

Innovation and globalisation: perfect bedfellows

by tony surtees

Globalisation is really about direct international investment. Investment will flow to where the innovators are, so innovation must be focused on global impact.

Our planet is now wired so that knowledge pools and the production of goods and services can be globally integrated like never before. Economic competition in this flattened world is, says New York Times columnist Thomas Friedman, more equal and more intense; success depends on having the imagination to figure out how all today's enabling tools can be put together to create new products, communities, opportunities and profits.

The marketplace is not merely fragmenting, it's atomising. As markets become smaller but much more numerous, one key lesson learned is that there is very big money in small sales. This is what Wired editor Chris Anderson calls the "Long Tail" effect.

Today the cheapest resources are network-based communications – power, computation, the cost of storage and bandwidth. New customer acquisition costs are the lowest they have ever been because customer needs are more tightly defined and better served granularly. The era of the truly mass market is becoming the mass customised market.

One of the core conduits facilitating innovation and globalisation is the internet. We live in an indexed, searchable world, where everything is findable and relevance is constantly being tested and reported (by both internet search and blogs).

Where does Australian innovation fit in a globalised world?

I first left for the US in 1984. I've been shuttling back and forward ever since. The world was not flat. Silicon Valley was the high ground.

For years I have suggested to aspiring entrepreneurs with global ambitions that they should take the word Australia out of every powerpoint slide. The market for everything internet related was really in the US and that if you're going to start work anywhere, it may as well be "there." Not any more.

Innovation takes place in our backyard. With active business investment, it can go global almost instantly. The world is watching. But innovation is not an

add-on; it is a key differentiator and, vitally, a product in itself.

Why globalisation is yin to the yang of innovation

There is a direct linkage between the pressures of globalisation and the urgent need for innovation. Frank Gens, SVP, Research IDC in a post on the IDC eXchange weblog, makes an intriguing connection between the growth of innovation and globalisation. According to his analysis, companies in developed countries like Australia just can't afford to out-compete their rivals in India, China and other developing markets based on wages. Their only choice is to out-innovate their overseas competitors.


"Innovation is the 'yin' to the 'yang' of globalisation: they have a strong positive-feedback relationship, with globalisation fuelling the need to innovate, and innovative companies being able to create value by leveraging globalisation."

Innovation is seen by leading CEOs as a critical counter-measure to the growing pressures of globalisation. Innovation is also now more of a barrier to entry than traditional economies of scale or scope. This has major implications for a mid size economy like Australia.

IDC's Line-of-Business Executive Survey identifies innovation as the #2 (and rapidly rising) priority for respondent CEOs in 2006. According to a study by IBM Business Consulting Services, 65 percent of the world's top corporate CEOs declared that due to pressures from competitive and market forces, they plan to radically change their companies in the next two years. The study found that 76 percent of CEOs ranked business partner and customer collaboration as top sources for new ideas. This greatly contrasts with internal R&D, which ranked eighth as a source for new ideas – cited by only 14 percent of CEOs.

It is all about a single global supply chain. It's not about us or them. It's everybody. It's not about the cheapest solution to this growing international system of production. "Made in Australia" is really meaningless.

The pressure of globalisation will keep innovation on the radar screens of CEOs for many years to come. One of the requisite commercial skills will be how to meet this need.

With innovation becoming ubiquitous, entirely new competencies are needed. The people whose job it is to unearth innovators are spreading their nets further afield than ever before; because even the most unlikely places are located within globalisation's back yard. 

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