

Imperial College Centenary Alumni Seminar



Strategic Innovation

Making it Work for Asian Economies, Businesses and People

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Objectives for Today

- **Discuss some common themes on the challenges facing strategic innovation in Asia**
- **Describe practical solutions I have used to addresses these challenges**
- **Explore some possible areas for further development**



Introduction

- **Field-based observations and insights**
- **Application of one consistent theory and concept:**
 - **Blue Ocean Strategy**
- **The observed patterns are clearly not exclusive to Asia . . . just more pronounced**

Strategic Innovation Experience Base (Asia)	
Projects	~20
People trained	>3,000
Sectors	Private (various industries) Public (various ministries, agencies)
Countries	Six
Duration	Three years



Roadmap for the Talk

- Importance of and challenges facing *Strategic Innovation*
- Asian contextual factors
- Observed behavioural patterns in Asia
- Practical way forward
- Experience to date with addressing the behavioural gaps
- Possible developmental areas and lines of enquiry



The Holy Grail of Businesses and Economies

**Sustained, Profitable
or Economic Growth**





Critical Role of Strategic Innovation

- Key Driver of sustained profitable and economic growth
- Four primary categories of innovation¹

Strategic Innovation

Product or Service Innovation

Process or Technology Innovation

Continuous Process Improvement

**Creating leap in value for buyers and users . . .
. . . As well as, creating leap in value for shareholders**

¹ Vijay Govindarajan and Chris Trimble



Challenges of Strategic Innovation

- **Managing strategic innovation:**
 - **New strategic move . . . renewing mature businesses**
 - **But, inherently risky, demanding and complex**
 - **And probably the most challenging management task**
- **Limited research-based knowledge about managing strategic innovation:**
 - **Non-linear**
 - **Step change**
 - **Across the value chain**
 - **Entire business model**
- **Experimental approaches**
- **Practitioners active in this domain**



Added Burden of Asian Contextual Factors

- **Respect for elders and seniors**
- **Hierarchy-based power and authority**
- **Risk-aversion**
- **Fear of failure**
- **Non-confrontational**
- **Conformist tendencies**
- **Preference for tangibles**
- **Examination-oriented education**
- **“West is better”**



Observed Behavioural Patterns in Asia

1. ***End-state***-driven thinking process
2. ***Inside-out*** perspectives
3. Dependence on ***numbers*** and ***statistics***
4. ***Delegate/outsource*** syndrome



End-State-Driven Thinking Process

- **“Work backwards from the end-point”**
- **The “Reverse Engineering” mindset**
- **Predetermine not just the targets, but the strategy at the outset**
 - **Often the strategy is integral part of the brief from on high!**
- **Solutions would naturally be determined by the current knowledge and hence fairly incremental**

- **Why?**
 - **Predictability is highly desirable**
 - **Fear of the unknown**



Inside-Out Perspectives

- **When it comes to innovation, we know best**
- **“They don’t know what they don’t know”**
- **Tell the customers what is good for them**
- **Sell what we make . . . Instead of offering what customers need**

- **Why?**
 - **Misplaced confidence and arrogance**
 - **Confusion between process and technology innovation with strategic innovation**
 - **Prior disappointment with attempts to solicit customers’ ideas**
 - **Inspirations for strategic innovation not readily available**
 - **Inappropriate use of market research tools**



Dependence on Numbers and Statistics

- **Confidence built on mountains of numbers, statistics and charts**
- **Numbers decide**
- **Statistical accuracy and significance is paramount**
- **Great reluctance to make even obvious decisions for want of detailed quantitative backup . . . But, data is invariably hard to obtain for breakthrough innovation**

- **Why?**
 - **Judgement can be questioned and challenged, not numbers**
 - **Produce impressive charts and presentations from statistics**
 - **Easy to translate numbers into investments and projections**
 - **Education and upbringing emphasises quantitative thinking and measurable indicators**

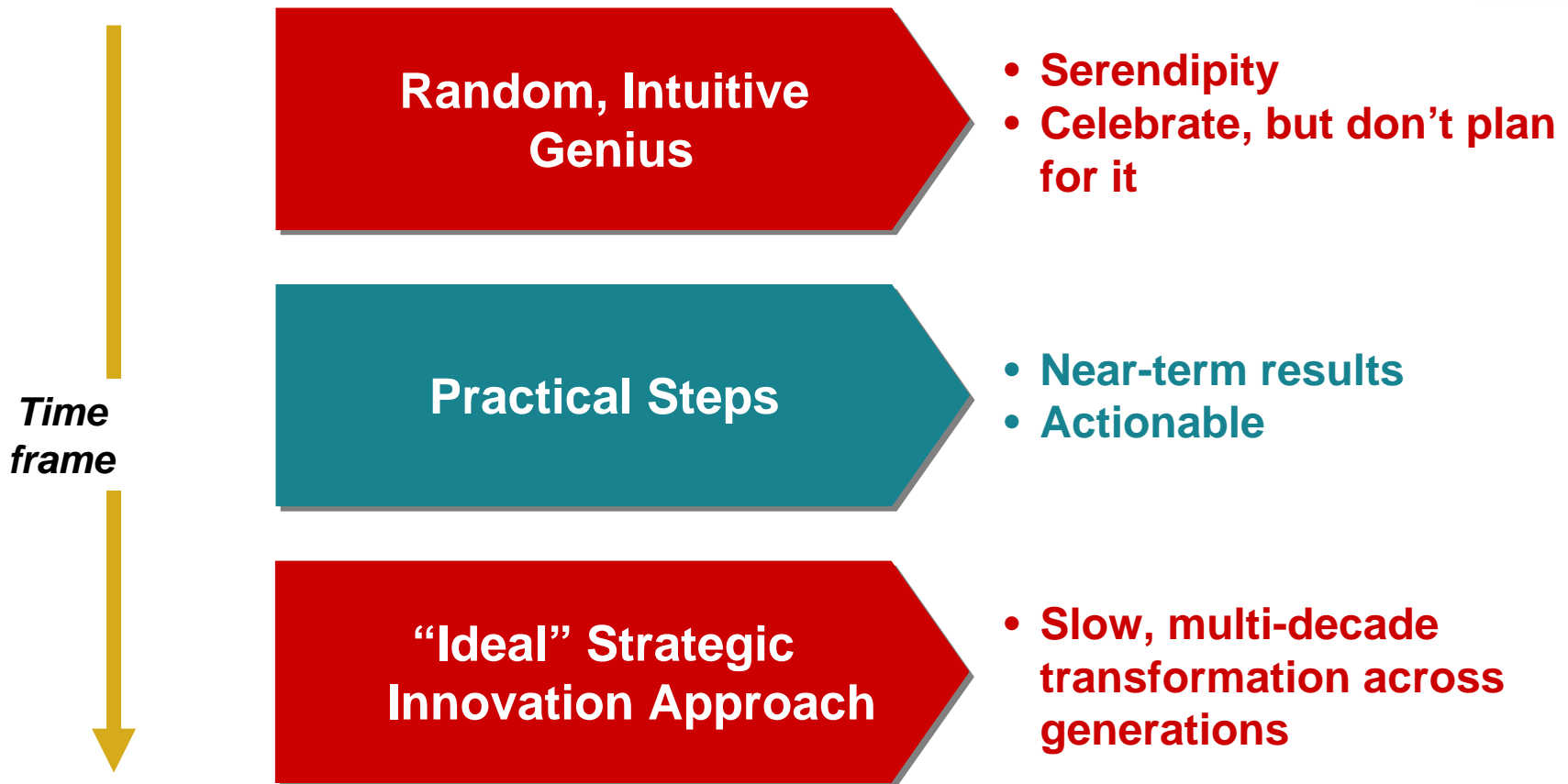


Delegate/Outsource Syndrome

- **Perceived low-level tasks**
- **Research, data gathering and benchmarking – third party or junior guys**
- **Present the final “report” to top management**
 - **By which time, all the most promising ideas have been screened out or “dumb” down**
- **Why?**
 - **Active senior involvement not critical for other categories of innovation**
 - **Primary role of senior management is to review and decide**
 - **Too “busy” to participate in the process**



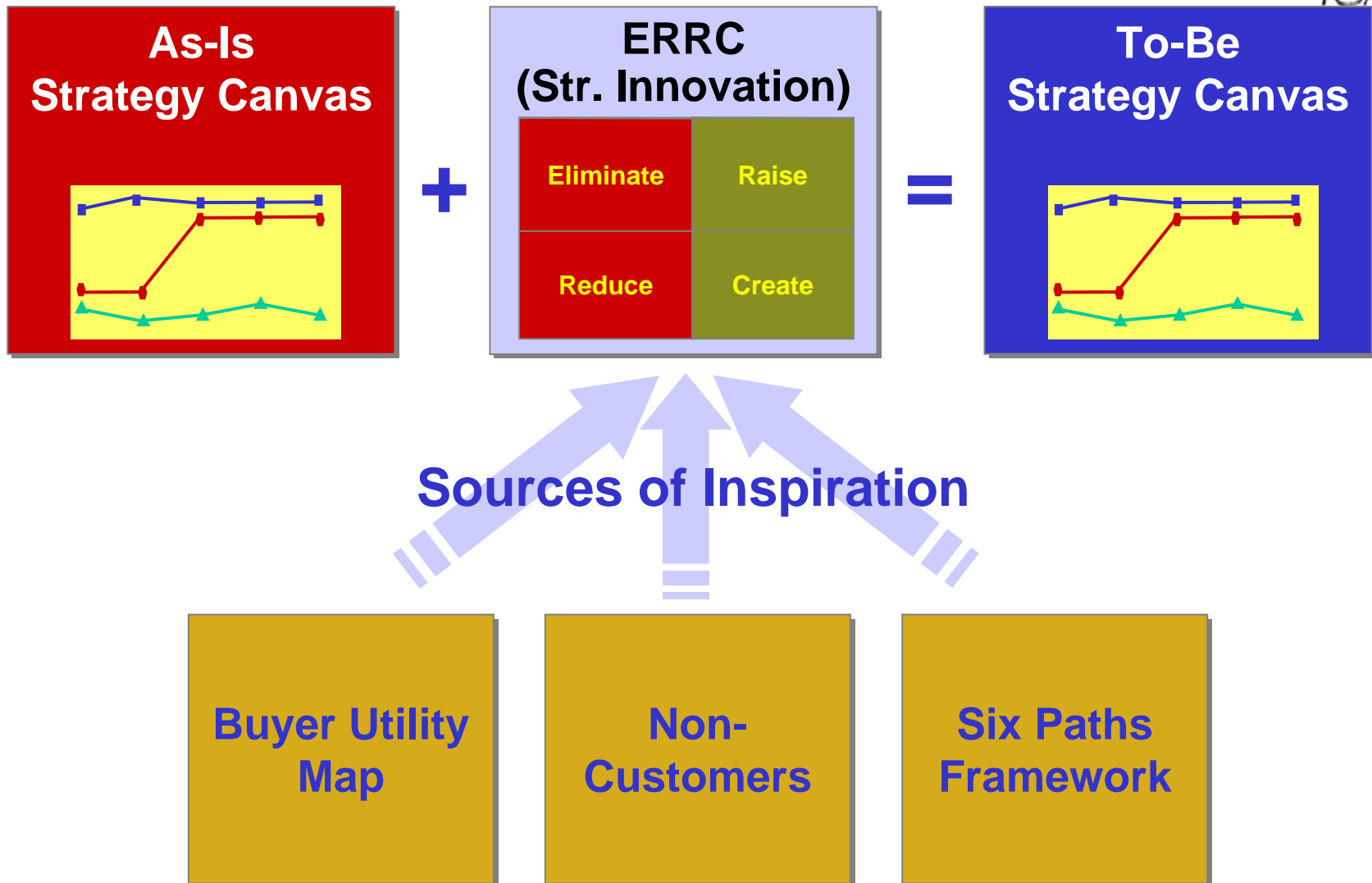
Practical Approaches to Addressing Impediments



Next, a brief look at practical steps from Blue Ocean Strategy that address these behavioural impediments



BOS Equation for Systematic Strategic Innovation

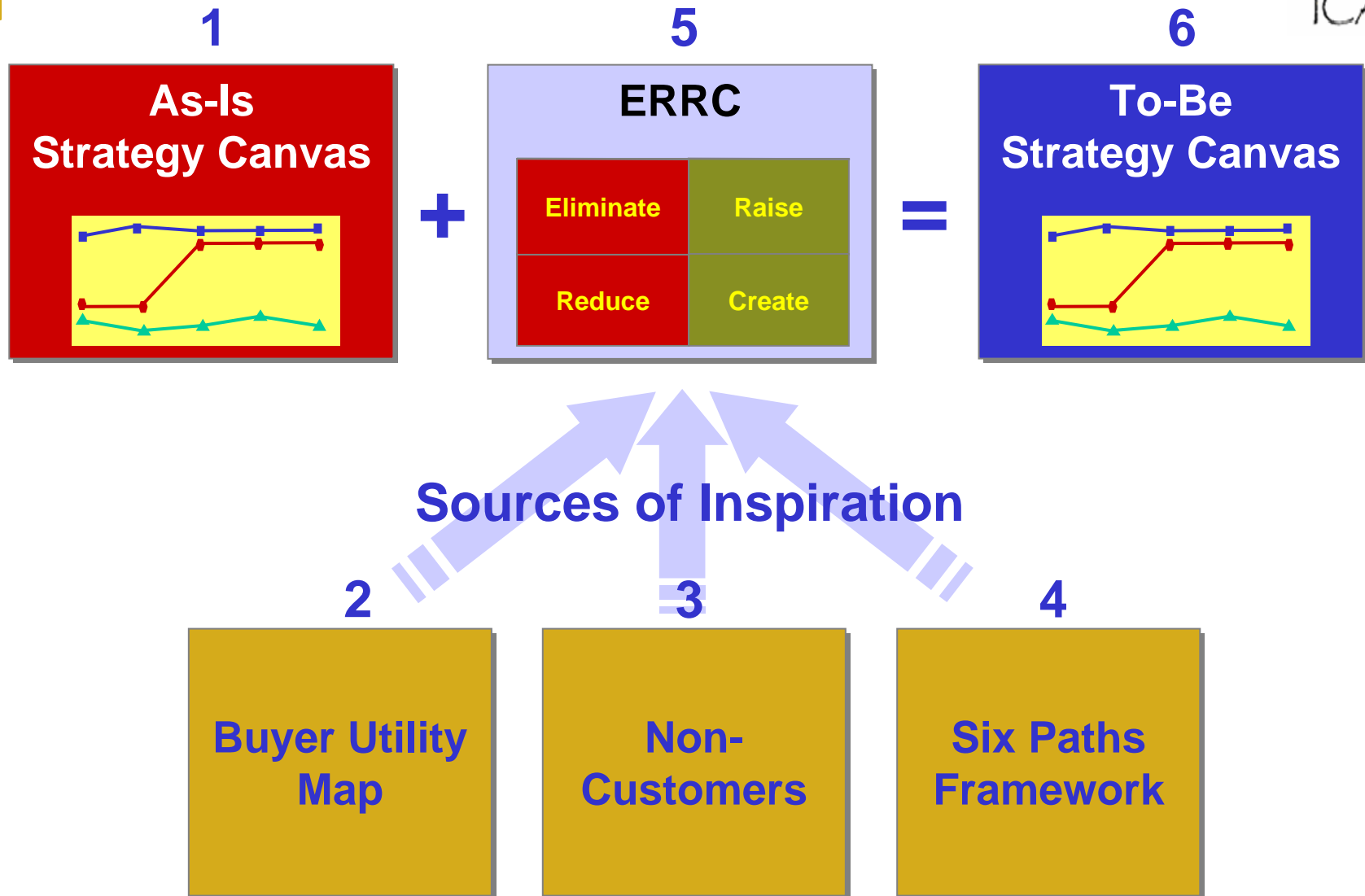


An End-State-Driven Approach





A Voyage of Exploration and Discovery



Getting Out of the Red Ocean Box

Go . . . Think
out of the box!

How? What do I
do differently?



Brainstorming
. . . or
systematic
process?

What are the
boundaries of
the box?

The Six Paths Framework for Creating Uncontested Market Space

1 Looking across alternative industries

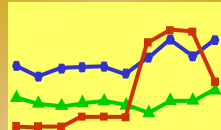
2 Looking across strategic groups within industries

3 Looking across the chain of buyers

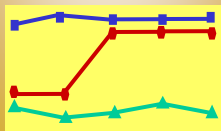
4 Looking across complementary product and service offerings

5 Looking across functional or emotional appeal to buyers

6 Looking across time

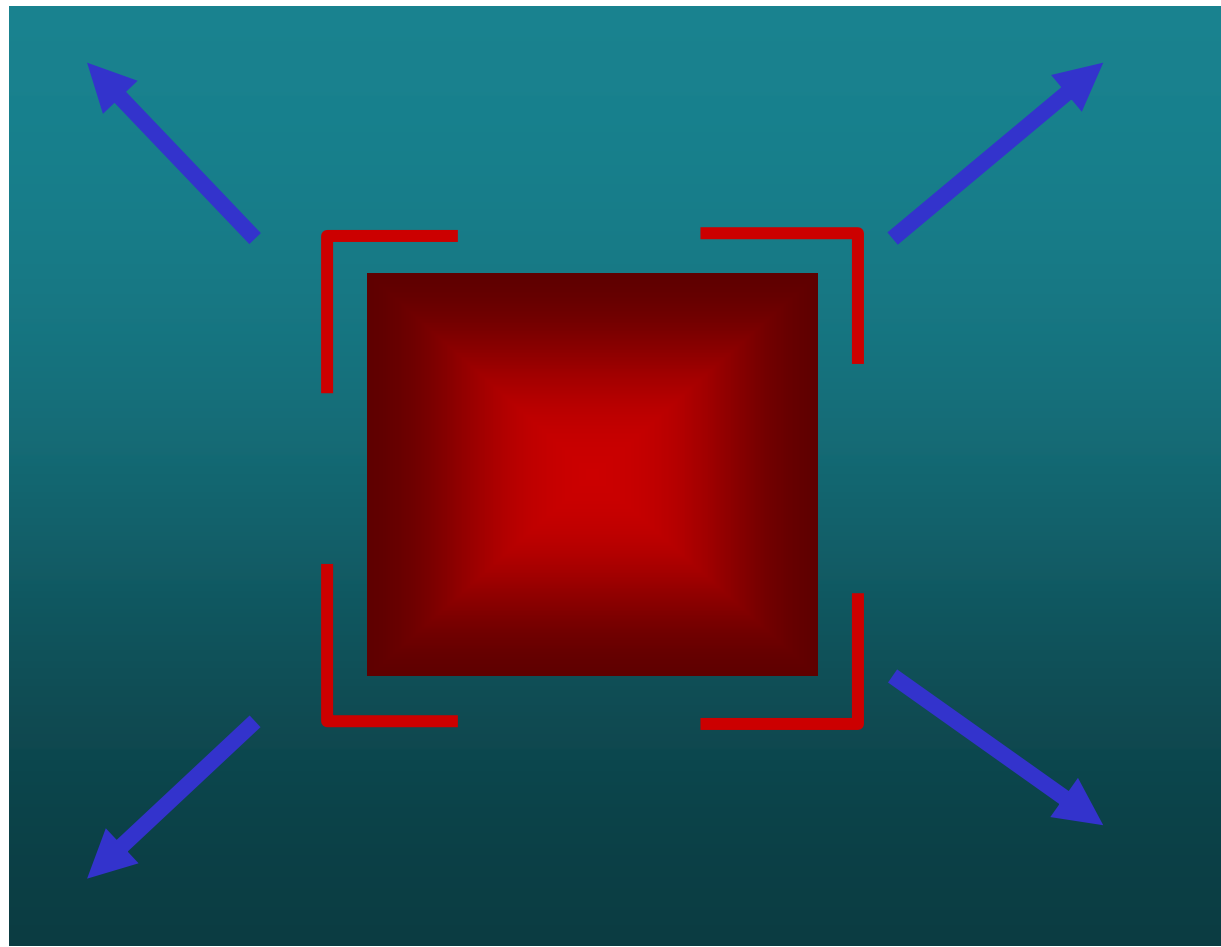


*New
Value
Curves*





Six Paths Defines the Boundaries of the *Box*





Buyer Utility Map and Hotspots

The Six Stages of the Buyer Experience Cycle

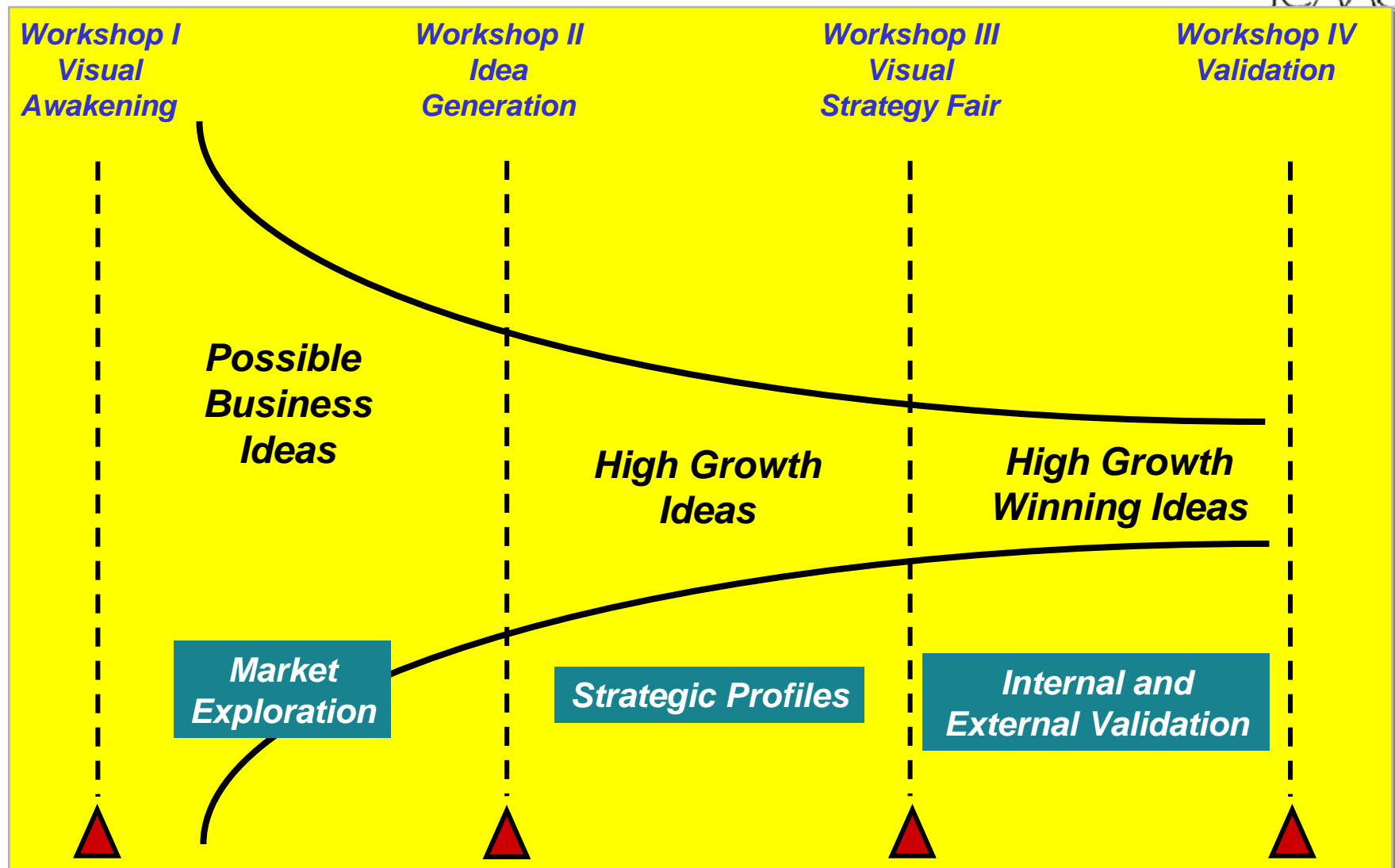
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
The Six Utility Levers	Customer Productivity	X	X	X	X	X	X
	Simplicity	X	X	X	X	X	X
	Convenience	X	X	X	X	X	X
	Risk	X	X	X	X	X	X
	Fun & Image	X	X	X	X	X	X
	Eco-Friendliness	X	X	X	X	X	X

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"x" represents relative importance of each cell



Structured Process Including Senior Interventions



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Possible Developmental Areas & Lines of Enquiries

- **Creating the same “practical” tools and processes for other strategic innovation concepts . . .**
- **Assessing which Asian contextual factors might have greater impact on the strategic innovation process and why**



Key Takeaways

- **Strategic innovation is a critical enabler for future growth of Asia**
- **There are certain serious behavioural impediments to managing strategic innovation in Asia**
- **There appears to be some practical and effective near-term solutions to these impediments, when using the Blue Ocean Strategy theory and concept.**
- **However, more can and probably should be done at both research and practitioners' domain to**

“Make Strategic Innovation Work for Asian Economies, Businesses and People”



Thank You