

A photograph of a lighthouse with a black base, a red middle section, and a white top section, situated on a rocky pier. The sky is blue with scattered white clouds, and the sea is visible in the background.

Viewpoint

Business advisory services

*Innovation
is the key to
sustainable
competitive
advantage*

Innovate for growth

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How innovative is your organisation? What new products or services or improvements to products and services have you implemented in the last year? What changes have you made to the way you promote your products and services and interact with your customers? What improvements have you made to your internal systems to help deliver superior customer service?

Innovation is the key to sustainable competitive advantage – and the companies in the BRW Fast 100 know that, with innovation cited as the main factor that brought fast growth. Of the BRW Fast 100 companies 75% say they have developed a unique product or service, essential for a first-to-market advantage and resultant premium pricing and profitability. This contrasts with a study of Innovation in Australian Business which found that 34.8% of businesses undertook innovation and 16.6% introduced new or significantly improved goods or services.

What is innovation?

Innovation is more than having an idea – it's about creating value from the idea – transferring the idea into products, services and processes that a 'market' wants.

Although we usually think about new products and services, innovation can be about a range of business activities: the business model; networks and alliances; core or enabling process such as information technology or people management; product system and performance; service; the channel; the brand; or the customer experience.

Adapting ideas from one industry to meet the needs of another is a strategy often successfully used by entrepreneurs.

How do you become more innovative?

Keep close to your customers – a customer's difficulties can create new business opportunities. Many people can identify problems in an industry or market – successful entrepreneurs solve the problem in a way that the market appreciates. Developing products and services in line with the market – using a market “pull” approach - significantly reduces the risk of product failure. This approach is far easier than one where a new product or service is created and a market needs to be developed and educated – known as product “push”.

Suppliers are another great source of ideas and innovation. Suppliers know the industry and the value chain well, usually have strong networks, and may be able to assist in financing innovation.

The global business environment is dynamic and a source of many changes and opportunities. Changes in technology, legislation, social attitudes, demographics, etc all create new demands and opportunities. Adapting ideas from one industry to meet the needs of another is a strategy often successfully used by entrepreneurs. Dick Smith's first entrepreneurial venture, Dick Smith Electronics, was an adaptation and improvement on the Radio Shack concept he observed in the USA, incorporating catalogue ideas from Henry Radio in London and business systems from McDonald's. Similarly, 75% of the BRW Fast 100 companies reported they scanned the world for new ideas.

However, the majority of innovating businesses (87.7%) reported sourcing ideas or information internally to develop new products or services or new processes. Innovation, like knowledge, flows through people, and successful businesses take deliberate steps to create an innovative culture. The cheapest way to get more ideas into the innovation pipeline is to ask for them. People are the source of ideas and people act on business concepts. Of the BRW Fast 100 companies 93% reported encouraging employees to be creative and innovative - promoting experimentation, supporting a level of risk taking, and some taking steps such as rewarding employees for ideas that are implemented. Innovation thrives on new knowledge. Giving people the time, support and capacity to acquire new knowledge and then capturing the knowledge and exploiting the intellectual property generated are critical functions for business.

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What do customers most value about your products and services?

So, how innovative is your business?

Use the short checklist below as a starting point.

Innovation checklist

- What do customers most value about your products and services?
- What unmet needs do your customers have that they would be willing to pay for?
- What problems do you see in the industry/market that you could solve?
- Do you keep in touch with what customers think about your products and services?
- Do you scan your environment for good ideas and opportunities?
- Do you actively seek ideas and suggestions from your employees?
- What happens to those ideas and suggestions?
- What is your attitude towards taking risks?
- Do you leverage good working relationships with suppliers and others in your network for innovation?

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