

# Innovation and Intellectual Assets

## *Innovation and Intellectual Assets*

*"The enterprise that does not innovate inevitably ages and declines. And in a period of rapid change such as the present ... the decline will be fast."*

**PETER F. DRUCKER (1909-2005)**

Innovation is the process by which businesses remain competitive and improve their productivity by improving their [products, processes, markets, distribution channels and business models](#). Everything that we do in our businesses to [improve performance](#), whether we realise it or not, is innovation.

Innovation can be planned and managed but a lot, many experts say the majority, happens within the business without being part of a planned process. Research in New Zealand shows that while managers think they are capturing this important source of innovation, along with [user driven innovation](#), Kiwi businesses are missing out on the majority of it.



Every consultant is therefore trying to help you innovate. Trouble is – most don't think that way.

Innovation is a very special process and in New Zealand, because we're so inventive, capturing that, converting it into value and harvesting that is an immense opportunity and a huge challenge.

### **WE HAVE A CONVERSION PROBLEM**

We Kiwis are known for our inventiveness and that should make our businesses highly productive and profitable and New Zealand a very prosperous nation. That most Kiwi firms struggle with their productivity, profitability is nothing special and New Zealand's economic performance mediocre points to us having a conversion problem. [We struggle to convert our legendary inventiveness into business productivity and profitability and that into national prosperity](#). Creativity doesn't automatically turn into profit. Creativity is about coming up with novel ideas while innovation is about "bringing ideas to life" or as Theodore Levitt says "Creativity is thinking up new things. Innovation is doing new things".



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### ***CONFUSING TERMINOLOGY***

The words "invention/creativity/discovery", "innovation" and even "entrepreneurship" are often used interchangeably and that makes any discussion incredibly confusing. We find it more useful to dispense with those traditional terms altogether and adopt instead *initiation* and *implementation* that roughly correlate with creativity/invention/discovery and innovation respectively.

This difference might seem like semantics but it's vitally important because there's a world of difference between the two. Each stage requires different strategies, resources, structures and ways of thinking and behaving. Irrespective of the availability of resources and the like, New Zealand firms are generally much better at the initiation stage than the implementation. Unfortunately we spend money in the initiation stage and create and harvest value in the implementation stage.

### ***INNOVATION IS A PSYCHOLOGICAL AND SOCIAL PROCESS***

Perhaps the most important thing to realise about innovation is that rather than the technological process we usually think about, it is actually a psychological and social process. It involves the thinking and behaviour of individuals and groups of individuals – and that thinking and behaviour varies in material ways from nation to nation. We Kiwis get greater satisfaction from the adventure and discovery of the initiation stage than we do from the detail and discipline of the implementation stage.

### ***STRATEGIC INNOVATION***

Many businesses aren't sure where innovation fits into their business model or strategy, how it relates to their performance or what priority they should accord it. Others recognise the need to be more innovative but aren't sure where to start. Because we do it so intuitively, New Zealand businesses often leave innovation to chance and fail to have the processes to recognise, capture, develop and commercialise that creativity.

One of the greatest opportunities available to Kiwi firms is to create and capture value from their intellectual assets. According to Standard & Poors and Intellectual Assets Magazine, intellectual assets represent up to 80% of a business's value. Value that never appears on your balance sheet, rarely in management plans, and hardly ever in your bank account. Intellectual assets are all the knowledge, production and quality systems, designs and the like, whether registered or not, that are used to transform physical and financial capital into products and services.

When you work with Forté Management we help you to recognise your business's strengths and opportunities and the challenges that you face. Then we help you build and implement strategies to create and harvest maximum value from your "innovation".