

The ability to innovate is often what separates good companies from great companies. So what's the latest business thinking on innovation?

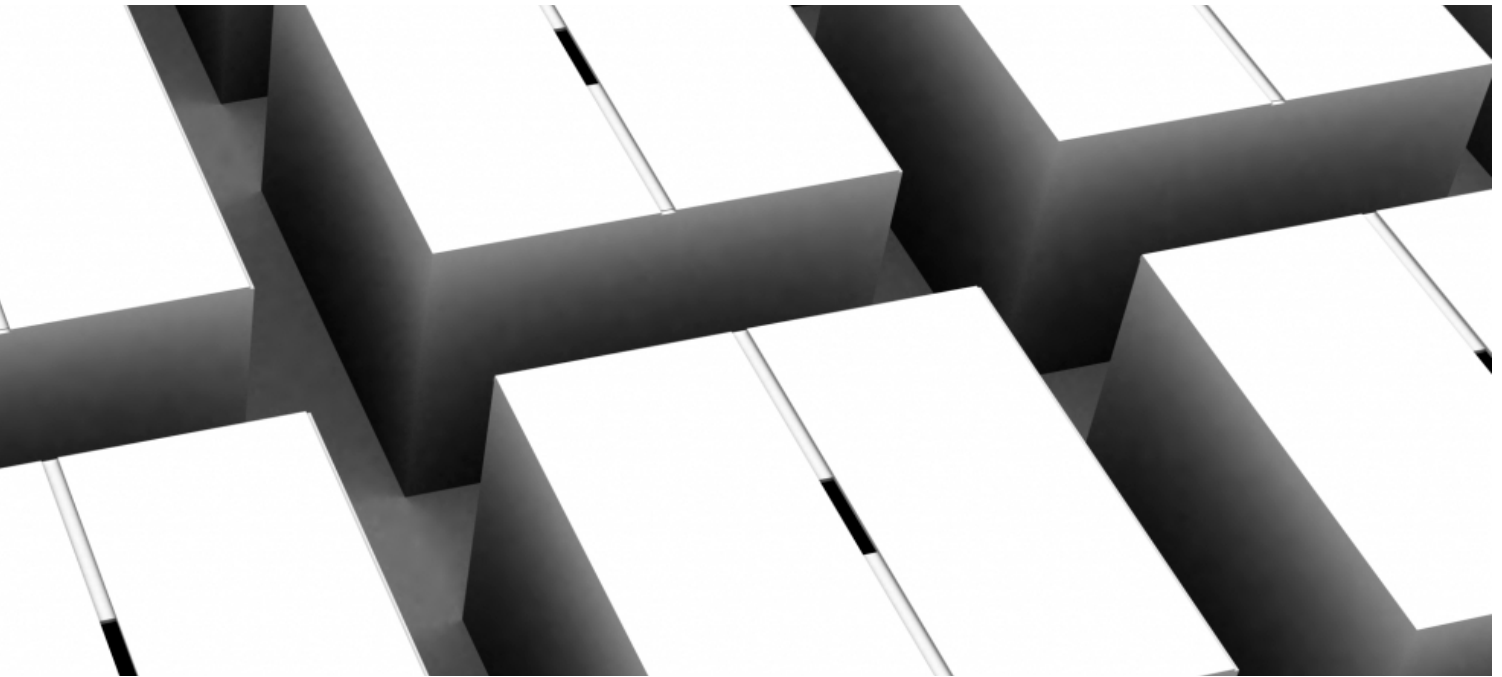
Innovation has been a key focus of LiveChange's recent work. One of the basic questions many organisations are asking themselves is 'what does innovation mean to us'? Every year pressures to innovate rise. As the speed of product development increases in nearly every industry (and life expectancy of products decrease), this in turn fuels consumer demand for the next version or the next big blockbuster. This means that every company is putting more and more effort into innovation, and for some this equates to more money.

"It's about working smarter, opening your eyes and ears to the outside world and building networks and communities outside of your business to support your innovation process."

As well as looking to answer 'what does innovation mean to us?' organisations also want to know 'who does innovation well' and 'how do they do it'? There is a huge amount written on the latter question (which we won't cover here). On 'who does innovation well', the latest thinking is that throwing money at innovation and recruiting more people internally doesn't solve the problem. It's about working smarter, opening your eyes and ears to the outside world and building networks and communities outside of your business to support your innovation process. Procter & Gamble are doing very interesting things (see HBR article 'Connect and Develop' of March this year) with their radical strategy of open innovation. The core idea behind this is that P&G could identify promising ideas throughout the world and apply their own R&D, manufacturing, marketing and purchasing capabilities to them to create better and cheaper

products, faster. This has meant that more than 35% of their new products have elements that originated outside P&G, up from around 15% in 2000. Through this new model – along with improvements in other aspects of innovation related to product cost, design and marketing – their R&D productivity has increased by nearly 60%!

In his great book, Dan Pink talks about looking to countries like India and China for anything that is 'routine', where it can be done by very skilled people at a fraction of the cost. This frees up your highly paid, highly skilled people to create the initial innovation or 'ideation'. Nothing new I hear you say. Well maybe not for the manufacturing sector, but this type of thinking is now affecting every sector! The question for all of us to answer therefore is '...how routine are the jobs we do, or how routine might they become!'



“Sir Alan Sugar said that his company’s innovations came from ‘gut instinct’ and not from consumer focus groups.”

At a recent presentation I attended in London, Sir Alan Sugar said that his company’s innovations came from ‘gut instinct’ and not from consumer focus groups. Many feel the problem with consumer focus groups can be that they constrain your thinking, as they typically opt for product innovations that feature only minor changes from the current version.

Interestingly Microsoft has looked at outsourcing routine work from a new angle. Did you know that Microsoft owns a small company in Taiwan called HTC, which has been developing new versions of the smart phone? When it has a great new version, HTC comes over to Seattle and demos it. And if Microsoft likes it, it buys it and launches it as one of its products. The point is that Microsoft has ‘outsourced’ some of its thinking and innovation.

Everyone loves the iPod, except of course Creative Zen or Sony, both of which believes it has less

functionality and is more expensive than their products! So why do we continue to rush out in droves to buy one? Two reasons: firstly design. Design is a major factor in all our purchasing decisions. Norio Ohga, retired Chairman of Sony said: ‘At Sony we assume that all our competitors’ products have the same technology, price, performance and features. Design is the only thing that differentiates one product from another in the marketplace.’ The second key factor was that Apple gave people the whole package, in that they had already developed iTunes.

“Microsoft is ‘outsourcing’ some of its thinking and innovation”

By downloading a free version of iTunes and syncing this to your iPod, a whole new world of music, podcasts, photographs and video on the move opened-up. Their innovation was to think through exactly what the consumer needed to get the most out of their product in the simplest way.

So what can we conclude from the current thinking that’s out there on innovation? Well there are parallels

to the knowledge management movement in the 1990’s. The same premise holds true, which is that individually we don’t have all the answers, but if we expand our networks, make the right connections and use others where appropriate for their specific skills or low cost (or both), we can innovate quicker, with more ideas and at a cheaper cost. To the organisation it means being able to bring more products to the market at a cheaper cost and ultimately the consumer gets more choice at a better price.

- i Connect and Develop, Inside Procter & Gamble’s New Model for Innovation. By Larry Huston and Nabil Sakkab – HBR March 2006
- ii A Whole New World by Daniel H.Pink – Riverhead books – ISBN – 1-59448-171-7
- iii Design by Tom Peters – Dorling Kindersley – ISBN 1-4053 0258 5

LiveChange is currently working with a major consumer health care company in this area. If you would like to find out more about what LiveChange has been doing on innovation and other interesting topics please get in touch.

e: ian@livechange.co.uk