking cluster and the Growth Champions differ insignificantly. The superior performance of the company compared to its benchmark further underlines the overall positive commercial results they achieve.

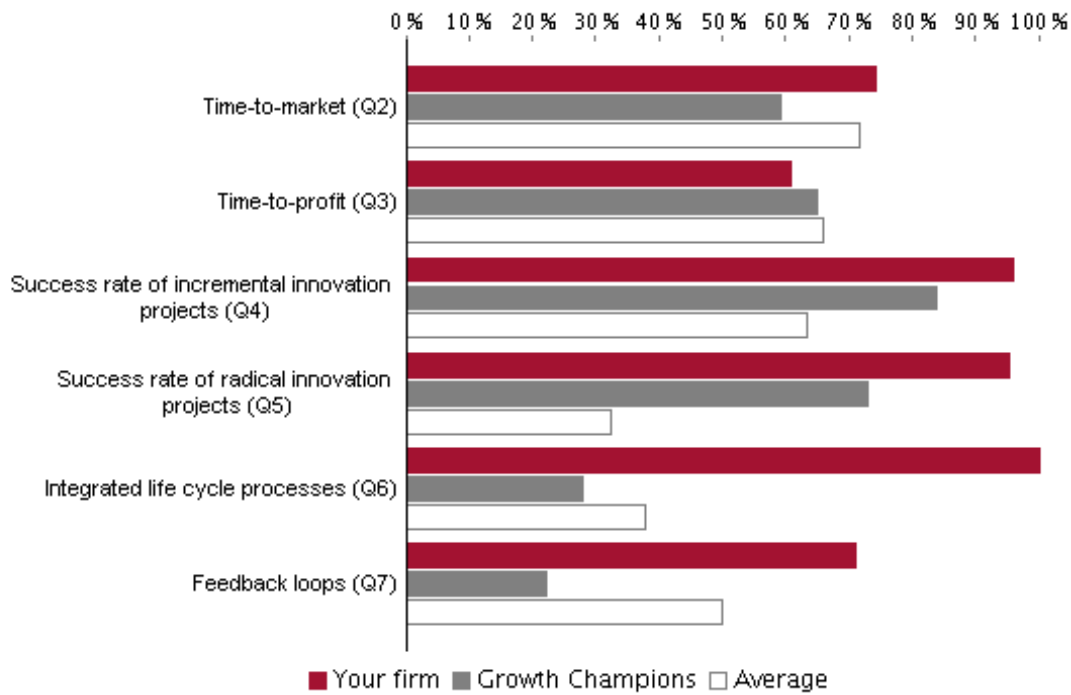
Chart: IMP³rove 2013 - Innovation Management Performance – Innovation Life Cycle Processes



Equally, upon reviewing the Innovation Life Cycle Processes, it looks like the company outperforms the benchmarking group, however:

³ Merchant, N. (2012). Innovation isn’t Tied to size, but to Operating Rules. Harvard Business Review. <https://hbr.org/2012/10/innovation-isnt-tied-to-size-b> [accessed 15/9/2015]

Chart: IMP³rove 2013 - Innovation Life Cycle Processes - Innovation Life Cycle Management



This chart indicates a crucial issue that needs addressing in order to ensure sustainable growth: the *Time to Profit* results are below the benchmarked group.

Chart: IMP³rove 2013 - Innovation Life Cycle Processes - Idea Management

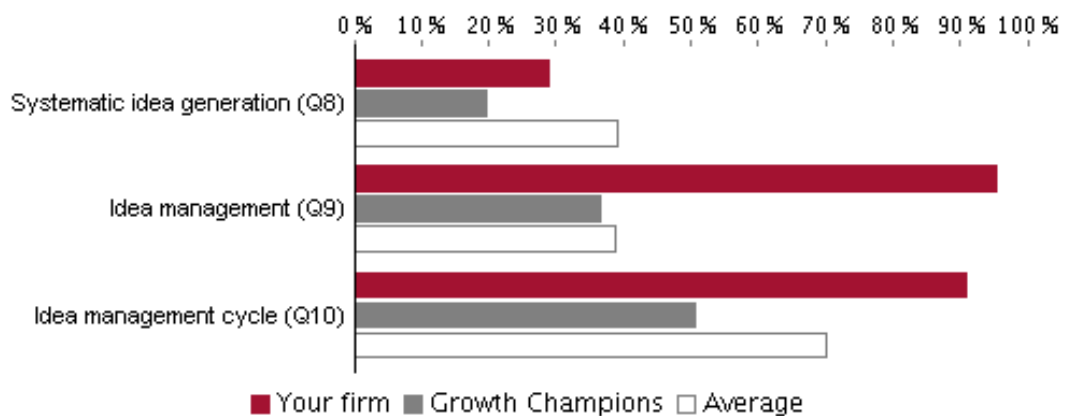
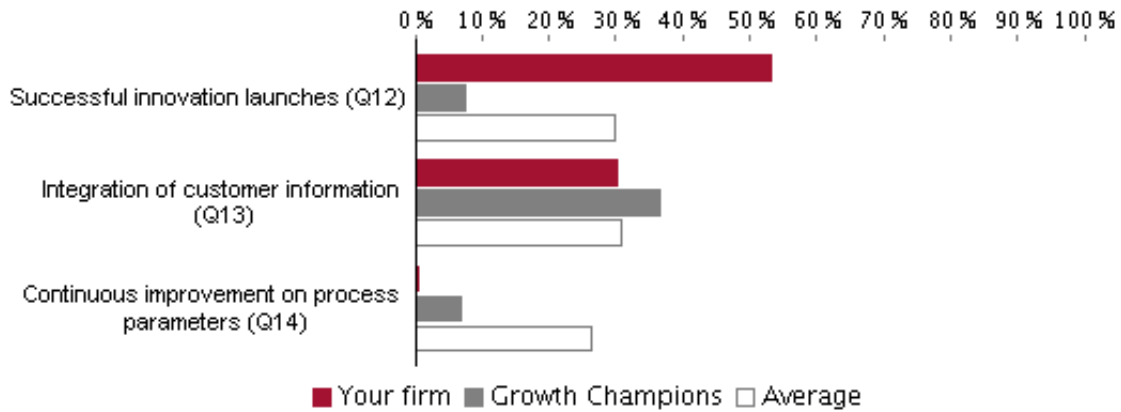
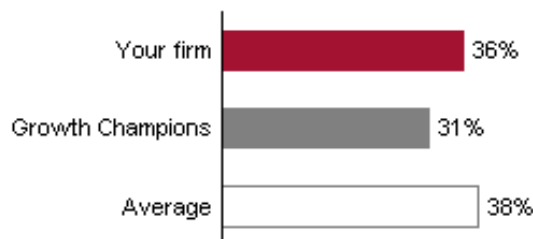


Chart: IMP³rove 2013 - Innovation Life Cycle Processes - Launch and Continuous Improvement



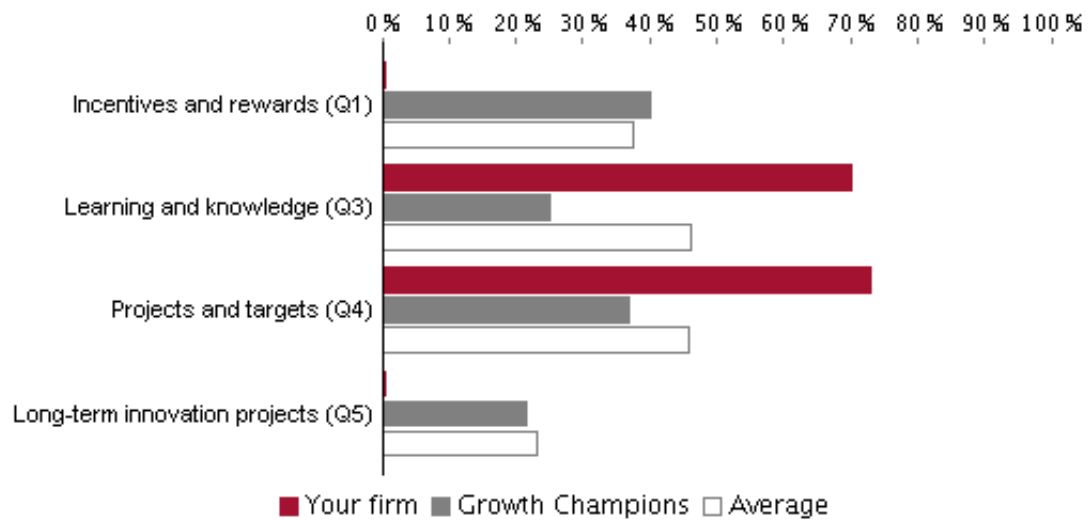
Bearing this issue in mind, another factor needs to be addressed: In the area of *Idea Management*, the company is underperforming when integrating customer information as well as establishing and managing a continuous improvement within process parameters.

Chart: IMP³rove 2013 - Innovation Management Performance – Enabling Factors



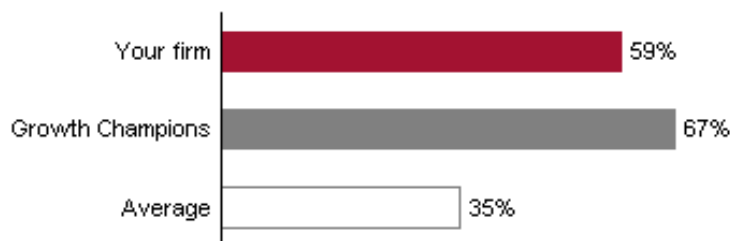
While the overall results in the category Enabling Factors look en par with the competition, an investigation of the detailed results indicates areas that would benefit from being addressed:

Chart: IMP³rove 2013 - Innovation Management Performance Profile - Enabling Factors



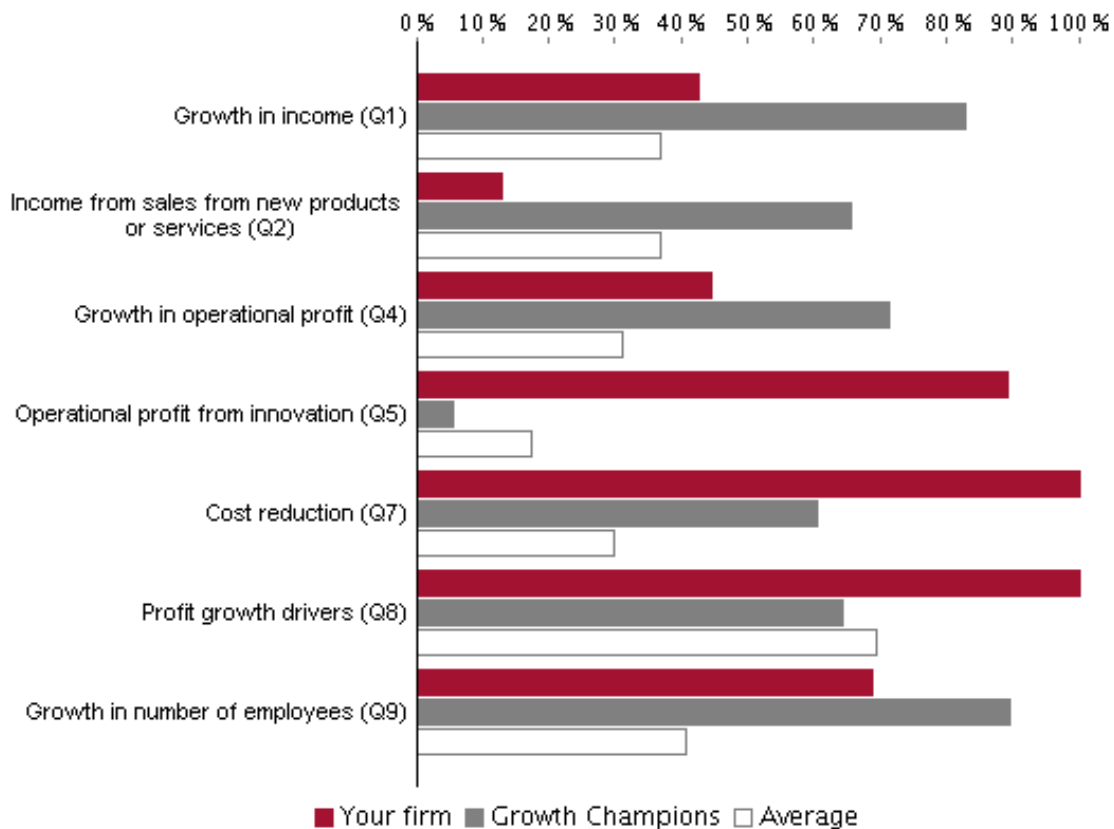
The company of such size and age should have long-term innovation projects. At the time of the assessment, none were in place. Equally, some incentives and/or rewards for idea generation should be established in order to use the plethora of ideas that members of staff can contribute to the company’s development.

Chart: IMP³rove 2013 - Innovation Management Performance – Innovation Results



As indicated above, the company used this report mostly to start focusing on improving in the area of Innovation Results. In particular, they realised that they need to ensure better sales results that come from new products.

Chart: IMP³rove 2013 - Innovation Management Performance Profile - Innovation Results



In conclusion, together with the company, the following objectives were agreed upon to be introduced in the following order:

- Ensure a robust sales strategy is established when launching new product/service
- Increase innovation management and life cycle efficiency
- Introduce and implement new idea generation practises
- Include innovation strategy updates during all-staff meetings

3.5.2 Benefits/Impact

The IMP³rove workshop has enabled the members of staff to share a common understanding of what innovation means for their company. As a team as well as for their individual work, the participants realized that new ideas as critical as they might be can be understood as an opportunity for changes and potentially improvement.

The benchmarking results were perceived to be motivating because the company achieved very good overall results. At the same time, the team discussed the areas where they

underperformed compared to both the competitive and/or the average benchmark and formulated some targets for further improvement.

3.6 Contact

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