

# Executive Summary



In an environment in continuous development, currently undergoing a process of globalisation, technological development, processes of political and economic integration and the development of new world players, economies and organisations need to be **increasingly competitive**.

The best way to achieve competitiveness has proven to be to encourage individuals, institutions and companies to learn and innovate.

Gone is the notion of innovation as being purely technical, a view which has been sustained since the Industrial Revolution, and which confined the innovative spirit of businesses to their research and development departments. The challenge now is to **innovate in order to create value** by doing things differently and even by doing radically new things.

Innovation should not be mistaken for research. Research involves the creation of new knowledge, while innovation creates wealth from knowledge, be it new or not.

In order for this innovation to happen, learned or innate personal qualities need to exist (creativity, flexibility, discipline, knowledge, etc.), but there also needs to be an environment in which innovation is encouraged and rewarded, seen as a beneficial aim for society as a whole.

In order to try to encourage an innovative culture in society, it is essential to emphasise its importance in all stages of **education**. It is very important to stimulate competition and research from an early age, as well as incorporating innovation as a discipline within education, making it into a regular part of everyday life, rather than a series of isolated actions.

Just as important as encouraging this innovative culture is the **creation of an environment that favours innovation** and it is precisely the governments and authorities-the players who FTF experts believe have the most important role in the area of innovation-who have to implement the policies necessary for establishing the most suitable legal and administrative framework.

Nor should we forget in this context other essential actors for the development of innovation: on the one hand, business-both multinationals and SMEs-who are responsible for coming up with appealing projects that will attract private investment; and on the other hand, the consumers who play a decisive role in the configuration of demand.

Given that the concept of innovation embraces more than simply the creation of new products, we can see that various types of innovation can exist in the company. These include: innovation in (auxiliary or business) processes, innovation in the brand, channel or customer service, among others.

## Notes

There is no universal consensus on the best way of measuring innovation, but an attempt can be made to measure innovation from a microeconomic perspective, i.e. at a business level, what is the internal effect of an innovation process implemented in the company. In this aspect, measurements are proposed based on turnover or productivity.

At a macroeconomic level, some tools for measuring the innovation capacity of a given industry, country or region might include: spending on R&D, number of patents, technical publications, income from intellectual property right, etc.

Although traditionally the level of innovation of a country has been measured on the basis of its investment in R&D as a share of GDP, it is important to note that **R&D is a necessary factor, but cannot on its own generate innovation** or be a measure of innovation at a macroeconomic level. Rather, it has to be backed by a series of factors which, taken together, form an indicator which may reflect the level of innovation of a given country or region.

Different regions of the world vary considerably in their levels of innovation as a result of historical factors such as: government policies, development of education, business framework, etc. The most innovative countries, according to results published by the European Commission in 2006, are: Finland, Sweden, Switzerland, Japan, Singapore, Israel and United States.

Each of these countries has adopted a strategy on innovation which has also positioned them among the most competitive countries in the world: Singapore, for example, has adopted an education system that encourages competitiveness and research from a very early stage. Israel has made a virtue of necessity, adapting research in defence to civil society and developing important technological advances in the agricultural and environmental industry which it has exported to many other countries. All this, combined with a society with a high level of education, motivated by a will to go further, innovate and undertake new high-risk activities has made this small country one of the most innovative and competitive in the world.

One thing on which most experts on economy and business in Europe agree is the need for innovation in our society as a way of **maintaining and improving competitiveness**. As a result, in the European community for example, a great effort is being made to support and encourage innovation. In any case, nearly all these public initiatives focus primarily on R&D, despite the fact that it is only one of several factors that helps foster innovation.

Europe needs **a change in tack, a change in culture** and the establishment of a proper legal framework to encourage innovation.

At a business level, to face up to this changing competitive global environment, organisations can make use of different instruments to generate value, although innovation is the only tool that enables a competitive advantage to be created

and ensures sustainable growth.

But we should not conclude that it is necessary to innovate just for the sake of innovating. Some of the reasons the FTF experts feel might motivate a company to innovate include: **search for competitive advantages, need for differentiation, creation of wealth and sustainable growth.**

The FTF experts are divided on the need for an innovation manager in the company. Some see this as a necessary figure, alert to market trends, capable of promoting innovation in all areas of the company. Others suggest that it would create greater bureaucracy in large organisations obstructing the flow of ideas from all tiers of the organisation.

Any innovation project involves a certain degree of risk and uncertainty. This is why such projects must essentially be funded by private initiative. This type of high-risk investment or project also requires experts who know how to assess and select the best ideas or projects for financing (venture capital) or even for developing them to final commercial success (business angels and incubators).

Some of the conclusions presented by the FTF experts seek to offer guidance on ways in which innovation can be encouraged in a country like Spain. If we make a diagnosis of Spain we can conclude that we have the raw material-the talent and the technological infrastructure, but the country has shortfalls especially in the cultural area and it is here that the experts advise that government policies must be oriented towards an increase in investment in quality education encouraging the innovative culture of risk-taking and a business spirit.

One key challenge of the new economy is to encourage an innovative and entrepreneurial culture. This will involve a cultural revolution essentially entailing a **change in the attitude to risk and failure.**

In the present context, a failure to properly take on board the challenge of innovation would mean condemning the country to stagnation and even decline. There is no place for the status quo. It is a question of "Innovate or die" and the process needs to involve not only the business sector, but society as a whole, since it involves an improvement in the social and economic conditions of the population at large.

In an environment in continuous development, undergoing a process of globalisation, technological progress and with the emergence of new world players in Europe and elsewhere, the challenge we face is whether to innovate or not.

Is it necessary for Spain, which has a growth rate of close to 4% per year, despite a gradual erosion of competitiveness, to make a firm commitment to innovation?