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Why innovation is about more than shiny gadgets

By Sarah Cheah

WHEN we think of great innovations, many of us think of high-tech gadgets developed by polo-neck clad entrepreneurs in Silicon Valley.

Launches of revolutionary devices certainly grab headlines. Think back, for example, to when the iPhone and iPad were first unveiled; or, more recently, the buzz around the new generations of smartphones with folding screens.

But innovation is about much more than shiny technology and must-have gadgetry. It comes in many forms, it can be radical or it can be incremental, and it can happen in all types of industries, from small high-tech startups to larger, long-established, traditional corporations.

Especially in more mature economies, such as Singapore, innovation is seen as the driving force behind improved productivity and future sustainable growth. However, many traditional firms struggle to define what innovation is or overlook its importance.

Some might argue that long-established firms, especially here in Asia, are too steeped in tradition to successfully innovate. Likewise traditional businesses themselves may feel that, as they have already established and defined their market, they do not have any need to innovate.

Yet, in my research on innovation at NUS Business School, I have found many examples across Asia of traditional firms that have successfully and profitably built a culture of innovation into the heart of their business.

In a recently published book, *Unlikely Innovation*, my co-authors and I took an in-depth look at examples of innovation in traditional businesses, large organisations and established companies.

One case is the Singapore-based food chain BreadTalk, which has evolved from a bakery

business into a publicly-listed international food and beverage (F&B) giant.

Founded almost two decades ago by a husband-and-wife team, BreadTalk has never stopped innovating, continuously iterating its product offerings to keep up with market trends and stay ahead of the competition.

Over the years, the firm has diversified beyond its original bakery business into other restaurant franchises, food courts, premium products and taken its brand overseas, trialling and launching new ranges to cater for the tastes and preferences of different local markets.

Critical to this has been a culture of experimentation, a willingness to try new things out, learn what works and what does not, and apply these to the development of new ventures and products.

While BreadTalk exemplifies successful internal innovation, the case of traditional Chinese medicine (TCM) brand Eu Yan Sang demonstrates another path known as open innovation, where firms cooperate with external partners and pool knowledge across organisational boundaries.

Originally founded more than 100 years ago, Eu Yan Sang has reinvented itself to become a pioneer in the modern usage of TCM techniques and ingredients. In 2016 it launched a partnership with personal care group Watsons to launch the Beauty Essence range of products – a response to the growing market emphasis on natural health and wellness.

The range combines traditional TCM values with Western-patented and scientifically-proven ingredients. By joining with Watsons the firm has been able to extend TCM's reach to the retail chain's younger, millennial customers, opening new markets for the Eu Yan Sang brand.

Looking further afield in a separate study on

innovation in China, we looked at how some large firms have applied the fast-evolving field of Big Data to innovate new business models and drive growth.

In our study we focused on three large Chinese firms engaged in traditional consumer-facing businesses: electrical goods retailer Suning, electrical and white goods manufacturer Haier, and furniture maker Suofeiya.

In each firm we saw how the speed, volume, depth and accuracy of consumer information available from Big Data has opened up opportunities by providing rich insights into market trends and consumer behaviour.

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By becoming skilled at turning data into actionable intelligence these firms have been able to open new doors, transforming traditional manufacturer-dominated models of mass production into innovative user-centred models of customisation.

In the case of Suning, for example, Big Data has helped the firm redesign supply chains for some of its key product lines and shortening production lead time from months to just a few weeks. As a result, the firm has enhanced operational efficiency and maximised profit.

In another example, Haier was able to use Big Data to tap into a network of consumers, innovators, technologists and entrepreneurs to develop a new range of smart air conditioners.

By using data to build a better understanding of consumers and involving them throughout the product life cycle, the firm can better anticipate future demand, sharpen their value proposition and develop its next generation of products ahead of the competition to sustain their competitive advantage.

Across all these studies, the message that

emerges is that innovation takes time – both for results to emerge and for key learnings to become clear.

The challenge is that while there is often agreement on the need to innovate, many organisations are not sure how to go about it – in large part because of the conflict between pressure to show short-term results and making long-term performance investments for superior returns.

Overcoming this is one of the biggest and most persistent challenges firms face. Yet we are seeing in a growing number of cases how different approaches to business innovation are helping firms transform and stay ahead of the competition.

Whether it be internal or open innovation, or innovation driven by technological advances – such as Big Data – it is essential to have as well a robust infrastructure inside the firm capable of translating new understanding of customer problems into meaningful products and services. This includes centralising control structures, building greater opportunities for collaboration, as well as encouraging a culture of creativity and an openness to taking risks.

In traditional firms, projects with high risks of failure may be shunned by employees and managers who prefer to play it safe.

But by being open to new ways of engaging with their customers and other businesses, understanding their changing market, and encouraging risk-taking, even long-established traditional firms can find exciting and profitable paths to innovation.

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