



**INNOVATION  
FOR GROWTH**

# WHAT ARE INNOVATION AUDITS?

MARCH 2011

Whilst it is generally recognised that innovation is important and enhances shareholder value, what is less well understood is how to become more innovative. Innovation audits review current practices enabling the consultant to advise on alternative and additional measures and techniques that companies can adopt to improve and maximise their innovation capabilities.

The preceding paragraph succinctly encapsulates the rationale for innovation audits. They are designed to assist companies in understanding their current innovation practices, and how these might be improved upon or added to. Indeed, the audit may illuminate some practices which are actually hindering innovation, and these need to be reduced or stopped. Why? All companies interested in growth will be looking at how they can be innovative and it is increasingly, and widely, recognised that innovation capability is one of the key determinants of long-run profitability and survival. Companies will, therefore, all be wishing to improve their processes to maximise their innovation capabilities and maximise opportunities for growth.

All organisational systems should support innovation. Corporate executives need a means of auditing their firm's innovation capability so that they can get a sense for the overall performance of their innovation process and where it may be deficient. The innovation audit is a proven method to improve innovation. It examines key indicators, determines strengths and weaknesses and identifies ways of improving innovation throughout the organisation.

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The subsequent report tells you what is working well in terms of culture, processes, communication and actions. It also analyses what is inhibiting innovation.

The outcome of the audit should be a clear identification of issues and the obstacles of innovation. It enables you to significantly improve the culture and process of innovation within your business. It should also lead to higher levels of motivation throughout the organisation, resulting in a more innovative, and entrepreneurial organisation that welcomes and initiates change. All of which leads to an ability to implement fresh ideas to generate revenue or reduce cost.

A summary of the benefits of an innovation audit is as follows:

- It enhances the company's innovation capability;
- It identifies opportunities for increasing innovation;
- It clarifies where the organisation needs to focus to maximise innovation success;
- It embeds innovation in the company's processes;
- It can build on individuals'

creativity to be innovative;

- It can identify and control the barriers that stifle creativity and innovation;
- It fosters innovation in the organisation's culture; and
- It can align the organisation in common purpose and action.

Examples of questions, which can be asked, include:

- Innovation strategy
  - Is there an innovation strategy?
  - Does the innovation strategy support the corporate strategy?
  - Is the innovation strategy known and understood throughout the organisation?
- Idea generation
  - Are ideas readily canvassed from staff?
  - Are ideas submitted from different levels and departments?
  - How many ideas were submitted over the past twelve months?
- Selection
  - Are financial and scoring techniques used to select projects?
  - Are there appropriate mechanisms in place to assess potential projects?
  - Are decisions made quickly?

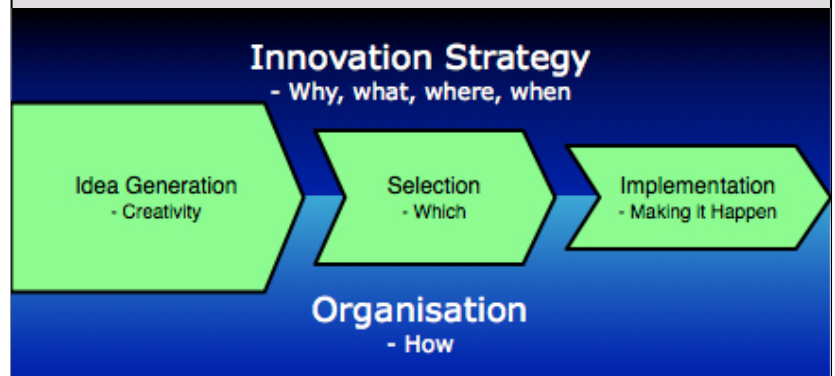
## Box 1 – The Innovation for Growth Audits

Innovation for Growth conducts two different levels of innovation audit. The first is an on-line survey completed by clients and their staff. The survey is based on the following five areas:

1. Innovation strategy- why, what, where, when;
2. Idea generation – creativity;
3. Selection – which;
4. Implementation – making it happen;
5. Organisation – how.

The responses are analysed, and a report submitted to the client setting out our conclusions and recommendations.

The second level adopts the on-line survey, referred to above, as a starting point. Once this has been completed and analysed, face-to-face interviews are scheduled with selected staff. This gives a more in-depth fact base from which to draw conclusions, insights and recommendations.



## Box 2 – Other Examples of Audit Methodologies

The Innovation Diamond considers the following four headings:

1. Strategy for product innovation and technology (the need for new products to tie into corporate goals);
2. Resources: Commitment and Portfolio Management (the portfolio needs to have maximum return on investment, a balance of projects – risk, markets, technologies, etc, and a strong link between efforts and strategy);
3. Idea-to-launch System: Stage-Gate®;
4. Climate, culture, teams and leadership.

An alternative is to adopt the McKinsey 7S framework based on:

1. Strategy – which considers questions around Strategic Plans, innovation and change;
2. Structure – this considers questions of roles and responsibilities;
3. Systems – this looks at the processes which governs the organisations' actions;
4. Skills – this reviews the skills within the organisation as well as identifies what gaps exist within the skill set;
5. Staff – this considers personnel and team aspects;
6. Styles – this touches on organisational culture and tools adopted;
7. Shared Values – this also touches on culture, vision, rewards and attitude of employees.

A third technique is to consider the following five broad headings:

1. Strategy and leadership;
2. Organisation and culture;
3. Planning and selection;
4. Structure and presentation;
5. Communication and cooperation.

A further approach is to liken the innovation to a fruit tree that produces a superb crop (outcomes). Such a crop results from how it is fed (via its roots) and what supports the tree's environment. Within the organisation, the roots are its people, groups, teams, leadership and innovation processes. The environment is its culture. Outcomes consider the organisation's proficiency in incremental and breakthrough initiatives, how it develops its ideas, manages teams, decision-making and learning.

Another approach combines quantitative and qualitative data sources to provide the fullest picture of the firm's innovation strengths and weaknesses. It uses interviews, assessment of financial data, review of relevant project documentation and bespoke market research to assess an overall innovation performance and identify factors that might contribute to poor outcomes. This approach looks at the organisation's innovation performance to date, the capability of the organisation against relevant activities (strategy, creativity, selection, development, exploitation and resources). It reviews leadership and top management's attitude to innovation.

All of these different methodologies follow a broadly similar tack to the one we use. They ask questions to understand the processes, attitudes and ethos of the organisation and its members. They use surveys and interviews in a structured format, under broadly similar headings.

- Implementation
  - Is there an appropriate project review mechanism?
  - Is there an appropriate mechanism for capturing learning from projects?
  - Are there links between the appropriate departments?
- Organisation
  - Does the organisation's culture support innovation?
  - Do individuals' have innovation targets and goals?
  - Are there rewards and recognition for innovation efforts?



To conclude, innovation audits are an examination of current innovation practices. Such an understanding allows the consultant to advise on alternative and additional measures and techniques which companies can adopt to increase and maximise their innovation capabilities.

**Innovation audits – a mechanism to help companies to understand innovation, as well as to increase their innovation capability**



Founded in 2010, Innovation for Growth is a business consultancy firm that specialises in the provision of advice to small and medium sized enterprises. We work with companies from all sectors undertaking innovation audits, and providing innovation advice so our clients can maximise their innovation capabilities and achieve their growth aspirations. We also undertake desktop, business research and analysis, enabling our clients to concentrate on running their business.

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