

# The road to innovation

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How do companies make innovation happen? What characterises successful innovators? Lisa Boldt-Christmas, senior consultant at Intellectual Capital Services, provides the answers.

The wheels are spinning ever faster, not least in this part of the world, and the answer to the question of how to stay ahead in the "old economies" of the West is innovation, innovation, and yet more innovation. But is this just another buzzword or is there some substance behind the innovation craze?

The answer is "yes, there is substance behind it", but there are also a lot of misconceptions about innovation and just what it means. After all, innovation is not just new things for newness' sake; it is not just technology and it is not just individual creativity.

Innovation is about developing new products, services, processes, systems, business models, brands, intellectual property or new ways of doing things that create more value for the user, be it a customer or some other stakeholder. Hence, innovation is about using knowledge to make more money, either in terms of cost savings or in terms of revenue increases – or ideally both. The key in this is that innovation is commercially not only beneficial, but necessary.

With globalisation comes ever-increasing competition. For a business to be sustainable, it is necessary to compete on variables other than solely price and rather focus on value for money, which is a completely different thing. It is about continuously understanding and satisfying customer needs. But customer needs are not static – you have to constantly improve your offerings and the way you do things.

According to OECD estimates, at least 50 per cent of sustainable growth comes about due to innovation. Meanwhile, academic research has shown that the average growth rate of innovators is 14 per cent higher than that of early followers.

SO HOW DO COMPANIES make innovation happen? There are some things common to successful innovators. First of all, they understand that "the strategy of hope" is not viable and that innovation must be managed like any other business process in order to be successful on a sustainable basis. Successful innovation management is primarily about building and improving effective routines. This is not that easy since routines represent what a particular firm has learned over time, through a process of trial and error, and they therefore tend to be very firm-specific.

Second, successful innovators have a clear innovation strategy and each employee knows what this innovation strategy means for them in their job. Having a clear innovation strategy does not, however, exclude the option of channelling some of your innovation efforts into "skunk works" or completely unexplored areas.

Third, successful innovators recognise the need for incorporating true consumer insights and preferably input from demanding customers early in the innovation process. Successful innovators also know what they are good at, and core competencies are identified, maintained and leveraged. Equally, they know what they are not good at, and activities requiring skills outside the firm's core competence are avoided or outsourced.

Lastly, successful innovators put in place a proper innovation management

*"Innovation is necessary," says Lisa Boldt-Christmas.*



system for picking up ideas from all over the organisation, reviewing them and seeing them through development projects and commercialisation where appropriate. Such a system has to incorporate an element of assessment and evaluation to track the innovation activities. More importantly, it has to build on transparency so that co-workers can see that their ideas are being treated fairly and that they get recognition for successful ideas.

SWEDEN ALWAYS RANKS HIGH in international innovation listings, as do its neighbours Finland and Denmark. This can partly be explained by the fact that Scandinavian culture encourages everybody in an organisation to speak up, so that ideas are contributed from all levels, not only from management.

Culture plays an important role in successful innovation. In a Western context, openness, transparency and individual recognition are important drivers of motivation for innovation.

The question is whether this model would apply in a Chinese cultural context, which is driven by completely different values. What would prompt Chinese co-workers to contribute to the innovation process? I don't know the answer to that yet, but I intend to find out.