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Creating the Future: "The Innovation Imperative"

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1. Introduction

In a recent article on **Innovation** in the *Australian Financial Review* Boss magazine (14 November 2003), it was commented that:

"Any organisation that hopes to become resilient must address the following four challenges:

/// **The Cognitive Challenge** - a company must become entirely free of denial, nostalgia and arrogance; it must be deeply conscious of what's changing and perpetually be willing to consider the way those changes are likely to affect its current success.

/// **The Strategic Challenge** - resilience requires alternatives as well as awareness, the ability to create a plethora of new options as compelling alternatives to dying strategies.

/// **The Political Challenge** - an organisation must be able to divert resources from yesterday's products and programs to tomorrow's. This doesn't mean funding flights of fancy; it means building an ability to support a broad portfolio of breakout experiments with the necessary capital and talents

/// **The Ideological Challenge** - few organisations question the doctrine of optimisation, but optimising a business model that is slowly becoming irrelevant can't secure a company's future. If renewal is to become continuous and opportunity driven, rather than episodic and crisis driven, companies will need to embrace a creed that extends beyond operational excellence and flawless execution."

2. The Innovation Edge

Samuel Palmisano, CEO of IBM, was reported in *BusinessWeek* (17 November 2003) as saying:

"Innovation is the intersection of invention and insight...Innovation is focussed less on things and more on ideas, collaboration and expertise...Innovation is occurring within a global ecosystem.

It has multiple points of intersection among business, government and academia, and in industries ranging from biotechnology to transportation, energy, telecommunications, and information technology, and in the public sector"...

...Nations (China, India, South Korea) are becoming very competitive, and it would be naive to believe that this phenomenon is based solely on wages. They are investing in education and job skills, teaching their citizens the languages of modern commerce (English, software, genomics and finance), and building modern network infrastructures."

The editor of the 17 November 2003 *BusinessWeek* commented that:

"One lesson CEOs (USA) learned in the downturn was that information technology boosted productivity by cutting costs and hiking profits. The next lesson is to use technology to bring to market new products and services that consumers will want and pay for."

3. Bold New Products or Twists on Familiar Themes?

Of all new products or brands, more than half are doomed to failure within two years, because of the costs of bringing them to market, and sustaining them based on sales.

The level of genuine current product innovation in Australia is now at an all-time low, and is not considered to change in the near future. The dearth of new products is a result of a conservative corporate financial climate, the lack of effective market research by organisations, and the use of such research by executives.

Listerine Pocket Packs

Pfizer Consumer Healthcare proved that even the oldest brands can be reinvigorated as a result of strong research and clever marketing.

By combining five years of R&D with smart marketing, Pfizer used its 120 year-old Listerine mouthwash brand as the basis for a whole new product category.

The result - *Listerine Pocket Packs* outsold its main competitors *Tic Tacs* and *Mentos* in the portable breath freshener category for several months after the February 2003 release.

(Source: *Business Review Weekly*, 16-22 October 2003)

Virgin Credit Card

Virgin Money created a card that has caught the interest of more than 300,000 Australians (there are 9.6 million credit cards of all kinds issued in Australia).

The Virgin card comes in six colours (40% of men choose black and 40% of women choose pink), has one distinctively rounded corner, features low interest rates, a rewards program and no annual fees.

(Source: *Business Review Weekly*, 16-22 October 2003)

Toyota

Toyota has seized a psychological advantage in the market with the *Prius*, an eco-friendly petrol-electric car that is a real paradigm shift for the automotive industry. When the 2nd generation Prius reached US showrooms in October 2003, dealers had 10,000 orders before the car was available.

Cost cutting and process redesign will save millions in expenses for Toyota that launched a program with its suppliers to reduce the number of steps needed to make cars and car parts. In the past year alone, Toyota has cut US\$2.6bn out of its US\$113bn manufacturing costs, without any plant closures or layoffs.

These initiatives are aimed at freeing up cash to develop new models such as the *Prius*, to invest in global manufacturing, and to further enter markets such as China and Europe.

(Source: *BusinessWeek*, 17 November 2003)

