

Innovation Capability in Latin American Firms

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### **Abstract**

This paper examines how Latin American innovators are striving to develop an institutional capability for continuous innovation. Through a process of interviews, previously written case studies, publications in business magazines and a survey, we selected a group of firms from Latin America considered to be innovative companies; this paper investigates their innovation processes and the role of the top management.

Our paper reviews the literature for Latin America at the component level, analyses the strengths and weakness found at the firm level and focuses on five specific cases that are representative, show the role of leadership and the challenges ahead.

## **Innovation Capability in Latin American Firms**

### **1. Introduction**

The emerging world is becoming an important source of global innovation. Some of them are radical such as \$3000 cars, \$300 computers or \$30 dollar mobile phones and plenty more come from product and process incremental innovations. Most innovations come from the so called BRIC nations, but Latin America is quickly trying to catch up by setting up business process that capture it's well known people's creativity, creating public-private alliances to improve education access and quality and improving its productivity.

Are we at the dawn of what has been called the "Latin American decade? Could this be the beginning of a new era of stability and economic growth when the entire region, not just Brazil, will find its place alongside other economic rising stars such as China and India? Opinions on this issue are still very uneven. Some are predicting an interesting economic development in the region over the next ten to fifteen years, while others reject this view as mere illusion (Schwab, 2011a; Moreno, 2011; Oppenheimer, 2011).

In January 2011, the Wall Street rating firm Standard & Poor's published an optimistic webcast about Latin American economies, raising a number of countries in the region to investment grade (Mukherji, Schineller and Schachne, 2011). In the past, only Chile and Mexico have enjoyed that status, but now they have been joined by Brazil, Peru and Panama, and Colombia is heading in the same direction.

The Financial Times pointed out that although "apparently, the continent is thriving" and in spite of "encouraging signs" seen such as the boom of Asian imports of commodities from Latin America that has increased thirteen times the trade with China since 2000, serious currency appreciation, due to rising commodity prices, could lead to economic instability and, ultimately, to the collapse of the region (Rathbone and Blas, 2011).

This article also cites a World Bank report released months ago, titled "Natural Resources in Latin America and the Caribbean: Beyond Booms and Busts?" which provides a generally optimistic picture of the economic outlook for the region, but agrees that concern for the currency is a real risk that must be managed, for although in the past other bonanzas have been spoiled in Latin America, there is no reason why this commodity-related "curse" has to be repeated (Sinnott, Nash and De La Torre, 2010).

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) predicted in July 2011 that the region would grow by 4.7% in the 2011 calendar year, accounting for a strong performance compared with the growth rates of the United States and Europe. The report said that one of the factors encouraging this recent economic growth has been the momentum of domestic demand fueled by a growing middle class (ECLAC, 2011). The Miami Herald that month

quoted Lisa Schineller, Standard & Poor's economist and director of sovereign ratings, as saying that the medium-term economic prospects for the region are "the best in recent history" (Whitefield, 2011).

However, there are also reasons for skepticism; ECLAC pointed out that Latin America's economic dependence on raw materials has increased from 27% to 39% over the last decade. Instead of diversifying its exports and produce goods with higher value added, with only a few exceptions (like in the case of Costa Rica) most countries are only exporting commodities (ECLAC, 2010). Thus, much of the region's growth is exposed to world prices of commodities, which could fall in case of an economic downturn in China.

There are other problems endemic. Crime has risen to unprecedented levels in Mexico, some countries in Central America and Venezuela (World Bank, 2011). Inflation rates in Argentina and Venezuela currently stand about 30% (ECLAC, 2012). General education standards across the region remain weak compared to the rest of the world, thus perpetuating the social and economic inequality that unfortunately characterizes Latin America (OECD / ECLAC, 2011). Simultaneously, China and India are growing at more than twice the rate of growth in Latin America.

Global indexes often show the countries of the region in mediocre positions. According to the latest Global Competitiveness Report only three countries in Latin America and the Caribbean (Chile, Barbados and Panama) are among the 50 most competitive economies in the world (WEF, 2012). The same report lists only four Latin American countries within the 50 most innovative and sophisticated ones, that is, Chile, Brazil, Costa Rica and Barbados (WEF, 2012). INSEAD's Global Innovation Index is no exception, pointing out that only three countries managed to be among the top 50 in the world, Chile ranking 38<sup>th</sup>, followed by Costa Rica and Brazil, ranking 45<sup>th</sup> and 47<sup>th</sup>, respectively. Then Argentina ranks 58<sup>th</sup>, Uruguay 64<sup>th</sup>, Colombia, Paraguay and Panama in the 70<sup>th</sup> range, Mexico, Peru and Guatemala in the 80<sup>th</sup> range, El Salvador, Ecuador and Honduras in the 90<sup>th</sup> range and finally Venezuela, 102<sup>nd</sup>, Nicaragua, 110<sup>th</sup> and Bolivia 112<sup>th</sup>, placing these three latter economies almost on a par with countries like Swaziland, Tanzania, Rwanda, Cambodia and Madagascar (Dutta, 2011).

Other, more rigorous tools exist to measure innovation in Latin America, like those used by the OECD. Unfortunately, no consensus instrument is being implemented in all countries (Cortés and Diaz-Molina, 2010; Andrade, 2012, González, 2012; Forbes, 2012). Like the Global Index of Innovation, these tools are based on a particular set of variables, such as R&D spending, number of patents filed or registered trademarks, number of people with doctoral degrees in the population, number of scientific publications, government policies, tax regulations and economic productivity levels (Dutta, 2011). These indicators are not enough to measure the true innovation level within a country, and do not provide an accurate picture of Latin America's activity and potential. As INSEAD admits in a chapter of the index entitled "Innovation in Latin America: Recent Insights": "These variables are certainly very important, but they concentrate on patentable, technology-

oriented innovations and fail to capture non-technological innovations new to market and company" (Casanova, Dayton-Johnson, Olaya Fonstad and Pietikainen, 2011).

Traditional ways of measuring do not allow capturing innovation that can really be happening at company level (Brown, 2011). On the other hand, there is limited information on Latin American national innovation systems and there is even more limited access to studies about innovation at firm level. Some publications show successful experiences with innovative products or services, but do not necessarily allow readers to understand the organizational issues underlying the generation of innovation. Also, they do not shed much light on the sustainability of the innovation capability allowing them to successfully launch those products or services (Castro, 2012).

Thus it is necessary to investigate at firm-level how innovation is being developed. What are the driving forces behind it and areas of opportunity exist to develop and strengthen an innovation capability? By analyzing the literature and adopting an explanatory method using a survey and five different Latin American cases we are drawing useful insights that shall lead to more specific and focused research on critical areas that are important for the building a systematic innovation capability as well as helping companies in Latin America to learn from each other (Eisenhardt, 1989; Yin, 1994).

Our hypothesis is that, while undoubtedly exist leading companies in terms of innovation and that they are making a difference, this is not necessarily the result of a disciplined effort conducted over the years and of an innovation capability clearly established by the firm.

The paper is organized as follows: Literature Review and Conceptual Model, Research Data and Methodology, Results, Discussion and Conclusions and Limitations and Future Research.

## **2. Literature Review and Conceptual Model**

Currently there is a growing interest to understand innovation within the business sector, as it is increasingly recognized as a strategic element to receive attention from organizations in order to compete in today's world. Thus, studies have been conducted to examine innovation from different standpoints. All of them aim to identify important dimensions and some also explore the relationships between them. However, the discussion on the various aspects influencing the innovation process and their interrelationships is still far from reaching a final consensus. Numerous studies have been unable to investigate all factor categories influencing innovation capability (González-Pernia and Peña-Laguzkue, 2007).

Different corporate innovation models can be used as reference. Silva (2005) proposed a corporate innovation model based on individuals (people), information (technology), impulse (direction), interaction (social interaction), research and development; orientation to the market (market orientation) and fearlessness (readiness to change). Hamel, quoted by Silva (2005), suggests that to thrive in this new era companies must adopt a new innovation agenda. This agenda is based on four

key components: skills (people skills); metrics (measures for innovation), computers (information technology) and administrative processes (processes redesigned for innovation).

Wick and Stanton (1995) study innovation factors from idea generation within the organization and the way to put them into practice. Their research developed a model based on a formula to create a "learning organization", including the visionary leader, plans including metrics, information, invention and implementation.

Specific case studies of innovative companies have identified key factors of their innovation processes. Carballo's study conducted in Spain in 2004 analyzed the experience of several innovative firms and, based on its results, formulated what he called the "the benchmarking model for innovative companies" which includes customers, quality, communication, management style and company project (Silva, 2005). In 2004 Valdés studied CEMEX, a firm seen as a model of constant innovation relying mainly on CEO's direction and leadership, a deep knowledge of local markets, a close relationship and ongoing dialogue with customers, customer-oriented solutions, close operational and financial control to provide customers with world-class products and services, a passion for information technology focused on results, and the ability to learn faster than competitors (Silva, 2005).

Other studies about innovation are the result of non-academic efforts from consultants who reviewed academic and professional literature and who attempted to propose descriptive and statistical models to observe and understand innovative companies. B+I Strategy (2007) carried out an investigation allowing it to propose a Strategic Innovation Model called "The Comet" to assist companies in developing a consistent ability to innovate, including a number of tools and elements as well as change processes. The model has two major elements, closely interrelated and complementary. The first one relates to innovative businesses where the company currently works or wishes to do so. To this end, it considers the following factors: overview, business portfolio and innovation projects. The second element emphasizes how to develop an innovation capacity for continuous innovation at the company and the factors proposed are: leadership and company culture, people management, external relations, structure, management processes and management metrics or indicators (B+I Strategy, 2007).

"The Comet" was implemented in Spain in 2006 through a questionnaire responded by 229 companies. The main conclusions of the descriptive analysis of the questionnaire included the importance of having a strategic vision for innovation; adaptability and a constant search for opportunities; simultaneous innovation in several fields; visualize the future; spend time thinking about ways to evolve and the importance of people. Regarding the latter, it emphasizes the need for leaders deeply convinced of continuous innovation, with great confidence in their people and their ability to innovate, giving them responsibility, resources and motivational challenges, creating a team effort, and developing an organization

with structure and management processes that favor the contribution of ideas and innovation capacity (B+I Strategy, 2007). The study was then replicated in Uruguay (Camacho, Jung Horta and Garcia, 2010).

"The Comet's" findings match the 2010 Innovation Report, which emphasizes the importance of leadership and mentions that a company cannot win if it does not consolidate real teams and leaders committed to strategic innovation (Andrew, Manget, Michael, Taylor and Zablit, 2010). Florez, Delgove and Diaz (2007) also conclude that top management commitment is very important for innovation, as it is less a matter of technology than of creating a culture conducive to innovation, so we must promote and lead it. Porter (2001) points out that executives cannot simply be stewards of innovation processes, but they also have to manage processes to define how their companies will seize opportunities in their local environment.

Results in the statistical model developed by González-Pernia and Peña-Laguzkue (2007) show a significant impact of the entrepreneur's human capital on the firm's innovation capability. Specifically, the level of education, skills and knowledge, and financial commitment of entrepreneurs are the main individual characteristics related to innovation in the model tested, as these were significant variables. The positive signs of "education" and "ability" indicate that innovative projects are characterized by entrepreneurs with college education as well as by a set of skills and knowledge aimed at creating new business firms, thus reinforcing the importance of leadership to develop innovative companies.

Other efforts have been made to develop statistical models related to companies' innovative behavior (González-Peña-Laguzkue and Pernia, 2007; Costa, Duch and Lladós, 2000; Rank, Nelson, Allen and Xu, 2009; Shieh and Wang, 2009).

Often in business literature we find exercises where a consultant or an academician look at a small group of companies and try to draw lessons from there to extrapolate to other companies. The seminal work of Tom Peters and Robert Waterman, *In Search of Excellence*, published in 1982, did just that. It observed 43 companies, from which it derived eight subjects or common attributes of companies that it analyzed using McKinsey 7s Framework (Peters and Waterman, 1982). These represent a useful business model to view different elements of the company and determine how they are aligned with each other, without necessarily having a theory that goes beyond recognizing that, while consistency is no guarantee of success, inconsistency probably brings companies closer to failure and definitely makes them less competitive.

In the quest to understand the elements that make up an innovation capability within the firm, different authors use different models to look at companies and review the efforts they make to innovate and how consistent they are with each other. Prahalat's Continuous Innovation Model (Prahalat and Krishnan, 2008) is very powerful as it collects different innovation elements, such as leadership and processes and grouped them around two key pillars: Technological Infrastructure and Social Infrastructure, both as a function of processes and analytical skills. It does a great work at capturing the most important and recent trends resulting from technological change. However, its complexity and emphasis on technology

makes it more difficult to use as a framework for measuring and comparing and it lends itself more to industries and countries technologically ahead of Latin America at this time.

Other models make no claim to have scientific rigor and are rather consulting tools. Among those recently used to explore the theme of innovation in Latin American enterprises are The Innovation Kite (used with Uruguayan companies) and the model developed by Peter Skarzynski and Rowan Gibson (Skarzynski and Gibson, 2008; Camacho et al., 2010). Both are descriptive and do not offer a theory of how the parts interact, nor a roadmap to choose and align actions. In the case of Skarzynski and Gibson (2008), there seems to be a set of actions for innovation that are universal, i.e., the one-size-fits-all type leading to radical innovation as the only path to success. Nevertheless, they identify four components that relate to each other to build an innovation capability. While it is a valuable tool for its simple nature and its usefulness to gather information about what companies are doing, it has limitations in not elaborating on the interrelations between the parties, nor offering theories to understand or predict what results to expect if certain actions are performed or others are not taken. Nor does it provide criteria that managers can use to decide when it is in the best interest of the company to employ alternative forms of innovation. However, it does a good job in identifying simple categories managers are familiar with. It keeps the model simple and allows comparing more easily between different cases of analysis. In our view its deficiencies are comparable to those of the McKinsey model but so are its virtues (Peters and Waterman, 1982).

All considered, to analyze what firms selected were actually doing with respect to building a systematic innovation capability we chose Skarzynski and Gibson's model shown in Figure 1 (Skarzynski and Gibson, 2008). Inspired in Tom Peters and Robert Waterman's seminal work we looked for a framework that was integral, simple and descriptive and therefore easy to understand by our survey target (Peters and Waterman, 1982). Its categories are quite familiar as they are closely related to McKinsey's 7'S framework, which has been broadly used in the region by business schools and consultants. We also valued the fact that they had successfully documented some Latin American cases in their book which ideas and methods are becoming known and adopted in Latin American companies as well as top MBA programs (Skarzynski and Gibson, 2008). As shown in Figure 1 the model has four components. Leadership and Organization: this has to do with the alignment of leaders around a common vision on innovation. It includes elements such as, top management total commitment and personal ownership of the innovation embedment process; innovation infrastructure with company leaders and organization aligned around a common vision of innovation; cross-boundary interaction which implies destroying the structural silos and work across business units, functions and geographies; and innovation responsibility distribution which implies that to make innovation a company-wide capability, the responsibility of innovation needs to be broadened beyond the traditional structures of the organization and spread throughout the firm's businesses and functions. People and Skills: it highlights the approach to building innovation capabilities among staff and

emphasizes that companies must have the right processes, mechanisms, and systems for fostering innovation, understanding that it comes from everywhere and everyone in the organization and from the outside. The main elements of this component are discretionary time allowance, innovation training and tools, an open market for ideas, easy access to incremental seed funding, structures for mentoring and support and a radical change in HR recruitment, training and development, evaluation and compensation policies. Processes and Tools: to support the generation of ideas that lead to innovation. It includes tools, processes and mechanisms for idea generation and the engagement of employees, the necessary innovation architecture to bring screening and coherence to a large portfolio of ideas, tools for measuring and rewarding performance and the assurance of resource deployment behind promising ideas. Culture and Values: it means building a culture of open collaboration and incentives that reward challenging the status quo. It questions how open is the organization's systems for the new, the unconventional and the untested? In which the would-be innovators can succeed under normal conditions. The elements are an open door for new ideas at all levels, HR policies aligned with innovation, the company's approach to markets including products, services and customer experience and regular cultural activities that promote innovation.

### **3. Research Data and Methodology**

This study adopted an explanatory method to examine innovative Latin America firms with an eye to determine how systematic their innovation processes are (Eisenhardt, 1989; Yin, 1994). To do so we selected a group of business firms known for their innovation leadership. This research aims to assess to what extent these companies confirm the components described in the selected model to evaluate and compare in future research the path these and other firms must follow to systematize their innovation processes.

We identified innovative firms based on three distinct approaches, interviews with over 30 managers from around the region, the review of case studies previously written (Grupo Britt N.V, (2012), Coopedota (2009), Los Grobo (2006) and Natura (2006) and reports from different Business Magazines (El Heraldo, 2010; Chacón, 2012; Estrategia y Negocios, 2011; Forbes, 2012). Forty two companies, regardless of size or industry from seven Latin American countries, México, Costa Rica, Colombia, Peru, Chile, Argentina and Brazil were selected, and most of their CEOs contacted and asked to fill up the survey. At least 10 of those firms were also visited.

The survey applied was totally based on Skarzynsky and Gibson (2008) framework. Executives were asked to fill out a form containing questions that provided relevant information to our conceptual model in relation to its four components and its elements. They were given 37 questions, one yes/no question, one multiple choice and the rest were open questions. The methodology used was considered the most appropriate to collect first-hand data on innovation processes. We sent the questionnaires using Survey Monkey the on line software. The response rate was 26.2% or 11 firms. There were few missing questions in some questioners, especially, when asked about telling a particular anecdote over some issue. However,

we consider that we should use all valid responses and therefore calculate the reply percentages based on the number of valid responses.

With the objective of showing illustrative information over what is the meaning of each component and its elements for these companies we chose a subset of 5 firms that we believed better represents what the group of firms is actually doing to achieve a systematic innovation capability. Both the survey and the five cases share a common structure allowing users at least to study and recognize trends in the four key components for innovation capability at firm level identified by the conceptual frame chosen for this research (Skarzynky and Gibson, 2008).

The 5 firms selected were Davivienda Bank from Colombia, Natura from Brazil, Los Grobo from Argentina, Grupo Britt N.V. from Costa Rica and BAC Credomatic Bank, a Central American group.

Banco Davivienda, founded in 1972 as Corporación Colombiana de Ahorro y Vivienda, has now a comprehensive product and service portfolio meeting the needs of individuals, companies, and the rural sector through continuous innovation and exclusive offers adapted to each segment. It belongs to Grupo Empresarial Bolívar which has over 70 years of experience in the Colombian market.

Natura is a Brazilian company leader in cosmetics, fragrances and personal care products using natural ingredients. It distributes its goods through direct sales and it employs hundreds of thousands of indirect employees. The company operates in seven Latin American countries and also in France (Forbes, 2012).

The Grobo is an Argentinean company devoted to purchase, process and international marketing of basic grains with operations in several Southern American countries. It provides a network of expertise across the value chain by providing information, training in agricultural production and hedging as well as coordination of its entire network of producers (the firm's suppliers).

Grupo Britt N.V. was founded in Curacao. It is headquartered in Costa Rica and is present in 13 countries in Latin America as well as in the United States. It processes and distributes coffee, chocolate, nuts, candy candies, cookies and other foodstuffs under the Britt brand name. It also operates more than 90 stores in airports, hotels and tourist sites.

BAC Credomatic GEFC Inc. aims at retail banking. It operates in Central America and Panama. Recently it was acquired by Grupo Aval, one of the largest banking groups in Colombia.

#### **4. Results**

Research results are shown in two different sections, namely, survey results and illustrative information about all five companies selected.

##### **4.1 Survey Findings**

Answers from each company executives were grouped following the four components described in Skarzynski and Gibson's conceptual framework.

### Leadership and Organization

The results indicate that only 40% of innovative companies selected have a formal mechanism to ensure that the leaders of the organization are directly responsible for innovation processes. However, 64% report that there is some sort of performance measurement related to innovation, but only 27% of all companies confirm that such measurement somehow affects executives' annual income.

As for organization, only 36% of innovative companies report having made changes to the organizational structure to incorporate some type of formal innovation management.

### People and Skills

Sixty per cent of innovative companies selected have mechanisms to allow all employees to contribute ideas, regardless of position. In fact, 90% gives opportunity particularly to young people, new employees, and those at the organization's fringes.

Likewise, 70% of innovative companies have reallocated training resources towards innovation

### Processes and Tools

Only 20% of innovative companies selected report having a systematic process to generate and manage new radical ideas. However, 40% of them plan to develop an innovation management system in the short term.

Twenty per cent of companies said they have an innovation center to promote and facilitate innovation and 40% implement open innovation, with the company willing and open to innovation, and has tools for outsiders to contribute ideas. Finally, 50% report having some kind of ceremony to reward innovation.

### Culture and Values

Sixty per cent of companies cited managerial actions demonstrating that the company really believes in innovation and 90% said it has succeeded in developing a culture conducive to innovation.

#### 4.2 Findings from the study of five business firms selected

A matrix based on all four components in Skarzynski and Gibson (2008) model was developed to report and compare company features (Table 1).

**INSERT TABLE 1 HERE**

Conclusions from the survey and information shown in Table 1 follow.

#### **4. Discussion and Conclusions**

Although leaders see innovation as important their level of involvement is very uneven and there are no widespread practices to ensure proper engagement, evaluate performance and link it to reward. Not everyone clearly sees the need for leading in a systematic and consistent way the creation of an organizational innovation capability.

Processes to systematize innovation capability are just embryonic. Informal communication of ideas predominates. Some of these processes are beginning to establish platforms to manage ideas but none reported a formal mechanism to organize innovation projects or criteria to evaluate them and cancel them in time when they will be heading to failure. Neither did they mention processes to learn from successful or failed projects.

Efforts at training for innovation seem to be starting for half of the companies studied. External consultants are often cited as the source of this training. The other relatively frequent measure tools are contests and awards for innovative projects. Few mentioned following a specific innovation methodology but some expect to adopt it in the near future.

The innovation culture seems to be the dimension where companies feel more confident and where they seem to be basing their efforts to innovate. However, mechanisms being used to develop that culture are not so clear.

Our data cannot be taken beyond what they are: a description of 11 Latin American companies we see as innovative. However, they suggest that in Latin America innovation can be the result of cultural opportunities rather than of systematic management efforts. They also suggest that companies are looking to learn more about innovation and start systematizing and operationalizing their ability to create and implement.

## **5. Limitations and Future Research**

Sample size and response rate do not allow us to make statistical inferences for all of Latin America, but they certainly shed light on potential areas deserving further attention and research efforts. They also provide readers with important insights that can be contrasted with their own experience and knowledge of these areas.

As in other management issues, success in relation to innovation is possibly not associated with a just a single formula. Different elements can be combined and recombined in several ways to achieve valuable results for both the company and its shareholders. Some conditions may be required and other may necessary but not sufficient. Future research requires tools to more rigorously establish what is being measured as a variable or condition. Without discarding case studies and the benefits of qualitative research, it is convenient to introduce new methodologies to see more precisely factor combinations that can lead companies to success through innovation in ways that are more generalizable and that allow validating proposed models or building new theories.

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## Figures and Tables

Figure 1: Components to develop an innovation capability at business firm level

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Source: Skarzynski and Gibson, 2008

Table 1: Comparative matrix of five companies selected

	Davivienda	Bac Credomatic	Grupo Britt N.V.	Natura	Los Grobo
Leadership and Organization	<p>Innovation is included in the firm's vision and mission</p> <p>Major responsibility falls on the CEO</p> <p>The firm's vice-president make up the technical committee to assess projects and ideas</p> <p>VPs are innovation mentors</p> <p>There is a network of innovation coaches</p> <p>"Project ownership" is encouraged</p> <p>The company has an innovation manager</p>	<p>Domestic boards are jointly responsible for follow-up</p> <p>Local and regional managers support initiatives</p> <p>Innovation experts are hired to participate in top management semiannual meetings</p> <p>Top management supported by outside experts serving as a jury at innovation fairs</p>	<p>The firm's quality policy includes innovation as a key value</p> <p>The CEO always talks about innovation, both inside and outside the company</p> <p>There is an innovation manager reporting to the CEO engaged in coordinating and developing innovation capability at the firm</p> <p>Firm's leaders challenged to find innovative ideas, products and processes adding value to the company</p>	<p>There is an innovation VP responsible for science and technology, product and packaging development and technical management</p> <p>Transition from functional to process management</p> <p>Each business has an innovation manager</p>	<p>Board members have been awarded prizes for innovation.</p> <p>This is seen as walking the talk</p> <p>The firm works with committees to evaluate improvement opportunities and new ideas</p>
Processes and Tools	<p>Cooperation and follow-up tools:</p> <p>Top management takes part in quarterly follow-up</p> <p>Innovation sessions open to both internal and external participants with no restriction based on management level</p> <p>Tools:</p> <p>Innovation portal for e-learning regarding innovation tools and principles</p> <p>Quality management system: problem-solving module to solve issues through innovation methodology</p>	<p>Cooperation and follow-up tools:</p> <p>INSIVA: Open innovation program—customers, ideas, suggestions, and product and service evaluation</p> <p>Annual innovation fair for the entire work force to submit ideas, projects, and business plans</p> <p>Regional exchange of innovation leaders</p> <p>Tools:</p> <p>Automated system to</p>	<p>Cooperation and follow-up tools:</p> <p>Customer service and complaint handling: uses customers opinions and criticism as feedback to create innovative products and services</p> <p>Tools:</p> <p>It implements an idea collection system to find new, profitable ways to achieve customer satisfaction</p>	<p>Cooperation and follow-up tools:</p> <p>"Innovation on the Move" Program to promote submission of ideas and business plans</p> <p>Innovation Committees:</p> <p>Monthly project follow-up meetings with manager and leaders for each business unit</p> <p>Multifunctional teams share experiences y discuss different views</p> <p>"Open innovation": new ideas and knowledge</p>	<p>Cooperation and follow-up tools:</p> <p>The firm has continuous improvement programs</p> <p>Also, it has an innovation program</p> <p>Participation throughout the entire value chain including external components</p> <p>Just completed successfully its first international idea contest</p> <p>Open discussion on various topics allowed, including those related to the firm's strategic profile</p>

	Use of e-mail, innovation rooms, “Inno-vation up to date” news-letter, Twitter, and active games Innovation methodology: (SIT) Systematic Inventive Thinking	manage new ideas and projects resulting from the strategic plan		outside company labs Tools: Innovation funnel and technology funnel	
People and Skills	Coaches are trained on general management, design of new products, and process effectiveness Coaches train others on innovation topics An innovation consulting firm provides support to help structure skills and implementation Incentives: Annual performance measured through innovation KPIs	Training: Innovation expert hired to teach and develop employees competencies and tools to find new ideas Incentives: BSC: up 15% of bonus depends on innovation Incentives aimed at promoting strategic projects are widely known throughout the entire organization	Continuous innovation training Hiring key staff: entrepreneurs with added international experience and languages Incentives: Continuous improvement and product innovation goals set Innovation is a part of the firm’s quality policy Annual audits to ensure that responsible managers implement it themselves and have reports do so on a daily basis	All workers and even people external to the organization are involved in the innovation process “Natura Innovation School” trains and develops workers on innovation issues and methodologies Research and Development: Program “Natura Campus for Technological Innovation”- conducts research involving schools and support bodies	Follows a personnel selection strategy to look for entrepreneurs and people not so adverse to change
Culture and Values	Recognition: Award “Bolívar Family Innovation” Award “2011 Innovation Tour” taking 74 people to the Amazonas River Company encourages innovation, new ideas, tolerance for mistakes, not penalizing unconventional ways to do things	Recognition: Awards given for generating and implementing ideas Awards for implementing ideas from innovation fairs Innovation encouraged by sharing its strategic importance	Company encourages innovation, openness to discuss ideas, accepting mistakes, diversity of ideas, confidence, support, and creativity	Recognition: Every year top management rewards teams responsible for most successful projects. Prizes and opportunities to implement top projects are given Company encourages improved relationships between different areas, speeding information flow, increased autonomy for innovative employees, and	Innovators recognized Company encourages not penalizing unconventional ideas, tolerance for mistakes, providing support, and offering a non-threatening environment

				increased effectiveness and coherence between strategic planning and business innovation.	
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Source: Developed by the authors