



## PRESS RELEASE

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### Innovation Management in the Electrical Industry: Peak Innovators soaring high

[03.01.2012] Successful innovations and efficient Innovation management stand for a future-proof corporate development – this fundamental principle applies to all sectors of the economy. But what is the distinctive sign of innovation management that is characteristic of successful companies? How do they approach such an issue in practice and how do they distribute their resources in the innovation process? Which management capabilities determine the practical implementation of the innovation strategy? These are the questions to which the top Management Consultant Dr. Wieselhuber & Partner (W&P) has sought to provide answers in its current panel of entrepreneurs "Peak Innovators – Excellence in the Management of Innovations in the Electrical Industry", in which one of the most successful and largest German industrial sector – the Electrical Industry – is critically examined. The survey provides exciting insights into the objectives and investments of the companies polled as well as analyses the courses and magnitude of success in the innovation process, which decisively contribute to profit-yielding corporate growth. The results were presented this week, at the "Sector Workshop: Electrical Industry" in Frankfurt am Main and complemented by the experiences amongst others, of Dr Gunther Kegel, Chairman of the Management Board of Pepperl + Fuchs GmbH, Roland Bent, Managing Director of Phoenix Contact GmbH & Co. KG and Professor Dr. Eckhard Minx, Futurologist and long-term Research Manager at Daimler AG.

For the fourth time running, over 180 Entrepreneurs, Managing Directors and Top Managers of reputable companies are participating in the written opinion survey and personal interviews of experts in the sector, conducted by W&P. Players of the sector that were polled were categorized into Peak Innovators (26.2 percent) and Average Companies (73.8 percent) based on their operating profit margin and turnover growth. The survey that was additionally bolstered by the data of the traditional benchmarks of the ZVEI (German Electrical and Electronic Manufacturers' Association) "Fit for the Future" indicates that Peak Innovators in the Electrical Industry achieve a clearly higher share of new products as well as an above-average turnover growth and proceeds than the average companies. They manage their innovation process better and more efficiently and set themselves more targeted innovation objectives – all with relatively lesser Research and Development expenditures (R&D) amounting to 5 percent of turnover.

Expressed in figures, this means that higher turnover growth and higher operating profit margin notwithstanding, peak innovators devote less than good 7.4 percent of total turnover to allocations for R&D than average companies. Johannes Spannagl, a W&P Partner and Initiator of the survey therefore concludes that "Huge investments in Research and Development are no guarantee for success! On the contrary, the overall innovation climate and management behavior make the decisive difference."



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Dr. Gunther Kegel, Chairman of the Management Board of Pepperl + Fuchs GmbH recognizes a huge challenge precisely in the shaping of the correct innovation climate for the company: "To promote innovation and creativity, conducive spaces must be created that are free of power and hierarchy – because innovation management is hardly presentable in modern industrial operations." As far as Spannagl is concerned, resource utilization also plays a major role in the innovation process. According to the survey, trailblazers in the sector concentrate their management capacities more strongly on the R&D process (10 percent more) than the average companies. The average corporate decision-makers among peak innovators are also very much aware of the benefit of the know-how of their staffs with 88 percent appraising this as a major strength of their company.

Moreover, the survey also reveals clearly that there will be no success in the area of innovation without setting clear objectives in the area of corporate development. Profit growth in corporate development was paramount to 73 percent of Peak Innovators polled – for average companies, it was only 62 percent. On the other hand, Innovation management had absolute priority for 52 percent of Peak Innovators while the subject was at all an issue only for 25 percent i.e. less than half of the average companies. This prompts Spannagl's comments that "Peak Innovators differ significantly in their innovation behavior from other companies: they are often trailblazers with new ideas and hang on to them continuously – even if the prospects for success are yet incalculable. In addition to leading the way on innovation, they also strive to lead the way in technology in their market in a disproportionate manner."

The result of this strategy is impressive and remarkable: a comparison spanning over several years uncovered that Peak Innovators account for over 20 percent – a remarkably higher share – of turnover of new products than the average companies. The reason: "In their innovation efforts, usefulness to customer is very much in the forefront of the Peak Innovators' calculation. They thus keep their eyes for instance, especially on cost reduction in the value creation chain of their customers. Customer-orientation is always beneficial", believes Spannagl. Roland Bent, Managing Director of Phoenix Contact GmbH & Co. KG, holds the same views: "Technology scouting in small teams for the discovery of new technical incentives must lead to pilot applications together with key customers".

In the views of the Futurologist Professor Dr. Eckhard Minx, who delivered the keynote address at the event, the issue innovation is also playing out on another level. He therefore advises companies willing to engage in innovation to embrace a permanent change of perspective, demands mental changes in the inner world and urgently recommends the development of the ability to learn to live with uncertainties.

We remain at your disposal for further inquiries.



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**Short profile of Dr. Wieselhuber & Partner**

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sectoral top management consultancy for family businesses as well as public institutions. Through this consistent target group orientation and the resulting competence, W&P became the leading management consultancy for family businesses and the public sector in Germany over the past 20 years. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner offers his customers an extensive expertise in various sectors and methods and is mainly characterised by its competence in the interplay between family, management and company.

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