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It's Innovation... But is it the Right Sort of Innovation?

Abstract

Organizations that innovate will continue to achieve success and innovation around products and services is certainly of value, but high-order innovation can provide more substantial, economic long-term benefits – especially if it is shared across a sector, or a group of collaborators. This leads to the next question – how ready are Irish organizations to engage in open innovative practices?

One thing is for certain; Ireland is starting out from a very strong base position. The question is can we stop viewing other organizations as competitors, and more as collaborators? This is the challenge facing Irish industry.

KEYWORDS: Innovation, competition, innovative capability, emerging economies, low-cost, Ireland, value-add, knowledge creation, knowledge transfer, knowledge management, technology centres, collaboration, open innovation, high-order innovation, multinationals

Introduction

It is obvious (or at least it *should be* obvious) to anyone concerned with the future of his or her respective organization, that innovation – or to be more precise, the ability to innovate – is a vital capability for future competition. The innovation landscape has changed dramatically over the last decade, and the rate of change is unlikely to stop any time soon.

We all recognize that innovation is becoming an imperative, but we also know that innovation is not like a switch whereby one flick and everyone is innovating! Getting organizations to the point where they start to innovate in a way that is consistently and positively impacting organizational performance is seldom an easy task: it is a task that is made all the more difficult by the fact that no two organizations are the same. Consequently, the desire, ability, and focus of an organization's innovative capability is affected in very different ways by processes, management practices, technology, and – by no means least – culture.

Competition from Emerging Economies

However, here in Ireland we need – no, we *must develop* – our ability to innovate. In response to the need to find new ways of competing with low-cost economies, we have largely relied on our ability to develop innovative products and services – that is, up until quite recently. However, as is always the case, when you develop a successful business model it attracts attention; attention from the same emerging economies we failed to compete with on low cost.

To date, these emerging economies, which include China and India, have tended to build their economic success upon their ability to secure commodities and manufacture products at a greatly reduced cost. However, the difficulty with a low-cost business model is that there can only ever be one low-cost leader. For most of the last decade, China was considered the leader in low-cost manufacturing, but now other countries such as Vietnam and Malaysia are competing to take over from China as leader in low-cost manufacturing. Do we in Ireland want to be competing for such low-cost manufacturing business at all? I would say not.

Ireland's Position

Ireland has developed a very capable service-based economy that has seen the creation of some very successful service organizations such as Mainstream Renewable Power, Inspire Quality Services, and Celtic Catalysts to name but a few. Although these companies are not widely recognized as traditional *service* organizations, they all use service as a way of differentiating their offering. Our ability as an economy to support service-oriented businesses has also seen significant foreign investment from companies such as Google, Intel, IBM, and Microsoft. These organizations understand and value the ability to innovate – not only around products but also around the manner in which they deliver their services. Examples of organizations that have taken an innovative view of how they service their respective markets range from global players such as IBM and British Aerospace, to Ireland's online book retailer Kenny's. These organizations were compelled to consider the service aspect of their respective businesses by the realization that *more of the same* just was not going to drive success in the global marketplace. Thinking differently about service was not only a fresh approach; it was also a prerequisite for survival.

Effectively, in terms of service innovation we have re-positioned ourselves from a *low-cost* economy to a *value-add* economy.

Unfortunately, success also brings new and growing competition. As we speak, China and India are producing graduates, technological infrastructure, and service capability – these economies will not stand still and allow the developed economies to monopolize the high value-add end of the service exchange – namely, the knowledge creation and transfer process. Indeed, attention is shifting from knowledge creation to knowledge transfer; with the growing belief amongst many academics and business leaders that the trading of physical goods will be eclipsed in importance by the trading of knowledge.

Remaining Competitive

In light of this growing competition, and the realization that effective knowledge transfer is fundamental to performance, how do we continue to remain competitive? Certainly, organizations have been touting the virtues of knowledge management for years and the benefits of performance-related knowledge initiatives are widely accepted.

In effect, the challenge for Irish organizations and academic institutes is not the creation of knowledge – to date, we have certainly demonstrated our ability to do that – but to capture and share knowledge in a manner that will have a positive social and economic impact. From

an academic perspective, the onus is on us to develop an infrastructure that is effective at identifying, capturing, and sharing useful know-how.

That said, our ability to become world-class innovators is not down to one individual or organization. There is a collective responsibility to align knowledge and innovation policy and practice, with the Government providing the appropriate infrastructure to help organizations capitalize on innovation practices. Certainly, the Government, through the establishment of technology centres (previously known as competence centres), is putting in place *hubs* where industry and academia can come together to work on practical innovation issues.

However, the success of these technology centres is dependent on industry and academia engaging actively with them. This *open* approach to innovation may be perceived by some as being a form of madness – actually sharing your ideas with individuals *outside* the organization! But it is just this sort of *madness* that has been shown to drive improved collaboration and output around work practices, service delivery, and customer engagements. Here in IVI, we see improved collaboration and output on an almost daily basis amongst organizations such as Intel, The Boston Consulting Group, Ernst & Young, and SAP to mention but a few.

Recommendations

Organizations that innovate will continue to achieve success. However, for the economy to achieve success, organizations also need to collaborate. So what should we do next? In a report [1] from the Advanced Institute of Management (Bessant et al, 2007) in the UK there are four broad recommendations that could easily be applied to the Irish economy.

- 1) *Opening up Innovation* – No single organization has all the answers, and innovation across organizations and national borders will be paramount to competitive positioning.
- 2) *Mastering High-Order Innovation* – We need to progress from basic innovation that is centred on products and processes, and start to focus on higher order forms of innovation such as business model innovation, discontinuous innovation (also known as revolutionary innovation), and management innovation. These innovation types are riskier by their inherent nature, but they offer much higher returns. However, the risks can be mitigated through open innovation.
- 3) *Developing Innovation Networks* – The establishment of technology centres is a major step forward. However, for

innovation networks to achieve success in the innovation realm, academia and industry must collaborate effectively. Furthermore, innovation networks must also be accessible to all, and not become the private property of a few large industry partners.

- 4) *Leveraging from the Presence of Multinationals in Ireland* – Large multinationals play a significant role in the Irish economy in terms of tax revenues and employment. However, they also possess knowledge that can be shared and utilized by indigenous Irish companies, which in turn can be used to identify and establish collaborative partnerships for the future.

The Challenge

One thing is for certain; Ireland is starting out from a very strong innovation base position. The question is: can we stop viewing other organizations as competitors, and more as collaborators? This is the challenge facing Irish industry.

Innovation around products and services is certainly of value, but high-order innovation can provide more substantial, long-term benefits – especially if it is shared across a sector, or a group of collaborators. This leads to the next question – how ready are Irish organizations to engage in open innovation practices?

In a hyper-competitive environment, it can take a big leap of faith to shift from a position of competition to one of trust; but for open innovation and collaboration to take hold we must assist our indigenous industries to make this leap. The good news is that the mechanisms to start providing this assistance are already being put in place via the establishment of government-funded technology centres. Such technology centres can help to bring organizations together, and establish collaborative relationships around real business issues within a neutral and open environment.

Forging of such collaborative relationships must be the overarching objective of the technology centres, if they are to be responsive to industry needs and develop research that remains relevant and pertinent in helping establish and maintain a competitive advantage for Irish organizations.

References

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