Building a Culture of Innovation: A Malaysian Perspective

Azim Pawanchik
TII 2015 Singapore
• Boutique innovation consulting company established in year 2000, with offices in Singapore and Malaysia
• Specialises in innovation strategy, capability development, and innovation analytics
• Guided many PLCs, GLCs and MNCs innovate
• Developed in-depth innovation strategy and roadmap for several Malaysian government agencies
• Multiple publications and research on innovation

Published a book on Leading Innovation (2010) from an Asian perspective, with in-depth data from Malaysia organisations.

Published a report on Innovation in HR across Malaysia, Singapore and Indonesia (2014)

Developed the National Corporate Innovation Index (NCII) for AIM (Agensi Inovasi Malaysia) between 2012 up to 2014, together with NESTA (UK innovation foundation), Inngot & ACCA. The NCII was piloted by top public listed companies in Malaysia, measuring a company’s innovation management, performance and return on investments in innovation.
What is Innovation?

Invention

Technology

Patents (IP)

R&D

Business Model

Blue Ocean

New Products

Creativity

Mindset

Risk

Culture

Design

Services

Blue Ocean
Innovation associations

- R&D/Research/Prototyping: 44%
- Creativity: 43%
- Invention: 31%
- Product/Services: 29%
- Value Creation: 21%
- Design: 17%
- Processes: 16%
- Mindset: 15%
- Culture: 14%
- Business Model: 12%
- Patents: 11%
- Risks: 5%
- External Collaboration: 5%

Source: InnovAsian Survey (2014)
“One of the biggest hurdle is agreeing on what innovation really means.”

Barbara Riegger, Manager at Ernst & Young GmbH
INNOVATION IS A STRATEGIC CHANGE THAT CREATES VALUE

InnovAsian® Process
Do we really need to innovate?

Malaysian Innovation Climate Survey (2010)
Innovation: Where are we now?

Malaysian Innovation Climate Survey (2010)
THE INNOVATION CHALLENGE

Malaysian Innovation Climate Survey (2010)

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Building a Culture of Innovation

C4: Connection (Innovation)
CREATE VALUE & BE PREPARED TO FAIL

C3: Conversion (Invention)
TAKE RISK & EXECUTE

C2: Creation (Creativity)
EXPLORE

C1: Conception (Insight)
PURPOSE
CHALLENGES EMPLOYEES FACE IN INNOVATING

- Lack of trust & empowerment: 18% (Top)
- No clear direction: 17% (Top)
- Lack of readiness by customers to accept new ideas/solutions: 12% (Second)
- Lack of funding to develop and commercialize ideas: 11% (Second)
- Lack of great ideas: 9% (Second)
- Lack of innovative talents: 8% (Second)
- Poor execution/project management: 7% (Second)
- Lack of understanding of customers' (internal/external) needs: 6% (Second)
- Fear of failure: 6% (Second)
- Inadequate rewards/incentives to innovate: 4% (Second)
- Risk averse leaders/managers: 3% (Second)

[Bar chart depicting the distribution of challenges with dark bars indicating top challenges and yellow bars indicating second challenges]
Challenge #1: Innovation Readiness of large organization.

Large Organization
- Innovation Readiness
- Low risk taker
- Conservative resource allocation
- Rigid procurement process
- Low tolerance for failure

Source: Malaysia’s National Innovation Strategy Study (2011) and Malaysian Innovation Climate Survey (2010)
Challenge #2: Investors/Analyst readiness to embrace investment into innovation (challenge of short-termism and risk appetite).

“Most investments in growth – R&D, brand enhancement, software, employee training – are immediately expensed in the income statement, thereby understating corporate earnings and asset values. Not just growth investments are expensed; the value of stock options, a staple of growth companies, is expensed too. And the intangible assets built up during the growth process – patents, trademarks, unique business processes – are absent from the balance sheet. Investors are, therefore, in the dark regarding much of the value creation of growth companies, until it’s finally reflected in sales and earnings.”

Prof. Baruch Lev
(NYU’s Stern School of Business)
Challenge #3: In Malaysia, many corporate doors remain closed to start-ups/SMEs

Source: Malaysia's National Innovation Strategy Study (2011) and Malaysian Innovation Climate Survey (2010)
TOP DRIVERS FOR EMPLOYEES TO INNOVATE

<table>
<thead>
<tr>
<th>Top driver</th>
<th>Second driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership support &amp; trust</td>
<td>30%</td>
</tr>
<tr>
<td>Great innovation teams &amp; collaborative environments</td>
<td>15%</td>
</tr>
<tr>
<td>Clear process for innovation</td>
<td>13%</td>
</tr>
<tr>
<td>Innovation as part of my KPI</td>
<td>9%</td>
</tr>
<tr>
<td>Exciting innovation-related projects</td>
<td>7%</td>
</tr>
<tr>
<td>Time &amp; flexibility to innovate</td>
<td>7%</td>
</tr>
<tr>
<td>Generous monetary rewards to innovative employees</td>
<td>7%</td>
</tr>
<tr>
<td>Resources and tools</td>
<td>5%</td>
</tr>
<tr>
<td>Innovation-related training</td>
<td>5%</td>
</tr>
<tr>
<td>Non-monetary rewards</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: InnovAsian Survey (2014)
Need to innovate the way we innovate
Innovation 1.0

- Focus is on invention and products
- Solo Inventor with limited resources
- Biggest challenge is access to market
- Driven by inventors and technopreneurs
Innovation 2.0

- Focus is on technology, R&D and IP
- Big budget and team
- Long term and high risk
- Driven by scientist and engineers
Innovation associations

- **R&D/Research/Prototyping**: 44%
- **Creativity**: 43%
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- **Risks**: 5%
- **External Collaboration**: 5%

Source: InnovAsian Survey (2014)
Innovation 3.0

- Mindset & Culture
- Constraint Driven
- Open and Market Oriented
- Web Enabled
- Driven by Leaders
Crowdsourcing

Present in 16 countries
> 400,000 reports
OVERCOMING THE FEAR OF CRIME THROUGH CROWDSOURCING

ABOUT THIS PROJECT

PEMANDU in collaboration with Alpha Catalyst Consulting is embarking on a crowdsourcing exercise to garner constructive feedback from the public on the level of fear of crime in Malaysia. This is part of a broader open innovation initiative, which is aimed to ultimately source for pragmatic and cost-effective solutions for crime prevention, from the public. We will leverage on technology and social media for the collective good of the community. We would like members of the public to express their issues and ideas.

JOIN THE SURVEY

This survey is conducted to measure the fear, and its roots, of potentially being a crime victim in Klang Valley. We are reaching out to you to share your experience and ideas, to help us collectively better understand and address the fear of crime.

The survey will take about 5 minutes. Responses will be anonymous.

PEMANDU

Innovation Partner

ALPHA CATALYST
CONSULTING

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The Challenge:

Create growth opportunities for IT SMEs/start-ups in Malaysia through innovation.

The Scenario

- Limited resources
- Limited track record
- Lack innovation opportunity
The Process

- Host identification
- Identification of strategic challenge
- Identify suitable MSC-companies - filter using SCORE+ assessment
- Participant briefing
- Host share challenges
- Immersion of MSC-Companies to host scenario
- MSC-Companies express understanding of host's needs.
- Host refines & feedback
- Feedback from host
- Identification of areas for improvement (MSC-Companies)
- MSC-Companies pitch to top management of host
- Assistance is given for pitching process and refinement of presentation
- MSC-Companies develop outline of solution (over 14 days)
Our Role

Provide a framework for idea generation, evaluation and analysis of ideas. The model used:

- **C4**: Value Creation Potential
- **C3**: Execution Potential
- **C2**: Freshness/Uniqueness of Solution
- **C1**: Understanding of Host’s needs
Innovation 3.0

- Mindset & Culture
- Constraint Driven
- Open and Web Enabled
- Market Oriented & Co-Creation
- Driven by Leaders
Building a Culture of Innovation

C1: Conception (Insight)

PURPOSE

C2: Creation (Creativity)

EXPLORE

C3: Conversion (Invention)

TAKE RISK & EXECUTE

C4: Connection (Innovation)

CREATE VALUE & BE PREPARED TO FAIL