

Innovation Health Check

Benchmarking of the Innovation Process

Company Name: SANIPEDIA

Date of Facilitation: 15/02/2016

Product/Service: Business development life sciences services

Facilitator: MURIEL GEROLI

Country: ITALY

NACE Code: 7211

Research and experimental development on

NACE Description biotechnology

Benchmark Ref: IT 2016 MG 01



Contents:

	Page
Executive Summary	3
Introduction	4
Overall Company Position	5
Innovative Practice V's Performance	6
<i>Segments 1 to 6</i>	
1. Innovative Culture	7
2. Understanding the business	8
3. Strategy	9
4. Structure	10
5. Capability & Resources	11
6. Processes	12
Strengths Identified	13
Focus on Improvement	13

Benchmarking Team

NAME:

Pietro Conti
Fabio Bianco

ROLE:

CEO
R&D director

Executive Summary

Sanipedia is a biotech company founded in 2007 with the aim of providing value to research results, pushing them forward towards the market through the activation of projects and initiatives within the Life Science sector. The company is characterized by a multidisciplinary team of professionals and scientists, guaranteeing not only managerial and strategic support but also the scientific expertise needed to identify and foster the growth of early stage initiatives from research to market.

Sanipedia coordinates and holds equity shares in a network of companies active in the following business areas: research services, development of proprietary research projects, advising on Healthcare and Life Sciences sectors, business nursery focused on identifying and assessing innovative ideas/initiatives in emerging business sectors, supporting their growth in the initial developmental phases through validation, technical scientific, managerial and administrative assistance.

The company Sanipedia has 5 fulltime employees. Company market is international, although a stronger investment in foreign business development (especially in the USA) is considered a necessary key step in the process of further internationalization aimed at business development.

The results of the Innovation Health Check (IHC) self-assessment exercise carried out with Sanipedia indicates that the company is above average in terms of innovation management practices and performances. The company scores for practice and performance were 83,6% and 83,1%, respectively, and compare against database average scores of practice 67,3% and performance at 64% and are close to top database strong scores. Company leader managers demonstrated a very good understanding of innovation management practices. A significant strength point for the company is in the area of company culture (score 90,0% vs. database strong score 90,3%), which is viewed as a crucial element in terms of innovation management.

Relatively weak results were shown by the tool to be in the areas of Structure (company score 77,1%, still better than database average 59,2%, but lower than database strong 84,9%) and of Processes (company 80,0%, average 62,9%, strong 88,0%).

The small size of the company leads to a still relatively low development level of formal practices (structures and processes), not yet felt as indispensable requirement. It is expected that further growth and internationalization of the company will lead to more formal business practices. The level of self-awareness demonstrated by the company was high, as managers accurately highlighted their own weaker areas during IHC exercise.

Suggested specific areas for management focus are the following ones:

- Development of more structured communication processes.
- Development of a more formal process of customer (actual and potential), information and data collection, storage and analysis.
- Developing use of business tools in innovation management.
- Resource planning for next development stage (staff and finance).

Introduction

Business innovation involves developing something new or improving existing technologies, processes, designs and marketing to solve problems and reach new customers. The world is constantly changing. There is a need to differentiate to succeed. Innovation is a state of mind that allows you to spot opportunities quickly and enables you to respond and capitalise while creating value for the customer. It is bringing the research all the way from developing the product or service, and selling it in the marketplace. It is looking into the future and seeing how to use technology and other resources to drive the economy forward. It is the way a company goes to a market and the supply chain and creates the cost structure. It is the business model. Innovation has a different meaning for every company, yet it is essentially related to growth and improvement. All companies face innovation challenges that need to be addressed.

This Innovation Benchmarking Tool has been designed to draw out how companies manage innovation and give feedback on their innovation efforts. It looks at what is being done well and where improvements can be made. It looks at the results of efforts to establish a correlation between practice and performance. Research shows that good practice leads to good performance.

The questionnaire is divided into the following segments:

Innovative Business

1. Innovative Culture
2. Understanding the business
3. Strategy

Innovative Environment

4. Structure
5. Capability & Resources
6. Processes

In total there 39 practice and 13 performance questions.

In the 'Innovative Business' section there are 18 'practice' questions and 8 'performance' questions.

In the 'Innovative Environment' section there are 21 practice questions and 5 performance questions.

All the questions are scored between 1 and 5.

Overall Position

This spider graph shows how the company is performing relative to the database comparison group in each of the six innovation segments. The company position is represented by the 'blue' line, the database 'strong' position is green, the 'average' is orange and the 'weak' is red. This graph highlights the segments where the focus for improvement activity is required.

Graph 1: Showing the Company's Overall position against the database

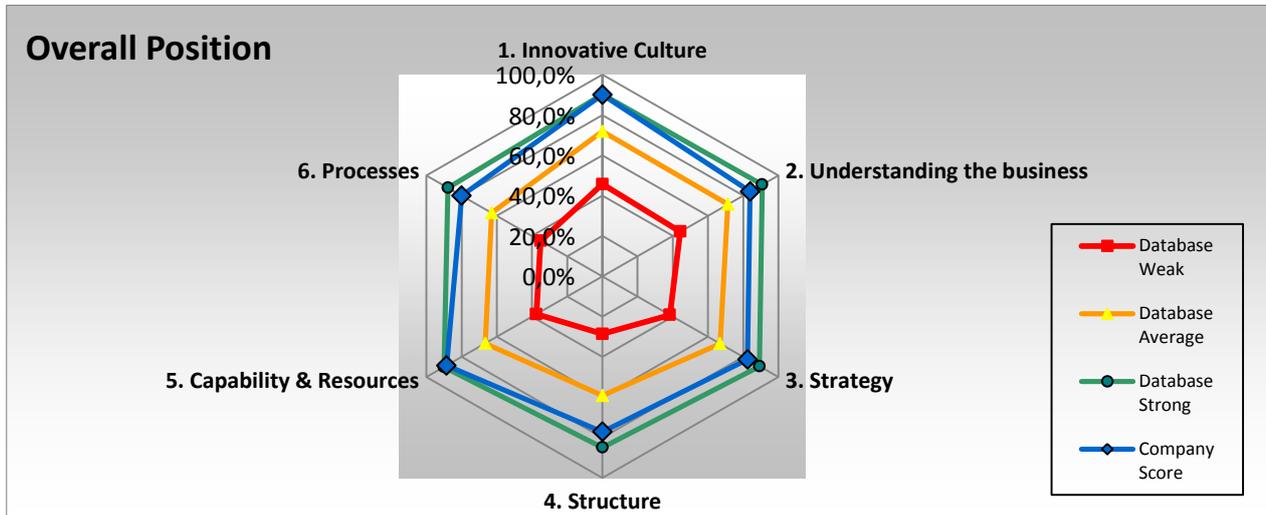


Table 1:

This table shows the company's overall practice and performance outcome against the database weak, average, and strong position. Similarly, it shows the company's overall score on the individual innovation segments.

Results	Company Score	Database Weak	Database Average	Database Strong
Overall Innovative Practice	83,6%	38,7%	67,3%	89,5%
Overall Innovative Performance	83,1%	37,8%	64,0%	87,0%
Innovative Business Segments				
1. Innovative Culture	90,0%	45,7%	71,8%	90,3%
2. Understanding the business	84,0%	44,3%	71,4%	90,9%
3. Strategy	82,5%	38,3%	66,9%	89,3%
Innovative Business Practice	86,7%	43,1%	70,6%	91,1%
Innovative Business Performance	82,5%	42,3%	69,0%	88,2%
Innovative Environment Segments				
4. Structure	77,1%	28,6%	59,2%	84,9%
5. Capability & Resources	88,6%	37,6%	66,6%	90,0%
6. Processes	80,0%	35,1%	62,9%	87,7%
Innovative Environment Practice	81,5%	34,4%	64,4%	88,0%
Innovative Environment Performance	84,0%	30,6%	55,9%	85,0%

DB Strong = the mean of scores in the upper scores / 1st quartile in the database

DB Average = the mean of the middle scores in the database

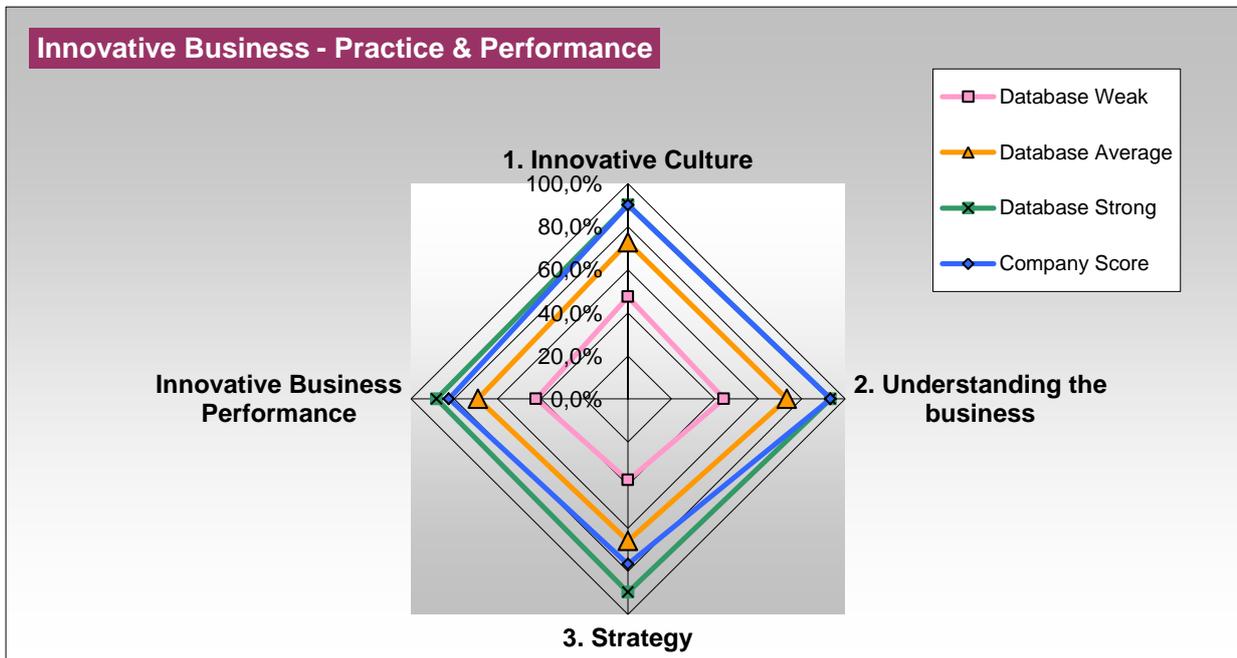
DB Weak = the mean of the lower scores / 4th quartile in the database

Innovation Practice vs Performance

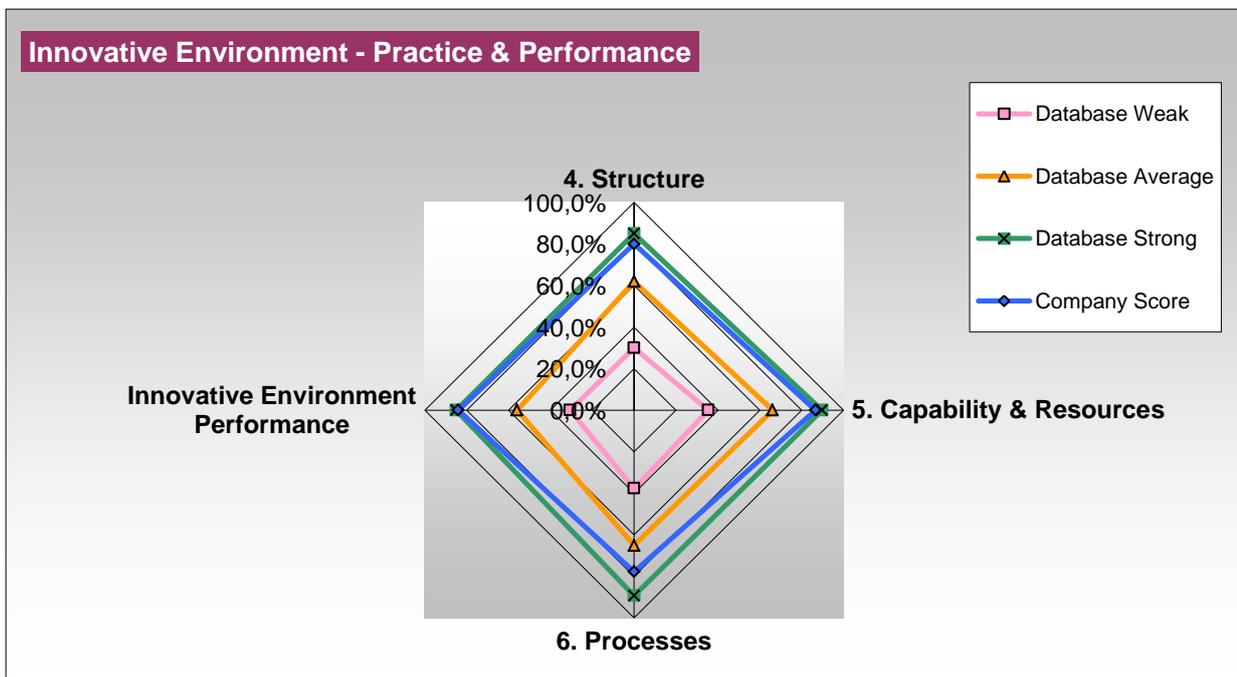
Research shows, good practice leads to good performance.

In order to improve your company's performance, it is necessary to focus on strengthening the weaker practice segments. Holding a good average and balance in all segments is better than being very strong in one or two segments.

Graph 2: Shows the Innovative Business Practices against the Innovative Business Performance.



Graph 3: Shows the Innovative Environment Practices against the Innovative Environment Performance.



1. Innovation Culture

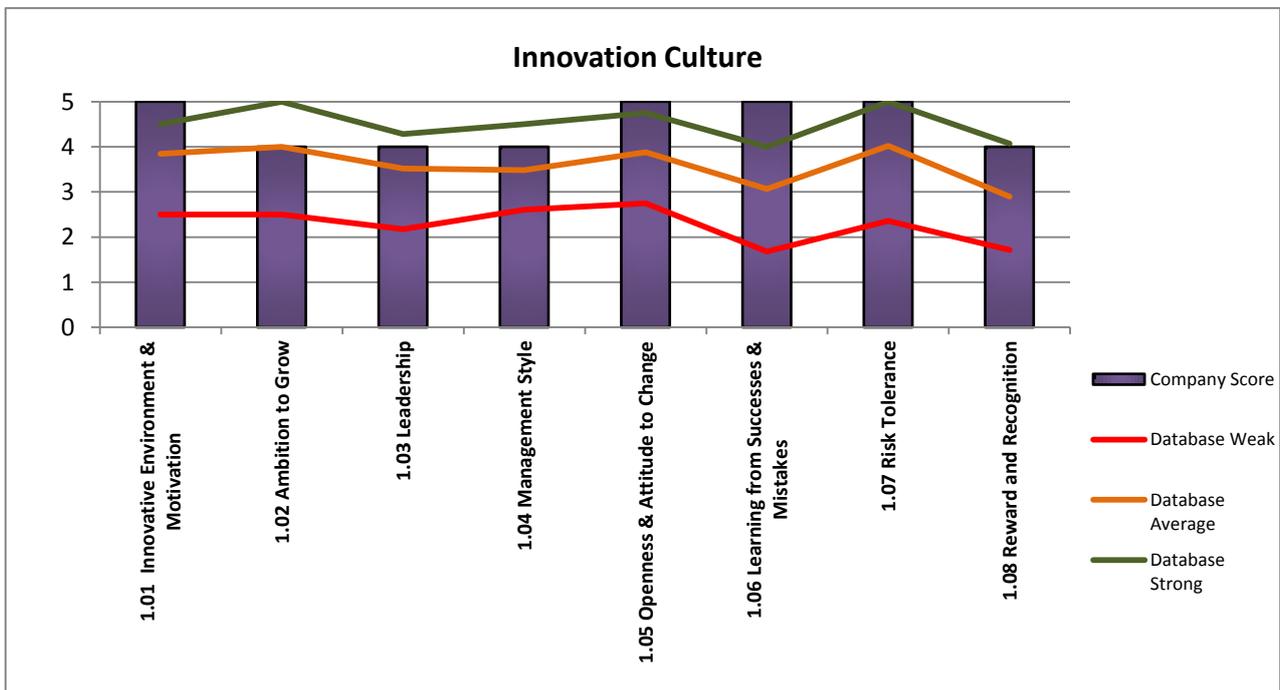
There is a constantly changing environment in terms of customers, technologies, competition, demographics etc. driving companies to innovate to sustain their competitive advantage. Innovation vision is understanding the need to grow and improve along with an understanding of the emerging opportunities and challenges that need to be addressed. It is also about being able to communicate the message to others in the organisation and getting them to see the opportunities. The drive needs to come from the leadership to ensure there is a clear innovation vision, a clear innovation strategy and clear communications, so that everyone in the organisation is involved, knows, and believes in the company's innovation culture.

Innovation culture is important because without the right culture in place, it is difficult to implement and sustain a proactive and innovative approach to company growth.

There are three broad themes:

1. Environment for innovation including motivation and ambition to grow (Q1.1 & Q1.2) - everybody in the company needs to be involved, otherwise the ideas & opportunities for innovation will be limited to a smaller group of individuals, usually management and maybe marketing/R&D. This is limiting the company's opportunities for success.
2. Management style, company leadership and openness to change (Q1.3, Q1.4 & Q1.5) - This links in closely with the first theme in that management style etc. impacts on the environment for innovation.
3. Managing success, learning from failure managing and tolerating risk including an appropriate reward structure (Q1.6, Q1.7 & Q1.8) - is the third theme. This looks at how the company encourages its employees. How the company reacts to both success and failure are important. The promotion of a culture of continuous improvement and learning from past efforts is also important.

The first six questions relate to the practices that you have in place and the last two relate to performance. Remember that good practice leads to good performance.

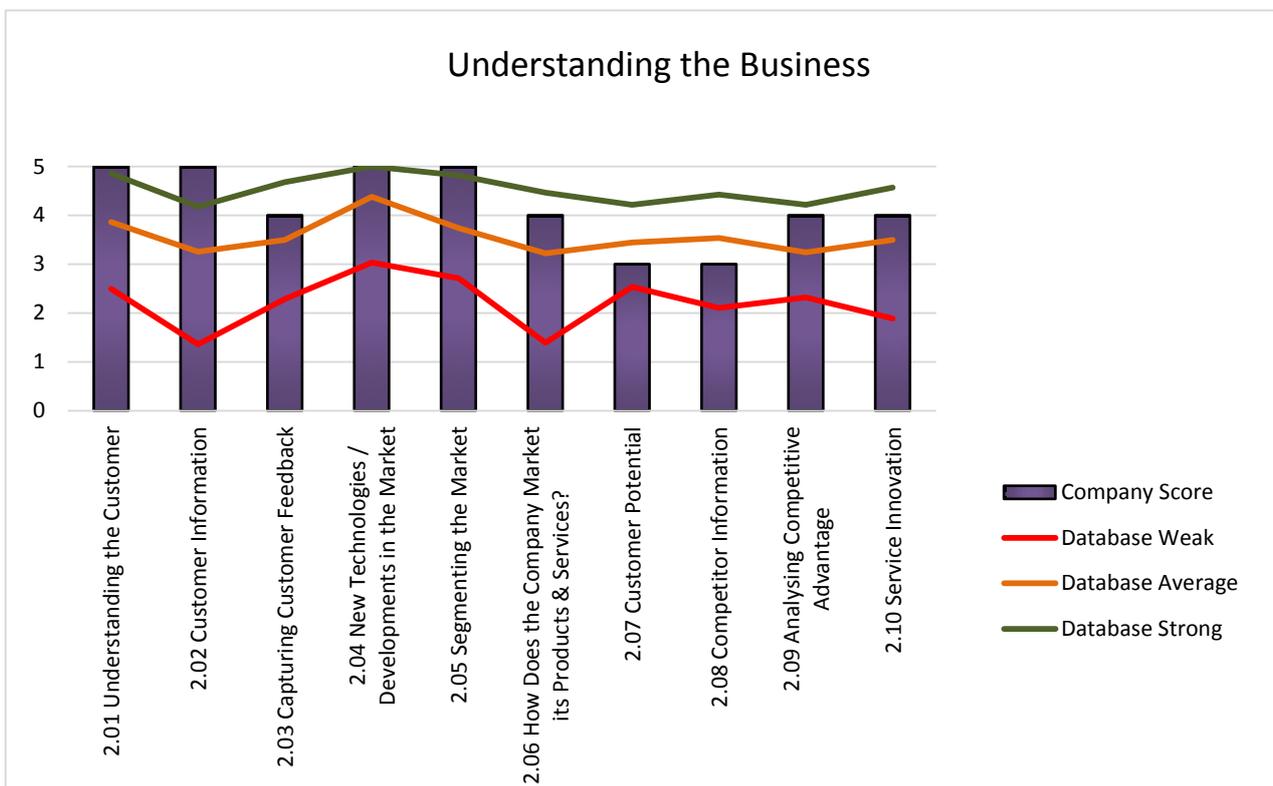


2. Understanding the Business

It is important that the company has a clear understanding on all aspects of the business and how they impact on performance. All staff should be encouraged to be proactive in gathering data on customers, competitors, new products or technology changes etc. In tandem with this, a system needs to be developed to manage this information for the use of marketing, strategy and innovation activities.

The broad themes are:

1. Gathering information on customers, markets, competitors and technology trends (Q2.1, Q2.2, Q2.3 & Q2.4)
2. Analysing information to identify threats and opportunities (Q2.5, Q2.6, Q2.7 & Q2.8)
3. Identifying sources of competitive advantage and being innovative around the company's service offer. (Q2.9 & Q2.10)

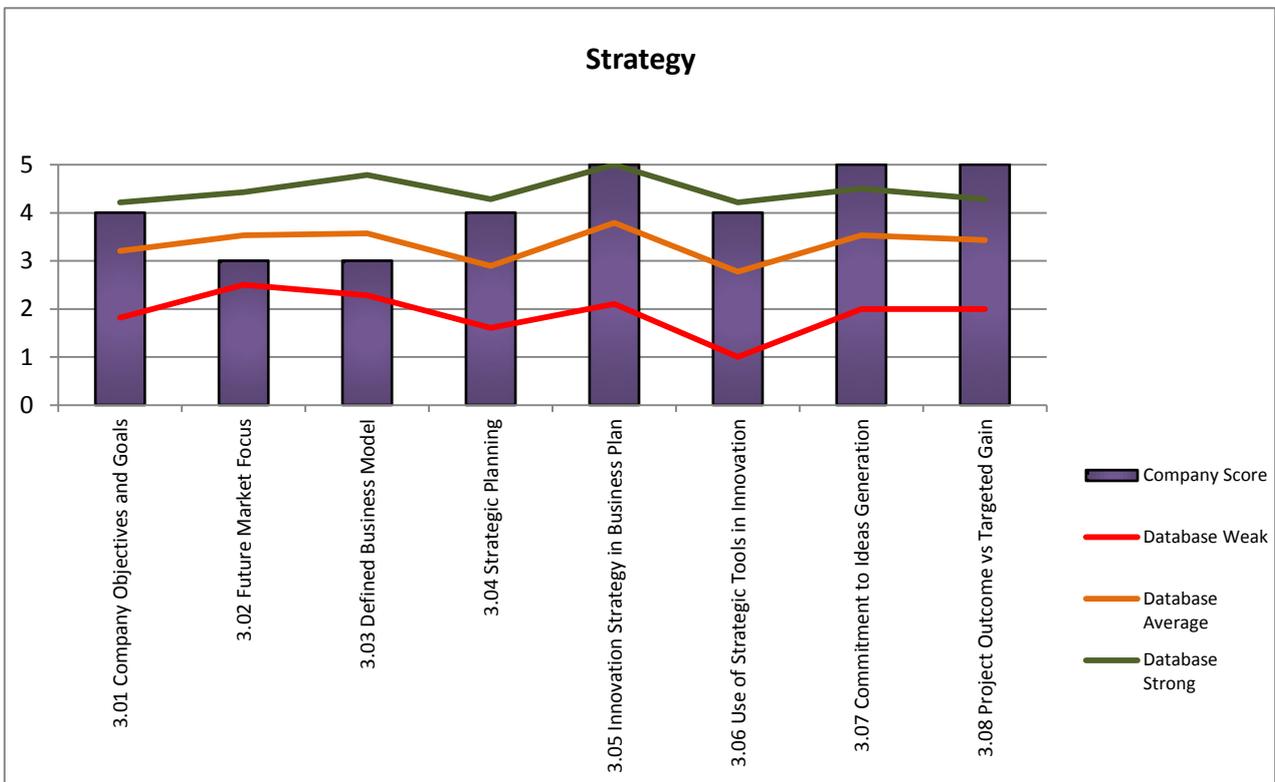


3. Strategy

It is important for the company to have a clear view of how it will grow and how to focus its resources in order to maximise its return. There are eight questions in this section, six are practice orientated and the final two are performance related. The clear view required is of both the overall company strategy and the innovation strategy. The strategy should take into account the business environment in which the company is operating in, along with the technological changes in the market and the needs and changes emerging from the market.

The broad themes are:

1. Define objectives and goals based on the identified sources of competitive advantage through a defined business model and a focus on future markets (Q3.1, Q3.2 & Q3.3)
2. Strategic planning, looking at a wide range of product/market ideas to define a business model and how the innovation strategy ties in with the overall strategy (Q3.4 & Q3.5)
3. How to maximise the use of appropriate tools and the management of idea generation along with the measurement of successful outcomes (Q3.6, Q3.7 & Q3.8)

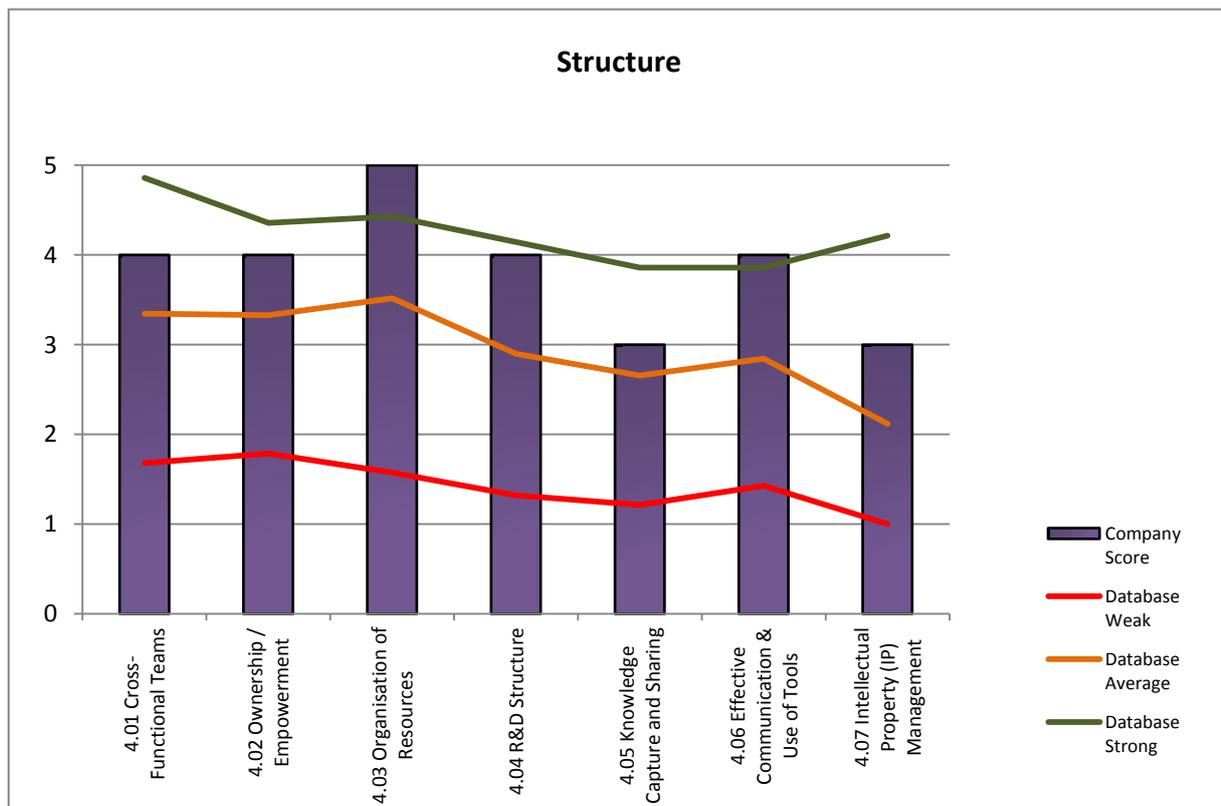


4. Structure

It is important that the company is structured in an appropriate way to achieve its strategic goals. There are seven questions in this section with six practice questions and one performance question. Without the right structures in place, companies find it difficult to achieve high levels of performance in innovation. Occasional success may be possible despite poor structures, but at the very best it will be inefficient and inconsistent. Getting good structures in place is the bedrock of a good innovation system.

The broad themes are:

1. Organisation of resources involving team working, particularly cross functional teams, along with effective communication of key project information and a knowledge capture and sharing system to enhance the company's innovation planning (Q4.1, Q4.5 & Q4.6)
2. Appropriate empowerment and management of staff to allow for devolved accountability and autonomy along with defined staff roles that are matched to delivering the company's business model (Q4.2 & Q4.3)
3. Appropriate processes to best manage different areas of businesses such as sales, marketing, operations and R&D etc. (Q4.4 & Q4.7)

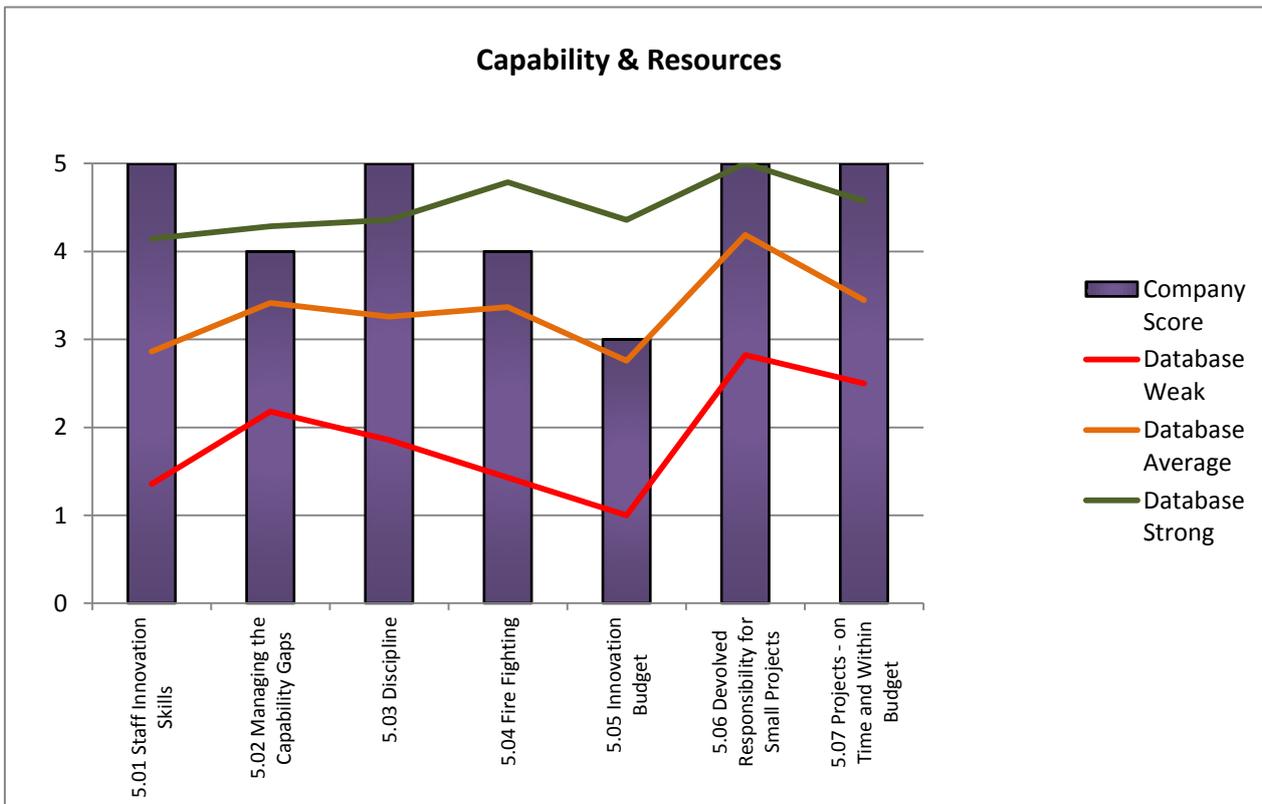


5. Capability & Resources

The company needs to have sufficient financial resources to carry out innovation, along with the capabilities to achieve its goals, identify and bridge gaps and have the appropriate skill base. There are seven questions in this section with six practice questions and one performance question. The key capability to develop among the company's innovation team is to turn problems into opportunities through challenging the status quo in a way that the company innovates ahead of the competition. The key capabilities needed are innovation skills, discipline and flexibility on projects. The resources needed are training to fill the capability gaps, budgets and the time to manage firefighting so that its kept to a minimum.

The broad themes are:

1. Appropriate skills requirements are identified and satisfied through training or acquisition along with the need for discipline and management of potential 'fire fighting' (Q5.1, Q5.2, Q5.3 & Q5.4)
2. Resource requirements are identified such as equipment, third party support etc. through the innovation budget (Q5.5)
3. Suitable systems and processes are identified to minimise waste by delivering projects on time and within budget, along with devolved responsibility for smaller projects (Q5.6 & Q5.7)

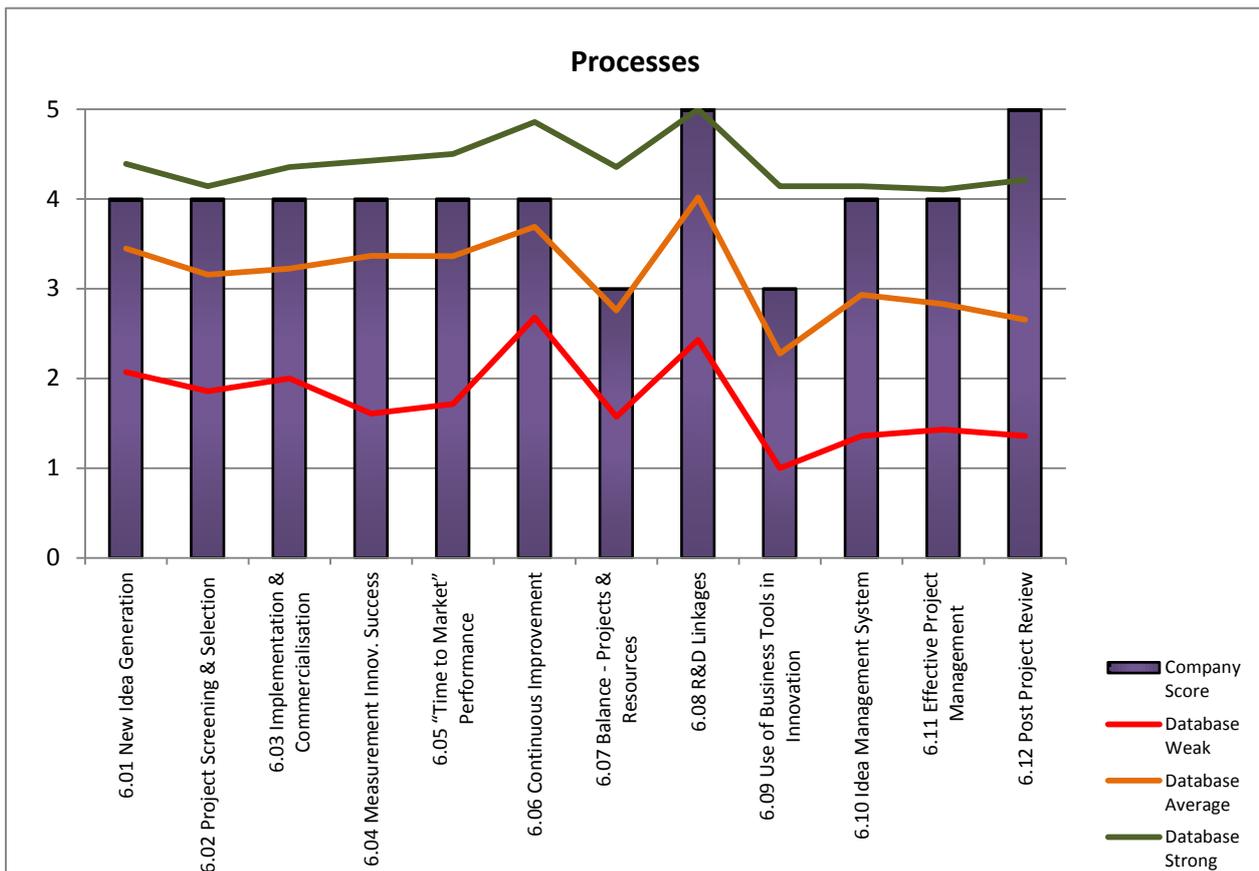


6. Processes

The process section of the report looks at how the company carries out the process of innovation. There are 12 questions in this section with the first 9 looking at its practices with the last 3 at its performance from these practices. The process of innovation is often compared to a funnel, which goes from wide to narrow as it goes from idea generation to market introduction. In between those 2 ends of the funnel you have idea management, development of projects and exploitation. At the end there is a review of the process in which you look at the innovation results and post project review.

The broad themes are:

1. Developing and managing ideas from inception to commercialisation - including examining how ideas are generated, evaluated and screened through a selection process and then their commercialisation. How you manage this activity through the innovation process will strongly influence the success of innovation in your company (Q6.1, Q6.2 & Q6.3)
2. Systems that allow timely and stage-gated evaluation of development projects including post project reviews and the time to market performance in order to evaluate the returns to the company from its innovation activity. The continuous improvement question helps focus on how you can carry it out both better and faster. Balancing projects and resources is about managing risk and reward so that you have the best return within your resources (Q6.4, Q6.5, Q6.6 & Q6.7)
3. Use of business and innovation tools with appropriate linkages to third level colleges, customer supply chain, competitors and potential licence partners etc. along with an idea management system to guide the company's selection process, effective project management of the innovation process along with a post project review system in order to learn from and improve the system (Q6.8, Q6.9, Q6.10, Q6.11 & Q6.12)



Strengths Identified

Q. no. Q. Description

1,06	Learning from Successes and Mistakes
2,01	Understanding the Customer
2,02	Customer Information
3,05	Innovation Strategy in Business Plan
3,08	Project Outcome vs Targeted Gain
4,03	Organisation of Resources
5,01	Staff Innovation Skills
5,03	Discipline
6,08	R&D Linkages
6,12	Post Project Review

Focus on Improvement

Next Steps

Your company has been measured against companies interested in improving their innovation process. The innovation benchmarking has identified where your company is strong and where it is weak compared to the database. The following is a list of some of the weaker questions and some general advice on what to focus on in order to strengthen these areas. It is best to look at the general advice and decide if the question is relevant to your business and if the advice is appropriate for your company's situation. If possible, you should seek professional help in tackling these issues.

Weaknesses Identified

Wk 01: Q

1,04 Management Style

score difference from the average position: 10%

score difference from the upper quartile average position: -10%

A good management style will encourage sharing of knowledge through teamwork and openness. It will enable questioning of issues without feeling threatened. It will ensure strong interaction by staff into management decisions, with an inclusive approach to planning and decision making with management actively delegating and encouraging participation.

Wk 02: Q

2,07 Customer Potential

score difference from the average position: -9%

score difference from the upper quartile average position: -24%

Successful companies identify the most attractive target customers and use a sales and marketing process to develop a pipeline. This is done by gathering data, such as profitability, purchase requirements and potential sales prospects from their customers, both existing and potential.

Wk 03: Q

2,08 Competitor Information

score difference from the average position: -11%

score difference from the upper quartile average position: -29%

Competitor information needs to be gathered and analysed in a structured manner and an information data base maintained. You need information such as financial, sales, pricing, product function/performance and customer base. How well do you know your main competitors and what are your sources of information?

Wk 04: Q

3,02 Future Market Focus

score difference from the average position: -11%

score difference from the upper quartile average position: -29%

Companies need to be aware of future trends in their markets, otherwise they will fail to see emerging trends and market changes. Occasionally all markets suffer significant disruptive change due to technology or business model changes. These are difficult to predict, unless regularly assessed. You need a comprehensive system for gathering intelligence on technology and market trends. It is wise to carry out occasional scans for disruptive technologies.

Wk 05: Q

3,03 Defined Business Model

score difference from the average position: -11%

score difference from the upper quartile average position: -36%

Business Modelling is an important tool to capture, design, innovate and transform the business, to create a value proposition. Companies can distinguish their business model in relation to product, technology, finance, service, logistics etc. Successful companies have a clearly defined, regularly reviewed, business model. This is a requirement for a viable customer value proposition and sustainable growth.

Wk 06: Q

4,05 Knowledge Capture and Sharing

score difference from the average position: 7%

score difference from the upper quartile average position: -17%

The use of knowledge capturing best practices will greatly enhance company planning, performance, future product planning, investment planning and recovery planning. Systems need to be in place to retain existing corporate knowledge such as skills, know how, I.P. and commercial information.

Wk 07: Q

5,05 Innovation Budget

score difference from the average position: 5%

score difference from the upper quartile average position: -27%

This question on budgets looks at the level of sophistication going from an ad hoc approach to total integration with the business plan. This budget should cover the evaluation of all ideas across all business process improvements, new product or service development projects with prioritisation and resourcing of the best ideas in line with the strategic plan and company return.

Wk 08: Q

6,07 Balance Between Portfolio of Projects & Resources

score difference from the average position: 5%

score difference from the upper quartile average position: -27%

Resources can be scarce leading to the postponement of projects. There needs to be sufficient resources to meet the company's needs in innovation and carry out innovation on all projects that have significant potential.

Wk 09: Q

6,09 Use of Business Tools in Innovation

score difference from the average position: 14%

score difference from the upper quartile average position: -23%

Successful companies use a balanced range of business tools such as Marketing tools (e.g. Ansoff matrix, portfolio management, product life cycle etc.) Financial tools (e.g. DCF, NPV, sensitivity analysis etc.) and Engineering tools (e.g. QFD methods, FMEA Value Engineering, Taguchi Methods etc.) to assist successful development. These help to put a structure around the innovation process.

Wk 10: Q

#N/D

score difference from the average position: #N/D

score difference from the upper quartile average position: #N/D

#N/D