Innovation- more than just an idea

Introduction:
In a fiercely competitive environment where competing on price is the norm, it is a challenge for Hong Kong companies to transform themselves.
Our Hong Kong Government has promoted innovation and encouraged companies to design value added products for exploring new markets.
What is Innovation? Innovation is the application of alternative solutions that meets new challenges. The Chinese term for Innovation is 創新 (translated as creating something new and valuable from ideas and/or concepts).

Here are two examples of innovation;

Case 1: **Handheld mobile phones**: on April 1973, the first handheld mobile phone was launched by Mr Martin Cooper, Motorola researcher and executive.

In the 90s, the advancement of technology enabled Nokia to develop smaller and more affordable handheld mobile phones that they promoted them as fashionable mobile phones.

In the last few years, “IPhone” took the handheld mobile phones to another level where functions such as touch screen, photo taking and instant transmission etc have transformed the handheld mobile phones into a way of life.

Case review: What has been innovated? Innovation has been applied in both “establishing a niche in the market” and “developing new product and service”. This was made possible by advancement of technology.

Case 2: **e-commerce**; many companies are using the internet for e-commerce. E-commerce is publishing what products are available, their prices and placing order on the internet. The most important part is the use of logistics for delivery.
This way of doing business is not new (the only thing new is the medium). The most famous one is Virgin Records (back in the early 1970s) where a group of youngsters led by Richard Branson used mail order for clients to place orders for records and used the General Post office (Royal mail) to deliver (use existing resources available instead of building a logistics operation) records to the clients.

Case review: What has been innovated? Virgin Records innovated with different approaches to sell and process of delivering products and services. This has changed the way of shopping (away from retailing) and also the delivery of products and services. These youngsters saw a gap in the market (weakness in the competitions business) where they penetrated the market with great success. There was no new product being developed.

What lessons had been learned?
In case 1, this is for the big players who have the resources (money, talents, knowhow etc) to develop such a product. Companies failed to continue to innovate end it up losing huge market share.

It is case 2 that companies should pay attention to. Innovation can be applied to develop products and services, enhance processes and establish a niche in the market.

What are the reasons for Motorola and Nokia to trail behind?
In the mobile phones market, it is a fiercely competitive environment. It is very much like the gladiators arena. Companies are trying to out fight each other for the majority share of the market. The one end up standing (most market share) is the winner (global leader) and the losers might end up being bought or just fade away.
Motorola was the market leader up until the late 90s. It also invented Six Sigma that they shared with the world. There was a big hype for "Design Six Sigma".
In 1998, Nokia overtook Motorola and became the global market leader in mobile phones. Nokia was estimated to worth US$ 150 Billion at one time but was sold to Microsoft for US$ 7 Billion.
In 2007, Steve Jobs of Apple announced to the world that "iphone" was a revolutionary product that comes along and changes everything.

Back to the question; what are the reasons? In the mobile phone (it is called smart phone now) industry, we have to look at the **Critical Success Factors** of market leader rather than the failure of others because we do not want to half guess the reasons.

The **first critical success factor** is the **advancement in technology**. In the 90s, Nokia has the technology to make it smaller, fashionable and affordable for ordinary consumers. Apple created the iphone with functions such as photo taking, access to internet and touch screen etc that changed how mobile phone can be used.

The **second critical success factor** is the **aesthetic value** (it is consumers' judgment of the value based on the appearance of the product and the emotional responses associated with having and using it). Nokia created the fashion of the mobile phone back in the 90s. Apple created iphone as a "revolutionary product".

The **third critical success factor** is **innovating to better** than the market leader rather than chasing after the market leader. Nokia did it in the 90s and Apple did it in 2007. Samsung is chasing Apple and there are many other brands that are also chasing Apple.

The **fourth and most important critical success factor** must be **management vision and support** for the development of the "new product". If Apple management aborted Steve Jobs development of iphone, Nokia might still be market leader.
I would like to highlight the case with Kodak (filed for bankruptcy in 2012). They built the first prototype for digital camera back in 1975. Kodak management decided to stick with selling film instead of venturing into a new product that is counter-productive to their existing business but open a whole new market. The rest is history.

How companies can apply innovation?

Phase 1: Structure for managing innovative projects
- Provide management commitment
- Provide resources
- Provide leadership, support and participation
- Review and approve projects
- Drive for change through innovation
- Encourage staff to generate ideas
- Turn ideas into reality

Phase 2: Needs for innovative projects
- Establish weaknesses and threats
- Direction of the company
- Identify the Gap

Phase 3: identify and select innovation projects; there are three types of innovation projects; they are;

i. Innovation in product and service,
ii. Innovation in new processes

iii. Innovation in the market place (promotion and penetration)

Management needs to identify and prioritise innovation projects for new product or new process or exploring new market.

Step 1: Assignment of innovation project:
Management needs to assign an innovation project, appoint team members, brief team on current situation and objectives of the project.

Step 2: Purpose and aims of the innovation project:
The team needs to establish and agreed on the purpose and aims of the innovation project

Step 3: Idea generation:
There is a system for generating ideas, the team leader and other team members to focus on each aspect of the innovation project. Team members should define and share their knowledge related to the project, should be encourage to come up with ideas. One of the team members will write down each idea.

Step 4: Evaluation of ideas:
The evaluation is to identify the good ideas from the poor ones without discouraging ideas generation. The team leader and members must discuss new ideas and differentiate the contribution of the new idea have on the project. Criteria for evaluation are needed. Consensus must be agreed by the team. Practicing and learning are parts of the innovation process.

Step 5: Develop the best ideas:
The innovation team must report the results of the innovation project to management and wait for them to initiate "product development project" or "process improvement project" where applicable. Key members of the innovation team will join the "product development project" or "process improvement project" where their good ideas will be incorporated in the design process and further develop the ideas for practical use.

Step 6: Turn idea into reality:
At the end of the day, the innovation team must evaluate whether the innovative ideas are incorporated into new product or new process and evaluate the results and impact on business.

Culture of the country can have an impact on innovation:
This is a generalization of different cultures for the purpose of illustrating and understanding the application of innovation for their competitive advantages.

American culture: The American pioneer spirit where they will concentrate on advancement of technical products or focus on business model with penetrating market in mind.

Hong Kong culture: Chinese have quick fix mentality (instant noodle approach; quick and ready for consumption). The culture is for a combination of fast return, cheaper than market and convenient but with limited added value.

Continental European culture: Continental European culture of fine living. They tend to use artistry, practical use and ethical application in their products.

Japanese culture: Japanese are fond of cuteness (Kawaii) and incorporated this culture into some of their products. (Hello Kitty is a good example)

Japanese also pay great attention to details, especially for process control (sophisticated automation and precision of application in making batteries and automobile).

Culture change is needed:
Hong Kong companies must change its culture of copy and change, quick return and cheaper than others mentality. This will inhibit innovation and development of products that can compete with foreign brands in luxurious market (not necessary expensive products).

Educating the consumers: We, Chinese, tend to favour (quality issue) or worship western brands (崇洋) as superior to local brands. In order to encourage local companies to develop products with its own brands, our Government must educate fellow Chinese consumers to appreciate local

brands as equal.
Our Government should also promote and educate the value of local brands to overseas consumers.

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