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Growth imperative

To be effective, a chief innovation officer must have the company's backing at the highest level. **By Simon Lloyd**

For at least five years, corporate Australia has been improving bottom-line earnings by controlling costs and maximising efficiencies. It has been a rational business model that, in general, has served big companies well during a period of strong economic growth. Market analysts are quick to applaud companies whose mindset has been focused on productivity gains because, to a large extent, sales growth in many industries has tended to look after itself.

But companies are reaching the point at which cost reductions have been taken to their limit. They are facing the reality that they will have to work much harder in future to increase top-line revenue to lift earnings. It is a challenge made tougher by the slowing

global and Australian economies, and a consumer and business environment of unprecedented competition.

Clever organisations are realising that innovation is one of the most important engines for growth. The smartest among them also realise that innovation can come from anywhere within an organisation, but that conventional management structures can make it difficult to locate and act on the best creative thought percolating through corporate ranks. Enter the new category of executive, the chief innovation officer.

Ron de Jongh, chief innovation officer at the health-care and medical insurance company Australian Health Management Group (AHMG), is one of a relatively small, but growing, band of corporate executives charged with innovating in their companies. Like many of his peers, de Jongh's appointment was recent — he took up the new role early this year.

But what is that role, what should be the objectives of a chief innovation officer, and should all companies be appointing one?

De Jongh says: "People in an organisation need to be confident their ideas are going to be appreciated and acted on if they are deemed they can be taken forward. One of my roles in the next 12 months is to create processes around that, working with our human-resources and internal communications people to create an environment where everyone in the company can freely participate in this thing called innovation."

This is what de Jongh calls his soft target. The hard target is to achieve at least 20% of revenue growth in the next year from new



CHIEF INNOVATION OFFICERS

PASSION

The head of innovation must be almost obsessed with it, otherwise few, if any, other employees will be encouraged to think creatively.

CONSULTATIVE

Appoint a candidate who is by nature consultative and non-threatening.

JUDGEMENT

The head of innovation must possess good enough judgement to spot even an idea that was considered stupid yesterday but might be tomorrow's smash-hit product.

OPENNESS

They must also be willing to bring new concepts into the company forum. Heads of innovation should not think of themselves as the "chief innovator", but regard every employee as a contributor to the innovation "division".

proposal to [Hook] that this is what I thought I should be doing for this organisation and in January he said, "Yes, let's do it," de Jongh says. "Innovation needs continuously to be led from the top, and a process of rewards and recognition needs to go hand-in-hand with it."

Experts say that innovation has to be a cultural issue in any organisation, so that the entire company embraces it, not just a single executive carrying innovation in their title. Corporate culture filters down from the top.

The executive director of the Australian Institute of Management, Bruce Rathie, says "Of course innovation is one of the corporate



We've gone through a lot of changes in the way we go about sourcing candidates.

TRACEY FITZGERALD, SUNCORP, PAGE 60



RON DE JONG: "Innovation needs continuously to be led from the top"

you end up with a highly innovative group within a larger recalcitrant body, which still has a fear of embracing new concepts, processes and products. So you get nowhere. A small group of people other than the board or chief executive cannot bring about a cultural change towards innovation across a large organisation, but with a CEO receptive to it, then it becomes much less of an issue," Rathie says.

A senior responsibility

De Jongh agrees. He does not see himself running a department of one, that is, himself, but a department with 475 people — AHMG's entire staff.

But even within organisations that have a culture that fosters innovative thought and processes, appointing a chief innovation officer needs to be done carefully. For example, it can be dangerous to appoint someone from outside the company to come in and start implementing innovation. This can cause resentment unless the individual is highly skilled. Second, the appointment needs to be a very senior one.

Ken Hudson, who holds a doctorate in organisational creativity and is the principal of the innovation management consultancy The Idea Centre, says: "I'm a very strong believer in this as a corporate initiative, on the proviso the role is at a very high managerial

level. But if it's a middle management role, I'm not so keen. From a practical level, a decision-making level, a resource level and even a symbolic level, this sends the wrong message," Hudson says.

He says it is folly for a chief executive to enthuse about innovation as one of the company's core values, only to appoint a head of innovation who has little or no say in the company's strategic direction. "If that's the case, you have to ask why isn't he or she as valuable as the human-resources director, the head of finance or IT," Hudson says. "Giving a voice to innovation is incredibly important for an organisation, and you need someone who will get it on to the agenda of every meeting".

Hudson argues that as time goes on, companies should be looking at their human-resources (HR) department for candidates to become heads of innovation.

"Innovation needs to permeate the whole organisation, not just research, not just marketing, not just new product development," he says. "It impacts on culture, skills development, and even the type of people you bring in to the company, which are classically HR responsibilities. The HR executive comes from a position of great strength knowing every individual in the company."

It is a challenge to decide on the right individual for the job. For any person to stimulate creativity in an organisation means commanding a degree of respect and trust among fellow employees whose innovative thought will be treated seriously. It is hard to achieve that quickly, and an external appointee will of necessity need considerable time before building enough credibility to start instigating big changes to processes and products.

On the other hand, someone who has been in an organisation for too long is more likely to have an ingrained sense of "how things should be done", than an employee with a shorter career span, who will retain a healthy sense of "how things could be done".

"It's not easy to find these people," Hudson says. "Companies have spent years