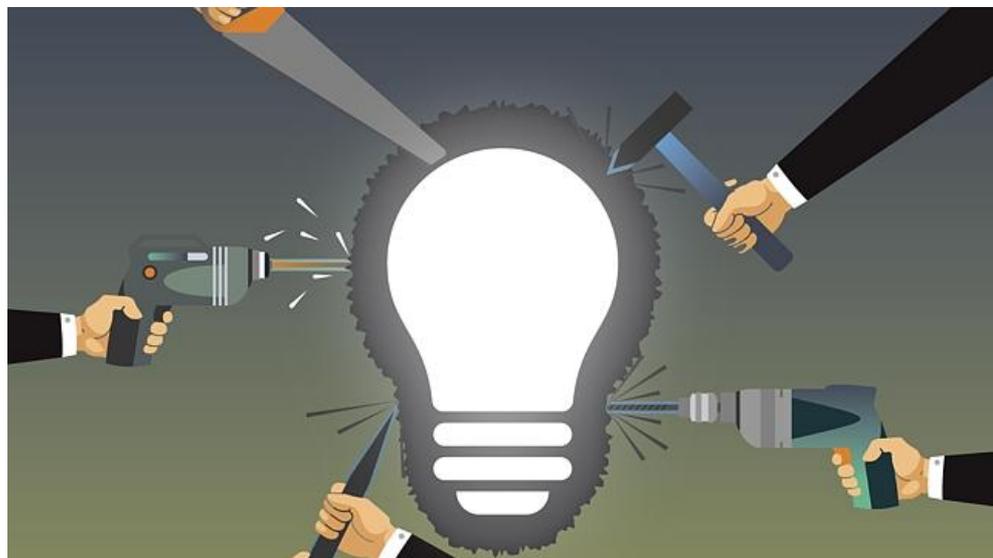


Five paths to business innovation: Australia's 50 Most Innovative Companies show the way

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Innovation has rocketed up the CEO agenda, if this year's 50 Most Innovative Companies list (<https://web.archive.org/web/20141010095601/http://www.brw.com.au/lists/50-most-innovative-companies/2014/>) is any guide. There were 50 per cent more entries this year than last year.

"It comes down to innovation being less of a buzz word and more an absolute mandatory [thing] for companies to do," says Amantha Imber, the founder of Inventium, a partner in the study with *BRW*.

"If you do not innovate, you risk becoming irrelevant because so many other companies are innovating and looking to stamp out their competition. We're seeing it becoming a priority for more and more CEOs."

There was also a rise in the number of entrants from the corporate sector, a trend Imber says reflects the fact that the CEOs of large companies are no longer complacent about the risk of disruption from start-ups. As a result of the increased competition, she says there were more ground-breaking innovations in the top 10 than in previous years.

Innovation is often conflated with technology but it is more about creative thinking. The definition used by the judging panel is "change that adds value" – a deliberately broad concept to capture innovation in all its forms. There are also many different ways to do innovation as this year's winners demonstrate. Here are five broad approaches that have proved successful.

1. NURTURE INNOVATION IN HOUSE

Inventium's Imber says there is a simple question she asks organisations to check their internal innovation capability. "If I was to come on board next week and I had a great idea, what would I do with that idea?," Imber asks. "If there is not a really clear and consistent answer as to what I should do with that idea, it suggests that the company lacks a clear and effective innovation process."

Nearly nine in 10 companies use the words innovation or creativity in their mission statements, according to a study by the Innovation Network. However, fewer than one in 20 have programs to train managers in innovation or creativity.

innovation within its workforce.

Pernod Ricard Winemakers creative director Paulina Larocca says creativity is a learned skill. “You won’t necessarily become the world’s greatest painter but you can become better at identifying problems and coming up with solutions,” Larocca says.

Pernod Ricard Winemakers developed and implemented a creative leadership program, called Th!nk: Creative Leadership Lab. The sessions used real business challenges and came up with five new ideas as a result – for example, a partnership with celebrity chef Donna Hay to sell wine and spirits. The program also produced 20 employees who felt creatively engaged, enthusiastic about Pernod’s new mission and keen to teach creativity to their colleagues. The company plans to put another 30 staff through the program in 2015.

Meanwhile, for brand promotion agency Zinc Group, the jolt to action was a team survey that uncovered a low innovation positioning score of 18 per cent, compared with industry benchmarks of more than 30 per cent. Zinc enlisted Inventium to assist in its internal innovation development, investing in training, adding innovation to key performance indicators, building a dedicated area for creativity and idea generation, holding idea creation sessions and appointing a dedicated innovation director.

By the end of 2013, Zinc had achieved a breakthrough innovation with a key client, presented more than 20 incremental innovations to clients and held five client ideation days resulting in a new \$1 million program and deeper relationships.

2. COLLABORATE WITH A PARTNER

Innovation is not just about what happens inside your business, it is also about your company’s external relationships. A recent study by Accenture for the G20 Young Entrepreneurs Alliance suggested that businesses in Australia and other rich countries are lagging their counterparts in the developing world in embracing “open innovation” (https://web.archive.org/web/20141010095601/http://www.brw.com.au/p/tech-gadgets/innovation_australia_catch_averse_aHBkf05u7R1NcwEdCEUjZJ). This was defined as joint innovation with external partners, including large partners, start-ups, universities and government agencies.

Planet Innovation, ranked third in the 50 Most Innovative Companies list, is an example of an innovation partner. Co-founder Stuart Elliott says his company is expert in technology development but not in getting a product to market so it tends to partner with companies with access to the North American and European markets in particular.

For example, the company developed the Geri incubator for IVF, which incorporates a low-cost camera for non-invasive monitoring, in partnership with Genea Biomedx in Sydney. It also developed the Zen smart thermostat, to compete with Google’s Nest, in partnership with MMB Networks in Canada.

Not surprisingly, Elliott is a strong advocate for partnerships as a cornerstone of innovation. “When you put different ways of thinking together, that’s when real innovation happens,” Elliott says. “I think it’s essential to bring in other ways of thinking, especially for larger companies with a more established market and defined boundaries. Sometimes people have been burnt by engaging a consulting company and feeling like they’re just spending a lot of money on consultants so the way we address that is with aligned incentives, so we’re all financially rewarded by the success of the innovation not from the project itself.”

Other companies recognised in the 50 Most Innovative Companies list also worked with partners. Coca Cola Amatil partnered with start-up TRAX Technology to create a mobile cloud-based application to give the drinks company real-time data and visuals of its cooler shelves in retail outlets. Meanwhile, Globecam came up with a design for miniature cameras to be worn by referees and players in sporting matches – and contracted a German laboratory, Fraunhofer, to build the product.

Cloud-based accounting software provider Xero took top honours in this year's Most Innovative Companies list for innovations it developed in-house to improve payroll functionality and the tax platform. However, Xero is also a great example of a company that innovates through a network of third parties.

Xero has an open application programming interface and there are more than 350 independent developers making plug-ins that work with Xero software. Xero Australia managing director Chris Ridd says all small businesses need accounting software some need other software as well, sometimes specialised for their industry.

"It's very much like an app store model for small business, which creates choice," Ridd says. "It provides a much more innovative platform and allows us to focus our R&D on the things we should be building without getting distracted by building point-of-sale software, for example."

Manufacturing company Hills is another example of how a large company can tap into the innovation prowess of the start-up community. Hills has partnered with the South Australian government to establish an innovation centre in Adelaide to support and fund new and innovative next generation technology ideas, projects and start-ups. Hills has also signed a memorandum of understanding with Flinders University, University of Adelaide and UniSA to co-operate on projects within the Hills Innovation Centre.

4. CROWDSOURCE OR CO-CREATE

Many companies enlist the wider public for innovation, whether through contests such as hackathons or through customer co-creation. Inventium's Imber says Yahoo! pioneered the hackathon in the US a decade ago and it has now become a staple way to do innovation, especially for technology companies.

The Commonwealth Bank, ranked sixth on the Most Innovative Companies list this year, hosted a public hackathon at the CeBIT conference in May. Teams worked on an app for the bank's new Albert terminal for one of three merchants: Hard Rock Cafe, Culture Kings and Cerebral Palsy Alliance.

A cash prize of \$10,000 was awarded to the winning app for each merchant. Nearly 70 developers, including students, start-ups and big consultancies took part and retained the intellectual property for their work.

Westpac, ranked 16th on the list, is running an Innovation Challenge for start-ups (https://web.archive.org/web/20141010095601/http://www.brw.com.au/p/entrepreneurs/start_ups_invited_to_inn) to come up with innovative ways to serve the bank's SME and commercial real estate customers, with a \$40,000 prize on offer.

Customer co-creation is another tool to crowdsource innovative ideas, though Inventium's Imber says it works best when customers are involved to identify the problems and assess the prototypes, rather than coming up with the solutions. She says a lot of the top-ranked companies did a good job of getting close to customers. "They were understanding what customers need rather than having innovation for innovation's sake," Imber says.

5. FIND AN INNOVATIVE START-UP AND BUY IT

Accounting software company MYOB is seventh on the 50 Most Innovative Companies list for innovations it developed in-house. However, the company has also been hot on the acquisition trail (https://web.archive.org/web/20141010095601/http://www.brw.com.au/p/professions/myob_and_intuit_acquisitio) buying start-ups like Dovetail and companies like New Zealand-based BankLink.

Imber says innovation by acquisition is a good idea as long as the company has its own innovation strategy defined. She cites Google as one of the most famous practitioners of this strategy, having acquired many innovative start-ups over the years from Google Maps to YouTube. "It makes sense to acquire innovative organisations where their core capability differs from your core capability but is complementary," she says. "It's certainly a good strategy."
