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**Building Platforms and innovation**

Singapore companies need to define innovation platforms to realize their growth aspirations and competitive advantage

By **Hitendra Patel** and **Steve Wyatt**

INNOVATION platforms are powerful launching pads for new ideas, products, services and businesses. For instance, the global coffeehouse-chain Starbucks has created a platform around the theme of becoming the “Third Place” (as opposed to workplace or home) - a platform that has led the company to move beyond coffee to such disparate, welcoming innovations as WiFi-hotspot services, in-store music downloads and stored-value payment cards.

The National Library Board is following a similar approach to Starbucks. The NLB says: “The library should be the preferred place to spend your leisure, where it is not just leisure time but productive leisure time. The library is not just about books.”

This thinking has led to one being able to borrow a book from a branch and return it at any other branch without affecting the library’s operations – and several branches having coffee joints.

Think of innovation platforms not at the tactical level, but at the strategic level of the organisation, generating focused innovations that build competitive advantage. Think of innovation platforms not at the tactical level, but at the strategic level of the organisation, generating focused innovations that build competitive advantage. Think of innovation platforms not as a “technology push” nor a “market pull”, but as tools to integrate both to drive technically actionable and market meaningful innovations.

Think of innovation platforms not as leveraging a single core competency, but as leveraging a bundle of competencies and assets (including those of partners – which makes the platforms even more differentiated and harder to replicate).

Think of innovation platforms not only as being part of a function, but as cutting across functions to enable seamless handoffs of ideas and projects across the value chain, all the way to commercialization. Think of innovation platforms not as limited to a business unit, but as cutting across business units to capture opportunities across the organisation and beyond.

**Test beds**

Electronics giant Philips is using Singapore as a test bed for a new platform based on enabling consumers to enjoy seamless interconnectivity between their various home and office appliances.

Dubbed “Connected Planet”, this platform is designed to drive future growth by leveraging the strengths of Philips’ various lifestyle, healthcare and enabling technology markets and capabilities to identify and act on new product categories, markets, products and services – for example, merging healthcare and entertainment applications with a pop-up medications reminder for TVs.

Philips has operationalised the Connected Planet platform by creating a mock-up of the platform at its InnoHub Centre. Within the InnoHub, suppliers, customers and employees from various business units can walk through the hub to understand how they fit in the bigger innovation agenda of Philips.

Platforms like these help companies to look beyond their current offerings and imagine new products, services, strategies and business models. They give companies new insights into how and where to innovate, and what new ideas will be driving future growth.

They both drive innovation and focus it, so that new initiatives are always linked to capabilities and strategy, aimed at meaningful market targets, and unified across functions, regions and business units. They harness the energies of the organisation by providing direction and framing the opportunities and challenges. And by capturing the organisation's imagination; they make the concept of innovation real throughout the firm.

Incumbent procedures without strategic innovation platforms are often structured in business units which work to optimize within the definition of their business scope and operation model. As such, they are rarely able to leverage the total strength of the corporation and often fail to define or react to the "the next big thing".

Platforms provide a new roadmap for innovation. They help organizations to define, organize and exploit new and emerging businesses and business models.

Without platforms, innovation efforts tend to be scattershot, ill-defined and low impact – if they happen at all. That's because companies too often reduce the search for new internal growth opportunities to a set of brainstorming sessions and driven by short-term urgencies. This process usually produces undifferentiated ideas – or, at best, isolated, unconnected opportunities that fall well short of systematic strategies.

Our recent survey of innovation attitudes and practices in Singapore with seventy five companies, which was conducted in partnership with the Institute of Policy Studies and included interviews with many of the country's leading executives, indicates that many Singaporean companies lack clear growth platforms and portfolios with growth projects.

The survey reveals that only 12 per cent of Singaporean companies have created defined innovation platforms that will enhance the company's ability to grow. Most CEOs recognize and assert that innovation is important, the survey shows. But too often, they pass innovation initiatives to a manager who is asked to foster the "right" attitude in the organisation and implement "innovation processes" and activities.

The CEO rarely takes personal responsibility for ensuring the definition of strategic innovation platforms around which the innovation systems and structures must be built. Perhaps most telling of all are some of the comments we garnered from CEOs.

"Strategic priorities often get in the way of innovation," one admitted, citing the frustration of dealing with immediate bottom-line pressures.

This perception is all too typical.

Innovation platforms should be the corporation's core strategic thrust. And the selection and definition of the innovation platforms must be the responsibility of

executive leadership. The innovations worth promoting and rewarding are those that best align with and support the firm's core strategic thrusts.

Platforms are the vehicle for focusing and coordinating the efforts of all parties.

Innovation programmes are rarely aligned with core strategies. This is illustrated by the fact that three-quarters of the respondents to our survey view innovation as a way to help refine existing activities, minimize risk and improve execution. Thus, the survey concluded that while innovation is well executed in Singapore, it remains piecemeal and incremental.

Our study reveals notable local bright spots, however. Several Singaporean companies have in fact begun the process of building platforms for sustainable, innovation-based growth.

SMRT, for example, understands that it must redefine itself beyond simply being a rail provider and has created a platform to help it do so. One result of this platform, dubbed "Moving People, Enhancing Lives", is the new model of stations as retail centres – an innovation that is expected to contribute \$10 million to SMRT's top line in 2005. Even with this powerful platform, SMRT will need to systematically review its innovation projects to ensure that the innovation portfolio is balanced between growth and cost projects and not skewed towards efficiency and quality.

Another positive example: personal-health equipment manufacturer Osim, which is using innovation platforms to create vibrant pipelines for new markets. With more than 500 outlets around the world, the firm is now on the cusp of becoming a true global brand.

In order to help more Singaporean businesses to define and leverage strategically important innovation platforms like theses, we recommend the following:

- ◆ The strategic agenda of the firm should directly drive the definition and use of innovation platforms. Defining these platforms should be the responsibility of the senior leadership of the firm. The essence of the innovation platform should be understandable and excite individuals across the firm.

For example, a major food company looking to grow its traditional business of crushing soy into oil created platforms to drive new growth called "Soy Inside" and "Beyond Humans". Similarly, Frito Lay adopted the platform "Crunch".

### **A Cemex example**

Finally, the Mexican-based cement company Cemex has used "Ease of Owning a Home" to broaden its business model from cement to construction, finance (for suppliers, customers and employees) and even retail (a hardware-store franchise to increase cement distribution).

- ◆ The platform provides a framework for capturing insights from and collaborating with external partners to both reduce risk and cost – and to accelerate innovation. A well-defined innovation platform that is strategically relevant will, by definition, require more assets and capabilities than the company already possesses. Success is therefore dependent upon creating and leveraging effective partnerships and networks.

For example, KeppelFels, the offshore and rig building company, which describes itself as having extremely demanding customers – and brutal global competition – has had to enter into partnerships with vendors and customers.

## **Partnerships**

Keppel partnered with a leading engineering/civil contractor in Brazil to build the first semi-submersible production system to produce oil from a water depth of 1000 metres. They are now partnering a leading French company to engineer and deliver two of the largest production semi-submersibles for Petrobras.

- ◆ The innovation platform must include a balanced portfolio, which includes both incremental and breakthrough innovations. The portfolio must have the right mix of short-term/long-term, low and high risk, and incremental and breakthrough innovation initiatives and projects for the strategy of the firm.

A systematic management of this portfolio is required in order to prevent a migration to short term, low risk an incremental type projects. For example, Samsung moved from fast-follower to innovative leader by maintaining a balanced portfolio of innovation activities; balancing refining and significantly improving competitor's offerings and working on next generation breakthrough initiatives in nanotechnology, flat panel displays, cell phones and convergence devices.

To sum up: Singapore's corporations need to define strategically relevant innovation platforms in order to realize their aspirations for growth and sustainable competitive advantage.

These platforms will be the essential frameworks for focusing the organisation's innovation activities and initiatives. Building them requires carefully thought out current and evolving business models, markets and capabilities.

Success requires reaching beyond the corporation and forming effective partnerships. The portfolio of projects and initiatives needs to be regularly reviewed and managed in order to ensure a suitable balance. Defining the innovation platforms is the responsibility of the executive leadership of the firm.

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