

## The Innovation Imperative



In advising the world's leading private- and public-sector organizations, providing innovative solutions that deliver sustained value to our clients is central to our success. While our firm has a long history—nearly 90 years—of being innovative, we also recognize that innovation can all too easily slip into the background. Supporting innovation is one thing; actively driving and creating an innovative culture is quite another.

As a result, a few years ago, as part of A.T. Kearney's broader strategic vision, we launched a new innovation initiative. Through a series of related initiatives that encourage colleagues to collaborate and advance innovative ideas, we have seen a remarkable surge of enthusiasm, passion, and results. Indeed, the first ideas sparked by the initiative are already bearing fruit.

Our experience in fostering innovation is on a small scale, but it also speaks to the key theme of the *Global Innovation Index 2015*: Innovation requires the right policies to actively support and sustain it. As countries and regions develop economic growth strategies, the imperative to put innovation at the top of the agenda has never been stronger.

Our 2015 Foreign Direct Investment Confidence Index, which assesses likely foreign investment decisions by global business leaders, finds that investors are readily looking past emerging countries that boast low labour costs in favour of developed countries that are committed to—and can demonstrably show—continuous innovation. In fact, three-quarters of the top investment destinations are still developed economies.

The question is: How can a developing country make—and sustain—the shift to an innovation-driven economy? The lessons in these pages provide invaluable insights from some of the world's leading authorities. Certainly there are many nuances to consider, but some of the basics are remarkably consistent: Address and engage all stakeholders and support them in developing a strong ecosystem of innovation. Nurture an environment that strives for and values collaboration. Engage new partners from diverse and varied backgrounds.

Keep pace with the moving targets of new technologies and market opportunities. Develop policies to attract international talent, young entrepreneurs, and investors. Set clear goals and develop appropriate measures to track progress. Learn from, and be inspired by, the best.

As my colleagues Kai Engel, Violetka Dirlea, and Jochen Graff discuss in their new book, *Masters of Innovation*, even with the best ideas, speed and agility are paramount. Ever-shrinking innovation cycles pose a constant threat of falling behind, while complex decision structures can stall innovation. Effective strategies for combatting both must be woven into every new policy.

I would like to thank the GII team for their dedication and passion in their ongoing efforts to advance innovation—and we are delighted to be an active partner and regular contributor to this endeavour. We also remain committed to advancing innovation through our nonprofit subsidiary, IMP<sup>3</sup>rove – European Innovation Management Academy, which builds on our international experience, on a global network of IMP<sup>3</sup>rove-trained business advisors, and on the largest database on innovation management with close to 5,000 companies worldwide. We encourage you to participate and join us.

Finally, I encourage everyone to keep the conversation going—to reach across traditional boundaries and divides to support the policies that drive innovation, benefitting both our own communities and, more broadly, society at large.

**JOHAN AURIK**  
Managing Partner and Chairman of the Board  
A.T. Kearney

## Leveraging Policies to Trigger Innovation



Innovation is gaining prominence in all kinds of economic activity around the world. Not only advanced economies but also developing nations are finding that innovation is one of the main drivers of economic growth. This renewed understanding of the significance of innovation is having a growing impact on the course of policy formulation in many countries.

A closer look suggests that developing nations are no longer lagging behind high-income ones in their efforts to introduce policies that will increase their innovation capacity. On the contrary, in many cases developing nations are taking the lead in embracing innovation to boost their industrial and economic growth.

Over the years the Global Innovation Index (GII) has measured the innovation capacity of nations across the world and presented a comparative analysis to help in understanding the variation in national competencies. The findings of the last five years of GII rankings in its innovation input and output pillars demonstrate that certain countries are consistently doing better than their peers in the same income and region categories. Although multiple factors are involved in this superior innovation performance, policy presents a major differentiating factor in the majority of cases.

This year the GII has taken steps to understand precisely how policy has been leveraged by some of the innovation achievers among the developing nations, allowing them to outperform their peers. This is an important aspect to study because it not only helps to inform the peer group of the best policy practices, but it also identifies gaps in policy that stagnate further growth prospects for the achiever.

This year India has been chosen as an example of an innovation achiever in Central and Southern Asia in the group of lower-middle-income countries. Chapter 8 in this report presents India as a representative innovation achiever by providing a narrative of how the country has shaped its innovation policy over the years and a perspective on what has worked for India and what not. The chapter also outlines lessons that can be

useful for its peers in this area and considers ways that India can overcome its policy bottlenecks to become an innovation-driven nation.

The GII 2015 also includes insightful chapters from other innovation achievers among developing countries. These chapters analyse the evolution of innovation policy in these countries in more detail and try to establish a link between good business practices and smart innovation policies. They also provide information about how effective these policies have been in developing an environment that supports innovation in these countries.

As always, the GII team has been outstanding in its professionalism and approach to bring out this year's report, and I congratulate them for their consistency and dedication. The current edition will be a very useful reference for policy makers across the globe who wish to leverage the strengths of innovation for sustaining economic growth.

**CHANDRAJIT BANERJEE**  
Director General  
Confederation of Indian Industry

## Government Policies: A Catalyst for a Nation's Innovation Growth



People have been innovating around the world for centuries—either inventing or challenging the status quo. Although inventions have been successful in silos or pockets, far-reaching and scalable innovation has most frequently occurred within organized and government-supported frameworks.

The United Arab Emirates (UAE) has always been a supporter of innovation, evidenced not only by the Burj Khalifa and other engineering marvels, but also by the country's high level of entrepreneurial ventures. A collaborative effort among public and private stakeholders is driving a move towards diversification where entrepreneurs and small- and medium-sized enterprises play a huge role, encouraging the entrepreneurial aspirations of UAE millennials.

Over the past years, the UAE's leaders have worked to diversify the country's economy and move into a new phase of growth. Their ambition of fostering innovation and knowledge-driven growth is clearly documented in the country's Vision 2021 national strategy. The pioneering Mars Mission is only one of the many examples showing that the UAE is on track to achieve its objectives.

With the rollout of the National Innovation Strategy in late 2014, the UAE government has provided a framework for innovation to flourish even further. This strategy underpins the government's ambition for Vision 2021 and is a concrete step to further long-term, creative, and sustainable gains rather than short-term wins.

It is this sort of cohesive and interconnected approach to innovation policies—with an emphasis on addressing grassroots issues—that may find resonance and success and that can truly contribute to the nation's development. This year's GII theme 'Effective Innovation Policies for Development' in particular underscores a great resource for helping to understand what policies have worked and how they can be implemented in different countries. The UAE, for instance, has recently introduced innovation policy in the education sector that aims at improving the technology standard in

schools and universities to disrupt and rebuild the system with innovation as the driving force, nurturing the thought leaders of tomorrow.

We at du have long been advocates of change and innovation, and are extremely proud to be a partner to the government in achieving this ambition. Core to this position is the delivery of better, faster, and smarter communication solutions to ensure knowledge diffusion and seamless innovation. Our Smart City initiatives are paving the way with innovative digital solutions that will in turn enable innovation by the UAE's residents. We have a dream of connected innovation and are working hand in hand with national and international players to enjoy the benefits of a knowledge-based economy, powered by connectedness and mobility.

The *Global Innovation Index* report is a useful barometer on an economy's innovation performance, and provides tools that we, and every economy wanting to enhance its innovation capacity, can use.

**OSMAN SULTAN**  
Chief Executive Officer  
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