



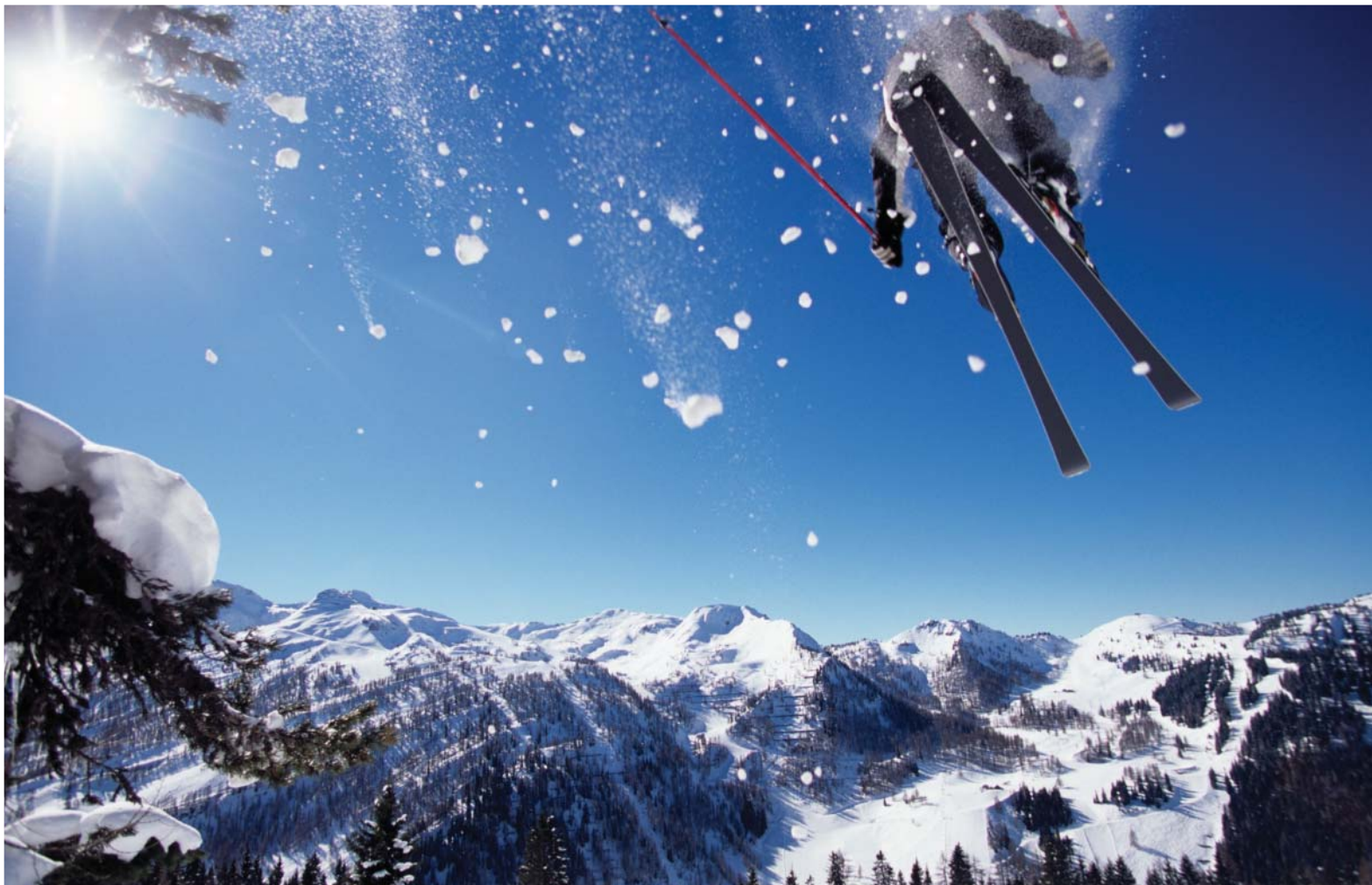
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Innovation: a Priority for Growth in the Aftermath of the Downturn

Management Shortcomings Hinder Results,
According to Accenture Research

By Wouter Koetzier

• Consulting • Technology • Outsourcing



Innovative ideas change the world. Think of life before the iPhone or email. While the vast majority of businesses will never come up with such transformative products or ideas, they still must innovate to grow.

That requires a strong pipeline of innovation to spur growth by attracting new customers and increasing market share. But to realize a healthy return on their investments, companies must manage innovation like any critical business process—and that is a step that many companies fail to take despite significant investments being made.

This lack of management rigor is surprising, because business leaders typically value innovation. In fact, nearly nine out of 10 executives surveyed in the United Kingdom and the United States agree that innovation is as important as cost management for success, according to a recent Accenture survey, and many compa-

nies are increasing funding for innovation as they seek growth in the upturn. Interesting, in one study of more than 630 U.S. and U.K. executives, almost half (48 percent) of those surveyed said their companies had increased funding for innovation in the preceding six months, while one-third (33 percent) said their innovation funding remained the same.

Even so, most companies are not satisfied with their innovation performance: fifty percent of the executives said that innovation projects run over budget, 34 percent cited poor interdepartmental cooperation, and three out of 10 claim a lack of effective project management. Findings in another Accenture survey were even more distressing. About one-fourth (26 percent) of senior executives in North America and Europe said they believe their organization failed to learn from innovation mistakes and that it has become risk averse to new ideas.

Innovation as a driver of growth requires rigor and discipline

Companies generally do not lack ideas. Even in an economic downturn, many companies spend as much or more than before on R&D. Clearly, executives recognize the importance of new products and ideas in driving growth through innovation.

Often, however, companies do not enforce the same management discipline for innovation as they do for other critical business processes, such as supply chain management or financial reporting. Why? Here are just two reasons:

- Many people believe innovation is a creative endeavor that cannot or should not be managed.
- Effective management of innovation requires cross functional cooperation and dedicated management and accountability across the end-to-end innovation process.

Innovation requires input from professionals across the organization, including the marketing, finance, logistics and research departments. A thorough management process with the right structure takes that input and uses it to ensure that ideas are systematically generated, tested and developed into marketable products and services.

A true understanding of customers is critical to driving growth from Innovation

As in all major business endeavors, the company's top leaders must set the right tone for innovation—establish innovation priorities and spell out what the company wants to achieve through innovation. Once those priorities are in place, executives assigned to innovation can identify the research required to develop and test new ideas to answer questions such as: Which customers need to be satisfied? Which sacrifices must customers make to satisfy their need? How will cultural and behavioral trends affect customer needs in the near future? What will become technically possible in the next few years? What enhanced products or services will consumers be willing to pay for? What are competitors going to do? How will government regulations affect the steps companies need to take to stay current with competitors? And what ideas or services can companies pursue to set themselves apart from competitors?

A good example of recent success with innovation is the development of a laundry detergent that allows consumers to wash clothes in cold water, with the same stain-removing performance as warm water washing. On the one hand, customers want a more environmentally-friendly detergent without compromising on performance; using less hot water is a way to satisfy that need. On the other hand, cold-water laundry detergent does not fundamentally change how people behave. So in that respect, it is not as dramatic an innovation as the MP3 Player, which has completely altered the distribution of music and how people listen to it (game-changing innovation).

The cold water detergent is innovative because it anticipates a new relevant customer need to be conscientious about the environment. The new detergent differentiates one company or brand from another, by providing the customer with a compelling reason to exercise demand, which is fundamental to successful innovation and business growth.

Repeatable, consistent innovation is vital to long-term growth

Managing innovation for consistent growth is not easy. In addition to adding accountability to the system and breaking down barriers between departments, it requires a significant investment of time and resources and a clear understanding of business objectives. Accenture research shows that almost half (43 percent) of executives believe their organizations have made short-term financial results a priority over investing for the long-term. This finding suggests an inherent bias against pursuing big innovations.

A systematic approach to innovation helps companies consistently anticipate their customers' needs and provide the products and services their customers want before their competitors do. This is one of the few levers companies can pull in mature markets to grow revenues. Without a strong focus on building a consistent and long-term innovation program, companies become stagnant and lose market share.

In addition, the portfolio of innovation projects must be lean and focused on strategic priorities. This may sound obvious, but in their zeal to innovate, many companies tend to create far too many innovation projects at the same time and often projects are not aligned to overall strategy. This results in wasteful R&D spending and disappointing results.

Discipline allows companies to be as good at innovation every day as they are now on their best day, helping them on their journey to high performance. While a single entrepreneur can build his or her success on one big idea, leading companies need a predictable flow of successful innovations to consistently outgrow competition in the market place, which will help grant both superior cash flows and a favorable 'future value' premium on their stock price.

Contact us

To learn more about innovation, please contact our managing director or visit http://www.accenture.com/Global/Consulting/Process_and_Innovation_Performance/Services/FastInnovationGrowth.htm

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About the author

Wouter Koetzier is the managing director for Innovation in the Accenture Process & Innovation Performance consulting group. In that capacity, he oversees the global and European Innovation groups. Wouter, whose areas of expertise include innovation, marketing and business transformation, brings more than 20 years experience in consumer goods and services to his roles. Over the years,

Wouter has worked with clients in the consumer goods, electronics, telecommunications and transportation industries, and other industries, helping them transform their innovation processes, manage complexity, develop marketing and brand strategy, and develop corporate strategy. Prior to joining Accenture, Wouter was a vice president of marketing at Unilever. He earned his master's degree in business economy at the Free University of Amsterdam.

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business transformation, and innovation strategy, whose capabilities and offerings form the foundation of this service line.

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