

Innovation *unzipped*



In the recent Deloitte and Australian Business Foundation investigation *The Reality of Innovation Unzipped*, middle market companies defined innovation as 'the clever use of new ideas and ways of doing things in order to add business value and deliver hard targets and specific outcomes'.

The study indicated that it was not the supply of creative and innovative ideas that was at question – this is a given in a nation of early adopters and technology integrators. Participants believed the challenge was to ensure a repeatable and rapid means of converting ideas into business value.

To meet this challenge the participants agreed innovation needed to be seen as a core component of an organisation's growth strategy. It also needed to be managed like any other process within the organisation with the necessary targets, funding, resources, accountability, and skills to convert innovative ideas into business, and speed up the return on investment.

The companies involved in this qualitative study agreed innovation is not something you do only if you are an enlightened firm, 'it is something you do to survive'. 'Innovate or evaporate' was the agreed theme.

And all agreed they can no longer get by competing on cost or price, or even just on quality.

Companies have to compete on knowledge. To get advantage they have to be innovative.

There is also likely to be tension in achieving a balance between developing new technologies, products and services, and focussing on the existing business.

For some entrepreneurs, the lure of new technologies can distract from the profitable operation of the existing business, whereas the converse may be true for managers who are rewarded for meeting short to medium term goals.

Key messages emerging from the Australian Business Foundation Deloitte investigation were:

- innovation is more pervasive in Australia than we think
- innovation is the active ingredient in transforming businesses
- innovation is driven by markets and customers not just new products and technologies
- innovation harnesses creative thinking in a disciplined way to solve a real problem.

The Reality of Innovation Unzipped showed that to continuously harvest significant opportunities, a separate process is required to support innovation.

Courage, vision and leadership are required.

As a recognised leader in innovation practices, Deloitte believes successful innovation starts with the CEO and is woven into business strategies.

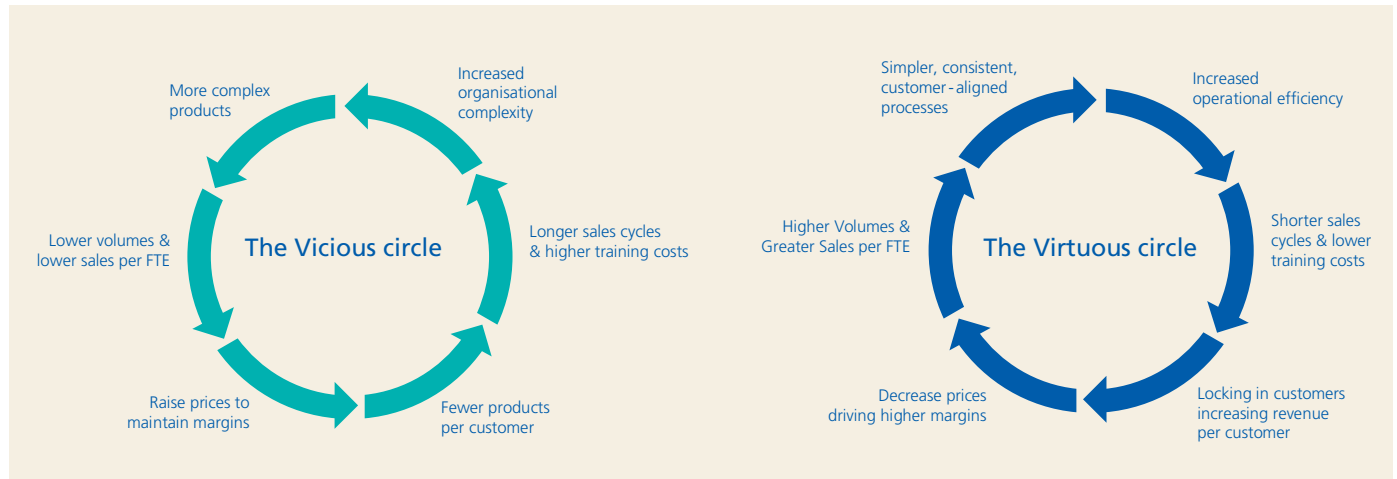
Truly innovative companies have dedicated systems and tools to support the innovation process and find that many of their best innovations come from interactions with their customers and analysing their customer behaviour.

The difficulty was to sustain that innovative edge, and to acquire the right skills to convert innovative ideas into business and speed up the return on investment.

This finding has been further supported by global research conducted by Deloitte, which also found process and service innovations are far more likely to deliver sustainable competitive advantage than product innovations.

In fact, the research shows that the goal is to create a virtuous circle, whereby customers are attracted and retained through process and service innovations that improve efficiency and convenience, which allows the business to use these gains to fund additional innovations.

Connecting innovation to growth



Results oriented



The participants in the Reality of Innovation Unzipped study identified seven major insights into innovation in businesses Australia:

1. innovation energises business growth and creates value
2. innovation fosters imaginative business models
3. innovation needs partners
4. innovation must be disciplined to contribute to competitive outcomes
5. innovation motivates people
6. innovation is highly context specific: one size does not fit all
7. innovation is multi-faceted and complex, yet must be repeatable.

The conclusion of 'The Reality of Innovation Unzipped' was that Innovation must be disciplined to contribute to competitive outcomes.

It is about doing the hard yards.

To deliver sustainable advantage through innovation, a disciplined, structured and sustainable process is essential. Only then will it result in a demonstrable contribution to competitive outcomes.

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