

The Need to Understand Our Innovation Capital



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The Need to Understand Our Innovation Capital

Series Outline

A short series discussing Innovation Capital

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Nesting our Innovation Capital allows it to come together.

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Innovation requires the nesting of all capital

Posted on [February 26, 2014](#) by [paul4innovating](#)



Innovation cannot exist without all the capitals that contribute to its make-up. Yet we simply fail to appreciate all the capitals that innovation requires. It is a real pity as they are truly nested.

Equally many innovators are simply not prepared to put in the necessary work to achieve this understanding and the organization's innovation loses out, stuck in perpetual incremental mode, lacking in anything really new or radical.

All the capitals 'fire' innovation. They make innovation combustible.

More often than not when we talk within business of capital we tend to default to the financial kind. Of course providing the financial capital into innovation is vital; it provides the potential 'burn' but what is often understated and certainly under-appreciated is the other capitals. These have been 'tagged' under intellectual capital or are often 'lumped' into our intangible assets.

What we need is to recognize the real "nesting effect" all our capitals.

Each of our capitals performs a particular function and the overhaul make-up of their understanding becomes our eventual code to perform innovation. Each organization uses its mix of capitals to accomplish and generate innovation. It is in this mixture of combinations brought together constantly in different ways, this 'nested effect' that innovation occurs. The capital you 'bring to bare' will generate the innovation outcome or does highlights the gaps and gives real clues on where it is repeatedly falling down.

Organizations miss the power to consistently tap into all the potential that 'resides' or could be added to make innovation happen. It is the unique set of capitals that offers the real

potential to set each organization apart from others, it gives them the wealth-generating potential, their uniqueness and ‘chance’ to be seen as *future* valued.

So what makes up our capitals?

Firstly let me offer my definition of what is innovation capital

“Innovation capital is the sum of all that promotes the development and changes required for achieving innovation outcomes, within one organization or its broader networked environment for market place advantage. These are made up of the resources, processes, and capabilities to develop a constantly evolving capacity to innovate.”

Most of our capitals are learning capitals

The more we strengthen our knowledge and value our people the more we can generate new knowledge, build greater narratives, deepen discussions, make better connections and build our interactions out across growing communities. The more we discover, the more knowledge we gain and this leads up to determine a potentially better decision-making that should, in theory, give greater confidence that our invested financial capital is in ‘good hands’.

The power lies in the linkages we can forge, in acquisition, in assimilation and then into eventual transformation that allows known knowledge to become new wealth-generating innovation..

There has been an incredible ‘body of work’ on what does make up our capitals.

For many the term intellectual capital tends to put people off or prompt immediate definitions of “oh you mean intellectual property” so there has been a concerted re-framing to form around ‘our’ intangible assets instead. Our intangibles are far more essential today to understand. They are made-up of a complex set of assets. These can be made up of software development, product design, branding and training to go alongside intellectual property and still be accounted for, yet we have still not truly scratched the surface of capitals. There is so much more that is our true capital in organisations.

There is a ‘decent’ consensus today that our intangible capital drivers are made up of three parts: human, relationship and structural. Nested underneath these are perhaps fifteen or even more, one such view pioneered by [Entovation](#), which is led by [Debra Amidon](#).

For Human capital it is made up of knowledge, leadership, inventing, innovating entrepreneurship and creativity, and finally reputation capital

For Relationship capital this is made up of diversity, brand, network, cultural, social and community capital

Then for Structural capital this has strategic, organization, intellectual property, technological and environmental capitals.

Then we have the ‘new kid on the block’ in **Natural Capital**, to help advance the business case for better ecosystem management, with a focus on innovative initiatives to reduce supply chain and operational risks, cut business costs, enhance brand reputation, and fuel revenue growth and finally to seek out raw materials that come from a sustainable source.

Critically important is the sustaining within our consumption and diminishing natural resources and this Natural Capital is increasing as a major focal point to understand and pay increasing attention too.

Many capitals do make up our organization’s real stock and flow

I have to admit these are a lot of capitals to swallow and set about giving dedicated focus too. Yet it is this ability to recognize each capital and its make-up that when combined does offer the value creation capabilities of organizations.

The greater we can identify the underlying aspects of these capitals, the more we can combine them in unique evolving combinations to bring about new value creation. I’d start at the three broader intangibles of human, relationship and structural and then once you have your ‘intangible bearings’ you dive deeper.

It is in this greater use of capitals that lays the true value of the organization and its wealth generating capacities.

Outsiders really can’t figure out the potential for future value while these intangibles remain hidden. The current balance sheet reports the financials, normally reliant as quantifiable only on historical data, even with some sort of (short-term) future commentary around market conditions, outlooks on tangible investments and generalisations on the value of people.

Somehow this needs changing. We need to gain a better understanding of the whole picture of capital investment, not just financial and the tangibles. that we can touch and see, but the intangibles that we must sense and measure.

We need to build a better value creation story.

Why I tend to pull out innovation from the above list of capitals for instance is it takes arguably the ‘raw material’ within the other capitals into the eventual commercial outcomes that ‘inform’ us of the past, present and future wealth-generating outcomes.

It is working the combinations of all the capitals into unique combinations that give us the potential ‘stock’. Stock can be *enhanced* through more investment, it can be *preserved* through holding investment and it can *diminish* if it is not managed thoughtfully, or critical parts leave, reduce or get ignored.

The job today is unlocking potential, that wealth generating potential and that requires adding stock. Through focusing on the make-up of all the capitals we unlock knowledge, we can release resource from those unproductive activities and support those that promote and generate fresh value. New knowledge gives us the ‘raw’ innovation stock.

We need to know where our value creation resides – it is nested in our organizations.

By recognizing our ‘stock’ and knowledge through exploring and investing in our group of capitals we have that greater chance of value-creation. We need to move away from the bias of one capital, financial, it is not the dominating one in today’s world, it is our knowledge generating capital, those that ‘capture’ the true story of appreciating if one organization has future investment value or not, by the outcomes they generate.

We live in an evolving complex, uncertain world

In a world of increased volatility today, it is not how our financial capital alone is moving; it is how our knowledge is flowing and being absorbed. The more we absorb and then translate, the more value we have to generate our future. To make greater sense of all the ambiguity out there, we need to build our knowledge capital.

It is the leveraging of *all our capitals*, the understanding of their interdependence, the value of the interactions making up the dynamics within the system, the investments being made and the potential of their impact these have on the wealth generation and future value that ‘resides’ or not.

Knowing what makes-up our intangibles is so crucial within our organizations to understand. Do you really know what makes-up your real capital?

Place Your Future Bets – Invest In Innovation Capital

Posted on [August 1, 2014](#) by [paul4innovating](#)



Source: McKinsey & Co "Innovation matters :Reviving the growth engine"

Recognizing the value of our innovation-related assets is where the ‘smart money’ should go. To gain growth and to improve productivity is through innovation. We need to translate knowledge into new values.

When you pause and consider the make-up of Innovation Capital you realize it makes such an economic contribution and in a report from McKinsey & Co, they have set about identifying this to produce the above summary, covering 16 countries, to understand the real value of this Innovation Capital.

These numbers are big and still don’t fully capture everything associated with innovation as much remains ‘hidden’ or ‘attached’ to other activities as well.

We need to shift our thinking on what makes up Innovation Capital

The shift taking place in recognizing that our capital is well beyond ‘just’ financial is rapidly altering organization investment decisions. The McKinsey approach has set about capturing a broader understanding about innovation than R&D alone.

Innovation and its value creation goes well beyond just R&D, it is made up of a broad range of intangible assets that are firm-specific and due to this, they are being recognized as hard to replicate, providing the growing edge over competitors if they are identified and invested in correctly.

In this report they considered the broader aspects of Innovation Capital capturing software, design, market research, training and new business processes as well as spending by governments and through tertiary education in science, technology, engineering and mathematics (STEM) subjects.

The value of this inclusive approach

By taking this inclusive approach to innovation spending they were suggesting allowed them to document better the investments underlying innovation, to see the greater “innovation infrastructure”

We are clearly seeing the continued increase in the valuations given to certain organizations, up to 80% of the value is coming from the intangibles, with the vast majority of our business organizations are really slow in getting to grips with identifying what is making up this value in their premium.

The urgency for us all, each organization, is to identify the investments and the returns as the innovation impact offered by McKinsey’s report is delivering a significant business case for understanding and recognizing the strategic importance of identifying and developing all your innovation capital.

Just go back and re-look at the graphic above for investing in Innovation Capital for its impact and implications for each of us.

Recognizing Innovation Capital is really important

So the make-up of innovation capital is big, I mean really big, this might help generate a greater innovation wake-up call. In a report from McKinsey and Co, called “[Innovation matters: Reviving the growth engine](#)” and first presented at the G8 leaders Innovation Conference, in London on 14 June 2013. This report quantifies the importance of innovation in driving productivity growth and sets out the actions that governments and societies can take to build “Innovation Capital.”

The paper offered is stimulating the need for building the “innovation infrastructure” for our growth and as a key capability for our organizations and countries.

Where to start in specifically identifying Innovation Capital?

Within the McKinsey report they break down Innovation Capital into three components. These are:

Physical Capital is formed by investments in information and communication equipment (ICT) and across the countries analysed it represents **16 per cent of the Innovation Capital**.

Knowledge Capital is formed by investments that build firms’ intellectual property and brand equity, including investments in computerized information, R&D and marketing investments, as well as relevant research in universities. It **represents 60 per cent of Innovation Capital** across the countries McKinsey analyzed.

Human Capital is formed by investments in building individual or organizational skills that drive productivity growth. This includes public and private investments in tertiary STEM education, employee-based training programmes and investments to develop organizational efficiencies (e.g., redesign of business processes or review of business models more broadly). Across countries analysed it **represents 24 per cent of Innovation Capital**.

It is important to recognize that McKinsey has captured and measured these to produce the impressive impact that innovation capital has. Is your organization identifying these for assessing their innovation capital? Most probably not.

Finding our innovation uniqueness

The make-up of our Innovation Capital are unique to each organization and highly valuable, I'd argue the report by McKinsey on its contribution is still significantly understated but a terrific step forward in attempting to quantify it.

It is the pivotal role of people as innovation carriers – their networks, collaborations, knowledge flows, interactions and tacit knowledge – and how innovation itself is a potent competitive force that drives productivity. All this is often '[hidden in plain sight](#)' as our people are innovation's active ingredient, the catalyst that turns novelty into real benefits.

Innovation capital is the big win if we can harness it well.

Exploring the Value Of Your Innovation Capital

Posted on [August 2, 2014](#) by [paul4innovating](#)



Following on from my last post of "[Place your future bets- invest in Innovation Capital](#)" which outlined the significant contribution innovation capital plays in our economic growth, let me offer some further thoughts on its value to really capture and understand, so we can measure it within our organizations.

We have the three components; of physical capital, knowledge capital and human capital that are the innovation-related assets, these make-up Innovation Capital.

I have been arguing that innovation capital draws from the core of intellectual capital and its suggested (and broadly recognized) components of human, structural and relational capitals or social capital. I have previously discussed this converging up, as the '[nesting effect](#)'

Innovation capital needs assessing and measuring so we can understand the relationship between this innovation capitals (and its present and future potential) and organization performance. We need to know the innovation capital '[stock](#)'.

Why, well 'stock' can be 'static' and we need to make this [more 'dynamic'](#) so innovation can 'flow' from this constant renewing of our capitals and be transformed into new value.

Let me explain the innovation capital stock in (my) five parts

- It is a bundle of the firm's resources and assets that renders complementary services in the process of new knowledge (innovation) creation and commercialization
- Innovation capital as renewal capabilities of our organizations in the form of producing intellectual properties that offer value and extracting from our intangible assets
- Innovation capital possesses attributes that make it a 'strategic' asset with the key lies in specifying the nature and application of these assets in relation to the new knowledge 'flowing' into the organization, for generating and commercializing concepts and ideas, into new forms of innovation
- The innovation capital is made up of the 'dynamic interactions' between the intangibles employed and ongoing development of these intangible assets.
- It is the 'effective use' of all the different kinds of intangibles that contribute the activity into innovation capital.

For me it is these tangible and many intangible assets that fire innovation, they make innovation combustible, to 'spark' new value creation.

Innovation will continue to struggle if we don't understand its capital make-up.



If we don't understand where the innovation value resides, we will certainly struggle to continue to build innovation's position in the organization. Today innovation is still regarded as 'expendable', sacrificed on the altar of short-termism.

This creates a growing uncertainty, often reducing innovation down as that no real 'sense of urgency' and becomes 'contained' in discrete projects, failing to offer that real, substantial, ongoing value for the enterprise.

We simply don't 'unlock' the real value of innovation. If we lack the understanding and abilities to build this sustaining operational capacity for innovation we have ongoing problems.

There is the need as its longer term goal, to be simply fully embedded inside the organization that it 'resides' and simply becomes indistinguishable, it becomes the operating core, constantly aligned to the strategic needs and goals. Innovation's benefits must be outstanding and well understood.

Innovation will remain tentative, always stuttering along, lacking this absolutely organization innovation rhythm if it is not fully understood in where it generates its capital from and what new capital and stock it provides.

Actually most of our innovation capital is learning capital.



The more we strengthen our knowledge and value our people, the more we can generate new knowledge, build greater narratives, deepen discussions, make better connections and build our interactions out across growing communities.

The more we discover, the more knowledge we gain does leads up to determine a potentially better decision-making and value creating potential.

This should, in theory, give greater confidence, both internally and externally, that our invested financial capital is in 'good hands'.

The power lies in the linkages we can forge, in acquisition, in assimilation and then into eventual transformation, that allows known knowledge to become new wealth-generating innovation.

Our learning capital needs to emerge and dominate future discussions in improving its quality and value contribution. We need to increase incentives for organizations and their people to learn new things or update their existing knowledge.

We need to learn how to articulate knowledge in its acquisition, assimilation and transformation and that comes back to [understanding absorptive capacity](#).

Managing organizational learning and innovation, more ICT is needed.



To successfully manage innovation capital and understand the make-up of the intellectual assets, the new main role of ICT is pulling together Web 2.0/3.0, collaborative technologies, social networking tools, wikis, internal

blogging and knowledge capture, so as to help people share this growing body of knowledge through common platforms and electronic storage.

As our social networks expand they become the vital source for intellectual capital and innovation understanding. These relationships and networks need to be fostered, constantly measured in their value and contribution, structured in ways to communicate and interpret outcomes for ‘directing’ future value creation.

The whole promising ‘wave’ of collective intelligence, social networking and building real useful communities of knowledge is a real challenge today to pull together. It is becoming a crucial factor and investing in the physical capital this needs, does allow for people to share knowledge through common platforms and strengthen the knowledge, with the human capital that innovation requires, to drive real growth.

For instance, [EU investments in ICT’s](#) are due to increase by about 25% under Horizon 2020 compared to FP7. This EU investment will support the whole chain from basic research to innovation that can deliver new business breakthroughs, often on the basis of emerging technologies.

We also need to recognize the work-to-be-done, not work already done!

[Work to be done](#) is the need for our future growth and well-being to be derived through innovation activities. These so much made up of intangible parts will provide the new wealth of organizations in the knowledge sharing economy of today and the near future.

We need new forms of evaluation to measure the real asset wealth of the organization to understand the points of intensity, their connected dynamics and what is required to reconfigure the changing capabilities and capacities needed to grow in the future. There is a lot of [work to be done](#) out there.

Shifting our investments into today’s more valued capital- Innovation

It is how much we are able to adapt to fast moving changes will determine our success. It is the combination of all the sum of our capitals and knowing what factors and assets contribute into making our innovation capital will determine the ‘health’ of our future.

I think it is essential going forward that we need to significantly increase our innovation capital focus, so it can be fully unlocked, so as to release the true dynamics within the system and structures of our organizations to realize innovation’s potential.

For me, [Innovation Capital and its make-up](#) is where we need to focus, to understand and invest into. It drives our ability to create and sustain value creation.

What makes up your innovation capital?

Posted on [February 25, 2015](#) by [paul4innovating](#)

Making Innovation Capital Your New Core

If someone came to you and asked the question: "***tell me what makes up your financial capital?***" I expect you could answer this fairly comfortably. It might need a little added help from your finance department but you could produce and show significant details that we are all ' schooled' to understand and generally have accepted, as under common definitions and standard practice.

Our businesses are measured constantly on their financials, we produce a constant flow of reporting documents that provide useful insight and allow for a more informed judgement by present and future investors on the health of the company. We are 'wedded' to our financials and ignore the real value within our organizations of all the other critical capitals that generate and strengthen the business.

What if that same person came to you and asked instead: "***what makes up the innovation capital of the company?***" could you answer this as clearly as the financial one – I would suggest most probably not. (By the way, if you feel you can then please let me know I would be more than interested). We are focusing more on past performance and not future generating potential by staying fixated on just the financials within all that makes up our organizational capital

So what makes up our innovation capital and why is it important to know?

Should we care, does it matter? I would argue it does, increasingly so. Within the innovation capital lies the future of the organization and holds one of the real golden keys to the sustaining performance of the company, or not.

The generally accepted view is that Innovation boosts a company's earnings, speeds growth, ensures an advantage over competitors, and greatly appeals to shareholders. Put another way, businesses that deliver earnings growth based on a continuous stream of new products and services and new ways of doing business capture the innovation premium.

So tell me, why are we seemingly so bad at identifying what actually makes up our innovation capital, apart from some sweeping generalised statements attached in the accompanying comments within the financial result statements?

We need to find a way to unlock this as we are constantly being pushed for new business models that create, deliver and capture value. It is in the entire make up, the value structure around the offering, and this is made up of distinct capitals that drive the new business towards success.

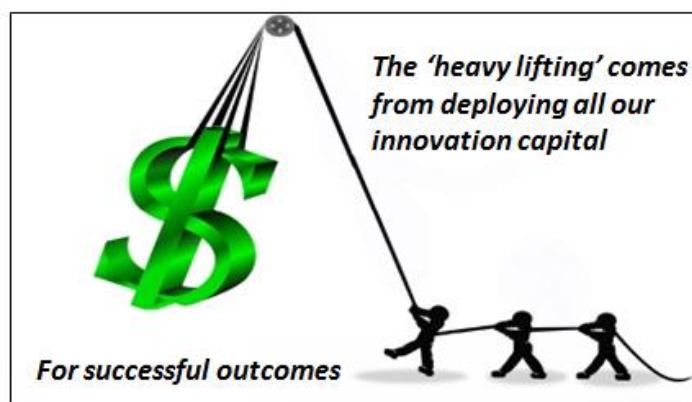
How do I define innovation capital?

"Innovation capital is the sum of all that promotes the development and changes required for achieving innovation outcomes, within one organization or its broader networked environment, for market place advantage".

"These are made up of the resources, processes, knowledge and capabilities, that are constantly evolving and highly dynamic to build greater innovating capacity."

These innovating capitals build upon the capabilities of 'sensing, seizing and transforming' so as to build new capital that focus more upon the dynamics within innovation. You are searching for what makes-up and provides the true value creation in successful outcomes; in final product, services, knowledge understanding or executing within further business models"

We need to understand what makes up innovation capital far more in the future.



Mostly this innovation capital comes from the different intellectual capitals, those unique sums within each organization, of knowledge made up of our human assets, organizational structures and social partners making up the organizations eco system.

It is when we bring these together in different, evolving ways we transform the knowledge into new economic value, through this organization and personal actions. Financial capital cannot do that, it can only fuel the other capitals.

Within these capitals lie the three primary components of intellectual capital: human capital, structural capital and relational capital. These do the heavy lifting to generate the value in the capital.

Human Capital is perceived as the knowledge and learning abilities of the human resources, it primarily comprising knowledge (explicit and tacit), skills, intellect and talent of individuals.

Structural Capital provides the organizational mechanisms and architecture for retaining, packaging, reinforcing and transferring knowledge along business activities.

Relational Capital represents a firm's accumulated knowledge and ability to absorb, exploit and extend knowledge from its relationships to create, develop and maintain conditions that serve the interests of both the firm and increasingly its principal external partners.

Increasingly other capitals are being given increased focus

Technological Capital includes efforts in R&D, technological infrastructure, intellectual and industrial property.

Organizational Capital includes elements such as organizational culture, values, attitudes, information and telecommunications capability and organizational structure.

Strategic Capital that builds up the layers to offer a viable business, it provides increasingly the logic and purpose that 'connects and attracts' and 'accounts' for delivering the business model, that provides to the market and delivers on the need to build and sustain the organization and keeps it viable and evolving..

We need to make greater efforts to measure these capitals, as they possess the value of all the knowledge used, combining human with physical capital to generate outputs that drive progress and future outcomes.

We are highly vulnerable unless we know what makes up our capital stock.

Financial Capital is useless on its own to generate growth unless it has its '*feeding stock*' and that is within the other capitals.

It is the '**stock**' of these that generates the values. It is these unique bundles of a organizations resources and assets that give us our new innovation value, through the process and **flow of knowledge and its creation**, leading to commercialization. We need to constantly create fresh innovation capital.

It is the dynamic interactions and **flows** between the different innovation capital assets and the other intellectual assets that innovation requires for successful activity and outcomes. This is where **absorptive capacity** plays its vital part in structuring this process.

The hard part is valuing innovation capital as these are constantly being renewed and evolving.

Innovation capital is a set of renewal capabilities and understanding what these are is critical but today is not well understood. We find it extremely difficult to report clearly on the makeup of our innovating capital yet investors are increasingly attributing more to the intangibles, based on limited knowledge.

Determining and being able to articulate the value within these capitals would be truly valuable and would help us differentiate between those that are ***static*** or simply repeating, and those that are ***dynamic***, ever evolving, searching for new knowledge.

Perhaps a good example here is to think of Apple and its innovation premium.

Apple delivers on its innovation promise in products, we, as customers seem to want. They have mastered the convergence of ‘breaking’ technology, placing a significant emphasis on design, user experience, combining materials to deliver products that make that statement of quality, fulfil our increasing appetite for technology we see as increasingly valuable to our daily lives.

Then they bundle it by providing ease of use within the make-up of the product, offering closed platforms to enhance individual experiences and deliver this ‘bundle’ through the sheer generation of excitement and buzz. They seem to be able to leverage all their capitals. They build in the emotional capital, the reputation, a trust factor, raising our expectations of a future promise. They are leveraging *all* parts of their capital stock extremely well, on a constantly evolving platform of knowledge and learning. Can others emulate this combination effect?

How can we capture and articulate the innovation capital?

So the key to identifying innovation capital lies in its ***stocks and knowledge building assets*** and their uniqueness in the resources that make this up, in constantly evolving and learning, these are the a real strategic asset. Leveraging the ***‘stock’*** of our innovation capital can render different productive value outcomes.

It is our ability to ‘mix and combine’ the innovation activity that it consists of, in all the decisions and activities that occur, from the recognition of a need or a problem, through research, development and commercialization of an invention into successful market outcomes builds the capital.

Knowing this [***make-up of our innovation capital***](#) provides us the potential for driving our future growth. Identifying the real capital that will drive and sustain real advantage, providing the future potential for new wealth should be the essential way we measure organizations performance, not on past financial performance or personal perception, built on limited understanding.

We need greater insights into all our organizations ‘collective’ capitals

It is the ***‘combination effect’***of leveraging all our capitals that yields the real lasting sustaining values. Today, we are lost in numbers and details, financials dominate most discussions.

Until we can peer under the organizations hood a little more and understand the make up of all the capitals then we will continually fail to understand the real innovation activity that generates the value and we will always have a lack of measuring an organizations performance in any comprehensive way.

We rely too much on historical numbers, alongside a judgement of the rhetoric offered by the board about the promise of future performance. Judging innovation's performance is based partly on current product launches and announced future pipeline where the board is typically cautious. It often makes us, as those investors, equally cautious. We need to know more on what can and does 'drive' future performance that lies at its core or is being built in new capabilities and capacities.

If we had a better understanding of the make up the innovation capital, and what makes up its critical enablers, then we are better positioned to qualify and even quantify a more confident future, based on the capital that 'feeds' the future potential.

Holding the future back

We need to understand the strategic importance of the make-up of the innovation capital and presently most corporate boards lack any clear line of sight into this. It holds innovation back, it constrains growth, it makes us cautious of the future, if we don't fully understand the make-up of our capital. I think It is time we did.

Is Innovation Capital important to us?

Posted on [August 18, 2016](#) by [paul4innovating](#)



Perhaps we are failing to recognise the importance of our Innovation capital, stopping to ask how really valuable knowing this is to us?

Should we care, does it matter? I would argue it does, increasingly so. Within our innovation capital lies the future of the organisation and holds one of the really important 'golden keys' to the sustaining performance of the company and its future growth potential.

We need to find a way to unlock this as we are constantly being pushed for new business models that create, deliver and capture value. It is in the entire makeup, the value structure around the offering, and this is made up of distinct capitals that drive the new business towards success.

How do I define innovation capital?

"Innovation capital is the sum of all that promotes the development and changes required for achieving innovation outcomes, within one organisation or its broader networked environment, for marketplace advantage".

"These are made up of the resources, processes, knowledge and capabilities, that are constantly evolving and highly dynamic, to build greater innovating capacity."

The hard part is valuing innovation capital as these are constantly being renewed and evolving.

Innovation capital is a set of renewal capabilities and understanding what these are is critical but today is not well understood. We find it extremely difficult to report clearly on the makeup of our innovating capital and where we should focus in their development

Determining and being able to articulate the value within these capitals would be truly valuable and would help us differentiate between those that are ***static*** or simply repeating, and those that are ***dynamic***, ever evolving, searching for new knowledge.

Building stock, generating flows

It is the generating of '**new stock**' that builds the values of our future capital. It is these unique bundles of an organisations resources and assets that give us our new innovation value, through the process and ***flow of new knowledge and its value creation***, that lead to commercialization. We need to constantly create fresh innovation capital.

It is the dynamic interactions and ***flows*** between the different innovation capital assets and the other intellectual assets that innovation requires for successful activity and outcomes. This is where absorptive capacity plays its vital part in structuring this process.

How can we capture and articulate the innovation capital?

So, the key to identifying innovation capital lies in its ***stocks and knowledge building assets*** and their uniqueness in the resources that make this up, in constantly evolving and learning, these are the real strategic asset to nurture and build. Leveraging and continually building the '**stock**' of our innovation capital can render different productive value outcomes.

It is our ability to '**mix and combine**' the innovation activity that it consists of, in all the decisions and activities that occur, from the recognition of a need or a problem, the decisions and then the activities that occur that build through researching, developing concepts through to the eventual release into commercialization into successful market outcomes that feeds and builds the combined innovation capital.

Knowing this [make-up of our innovation capital](#) provides us with the potential for driving our future growth. Identifying the real capital that will drive and sustain the real advantage, providing the future potential for new wealth should be the essential way we measure organisations performance, not on past financial performance or personal perception, built on limited understanding.

Holding the future back if we lack a deep understanding of our innovation capital

If we had a better understanding of the make up the innovation capital, and what makes up its critical enablers, then we are better positioned to qualify and even quantify a more confident future, based on the capital that 'feeds' the future potential.

We need to understand the strategic importance and take the time [to explore where our innovation capital](#) lies to understand all the value-building points. At present most corporate boards lack any clear line of sight into this, it significantly holds innovation back, it constrains growth, and it can make us all far more cautious of the future, for knowing where to invest and grow as we lack the level of what innovation capital should we be leveraging in our understandings.

I think it is the time we did clarify our innovation capital in far better ways. Need any help?

About Paul Hobcraft



I simply enjoy innovation. I got ‘hooked’ fifteen years ago and since then have increasingly focused on innovation until it is 100% of my business thinking and activities today.

I research across innovation, looking to develop novel innovation solutions and frameworks where appropriate. I provide possible answers to many issues associated with innovation with a range of solutions that underpin my advisory, coaching and consulting work at www.agilityinnovation.com .

The aim is to support individuals, teams and organisations, in their innovation activity, applying what I have learnt to further develop core innovation understanding, so clients can achieve positive and sustaining results from their innovating activities.

For me, ***innovation needs to enter the DNA of our organisations*** and our own individual make-up. In my writing, I try to offer a range of thoughts on different aspects of innovation to help each of us to understand this subject better.

Innovation as a source for our growth fascinates me.

As for my personal journey

How I got to this point I can only say it has been varied, challenging but full of fun and learning. This has taken me to live and work in Saudi Arabia, Kenya, Malaysia, Switzerland, the Netherlands, USA, Hong Kong, Australia, and recently twelve years in Singapore. Today, I live in Switzerland, my adopted home.

I’ve worked in a number of senior positions within global corporations, in global, regional, country and functional levels tackling different challenges that have included start-ups. turn-rounds and significant re-engineering and operational design or automation across a global network.

The work has been varied, the challenges diverse coming from starting up different businesses in emerging markets, turning difficult ones around in challenging economic and market conditions more than once, re-engineering a global organization over a three year period choosing to live permanently out of a suitcase (or two) for months at a time in each

of the major global locations as the best way to deliver the changes, and finally simply accelerating companies, getting them through to critical mass points, for achieving their positive contributing footprint, within the world.

In 2000 I went into my own business of consulting and advisory work, firstly based in Asia and then in recent years, based in Switzerland

After I moved to Ticino in Switzerland, from Singapore I am spending different times between the two regions, although Europe holds an increasingly more central role. All the time my focus is on innovation and many of the related topics that move it increasingly towards a core within organisations. Innovation understanding does 'simply span' globally and I have been fortunate on building on the foundations initially laid down in Asia and advanced while in Europe through an ever-expanding network of collaborators, knowledge and insights.

My present focus is spent building this innovation practice, providing advice on building the right capabilities and capacities, into organisations or individuals wanting to advance on what they have already in place; to improve, accelerate and develop their innovation competencies and understandings of the 'fit' of innovation.

Paul Hobcraft has been voted into the top innovation bloggers over a consistent period from 2012 on a leading Global Innovation Community- Innovation Excellence- ,



"These accolades are highly appreciated and valued- they inspire me to keep innovating in my own unique way and style. These recognitions help me believe I can contribute to the wider innovation community we are all part of"

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