

Innovation driven export growth towards 2023

TiM's projects in collaboration with A.T. Kearney



Innovation driven export growth is key for 2023 targets

Turkey has set ambitious targets and vision for key industries towards 2023. On the way to achieve these goals, Turkish Exporters Assembly (TİM) highlights and supports the importance of innovation driven export growth. This will be one of the key levers to be in the premier league of global economies in 2023.

TİM aims to transform Turkey’s creativity potential into high value-added products and services through creating an innovation culture. On that point, global management consulting firm, A.T. Kearney was chosen as the strategic partner supporting TİM in two collaborative projects to enhance the innovation awareness and capability landscape in Turkey. These ongoing projects are National Innovation Strategy 2023 which will outline a roadmap at macro level for Turkey to realize the ambitions of innovation driven export growth as a key element to reach the 2023 targets and InovaLIG which aims to support Turkey at micro level to reach world best practices by moving from creative ideas pool towards profitable innovative goods and services.

Strategic roadmap towards 2023 will be identified

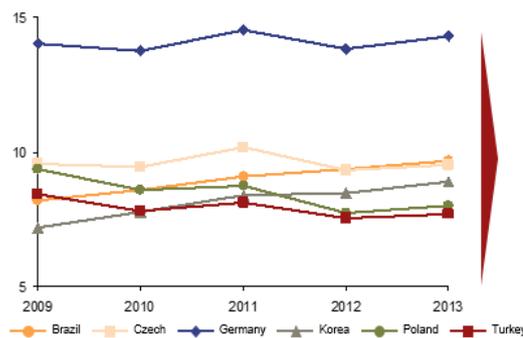
Vision 2023 set the bar high for the key industries of Turkey. To fulfill 2023 vision, Turkey clearly needs to increase value per kilogram of its manufactures and of its exports. Manufacturing higher value added goods is only possible through attaining a higher sophistication level in every step of the economy and innovation is the key to unlock gates leading to the club of advanced economies.

The example of automotive industry illustrates the current status of Turkey. In the last four years, it was not able to move up on the ladder of comparable economies in terms of value per kilogram. On the other hand, one kilogram on German exports is worth nearly twice the value of Turkish exports.

Export unit value and volume comparison

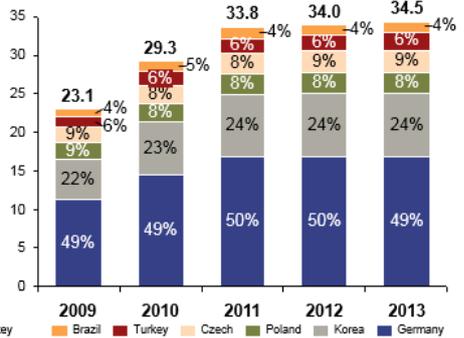
Automotive

Export unit values in selected countries
(\$/kg., 2009-2013)



Source: Trademap, A.T. Kearney

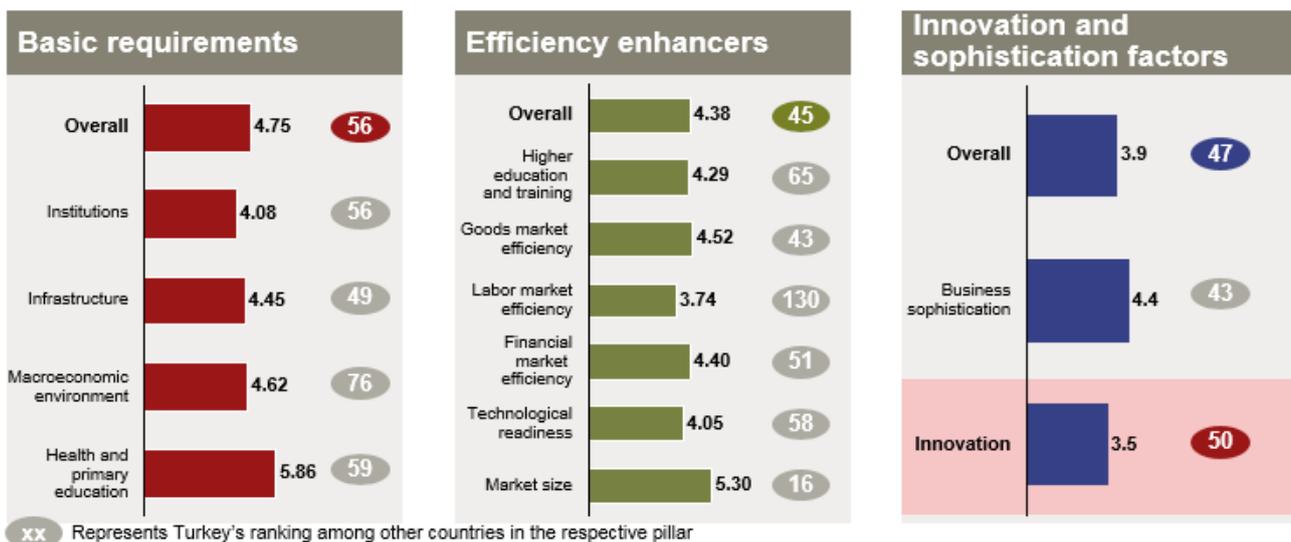
Export volumes of selected countries
(Mn. Units, 2009-2013)



Global Competitiveness Index of World Economic Forum offers insights to understand this divide between per kilogram value of different countries’ exports. In recent years, Turkey went up in the rankings and it is currently in the same cluster with countries such as Poland. However, neighboring countries have moved up similarly and even Saudi Arabia ranks higher than Turkey.

On a closer at the competitiveness sub-indices, it is apparent that Turkey is not yet on the desired level in terms of labor market efficiency. The reason for the low score in this dimension is limited accessibility of talents, low flexibility to move through different places. Overall, sophistication level and the size of the talent pool is an improvement area for Turkey. The gap in this dimension is also one of the root causes of the low score in innovation.

Turkey's scores on Global Competitiveness Index



Source: World Economic Forum, The Global Competitiveness Report 2013-2014, A.T. Kearney

TIM in collaboration with A.T. Kearney will build a roadmap for 26 industries that defines the way towards reaching ambitious 2023 vision. To outline the path, the macro trends will be analyzed and changes to be identified. Macro changes will be translated to innovation pressure and required responses should be identified, accordingly. On that point, it should be highlighted that innovation does not mean only R&D. Besides product innovation; process, organization and business model innovation should also be considered.

- 1 **Fostering innovation** • Innovation can't be created, but only be fostered and promoted
- 2 **Competition** • Competition and innovation go hand in hand
- 3 **Local dynamics** • Tending to local dynamism and interactions is vital for achieving innovative business environments
- 4 **Types of innovation** • Innovation isn't just R&D – having a broader range of understanding is important
- 5 **Smart specialization** • Smart resource allocation is important in optimizing innovative efficiency

Source: A.T. Kearney

On the way to be in the premier league of global economies, Turkey should not copy other countries but instead learn from the winning ones. All best practice countries with winning strategies have five underlying

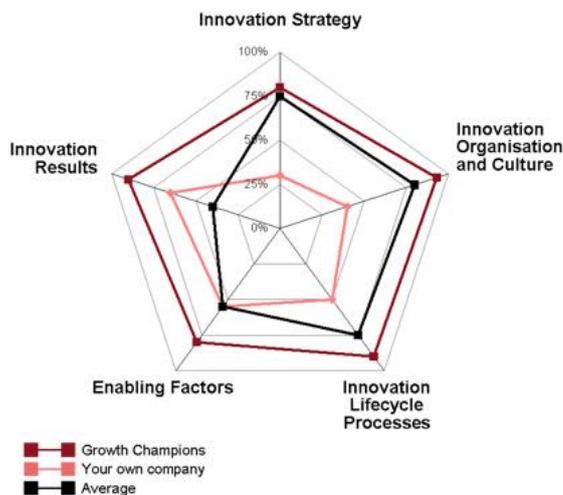
fundamentals. What can we learn from winning countries? How prepared are we for the Vision 2023? How closely are government, academia, business and associations are working together to build the innovation ecosystem? Innovation strategy project will answers these questions and provide a Turkey specific roadmap that is doable.

InovaLIG journey towards a more innovative Turkey

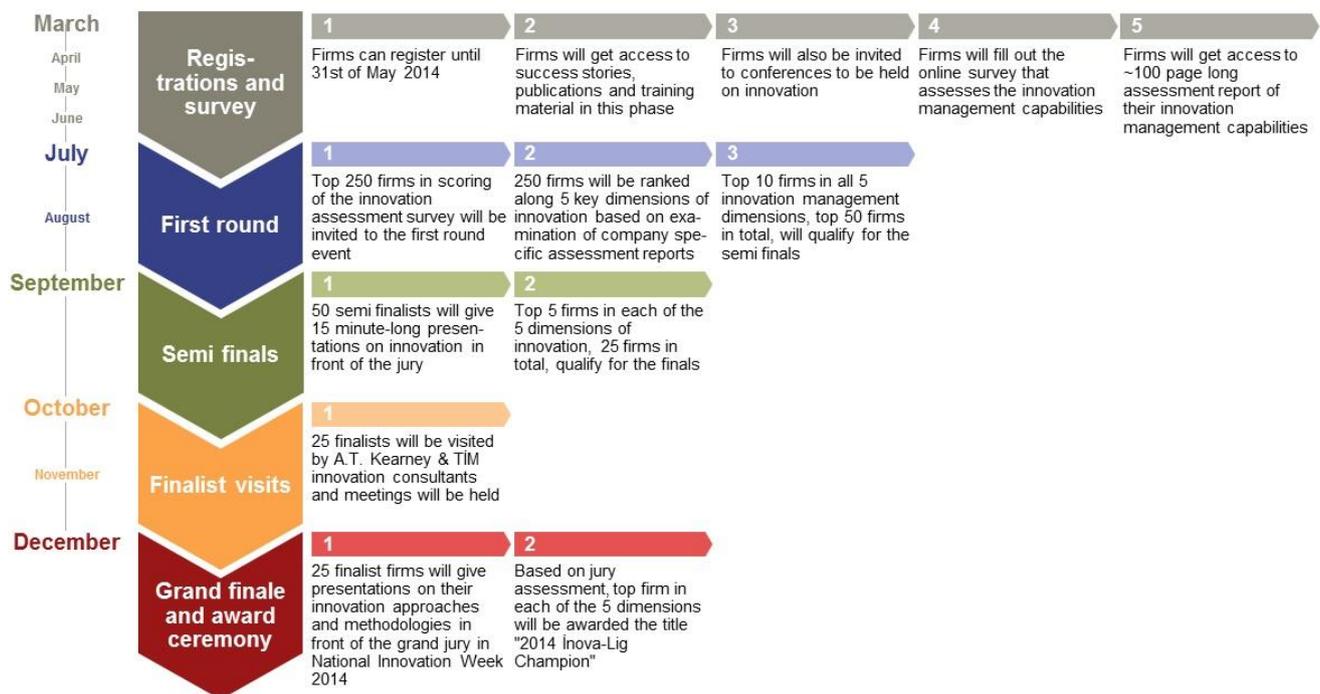
InovaLIG, organized by Turkish Exporters Assembly and A.T. Kearney, is the first innovation capability assessment and development program in Turkey. For Turkey to reach 2023 targets, innovation needs to be at the core of all our strategies. In this journey, the aim is to create awareness of innovation in both public institutions and private enterprises and support companies even at micro level to realize their targets by taking the outlined way in innovation strategy project, towards 2023.

InovaLIG is based on “IMP3rove Academy” methodology, which is organized by A.T. Kearney in collaboration with European Commission in 17 European countries and also the experience of A.T. Kearney as being the host of “Best Innovator Club” which enables the most innovative European companies to discuss and share their ideas on a certain topic. Based on this solid expertise, InovaLIG will add significant intellectual capital to Turkey.

InovaLIG’s process consists of three major phases after registration. In the first phase, applicants fill out a comprehensive survey which enables the assessment of current capabilities. At the end of the first phase, each participant receives an individual benchmark report, comparing the participant with local and international benchmarks. Thanks to this benchmark report enables participants to assess their competencies in multiple dimensions of A.T. Kearney’s IMP3rove innovation management framework.



Source: A.T. Kearney



Source: A.T. Kearney

After completion of survey submission and evaluation period, finalist companies are identified. These companies are being visited for further evaluation on innovation management capabilities. As the last step of the program, finalists present their innovation management approaches to the jury and champions in each dimension of innovation management framework are selected and announced by the nominated jury.

Providing impact and long-term advantage through the program

Regardless of their size, participants mobilized different departments and functions in their companies. Mobilization in such scale enabled employees that were previously not responsible from innovation initiatives to support these processes. It also raised the awareness of the subject throughout firms even just by completing the survey.

Moreover, joint efforts of the departments and cross-functional teams created new synergies. As a result, the first phase starting with the simple registration led to a stage where companies reached to a higher activity level. In this way, participants have already strengthened the monitoring of innovation management processes.

An interesting example of establishing cross functional teams comes from a company in apparel industry. Unlike the majority of participants which held R&D department accountable for the project, the company organized its effort under corporate communication and included employees from accounting, marketing, sales, R&D and HR in the team. Filling out the questions about the innovation results was a particular challenge for the team. Though the company was placing heavy emphasis on innovation in the recent years, no department was ready

to answer pressing questions such as profit through innovation, time-to-profit in innovative products and decrease in costs through innovation. By close collaboration, the cross-functional team was able to calculate the answers to such questions. This exercise highlighted the improvement areas in innovation management even before the company received the assessment report and also truly engaged all the departments in innovation efforts.

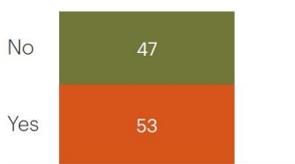
The vision from the start was to ennoble innovativeness in the corporate identity and to ensure that it was perceived as such both internally and externally by leveraging the momentum provided by the competition. The joint approach was well placed to enable the company to reach this vision.

The advantage of InovaLIG is not only to incentivize companies but also to jointly establish the principles of how to innovate and establish a collaborative learning environment. As a long term program, InovaLIG aims to enable firms to enter a continuous and efficient innovation management cycle and collect the fruits of their innovation capabilities, developed in mid to long term, as growth and efficiency.

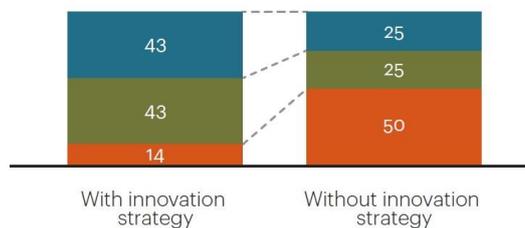
The program partner A.T. Kearney's database, based on 7 years of experience and thousands of companies in 17 European countries, also proves that companies with high innovation capabilities are not only growth champions on the top-line, but also have efficient cost structure at the bottom-line. Such benefits carry a particular relevance for the current state

Companies with an innovation strategy are more likely to meet or exceed their innovation objectives

Does your company have a defined innovation strategy?
% respondents



How well has your company performed to date against its innovation objectives?
% respondents



Meeting some or no objectives Meeting all objectives Exceeding all or most objectives

Source: A.T. Kearney Innovation Study, 2012

of Turkey where the entrepreneurial culture is strong but innovation management is an improvement area especially for small and medium sized enterprises. SME's could significantly contribute to 2023 targets and ambitions with innovation driven exports. From this perspective, InovaLIG program is poised to provide much needed momentum to Turkey by helping to mobilize SME's, and more.

Moving from creative ideas towards innovative goods and services

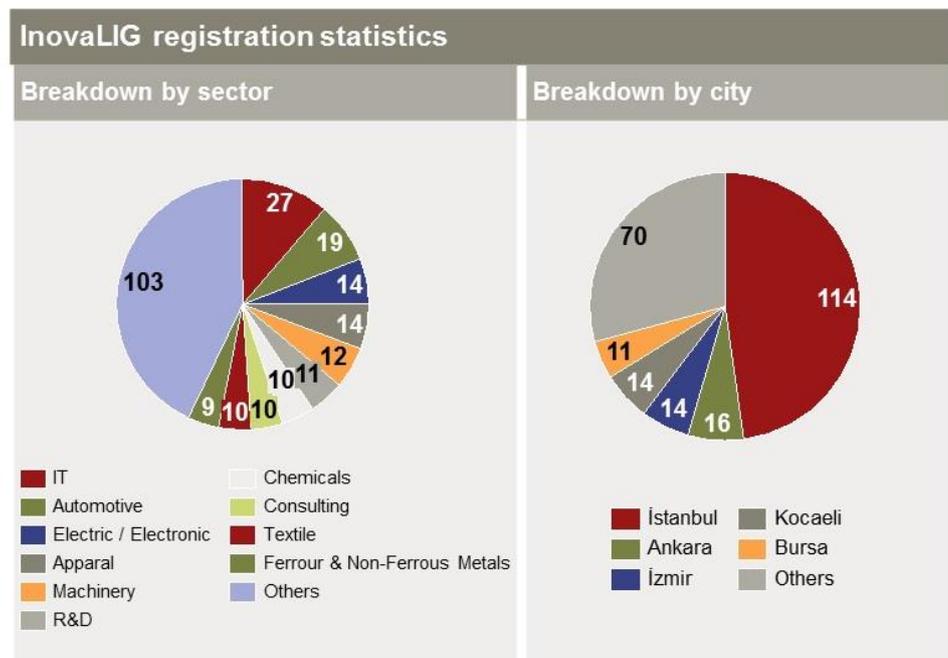
Success stories show that innovation management best practice is not just to mobilize the company but also customers and value-chain partners such as suppliers. A.T. Kearney studies document that collaborative innovation with outside partners is not systematically practiced and could be the key success factor in innovation management. Utilizing the voice of the customer in innovation processes enables the company understands how customers define value and prioritize the ideas in the development pipeline accordingly. Furthermore,

establishing an outcome driven feedback loop ensures innovation efforts are focused with clear view of required improvements.

Similarly, supplier driven innovation is a common practice of the leading innovators. Early involvement of the suppliers in innovation process enables the company to launch its offerings more quickly and long-term collaboration to exploit suppliers' innovation capabilities could help the company to lower the execution risk, increase the quality of its products and services and achieve more successful commercialization. Through its holistic approach, innovation management framework of InovaLIG program highlights these often ignored areas and helps companies identify the gaps and devise a roadmap to address improvement areas.

Achieved status and next steps in InovaLIG

More than 400 companies have registered to InovaLIG which is an extreme success for a program that aims to assess innovation management capabilities of the companies, first time in Turkey. Currently, more than half of the registered companies filled out the comprehensive survey which needs focus and effort for the full completion. This huge interest and momentum shows the enthusiasm of the business



Source: A.T. Kearney

landscape for InovaLIG. Remaining companies are also working on the survey with full speed to submit as soon as possible to compete for being one of the innovation champions in Turkey.

With the completion questionnaire process and after companies receive their confidential assessment report, the competition will proceed from an internal review exercise to more of a stage based on external communication and open dialogue. Jury for the finals already nominated and consists of leading figures from business, academia and public institutions. Finals will take place in Innovation Week 2014 and innovation champions will be announced by the jury, in December 2014.

Name of the jury member	Title
Mehmet Büyükeksi	Chairman of TİM
Tahsin Öztiryaki	Innovation Committee President of TİM
Tarık Sönmez	Ministry of Economy, Deputy Undersecretary (D)
Prof. Yücel Altunbaşak	President of TUBITAK
Prof. Habib Asan	President of TPE
Doç.Dr. Cevahir Uzkurt	Ministry of Science, Industry and Technology, General Manager of Science and Technology
Cem Soysal	General Manager İntertram
Varol Civil	Board member of TEB Holding
Gülsüm Azeri	Turkey and Regional CEO of OMV
Güldem Berkman	Country President of Novartis Turkey
Prof. Dr. Gündüz Ulusoy	Professor of FENS, Sabancı University (Industrial Eng.)
Burak Aydın	General Manager of Intel Turkey
Zeynep Bodur Okyay	CEO and Chairman of Kale Group
Ali Sabancı	Chairman of Pegasus
Sani Şener	Executive President of TAV Airport
Prof. Dr. İsmail Yüksek	Rector of Yıldız Teknik University
Prof. Dr. Mehmet Karaca	Rector of ITU
Prof. Dr. Ümran İnan	Rector of KOC University
Prof. Dr. Nihat Berker	Rector of Sabancı University
Osman Okyay	President of Technical Group, Kale Group

A.T. Kearney is a global team of forward-thinking partners that delivers immediate impact and growing advantage for its clients. We are passionate problem solvers who excel in collaborating across borders to co-create and realize elegantly simple, practical, and sustainable results. Since 1926, we have been trusted advisors on the most mission-critical issues to the world's leading organizations across all major industries and service sectors. A.T. Kearney has 58 offices located in major business centers across 40 countries.

For more information, permission to reprint or translate this work, and all other correspondence, please email: insight@atkearney.com.

www.atkearney.com

Americas	Atlanta	Detroit	São Paulo
	Bogotá	Houston	Toronto
	Calgary	Mexico City	Washington, D.C.
	Chicago	New York	
	Dallas	San Francisco	

Asia Pacific	Bangkok	Melbourne	Singapore
	Beijing	Mumbai	Sydney
	Hong Kong	New Delhi	Tokyo
	Jakarta	Seoul	
	Kuala Lumpur	Shanghai	

Europe	Amsterdam	Istanbul	Oslo
	Berlin	Kiev	Paris
	Brussels	Lisbon	Prague
	Bucharest	Ljubljana	Rome
	Budapest	London	Stockholm
	Copenhagen	Madrid	Stuttgart
	Düsseldorf	Milan	Vienna
	Frankfurt	Moscow	Warsaw
	Helsinki	Munich	Zurich

Middle East and Africa	Abu Dhabi	Johannesburg	Riyadh
	Dubai	Manama	

