



INNOVATION – DO YOU HAVE A CHOICE?

Executive Summary

Do you have a choice to innovate or not? Well yes and no....What would your competitors choose? The facts are that companies that engage in innovative development of product or service increase their turnover on average by 7.4 percentage points over companies that do not innovate.ⁱ So the answer is that in reality there is no choice but to do some sort of innovative development in your business. The choice is more around what sort of innovation and the scale of it to suit your plans for the business. It is essential to make a start, build an innovation strategy and collaborate with others. The world is moving on and all businesses need to be aware of the importance of leading versus being left behind.



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Introduction

Disruption through or via innovation is now the business 'usual'. Every manufacturing sector is seeing innovations shaking up their industry. Many new developments are coming from the application of technology that has not been seen before by a new generation who value engagement and identification as primary buying triggers. This paper sets out the case for developing an innovative business through a well thought out innovation strategy.

The Problem

Many businesses struggle with the question of innovation especially when it comes to devoting company resources (cash, facilities and personnel) to making new ideas reality. Questions which need to be addressed include:

- What will be the return on investment?
- Where are the opportunities for business in the future?
- How do I make my business relevant to the next generation of buyers and employees?

Best Practice Solutions

These questions are all worth considering and should not be the reason to do nothing. The best companies have innovation as the centrepiece to their growth strategy (refer Figure 1). Every employee should be trained to be innovative with a knowledge of the company's innovation processes and the confidence that their ideas will be acknowledged, assessed and actioned if they meet criteria. A disciplined approach is absolutely critical. Once ideas are identified, action needs to be swift and effective in assessing their merits through prototyping, launch and production scale up. Being able to quickly revise products will ensure they remain fresh and relevant to the market.

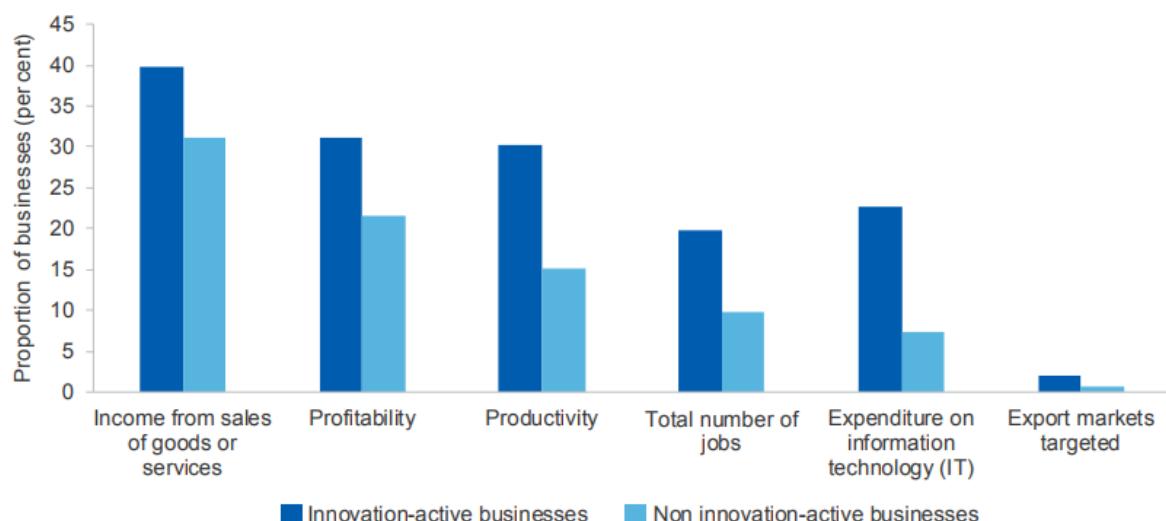


Figure 1 Businesses reporting improved performance over previous year, by innovation status (Source: Australian Innovation System Report, pg 57)



Think about where we are heading - some trends emerge that are large, long term and slow moving. While characterising generations can be futile or even misleading one thing we know for sure is the dominance of buying power of the generation known as the Millennials, those born between the early 1980s and the end of the 20th century. In the medium term this group in society will have achieved economic dominance in terms of numbers and in terms of buying power by 2020 (42% of the workforce in Australia).

It has been observed that a defining feature of this generation is that it values personal engagement more highly than previous generations. This has two important aspects. One, they will leave employers they feel disengaged from, which is the leading reason they have a reputation for changing jobs regularly. Secondly, they buy products and services that they feel engaged with. Something resonates with them and provides value beyond the basic price/value evaluation. Businesses need to embrace Millennials' needs to be relevant to their market and make sales but also to attract the brightest employees. How is your company approaching this for the future?

Overall though, the best approach is to balance the needs of the business today to maintain high profitability in order to fund the next round of innovation that secures the long-term future of the company and engages your employees as an intrinsic part of that.

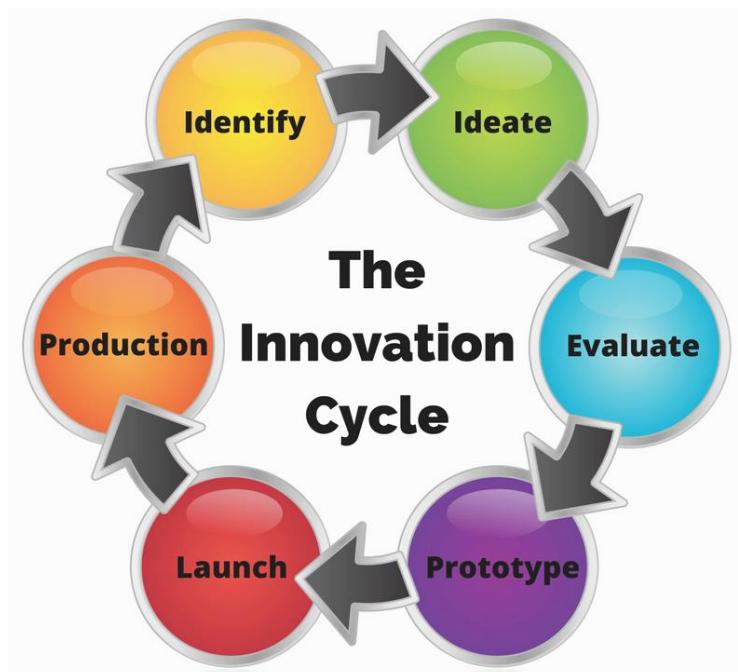


Figure 2 The Innovation Cycle

Five Things You Can Do Right Now

1. **Build a portfolio innovation strategy across the entire value-add chain in the company.** Look widely so that even your supply logistics are included through to the provision of IT services and outbound logistics. Consider even your business model as a potential avenue for innovation.
2. **Create and document a disciplined strategic approach to innovation.** This is an important step that many businesses skimp on and then find that there is nothing to guide future innovation in the event of staff turnover or change of ownership. This must be driven from the top down in the company to provide the necessary emphasis, drive and legitimacy.
3. **Be fast to implement ideas into prototype, market test** as the value of any idea is only realised when it is translated into something that customers are prepared to pay for. Be quick also to modify and improve on these innovations.
4. **Train and encourage all your employees to be innovative.** The people who do the work know the most about their jobs. Given the skills and encouragement your employees will think of many incremental innovations to assist the business to increase profitability and move into new markets. Engaged employees are much less likely to be tempted away from your company.
5. **Collaborate with many people.** Businesses succeed nowadays as part of an ecosystem of investors, researchers and government – all external to the company but all able to provide incredible value. The Regional Industry Collaboration Program, conducted by the Geelong Manufacturing Council, is ideal for SMEs to locate collaborative researchers, find out about new markets, new technology and see more of what's changing and where the opportunities are.

Case Study

In an Australian-first, a collaboration between Deakin scientists and Geelong's GT Recycling and Godfrey Hirst has resulted in the development of technology that can recycle polymer textiles from waste carpet into making stronger more durable concrete.

GT Recycling - established in Geelong in 1998 and run by two generations of the McLean family - collects, sorts and processes plastic and cardboard waste from landfill sites and manufacturers across Victoria. The recycled plastic is given new life by local and overseas manufacturers.

Godfrey Hirst was one of Australia's first textile mills - established in 1865 – and is now Australasia's largest carpet manufacturer. Its head office and manufacturing facility are in Geelong - located on a 33-hectare site in South Geelong.

The project was partly funded by the Australian Federal government through the Entrepreneurs' Programme.

So how will the recycled carpet be used? Deakin's Professor Lingxue Kong explained, "By adding less than four per cent of polymer fibres to cement paths, we have seen less cracks, less rain damage, greater flexibility and improved durability – and we have removed the need for wire mesh in certain applications. This will result in longer life and less maintenance, which should be very attractive to councils across Australia."

This project produces a superior concrete and reduces landfill – a win-win for all parties.

Conclusion

For any business to maintain relevance and profitability innovation is essential. Consider the future trends that are inevitably impacting your business, make your employees a major part of idea generation and development of innovation and ensure you implement formal processes and measures for innovation. Always seek collaboration with governments, research organisations, investors and the Regional Industry Collaboration Program. Innovation will not happen on its own. A well-considered and implemented innovation strategy is the best starting point in maximising the benefits from innovation.

Resources

Australian Innovation System Report 2017

<https://industry.gov.au/Office-of-the-Chief-Economist/Publications/AustralianInnovationSystemReport2017/index.html>

Concrete outcome for carpets

<http://www.deakin.edu.au/research/research-news/articles/concrete-outcome-for-carpets>

Generational changes and what they mean

<http://news.gallup.com/businessjournal/211799/trends-disrupt-workplace-forever.aspx>

Innovation - Strategic Portfolio management

<http://www.innovationmanagement.se/2013/09/16/managing-innovation-portfolios-strategic-portfolio-management/>

Contact Info

Geelong Manufacturing Council

Email: admin@geelongmanufacturingcouncil.com.au

www.geelongmanufacturingcouncil.com.au

Ph: 5222 8000

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ⁱ Australian Innovation System Report, Chapter 4 The Impact of Innovation on Firm Growth, Summary accessed 12 Dec 2017 <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/AustralianInnovationSystemReport2017/index.html>