

## Soft Flow Hungary Research and Development Ltd.

### IMP3rove assessment results and evaluation reports

Commissioned by the Chamber of Commerce and Industry of Pécs-Baranya, in the framework of project No. SROP-4.2.1-14 / KONV-2015-0010, the assessment of innovation management of Soft Flow Hungary Research and Development Ltd. took place at the company's location in Pécs, (2/a Ürögi fasor, Pécs, H-7634), on August 18, 2015.

On behalf of Soft Flow Hungary Research and Development Ltd. the following persons participated in the survey:

- Dr. György Lustyik, Managing Director
- Dr. Árpád Czéh
- Dr. György Nagyéri
- Bálint Kiss

The assessment of innovation activities and organization of the enterprise was performed by using an international innovation management consulting methodology called IMP3rove. The IMP3rove method helps to determine strengths and weaknesses in innovation processes and makes it possible to identify the areas within the company, where changes may be needed, which should be further developed in order to insure that the positive economic impact of innovation should prevail as much as possible.

The survey encompasses 5 groups of questions from different areas of the innovation management:



Source: [www.improve-innovation.eu](http://www.improve-innovation.eu)



In our present case the assessment of the company's innovation performance, innovation-management processes reflects the opinion of the senior and middle management level.

Following the IMP3rove assessment, the management defined, in addition to Hungarian companies, the following countries and regions in the IMP3rove database for the generation of the Benchmarking report: Hungary, Denmark, Germany, Czech Republic, the United States, Romania, the European Union.

Within the sectors of biotechnology, pharmaceuticals, chemical industry, as well as Knowledge Intensive Services/ Scientific Research and Development, the IMP3rove benchmark system allocated the following item numbers in respect of each designated countries:

- Domestic companies: Biotechnology, pharmaceutical industry, chemical industry: 18 companies, Scientific Research and Development: 4 companies
- Denmark: in the case of biotechnology, pharmaceutical industry, chemical industry, no Danish companies are listed in the database, Scientific Research and Development: 1 company in this sector
- Germany: Biotechnology, pharmaceutical industry, chemical industry: 48 enterprises, Scientific Research and Development: 2 companies
- Czech Republic: Biotechnology, pharmaceutical industry, chemical industry: 3 enterprises, Scientific Research and Development: 0 enterprise
- United States of America: Biotechnology, pharmaceutical industry, chemical industry: 0 enterprise, Scientific Research and Development: 0 enterprise
- Romania: Biotechnology, pharmaceutical industry, chemical industry: 0 enterprise, Scientific Research Development: 0 enterprise
- All the countries: Biotechnology, pharmaceutical industry, chemical industry: 253 enterprises, Scientific Research and Development: 58 enterprises

The IMP3rove system does not allow screening for groups of countries, so it was not possible to generate a comparison with the European Union. According to the list of experts (IMP3rove Guide), close to 95% of the experts operate in the Member States of the European Union, the number of assessments carried out by experts operating in countries outside the European Union is low (although generally the experts have registered, they have not performed assessments yet). Based on this fact, it can be assumed that nearly 95% of the enterprises listed in the database operate in the Member States of the European Union, so data on "all countries" mostly coincides with the EU data.



Consequently, 5 comparative benchmark reports were downloaded, of which only 4 reports can be regarded as relevant, considering the number of items the comparison was based on, 1 report (national scientific research and development industry benchmarking) is of informative nature only, due to the low number of items.

1. Comparison with data of Hungarian businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry (regardless of size and number of years in operation): comparative benchmark report with data of 4 firms
2. Comparison with data of Hungarian companies listed in the database in the Scientific Research and Development sector (regardless of size and number of years in operation): comparative benchmark report with data of 4 firms
3. Comparison with data of German businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry (regardless of size and number of years in operation): comparative benchmark report with data of 48 companies
4. Comparison with data of businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry (regardless of country, size and number of years in operation): comparative benchmark report with data of 253 companies
5. Comparison with data of companies listed in the database in the Scientific Research and Development sector (regardless of country, size and number of years in operation): comparative benchmark report with data of 58 companies

### **General Comments**

The company's innovation management performance is outstanding compared to Biotechnology, pharmaceutical industry, chemical industry as well as Scientific Research and Development businesses, both in international comparison and regarding domestic enterprises listed in the database.

The 5 benchmark report show similar results:

- Innovation strategy: the company fundamentally defines the directions of innovation management, and ideas for future development. Thoroughly thought-out research and development planning is conducted following the innovation strategy.
- Innovation Organisation and Culture: relative to all benchmark groups, the company's performance is outstanding, which indicates that innovation management has embedded in the company's culture, the innovation projects are implemented in a well-established way, following either standardized or custom procedures as needs arise. The innovation networks indicate extensive connections.



- Innovation Life Cycle Processes: idea management, product/service development, launch, continuous improvement processes are well-organized and documented. The life-cycle process management shows above-average results in the case of all benchmark groups as well as values above those of the Growth Champions.
- Enabling Factors, involving a variety of factors such as information technology, corporate image, or human resource management show outstanding results compared to domestic enterprises as well as to all the companies listed in the database.
- Innovation Results indicators primarily relate to economic and financial indicators and they compare absolute values (revenue in thousand euros). In an international comparison this kind of data, the result of the comparison may be misleading, the monetary values can only be interpreted compared with the data of domestic companies. However, the result indicators in relation to domestic companies are also far below the average, the index approximates solely the German average.

#### **1. Comparison with data of Hungarian businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry**

The company shows outstanding results in several areas of the issue groups involved in the IMP3rove methodology, in comparison with both the average and the Growth Champions representing the top 10% of the respective category: Innovation Strategy, Innovation Organization and Culture (motivation, idea generation, Innovation Partnership), Innovation Life Cycle Processes, and Conditions Facilitating the Realization.

The innovation results, however, fall behind significantly compared to the average and the Growth Champions.

Outstanding areas:

- The success rate of innovation projects, in the case of both the radical and incremental innovation projects
- Idea Management, evaluation and discussion of ideas for development by several areas of expertise, moving project ideas, which can be deemed successful, to the development phase
- The balance of innovation projects (small-scale and radical, risk and return, long- and short-term planning)
- Ideas based on internal resources, launching products and services onto the market (patents are not typical)
- Excellent organizational and cultural readiness for innovation (the readiness for innovation at the level of the top and middle management as well as at the employee level)
- Innovation Partnership, an extensive professional network

- Favorable payback time, life cycle time and time-to-market based on the life cycle of the most profitable products/services
- Quick decisions on developments, functioning idea management, appropriate idea development cycle
- Continuous monitoring of customer data and feedback
- System of corporate incentives

## **2. Comparison with data of Hungarian companies listed in the database in the Scientific Research and Development sector**

Comparison with data of 4 Hungarian companies listed in the database in the Scientific Research and Development sector is only of indicative nature, it does not allow relevant conclusions to be drawn.

- The readiness for innovation does not reach the average value of the other firms at the level of the middle management and at the employee level.
- Outstanding innovation partnerships and partner network, however, the partners should be involved in idea generation and in shaping development ideas more intensively.
- The number of incremental and radical ideas raised and registered yearly falls behind in comparison with both the average figures and the Growth Champions.
- The planning of development processes and innovation projects is outstanding ranging from the definition of the indicators to planning and monitoring of the standardized procedures, milestones and costs.

## **3. Comparison with data of German businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry**

The characteristics of the innovation strategy are outstanding compared to the 48 German enterprises working in the biotechnological sector (pharmaceutical industry, chemical industry) which are listed in the database.

- The level of communicating and discussing innovation strategy in the senior management meets that of the Growth Champions and it is slightly above the average. However, the level of acceptance and utilization of the innovation strategy among the middle managers and the employees is below the average (and the value of the Growth Champions)
- The Innovation Partnership is also outstanding compared with the German companies.
- Marketing and pay-back periods of certain products and services - although an estimated value was specified – exceeds by far the value of the Growth Champions, the company is capable of marketing a product or service in much less time than the German competitors.
- The number of incremental and radical ideas raised and registered yearly is significantly lower than the values of both the average and the Growth Champions.

- During the planning and launching of innovation projects the indicators are determined, the company utilizes the experiences of previous projects remarkably well compared to the German enterprises.
- The German Growth Champions allocate significantly higher percentage (38% of their innovation budgetary framework) to long-term innovation projects than the 15% specified by the company.
- The company's innovation results correspond approximately to the average of the German companies, but fall short significantly of the Growth Champions.
- Product innovation is much more pronounced in the case of the German companies, on average the businesses place product innovation up to 67% in the first place of profitable innovation areas (the value estimated by the company is 40%).

#### **4. Comparison with data of businesses listed in the database within the sectors of Biotechnology, pharmaceutical industry, chemical industry, all the countries**

Compared to the 253 German enterprises working in the biotechnological sector (pharmaceutical industry, chemical industry), which are listed in the database, mostly the characteristics of the innovation strategy as well as the conditions facilitating the realization (IT, HR, project management) are the most positive results. Similarly to the other benchmarks, the innovation results are below the average, and they fall short significantly compared to the Growth Champions.

- The evaluation of the innovation projects is multi-planar, it takes into consideration both the costs and the time span as well as the risks and the returns equally. Such in-depth evaluation is not typical either in the case of the enterprises assessed in the sector or in that of the Growth Champions.
- The ring of external collaborators, innovation partnerships and networking are all outstanding.
- The time-to-market and return of product and process improvements show a far better value than the average and that of the Growth Champions (competitive advantage!). The success rate of the radical and incremental innovation projects is outstanding.
- There are few ideas registered annually, but the selected ideas are forwarded to the development phase and the marketing of products and services is also at a high level.
- The formalized processes (milestones, defining responsibility, designation of indicators in advance) can greatly assist in the development processes. Fully defined management and monitoring processes take place during the innovation projects, while this is not characteristic of either the Growth Champions or of the average in the given benchmark group.
- The report shows extremely high results in terms of the range of incentives and rewards, the exploitation of the experiences of previous innovation projects as well as regarding the definition of the indicators of time, quality and cost factors.
- In the case of the company, organic growth based on internal resources is dominant (100%), while in the case of international rivals, to the extent of 20%, other external factors (merger, acquisition of the company) increase the operating results.



## 5. Comparison with data of companies listed in the database in the Scientific Research and Development sector, all the countries

Compared to the 58 companies listed in the database in the Scientific Research and Development sector, with the exception of the innovation results, Soft Flow Ltd. produces better results in all areas, in the cases of almost all the issues, than its international competitors.

- In the case of only two issues, a slight shortfall can be observed compared to the average values:
  1. At the senior management level, the acceptance and utilization rate associated with the innovation strategy, and at the middle management levels, the intensity of information sharing remain below the values of the Growth Champions. However, all the three levels of the organizational hierarchy exhibit outstanding commitment to innovation and innovative thinking.
  2. The number of ideas raised and registered yearly is lower than the values of both the average and the Growth Champions.

### Overall conclusions and recommendations

- A summary of the survey results based on self-assessment shows that the company's innovation performance is outstanding in all benchmark groups, and except for innovation results, it exceeds that of the Growth Champions in all areas. The self-assessment was validated based on the experience gained from the sponsored survey (the data of the self-assessment can be evaluated as realistic and well-founded).
- Compared to enterprises working in the biotechnological sector (pharmaceutical industry and chemical industry), marketing and pay-back periods of certain products and services - although an estimated value was specified – exceeds by far the value of the Growth Champions, the company is capable of marketing a product or service in much less time than its competitors. This can provide a significant competitive advantage in the international market, especially taking into account the focus of innovation and the innovation expectations of the sector. Comparison with the German companies in the sector shows similar results as well.
- The number of ideas raised and registered yearly, which serve as the base for innovation projects, is significantly lower than the values of both domestic and foreign competitors. Idea generation is formalized and backed by IT support – although according to what was discussed during the survey, this is less favored – all the same, it is worth seeking out more possible channels and solutions, and adding new methods to brainstorming discussions in order to increase the number of ideas. In any case, it is a salient fact that the emerging ideas are forwarded to the development phase, and they also reach the phase of market recovery.
- The company clearly defines the objectives and the focus of activity in its quality policy, readily available for all, on the website. The innovation performance of Soft Flow Ltd. is outstanding, and based on this fact, it is recommended that a kind of vision should be formulated beyond the

quality policy regarding the further improvement of the innovation performance, or even just an innovation-centered vision might further strengthen the external perception related to innovation performance, too.

- In order to improve innovation outcomes, it is advisable to examine the company's sales structure, the composition of the customer base, the target markets, the range of product and service users. The company's business model is facing a major development, an element of which is the creation of a new sales department and the introduction of new sales channels. It is recommended that the above mentioned decisions should be backed by market research performed in the sector or perhaps in the geographical region, and the identification and definition of new target markets, the development of a new sales strategy and marketing plan should be based on results obtained by using the appropriate market research methodology.
- Another way of improving the results of innovation is to successfully obtain R&I grants. The invitations to tender, appearing in No. 2 priority named "Research, Technological Development and Innovation", in the framework of the Hungarian Economic Development and Innovation Operational Programme (GINOP), may provide an opportunity for joint university and academic projects (the small and medium-sized enterprises will become "sought-after" project partners for university R&D projects as well). On the other hand, the centrally issued EUREKA - EUROSTARS2, and Horizon2020 programs based on thematic and international collaboration, or, respectively, Horizon2020 programs tied to the sector to a lesser degree and supporting breakthrough innovation results (Breakthrough Technologies) such as Fast Track to Innovation Pilot, SME Instrument, may provide realistic R&D resources for the company.

The above summary evaluation raises areas recommended for further development and issues to be considered for the surveyed company, which should be taken into account in order to enhance the success of research and development and innovation activities and may contribute to the successful conduct of R&D&I projects and to the increased level of the innovative results.

The benchmark reports on which the evaluation is based and the summary assessment have been electronically forwarded to Soft Flow Hungary Research and Development Ltd. and to the Chamber of Commerce and Industry of Pécs-Baranya.

Mosonmagyaróvár, 31st August 2015

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IMP3rove Guide