

Helping innovation theory meet reality

By Frank Küber

The DACH region (Germany, Austria, Switzerland) enjoys a global reputation for product quality and engineering excellence. It would be easy to conclude that, even in times of economic uncertainty, DACH's manufacturing base is sufficiently robust to survive and prosper.

Not so. DACH's high labour costs, coupled with the growing dominance of BRIC (Brazil, Russia, India, China), means that businesses in the DACH region are under huge pressure to innovate to differentiate themselves.

Nobody is disputing that there is an innovation capability in DACH. The issue is that this capability is built on an engineering base; industry still tends to view technology as the primary source of innovation, not market need.

At Sagentia we have found that many companies in the region still view innovation in terms of technology push. There is often little attempt to truly understand and analyse market needs, instead they rely on a perception of need. Consequently, innovations are launched into the market that more often than not fail due to a mismatch in offer and need.

In DACH, engineering has high status and a substantial manufacturing base in the region means that engineers continue to be in great demand. At present however, the fact remains that there is

a marked shortage of engineering talent in the region, a shortage that will only get worse. The causes are partly demographic (Germany, for example, has one of Europe's lowest birth rates), but also come from a lack of supply, as fewer young people opt to study science and engineering at university, while business is increasingly hungry for these specific skills.

This means that external resources are required. But there is a compounding issue – that of an underlying culture of NIH (Not Invented Here). This issue remains a further, serious hurdle to progress. Many DACH companies consider the management of external resources as requiring too much effort, yet it is often only with the help of other organisations, from suppliers to international consortia, that true innovation can be realised.

Other factors which we believe are impacting on the innovation success rate include a lack of pragmatic processes to hand over ideas between functions, and unclear strategic directions to guide innovation.

At Sagentia we have gathered all of these interrelated factors together under the unifying term SPROC: strategy, process, resources, organisation, and culture. The balance between these factors is essential if innovation is to be successful; it is therefore vital to identify where the balance is wrong and implement strategies to put it right.

If DACH industry is to meet the challenges it currently faces, it must address these barriers to innovation and develop its own innovation culture, to ensure a solid foundation for its future survival. The DACH region is home to some of the world's most innovative companies, but translating this innovation into market leading products and services is set to become one of the biggest future challenges of all.

Frank Küber is Managing Director at Sagentia GmbH and is based at our office in Frankfurt.
Frank.Küber@sagentia.com