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Skills for the management of innovation: "it's nothing new, really"

By Pierre Bitard, ANRT

What skills are needed for the management of innovation? Observing the way the ANRT functions offers an insight on answers to this question. Indeed, what are the company members – as R&D and innovation-driven as they are – looking for in participating in ANRT's activities? The ANRT founding principle is based on the idea of bringing together managers involved in RD-I around a common table, where, in a neutral environment, specific domain / innovation managers discover the real benefits from an inter-sectoral sharing of work practices. As an example, take a recent regular ANRT Club meeting. Here, managers from companies as diverse as NXP, Decathlon, Thales, SAFT-Batteries, ArcelorMittal, Air Liquide, Sanofi-Aventis, GDF SUEZ, EADS, EDF and Saint-Gobain met together with public servants. Although the range of technologies

developed and used, markets addressed and the organisational skills and knowledge bases were dissimilar, these participants nonetheless meet, on a regular basis, and pay for it. Why? Well, a number of recent management papers can shed some light on the likely reasons.

Moving across different worlds

In my experience, the reasons lie with the nature of the skills involved in the management of innovation, notably, the ability to move across different worlds. An 'innovation manager' must comprehend and be able to communicate with R&D engineers and technicians, corporate executives, R&D



Creativity
and Innovation
European Year 2009

GRIPS' news

- **Happy New Year!** The INNO-GRIPS' team wishes you all the best for 2009, European year of Creativity and Innovation!

<http://create2009.europa.eu/>

- **GRIPS' blog:** Join the GRIPS' community and discuss the key topics on our new weblog: <http://inno-grips.portals.mbs.ac.uk/>

- **Innovation in an ageing society:** GRIPS' third Innovation Policy Workshop was held in Brussels in December 2008, and gathered high-level experts on this topic. The workshop's report and other related documents are available online on GRIPS' website: <http://grips.proinno-europe.eu>. A ministudy on the same topic is currently being prepared.

- **Upcoming: Newsletter Special Issue on "Innovation for recovery"**. This special issue, to be published in February, will explore the role of innovation in the current crisis context.

- **A new mini-study on 'Microfinance and Innovation'** is now available online on GRIPS' website. For an introduction to the topic, read article on Page 6.

Editorial

by Ian Miles, Manchester Institute of Innovation Research.

2009 is officially the European Year of Creativity and Innovation, launched in Prague under the Czech Presidency of the EU, with the slogan "Imagine. Create. Innovate". But 2009 is also the year which began with a whimper: the credit crunch looked to be turning into a wholesale economic downturn, and the question was no longer *whether* we were heading for recession, but *how deep and long-lasting* the crisis was going to be.

Hard times economically are not always the best times for creativity and innovation. If we think of the creative industries as having largely to do with entertainment, then pundits are torn between forecasting declining revenues (consumers will have less to spend) and a boost to escapist experiences. A brighter note is that we could see more experimentation in creative activities at the community and grassroots level, with innovation driven by necessity - in the absence of corporate interest in branching out in new ways, new styles and forms could arise which might eventually be the basis for new markets, for new ways of integrating creative flair into daily activities outside of market mechanisms, and for fusions of the two.

If we think of innovation as having largely to do with the generation of new products and services, then there has often been a tendency to reduce expenditure on R&D laboratories and other long-term investments, to focus on the bottom line. The economic crisis will test the degree to which contemporary thinking about the linkages between innovation and competitiveness has really permeated into business. Will innovation be treated as a luxury, or as a necessity for firms struggling to remain viable? The test is likely to yield

complicated results, with different sectors and regions diverging: and this in turn will tell us just how correct the contemporary thinking really is? Will the crisis winnow out non innovative firms - and impact particularly on those regions and countries that do not continue to invest in innovation?

Creativity and innovation are needed at the highest levels, too. In the 21st century, we cannot resolve major economic crises by the traditional expedient of going to war. Nor is it likely that defence technologies in general - with some exceptions - will provide the boost to technology that can help establish recovery. What is needed, then, is what William James once

labelled a "moral equivalent to war", or a series of such equivalents. There is no shortage of grand challenges facing our societies where innovation is a part of the answer. Environmental issues, global poverty, health challenges, the sociodemographic transformation of the industrial world and a host of other issues demand our attention. Tackling any of these problems seriously and

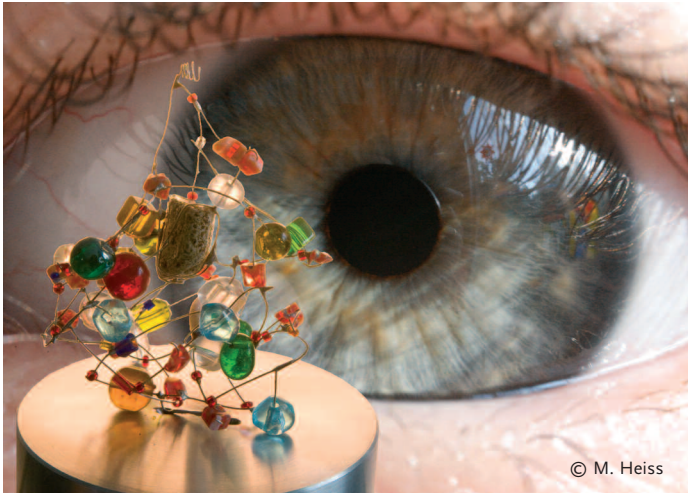
substantially means creating employment, fostering new approaches to community decision-making and empowerment - and organising and orienting innovation.

The current economic crisis may be short-lived or long-term, though it appears unlikely that we will ever resume economic growth on the same lines of the 1990s and early 21st century. A new growth pattern will rest on new trajectories of social and technological innovation, and these will surely call for creativity to be mobilised very widely indeed. This issue of the INNO-GRIPS' newsletter touches on some of these issues, and we can be sure that we will return to these themes over coming issues.



Editorial

Skills for the management of innovation “it’s nothing new, really”



➡ financiers, users and policy-makers. This typical managerial competency is becoming more important as firms increasingly rely on atypical connections of disparate existing knowledge and technologies to offer innovative products and services. Take the following successful innovations: the Renault “Logan”, “Easy Jet” or the Apple’s MP3 player, iPod. As revolutionary (and emblematic) as they are, they rely on re-combinations of well-known technologies, embedded in new concept-design and business models.

From empathy to leadership and back

Skills needed to set in motion, to accompany and to organise innovation pertain to a set of learning abilities: empathising with users and with technologies (to use Bruno Latour’s wording), getting the intelligence of business development - both from internal hierarchical channels and from the environment - and the dexterity to encapsulate this from a market and organisational perspective. To complement the latter, the role of leadership is stressed by a whole body of classic literature; though marginal in our practice, no doubt this is one of the required qualities to make innovation come alive. In this stream, De Jong and Den Hertog (2008) provide an inventory of behaviours that leaders use to stimulate innovation among their employees in knowledge-intensive service firms. To quote but a few, the leaders’ skills notably encompass abilities to communicate an attractive vision that explicitly incorporates the preferred types of innovation, to directly stimulate and encourage employees to generate ideas, to support open and transparent communication processes, to create avenues for knowledge sharing and diffusion, and to assign challenging tasks. Providing a fair financial reward of the risks successfully taken appears appropriate, too. Hence,

in recent years, the burgeoning of nominations of CIOs, Chief Innovation Officers who personify this quality of leadership for innovation.

Adjunct to this, Terwiesch and Ulrich (2008) emphasise that managing the innovation portfolio cannot be properly done without a good knowledge of the skills of the people and teams involved in the innovation processes, whilst picking the right teams is not feasible without a profound acquaintance with the company’s strategy. The capability to link strategy, practice and people is at the very heart of Hargadon (2008), which echo strongly with practice at ANRT.

Enabling discovery, synthesis and delivery

In practical terms, an innovation manager’s key skills entail discovering new business ventures, synthesising needs and resources learned in the discovery activities, and delivering the innovation projects to the people outside the project, plus implementing an organisation that supports these processes. First, enabling the discovery means understanding the resources needed along the value chain and how it can efficiently be exploited in new ways. At one of ANRT’s member companies, newly recruited R&D engineers always start by working, for at least a year, in the hot-line department, solving users’ basic problems, before moving to R&D proper. As Hargadon (ibid.) puts it “developing skills in observation and empathy can bring startling discoveries to managers who tend to focus solely on the technical issues surrounding a potential innovation”. Second, through the implementation of discovery activities, needs and matching resources are identified that may be combined beneficially to develop new viable economic solutions. Some ANRT members make a recurrent plea for better support of the ‘proof of concept’ and ‘demonstrators’ by RD-I aids, since tangible syntheses bring extremely valuable knowledge to innovators. At the same time, this synthesis process allows the innovation manager to advance in the delivery process. An ANRT member company which specialises in the production of innovative steel, notably for automakers, usually demonstrates the value of their new solutions in situ, on a dedicated auto production line, built for this unique purpose. ■

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Interview *with...*

Florian Kohlbacher and Naohiro Yashiro, Innovation in an ageing society - Views from Japan

Florian Kohlbacher is a Research Fellow at the German Institute for Japanese Studies (DIJ) in Tokyo, an Adjunct Research Fellow at the Institute for Technology and Innovation Management at Hamburg University of Technology, a Fellow of the World Demographic Association and an Honorary Board Member of the International Mature Marketing Network.

Naohiro Yashiro has worked for the OECD, for the Japanese Ministry of Economics and has been President of the Japan Centre for Economic Research. He is now Professor of economics at the International Christian University.

Both participated in the last INNO-GRIPS' Innovation Policy Workshop on Innovation in an ageing society.

Is ageing a common challenge to Japan and Europe? Do responses differ?

NY: Society ageing is an issue facing Europe, but also Japan and South East Asia, although at different paces. It is a very important social phenomenon in Japan and the silver market approach is a key to revitalise the Japanese economy and move to high growth scenarios.

FK: In the Japanese media, 2007 was announced as the year when the generation of baby boomers was supposed to start retiring. Companies were worried about labour shortage and knowledge transfers - especially technological knowledge. Demographic change is very similar in Japan and in Germany, but it is more pronounced in Japan. In that sense, the Japanese silver market can be considered as a lead market. Differences in market responses mostly depend on individual companies and on their products: there are lead companies in both Japanese and German silver markets. In both countries though, some companies are afraid of addressing the ageing issue and fear that doing so will have a negative impact on their brands and images.

Is ageing considered as a political priority in Japan? What type of actions have been implemented?

NY: Ageing is a top political priority in Japan. The government is mainly addressing the issue of social security schemes, while nursing care services are mostly supervised by municipalities. Major evolutions have occurred in this sector in 2000.

Nursing care of the elderly used to be delivered by family members but economic and social evolutions (society ageing, declines in fertility rates) have had an impact on the organisation of families. Women are increasingly entering the labour market and are less liable to ensure the roles of home keeper and family carer. Besides, populations moved from rural to urban areas, so children and parents do not live together any longer.



It was necessary that society as a whole would take charge of nursing care services. A new social insurance for the elderly has thus been introduced: corporate firms are allowed to provide nursing care services (but not health care services), and 90% of the incurred costs are borne by the social security system. This system has proved to work well and the new nursing care services market has been expanding.

How has the evolution of the labour force been addressed?

FK: 90% of companies in Japan implement a re-employment system: once they have reached retirement age, employees are offered a new type of contract. Re-employed people can lose up to 30-50% of their former salary and have less responsibility, but they also work less. It is difficult to imagine this system in Europe: accepting to be downgraded in terms of position as well as salary is something that does not seem to fit the Western mind.

Still, there are two sides to this coin. It is a good compromise for some people who have been working for 40 years, who still want to be active and earn some money in addition to their pension, but agree to work fewer hours and subsequently have a lower position and salary than they used to. Conversely, for some other people who need to keep working to earn their living, this system is obviously not convenient.

Other seniors encounter another type of problem. I once met a man who, at the age of 62, founded a personal consulting firm with the aim of finding appropriate jobs for senior people (65+). Many of his clients are proposed a part-time contract by their new employer. But after 3 years, the law forces the company to give them the status of regular employees. The very law that tries to protect workers is in this case an obstacle, because these people do not wish to be full-time employees. This dual situation is not to be found only in Japan. There are different types of needs among older workers and we have to find a flexible solution to meet all these needs.

How is innovation in relation to ageing perceived in Japan? What about the example of robots?

FK: People often argue that, due to their culture, the Japanese have a special relationship with robots. This phenomenon may be a little more pronounced than it is in Europe but I don't think this can explain people's overall reactions to the use of robots. Automation and robotic technologies are definitely important in the context of an ageing society. Demographic change leads to shortages in labour forces, especially in the care sector, and we have to find alternative solutions. Besides, most people do not

want to rely on another person for some very intimate aspects of care. The ability to rely on a tool there is a major issue.

People discuss this robot issue in a controversial way in Japan too. I visited a day-care centre designed for the elderly, but also for disabled people of all ages and for young children. The three groups spend the day together with nurses and go back home at night. Interestingly, this centre is located in the same area as a care-robot manufacturer. The city's mayor is very proud of this robot manufacture and the care centre's personnel told me: "Look at these human beings together - don't tell the mayor, but we don't need a robot..."

The fact that robots are used in Japan does not mean that humans are not considered useful anymore. One can also witness resistance to robots in Japan, although there is a little more open-mindedness than in Europe to accept them when they are a good solution to a specific problem. 1000 copies of a Japanese robot designed for therapy contexts (Paro) have been sold to nursery homes for elderly people in Denmark. Performance speaks for itself, whatever the country.

NY: As regards the use of robots in factories, some differences in labour markets can explain diverging attitudes. In Japan, the labour market is company based and labour unions play a role in ensuring that the use of machines and robots do not lead to disruptions in employment. Workers do not see robots as competitors, but rather tend to consider them as "colleagues". In Europe, in a context of occupational labour markets, automation and robots are considered as a threat to jobs and thus to workers.

FK: People outside Japan consider that the use of care-robots is part of the Japanese culture and could not be accepted elsewhere, where people cannot imagine being cared for by a machine. I'm very critical of this sole cultural explanation: I could hear both voices in Japan as well, pros and cons. In most cases, blaming culture is a bad excuse to justify situations caused by other factors. ■

Linking Microfinance and Innovation

By Yanuar Nugroho and Ian Miles, MIOIR

The Nobel Peace Prize awarded to Muhammad Yunus in 2006 for his microcredit initiative and the “International Year of Micro-Credit” declared by UN a year earlier give an impetus to the growing global awareness of the importance of microfinance in development. Whether or not it is as novel as has been claimed, microfinance has been long proposed as a means to stimulate entrepreneurship in developing countries and deprived regions. Even before the current economic crisis, it was becoming of interest to investment companies, since the returns from microfinance have been rather impressive. This could be a new avenue for financiers to explore –and it certainly appears more stable than the “toxic debts” that have upset the financial systems of many countries. At present, there is caution about microfinance and most types of investment due to market downturns and rising unemployment, but this may be alleviated by an economic revival.

In a development context, there has been increasing interest in microfinance as a possible solution to the problems of small firms in more industrialised countries. Yet, relatively little analysis has dealt with microfinance as an alternative route to financing innovation, despite the potencies it has, especially in the EU. Microfinance can help foster entrepreneurship by facilitating business start-ups and small companies (SMEs) and granting microloans to the unemployed and marginalised can make them economically independent players. Thus, microfinance plays an important role in contributing to the Lisbon strategy for growth, employment, and social cohesion, as defined by the European Union.

Micro and small enterprises represent 99% of the two million start-up enterprises created every year in Western Europe. The EC even defines SMEs as “the real giants of European economy”. The issue of the financing of SMEs is thus very important for Europe and two initiatives were launched to put this issue into action: JEREMIE (Joint European Resources for

Micro to Medium Enterprises) and JASMINE (*Joint Action to support microfinance institutions in Europe*). Schemes like microcredit can enable SMEs to plan their long term strategy and debt repayment. Helping SMEs to invest more could help Europe to achieve the Barcelona target of increasing the research spending to 3% of GDP by 2010 and foster innovativeness in Europe.

The role of microfinance in innovation is a topic whose time is due. This means putting innovation forward as a rationale for microfinance services. Innovation criteria should not displace other criteria as microfinance already helps promote extremely worthy developmental goals. But innovation needs to be mainstreamed in microfinance policy as in other policy areas, and in microfinance strategy as articulated by development agencies and financial institutions. Perhaps some case studies of how microfinance has contributed to innovation on the part of its clients would help raise the profile of this area. Innovations that support MFIs should themselves be pursued: this means raising awareness of microfinance as a social innovation. Neither innovation nor microfinance are panaceas, but it is likely that together they can contribute to resolving urgent problems that confront us today. ■



"Empowerment", Lincoln (UK) © Brian Mossemeneer

GRIPS' digests

By Alain Quévieux and Pierre Bitard, ANRT

ICUs at a glance: Keeping pace with innovation and innovation policy



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GRIPS' digests

What does it take to design and implement a “Better Innovation policy”? Amid the possible answers, one finds increased awareness and connectedness amongst key actors working together, on a global scale, to understand innovation economics.

To remain a key player in innovation policy making, the EC needs to move from small scale innovation activity and downstream research and technology transfer to holistic 3rd generation innovation policy. The challenges in all fields and sectors must be addressed. These findings were reported in the Innovation Communities Updates (ICUs) produced by ANRT in the last quarter of 2008. In turning information into knowledge, new patterns for innovation were presented. This knowledge does not stem from academic findings; through the test of assumptions, rather from world press articles which were

classified with semantic analysis software, examined and then synthesised.

The ICUs' ambition is to help us to think about unpredictable innovation challenges in a rapidly changing world. So far, the focus has been on *finance industry restructuring* and on *grand challenges, namely Open innovation* and *Innovation in an era of an ageing population*.

A restructuring finance industry

No doubt the market failure in the finance industry originates both in financial innovation and in its instantaneous worldwide dissemination. This massive dissemination of innovation proved that the shared underlying assumptions were inappropriate. To bring it back from the brink, the finance industry now calls for an in-depth reform based on a more holistic approach to innovation. However, some existing instruments – namely, *microfinance* and *sovereign wealth*

funds – proved their robustness under unstable conditions, although these differ to debt-based investment vehicles. Their universe is expanding in terms of volume, number and range of players, variety of services supplied and their economic role and impact. China is widely embracing these new opportunities.

Microfinance constitutes an emerging investment opportunity for innovation-driven economic growth. The finance industry finds itself in a process of creative destruction. In the yet-to-come reshuffled financial order, better links between policy targets and system monitoring are to be developed. It calls for a renewed EU policy at Commission and Inter-service levels; building capacity to compete with the high quality design of new Asian instruments. Amongst other elements, the EC should contribute to the elaboration of a →

About GRIPS



INNO-GRIPS is a project funded by the EC Directorate General Enterprise and Industry under the **PRO-INNO** Europe initiative. The **INNO-GRIPS** initiative compiles and analyses existing studies and information world-wide on innovation policy making, business innovation and academic discussions.

INNO-GRIPS provides a platform for open discussion among experts on relevant innovation policy and business issues to foster intellectual debate and provide a workshop setting for future developments. This contributes to building an “early-warning” system for policy-makers to facilitate the timely adoption of appropriate policy responses.

Key **INNO-GRIPS** activities are research, analysis, consultation and dissemination activities involving the Commission, researchers and other important stakeholders in the innovation process.



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→ GRIPS' digests (followed)

European microfinance charter for growth that points to innovation communities aspects.

Sovereign wealth funds (SWF) are nothing but international assets held by governments. The main drivers identified were ‘assets securitisation’ and ‘vehicles for large scale diffusion of innovation’. Seemingly, part of their renewed success comes from the specific mix they can offer between market-led and state-led economies, free market and protectionism. Convergence of such investment funds to operate within an agreed systemic frame would be an appropriate move. The EC, ECB together with the IMF and WB could implement a set of harmonised and stable regulations for the SWF.

Coping with the grand challenges

Most policy makers are aware of the role that innovation and technology will play to respond to the major challenges faced by European society. Smart support for strengthening innovation capacity building is turning out to be as important as capital accumulation. Open innovation practices can help redesign innovation economics; relying on networked like-minded parties with different backgrounds. Ageing can be considered as an incentive to promote the so-called silver design (*silver industries* refer to the services developed to respond to the special

needs of an aging population), and silver business is to be dealt with from the innovation perspective, rather than from a demographic one. The ICU found that emerging countries invest, sometimes heavily, to gain a market share in the medical and care fields of the wealthy western population.

The growing importance of the *Open Innovation* paradigm can be considered as one of the primary roots of the fierce on-going Intellectual Property (IP) dispute. Market valuation of knowledge produced through inter-organisation arrangement drives the underlying ecosystems’ movements. Three major competing trends aimed at building up Open Innovation systems were found: Large players promoting innovation campuses, Virtual labs for knowledge capture, Clustered R&D and manufacturing capacities.

Once ageing is approached from an innovation policy angle, existing policies should be reviewed to better fit the physical and emotional capacities of the whole working population of all ages. Finally, it was found that the frontiers between health care and food are becoming blurred and there is an increasing interest in the Neutraceutical (Nutrition and Pharmaceutical) industry, which might present many business opportunities. ■

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