

Bridging the Innovation Divide

The role and impact of collaboration in corporate innovation in Ireland 2023





The Innovation Exchange, an initiative of Skillnet Ireland, commissioned Amárach Research to survey businesses throughout Ireland about current and future innovation practices, as well as exploring the potential for collaboration between corporates and SMEs to accelerate the innovation process.

The Innovation Exchange connects large businesses facing innovation challenges with ambitious SMEs that fast-track solutions

The purpose of this research is to benchmark corporate innovation in Ireland and the role that collaboration with SME solutions providers plays, or has the potential to play.

Collaborative innovation has developed a small foothold in Ireland's economy in recent years, and it will have an even bigger footprint in years to come. Open source or collaborative innovation has the potential to accelerate innovation practices and outcomes in large businesses as well as accelerating growth in digital SMEs who are part of the collaboration journey. This research explains some of the opportunities and challenges that lie ahead.



Understanding the drivers of and barriers to corporate innovation and collaborative innovation will help us to develop structures that will allow us support companies of all shapes and sizes that wish to innovate or help others to innovate.

The research will serve as a roadmap for the future evolution of The Innovation Exchange which is committed to connecting large businesses facing innovation challenges with ambitious SMEs that fast-track solutions – accelerating transformation for both.

This is the first study of its kind featuring parallel surveys of corporates and SMEs about innovation and collaboration. The research explores a range of issues including:

- ▶ **The relevance of innovation to future success**
- ▶ **The stage of innovation practice within companies**
- ▶ **Drivers of innovation processes and priorities**
- ▶ **Barriers to innovation investment**
- ▶ **Potential for collaborative innovation with other business organisations**

**Conor Carmody,
Director, The Innovation Exchange**

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1. Executive Summary

Ireland's innovation ecosystem is evolving to enable open innovation between businesses of different sizes and at different stages of development. The Innovation Exchange is a unique initiative in Ireland bringing together large businesses with innovation needs and small businesses and start-ups with innovative solutions.

On some international measures of innovation practices, Ireland scores quite well. However, much of this performance is driven by the State, with the business sector lagging EU counterparts. Ireland's economic prospects and response to climate change will depend upon world class innovation systems and processes to improve productivity and deliver sustainable growth.

8 in 10 large businesses in our survey expect that innovation will play an even bigger part in their strategic development over the next 1-3 years. But a third of large businesses do not have a defined innovation strategy, which signals a large gap between reality and future ambitions.

Innovation will play a key part in addressing emerging business concerns, with the **big issues for Irish business including cybersecurity, profitability and sustainability.** For large businesses, preferences for digital technologies reflect expected business challenges, so technologies that provide protection, insight and efficiency (including energy usage) will be valued above others.

The main barriers to innovation are internal: indeed, the top four barriers score equally high in terms of salience and point to the pressures of day-to-day business issues and priorities



preventing 'bigger picture' thinking. **The skills and talent to implement are crucial and when not adequate, can be a real barrier to corporate innovation progress.**

One solution therefore would be to participate in collaborative innovation with third parties – other businesses – in order to break through the skills and time barriers. Indeed, 9 in 10 large businesses in our survey are open in principle to engaging with third parties on specific areas of innovation.

Digital SMEs are enthusiastic about working with large corporates to help them accelerate innovation but such relationships can bring their own challenges. Both large businesses and SMEs have some shared understanding of the nature of these challenges, for example the effects of complex procurement processes.

Other differences can be more localised, e.g. diverging business needs and capabilities.

Nevertheless, **a determined focus on collaboration by large firms could unlock opportunities for innovation** that could be accessed much more quickly than by going solo.

Businesses surveyed:

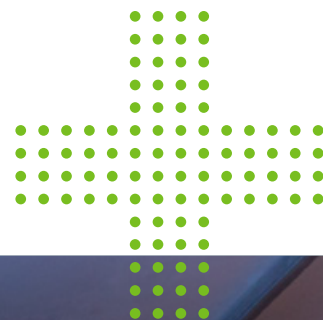
- ▶ **75 large business employing over 250 people**
- ▶ **132 SMEs employing fewer than 250 people, of which 86 were in digital technology.**
- ▶ **46 SME members of the Innovation Exchange community.**
- ▶ **Conducted in-depth interviews with 5 corporate members of the Innovation Exchange**

2. The Innovation Imperative

Ireland is considered a strong innovator according to the latest *European Innovator Scoreboard*¹. However, we lag the EU average when it comes to important innovation features such as R&D expenditure in the business sector, and non-R&D innovation expenditures.

Overall, Irish companies are performing well, but there is still significant room for improvement.

For example, our survey of large businesses shows that nearly half have innovation strategies in place with the resources to deliver them – but over a third have no innovation strategy.



Innovation has long term consequences for the performance of individual businesses but also for the Irish economy as a whole. The potential impact of innovation includes:

- ▶ **Sustained Competitive Advantage:**
Innovation helps businesses create and maintain a competitive edge by introducing new products, services, or processes, so that companies can stand out from their competitors, attract more customers, and drive higher sales.
- ▶ **Growth and Expansion:**
Innovation leads potentially to new avenues for growth by exploring new markets and delivering new, revenue generating, products.
- ▶ **Improved Productivity and Efficiency:**
By innovating their processes, businesses can improve efficiency, increase productivity, and reduce costs, thereby increasing profitability and resourcing investment in future growth.
- ▶ **Attracting Talent:**
Innovative businesses can attract creative and talented individuals who prefer to work through an environment that offers opportunities for personal and professional growth.
- ▶ **Adaptability and Resilience:**
The ability to innovate helps businesses adapt to change, whether it is changing customer needs, market conditions, disruptive technologies, regulations or economic uncertainty.
- ▶ **Long-term Survival:**
Innovation is ultimately key to the long-term survival of almost every business as constant technological change threatens many with declining relevance, substitution and falling market share.



¹ https://research-and-innovation.ec.europa.eu/statistics/performance-indicators/european-innovation-scoreboard_en

3. Innovation: Ambition v Performance

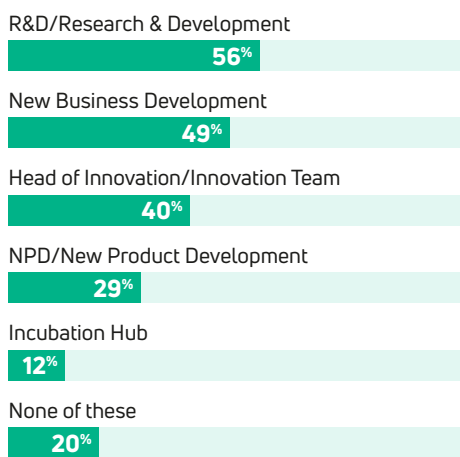
Ambition

The good news from the survey is that Irish based businesses understand and appreciate the benefits of corporate innovation. Of the large companies surveyed for this report, **75% say innovation is very important to their business in Ireland right now, and another 19% say it is quite important.**

This is reflected in the sizeable share of large businesses who have innovation related functions or divisions as part of their Irish operations:

Does your organisation have the following business functions or divisions in Ireland? (% in Ireland)

Base: large businesses



Most innovation is focused on adopting one or more innovation processes – streamlining processes (for 48% of large businesses in the past 1-3 years), with 21% adopting innovation products. Others have done both and only 16% have done neither (though may have in the past).

Looking ahead, over 8 in 10 corporates expect that innovation will become more important to their business in the next 1-3 years, the rest expect it to remain as important as before.

Performance

How are businesses in Ireland performing at the innovation task? The reality ties in with the European Innovation Dashboard findings:

Which one of the following statements best describes your organisation's current innovation strategy for Ireland? (% at each stage)

Base: large businesses



Over a third of large businesses in our survey do not have a defined innovation strategy, and nearly half of these don't expect to have one in place in the next few years. On the other hand, a larger proportion – 38% – have a detailed innovation strategy in place, with different degrees of management structures in place to implement it. In other words, there appears to be a large innovation performance gap among larger enterprises in Ireland.

"We are working with The Innovation Exchange to help unlock medium to long-term opportunities for sustainable growth by drawing on the talent of the start-ups and SMEs in The Innovation Exchange community".

Mark Newcombe,
Elverys

The Innovation Exchange corporate member

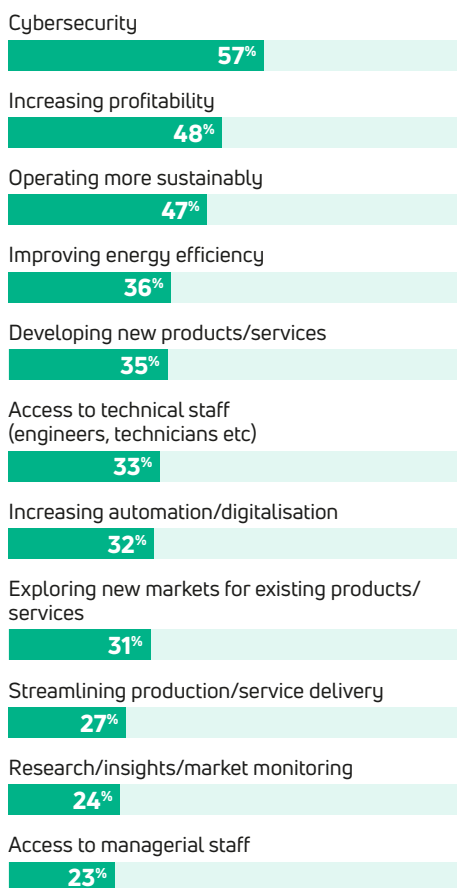


4. Drivers of Innovation

Much innovation is a response to business challenges and ambitions. While growth is both an ambition and a challenge for most large (and small) businesses, our research also highlights a wide diversity of challenges over the next few years, indicating that many large businesses face multiple challenges:

Which, if any, of the following areas do you expect to be a challenge for your business in Ireland in the next 1-3 years? (% selecting challenge)

Base: large businesses



In terms of the nature of the challenges facing business in the next 1-3 years, the research shows that **the big issues for Irish business include cybersecurity, profit and sustainability.**

As businesses invest further in digitalisation, issues like cybersecurity

will loom larger as complex work practices become more vulnerable to disruption. Likewise, the large investments required to deliver on business ambitions will result in an increasing focus on the ROI from such investments, especially in terms of profit margins. Of course, as Ireland and Europe progress towards their climate change goals for 2030 and beyond, then the issue of sustainability – and how best to ensure that future work practices and processes are sustainable for the long term – will occupy a growing share of management time and attention.



Responding to these business and technology challenges will see further emphasis on digital technology to ‘bridge the gap’ in terms of driving process and product innovations or pivoting existing business models to be more future proof in the years ahead. There is a clear ranking in terms of solutions that will be considered in response to business challenges.

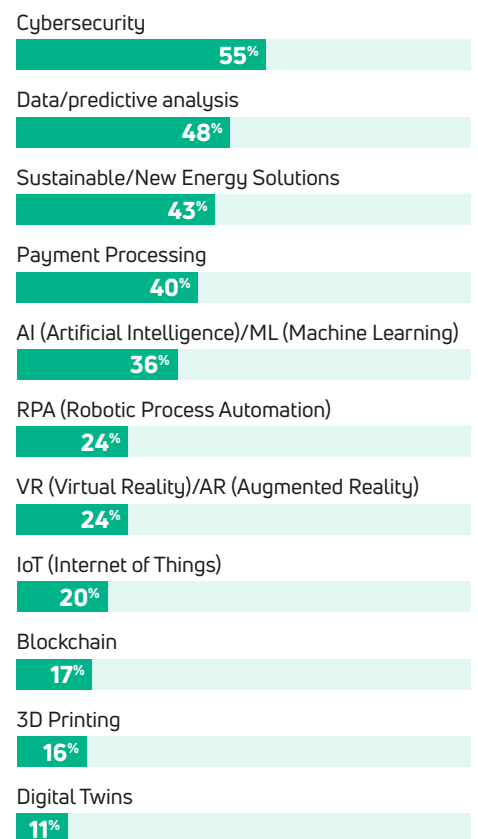
For large businesses, preferences for digital technologies reflect expected business challenges, so **technologies**

that provide protection, insight and efficiency (including energy usage) will be valued above others.

While technologies such as robotics and AI/machine learning are receiving considerable attention at the moment in the media, businesses appear to consider other technologies to be more practically relevant in the short term.

Which, if any, of these digital technology areas are being considered for your organisation in Ireland? (% being considered)

Base: large businesses



Except for cybersecurity, no individual digital technology is being considered by a majority of firms in our survey. That reflects obvious differences in terms of either market sector requirements or current investments and competences. Nevertheless, one in three firms say they are considering AI/ML in their organisation, while one in four are considering robotics.

5. Barriers to Innovation

If the vast majority of businesses acknowledge the current and future importance of innovation to their continued success, why do so many lack a defined strategy? Among those with no innovation strategy or only a very basic one, a variety of barriers can be identified:

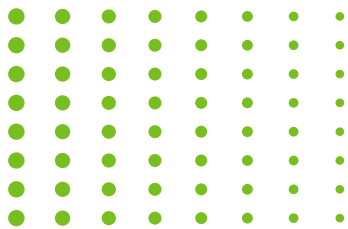
What are the barriers to having an innovation strategy and/or innovation management structure in place for your organisation in Ireland? (% saying a barrier)

Base: have no or only basic strategy in place



Indeed, the top four barriers, which include budget, time, expertise and strategy, score equally high and point to the pressures of day-to-day business issues and priorities preventing 'bigger picture' thinking.

Leadership and expertise within the business are important factors influencing progress of corporate innovation. High level decision making around understanding requirements and priorities is a necessary first step along with the authority to allocate resources. **The skills and talent to implement are crucial and when not adequate, can be a real barrier to corporate innovation progress.**



6. SMEs as Enablers of Corporate Innovation

The Irish Government's report *Impact 2030 – Ireland's Research & Innovation Strategy*² places considerable emphasis on the contribution of SMEs when it notes in its '2030 Vision' that Ireland will be a country where:

Enterprises, particularly SMEs, start, succeed and transform through innovation, knowledge exchange, research commercialisation and access to highly skilled people.

SMEs and start-ups often play a significant role in driving innovation for several reasons. Typically, smaller firms are more agile, allowing them to adapt quickly to changing market conditions, customer needs, and emerging technologies. Also, they are often able to take more risks than larger companies, as they don't have the same level of bureaucracy, shareholder demands, and established processes that can sometimes stifle innovation.

Focusing on digital or tech start-ups as a sub-category of SMEs, start-ups are often at the forefront of technological advancements, disrupting established industries and innovating in ways that larger companies may not be able to. This is due, in part, to their agility, their ability to take calculated risks, and their willingness to explore niche markets or applications that may initially seem less profitable.

One solution for large businesses seeking to innovate would be to collaborate with SMEs that have the talent and expertise to break through the skills and time barriers. Indeed, 9 in 10 large

businesses in our survey are open in principle to engaging with third parties on specific areas of innovation. But most recognise that there could be barriers to doing so, and only 7% think there would be no barriers at all.

This then explains the appeal of collaboration between digital start-ups and larger companies as the latter can partner with start-ups to leverage their existing platforms. For instance, a start-up might develop a digital solution that improves the efficiency of one or more business processes. **The partnership can accelerate the implementation of new processes and products, benefiting both the start-up/SME and the larger business.**

"It's important that corporates and digital start-ups understand that both operate at different speeds and a successful innovation partnership will smooth out the tensions that sometimes arise during innovation processes".

*Brian Leahy,
Glanbia*

The Innovation Exchange corporate member



² <https://www.gov.ie/en/publication/27c78-impact-2030-irelands-new-research-and-innovation-strategy/>

SMEs as Enablers of Corporate Innovation

Such collaborations obviously enable digital SMEs to get their innovative products and services to market more effectively, and help larger businesses stay competitive. So it makes sense for collaborative innovation to take place, but for it to work, both parties need to be aligned.

Our survey of 132 digital SMEs shows that **most SMEs are ready to meet the needs of larger businesses:**

Which of the following describes the life-stage of your digital technology business? (% at stage)

Base: digital SMEs

Ideation/Pre start-up phase – exploring viability of a new digital technology/service

15%

Start-up phase – developing a prototype digital technology product/service

23%

Growth phase – digital technology product service recently launched

44%

Expansion phase – established technology business

17%

“My advice to any large business wanting to participate in the Innovation Exchange community is to make sure you commit some time of a leader in your organisation with good oversight of your business needs”.

*Brian Kennedy,
Expleo*

The Innovation Exchange corporate member

In fact over 6 in 10 digital SMEs are already selling digital solutions in the marketplace and can immediately add value to larger business partnerships. In most cases their solutions niche or extremely specialised: 57% are offering digital technologies that can be used by most businesses across multiple sectors and functions.

Just as the **larger firms in our research are open to the prospect of collaboration**, we also find among digital SMEs a similarly high level of enthusiasm to the idea.

“When you bring in a potential solution provider from outside your organisation then your internal reputation is on the line, so having The Innovation Exchange vet providers in advance helps de-risk the process”.

*Gerard Quinn,
Icon*

The Innovation Exchange corporate member

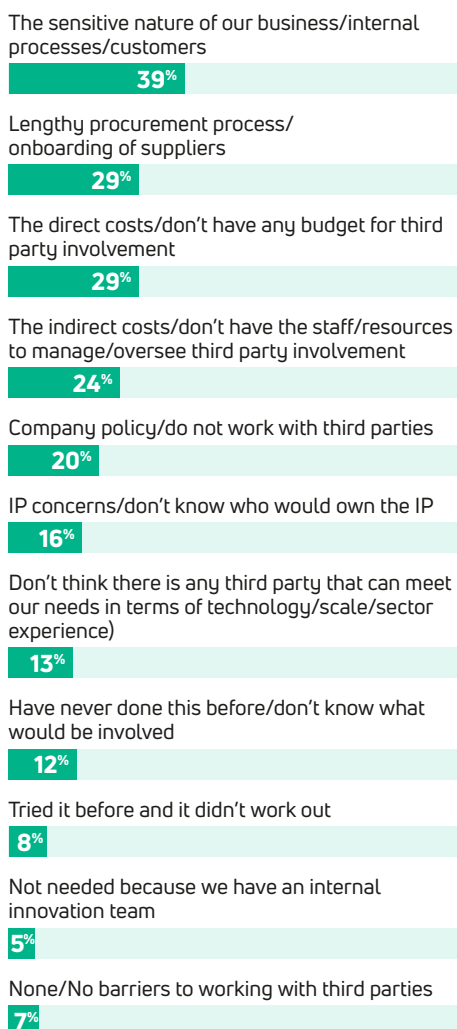


7. Barriers to Collaborative Innovation

Though most large firms are open in principle to working collaboratively with third parties to accelerate innovation, barriers do exist with most relating to internal working practices.

Which of the barriers listed below impact your organisation's ability to work with third parties to implement or develop innovation initiatives? (% consider a barrier)

Base: large businesses



Just as large firms foresee barriers to collaboration, small firms are also aware of a range of barriers, though their perceptions relate to how they think large firms think or behave:

Which of the barriers listed below impact your organisation's ability to work with corporate partners? (% identifying barrier)

Base: digital SMEs



This tells us that collaborative innovation is not without challenges and that attention should be given to addressing these challenges. There is some shared understanding of the difficulties that affect both parties, e.g. the delaying effect of procurement processes – but other differences are simply the function of diverging business needs and capabilities.

Nevertheless, a **determined focus on collaborative innovation by large firms could unlock opportunities for innovation that could be accessed much more quickly than by 'going solo'**. However, it is clear that in preparing to collaborate with third parties, large firms will have to first ensure they have dedicated team members, with the necessary skills and authority, to prepare the way for success.

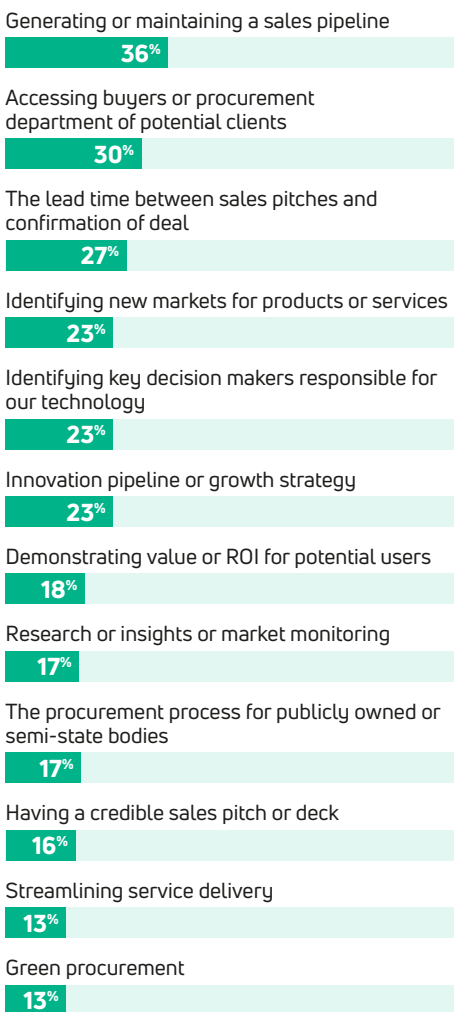


8. Bringing Innovation to Market: The Challenges

Our survey of digital SMEs identified a wide range of obstacles to selling digital solutions:

Which, if any, of the following are challenging the sales efforts of your technology business at the moment? (% identifying challenge)

Base: digital SMEs

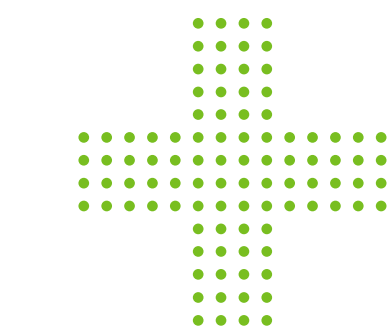


The research highlights a range of challenges that SMEs face as they build their commercial and sales capabilities. Key areas identified include the ability to access buyers (30%) and to identify decision makers (23%) in the target organisations.

Additionally understanding both the corporate buying cycle and the time and complexity of getting to a deal (27%), along with navigating the procurement process (17%), indicates that for Irish SMES, developing a deeper understanding of corporate processes should be a priority.

The findings also highlight market research as a challenge, with 23% identifying lack of knowledge of new markets and opportunities an issue and a further 17% identifying research and insights as a challenge.

These findings indicate that building commercial and selling skills as well as developing a deep understanding of the requirements of the market are key to success in new customer acquisition, and indeed in preparing for successful collaboration.



9. Investing in Skills for Collaborative Innovation

Not surprisingly, given the challenges they face, digital SMEs are open to assistance in developing knowledge on a wide range of commercial issues, beyond straightforward selling:

Which of these would your business consider looking for help or advice on? (% would consider)

Base: digital SMEs

Identifying new markets for products or services
30%

Reducing the lead time between sales pitches and confirmation of deal
25%

Accessing buyers or procurement department of potential clients
24%

Demonstrating value or ROI for potential users
23%

Having a credible sales pitch or deck
22%

Identifying key decision makers responsible for our technology
20%

Generating or maintaining a sales pipeline
20%

Innovation pipeline or growth strategy
18%

Research or insights or market monitoring
17%

Navigating the public procurement process
17%

Streamlining service delivery
15%

Green procurement
11%

Specific areas that are highlighted include; identifying new markets for products or services (30%), demonstrating value or ROI for potential users (23%) and developing an innovation pipeline or growth strategy (18%).

In such circumstances, it is not surprising that **the vast majority (87% of those digital SMEs in our sample not already working with The Innovation Exchange)** are very or quite interested in using the services of an agency that could help their organisation navigate through some of the potential barriers to working with corporate partners.

Furthermore, 59% of the same digital SMEs (again excluding those already working with TIE) are interested in an organisation that connects corporate partners who want to collaborate with providers of new and emerging technologies. Another 30% are potentially interested depending on the prospective partner(s) and related terms and conditions.

“Participating in The Innovation Exchange is a unique experience as it provides an accelerated, focussed process to understand the business challenges of corporate partners with pre-qualified technology solution providers”.

*Kevin O'Donnell,
Digital Workforce*

The Innovation Exchange corporate member



10. Bridging the Innovation Divide



The research summarised in this report should encourage us to be ambitious as well as confident about the potential for collaborative innovation and the willingness of large Irish businesses and growing Irish SMEs to work together to unlock the true potential that innovation can play in business development.

The continued investment in digitalisation by large Irish based firms and organisations can and will create demand for the solutions on offer from digital SMEs. But demand won't translate into sales if the barriers we have identified remain in place.

The Government's ambitions for the part innovation will play in future economic growth, standards of living and quality of life in Ireland will demand the adoption of new approaches to innovation.

The Innovation Exchange

Skillnet Ireland, through The Innovation Exchange, has committed to a multi-year programme to overcome the barriers to corporate innovation in Ireland. The

programme will support at least 1,000 companies between 2022-2025. The purpose of The Innovation Exchange is clear. It is a marketplace for innovation – a dynamic ecosystem where businesses facing digital transformation challenges are connected with innovative companies that can fast-track the solutions.

It is a structured and managed ecosystem that connects innovators with innovation seekers, facilitating collaboration between companies and creating opportunities for business development and commercial success for all involved.

Large corporates get access to collaboration opportunities with Ireland's most talented SMEs, accelerating their digital transformation. There are currently 34 corporate members of The Innovation Exchange, including Ryanair, Glanbia, ESB, Axa Insurance, Microsoft, IBM and IDA Ireland.

Scaling technology companies get an instant sales pipeline as well as access to prospective customers, market

intelligence and the capability to sell to large corporates via bespoke training. SME members have deep expertise in emerging technologies such as AI, process automation, robotics, cybersecurity, digital communications and IoT.

The Innovation Exchange is an initiative of Skillnet Ireland and is managed by Furthr.

The Innovation Exchange so far:

500+

companies engaged



30

challenges published



69

SME pitches



9

deals done



24

deals in progress



2500

training days



Deal Done!



DIGITAL
WORKFORCE



exertis

"We went from pitch to paid pilot in six weeks thanks to The Innovation Exchange!"

*Kevin O'Donnell,
Digital Workforce*



 **THE INNOVATION
EXCHANGE**
An Initiative of Skillnet Ireland

www.theinnovationexchange.ie

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An Roinn Breisoideachais agus Ardoideachais,
Taighde, Nuálaíochta agus Eolaíochta
Department of Further and Higher Education,
Research, Innovation and Science



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