

Embracing New Types of Partnerships to Drive Open Innovation



We talk a great deal about innovation in the information and communication technologies (ICT) industry, where I have spent most of my career. When we speak about innovation we are generally talking about breakthroughs, new technologies, and the companies that bring them to market.

Breakthroughs are of course an important aspect of innovation. Breakthroughs can reduce energy consumption, create new markets, introduce different ways of doing things, generate new revenue, help people connect better, and help us solve problems in areas as diverse as healthcare, agriculture, education, and transportation. But innovation is about much more than just technological breakthroughs. Increasingly it is about breakthroughs in collaboration—forming linkages among different types of companies, industries, and public institutions to address challenges and opportunities that reach far beyond the scope or capability of any individual organization.

This notion of linkages and the collaborative models needed to address our biggest challenges is the central theme of the 2012 edition of the *Global Innovation Index* (GII), which we are proud to support once again as a Knowledge Partner. The 2012 GII explores the conditions in which innovation flourishes and documents which countries are most successful in fostering those conditions. The GII also looks at some of the ways old models of innovation are evolving, how new models are emerging, why they matter, and the impacts they can have.

Chapter 2 of this report, contributed by colleagues at Alcatel-Lucent, explores how an ancient model of collaboration—the public-private partnership—is being applied in novel ways to address some of the large-scale challenges faced today. The reality is that no organization—no government, company, research institution, or nongovernmental organization (NGO)—by itself can solve our biggest problems, such as the economic crisis facing Europe or the massive emerging ecological threats. They must partner. They must collaborate. In

many cases, this means working very differently than they ever have before. It means forging much closer ties between previously distinct sectors than ever before. It means sharing resources and responsibilities, depending on others to do their part in the collaborative action, and embracing these interdependencies. Alcatel-Lucent, with many others, does this in the GreenTouch consortium, which is working to help reduce the energy consumption of telecommunications networks 1,000-fold by 2015.

Partnering in this way is difficult. Many countries have sought to bring their educational, business, and NGO sectors together to address specific challenges. Some have been successful, but just as often they have not: the often divergent motivations of these different organizations can lead to a mismatch of objectives, expectations, and approaches.

But innovation is a crucial element of competitiveness. For organizations, companies, and countries to remain competitive and to grow, they must innovate, and one of the ways they can accomplish this is through broad collaboration. Given the challenges we face as a global community, we must find ways to partner more effectively.

The GII offers an opportunity to think through this challenge. By shining a light on successful models of collaboration and innovation, and by documenting what has worked (or not) and where, the GII is contributing to an absolutely critical conversation.

BEN VERWAAYEN
Chief Executive Officer
Alcatel-Lucent

The Coherence Premium in Innovation



Booz & Company is honoured to contribute to *The Global Innovation Index 2012* for a second consecutive year. This is a critical element in our continuing effort to support businesses and governments in their development of innovation-led economies. For almost a decade, Booz & Company's annual Global Innovation 1000 study has ranked the top 1,000 public companies by their research and development (R&D) spending and has analysed how that spending influences their overall financial performance. Through this work, we continue to gain significant insight into the nature of innovation. It is clear that success in innovation is not just a blend of quantitative elements such as the number of researchers, the amount that they receive in funding, and the number of patents they file. Rather, the companies and countries that have succeeded in establishing strong innovation cultures have also embraced qualitative success factors—they have developed coherent linkages between their strategies and capabilities, and they nurture an environment that supports innovation.

Our 2011 study *The Global Innovation 1000: Why Culture Is Key* shows that spending more on R&D is not enough to create robust and sustainable innovative enterprises. Instead, numerous elements comprise a truly innovative company: a focused innovation strategy, a winning overall business vision, profound customer insight, great talent, and the right set of capabilities—the combination of processes, tools, knowledge, skills, and organization—are needed to succeed. Importantly, corporate culture ties all those elements together, making the 'secret sauce' that makes innovative companies different from their peers. The right culture of innovation guarantees a high degree of coherence between strategies and capabilities or between a company's aspirations and its implementation.

A coherent capabilities-driven strategy is the key to unlocking value creation on a reliable and sustained basis. Three interlocking elements comprise this strategy: pursuing a clear strategic direction, building a system of differentiating capabilities consistent with that

direction, and selling products or services that thrive within that system. When these three elements are aligned, a company can be described as coherent and can move past the competition consistently and with ease.

We recognize that coherence is as relevant and critical for countries as it is for companies. Coherence between innovation strategies and capabilities at the national level requires the stakeholders to be closely linked in an effective ecosystem. Developed economies must continue to strengthen and develop such linkages to stay ahead in strategic sectors. At the same time, developing economies must institute a national model that establishes coherent linkages in their innovation systems. This involves forging strong ties among all stakeholders in the innovation ecosystem, encompassing policies, stakeholders, and operations. Key to this effort is establishing an innovation-promotion entity that will create and develop the necessary linkages, coordinate policy, convene stakeholders, and drive the national agenda.

At Booz & Company, we believe that coherence around key capabilities drives essential advantage. Coherent companies and, indeed, countries, wield a clear set of capabilities aligned with their strategy throughout their portfolio. Furthermore, both public and private sectors have an important role to play in increasing global welfare by developing coherent strategies and linkages for innovation at both the firm and country-wide levels.

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Why Innovation Linkages? Perspectives from an Emerging Economy



Too often these days, any discussion on innovation and its linkages to growth and development is reduced to the difficulties faced by economies in certain parts of the world over the last few years and the implications for the global economy. There is an urgent need to broaden this discussion and to explore how innovation can be not only fostered and harnessed for growth but also how it can solve everyday problems, reduce poverty, and help us attain a faster-sustainable-inclusive-growth-driven future.

There is also a need to widen the perspective on the actors that are crucial in promoting innovation. Today's innovation environment is broad and involves bilateral and multilateral collaborations in scientific and technological research and development (R&D), cultural exchanges, sharing of best practices, open innovation challenges, and other forms of linkages.

Such linkages must, however, energize and be energized by the innovative and creative spirits inherent in every society and culture. In this context, India stands as an example. With a large population and limited resources, Indians must innovate to thrive, and this is expressed in every strand of society: by those on the street; by grassroots innovators; by entrepreneurs; and by small, medium, and large companies.

A specific instance is found in one of India's biggest recent success stories: the mobile and ICT revolution. This revolution has enabled innovation in other spheres by connecting people throughout the country, providing the means for optimization of ideas and their realization. The government, for example, is connecting Indian *panchayats* (village administrations) through fibre optic cables with the goal of transforming service delivery in areas such as health, education, agriculture. This has truly provided an important means by which this Indian innovative spirit can be harnessed.

The government is keen to provide an enabling policy and institutional framework to promote innovation. The President of India has declared 2010–2020 the 'Decade of Innovation' to focus attention on this

critical area and on inclusive growth. At the same time, the government has prioritized a doubling of investment in R&D over the next five years. The Indian National Innovation Council (NIC) was established by the government in 2010 to discuss, analyse, and help implement strategies for inclusive innovation in India and prepare a Roadmap for Innovation 2010–2020. Recently, for example, the NIC has taken up the challenge of forging global collaborations through its Global Innovation Roundtable Conference.

The government's partnership with stakeholders provides the key to the success of its initiatives. The Confederation of Indian Industry (CII) has been working with the industry, institutions, government and global organizations to strengthen innovation ecosystem in India. Many innovative initiatives based on public-private-partnership (PPP) mode have been launched to implement and support innovations on the ground. One key initiative is formation of a not-for-profit PPP company named Global Innovation & Technology Alliance to support industrial R&D that converts global high cost/high quality innovative technologies into cost effective products those are affordable by and accessible to people.

The theme of this year's Global Innovation Index, which emphasizes innovation linkages in high- and lower-income countries alike, is well suited for addressing the contemporary challenges of innovation. I take this opportunity to thank INSEAD and the World Intellectual Property Organization for bringing out this excellent work and to express my pleasure at CII's participation over the last four years as a Knowledge Partner in this important initiative. I also congratulate the other Knowledge Partners for their continued support and contribution to the report.

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