



Non-customers can also be of value, as illustrated by the development of Tata Motors' Nano car in India (above) – an outcome of a business model whose conception was fuelled by the desire to meet the needs of the many road users who ride two-wheelers. FILE PHOTO

# To make innovation work, you must pull the right levers

Knowing how to “rewire” the value network by changing the supply chain or the revenue, cost and margin model can be very effective in generating and implementing new profitable solutions. **BY THOMAS MENKHOFF**

**T**HE task of making innovation work can be overwhelming due to insufficient value creation know-how or confusion about the right innovation levers that need to be pulled in order to come up with new ways of selling and delivering value to customers.

While mastering innovation is certainly not rocket science, it does require solid innovation management skills. Competent innovators know how to identify and seize innovation opportunities triggered by changes in industry and market structures such as the rapid growth of the sharing economy – consider Carousell (a Singaporean e-commerce company), Uber, and BMW's car-sharing service, DriveNow.

Company leaders who recognise the need to innovate and the danger of “big bang” disruptors “out there” without effectively strategising and structuring innovation efforts both internally and externally are well advised to re-examine the failure stories of Rollei, Kodak, Borders or Apple's PDA device, Newton. Often, however, those in charge are unwilling or unable to reflect on the past, to proactively anticipate (disruptive) challenges ahead, and to further develop capabilities which would allow them to create a powerful portfolio of incremental and radical innovation initiatives with the “right” balance so that the organisation remains on top.

Almost a decade ago, Harvard professor Rosabeth Moss Kanter systematically analysed some of these innovation management and leadership challenges in her *Harvard Business Review* article titled *Innovation – The Classical Traps*. Looking at the current innovation landscape in Asia, one wonders why so many companies can get away with “strategy mistakes” (unwillingness to risk failures), “process mistakes” (strangling innovation with tight controls and budgeting), “structure mistakes” (maintaining organisational silo cultures), and “skills mistakes” (appointing weak innovation leaders with poor relationship skills). Whether the Committee on the Future Economy (CFE) recently formed by Finance Minister Heng Swee Keat to examine the challenges of moving the Singapore economy up the innovation ladder will take note of these “classical traps” remains to be seen.

Critical for commercial success is the capability to pull the right innovation levers in the form of effective

technological process capabilities in combination with new product and service offerings on the basis of an innovative business model – for example, based on a networked (digital) platform. Amazon is truly outstanding in that respect. Its cloud computing division, Amazon Web Services, offers third parties various remote computing services, and the company continues to roll out efficiency-improving innovations (which revolutionise the eBook experience) such as its new army of robots, which enables the rapid picking and delivery of products for customers' orders.

One way of achieving “innovation management mastery” is to study and dissect successful network models of other “great” firms in order to understand how they leverage resources – for example, through enabling technologies, alliances, agreements and contracts with third-party organisations. An interesting case is the network innovation approach Apple used when it developed the iPod in collaboration with partners such as Toshiba (1.8-inch hard disk drive), PortalPlayer (CPU), Wolfson (DAC/digital-to-analog converter), Pixa Inc (operating system that runs the user interface of the iPod), and others. As the systems integrator, Apple took care of the entire innovation and cooperative development process.

## CONVINCING VALUE PROPOSITION

The digital success story of Airbnb is also based to a large extent on its innovative platform system, which connects hosts and travellers in novel ways (without it owning any rooms itself) fuelled by effective information technologies. But the key is its convincing value proposition, which explains much of its success: it enables homeowners to earn income from their underutilised property assets and provides price-sensitive travellers more flexibility in deciding where to stay.

Knowing how to “rewire” the value network by changing the supply chain or the revenue, cost and margin model can be very effective in generating and implementing new profitable solutions. The value network lever was pulled by Ryan Air, whose commercial success rests on its unique business model and pricing strategy, including fare-conscious target customers (“lowest fares”), superior value architecture (use of secondary airports with lower charges), bulk acquisition

of aircraft, lowest ex-fuel costs, and so forth. Non-customers can also be of value, as illustrated by the development of Tata Motors' Nano car in India – an outcome of a business model whose conception was fuelled by the desire to meet the needs of the many road users who ride two-wheelers.

Corporate innovation contexts are increasingly characterised by uncertainty (how will customers react?), complexity (how to manage the diversity of participating groups of internal and external experts from different discipline areas and age groups?), and low degree of predictability (who might disrupt our business and how can we cope with such a threat?). Therefore, those in charge of innovation need frameworks and tools to determine the goals of innovation efforts, to structure and organise related working relationships to “get things done”, to create a compelling strategic innovation vision, and to build a robust innovation culture so that folks are motivated and willing to drive innovation.

One guidance system which can be easily deployed by companies to manage innovation more effectively is the Business Excellence (BE) initiative by SPRING Singapore. The internationally benchmarked BE framework provides a “roadmap for excellence” and helps managers enhance organisational performance. Of particular interest here is the Singapore Innovation Class (I-Class) Niche Standard, which provides managers of private or public sector organisations with a holistic, criteria-based assessment approach to further develop their innovation management capabilities. Winners of the I-Class Award – which recognises organisations with outstanding innovation and value-creation capabilities – include the Defence Science and Technology Agency; Agency for Science, Technology and Research (A\*STAR); Biosensors Interventional Technologies Pte Ltd; Qian Hu Corporation Ltd and Nanyang Polytechnic. Their summary reports (another wonderful resource for managers) are freely available on SPRING's website, and underscore the benefits organisations can obtain when they pull the right innovation levers.

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