

> Welcome

Welcome to the September 2006 issue of Global Insight, a regular newsletter from TransTech USA designed to keep you informed of the latest news, issues and trends effecting successful product commercialization and development of business and innovation strategies.

This edition will focus solely on one of the hottest and most talked about opportunities facing companies today, innovation.

TransTech USA is a privately funded corporate advisory firm that provides services and programs that improve an organization's performance in product commercialization, business and innovation strategy development

> Innovation is it a business imperative or just a fad?

By Peter Bryant, President, TransTech USA LLC,

Why is innovation such a hot issue for companies? There is a growing notion that companies that achieve innovation excellence, combined with operational excellence, gain a valuation premium. This is being supported by a growing body of research. So the obvious question is how do companies attain innovation excellence?

There are many challenges and issues that face companies that want to become innovative, several of the main ones are:

- What is innovation?
- Is innovation about product and technology innovation or is it much more?
- How do I make innovation part of the corporate fabric (sustainable) versus another fad?
- What role do external partners play in driving innovation?

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> What's Happening

- [Peter Bryant is appointed as a Senior Advisor to global boutique investment bank QAdvisors](#)
- [Founder Peter Bryant on Expert Panel at the International Business Forum's 4th annual Tech Transfer Investing Conference - Venture Investing in IP Commercialization and Research Spinouts in Boston on Nov 18th and 19th 2006](#)

[Watch for more news.](#)



> What is Innovation?

Many definitions are in existence, according to Peter Drucker innovation is change that creates a new dimension of performance. What we do hear from executives is that innovation must be focused on delivering competitive advantage and creating increased value.

It is becoming accepted that innovation is about generating something that will either result in step change developments or continuous improvement initiatives.

> Is it only about product and technology innovation or is it much more?

Earlier discussion, papers and examples focused heavily on product innovation, in particular, the development of new consumer products e.g the iPod or the Razor phone, and new technologies. In fact innovation, to deliver maximum value, should be focused on the core business areas of the company. Therefore technology becomes a key enabler, however, at times, a breakthrough technology can become a driver for business change, but the default should be to focus on the business. A good breakdown of the business for this purpose is:

- Business model
- Processes
- Marketing
- Organization
- Product

Various models have been developed to enable the systematic tracking of innovation initiatives, one recently developed is the Innovation Radar developed by the Kellogg Innovation Network.

> How do I make innovation part of the corporate fabric (sustainable) versus another fad?

It is easy to talk about innovation and create impressive marketing statements but if a company is serious about making innovation a key part of the corporate DNA that can be sustained through changing business cycles, then the leadership must be committed to making the appropriate cultural changes. This is where many companies become stuck, due to their unwillingness to make the necessary core changes. Firstly, it is about leadership innovation must be communicated, by the CEO, as a key strategy and the CEO must become the key champion. A recent IBM study found that for innovation to work it must be orchestrated from the top. (*Global CEO Study Expanding the Innovation Horizon March 2006*)

This is then backed up by the mechanisms that give people the time and space, recognition and motivation that will drive the right behavior. Some of the change areas that need to be considered are:

- Inclusion on job specifications
- Reward and recognition systems including bonuses, awards and reviews
- Symbols e.g. work spaces and branding
- Corporate language

Another good practice to ensure sustainability, is to develop an overarching Working Model/Framework that captures not only all the aspects of innovation but the key change mechanisms that together will drive many of the processes and change initiatives.



> What role do external partners play in driving innovation?

Everyone recognizes that external collaboration is a key element in successful innovation however the ambition is proving to be hard to execute in reality many companies from GE to Safeway's are finding that it is a serious challenge to bring in the skills and the culture to deliver effective collaboration. By embracing collaboration and pushing its limits, we exponentially increase the amount of resource and brain power that is focused on finding that innovative idea. For ideas to be fully accepted a company must develop a culture that accepts ideas from any source and moves away from the 'not invented here syndrome'

Extensive collaboration also allows you to sense and source capabilities/ideas from a wide range of sources within and external to your industry's ecosystem. This may involve collaboration with a wide variety of organizations; such as:

- University Research Centers
- Venture Capital firms
- Companies in adjacent industries
- Organization networks

Two emerging trends in this area, are the creation of Innovation Groups, that are specifically responsible for external collaboration, amongst other things, (e.g. P&G has created the role of Technology Entrepreneurs) and Corporate Venture funds. Unlike the Funds created in the .com era, these funds are predominantly designed to interface with the investment community to identify compelling start ups and to co-invest. The primary motivation is early detection of these emerging technologies rather than a investment profit motive. In the next Global Insight we will further explore Corporate Venturing and whether it is a necessity or a nice to have.

In conclusion, many critical success factors exist that determine whether a company can develop a sustainable innovation based organization and achieve innovation excellence; these include:

- Development of an overall Innovation working model/framework and processes
- Strong and consistent leadership
- Pushing external collaboration boundaries
- Effective organizational and cultural change

If you would like to learn more about how you can Develop a Sustainable Innovation based Organization, please email innovation@transtechusa.com



> Event Spotlight

Executive Leadership Conference 2006

The IT Revolution: Finished, or Just Beginning?

November 8 - 10, 2006

Westin Copley Place

Boston, MA, US

This IT executive-focused event is designed to share best practices, exchange insights on the direction of the software market, address IT issues and concerns, and explore new directions and needs..

www.amrresearch.com/Events/Event.asp?id=258sandhill.com/conferences/sw2006.php

FactByte Venture Market Summary first half 2006

U.S. venture-capital investing in the first half of the year reached its highest point since 2001, due to a growing interest in health-care companies and steady deal flow in information technology.

Venture firms poured \$12.97 billion into 1,213 companies in the first half of 2006, a 13% increase from the year-earlier period, according to data from Ernst & Young LLP and industry tracker VentureOne, a unit of Dow Jones & Co. By comparison, venture firms deployed \$11.47 billion across 1,131 deals in the first half of 2005.

In the second quarter, investors deployed \$6.73 billion in 619 deals, about a 5% rise from the comparable 2005 period.

The biggest gains this year have come from the health-care sector, where investments grew about 25% in the second quarter, with \$2.24 billion flowing into 160 funding rounds. For the first six months, health-care deals grew 26% to \$3.84 billion.

Information-technology investments, the bread and butter of the venture-capital industry, increased 8% to \$7.15 billion in the first half. In the second quarter, investors deployed \$3.5 billion across 363 deals.

Alternative energy and clean technology has been a small but growing market for venture investing. Venture capitalists put \$315 million into 23 deals during the first half of this year, more than tripling the \$90 million invested in 10 deals in the first half of 2005, according to VentureOne.

Source: VentureWire, July 2006

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TransTech USA provides services and programs that improve an organization's performance in technology commercialization and innovation strategy development