



Innovation Capital is

**BUILDING DYNAMIC LINKAGES**



- **innovation capital is a bundle of the firm's resources/assets** that renders complementary services in the process of new knowledge (innovation) creation and commercialization
- **innovation capital as renewal capabilities** of a company in the form of intellectual properties and other intangible assets- as a bundle of assets and, more generally, resources.
- **innovation capital possesses attributes that make it a “strategic asset”** with the key is to specify the nature of these assets in relation to the new knowledge (innovation) generation and commercialization process.
- In relation to the intangibles employed in the innovation process, Wagner and Hauss (2000) point to the **dynamic interactions between the innovation capital's assets and other types of intangible assets**.
- They also stress that effective implementation of innovations depends **on the use of all kinds of intangibles in innovation activity**

**innovation capital assets are often context specific and interconnected**

We need to build a new kind of organizational capital as the industrial economy gave way to the knowledge economy that 'accounts' for the intangibles

**The argument is we are once again challenged to rethink organizational capital as we make the transition from a knowledge economy to an innovation economy**

But in a new, innovation-based economy, where value-creation is the new Holy Grail, the way we define, measure and manage organizational capital is again woefully incomplete

It is taking the knowledge that exists in an organization and mix this in with the external inward flow that can be used to create differential advantage- ***the openness of innovation is rapidly changing thinking***

Many of my focal points for innovation move constantly towards **expanding the innovation capital or stock**.

**Key elements of innovation capital** consists of intangibles that are in most cases non-technological and embodied in the organizational routines and thinking of the employees.

These elements can be described as follows:

- **Innovation strategy that relates to strategic choices a firm makes regarding its innovation**
- **the selection of the type of innovation that fits best the firm's objectives and the allocation of resources to different types of innovations.**
- **Innovation culture that is the mixture of the innovation-related attitudes, experiences, beliefs and values of the employees**
- **The integrating function of environment, culture and climates that stimulates innovation activities.**
- **Innovation structure that are formed to make up the innovation process**
- **The approach to organization and the way the employees engaged in the innovation are grouped**
- **Knowledge (technological and non-technological) possessed by the employees engaged in the innovation process.** This knowledge is tacit to varying degrees.
- **The stock of knowledge can be increased by internal and external learning of an organization**

Internal learning refers to the creation of new knowledge within the enterprise, while external learning pertains to the integration of knowledge from outside the enterprise.

## **Innovation Capital offers the dynamics within the system**

### **Innovation capital has become the core of intellectual capital**

- It is the powerful driver for gaining and sustaining real advantage and providing the potential for new wealth
- The key today in assessing and measuring is trying to understand the relationship between the innovation capital (its future potential) and the organizations performance

### **What we need to find is a new valuation model of innovation capital – different solutions are available**

Part or much of the value from intellectual capitals- those generating knowledge assets- go into the innovation value

It is the 'stock' of these that and their use that generates the values and is a bundle of a orgs resources or assets that give new innovation value- through the process and flow of knowledge and its creation / commercialization

**Innovation capital is a set of renewal capabilities and understanding of what are critical, yet today not well understood- my dynamic innovation fitness landscapes work**

**It is the dynamic interactions between the different innovation capital assets and the other intellectual assets that innovation is dependent upon for successful activity and outcomes.**

There is 'static' knowledge and knowledge transformational or dynamic- we need to know the differences

Innovation capital can does increasingly come in combining both internal and external knowledge flows and this is where **absorptive capacity** plays its vital part in managing this process.

Concern myself with less on the capturing the measurable.....

***It is more focusing on the dynamics found in the multipliers and enablers***

*Measurements can imply static, whereas we need to know the dynamics*

**Social innovation capital, the collective capacity of a firm to innovate**, is arguably the most valuable form of IC because it underlies a firm's fundamental capacity to learn, innovate, and adapt, enhancing the organizations' capacities to learn, innovate, and adapt in the marketplace.

searching for ways to describe, measure, and manage their intangible assets with a particular emphasis on capturing their favourable effects on the bottom line and on shareholder values is critically important.

**Social innovation capital**, then, refers to the collective manner in which whole social systems (i.e., firms) organize themselves around – and carry out – the production and integration of new knowledge- is this 'just' relationship capital.

**Knowledge has become a commodity**. Let's face it, you can go online and find out almost anything with just one or two clicks, it is what you do with this becomes the value creation point. Is Einstein's oft-quoted reflection that "imagination is more important than knowledge" is true, especially to create and design new innovations that add fresh value to the world?

The challenge is for organizations around the world will be to think about exactly what it takes to build, measure, manage and exploit what amounts to their "innovation capital" – which is so essential to creating wealth in our times.

To sum up, innovation capital consists of a set of resources/assets that can be regarded either as **static knowledge** – potential input to the knowledge transformation process, **or dynamic knowledge** – in transformation, and finally as the results of the knowledge transformation process

Today the key is identifying and establishing the “**stocks of innovation capital**” as the essential elements to be increased, decreased (or dampened) as the knowledge flow comes from inside or/and outside of the company and needs to be interpreted into new commercial or social opportunity

The issue of measuring innovation capital is important as much as it is used to develop innovation capital assets and estimate their effect on a firm's performance

*Therefore, there is a pressing need to measure innovation capital from the perspective of internal decision making and necessary for communication with external shareholders*

## Innovation Fitness Dynamics

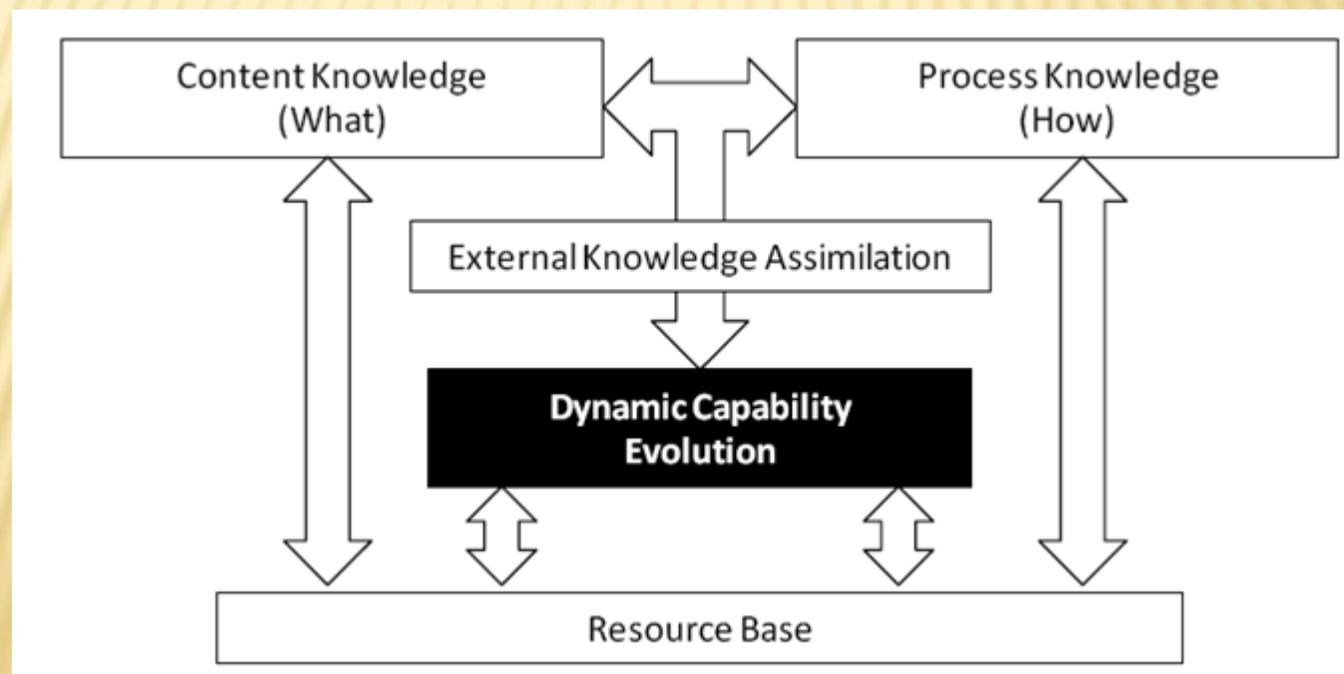
<http://innovationfitnessdynamics.com>

### **The big idea.....**

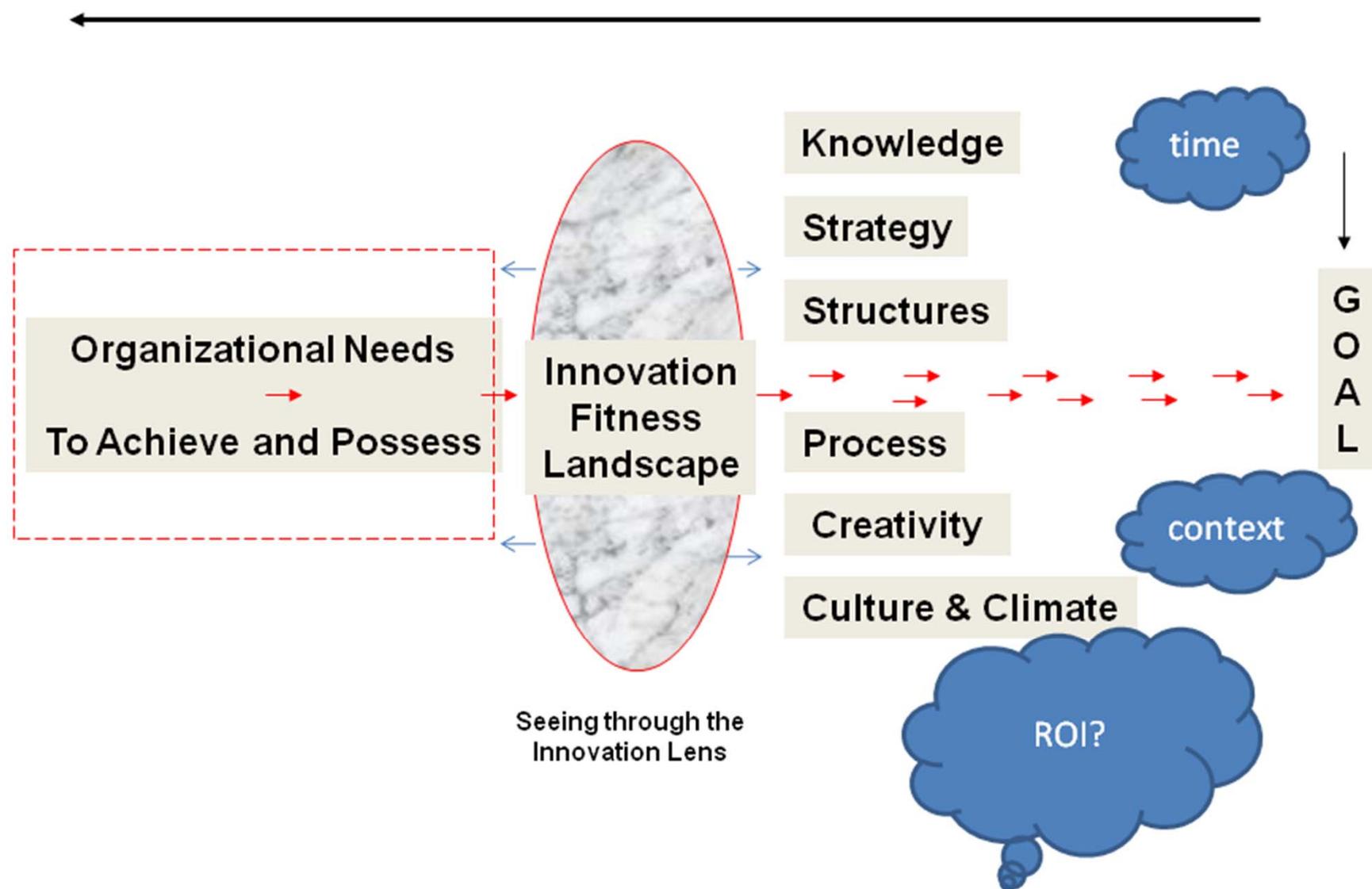
**a decision to walk a new path with a clear and unique journey's end in mind.**

**The end goal of your journey is simply “*the greater fitness you can achieve in innovation capability the more it can equate to a new value creation*”**

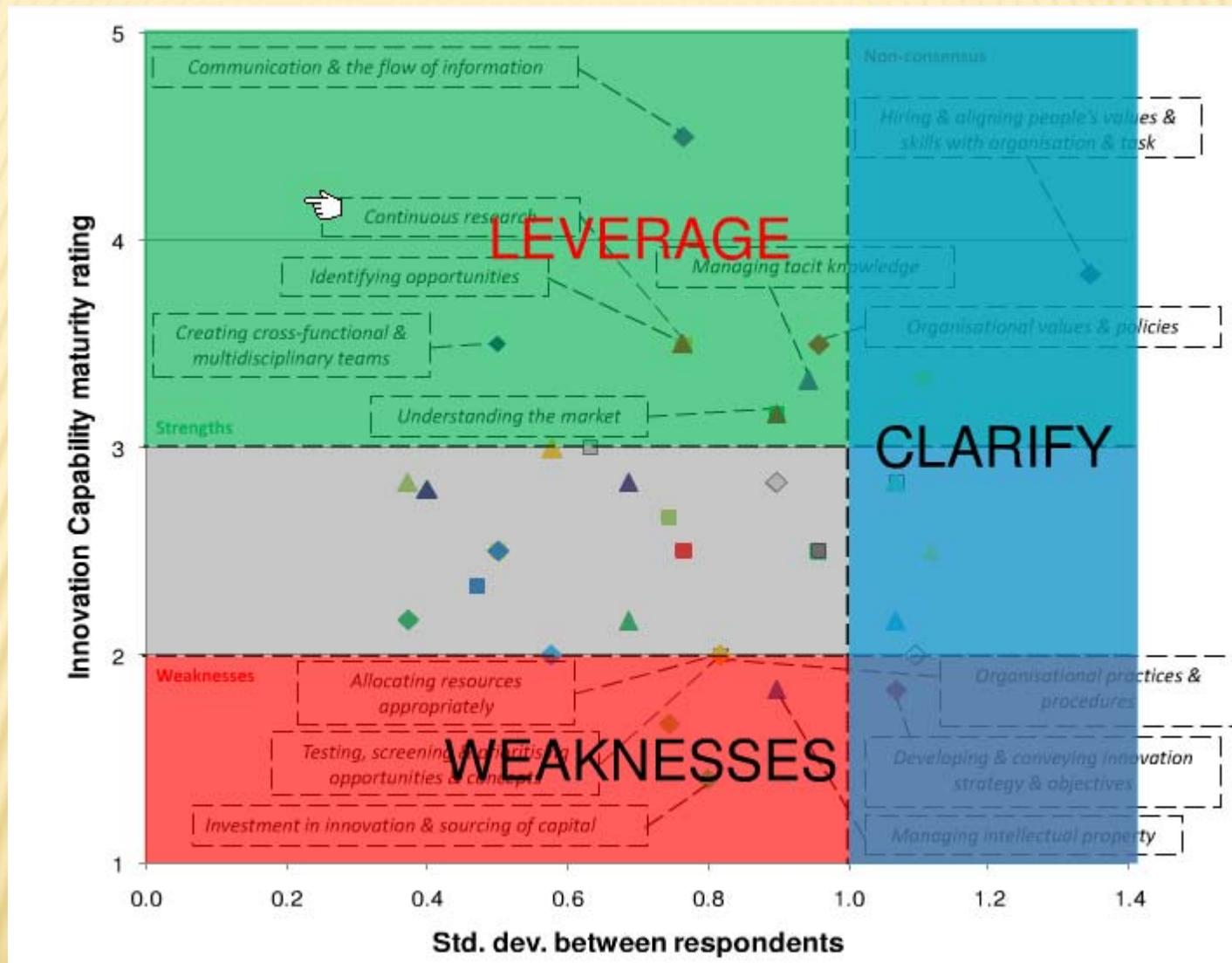
- An increasingly powerful answer to these fundamental questions of business strategy lies in the *\*concept of dynamic capabilities\**.
- These are the skills, processes, routines, organizational structures, and disciplines that enable firms to build, employ, and orchestrate intangible assets relevant to satisfying customer needs, and which cannot be readily replicated by competitors.
- Enterprises with strong dynamic capabilities are intensely entrepreneurial.
- They not only adapt to business ecosystems; they also shape them through **innovation, collaboration, learning, and involvement**.



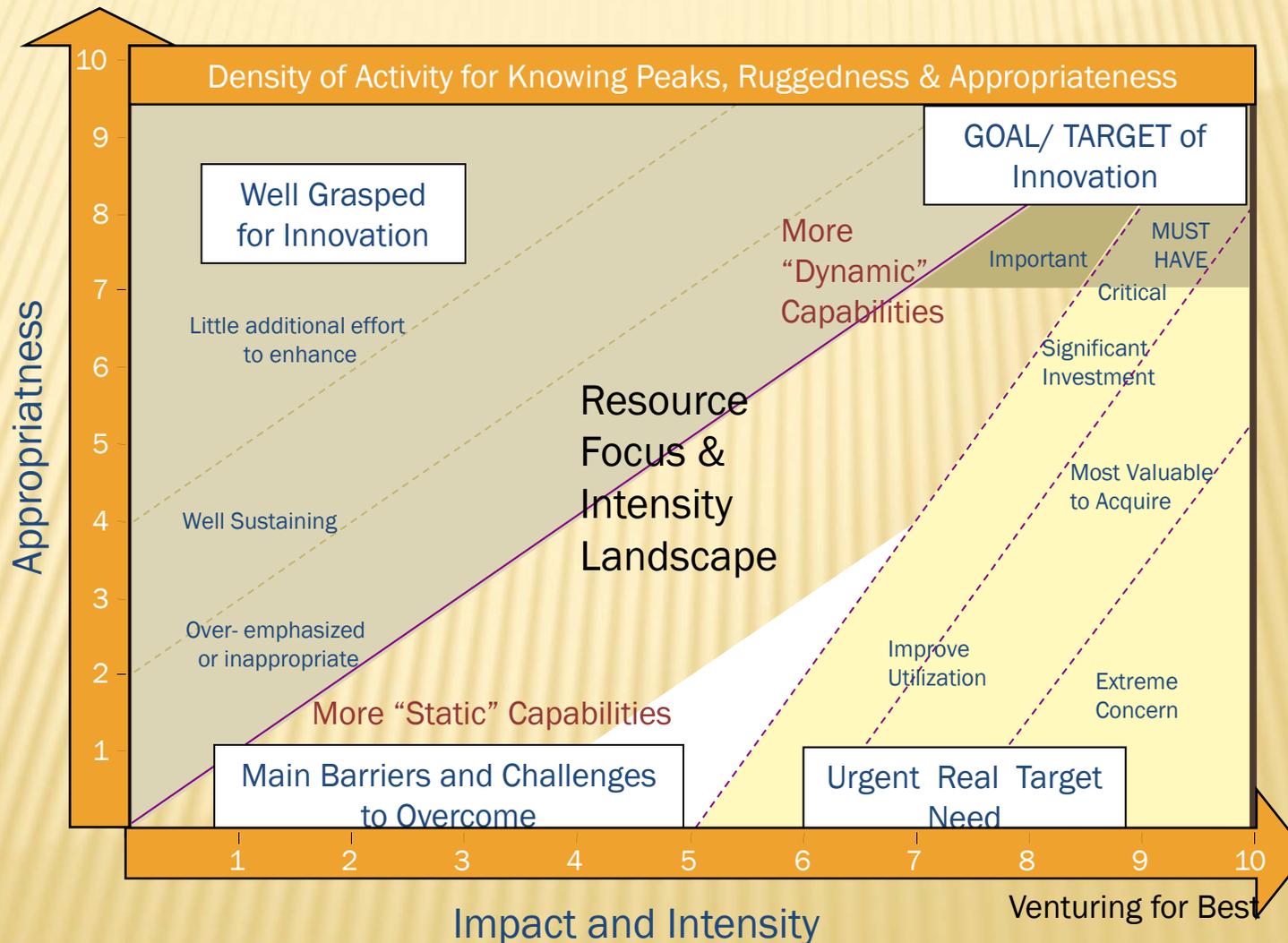
Knowing where the best impact to invest in, for innovation, is critically important



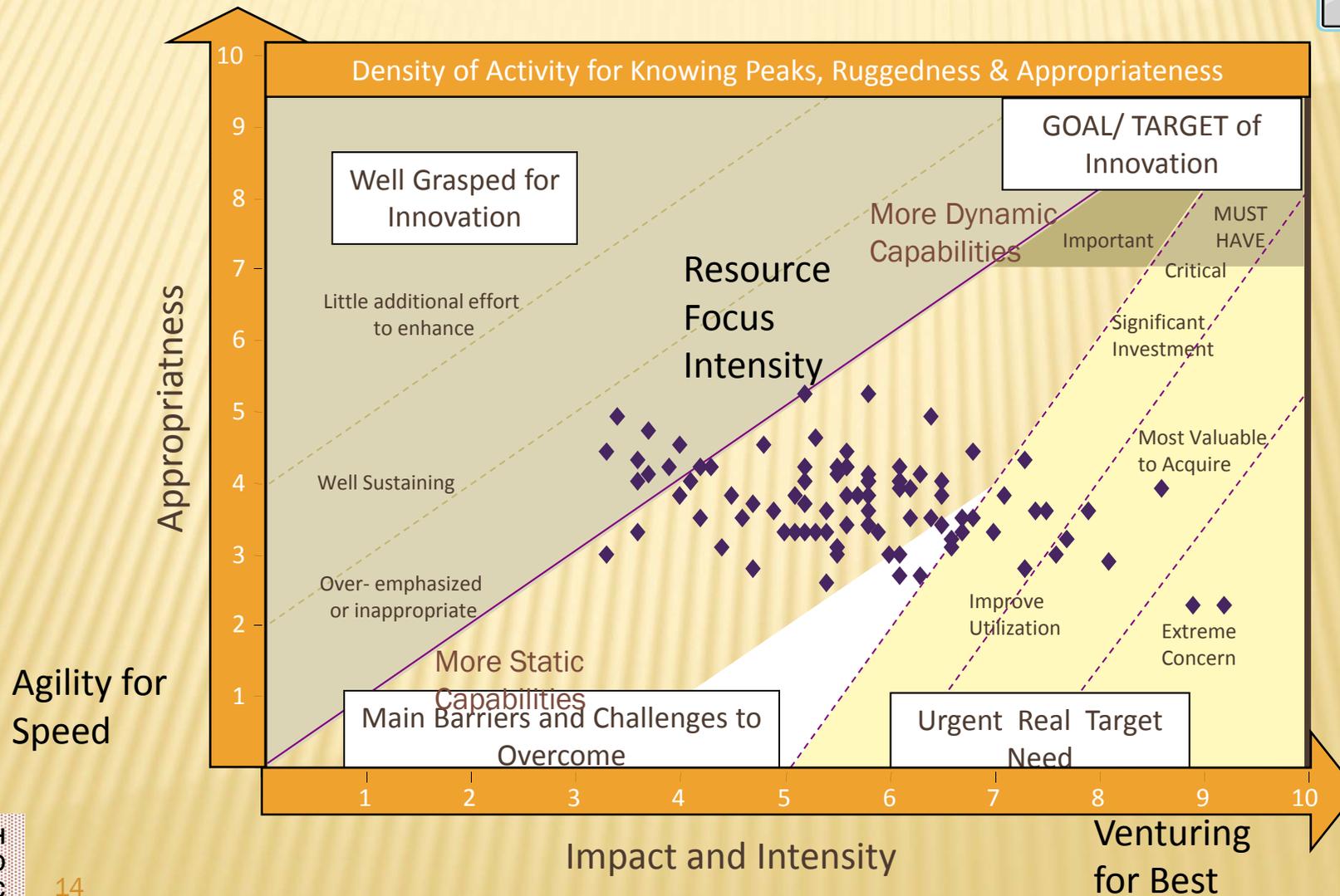
## What we are looking to understand



# WHAT MAKES UP THE FITNESS LANDSCAPE



# WHAT DOES THE FITNESS LANDSCAPE REVEAL?



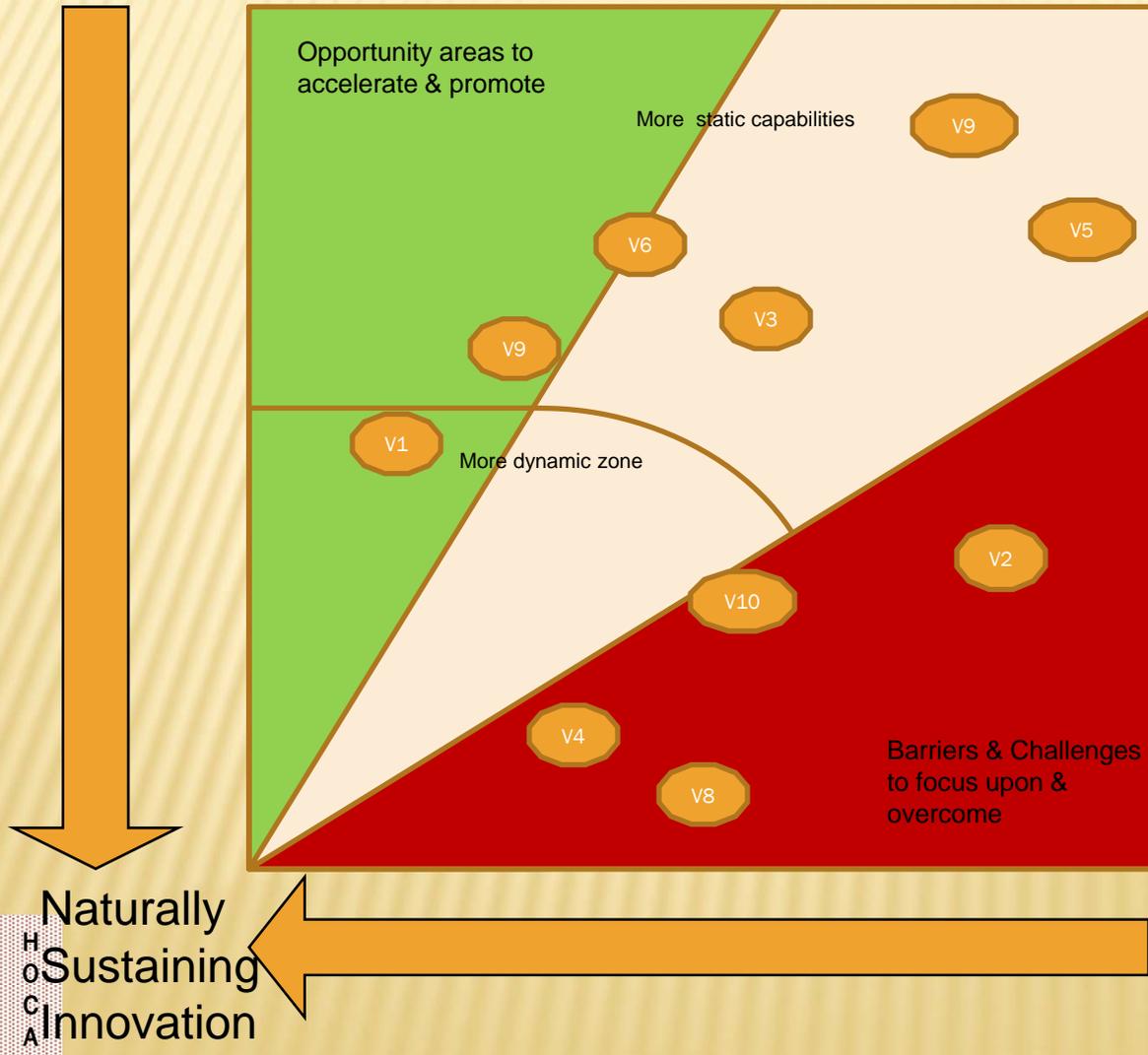
# Outcome: For Vision, Leadership & Strategy

*Possible Example*

 Comfortable Area –need to keep developing

 Desirable Area –need to push more & evolve

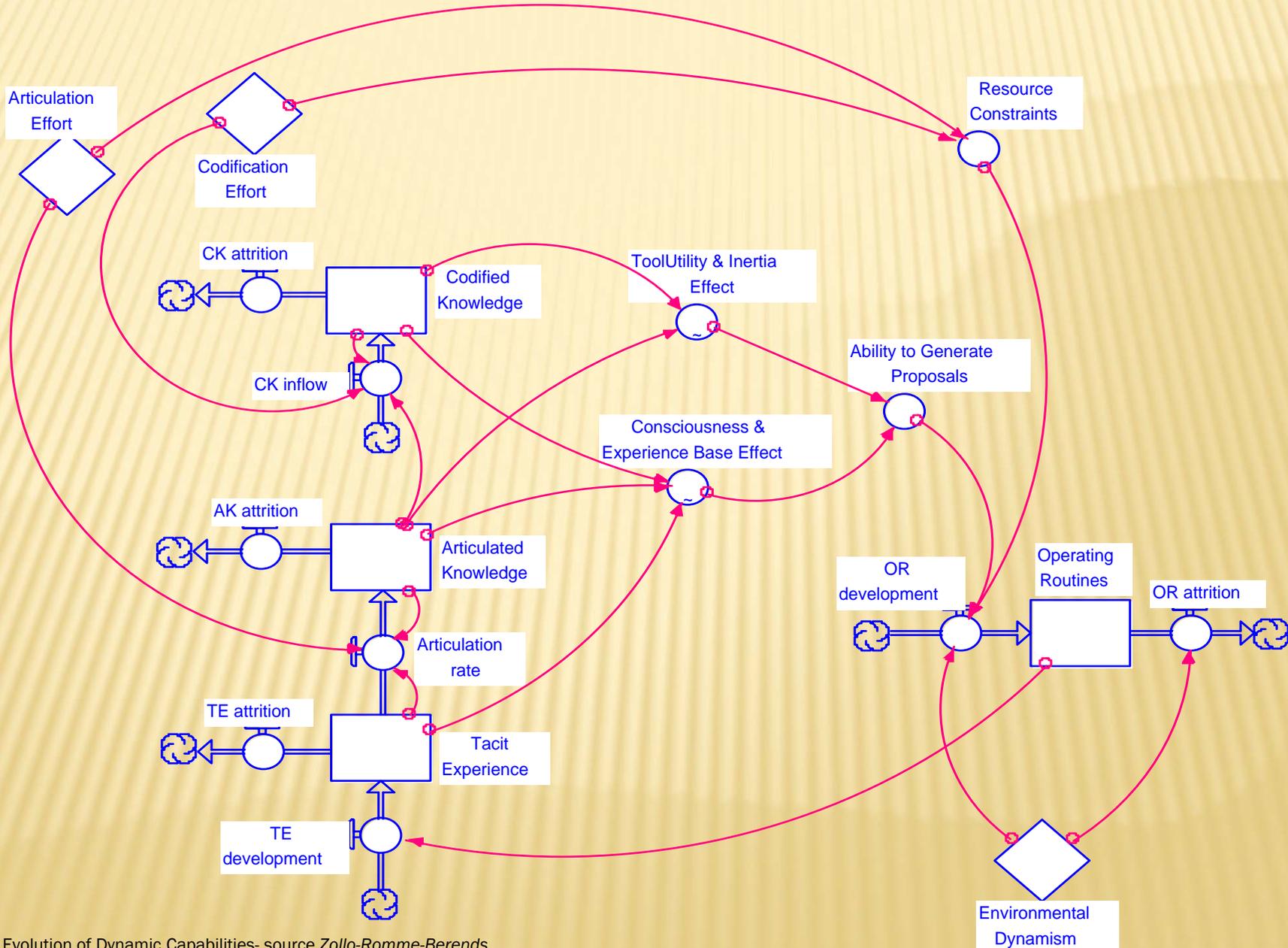
 Highly Critical Area- need to focus urgently



## Key Descriptor Set

- V1 Top Level Vision/ Goal Setting
- V2 Leadership that is deeply involved
- V3 Clear Strategic Intent/ Articulation
- V4 Strategic integration/ synthesis to Business
- V5 Market-driven orientation to Strategy
- V6 Re-evaluation of Strategies, consistency
- V7 Self-knowledge- knowing your limits
- V8 Communication & ongoing dialogues
- V9 Ability to redeploy resources in fluid ways
- V10 Structuring conditions for innovation

# Simulation model of Dynamic Capabilities



Evolution of Dynamic Capabilities- source Zollo-Romme-Berends

# Innovation through Absorbing Knowledge and Translating this into New Value

