BSB60215 - ADVANCED DIPLOMA OF BUSINESS
Study Support materials for

BSBMGT608 - MANAGE INNOVATION AND CONTINUOUS IMPROVEMENT

STUDENT HANDOUT

BSBMGT608 Manage innovation and continuous improvement

This unit describes the skills and knowledge required to sustain and develop an environment in which continuous improvement, innovation and learning are promoted and rewarded.

It applies to people with managerial responsibilities who aim to build a better and more effective work environment. Continuous improvement and innovation have links with the model of the learning organisation and people working at this level play an important role in building the culture, values and attitudes of the organisation.

ELEMENT	**PERFORMANCE CRITERIA**
Elements describe the essential outcomes.	*Performance criteria describe the performance needed to demonstrate achievement of the element.*
1. Review programs, systems and processes	1.1 Establish strategies to monitor and evaluate performance and sustainability of key systems and processes 1.2 Undertake detailed analyses of supply chains, and operational, product and service delivery systems 1.3 Identify performance measures, and assessment tools and techniques, and evaluate their effectiveness 1.4 Analyse performance reports and variance from plans for key result areas of the organisation 1.5 Identify and analyse changing trends and opportunities relevant to the organisation 1.6 Seek advice from specialists, where appropriate, to identify technology and electronic commerce opportunities
2. Develop options for continuous improvement	2.1 Brief groups on performance improvement strategies and innovation as an essential element of competition 2.2 Foster creative climate and organisational learning by promoting interaction within and between work groups 2.3 Encourage, test and recognise new ideas and entrepreneurial behaviour where successful 2.4 Accept failure of an idea during trialling and recognise, celebrate and embed success into systems 2.5 Undertake risk management and cost-benefit analysis for each option or idea approved for trial 2.6 Approve innovations through agreed organisational processes

3. Implement innovative processes	3.1 Promote continuous improvement and sustainability as essential to doing business 3.2 Address the impact of change and consequences for people and implement transition plans 3.3 Ensure objectives, timeframes, measures and communication plans are in place to manage implementation 3.4 Implement contingency plans in the event of non-performance 3.5 Follow up failure by prompt investigation and analysis of causes and manage emerging challenges and opportunities effectively 3.6 Ensure that learnings from activities are captured and managed to inform future work 3.7 Regularly evaluate continuous improvement systems and processes 3.8 Communicate costs and benefits of innovations and improvements to relevant groups and individuals

Reviewing Programs, Systems and Processes

This topic is action oriented. It requires you to effectively review an organisation's programs, systems and processes. You will do this by working through the various sections within this topic. You will establish strategies to monitor and effectively evaluate the performance of organisational key systems and processes and analyse supply chains and operational product and service delivery systems in order to identify improvement opportunities. You will use performance measures and assessment tools in order to undertake this analysis together with relevant performance reports. You will identify variances in key result areas of the organisation and analyse the impact of the business environment. Lastly you will obtain specialist advice in order to identify any technological and/or electronic business opportunities that may exist. Reviewing an organisation's programs, systems and processes (this topic) is the first step in the management of innovation and continuous improvement. Topic 2 will build on your work by supporting the systematic development of options for continuous improvement. Topic 3 will cover the implementation of innovative processes.

Organisational Systems and Processes

Now that you have a refreshed understanding of the key areas we will be referring to, let's start this topic by identifying those organisational systems and processes that are critical to its success and are within its control. As a simple example, an educational provider may include the systems of planning, marketing, administration, human resource management and finance and the processes of educational profiling, enrolment, student records, capability development and budgeting. An organisation's strategic plan or business unit plans typically provide a clue as to the critical success areas and their associated standards (measures). To determine performance, reports against the standards are usually compiled and tabled by the function or process owner/sponsor in a performance review report.

Assessment Tools

Now that the critical areas and their performance standards have been identified, supply and value chains are analysed to determine their actual level of performance against that required and to decide on any action that needs to be taken as a result. Assessment tools such as check-sheets, run charts and Pareto charts are used to collect and validate the measures. Flowcharts are most used when investigating the current situation as is feedback from customers or through other mechanisms such as surveys or the like. 'Cause and effect diagrams' (fishbone) are then used to identify the possible causes for difficulties in the current process. These are but some of the tools applied in the management of quality. Others that you may incorporate include the results of a time-work study, observation or job design, etc. For further information regarding these tools, refer to any contemporary management or quality management text. Much of the preceding information may already be available in performance review reports although some managers have developed a 'feel' for performance through walking around, talking to customers and staff, looking at inventory and supply documentation and building a mental performance picture. Where positive

performance is found, it should be recognised. This is congruent with motivational theories including expectance theory and reinforcement theory. Information on these theories can be found in any good contemporary management or organisational behaviour text.

External Forces

System and process performance is often affected by external forces such as the market (customers, suppliers, competitors, community), changes in social and cultural trends, demographics, legal requirements, government directions and policy, technological advances and the like. Misalignment of the current methods of operation may be exposed requiring systems to be changed (IT, workflow, etc) and/or process steps to be added or redesigned. Efficiency of design is always the goal. Benchmarking across the same industry or sector is a useful way of determining current fit. Remember, changing trends often provide opportunities to gain financial and competitive advantage for those who can realign quickly. Bartol (2001:66) provides an example of the XEROX business environment for your consideration.

New Technology

With the advent of new technologies, there are numerous opportunities for system development and process re-engineering. These should always be considered in terms of their cost/benefit and the competitive environment in which the organisation operates. Keep in mind that specialists may also be able to advise on areas other than technology and electronic commerce; eg, structural and process improvements.

Continuous Improvement -- A Better Way of Developing New Products

Involve your suppliers and operations people in the product development process at the very earliest stages.

Many companies pursuing lean transformation and continuous improvement are focusing on the customer fulfillment operations to improve quality and delivery while reducing costs. Organizations are working to reduce lead time, improve quality, and make their manufacturing and distribution operations more efficient in an effort to cut costs. While these improvements are important, they are not sufficient in today's globally competitive manufacturing world.

In many companies today, direct labor is a single-digit percentage of the cost of goods sold (COGS), with purchased materials and overhead burden making up over 90% of their COGS. Even with these cost breakdowns, many continuous improvement efforts still focus on trying to eliminate waste in the manufacturing process to use labor more efficiently to reduce labor content. These efforts will produce some small incremental improvements in the COGS, but a much better opportunity exists early in the new product design cycle.

It is estimated by some product development experts that 80% of the final cost of a new product is determined in the first 20% of the design cycle where the product concept and initial design philosophy are chosen. If you involve your manufacturing organization and your suppliers at these very early stages of the cycle and form a concurrent engineering design team, you have the opportunity to design products for manufacturing and assembly, both at your suppliers and in your own operations as well as using their expertise in your designs. Using such design-for-manufacturing techniques as reduced parts count, substitution of molded plastics or pressed and sintered powdered metal parts for machined metal and poka-yoke designs to eliminate assembly errors, your new products can be developed with a radically lower final cost of goods sold.

People from your manufacturing operations are a great resource to use with your product design teams to offer suggestions on how designs can be manufactured and how costs can be reduced by making products easier to assemble, with less chance for quality issues and their resultant scrap and rework costs. Manufacturing engineers can plan how to produce a new product while it's still in design when options for processing methods and equipment are

still available. Operators can evaluate their ability to assemble new products and can offer suggestions on visibility and accessibility of components before designs are frozen.

Manufacturing personnel who are familiar with existing products can suggest part substitutions to increase commonality of parts rather than having all unique components. A unique fastener that is out of stock will shut down a product operation just as surely as a custom casting or machined component, but common fasteners can often be designed in from the start.

Your suppliers, working with your product development teams, can suggest design alternatives that often reduce a product's material cost by up to 50%. Rather than just giving them a component specification to quote, use their expertise to suggest alternate materials, design options, different fabrication techniques, and tolerances that really matter to reduce your product's component costs. Too often, suppliers are not trusted and not involved until the design is complete and your organization has lost the opportunity to exploit the supplier's expertise to minimize component costs by being involved with the design team from the very beginning.

There are a number of organizations utilizing concurrent engineering design teams today to incorporate the knowledge and unique experience of suppliers, manufacturing engineers, quality professionals, production and distribution personnel, accounting/finance folks and marketing/sales people to bring increased knowledge and expertise to the team to get better designs at a lower product cost. These teams are part of the design process from the very beginning, at the ideation phase, to develop new products that are better quality and lower cost than those designed exclusively behind the curtain of new-product engineering. Don't forget to involve your suppliers and operations organization in your new product-development process at the very start. You'll be glad you did.

http://www.industryweek.com/software-amp-systems/continuous-improvement-better-way-developing-new-products

Continuous improvement is key to business success

He points to three different ways a commitment to continuous improvement can help a business to grow.

1. Personal development

As a business grows and matures, different sets of skills are required.

“Upgrading your technical know-how is important but you should also focus on building so-called soft skills,” says Stockley. “For example, you should constantly review and develop your ability to relate to, and communicate with, different groups of people – clients, partners, and lenders and, particularly, your staff. Good leadership is vital, and it’s unrealistic to expect continuous improvement from your employees if you’re not striving for that yourself.”

2. Team development

Everyone in an organisation has the potential to generate useful ideas. A culture of continuous improvement can provide the motivation.

“The most routine tasks become more interesting when you’re constantly reviewing the process and looking for a better alternative,” says Stockley. “If you encourage your people to think in a creative way, and make it clear you’re listening to their ideas, they will be much more engaged and productive. The business will benefit from their suggestions and you’ll also have a more loyal and enthusiastic workforce.”

Continuous improvement is a cycle – do something, consider whether it could be done more efficiently, have an idea, then feed that idea back into whatever you're doing. It's an effective way of growing a business but there's also room for genuine innovation.

"Continuous improvement would have given us better and better horse-drawn carriages," says Stockley. "Someone had to step right outside that paradigm to come up with the motor car, so you should also encourage your people to think outside the square."

3. Technology

Technology is evolving so rapidly that many small business owners are missing out on the benefits.

"If technology isn't your strong point, it can be hard to keep up with the changes that drive continuous improvement," says Stockley. "You can't be an expert in every area so I recommend using consultants to fill the gaps. There are people who can show you how to make the most of everything from your smartphone to your software. I recently paid someone to teach me how to use my email system more effectively. It was a small investment – it took just a couple of hours – but it's already having a very positive impact on my productivity."

http://business.nab.com.au/11293-11293/

Performance Improvement through Innovation and Strategy Management

In order to face the challenges of the new competitive environment, companies must provide a governance system able to link both strategic and operational dimensions.

For that reason, companies are required to have the right tools to face three challenges:

- to innovate strategy in order to approach changing markets with new and successful ideas;
- to control operating performance consistently with strategic objectives;
- to align organizational structure and manager commitment to the corporate strategy.

The most innovative aspect of the program is the fact that it provides participants with an opportunity to approach the complete cycle of performance government: the integration of strategy innovation models, performance government models, organizational alignment models and personnel management systems is made possible by a new, effective and concrete approach

A Process for Innovation Planning

All too often, hastily planned brainstorming sessions bring up a lot of good ideas that somehow never get used, while the boring kinds of ideas you are trying to get away from seem to be used again and again. One reason for this is the lack of an innovation plan, according to Jeffrey Baumgartner.

"We need fresh ideas for the Acme proposal. Let's all sit down and brainstorm ideas sometime this week." How often have you heard something like that at your office? How often have the creative ideas of the brainstorming session been implemented? All too often, hastily planned brainstorming sessions bring up a lot of good ideas that somehow never get used, while the boring kinds of ideas you are trying to get away from seem to be used again and again.

One reason for this is the lack of an innovation plan. I am not talking about a grand plan for your entire corporate strategy. Rather, I am talking about developing an innovation plan for a single issue or project.

If you want to maximize the creativity of the ideas you generate and ensure the best ideas are implemented, you need an innovation plan.

Your Goal/Problem

The first step of your innovation plan is to state the goal or problem. Imagine you are a product manager at a mobile telephony company and want to introduce new services to your clients.

Before putting stating a problem like "new services", you need to think about your goal in a little more detail. Do you want to develop new revenue streams for your company or do you want to add additional free services? Are you targeting a specific group such as business users or teenagers? Or should determining the target group be part of your goal? Bear in mind that I have used the term "goal" here. Think not just about what kind of ideas you want but the goal of the ideas. Finally, be sure you express the goal in a way that is clear to everyone on your team.

You also need to establish how far you will take the innovation. Are you simply preparing a proposal for management or will you be responsible for the entire project life-cycle or does the limit of your responsibility fall somewhere in between?

Once the goal is stated, you should also consider several other issues:

Participants: Who will participate in your innovation plan? Can you solicit ideas from the entire organization or will you be restricted to a specific project team? Who can you call upon for evaluation and pre-implementation?

Budget: What is the budget for capturing and developing this idea?

Resources: What resources will be available for capturing and developing this idea? What tools do you need? Can you hire facilitators or an ideas campaign tool? Can you hire facilities for brainstorming? What internal resources will be available to you?

Timeframe: How much time do you have to capture and develop your ideas?

Reward(s): are you offering any rewards for ideas? You might want to offer a small reward for the best ideas. One well known company offers small cash rewards and dinner coupons to people who contribute exceptional ideas. Others offer gifts, points or recognition. If you are working with a relatively small team, you might consider rewarding the entire team at the completion of the product or at major milestones if the project is long-term.

If you like to push the envelope and have fun, consider adopting a theme for this innovation plan. Themes are not necessary, but can be an effective means of focusing creativity in new ways and tying together various aspects of an innovation plan. Keeping to our example of a mobile telephony company, you could adopt the theme of "amusement parks". In other words, you would use amusement parks as a metaphor when generating ideas, implementing ideas and even naming new services that you devise. This doesn't mean that everything has to be about amusement parks. Rather, amusement parks are simply a focus of the team's thinking.

Idea-generation methods

Now, you are ready to plan how you will generate ideas. Don't limit yourself to brainstorming, there are several effective team ideation approaches worth considering:

Brainstorming: is best when time is limited or the team is relatively small and in one location. Brainstorming, in a nutshell, is getting a group of people together in a space and shouting out ideas for a limited time period. People build on each others' ideas and the creative energy pushes people to think more creatively and propose more radical ideas.

Ideas campaigns: are best when there is more time or the team is large and dispersed across several locations. An ideas campaign is rather like a long, drawn out brainstorming session where people come in to the campaign from

time to time, share an idea or two, build on other people's ideas and then leave. An ideas campaign usually lasts from two to six weeks.

Experimentation: is best when ideas are technical in nature. Experimentation is basically a matter of putting together various configurations and seeing how they work. Experimenting would not be an effective approach for our mobile telephony company example of developing a new service. On the other hand, if the innovation plan was about improving the efficiency of sending multimedia data across a GSM network, experimenting would probably be an important part of your innovation plan.

Other approaches to ideation can include outsourcing creativity to another company, buying the rights to an established idea or buying a company that has innovative products you would like to be able to offer your customers.

Once you start generating ideas, bear in mind that there is a tendency in teams to embrace the first creative idea that you capture. This can be a mistake. Rather you should push that first creative idea further and see if you can make it even more creative. At the same time, you should push people to come up with more creative ideas. This pushing for further creativity is important and should be included in your innovation plan.

Pushing ideas further could be a matter of doing brainstorming sessions on your best ideas, in order to develop them further. Alternatively, you could ask people to think about the best ideas overnight and give you more developed ideas in the morning. "Sleeping" on an idea is an excellent way to push it.

Pushing people's creativity further is about positive feedback, explicitly encouraging more radical thinking and inspiration. Inspiration includes all kinds of things, such as: bringing in professional brainstorming facilitators; taking the team to an art museum or ballet performance; participating in activities that open the mind; and using alternative brainstorming approaches.

Finally, you need to allot a specific time frame for the idea generation phase.

Initial evaluation

Once you have captured some good ideas, you need to evaluate them to determine which are worth taking further. The 5×5 criteria matrix is probably the most efficient initial evaluation method. To do a 5×5 criteria matrix, you simply determine five criteria by which you can rank promising ideas. You then look at each idea, determine how well it meets each criterion and grant it 0-5 points for that criterion. Once you are finished, add up the points and you will have overall point scores for each idea. This is a very good basis for determining which ideas should go on to the next stage.

Other people prefer open discussion meetings for determining which ideas to take further. These can also be effective, although such meetings are usually less efficient and less objective than criteria based evaluation at least for the initial evaluation. We recommend that you have an open discussion based meeting AFTER the criteria based evaluation in order to clarify any outstanding issues and discuss how promising ideas could be improved further based on the evaluation results.

You also need to allot some time to the evaluation phase.

Report

If you are not involved in implementing the idea, the chances are your responsibility will end with making a report to your superior or to a project development team. If so, you can readily prepare a report based on the top ideas and their evaluations.

If you are involved in the implementation, on the other hand, you will want to go directly to the next step.

Pre-implementation

Pre-implementation is a preliminary action, such as building a business case, doing market research, making a prototype or running a limited trial in order to test an idea.

You will doubtless already have standard pre-implementation methods in your company for developing ideas into products or services. Nevertheless, it is important to include the pre-implementation in your innovation plan. You also need to determine how much time to allot the pre-implementation.

Implementation

By now, you should have a small number of very good and well tested ideas. It is time to implement them.

By developing such a structured innovation plan for specific projects, you can look forward to more creative ideas and a higher level of implementation of those ideas.

http://www.innovationmanagement.se/imtool-articles/a-process-for-innovation-planning/

The Innovation Engine

Innovation is known to fuel organizational growth, to drive future success, and is the engine that allows businesses to sustain their viability in a global economy. Both managers and researchers regard innovation as a 'life-and-death matter for a firm', in which the constant need of fighting for survival and the threat of competition encourage firms to innovate. Business and management research clearly indicate that organizations with innovative capacity can respond to environmental change quicker and can perform better than non-innovative organizations. Innovation cannot be external to the organization. For companies to succeed by innovation, its not enough to come up with great ideas that can change your market. The organization as a whole must be ready to absorb innovation.

Looking at case studies such as Apple and Google – we don't see only good ideas and charismatic leaders – innovative companies are built into shared innovation mindset. Teams are working together on new solutions that were not tested before (that means more hard work and less replication). Managers involve the entire staff (down to the admin assistant), where you see a collective interest and care for the project. Lesson learning on successful projects is shared across departments and regions, side by side with insights on the projects that failed. At last, innovative ideas are surely essential but most of them tend to fail. A good selection criteria and ongoing managerial support are vital to ensure execution.

Working with large corporates that acknowledge the importance of innovation, we've learned that innovation, which is carried by visions, slogans, or professional titles, cannot achieve a real innovation change. In order to help organizations innovate TrendsSpotting has collected insights from primary research conducted on leading companies as well as start up companies, reviewed academic research together with practical business research and analyzed variety of case studies to come up with core parameters of best practices that are vital for the implementation of innovation in organizations. What's needed to fuel the innovation engine? Working with companies on innovation implementation, we've learned that efforts should be invested in setting an innovation culture throughout the organization before investing efforts in innovative breakthrough ideas.

One of the major insights we've gained is that innovation can be effectively implemented across the organization once actual innovation projects are supported by Innovation methodologies. Optimal organizational innovation requires translating the business strategy into an overall organizational strategy, with proper mechanisms to ensure successful innovation performance when introducing new commercialized products to the market. For implementing innovation

in the organization, leaders must take part and show active involvement. Individuals in all levels should be encouraged by top managers to think independently and creatively, and share their personal knowledge with others. To innovate, companies need to ensure a culture that supports new ideas and encourages new ways of "doing business" while putting efforts from the early start on optimal execution.

Trends Spotting's Innovation Implementation Methodology

To effectively implement innovation, TrendsSpotting has defined a set of core functions and processes that are vital for organizational innovation. Shared perceptions regarding innovation, human efforts engaged in innovation processes, tools and platform utilized, and structured innovation intervention processes are presented. Those are used to examine organizational innovation readiness.

Shared perceptions regarding innovation

- Innovation as a strategic priority (benefits and opportunities)
- Innovation serves for a competitive advantage
- Innovation requirements are clearly defined
- Initiating innovation and supporting it are defined as desired traits, which are acknowledged and rewarded

Human efforts invested in innovation:

- Leadership commitment Vision: Well communicated, clear strategic vision and goals
- Innovation dedicated leaders: innovation personas setting motivations and inspirations
- Engaged employees that care to promote innovation processes and outcomes
- Cross organization employee involvement (cross departments and roles)
- Innovation agents and external partners are involved in innovation activities

Tools and platforms

- Inspirational tools and creative settings
- Innovation learning tools
- Internal innovation communication channels / platforms
- Innovation performance metrics (measurements and follow-ups for improvement)
- Innovation incentives and rewards

Structuring the innovation intervention process

Trends Spotting proposes a defined process for innovation implementation:

- Identification of worthy innovation challenges (incremental and disruptive): portfolio balance, short and long term expectations, risk and success assessment.
- Identification of innovation obstacles for specific projects
- Managerial involvement and support
- Wide collaboration teams (diversity of roles, departments, sectors, regions)
- Supporting the process through the 4 stages: Ideation – selection – development and commercialization
- Initiation of innovation projects (communication efforts are included)
- Agile project management (execution planned and emphasized from the early start)
- Re-examining innovation projects (updating risk and benefits)
- Lesson learning
- Communication of shared innovation experiences (successful projects as well as failed ones) http://www.trendsspotting.com/blog/?p=2298