



IMProve³

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Case Study submitted by

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Why It Matters to Act Decisively Once Innovating!

**IMP³rove Action Plan Implementation with a
Romanian Information and Communication
Technology Company on its Way to Scaling-up
a Radical Innovation**

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“I confirm that this Case Study (3.147 words) is solely my own work and that it has not been previously submitted for assessment as a whole or in part, nor published. All material which is quoted is accurately indicated as such, and I have acknowledged all sources employed fully and accurately.

I am completely aware that failure to comply with these requirements is a breach.”

1 Executive Summary

The case study that I am about to present refers to the **Information and Communication Technology company “XY Group”**, located in Timisoara, Romania, and it is actually **the first IMP³rove assessment and Action Plan implementation that I assisted**. In the meantime, I have completed 13 additional IMP³rove assessments.

The client is not formally organised as a “business group”, but because it has evolved over time by adding new “satellites” to the initial company, **we decided to treat it as a group of companies**. The financial results presented in the assessment, as well as the overall approach during the IMP³rove process, addressed the data and information available at the compounded level of all companies existing under the XY Group umbrella.

XY Group **evolved from a business model of selling Information and Communication Technology equipment, components and maintenance**, to subcontracting **software production** for foreign clients, and then **developing its own products** (e.g. software for business management).

The company created an **innovation department** a couple of years ago and, even before undertaking the IMP³rove assessment, **their challenge was to understand HOW to get better organized towards putting innovation at the core of the future growth, as well as HOW to actually launch a radical innovation within the next 1-2 years**.

The IMP³rove assessment revealed a **potential for improvement mainly in the areas of Innovation Strategy and Innovation Life Cycle**, and, after pondering upon the main conclusions of the report, the client decided to intervene in the area of **Innovation Life Cycle Processes**, namely within Idea Management. Initially, we discussed the entire Innovation Life Cycle in detail and XY Group wanted to work on the improvement of process parameters, but then it preferred to focus on the single area of **Idea Management**, which was already very extensive, to be addressed with a more or less short-term action plan.

I titled this case study *Why It Matters to Act Decisively Once Innovating ! - IMP³rove Action Plan Implementation With a Romanian Information and Communication Technology Company on its Way to Scaling-Up a Radical Innovation*” because **the company is now in the process of scaling-up its current radical innovation, and this momentum has been influenced to a high degree by the IMP³rove Action Plan implementation**. Based on the outcome of the Action Plan, namely a detailed procedure for Idea Management, XY Group succeeded in launching their product “Z”, a contact management application for mobile devices.

As far as my role as an IMP³rove Guide is concerned, I realised the **positive impact of thorough analysis, of digging deep into the reality of the company and of backing assertions with strong facts**. I am also aware of the importance of **creating a “bond” with our clients, of understanding what their passion is related to the future journey of the company, and of undertaking the assisted IMP³rove process as something complementary to the direction in which the company is moving**, and, of course, of bringing as much added-value as possible for the management team.

2 The company

XY Group is a **100% Romanian-owned Information and Communication Technology group of companies, currently employing 200 people**. The first company, and also the “core” one of the group, was **created in 1995**. During all these years, XY Group has developed into one of the leading Romanian Information and Communication Technology companies in our region, with a constantly growing turnover and a high profile on the Romanian market.

The **key competencies** of XY Group include:

- software development for automotive, mobile or Internet of Things
- product development
- SAP (Systems, Applications and Products in Data Processing) consultancy
- Information and Communication Technology distribution at regional and national levels
- communication
- data centres

The ambition of the company is manifold, as the management is currently tackling several development paths, such as:

- increasing the company's regional and national market share – going up **from the Top 7 to the Top 5 distributors in Romania**
- **going international with the SAP consultancy services**
- **doubling or even tripling its turnover coming from software development** within the next 5 years
- making an **exit with their radical innovation “Z” within the next 5 years**

3IMP³rove Assessment

The company has been a member of the Regional Information and Communication Technology Cluster since 2011, and it is also our client within Enterprise Europe Network.

I chose to present the IMP³rove method to the company's management staff in a very straightforward manner and I told them that, as I was aware of their intentional and active pursuit of innovation, **in order to turn it into an authentic “engine” for the immediate future of the company, I could offer them a complete consultancy package for the improvement of their current innovation management performance.** I told them that they would be able to have a “mirror” of their current performance, view it in comparison with similar players abroad, and also benefit from my support in choosing and implementing a key improvement. **The management staff was also convinced by the brand of the IMP³rove Academy and its positioning as high professional standard and expertise at global level.**

The IMP³rove process went very smoothly, throughout meetings organised at their premises, with the management staff, as well as remotely, when they or myself needed to get more documented in order to move on with the filling-in of the application or with feedback delivery and action plan refinement. **I appreciated how they strived to fully and correctly understand the questions of the IMP³rove assessment, as well as to put the whole information within the current context of the company.**

1.1 Approach

The IMP³rove process went on for approximately **9 months**, throughout several steps, encompassing:

- **introduction of the IMP³rove approach** to the company
- discussion on the **offline assessment** – structure, key questions, information that needs to be collected and presented by the company
- analysis of the **documents provided** by the company
- discussion on the **online assessment** and then filling it in
- checking of the completed survey, by both parties
- submission of the assessment
- report analysed by both parties
- **feedback workshop** organised by myself, with main conclusions and areas of improvement
- **discussion on scenarios** and choice of the most desired Action Plan scenario
- **Action Plan workshop organised** by myself, as well as commitment for implementation in a given time frame
- presentation by the company about the steps and expected outcomes of the improvement
- **delivery of the draft implementation report** by the company
- common discussion, followed by delivery of **final implementation report**

I believe that there are at least a couple of aspects that we, the consultants, should pay attention to, in order to guide the managers throughout the entire IMP³rove process, namely:

(a) Gaining **strong knowledge about the company**, before entering into the assessment – we need to understand the profile of the company, where they stand NOW, what are their challenges and where they intend to go from here;

(b) Allowing **the managers to “own” the entire process** – we should take one step back from time to time, and let them provide the information that they consider to be the most accurate, even if we might have a different perception about the response to a particular question in the survey.

1.2 Results

The company got an **overall innovation management performance score of 36%** (Figures no.1 and no.2), with a benchmarking class comprising **54 companies (same industry, same size, All ages and All countries)**. Even though the benchmarking class is not very extensive, it was enough for the company to understand its main strengths and weaknesses, namely **rather solid Innovation Results (54%) and Innovation Organisation and Culture (46%), an average positioning with the Innovation Strategy (37%), and poor performances in Enabling Factors (26%) and Innovation Life Cycle Processes (20%)**.

Right from the moment of receiving the report, **the management staff realised that the Innovation Strategy has not been re-calibrated to the level of the company's new ambition**, and, moreover, that **the current internal processes of the company do not sustain the delivery of the company's new ambition**.

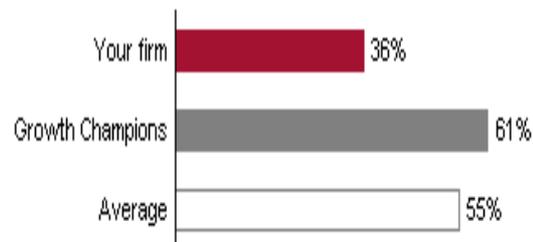


Figure no.1 – Source: IMP³rove Assessment Report, 2015, Page 2 of 101; www.improve-innovation.eu; IMP³rove is a registered trademark.

It is important to mention that the benchmarking class of 54 companies is made up of Information and Communication Technology companies of the same size, which is a **quite sophisticated and well-performing segment, so this assessment should be viewed from this perspective**.

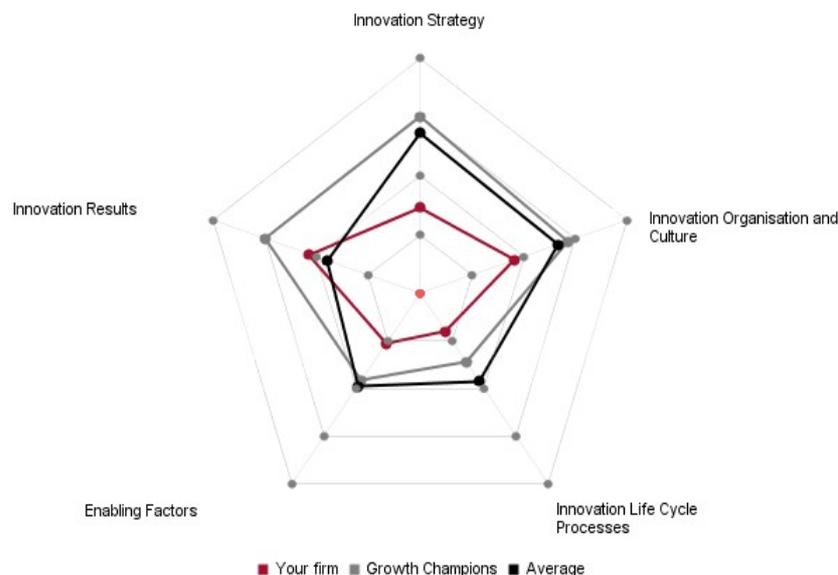


Figure no.2 – Source: IMP³rove Assessment Report, 2015, Page 3 of 101; www.improve-innovation.eu; IMP³rove is a registered trademark.

The five dimensions of the House of Innovation are ranked as follows:

(1) Innovation Results – 54%

We notice an overall performance higher than the Average (45%), with **very high scores in “Growth in income”, “Cost reduction”, “Profit growth drivers” and “Growth in number of employees”**, in most of these cases at or above Growth Champion level. The only indicator that stands out with poor performance is “Income from sales from new products and services”.

The assessment actually shows a medium-large, constantly growing company, which has been paying attention, in a balanced way, to various dimensions of its internal management, and to **a well-planned growth. On the other hand, it seems that the company hasn’t yet tackled innovation in a bold way.**

(2) Innovation Organisation and Culture – 46%

Within this dimension, the score is lower than both the Average (67%) and the Growth Champions (71%). **With an appropriate level of “cultural readiness for innovation” and a strong “capacity to innovate”, the company needs to boost its “external cooperation”, as well as the “intensity of innovation partnerships”**. Indeed, the management staff recognized that they were focused on internally-driven innovation and growth, rather than relying on external partnerships.

(3) Innovation Strategy – 37%

The improvement needed within this dimension seems to be quite extensive – the Average holds a score of 68%, while the Growth Champions stand at 75%. **The aspects that are lagging behind include “vision for innovation”** (it is not well understood by customers / suppliers / innovation partners) **and “characteristics of the Innovation Strategy”** (it does not guide the idea management or the improvement of the company's current product / service / process development). **Moreover, there is an unbalance between incremental / radical innovation, risk / return, and low / high cost of innovation projects.**

These assertions are also a consequence of the fact that currently **the company is engaged on many “fields of action”**, ranging from increasing its selling force and consultancy services to scaling-up with product innovation. This is why the “strategic” part seems to be a bit dispersed.

Nevertheless, it is worth mentioning that **the company is engaged not only in selling market-ready products / services, but also in selling internally developed ideas / concepts**, which is quite an unusual trait, especially for Information and Communication Technology companies.

(4) Enabling Factors – 26%

The Average of companies is 49% within this dimension, while the Growth Champions score even less, 46%. **Our client company has a very good score in “incentives and rewards”, as well as “long-term innovation projects”, while there is room for improvement in terms of “learning and knowledge” and “projects and targets”**.

Indeed, throughout the years, the company has been able to **recruit and secure high-quality human resources**, by giving them recognition with the help of managers.

It is equally worth mentioning that, in terms of “projects and targets”, the only aspect missing is “quality”, as **attention is paid to indicators related to “budget” and “time”**.

(5) Innovation Life Cycle Processes – 20%

This dimension seems to be the most difficult for the company, as shown by the score, in comparison with the Average (46%) and the Growth Champions (36%). **Even if the “time-to-market” parameter is very similar with the benchmarking class, the “time-to-profit” is much longer than the rest.**

We notice, though, a very high “**success rate of incremental innovation projects**”, in contrast to a very low “**success rate of radical innovation projects**”.

The area of “Idea Management” is by far the most lagging behind, with no systematic approach used in order to create a company's portfolio of ideas. Indeed, the management staff acknowledges that they have not yet tapped into the potential of the employees' to generate new ideas.

The company is very much aware of the fact that, **through improvements within this dimension, they will be able to further boost their competitiveness and increase their market share.**

3.1.1 IMP³rove Assessment in Detail

Context

All along the process, I have worked with the management staff, while for the aim of the Action Plan implementation, the company also involved **the expert horizontally in charge of “processes” within the group**. He was the one to elaborate the **“Idea Management Procedure”, which represented the outcome of the Action Plan**.

This decision was taken due to the fact that the specialisation degree of the companies within the Group is going to increase, and consequently the need to approach **innovation management as a horizontal topic remains significant, in order to increase the innovation results**.

Overriding Question

*How to improve the company's **internal innovation processes**, in order to position **radical innovation as growth driver of the company** within the next 2 years ?*

Hypotheses

H1: The company intends to stir innovative ideas internally and to systematically support the development of such ideas

FACTS

- Low success of radical innovation projects
- No innovation launches

FINDINGS

- The idea management area of Innovation Life Cycle processes is very weak
- The company has not yet tapped into the resources available at the level of the employees

CONCLUSIONS

Create, internally, the capacity to generate, develop, and make profit from new ideas

RECOMMENDATIONS

Develop a formal system for idea management

ACTIONS

- Organize a yearly internal innovation competition
- Set aside a yearly budget for “seed” development (demonstration, prototype)

H2: The company is committed to adopt a more “out-of-the-box” and risk-friendly approach to the business

FACTS

- Very low income from sales from new products
- Low operational profit from innovation

FINDINGS

- The company is aware of the unbalanced risk / return strategy
- The company has chosen a steady and patient growth

CONCLUSIONS

Position the company as an innovative one on the market, by internal strategic approach and investments

RECOMMENDATIONS

Create a formal organisational strategy and structure conducive to innovation

ACTIONS

- Formalize the company's Innovation Strategy
- Operationalise the department for innovation and development
- Set procedures for daily work

H3: The company is willing to act as an open ecosystem during the stage of initial product development

FACTS

- Low innovation partnerships and external cooperation
- No integration of customer information

FINDINGS

- The company is willing to “mentor” other entrepreneurs

CONCLUSIONS

Open up to the partners and customers, in order to generate new products and value for the company

RECOMMENDATIONS

Generate partnerships for innovation and get data from customers on a regular basis

ACTIONS

- Formalize partnerships for innovation
- Organize round tables and bilateral meetings with partners
- Set a system to consult customers 2 times a year

Action Plan Implementation

Following the discussions with the client on the above hypotheses, facts, findings, conclusions and recommendations, we agreed upon the **Action Plan referring to “Setting Up an Idea Management Process” inside XY Group.**

The **aims of this improvement** were:

- to encourage the employees to come up with ideas that create **cost savings or generate revenue;**
- **to engage people** in the growth of the business;
- to offer the employees an avenue to put their **ideas into operation;**
- to give a clear message to the employees about the importance of their involvement in improving the **company's efficiency;**
- **to reward the ideas with the highest impact.**

The implementation of the Action Plan took approximately 9 months and led to an extensive internal procedure for Idea Management.

Based upon this procedure, XY Group is currently on progress with the **soft launch of the radical innovation “Z”**, a product that involved **12 employees** from the company so far, with **over 70 years of combined technology experience.** Until now, almost **200 KEUR have been invested** by the company in the **beta version of the product**, and it took over **13,000 man-hours** to develop it. Moreover, the Idea Management procedure brought further inputs to the Innovation Strategy and positively influenced the employees' attitude towards innovation.

3.1.2 Benefits/Impact

The implementation of the Action Plan contributed directly to the creation of the **company's portfolio of innovative ideas**. Moreover, XY Group went further than this, and **they “soft launched” their first “own” product this year, an application for contact data management named “Z”**.

So far, this endeavour has been funded by own resources, but the first sales are estimated for Quarter 3, 2017. **Consequently, growth is envisaged in terms of both market share and financial performance**. It is also important to mention that a **patent is pending for this product** for Quarter 3, 2017.

Considering the company's ambition, as well as the fact that the management is currently negotiating with several potential Venture Capital funds, we may assume that **several steps have already been taken towards the vision of XY Group to achieve an exit with the “Z” product within the next 5 years**.

I would say that **most of the above mentioned aspects would not have been achieved without the IMP³rove support services**. First and foremost, **the management staff gained additional trust** regarding the current capabilities of the company, in comparison with a very relevant benchmarking class. Secondly, the Action Plan implementation work that the company embarked on, led the management staff **to understand more in-depth which are the competences that they can rely upon within the company**, as a well as **to communicate more clearly to the employees which are the innovation projects and results that the management staff is expecting in the upcoming years**. Last but not least, **the management staff used the IMP³rove assessment report when dealing with potential Venture Capital investors**.

Overall, the feedback from the client's management team was excellent with regard to the IMP³rove Assessment and Action Plan Implementation. Moreover, the company used the assessment within other contexts, especially when dealing with potential new customers or Venture Capital fund managers. XY Group was very proud to be the first company assessed with the IMP³rove Approach, and they were also the first management team to receive the IMP³rove Diploma on November 8, 2016, with the occasion of the Regional Innovation Fair 2016, an Enterprise Europe Network event.

I am convinced that the journey with this client will continue in the next years. XY Group is one of the most decisive and well organised Information and Communication Technology players in our region and in Romania, when it comes to putting **innovation at the core of their growth**. **The IMP³rove process is definitely a very strong asset for XY Group**.

1.3 Contact

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