i3SME

introducing innovation inside **SMEs**

Innovation Benchmarking Report

Eurtronik Studioerre Srl

April 7 2010

CENTRAL EUROPE COOPERATING FOR SUCCESS.

EUROPEAN UNION EUROPEAN REGIONAL DEVELOPMENT FUND

www.i3sme.eu

Table of Contents

Introduction

This report has been created according to the "Innovation Benchmarking Questionnaire" for having a clear analysis that will help you to understand your position about innovation and competitiveness starting from a general overview to a detailed aspect.

"I³SME - Introduction innovation inside SMEs" is a project funded by the EU Programme Central Europe and it has been created by 9 partner organizations from Italy, Austria, Germany, Hungary, Poland and Slovenia. The specific objectives of the project can be named as follows:

1. To Analyse the different approaches and services already utilised in the involved areas individuating good practices and excellence, considering also the differences in terms of economic and territorial features, entrepreneurial and business activities.

2. To Define common methodologies to be applied introducing the benchmarking approach and the ICT platform as tools for assessing and improving the micro and SMEs performances.

3. To Conceive specific action plans/guidelines to be adopted by SMEs in the involved areas with the participation of the relevant stakeholders.

4. To Train and support community of facilitators, advisors who have the task of supporting SMEs in self-analysis, learning, creation and transfer of knowledge processes.

5. To implement pilot projects in order to test the new services and assess their effectiveness.

The project aims to find the Hidden Champions (among the SMEs involved in the program) who overcome the challenges of being an SME and successfully become innovative and competitive.

I³SME project creates a database, from 800 SME's who are all among the top innovative companies in their region, to help you to understand your position compared to other companies. From this database you will be able to understand the differences between your own position and a company who acquired the required success.

In the following pages you will find 3 charts on different analyses. In the first chart you will see the Overall view and the Comparison between Innovation and Competitiveness. The following second and third charts will help you to see the practice and performance aspect of innovation and competitiveness. In the last part you will find the table for the synthesis of all these components which were analyzed in the previous charts.

This report will help you to see your position better and analyse the weak and strong points of your company compared to other European SMEs and by the help of the certified facilitators you will get into the next step in innovation and competition.

By using the charts it is possible to perceive the positioning of each company measured by the I³SME questionnaire and to compare the analyzed company with the selected sample.

It's important to emphasize that the level of practices doesn't necessarily have to be at its maximum peak. As a matter of fact, employing practices means investing resources. From the single company point of view it could be suggested to invest for the necessary changes needed to achieve the fixed targets. For example, it is obvious that a very small company that has no employees will not be obliged to work in order to select, involve and motivate them. Nonetheless, when it decides to develop, it will have to undertake these actions.

On the other hand, a company achieving positive results, without supporting them with good practices, faces the risk of not maintaining these results in long term.

The charts highlight the companies positioning (yellow triangle) compared to the whole I³ SME sample (blue rhombus) and to the other companies selected as benchmark having features similar to those of the examined company (sky-blue ring).

The Meaning of the Areas In the Charts

There are also 6 positioning areas depending on the level of practices and performances which have been achieved. Each interpretation of the company's positioning must be carried out by analyzing the specific case, even though some general guidelines can be defined.

Each of the following charts can be interpreted using 6 main categories:

Late: These companies work at a local level and are mainly excluded from the challenges of the global market. Investments are few, and results as well. For these companies, it is important to focus on investments where the differential with competitors is higher.

Weak: Like the previous ones, these companies (even though at a better level) find it difficult to remain competitive in the current economical framework. In which fields did the competitors improve, thus creating a competitive differentiation? In which processes does the company show its main weaknesses? Are the competitive forces employed still winning in the current market? By asking these questions, these companies can start their improvement plans.

Vulnerable: This area includes those companies that achieve remarkable results with low level of practices. Their positioning is enviable because they get a lot compared to the level of practices. Nonetheless, it is difficult to maintain this positioning over time. It is advisable to asses the level of performance and identify which practices should require investment plans.

Promising: Companies located in this area have investments in practices, however without achieving any results. This area is risky not only because there are few results, but also because investments have been remarkable. It must be considered if this positioning is due to the fact that:

(a) investments are recent (and therefore have not produced results yet)

or

(b) investments were directed to practices that are not suitable to the typology of the company.

According to the answer given, it would be advisable:

a. to consider the historical development of the positioning to verify if the investments will really take place and how long it will take them to give results;

b. where to disinvest and, at the same time, if financial conditions allow, which practices - so far left unexploited - should be implemented.

Contenders: This area includes companies that are close to the best ones. These companies can work in the current competitive scenario. In general, they can keep a good balance between practices and performances and can fight - hence the definition of "competitors" - to achieve the best world-class levels. In order to do so, these companies should ask themselves where and how they can improve to go even further.

World-class: The small area of world-class companies is reserved to those few ones which are able to win the challenges of the present competitive framework. These companies should have this doubt: How long can we keep this position?

Therefore, they need to measure the differentials with competitors to keep them under control.

Benchmark Description

The whole company's analysis is built through the identification of a benchmark fixed for the comparison. The benchmark is composed by a sample of companies defined on the basis of 4 criteria:

Country: Geographical area of the selected benchmark

Employees: The range of number of workers in the selected benchmark.

NACE: International statistical classification of the economical activity

Benchmark: The number of companies in the benchmark group

In the following chart you are seeing variables that affect the results of the graphics:

Benchmarking choosen criteria	
Country	All countries
Employees	All
NACE	C26 - Manufacture of computer, electronic and optical products
Benchmark	9

Overall Perspective

Innovativeness Vs. Competitiveness

The first perspective aims to give a view of the positioning of the company on innovation and competitiveness dimensions. In this first part competitive and innovative perspectives are equally weighted to distinguish what impact has innovation on the company's capability to compete.

The chart shows the relation between the Innovation (horizontally) and the capability to compete (vertically). Therefore, each analysed company becomes a point defined by two coordinates that show - respectively - how innovative and competitive it is .
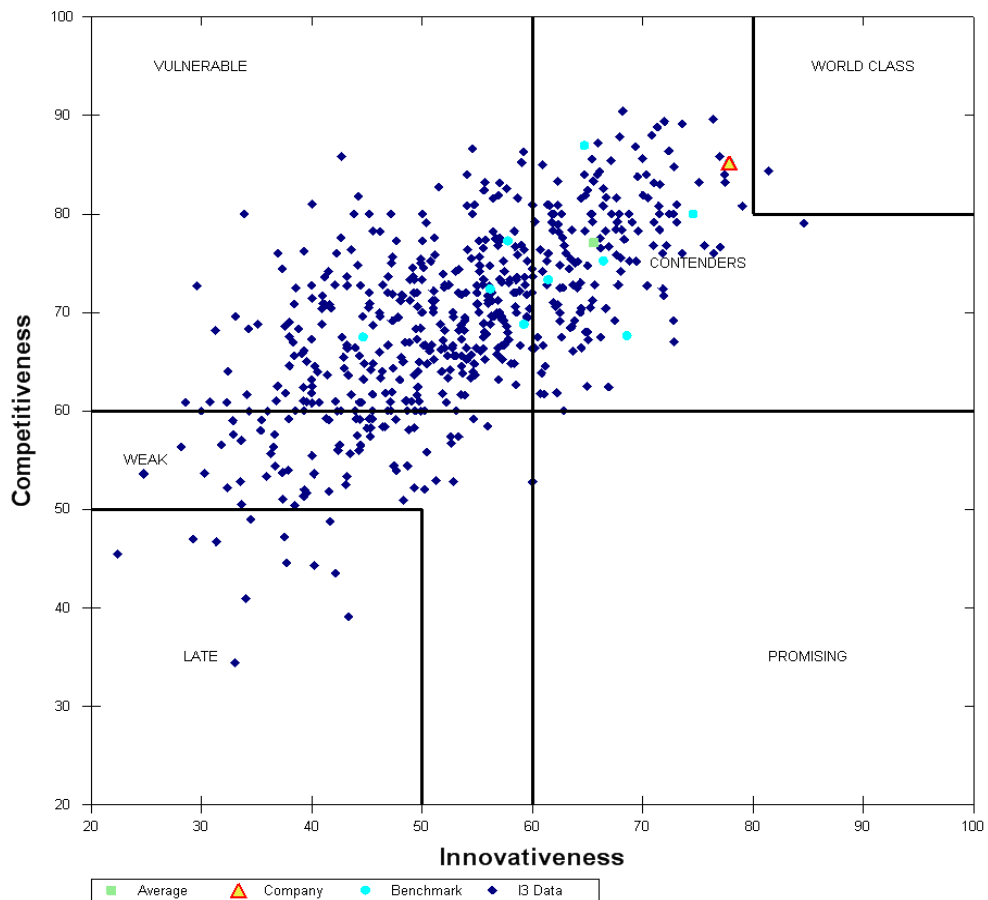
Competitiveness

Practice Vs. Performance

The first perspective aims to verify the capability of the company to have and maintain success supported by practices. This perspective is measured through a set of qualitative indicators analyzed from the I³ SME questionnaire and is shown in Performances and Practices.

The chart in this section explains the relation between he level of utilization of the practice (horizontally) and the level of performance (vertically). Therefore, each analysed company becomes a point defined by two coordinates that show how the company works (level of practices) and what its results are (level of performances).
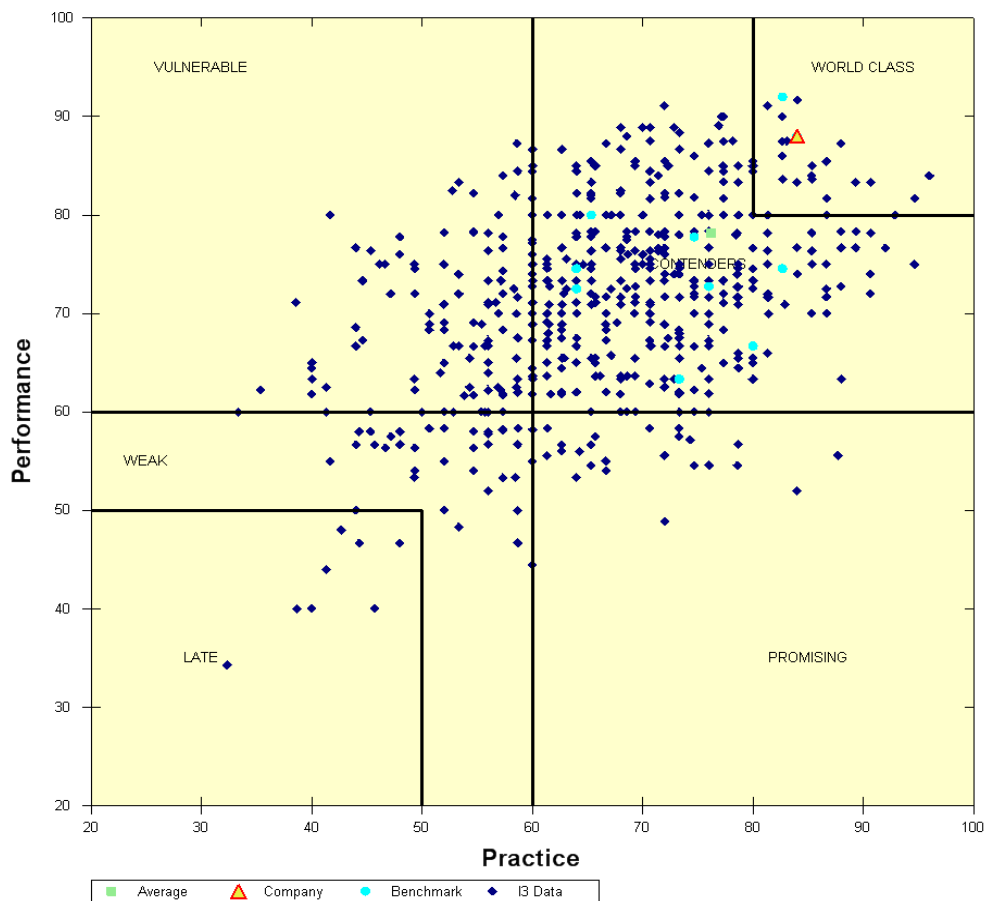
Innovation Perspective

In this perspective, the core analysis of the tools specifically focuses on innovation.

The aim of this section is to explain the challenge to adapt 'Innovation' in a Small company according to the results of the Research activity. Very few SMEs in fact, have an internal research function and still external collaborations with Laboratories or Universities are not sufficient to explain the innovation process, since they are mainly created according to the needs of larger companies. Even though most of SMEs very often do not have formalized investments in these two classical innovation options they still demonstrate to be innovative by introducing innovative processes and by conceiving new products for the market.

The I³ SME hypothesis claims that Small Business' innovate through a different way to approach the daily operations. The aim is to improve every day, in every process and in every activity. Therefore Innovative Hidden Champions, the companies using the innovation as a leverage to increase their competitiveness, take every occurrence to stimulate the change and transform their every-day relationship into a spread laboratory that substitute the traditional research activity[1].

To understand which drivers mainly impact on the company's results, the model analyses all the four directions that might have impact on the company's innovativeness:

---

[1]   This approach has his main basis in the approach of Polytechnic of Milan to Innovation.
L'impresa dell'Innovazione, Verganti et alii - Milan, 2004

- Top-down
- Bottom-up
- Mainstream
- Upstream

The chart in this section relates the level of "utilization of different stimulus to innovation" (horizontally) to the level of innovative results (vertically). Therefore, each analysed company becomes a point defined by two coordinates that show how the daily activities are seen as an occurrence to change and innovate (level of practices) and what their results are (level of performances).

Innovativeness performances and directions
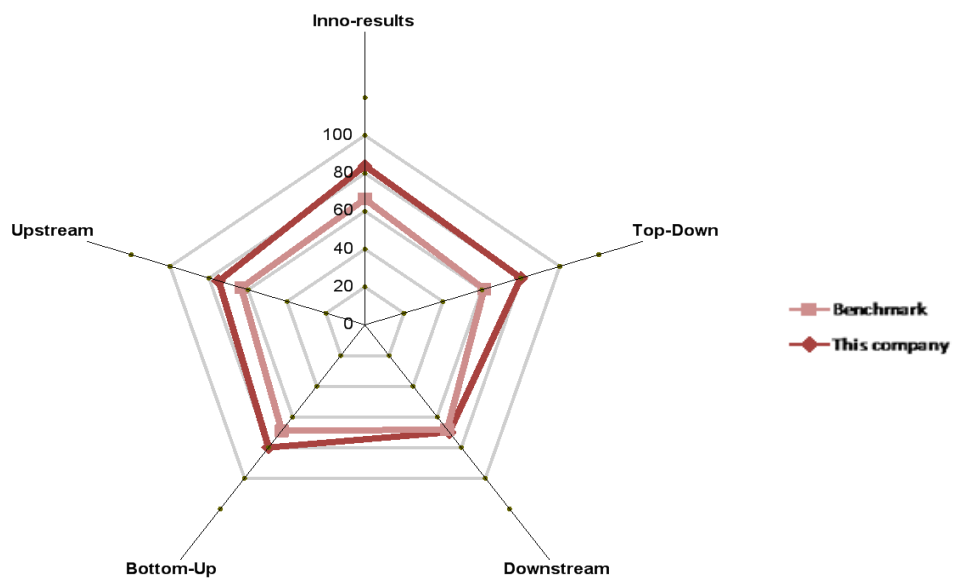
Detailed View: competitiveness

Finally, within the detailed perspectives, the level of analysis becomes more specific and for each enquired item there's a represented company value and the average of the benchmarking sample.

It is from this table that the companies willing to improve their performances should start to understand what others are doing better.

ITEM	This company	Benchmark	Gap	
Practice				
Business strategy	5	4.0	1.0	↑
Production strategy	5	3.1	1.9	↑↑
Technology strategy	5	3.6	1.4	↑↑
External resources strategy	4	3.4	0.6	↑
Style of management	4	3.7	0.3	↔
Knowledge sharing	3	3.8	-0.8	↓
Employees' autonomy	4	3.9	0.1	↔
Team working	5	3.8	1.2	↑↑
Production scheduling	5	3.5	1.5	↑↑
Quality processes	5	3.2	1.8	↑↑
Housekeeping and order	4	4.2	-0.2	↔
Customer needs	4	4.0	0.0	↔
Pricing	3	3.9	-0.9	↓
Customer relationship	3	4.0	-1.0	↓↓
Forecast about production	4	3.7	0.3	↔
Performance				
Turnover trend	0	3.4	-3.4	↓↓
Profitability	0	1.6	-1.6	↓↓
Productivity	1	0.2	0.8	↑
Customer satisfaction	5	4.2	0.8	↑
Cash Flow	5	3.8	1.2	↑↑
Perceived value	4	3.8	0.2	↔
People recruitment	4	3.0	1.0	↑
People turnover	5	4.6	0.4	↔
Absenteism rate	5	3.2	1.8	↑↑
On time deliveres	5	4.1	0.9	↑
Production cycle time efficiency	5	1.6	3.4	↑↑
Product reliability	5	3.8	1.2	↑↑

Detailed View: innovativeness

ITEM	This company	Benchmark	Gap	
TOP DOWN				
Innovative strategy	5	4.0	1.0	↑
Investment in research and development	5	3.8	1.2	↑↑
In-house training	4	3.3	0.7	↑
Investment in trademark, licences or patents	5	2.0	3.0	↑↑
Innovative functions internalised	5	1.8	3.2	↑↑
Funds supporting innovation	2	2.6	-0.6	↓
Business angels or business investors	0	1.8	-1.8	↓↓
Web site functions	1	0.9	0.1	↔
Informative system	5	3.0	2.0	↑↑
BOTTOM UP				
Number of graduated people	4	3.1	0.9	↑
Innovative ideas and rewards	4	3.1	0.9	↑
Listening to the staff	3	3.6	-0.6	↓
Company 'Gates'	4	3.4	0.6	↑
New product development process	5	3.4	1.6	↑↑
DOWN STREAM				
Innovative sectors' customers	3	1.0	2.0	↑↑
International customers	2	1.7	0.3	↔
Involvment ind design process	4	3.2	0.8	↑
Innovative key-customers	5	3.7	1.3	↑↑
International competitors	4	0.4	3.6	↑↑
Innovative key-competitors	3	3.3	-0.3	↔
UP STREAM				
Innovative sectors' suppliers	0	1.0	-1.0	↓↓
International suppliers	3	1.8	1.2	↑↑
Innovative key-suppliers	5	3.0	2.0	↑↑
Relationship with Laboratories, Universities or Research Institute	3	3.4	-0.4	↔
External advicies for innovation	4	2.4	1.6	↑↑
INNOVATIVE RESULTS				
Range innovativeness	4	3.7	0.3	↔
Turnover from new products	5	3.8	1.2	↑↑
Turnover from new geographical market	3	2.9	0.1	↔
Registered Patents	4	2.0	2.0	↑↑
Time between concept ad production	5	2.3	2.7	↑↑
Cost saved or turnover from managerial innovations	4	2.0	2.0	↑↑

This report was elaborated under the I³SME methodology by:

CNA INNOVAZIONE Soc. Cons. a . r.l.
Via Martelli, 22/24 40138 BOLOGNA (ITALY)
www.cnainnovazione.net

Contact Details:

If you need some more information about this Report, the Benchmarking Analysis, and the other activities offered to SMEs, your Facilitator and the Project Partners will be glad to support you:

ITALY (Lead Partner)		**Province of Bologna - Provincia di Bologna** Bologna, Italy www.provincia.bologna.it
ITALY		**CNA Regional Association of Emilia Romagna - CNA Emilia Romagna** Bologna, Italy www.cnaemiliaromagna.it
ITALY		**Autonomous Province of Trento - Provincia Autonoma di Trento** Trento, Italy www.provincia.tn.it
AUSTRIA		**Start-up & Service Centre Fürstenfeld - Gründer- & Servicezentrum Fürstenfeld Ems KG** Fürstenfeld, Austria www.gzsz-ff.at
GERMANY		**Brandenburg Economic Development Board - ZukunftsAgentur Brandenburg GmbH (ZAB)** Potsdam, Germany www.zab-brandenburg.de
HUNGARY		**South Transdanubian Regional Development Agency - Dél-Dunántúli Regionális Fejlesztési Ügynökség Kht** Pécs, Hungary www.deldunantul.eu
HUNGARY		**Pannon Business Network Association - Pannon Gazdasági Hálózat Egyesület** Gyor, Hungary www.pbn.hu
POLAND		**Regional Development Agency - Agencja Rozwoju Regionalnego SA** Bielsko-Biala, Poland www.arrsa.pl
SLOVENIA		**TechnoCenter at the University of Maribor - TehnoCenter Univerze v Mariboru** Maribor, Slovenia www.tehnocenter.uni-mb.si