WINNOVATION

Developing a culture of innovation is a must for companies to prosper in an increasingly challenging global environment, writes Lawrie Holmes. But what is the best way to achieve this in the era of tech disruption?

Most global companies understand the need to become more innovative, but developing a corporate culture to achieve this aim can be a difficult journey. Given that most corporates have developed rigid structures to achieve specific goals, it is easy to see why adaptability does not come easily for many organisations – even if management teams grasp the need for innovative new approaches.

"Understanding why innovation is important and why the enterprise must innovate is obvious, but the biggest challenges are often how and what to innovate," says Jonathan Giuliano, Ph.D., who teaches strategy and innovation at the Scheller College of Business at the Georgia Institute of Technology.

"Equally important, and often less difficult to determine, is where and when to develop and launch innovations. All of these are innovation-strategy decisions. But many C-level executives and board directors are grappling with innovation-strategy decisions for the first time," adds Giuliano. "They have made strategy decisions for years, but innovation-strategy decisions are different – they are much more complex. Assessing progress and results for innovation strategy is also much more difficult, again, because of the complexity."

Giuliano, who has advised C-suite executives and boards of directors at 18 of the companies listed in the Global 100, says: "In my experience advising CEOs and board directors, their understanding of the imperative to become more innovative is increasing. They understand the 'why' of innovation. The difficulty they confront is now how, what, where, and when."

Enterprises that excel at corporate innovation understand the strategy framework of build-borrow-buy, says Giuliano. "This means that they understand how and when to build and launch innovations; when borrowing is most effective, and how to borrow and share capabilities and resources; and such companies also understand how, when, and what to buy, perhaps buying technologies, or acquiring and scaling startups."

“Successful corporate innovators know how and when to do all three productively, effectively, and systematically. This is extremely difficult to do – even more difficult to sustain for competitive advan-
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Angelina Kouznetsova, head of fintech, EY

One sector where this is clearly illustrated is financial technology (fintech). Angelina Kouznetsova, who is a head of fintech at professional services firm EY, works with established financial services institutions as well as fintech startups. She says the industry has provided a template for others to follow.

“A vast majority of the established financial institutions are engaging with fintech specialists and seeking to find the most effective way that works for their organisations. At the same time we observe financial institutions bringing their strong industry and regulatory knowledge to the emerging and growing fintech sector.

“Innovation can help them to grow and improve their business models, but there are always internal barriers to innovation. Organisations must be willing to innovate; otherwise new ideas are too easy to dismiss and they are never implemented.”

There are a number of critical elements for developing an innovation culture, says Kouznetsova. She says there must be “C-suite executive buy-in and full support from the top, a holistic approach, and a full-time commitment from a group of individuals within organisations rather than a ‘side-of-the-desk’ project” approach. That this is supported by adequate funding is another must as well as a willingness to accept failures, while being prepared to fail fast and move on.

“Accountability and defining what success looks like from the outset must also be in place,” Kouznetsova says. “This may not be a standard internal rate of return and payback period analysis, but it needs to be measurable.”

Kouznetsova says that established tech disruptors are a great example of innovators, as they never appear to stand still and
Constantly acquire new and interesting businesses while fostering internal innovation to encourage a flow of ideas. “This is something all sectors could learn from,” she says. “Established tech disruptors don’t seem to limit, restrict, or define themselves by one sector or industry vertical, and they expand their products proactively. For example, Apple is now moving payments with a remarkable ease and is driving adoption.”

However, Georgia Tech’s Giuliano, who has raised more than $900 million for startups and SMEs in the US, Europe, and Asia, says traditional corporate models can outpace startups. “Excellent corporate innovators have developed processes that rival, and can surpass, the capabilities of startups,” he says. “In strategy, we focus on the core competence of the corporation, and the core competence derives from capabilities and resources.

“With productive innovation processes – which are the activities driven by the core competence – and with superior resources, such as more access to capital, big global corporations can outmanoeuvre or simply acquire startups.”

Giuliano says the caveat is that sometimes the acquirer inadvertently destroys the acquired, indicating that the acquirer has an inferior innovation process.

He recalls the example of social network firm Myspace, which in February 2005 declined to buy Facebook for $75 million but within months was itself acquired by News Corporation for $580 million. Alexa ranked Facebook higher than Myspace, indicating that the acquirer inadvertently destroys the acquired. The acquired may want to sell to a superior acquirer to avoid being destroyed itself.

“Those who have got it right have been ruthless in managing that.”

“DEVELOPING AN INNOVATION CULTURE”

Consider the following five questions when developing an innovation culture:

1. Does the way you innovate (collaboration, employee empowerment, customer engagement, time horizons, etc.) reflect your vision and appetite for innovation?
2. How effectively are you articulating your vision and appetite for innovation to employees, investors, and business partners?
3. Do your employees see creating, promoting, and executing new ideas as a crucial part of their job description?
4. Are the processes for decision-making and organisational mobilisation quick enough to bring new innovations to market ahead of your competitors?
5. How effectively do you measure and track the return on investment and ability to meet customers’ changing expectations?


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Jonathan Giuliano, Georgia Institute of Technology