

INNOVATE, DIFFERENTIATE, STAND OUT!

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Looking to explore new ideas and seize new opportunities? If you can do so through innovation, the rewards will be greater still.



Innovation opens new markets, makes us more efficient and harnesses our creativity to make us more productive. Without it we're treading water; not developing, capitalising on opportunities or preparing for tomorrow.

But even if we know our businesses should be innovative, the idea of 'innovation' often seems somewhat vague. What is it exactly? Why is it so important, and how can we achieve it?

The simplest definition is this: a new or creative way of doing something differently. An innovation isn't an idea per se, it's an idea that has been successfully implemented. This might be a technological advancement, a more efficient process, a new commercial model, an improvement in service or a new price position. It could be a new type of product or service, or a faster or more flexible way of bringing an existing product to market.

THE WHY: DIFFERENTIATION

In each case, the benefit that innovation ultimately delivers is differentiation. It sets your business apart, in what it does, what it provides and how it engages with its customers. For small and mid-sized businesses, this is vitally important. By differentiating ourselves from the bigger players, we create reasons (better products, better prices, better service) for customers to deal with us.

It's also possible to argue that without innovation, while your business might (just) grow, it can't truly develop. Eventually, as competitors go first-to-market with better and cheaper products and services, your business will lag behind, relying on outmoded paradigms while being held back by higher costs.

Mid market businesses who can innovate, however, can expect increased efficiencies, access to new markets, competitive advantages and, most importantly, improvements to their bottom line.

HOW TO INNOVATE

While innovation's benefits are appealing, the big question is how to go about it. The good news is that, in this regard, small and medium businesses have a real advantage.

While large corporations and Government departments like to spruik their innovation credentials, in fact their size and governance structures often present

significant barriers. For one, they've often got only a small appetite for risk. But they're also less agile, with too many processes, committees and signs-offs before anything can get done. They're also likely to demand examples of where similar innovations have been implemented elsewhere.

By contrast, mid market businesses are much better placed. Most of us are early adopters by nature, and our smaller and more flexible structures mean we're quicker to adapt and more open to new ideas.

FOSTERING IDEAS

Innovation begins with ideas, and to get innovation working in your business you need a culture of creativity where ideas are encouraged and supported. Like all business cultures, this has to come from the top. From the manager director or CEO down, business leaders must set the tone, encouraging new thinking and promoting its active exchange.

In practice, this means establishing forums and structures with the specific goal of developing innovative ideas. It means ensuring that innovation is keenly valued within your organisation and, if you're a director, driving it yourself.

Exactly how you do this will depend on the nature of your business, but there are examples to follow. In his study *Good to Great* (2001), Jim Collins surveyed 1,435 companies then analysed how 11 particular companies went from average businesses to fantastic ones. He reveals how one consistently invested a sizable chunk of profit into innovative ideas. They hid this from the market by delivering growth a few points lower than their internal numbers were predicting but still higher than market expectations, keeping the market happy while spending the difference.

At Brennan, our own innovations stem from the entrepreneurial mindset of managing director and CEO David Stevens. As one of the fastest growing ICT companies in Australia, we aim to be leaders not followers. The will to invent new product types, commercial models and ways of doing things is something we encourage in all our employees and entrepreneurial spirit is one of our core company values.

We feel that what we do best is create innovations driven by customer need. For example, last year we rolled out an innovative product called Infrastructure-as-a-Service (IaaS). Essentially, it takes advantage of what's called cloud computing to provide customers with a fully managed IT infrastructure, delivering their applications and network services, storage and communications systems to wherever they need them.

While the technology itself is important, the real innovation behind IaaS is the commercial model. Rather than requiring businesses to invest thousands of dollars upfront, IaaS allows them to acquire a complete infrastructure for a set monthly fee. This has completely transformed the ICT cost equation: changing what has traditionally been a large capital expense into a much smaller monthly operating expense, reducing not only our clients' costs, but also their risks.

□ HOW TO IDENTIFY A WORTHWHILE INNOVATION

Ask yourself the following:

- Will it open a new market?
- Will it create new efficiencies?
- Will it establish a new product or improve an existing one?
- Will it deliver an existing product at a reduced price point?
- Is it what customers need?

With the pressure on IT budgets, the take up of IaaS has exceeded our expectations with its reduced costs and risks catering to the market's new found need. We've also created similar innovations in video conferencing (which we package as a managed service with a monthly fee) and data backup and recovery services.

THE RISKS

Of course, innovation also has its risks. We've staked a lot on IaaS, but projects can fall at any number of hurdles, or your innovation may even come good and still flop.

The key is to put in place processes which assess and manage the risks of moving from idea to concrete innovation. A simple rule should apply: the higher the financial and business risks, the higher the reward should be. Set up formal assessment methods to consider risk and reward and, if you choose to go ahead, have a marketing plan in place to explain the benefits of your innovation.

Also, remember that there's no rule that limits innovation to your core business. While we're an ICT company, we try to innovate across the board, from finance to HR. Make sure your different business departments are represented in meetings.

SUMMING UP

Besides reducing costs or delivering better service, one of the reasons innovative products are so appealing to customers is the way they simultaneously empower the customer's own business. Whether it's freeing up time, budgets or resources, customers will be attracted to any innovation which will allow them to focus on their core business.

The more our customers can do this, the greater their own ability to foster innovation in their own industries. In this way, innovative businesses are both innovators and innovation enablers, both of which are highly valued by the marketplace.

As the recovery continues in 2010, now is an ideal time to think creatively in your attempts to capture market share. **DB**

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□ CREATING AN IDEAS FACTORY IN YOUR COMPANY

- Lead from the top to build the right culture
- Create forums for new ideas and encourage fresh thinking: brainstorm and follow ideas to their logical conclusion
- Cross-pollinate by bringing your business teams together
- Consider risk and reward
- Have a marketing plan if your innovation comes to fruition.

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