



## Inspire to Innovate Management & Innovation in Asia Arnoud De Meyer, INSEAD

East Asian companies are at a unique moment in their development to become major contributors to innovation in products and services. One can argue that they have no choice because their traditional formula of competing based on low cost production for markets in OECD countries is becoming less successful in face of low cost competition from the inner provinces of China in manufacturing or India in services. But there is a more compelling and positive reason: in Asia we witness the development of a large lower middle class of more than 550 million people, with sufficient spending power. The easy assumption would be that these new consumers will have the same tastes and requirements as their peers in the current industrialized countries. But nothing is less sure than this. These new consumers have tastes and needs which in many instances are very different from what we are used to in Western markets. This makes it enormously attractive for Asian companies to engage in innovation.

But can Asian companies innovate? Do they know how to manage innovation? On the basis of a large survey of more than 350 managers and more than 30 detailed case studies of medium sized Asian companies we have found that in Asia the traditional lessons about innovation management apply, but that Asian companies have to cope with some additional challenges. These challenges can be summarised as follows:

- The resources needed for innovation, in particular technical expertise and risk capital, are scarce
- Markets that stimulate innovation are geographically and/or culturally far away and, if they exist locally, are still too small
- Existing industrial policies are aimed at catching up with the industrialised world, rather than seeking value through innovation
- Many Asian organisations have innovation-averse cultures and
- There is a considerable lack of appreciation for intangibles such as brands or intellectual property

But as our research shows quite a few Asian companies have learned how to overcome these hurdles. They have been very creative to leverage their limited resources or reduce the distance to sophisticated consumer groups. Some of them were in fairly traditional industries, e.g. Aapico in Thailand that makes jigs for the automobile industry, Patkol in Thailand that produces ice-making machines or Lapid Foods which is a small chain of upmarket restaurants for chicharons, a local snack in the Philippines. Others had taken a traditional concept and transformed it completely. Examples of these are the National Library Board in Singapore that has transformed itself from a somewhat sleepy national library into a cool and vibrant information provider, or Banyan Tree Resorts and Hotels, a Singapore-headquartered chain of upmarket resorts that have completely repositioned what a holiday resort can be about. Others have taken advantage of new technologies to develop new local applications such as Biogen in India, one of the most successful bio-engineering ventures in India, or companies like Neowiz in Korea or Smart Telecommunications in the Philippines who rode on the development of mobile telecommunications to offer distinct services. And finally there were companies like Netizen Funds in Korea or N.I.I.T. in India that developed from scratch new concepts. While some look more exciting than others, all of them have been successful through innovation. Success will not be guaranteed to them for ever, but their examples may teach us different elements about how to innovate in an emerging country.

Let's describe to you one of these companies in more detail to give you a flavour of what we are talking about. Banyan Tree Resorts and Hotels (BTRH) is recognised in Asia to be a highly successful chain of resorts and has been able to build in a very short period of time a strong Asian brand. It has redefined the concept of what a resort is and has expressed this under the slogan: 'a sanctuary for the senses'. The emphasis is less on sports and common leisure activities than in a traditional resort, but much more on privacy, a feeling of well being. It describes itself as a luxury resort rooted in Asian tradition and with a strong sensitivity to the environment. Realising that they were selling not only a few nights in a resort, but a real life style concept they have translated this life style in different brands, covering merchandising, spas and boutique hotels. BTRH has proved that it is possible to innovate in what is one of the oldest industries in the world. They rendered the concept credible by having a very specific design of the resort, putting more emphasis on the private space than on the common space, and using no wood in order to remain environmentally friendly. They invest heavily in the training of their employees, spread the brand through word of mouth and editorial advertising, leave sufficient local initiative to innovate as long as the innovation remains within the constraints of the brand, etc. It all sounds quite simple and none of it is a real innovation in itself. But the addition of a high number of small adaptations led to a totally different concept that has taken the market very rapidly.