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## Danube S3 Cluster

Transnational Cluster Cooperation active on Agro-Food, based on Smart Specialization  
Approach in the Danube region

# Deliverable

Final Innovation Audit Report – Methodological Guide

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## List of Abbreviations

AF	Application Form
IA	Innovation Audit
NGO	Non-governmental organization
OECD	Organization for Economic Cooperation and Development
S3	Smart specialization strategy
SME	Small- and medium-sized enterprise
WP	Work Package

## 1 Executive Summary

The **overall aim of the Danube S3 Cluster project** is to **enhance innovation management knowledge and skills** but also to **foster transnational cluster cooperation in the agro-food sector in the Danube region**.

**The creation of innovation tools to support innovation management is at the core of Work Package (WP) 4. This WP**, which covers a period of two and a half years from December 2018 to April 2021, **contains three activities**. The first activity comprises the preparation of two innovation audit tools and an accompanying methodological guide. The second activity consists in the execution of 200 innovation audits (IAs) and their analysis. The final activity deals with the elaboration and delivery of three training modules on business and innovation management issues.

In total, **the Danube S3 Cluster consortium will carry out 200 IAs with cluster managers and cluster members between January and April 2019**. Project partners will perform a varying number of innovation audits. The findings of the final report on the IAs will directly support the preparation of the training modules. Moreover, the findings will also feed the transnational analysis of Danube regional context and cluster innovation potential (D3.1.2).

This deliverable is a **methodological guide destined to Danube S3 Cluster project partners that will carry out IAs**. The objective of the guide is twofold: 1) ensure that all project partners have a common understanding of the two innovation audit tools and 2) help them with performing the innovation audits to cluster managers and cluster members.

This guide provides clear answers to the following questions: What is the objective and target group of these innovation audits? What are the role and tasks of an auditor? What shall an auditor do before, during and after an innovation audit? Which methodology do the tools follow? What are the different dimensions covered by the questionnaire? How to analyze/understand the answers? **This document thus provides concrete information about the IA tools, as well as tips and recommendations for performing the innovation audits.**

## 2 Introduction

Competitiveness derives from the creation of locally differentiated capabilities needed to sustain growth in an internationally competitive environment. Such capabilities are created through innovation. The overall aim of the Danube S3 Cluster project is to enhance innovation management knowledge and skills but also to foster transnational cluster cooperation in the agro-food sector in the Danube region. The focus on the agro-food sector derives from the fact that most Danube partner regions included it in their smart specialization strategies (S3). **The Danube S3 Cluster project intends to foster knowledge transfer regarding the design and implementation of innovation management systems.**

This methodological guide (D4.1.3) is the third and last deliverable of Activity 4.1. At the core of this activity is the audition of the innovation management systems of agro-food clusters and their member organizations in the Danube region. The aim of the methodological guide is to introduce two Innovation Audit (IA) tools prepared in the framework of the Danube S3 Cluster Project. **Project partners will use these tools to conduct interviews with cluster managers and cluster members active in the Agro-food sector.** The IA tools shall help these actors identify the strengths and weaknesses of their organization in relation to innovation management as written in the Application Form (AF). **Both tools conform with the European Innovation Management Standard as defined by CEN/TS 16555-1.**

**The methodological guide serves to provide guidance for performing innovation audits.** In total, the Danube S3 Cluster consortium will carry out 200 IAs with cluster managers and cluster members between January and April 2019. The objective of this guide is twofold: 1) **ensure that all project partners have a common understanding of the two innovation audit tools** and 2) **help them with performing the innovation audits to cluster managers and members.**

**The main section of the guide (3.) provides concrete information about the IA tools as well as tips and recommendations for performing the innovation audits (do's and don'ts).** What are the objective and target group of these innovation audits? What are the role and tasks of an auditor? What shall partners do before, during and after an innovation audit? Which methodology do the tools follow? What are the different dimensions covered by the questionnaire? How to analyze/understand the answers? **Section 4 concludes with recommendations.**

## 3 About the innovation audit tools

### 3.1 Purpose of an innovation audit

The organization for Economic Cooperation and Development (OECD) defines innovation as “the implementation of a new or significantly improved product (goods or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations”. More succinctly, **four key elements characterize innovation: new, developed, successful and value creating** (see Karlsson 2005, p.3).

The **fundamental purpose of an audit** is to **guide organizations in their decision making process** but also to **facilitate and outline a path of progression**. An innovation audit provides a **way to gain a better understanding of the state of innovation of an organization** and to constitute a **trigger for improving its capabilities to innovate** (Karlsson 2005, p.5). Auditing innovation implies systematically reviewing innovation in an organisation. To do so, one needs to **look at different aspects of the organization’s current innovation capabilities, culture, procedures and processes, examine key indicators and determine strengths, weaknesses and barriers**.

The two IA tools developed in the frame of the Danube S3 Cluster project are intended to help cluster managers / members identify and understand the strengths and weaknesses of their organization in relation to innovation management as written in the Application Form (AF). **The innovation tool for cluster managers** is intended to help cluster managers identify and understand the strengths and weaknesses of their organization in relation to innovation management whereas the **innovation tool for cluster members** is meant to help cluster members understand the framework for systematic innovation management as well as agreed practices.

### 3.2 Target group of these innovation audit tools

*IA tool for cluster managers:* This innovation audit specifically targets **managers of clusters operating in the Agro-Food sector**.

*IA tool for cluster members:* This innovation audit targets **members of clusters operating in the Agro-food sector**. Cluster members represent a **heterogeneous group** given the fact that they come from diverse organizations including small-

and medium-sized enterprises (SMEs), large companies, business support organizations, regional and national authorities, higher education and research institutions but also farmers and Non-Governmental Organizations (NGOs). **Please pay attention to audit different types of cluster members.**

It is also possible to carry out innovation audits with some of the above-mentioned actors even when they are not officially members of an agro-food cluster as they still may carry out relevant activities related to the Danube S3 Cluster project and goals. Besides, in case there are not so many official clusters and cluster members in your region, you may perform audits with stakeholders from related, emerging or unofficial clusters. **They must however have a link with the agro-food sector!** Such cases should remain limited – if possible – to no more than 1/5 of the partner target.

The following table (Table 1) shows the number of innovation audits that each partner has to perform.

Table 1: Repartition of IAs among the Danube S3 Cluster Consortium

Partner	Name	Country	Total Innovation audits	Innovation audits with non-cluster members
LP	SMRDA	Romania	5	≤ 1
PP2	PBN	Hungary	15	≤ 3
PP3	UM	Slovenia	10	≤ 2
PP4	IPA CRAIOVA	Romania	10	≤ 2
PP5	EKO-SUSTAV	Croatia	15	≤ 3
PP6	BEC	Slovakia	20	≤ 4
PP7	IFKA	Hungary	10	≤ 2
PP8	BSCSME	Bulgaria	20	≤ 4
PP9	INMA	Romania	10	≤ 2
PP10	ITC	Slovenia	15	≤ 3
IPA PP1	FTS	Serbia	10	≤ 2
IPA PP2	NERDA	Bosnia-Herzegovina	15	≤ 3
ENI MD PP1	MTTN	Moldova	25	≤ 5
ENI UA PP1	IMPEER NASU	Ukraine	20	≤ 4
			<b>200</b>	<b>Max 40</b>



### 3.3 Role and tasks of the auditor

The audit can be divided into 3 phases: the pre-audit phase, the audit and the post-audit phase.

In the **pre-audit phase**, the auditor **enters in contact with the stakeholders** and agree on a date for the innovation audit. It is important that the auditor prepares for the audit and **becomes well acquainted with the questionnaire**. The questionnaire has been prepared in English. However, it may be convenient to perform the interview in the local language. Hence, the auditor needs to be prepared and know how to translate the questions. Besides, he **needs to be able to provide clarifications** in case the stakeholder does not immediately understand a question.

The **audit phase** corresponds to the stakeholder's interview and collection of data. The audit shall be performed as a face-to-face interview. **The “auditor”, that is, the partner, is filling in the audit.** The partner asks the questions and provides further explanation when needed. The auditor may ask follow-up questions to probe on a particular question/answer. Use then the “notes” section to write down the answers. Partners can either use the online questionnaire or fill the questionnaire manually first and insert the answers in the online tool later.

The **post-audit phase** includes the analysis of the audit (interpretation of the results) and a report focusing on the areas requiring further development. The results of an innovation audit highlight barriers to innovation and identify improvements or new methods to maximize innovation capabilities.

### 3.4 Methodology

The questionnaire is composed of two parts: general information and innovation-related information.

#### Part I: General information

The first part contains general information about the cluster manager (see Table 1) or the cluster member (see Table 2). The questions in this part slightly differ in both IA tools. Beginning the audit with this part provides an occasion to break the ice given the descriptive character of the questions about the stakeholder and his/her organization.

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In the IA tool for cluster members: the questions directly related to the cluster (“cluster member since”, “cluster name”, “cluster website”) are in the upper right corner that is delimited by a bold frame. In case you conduct an innovation audit with a stakeholder that is not member of a cluster, use the IA tool for cluster member and leave the upper right corner blank.

Table 2: General information in IA tool for cluster managers



**Danube S3 Cluster**  
**Innovation audit tool for cluster managers in the agro-food sector**

<b>Auditor:</b>	<b>Audit date:</b>
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Cluster name:	Creation date:
Acronym:	Country:
Address:	Website:
Name contact person:	Function:
Email:	Telephone:
Composition cluster:	Number of members:
Core competencies (in agro-food):	Main products (in agro-food):
Aimed geographical market:	Aimed market segment(s):
Cooperation with other clusters:	Cooperation with public institutions, policy-makers:

Table 3: General information in IA tool for cluster members



### Danube S3 Cluster

#### Innovation audit tool for cluster members in the agro-food sector

<b>Auditor:</b>	<b>Audit date:</b>
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Name organization:	Cluster member since:
Number of employees:	Cluster name:
Website:	Cluster website:
Name contact person:	Function:
Telephone:	Email:
Address:	Type of activities:
Main products or services (in agro-food):	Core competencies (in agro-food):
Aimed geographical market:	Aimed market segment(s):

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## Part II: Innovation-related information

The innovation audit tool or questionnaire is in itself **structured around five pillars**:

- 1- Innovation strategy
- 2- Innovation organization and culture
- 3- Innovation processes
- 4- Innovation enabling factors
- 5- Innovation results

**Innovation strategy:** The focus of this first pillar is on the organization' or cluster's innovation strategy. Such as a strategy contains concrete goals, resources allocated but also measurable targets and outcomes. An innovation strategy provides a framework within which to direct the organization's innovation efforts in order to reach a maximum impact.

**Innovation organization and culture:** This second pillar focuses on the organization's culture and environment regarding innovation.

**Innovation processes:** Idea generation is the essence of innovation. This is why it is critical for an organization to have processes, procedures and methods to capture ideas from a diverse range of sources. This third pillar corresponds to the innovation "Life Cycle Management" as defined in Kearney's House of Innovation (see figure 1).

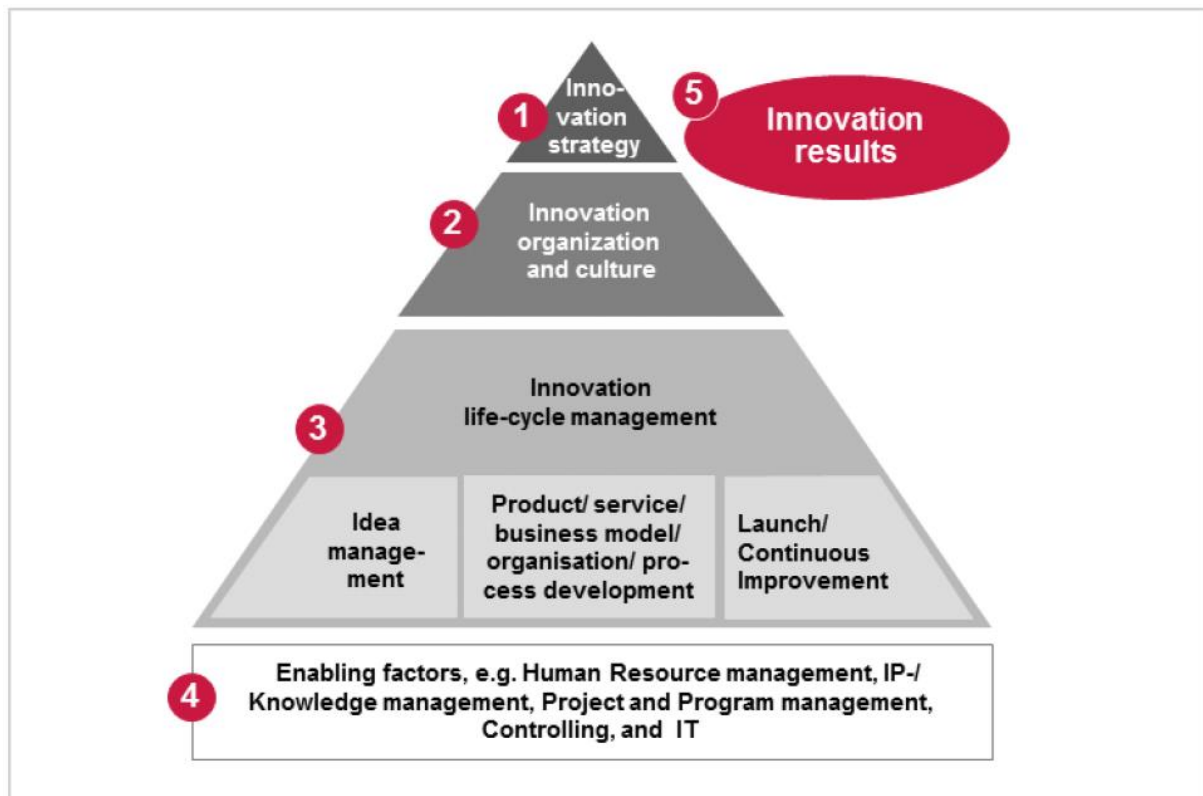
**Innovation enabling factors:** The fifth and last pillar corresponds enabling factors that can be leveraged for increasing the business impact of innovation management.

**Innovation results:** The fourth pillar focuses on innovation results and outputs of innovation management activities.

Each thematic pillar contains 10 questions that tackle different dimensions. The answers to the questions follow a 5-point Likert scale. This scale ranges from 1 to 5, with 1 being the lowest and 5 the highest rating. The five answer possibilities are: Strongly disagree / disagree / neither agree nor disagree / agree / strongly agree. Use the "notes" section to write down any further remarks and information given by the stakeholder.

The purpose of the innovation audits is descriptive: Its aim is to identify the current state of innovation managements and thereby identify strengths and weaknesses.

Figure 1: A. T. Kearney's "House of Innovation"

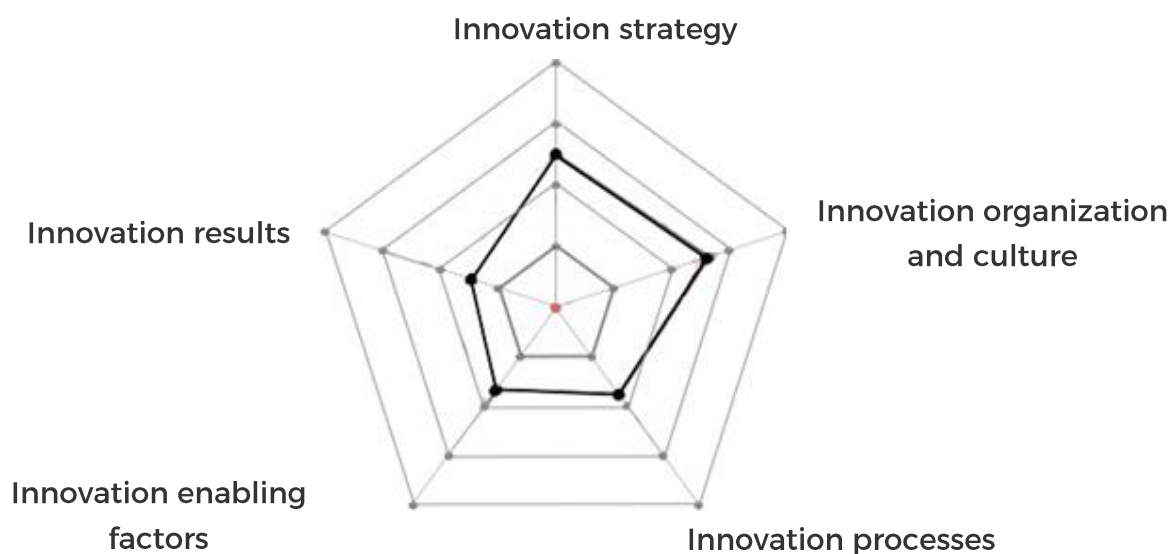


Source: IMP<sup>3</sup>rove – Evaluation report for the IMP<sup>3</sup>rove online assessment

### 3.5 The analysis

The analysis is part of the post-audit phase. **For each innovation audit, the responsible partner has to prepare a report. Each IA report is an output contributing to reach the target of Output 4.2 (200).** In order to start the analysis, the questionnaire needs to be filled online (as already mentioned this can be done during the audit but also afterwards). Then **create a "spider" chart** through the automatic tool put at your disposal. See figure 2 for an example of spider chart. The spider chart shows the strengths and/or weaknesses for each of the 5 pillars. The chart needs to be analysed in detail in order to identify the main strengths, weaknesses and barriers for innovation.

Figure 2: Example of a spider chart



The report shall contain:

- a **cover page** (including title “Innovation Audit Report”, the interviewed organization’s name and logo, the PP logo and the project logo),
- a **table of content**
- an **introduction** (including description of organization, products/services produced and website, photos of the visit if some were made, name of people who carried out the IA and the analysis)
- an **analysis** (on innovation management dimensions, business models for self-sustainable clusters and business internationalization & scale-up) and **general recommendations** (provide here the spider chart and your analysis; recommendations are useful when the spider diagram analysis shows less than 4 points)
- **Final recommendation**

ITC is responsible for analysing the 200 innovation audits and writing a final report (D4.2.1) in Period 3.

## 4 Conclusions and Recommendations

The methodological guide provided concrete information, explanation and tips concerning the innovation audit tools. You are now ready to carry out innovation audits! Here are **three last recommendations**:

1. **Identify relevant stakeholders in advance and in sufficient quantity.** Make sure to have more stakeholders than your target since it is likely that they won't be all available,
2. **Get well acquainted with the IA tools and prepare yourself ahead of the meeting** with the cluster manager or member.
3. **Set up a debriefing and follow-up session with the stakeholders** you interviewed.

SEZ/S2i was responsible for the preparation of the methodological guide. Please contact Clémentine Roth or Miljana Cosic from SEZ/S2i if you have any questions concerning the innovation audit tools.

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