

Innovate! Applying Innovation to the Business of Peru

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Introduction

Peru along with all the other global economies is in the middle of a fundamental transition. It is the sort of techno-economic-political-social revolution on a global scale about which historians will write entire books.

This is the age of innovation. The world is being altered, at this very moment, by driving forces for change. The economy, massive social and political upheaval, demography, technology and the global market, and developments in organizational science are all encouraging innovation.

Innovation is the response to change. And, conversely, change is the consequence of innovation. As a result, globally, we are in a time of rapid revolutionary change. Organizations must anticipate this and innovate in ways that allow them to take advantage of change.

It is obvious now even to the casual observer that we are in a time in which continuous innovation -- a constant commitment to change -- is an essential ingredient to organizational success, and even more fundamentally, survival.

Innovation is the basis of all competitive advantage: the means by which organizations anticipate and fill customer needs and the method by which organizations utilize technology.

Innovation is the process of implementing new ideas, of turning creative concepts into realities.

Many driving forces for change, some of them described above, have placed Peru's organizations at a point of no return. The social, political, economic, demographic, and technical driving forces within Peru and globally, have caused her organizations to embark on a journey that can provide additional capacity to create new wealth or create new resources. Everyone is optimistic about Peru's prospects and they expect long-term growth. That growth can only be sustained through innovation. To prosper in the 21st Century, you must innovate in the 1990s -- new products and services, new processes, policies and procedures, new markets and new workers.

Organizations in Peru Need Innovation To:

- Establish competitive advantage
- Be more productive
- Deliver quality products and services to world markets
- Meet national, industry and individual goals
- Delight customers
- Attract and keep the best people
- Stay in business

They must innovate purposefully to take advantage of the changes that are occurring. This is done by becoming market driven, that is, to innovate in the direction the market indicates.

To become market driven, and for organizations to not only survive, but to thrive, in these times of change, the people in the organizations must develop and apply skills of ingenuity and innovation.

Innovation and Ingenuity

Ingenuity relates to the person. It is the ability to utilize fully the resources available to solve a problem. For an organization to be totally innovative, all the people in the organization must be able to use their ingenuity.

Innovation is an organizational process. It is the means by which organizations anticipate and fill customer needs and the method by which organizations utilize technology. To be able to take advantage of the changes that an organization faces it must be totally innovative. Innovation is not just the function of the Research and Development department.

Innovation is the business of business. Innovation either endows resources with a new capacity to create wealth or creates a new resource. Innovation is the process of implementing new ideas, of turning creative concepts into realities. The resources of an organization are its capital, people, intellectual property, strategic relationships, facilities, and materials. Innovation is the way in which an organization uses technology (i.e., the application of knowledge) to transform its resources into products and services that meet customer needs and provide competitive differentiation.

For an organization to be successful, it must be both effective and efficient. It is effective if the focus of its innovative efforts is on the opportunity in the market, fulfills the desires of its stakeholders, and utilizes its capabilities. It is efficient if the innovation focus of its strategy is aligned with the innovation focus of its projects, resources and culture. For an organization to be both effective and efficient, all of the people in the organization must be innovative, and the focus of all their innovative efforts must be aligned, and directed to the market opportunity.

There are Four Principles an Organization Must Follow to Become Totally Innovative:

- Seek Change
- Gain the Vantage Point
- Motivate Action
- Delight Customers

Seek Change

To seek change, the organization must develop a new perspective on change. Instead of viewing change as a threat, the organization must see change as opportunity -- opportunity to innovate. And, it must be able to see the relevance of change to the business of the organization.

A market is composed of customers, technology, and competition. It is the interaction of customer needs, technological capabilities, and competitive responses that creates change. The market is embedded in an environment that drives change -- social, political, economic, demographic and scientific. These driving forces for change are constantly interacting with each other and the elements of the market.

These and other, driving forces for change are also affecting the organization's stakeholders and members.

Seeking change means to develop methods of identifying the driving forces for change, and determining how they will likely impact customers, competitors, technology, stakeholders, and members of the organization.

Gain the Vantage Point

To gain the vantage point means to put the organization in a position that gives it the most information about what is happening, or about to, and then to develop a strategy that incorporates all the information to the organization's advantage. This is an active step of integration.

A strategy is not about the future: it is about the present, the here and now of the organization. A strategy is about making decisions today that will affect the present and future of the organization, maybe even its survival. A strategy is the way in which the organization views its situation. A strategy describes the organization's way of making decisions to take advantage of the opportunities in the market, meet the expectations of its stakeholders, and utilize or develop its own capabilities.

An innovation strategy is the single most powerful way to gain the vantage point for the organization. It will establish the organization as a leader in the market. To become the leader in the market means that the organization establishes the ground rules by which all competitors must play. A good innovation strategy allows the organization today to decide how to utilize or develop its resources and exploit technology to anticipate and meet the needs of customers and stakeholders and gain sustainable competitive advantage.

A strategy is composed of a vision, mission, goals, values, and plan. The set of values inherent in the strategy links the organization to its markets. It is these values that develop the organization's culture. And, it is the organization's culture that is the ultimate controller of the amount and direction of innovation in the organization. These values are either explicitly stated or implied by the choice of words in the vision, mission, goals and plan. It is very important that each of the elements of the strategy be internally self consistent.

Motivate Action

Organizations of the past built their productivity upon control. In times of relative stability, this may be appropriate. In times of chaos, control can lead to rigidity, and the organization can lose touch with its markets and its people. Then the organization falters. Organizations and people need to go further than merely adapting to change. They need to anticipate change, and develop innovations that take advantage of those changes.

For an organization to fully utilize its most valuable, and renewable resource -- its people -- it must move away from the idea of people doing only what they are told to do. Organizations must motivate action and the freedom to act. Freedom is an often misused concept. With freedom in a society, culture, or organization, comes responsibility. The more freedom an individual has to act, the more responsibility that person has for their actions. To motivate freedom of actions in an organization is not a call to anarchy. It is a call to responsive and responsible action.

To motivate freedom of action, the leaders of an organization must ennoble, enable, empower and encourage its people. In this way people will be motivated to fully utilize their capabilities to help identify and solve the organization's problems. Through ennoblement, enablement, empowerment, and encouragement, the organization's total energy can be released. Through these four "E's" the values of the organization's culture are developed. And, it is the key values of the organization that guide the day to day decisions of the organization's employees that keep the organization from sliding into anarchy.

Delight Customers

To delight customers is the ultimate purpose of an innovative organization. Organizations of the past struggled to reach a plateau of satisfied customers. Today's successful organizations will focus on delighting their customers. To delight someone, an organization must anticipate their needs, and then provide a product or service that meets that need in a timely fashion -- just before the person recognizes and articulates their own need.

Human needs and desires change. What delighted in the past now merely satisfies. And, what satisfied in the past is no longer good enough.

The process of innovation in the organization is endless. Innovation is not the end result, but a new reality for an organization. It is a continuous process of:

- Identifying new markets
- Discovering the opportunities and threats in a market
- Developing strategies

- Assessing organizational capability
- Developing the organization
- Implementing the strategy

Summary

If the organizations of Peru develop their innovative capacities through the methods we have outlined here, it will create the powerful engine for economic growth that it needs to create wealth for all its citizens, and to propel it into the 21st Century.

If the organizations of Peru learn to take advantage of change through innovation, they will be very successful. To do so, the organizations in all sectors of the nation -- government, industry, business, tourism, education, health care, and non-profit -- must learn to Innovate!

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