

Innovation inside



*Implementing an
innovation culture
within enterprises:*

*Learning from
the experiences
of leading
international
innovation
economies.*

In April/May 2008 Innovation and Business Skills Australia (IBSA) sponsored an international delegation to learn about the implementation of an innovation culture within enterprises from the experiences of four leading innovation economies: Singapore, Finland, Ireland and the United Kingdom.

This summary aims to share the key findings of the delegation with enterprises and policy makers to help build the innovation capability of Australian enterprises.

IBSA acknowledges that for many readers these findings will not be new. However it is hoped that this simple summary will build understanding of the concept of innovation.

I N N O V A T I O N *innovation*

*the conscious exploitation of ideas leading to a new or modified product, process
or service which adds economic and/or social value*

The way forward

Innovation means different things to different people, and to some extent has become hostage to its own "mystique". This summary seeks to remove the veils of mystery and present innovation in a language which has resonance with small and medium enterprises in Australia.

The importance of Australia getting serious about innovation cannot be understated. Each of the countries visited by the delegation have developed and articulated a clear strategy to support innovation as the underpinning for future national prosperity. These countries see their market as being the global market. They acknowledge that with lower barriers to international trade and investment, companies need to be internationally competitive even to succeed in the domestic market. This competitiveness is increasingly based on the innovative capacity of the enterprise. At the national level, the level of innovation in the national economy will determine the nation's economic competitiveness and prosperity.

Australia needs to ensure that at the national level, it has the appropriate policy settings, not only to support innovation, but also, critically, to actively encourage innovation. At the enterprise level active and tangible support from government will be important, but leadership and commitment to the development of an innovation culture from within the enterprise will be equally vital.



John Vines
Chair
IBSA . June 2008

Enterprise checklist for implementing an innovation culture

- 1 Celebrate, recognise and reward small improvements in product, process or service, as well as the major breakthrough innovations.
- 2 Encourage a facilitative management or leadership style and encourage employees to think about improvement in terms of product, process or service (or combinations of these). Quality circles or similar structures can support this leadership style.
- 3 Provide opportunities for employees to network both internally and externally through job rotation, cross-functional teams and through attendance at industry functions.
- 4 Continually benchmark the enterprise against others in the industry sector to develop a better understanding of the comparative performance of the enterprise and gather ideas and stimulus for innovation.
- 5 Develop a global perspective and an understanding of global influences on the industry sector to prepare the enterprise for responding to opportunities and possible threats.
- 6 Review the skill base of employees in the enterprise, and identify the skills that will need to be developed to implement an innovation culture.
- 7 Develop an appropriate risk profile. Encouragement for innovation needs to come from the top. Boards should set clear parameters for innovation as part of the governance of the organisation so that individuals and teams have known boundaries within which to innovate.
- 8 Seek opportunities for collaboration. While most large companies have closed loop innovation systems, medium and smaller companies are increasingly seeking to collaborate to deliver on complex projects. Collaboration can occur on a local or global basis.

Recognising innovation

Innovation occurs in a number of different ways in an enterprise and in some instances it may be "hidden" and not be recognised as innovation. Often enterprises (and the individuals and teams within them) may be engaging in innovation without being aware of it. The concept of innovation can be broken down to enable better understanding and recognition of its existence within the enterprise.

Innovation can occur as "continuous improvement" which arises from embracing quality management principles. These principles underpin innovation and provide the basis for product, process or service improvement in the enterprise. The innovation associated with continuous improvement is often referred to as "incremental" innovation.

For smaller enterprises without inbuilt or intensive R&D activity, innovation is usually based on continuous improvement in the product design, product manufacturing or service processes. These enterprises will generally have ISO certification and, within that certification, management related processes to support and encourage continuous improvement. Management related processes include: suggestion schemes, quality circles and a facilitative leadership style which encourages individuals and teams to actively look for and identify opportunities for product, process or service improvement.

At the other end of the spectrum, major innovation leaps are predominantly based on significant and sustained R&D intensive activity. Such leaps are also referred to as "discontinuous" or "disruptive" innovation and often involve the development of a completely new product and/or process or a significant modification or improvement on an existing one.

Elements that contribute to the development and implementation of a culture of innovation within the enterprise include:

- **Encouragement for the sharing of ideas** – via quality circles, informal networking within the enterprise, the establishment of cross functional teams to work on specific improvement/innovation projects, job rotation schemes that enable employees to gain an understanding of other activities in the enterprise (for example, giving production staff an opportunity to work in sales and vice versa).
- **Benchmarking the organisation and its activities against other enterprises in the same industry sector** – informally through participation in activities such as industry functions, or more formally by engaging an external consultant to provide independent advice in relation to industry competitors. Participation in industry functions should not be limited to senior management. Employees at all levels benefit from the opportunity to broaden their perspective and gather ideas that could be applied to their own area of activity.
- **Developing a global perspective** – even enterprises that are not engaged in export or import activity need to understand global influences on the development of new and improved products, processes and services. Without this understanding, enterprises may find that their products or services are replaced by imports or a foreign company may move into the Australian market with a superior product, process or service and take market share. Attending international trade exhibitions and conferences is a good way to gather information on global trends and developments in the industry sector.

Many of these elements would be present in a learning organisation. A learning organisation has an inbuilt capacity to gather, incorporate and use increasing levels of information and skills to drive the success of the enterprise.



I N N O V A T I O N

Supporting innovation

NATIONAL LEVEL REQUIREMENTS FOR INNOVATION ARE:

- A consistent Government policy framework to support innovation rather than fluctuation in policy which creates uncertainty and mitigates against the long-term commitment required, particularly in relation to intensive R&D based innovation
- Leadership and support highlight the importance of innovation to the nation's prosperity and community wellbeing
- Holistic attention to taxation, R&D, education and skills to enable innovation
- Procurement policies that encourage competition for ideas to build innovation in the market, rather than influencing market competition only through price
- Mechanisms that encourage and support enterprises to pool resources and work collaboratively on particular projects
- Availability of venture capital

ENTERPRISE LEVEL REQUIREMENTS FOR INNOVATION ARE:

- Leadership that encourages, recognises and rewards innovation at all levels in the enterprise
- A conscious desire for innovation to support growth and profitability
- A culture that embraces diversity, tolerance, talent and technology
- The foresight to make change that is relevant to companies and individuals, and useful for the world

About IBSA

Innovation and Business Skills Australia (IBSA) is the Industry Skills Council with responsibility for the following industry sectors:

- Business Services
- Cultural & Related Industries
- Education
- Financial Services
- Information & Communication Technologies
- Printing & Graphic Arts



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IBSA's mission is to build the capability, professionalism and innovative capacity of the Australian workforce. To bring together fresh thinking and sound research IBSA fosters the support and collaboration of informed people from across industry, vocational education and training and research sectors.

- IBSA has worked with industry to incorporate innovation and creativity competencies in nationally endorsed Training Packages.
- IBSA convened a National Innovation Search Conference in 2007 which brought together thought leaders on innovation and led to the development of IBSA's Blueprint for Action on Innovation. The Blueprint outlines directions where IBSA can have an impact on the innovative capacity of the Australian workforce.
- IBSA is undertaking a major project to develop an Innovation and Creativity Platform which will incorporate high level innovation systems qualifications and skill sets.
- IBSA is developing an innovation capability framework that will provide a mechanism for organisations to assess and build the capacity of their workforce for innovation.

innovation
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