

# What's the big deal?

Purchasing has an essential role to play in triggering innovation, according to Professor John Bessant. He tells Emma Clarke how the profession can use its relationship-building skills

So, it's agreed: businesses need to innovate. Companies making the great leaps forward, beating global competition and staying ahead of the game are those that are continually innovating. Not only by creating new products, services or processes, but also by transforming their brand positions or even whole business models.

Virgin didn't have to offer new technology or improved services to compete in the mobile phone market. It was a matter of making the most of its brand. Low-cost airlines achieved success not by improving services or upgrading planes, but by breaking down a business model and changing the way we think about flying.

## Innovate to survive

John Bessant, professor of innovation and technology management at Imperial College, London and keynote speaker at this year's CIPS Premier Conference, has been researching innovation for more than 30 years. Companies, he says, now accept that they have to innovate to survive. The next challenge is learning how to do it.

Idea-making isn't as the cartoons will have you believe, he warns. There will be no light bulb flashing above your head and, hey presto, you have a new product or process. Instead, he says, it's a long journey from idea to reality.

Innovation is no longer the exclusive domain of scientists at in-house research labs, he adds. Companies can no longer risk generating all developments in-house and, in fear of missing that one great idea, even the businesses with billion-pound research spend, such as Procter & Gamble, now source half their innovation from outside. This is a multi-player game and the issue is less about creating knowledge, than it is about knowledge flows.

And this is where purchasing professionals come in. If this is a globally networked game where interactions are crucial, Bessant argues that it is the supply fraternity, with its experience in handling relationships, that could play an essential role. "You have to start by having the ideas in the first place and a lot of these come from outside the firm. Essentially a supply network is a very powerful set of antennae that will pick up all the triggers.

Using skills as relationship-makers, there are two ways that purchasing can approach the innovation challenge.

## Doing what we do, but better

The first approach is what he calls, 'doing what we do, but better' and for purchasers this will mean using established relationships more effectively. We have known for decades that if you have a long-term relationship you get lots of information. Your suppliers start innovating with you and become an extension of what you do.

"We know this works. In certain industries suppliers are responsible for chunks of innovation with the buyers acting as co-ordinators and a conduit to share information about the bigger picture."

For example, he believes the success of car maker Toyota has come as a result of decades of hard work at getting the supply chain involved and actively contributing product and process improvement ideas.

The purchasers that have embraced the wider role of the profession should already be doing this, he challenges, and if they are not, it's time they started. If there was ever a time when purchasers can play a strategic role, this may be it.

## Discontinuous innovation

Doing what we do but better and building existing networks is only one side of innovation, he points out. The other - and where Bessant's current research resides - is discontinuous innovation.

"Every so often something pulls the carpet from underneath everybody's feet - all the bets are off and it's a new game. It could be because somebody has come up with a radical new technology; or that there's some awful event; or if oil goes up to \$600 a barrel. Or it might be a brand new market emerges, such as children using mobile phones. Under those conditions, existing players do badly and it's here that the new kids on the block do well."

He cites the computer industry as an example of discontinuous innovation, as taken from the book *The Innovator's Dilemma* by Clayton M Christensen. For every generation of computers - from the big main frames to the laptop - there was a successful supply industry providing the drives. But when the generations changed, the suppliers went to the wall.

The problem was they were too good at what they did; they focused on what they knew and didn't look beyond their established sphere to predict the new markets. In the meantime the innovators and the next market leaders were in their garages, developing products that no one could, so far, see the need for.

"Established firms become cautious," explains Bessant. "They still innovate but it is a cautious innovation and they aren't prepared to think the unthinkable. Companies have to be brave enough to explore at the frontier where they may have

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to lose some of their glorious history and do something completely different."

To exist at this frontier, companies need to make different connections and build relationships with different people. In fact, existing relationships may even get in the way of discontinuous innovation.

Bessant is also a senior fellow at the Advanced Institute of Management Research (AIM) that is working on a project bringing together leading companies from Germany, Denmark and the UK including car manufacturer BMW, electronics company Siemens, pharmaceuticals firm Novo Nordisk, Lego, GlaxoSmithKline, Unilever and the BBC.

All these companies, he says, are trying out new things and developing different kinds of capability but they are at the stage where they want to share what they know across sectors.

Novo Nordisk, for example, is looking into the future of the pharmaceuticals market. It is predicting that in the future, pharmaceutical companies will not just be providing drugs, but a whole healthcare package. So to learn about this new service area and how to become a service company, rather than just a drugs provider, it has begun to work in clinics in Tanzania.

## Thinking caps

In Bessant's view there is a balance between building established relationships and breaking them down to create links outside the traditional sphere. We are becoming too good at managing existing relationships and we must be aware that sometimes you may need to talk to very different people.

The good news is the skills for this type of relationship building - or breaking - are the same. The challenge is how to find people to partner with and how to make those relationships work for you. They are skills that I see purchasing managers having, but they have to turn them to a different zone.

Organisations, he says, should commit resources for exploratory teams that will act as scouts forming new relationships and exploring previously uncharted territory. These teams should also be interdisciplinary. Corporate venture teams are often made up of marketing, research or technical people, but he believes purchasing can offer some important skills in the area of relationship management.

So where next? Academics, such as Bessant and others at AIM Research, can provide the thinking behind innovation and professional bodies such as CIPS can create the structure, training and development. But ultimately, says Bessant, it is down to individual firms and purchasing directors to make innovation an important component of what they do. "If you just do what you always do, you are not going to get any further." So get your thinking caps on.

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