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A driving force for big and small

A total commitment to continuing innovation can transform companies of all types and sizes into industry leaders, write HITENDRA PATEL, STEVE WYATT and ARUN MAHIZHMAN

SINGAPORE today stands at a crossroads. The dynamics that made it one of the world's most competitive economies and a magnet for foreign companies and investment - an educated workforce, a modern infrastructure, a pro-business climate and exceptional efficiency - are increasingly being replicated by other developing countries. The rest of the world is catching up.

As a result, Singapore's business leaders and policy makers face a crucial choice. Down one road - the safe, well-travelled path of 'business as usual' - lies the prospect of decelerating growth and loss of market share to more aggressive global and regional competitors. Down the other - less familiar but ultimately far more rewarding - lies sustainable growth generated by the transformation from fast-follower to leading innovator. It is only by committing to this course, the relentless pursuit of innovation, that Singapore can hope to maintain the dazzling growth it has enjoyed over the past 40 years.

By innovation, we mean not only breakthrough products and services, but breakthrough business models as well. We mean capturing value by creating new opportunities, new approaches to implementation and new ways of going to market, from concept to commercialisation, at high speed. By this definition, innovation can (and should) drive any business, in any industry, from the most dominant government-linked company (GLC) to the most humble family business. Time and time again, we have seen firms of all types, sizes and nationalities transformed from also-rans to industry leaders (or highly profitable fast followers) by adopting a total commitment to continuing innovation. What's more, true innovation is the driving force not only of individual companies but also of entire economies.

Where Singapore stands on innovation

It is clear that if Singapore is to replicate its outsized economic performance in the years and decades to come, it will have to transform its mindset from minimising risk to maximising opportunity, from managing certainty to managing uncertainty, from efficiency to innovation. Doing so will not be easy; but here's the good news: A landmark study of innovation in Singapore that we have just completed reveals that the country already possesses the foundation it will need to launch an innovation revolution.

To conduct the study, which was jointly mounted by the Monitor Group and the Institute of Policy Studies, we surveyed over 65 domestic companies, foreign firms and government agencies and conducted in-depth interviews with more than 20 senior executives on the status of innovation in Singapore.

In many ways, the results are encouraging. They show that many multinational executives believe that Singapore offers an extremely innovation-friendly business environment. Its excellent infrastructure, sophisticated labour force, diverse

population and strong government-business partnerships are plus points for Singapore.

The study indicates that:

- both CEOs and government-agency executives are highly aware of the need for innovation;
- in a majority of companies, innovation is correctly viewed as a top-level responsibility, assigned to either the CEO or a member of the board;
- most companies have the requisite systems, personnel and organisational structures and processes in place to foster at least rudimentary forms of innovation; and
- many companies desire to move away from strict command-and-control processes towards more innovation-friendly corporate cultures.

The presence of such prerequisites for innovation is good news for Singapore, and places it far ahead of economies such as India and Brazil that still lack some basic leadership understanding of and organisational structures for the transition to innovation-based growth.

Yet there is a growing consensus among international innovation experts that Singapore today, despite widespread awareness of the need for innovation, is not sufficiently 'walking the talk' in this vital realm. And though Singapore comes in a respectable 15th in the World Economic Forum's 2003-04 rankings of level of innovation, it lags behind such other small nations as Finland, Holland and Korea.

In fact, our innovation survey points to significant gaps between intentions and results in several key areas:

- The key stimuli for innovation-based growth - volatile market conditions, fierce competition, demanding customers and shareholders, and ambitious CEOs - are weaker in Singapore than they are in innovation-leading countries like the UK, US, Japan and Germany.
- Too many business plans and goals are based on 'what we believe is possible to achieve' rather than 'what we want to achieve, even though we are not yet certain whether and how we can get there'. Only the latter approach drives true innovation.
- The definition and scope of innovation are constricted by a pervasive fast-follower mindset, frequently expressed by the desire to 'benchmark performance' or 'look for business models and policies achieved elsewhere'.
- Though innovation often commands executive-level attention, dedicated executive-level officers such as chief innovation officers remain rare.
- Strategic partnering is seldom pursued to support innovation. Suppliers and partners often lament the arms-length relationship and transactional nature of their interactions with major Singaporean companies.

- Many leaders maintain hierarchical, command-and-control corporate cultures that are antithetical to innovation. As a result, employees seldom feel empowered to drive innovation - and rarely do so.
- Most companies have metrics in place to measure innovation, but few clearly link those metrics to a growth strategy.

To be sure, not every Singaporean firm faces an uphill climb to achieve innovation-based growth. Singapore Technologies Electronics (ST Electronics), for example, is a notable bright spot on the Singapore GLC scene, having emerged as an innovation hothouse under president Seah Moon Ming, who is also deputy CEO of ST Engineering. 'We've got to innovate,' Mr Seah has said. 'Otherwise, we've got nothing to sell.'

And Mr Seah has put his money where his mouth is, funneling a million dollars a year into an Exploratory Incubator Fund that awards \$10,000 to any employee who comes up with an interesting idea to pursue. The incentive spawns dozens of projects each year; not all of them bear fruit, but the spirit of innovation, risk-taking and creativity bred by Mr Seah's initiative has helped ST Electronics to collect an impressive array of new patents. (In fact, they offer further monetary incentives to their engineers and teams for each new patent filed, granted and - the big jackpot - commercialised.)

How Singapore can boost innovation

Singaporean businesses and institutions can - indeed must - focus on the economic results achieved through Innovation Management. But to do so, they will have to:

- **Reset targets: competing to win.** Leaders of Singaporean companies understand the concept of innovation, but struggle to fully commit both themselves and their organisations to a fundamental strategy of growth through innovation management. Among the key steps they can take towards that goal: Commit to growth that demands innovation; make it clear that innovation is everyone's responsibility - starting with themselves; and dedicate an executive level position and team to managing and fostering innovation across the organisation and to the extended enterprise.
- **Set new platforms:** Coming up with a winning strategy. Where innovation in Singapore today tends to be well executed, too often it is typically focused on short-term, incremental and low-risk objectives. To realise innovation's full benefits, firms must also focus their creative energies and resources on powerful, actionable innovation and growth platforms. They must explicitly link business strategy and growth targets to innovation strategy. They must construct platforms - cross-functional launching pads for new ideas, products, services and businesses - that will allow them to harness innovative energies across the organisation. And those firms that choose to stick with a 'fast-follower' strategy must not only move beyond replicating competitors' offerings to bettering them, but also create an innovation portfolio that includes both incremental and radical activities.
- **Find ecosystems and partners:** assembling the best team. Singapore has a blessing that is largely under utilised: With its rich stew of multinational and domestic corporations and public-sector and academic institutions, Singapore has great potential to spawn creative, innovation-driving networks, or 'innovation ecosystems'. As the race for faster innovation accelerates, those

companies best able to effectively manage innovation ecosystems will have a competitive edge. Managing these ecosystems will separate leaders from followers and set the tone for future competition.

Despite the proximity of so many potential collaborating companies, both local and global, few Singaporean firms are adept at the kind of dynamic and vibrant partnering that is essential for innovation success. (A notable exception: Rolls Royce and Singapore Airlines, which are collaboratively generating insights about future customer and technology trends, so that each firm can anticipate and act on market changes before they happen.)

In order to better their partnering skills, Singaporean firms must work to build common, mutually beneficial platforms for innovation like Rolls Royce and Singapore Airlines. They need to shift from a 'do it all in-house' mindset to understanding the innovation-enhancing benefits of broad and intimate partnering marked by inter-firm exchanges of ideas and experience.

- **Create culture and give empowerment:** Inspiring performance. If companies are to take innovation seriously, they must not only recruit for innovation characteristics, but must create an environment in which innovation can flourish. Singaporeans are often labelled as not innovative, but our survey revealed how creative they can be when managed appropriately eg at Philips they have nurtured a highly creative and collaborative workforce.

Here is the recipe for such innovation-driven environment: An environment that values employees as a rich source of ideas; that promotes intellectual cross-pollination, collaboration and experimentation (which can be supplemented by new approaches in education); that celebrates successes and tolerates well-intentioned failures; that establishes explicit innovation metrics and uses them to reward risk-takers.

National institutions and pro-innovation policy

Singapore has a stellar record in coordinating industrial policy; now it is time to do the same with innovation policy. Policy initiatives should address three broad areas:

- **Enhancing collaboration between companies.** This can be accomplished by establishing a national body dedicated to facilitating partnerships and 'innovation ecosystems among and between MNCs, GLCs and SMEs.
- **Reducing risk for smaller companies.** Here, both government and educational institutions can provide SMEs with much-needed R&D and IP support, as well as provide services, tools and frameworks to help them develop and implement innovation-based growth strategies
- **Creating innovation 'pull'.** A national campaign to drive innovation across Singapore should begin with the creation of a national innovation council to define the national innovation agenda, fill gaps not covered by existing agencies, encourage CEOs to set stretched, global growth targets, and work to create a few truly global Singaporean brands. Other functions might include creating a national 'ideas bank'; sponsoring national competitions (such as a solar-powered-car race); and collecting and disseminating innovation success stories.

Singapore has widely acknowledged the mantra, 'Innovation is Good'. Now corporate leaders must decide whether to truly embrace the broad definition of innovation and the tools and disciplines of Innovation Management: 'Are Singapore's business leaders ready to enter the global race and strive to win'.

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