

TOM DISSING
PRINCIPAL, FUJITSU CONSULTING
FUJITSU AUSTRALIA & NEW ZEALAND

© Fujitsu Australia Limited 2006

CONFIDENTIAL





It's great to finally be able to talk about the Innovation Survey.

I have been sworn to secrecy by Fujitsu's Marketing Department since the completion of the survey.

And believe me, it is pretty hard to do so, when you have a lot of great insights to share.

We all know that there has been a lot of research written on innovation. We looked at this, but found a huge gap of local research on innovation.

We felt that what was important was to look at what **drives innovation performance specifically in Australia and New Zealand.**

So we commissioned an independent research organisation, ACA Research, to help us do this. They conducted in depth telephone interviews with **178 organisations across all industries in Australia and New Zealand.**

In the next 20 minutes, I will take you through the highlights of our findings. Specifically I will cover:

- 1) The Fujitsu Innovation Model and Index
- 2) Some of the surprises on what matters and what doesn't, and
- 3) Finally, what you can do to ignite innovation performance in your organisation.

So let's get into it...

64

32

16

If you asked me what I would like you to take away from this presentation, I would say 3 key numbers:

64

So where do organisations sit in regards to innovation performance?

Overall, the innovation performance was 64 out of 100 on the Fujitsu Innovation Index.

- Who thinks this is a good result? This is a 'pass'! **Our challenge is to improve this performance**

32

The Fujitsu research shows that on average, innovation **drives VALUE** - 32% of increases KPIs, such as in customer satisfaction and profit.

- What better reason to focus investments on innovation do you need?

16

Only 16% of organisation are the real innovators in our region.

- We could all learn a lot from these 16%

So what do those 16% do?

SO WHAT DO THOSE 16% DO?

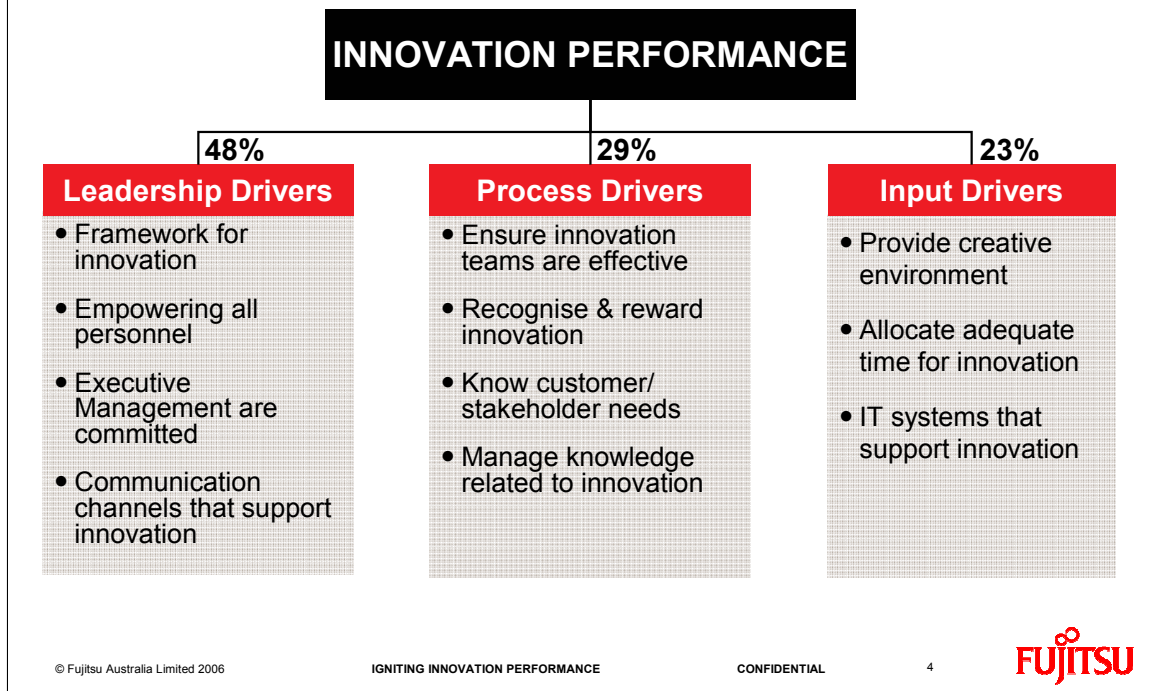


The Innovation Leaders are more likely to:

1. have a **clear innovation strategy**
2. Leverage innovation to drive **product or service differentiation**
3. have a **culture of innovation** and not be afraid of change
4. undertake **radical rather than incremental** actions towards innovation
5. have **dedicated resources** (people and funding) to innovation

So what do you need to focus on to be part of these 16%?

FUJITSU'S INNOVATION MODEL



- To answer this question we built an Innovation Model
- The Fujitsu model is developed by assessing an organisation's innovation performance across 20 key innovation attributes
 - these attributes were not just randomly picked, but based on global innovation research
- For the statisticians here today, through factor analysis, we found that these 20 attributes can be grouped into 3 broad innovation areas: Leadership, Processes and Inputs
- The Fujitsu model shows that Leadership explains 48% of the variances in innovation performance, whereas processes and input only explains 29% and 23% respectively
- Furthermore, the attributes listed under each of the areas are the factors with the highest factor weighting, i.e. the focus areas (in fact they are ranked, to make it easier to get started!)
- As an example: Within Leadership, it is particularly important to have an innovation framework, i.e. a structured framework, to ensure an efficient path from concept to cash

So what were some of the surprises?

THE SURPRISES

What matters & what doesn't?

What matters and what doesn't?

Size does matter: The companies with the best innovation performance – the Leaders and Progressives – tended to be those with less than 1,000 employees while the worst – the Laggards – tended to have more than 1,000 employees

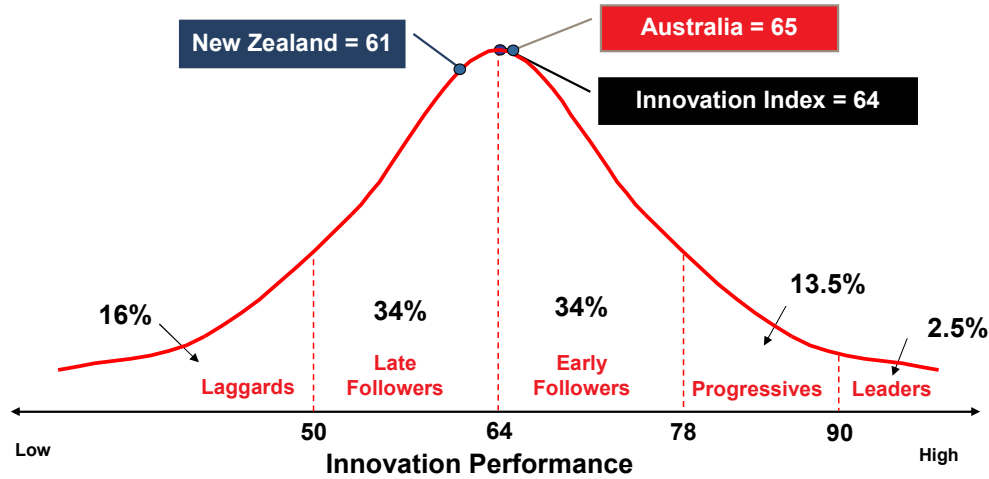
The fastest growing are also the most innovative: To add an extra dynamic to the study, we decided to test whether the fastest growing companies were more innovative. And the result was that *BRW's* Fastest Growing Companies scored a mean of 72, well ahead of the overall mean of 64

The innovators are accelerating their innovation efforts and funding: Organisations that have a separate innovation budget are predicting a significant increase in their innovation spending for 2007 (60% or \$1.6–2.6 million)

External collaboration is not a key driver of innovation performance: This was a surprise, since it is quite different to what is found in some of the global innovation research. For example: P&G's 'Connect and Develop', where 50% of new products has to come from outside P&G labs. Why is this the case? Is it because our local industries and economy is too small to collaborate without compromising our competitive position? Is it because of the geographical distance between our region and for example the innovation centres in US and Europe? Or is it simply because we don't believe it is important? **Personally I think we need to challenge this more...**

So, now we know what drives innovation performance, what matters and what don't. How do we **measure innovation performance?**

FUJITSU INNOVATION INDEX 2006



© Fujitsu Australia Limited 2006

IGNITING INNOVATION PERFORMANCE

CONFIDENTIAL

6

FUJITSU

Let me now explain the 64

To measure innovation performance, we created the Fujitsu Innovation 2006 Index and were able to calculate our overall innovation performance - and the Index is 64!

The index of 64 means that on average, organisations scored 64 out of 100.

Based on the individual organisation's innovation performance, we divided the index into 5 innovation segments: Laggards to Leaders. And we have calculated the associated thresholds for each segment.

What do the segments tell us?

Well, to be an Innovation Leader in ANZ, an organisation must score 90 or above across the 20 innovation attributes.

And innovation performance is not at all to good if below 50...

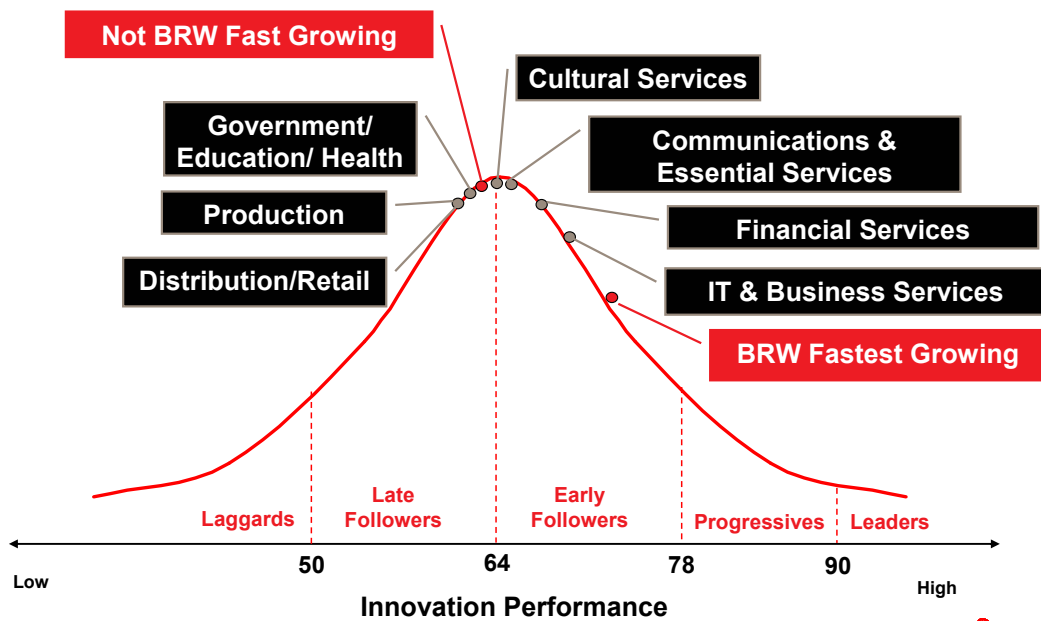
At a national level, how did Australian organisations compare to its counterparts in NZ?

Australian organisations are marginally more innovative than New Zealand organisations.

I can't wait to show this slide at our event in Wellington...

Where do you think your industry sits on the index?

FASTEST GROWING ORGANISATIONS ARE MORE INNOVATIVE



© Fujitsu Australia Limited 2006

IGNITING INNOVATION PERFORMANCE

CONFIDENTIAL

7

FUJITSU

The most innovative “group of companies” were the BRW Fastest Growing organisations.

The most innovative industries were IT and Business Services, followed by Financial Services.

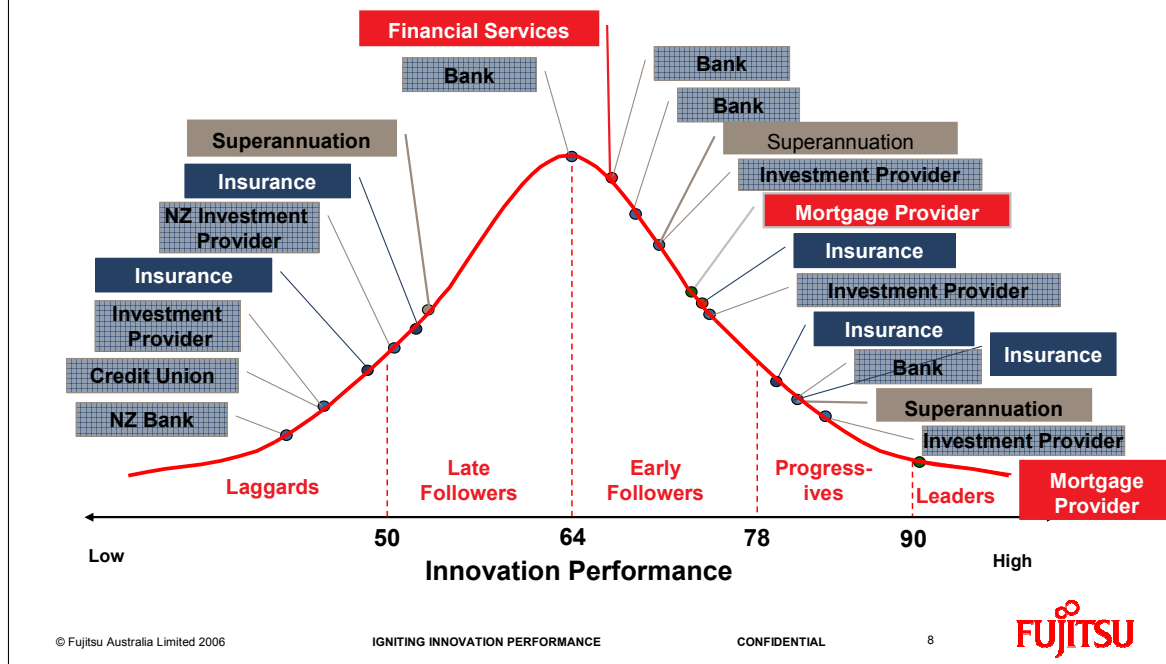
The least innovative industry were Distribution, comprising Retail.

Overall, no industries were identified as Leaders or Progressives but were instead clustered as Early Followers or Late Followers.

You may think that all responses were clustered around the mean, but in fact the opposite is the case.

We don't have time to go through the individual industry results today, but let me show you an example of a “deep dive” into an industry.

SIGNIFICANT SPREAD IN EACH INDUSTRY CREATES OPPORTUNITY



The Financial Services industry is a representative “deep dive” of the other industries.

It is important to note that within industries there is a big spread across all companies.

On the far right is the highest score is by a Mortgage Provider (91) and the lowest score a bank in NZ (43).

We are able to gain a lot of insight from these industry views, for example:

Where did the Financial Services companies score particularly high?

- Executive commitment
- Innovation goals aligned to business strategy
- Provides an environment that drives innovation

If a financial services company wish to outperform the competition on innovation, where should it focus?

- Allocate funding and people to innovation
- Monitoring and measuring innovation process and outcomes through an innovation framework

So, we can use the Index not just to position our countries, industries and companies – but also as a strategic starting planning tool for how to get ahead in your industry, even a competitive strategy planning tool.

SO WHAT CAN YOU DO ABOUT THIS?

– Remember the 32% of the increases in customer satisfaction and profit KPIs were due to innovation!

- This is a very compelling call to action!

Knowing exactly where your organisation sit on the Index will enable you to target the key areas of innovation that will accelerate innovation performance in your organisation.

Obviously not everyone starts from the same starting point, but here are some general action points or starters:

For those organisations in the **'Laggards'** and **'Late Followers'** segment, my advice is: Start by defining innovation and dedicate resources to develop an innovation strategy. The strategy must be complemented by an innovation framework, i.e. how to get from concept to cash.

For those organisations in the **'Early Followers'**, it's about embedding innovation leadership and processes even more into the organisation. It's really about obtaining a truly innovation culture.

For the **'Leaders'** – well, I have news for them: There's about 150 organisations out there who now has a pretty good idea about how to harness the benefits of innovation – it would seem dangerous to rest on your laurels!



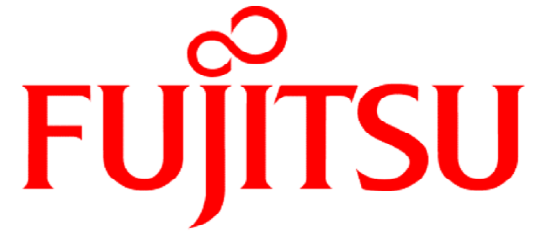
A very wise man once told me never to stand between an Australian and a drink – at 8am, I’m sure the same applies to breakfast. So let me round up.

I’m confident that this overview has given you valuable insights into what **drives innovation performance** in our region.

I’m also aware that this research may have raised some questions, which is why we have a panel discussion.

So let me hand back to Peter for this discussion to take place.

Thank you!

The Fujitsu logo is centered in the upper half of the page. It features the word "FUJITSU" in a bold, red, serif font. Above the letter "I" is a red infinity symbol (∞).

THE POSSIBILITIES ARE INFINITE