



## **Are Canadian CEO's up to the Innovation Challenge?**

By Mark Evans, ME Consulting

Canada may like to sell itself as embracing the New Economy but there is a problem: Canadian companies aren't being innovative enough in creating new products, services and processes.

According to "Report on Canada 2011: Canada's Innovation Imperative by The Institute for Competitiveness & Prosperity", Canadians are working harder but not smarter. While we rank among the world leaders in work effort, Canadians generate less value per each hour worked than their U.S. peers.

As the productivity and prosperity gap between the U.S. and Canada continues to expand, Canada faces a hard reality: it must become more innovative.

The reason is simple: innovation is a controllable and sustainable driver for prosperity and competitiveness, while other drivers such as strong global markets for Canadian commodities are based on more mitigating and unpredictable factors. In other words, innovation needs to overshadow our status as "hewers of wood and drawers of water".

So, who should carry the innovation burden and opportunity? In many cases, it is chief executive officers.

"Canadian CEOs that we've spoken with are very aware that they need to foster an environment of innovation to compete globally," said John Bardawill, managing director with TMG International Inc, a Toronto based marketing consultancy. "However, the demands of the position and the reality of daily



business operations often stop them from really progressing and meeting this innovation challenge.”

One of the truths of innovation is that the benefits associated with innovation do not always outweigh more immediate needs including profitability, and the short-term and long-term interests of the shareholders.

“While the report has some excellent suggestions for improvements in public policy and national, large scale initiatives, it doesn’t really focus on the reality of implementing in the Canadian corporate environment,” Bardawill said.

“To proactively drive innovation, Canadian companies need to focus more on customer needs, rather than on competitive pressures. Organizations can drive better results and create greater sustainable prosperity by focusing more on providing value for their customers.”

This approach may represent a shift to being proactive in understanding customer needs rather than being reactive to competitive threats.

The historical success of Research in Motion is an example of how a company drove innovation based on the needs of the customer. RIM’s sharp loss of market share could be used as an example of losing focus on the customer and becoming too distracted by the competition.

An organization’s long-term success really depends on its ability to develop and maintain a leadership team and culture that is truly customer centered. In many cases, however, short-term demands, goals, and incentives take precedence.

It is also essential to differentiate between innovation and invention. According to the report, inventions are usually producer-driven creations



or discoveries of something new, while innovations are customer-driven new products or processes that deliver a superior customer experience - at a lower cost and prices.

“Often, organizations place too much importance on invention for invention’s sake – building a better widget, and focusing on the functional benefits,” Bardawill said. “Success lies with those who are able to marry both the functional and emotional benefits to capture the hearts and minds of customers – that’s true innovation”

So what do Canadian CEOs need to do?

Perhaps the biggest priority is they must focus on customer-driven innovation. By delivering true value to their customers, they can build a vision for innovation in their organizations that goes beyond simply being better than the competition.