

# **“A few observations about innovation”**

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# Paper 360°

TAPPI | PIMA AROUND THE INDUSTRY, AROUND THE WORLD

TRENDSPOTTING

## Innovation and the Industry

Are we doing enough to ensure our future?

**SMARTMILL**  
A Plan for Innovation Deployment

**TECHLINK**  
Giants of Innovation

**THE BOTTOM LINE**  
Interview: MeadWestvaco's Jack Goldfrank

**IN TOUCH**  
Russia: Land of Promise

**SPECIAL SECTION**  
"The Innovators"

**SPECIAL FEATURE:** 2007 Global Outlook



# General Observations

- Companies must innovate in order to continue to create value and stay competitive.
- Innovations can be either “sustaining” (step-by-step or “evolutionary”) or “disruptive” (changes the way we think about a problem, or “revolutionary.”)
- Innovation doesn’t have to be limited to products. It could also include a change of business model.
- To be truly innovative a company must change its internal mindset and most companies are not geared for such “disruptive” innovation.
- Innovation can be “cultivated”—an environment can be created where innovation works and is productive. But this is difficult to do.
- Innovation can and should be handled through a comprehensive process, without skipping any steps. It also requires a a business case and a compelling technique for deployment.

# Innovating by business model

- A March study by IBM found that 65% of the world's top CEOs plan to radically change their company's business model.
- Microsoft's Chief Executive Steve Ballmer says he no longer thinks of his competition as individual companies but rather as "alternative business models that we'll have to compete with or embrace."
- Kodak CEO Antonio Perez has said that he believes that in any organization one-third of the staff will readily support a change, one-third can be convinced and one-third will be unwilling to make a shift.

# A 9-step model

B. Thorp, Lanny Vincent, Masood Akhtar

- Concept generation
- Risk Assessment
- Proof of Concept
- Proof of Product and/or process
- Scale-up and demonstration approach
- Deployment/knowledge transfer
- Deployment decision
- Commercialization
- Continuous Improvement

# Dow Corning Survey

- Perceptions regarding who is primarily responsible for innovation have expanded to include all employees of a company, according to a study of manufacturing companies in the Americas, Asia and Europe.
  - 37% said they are counting on **all employees** —not just the head of science and technology—to advance innovation in their companies.
  - Respondents now are turning to an **'outside-in'** perspective of monitoring the external environment, market needs and customer expectations and then creating products, services and solutions to address those needs.
  - 32% of respondents in Europe feel that innovation is by far the single **biggest challenge** facing their businesses today. Only 10% of respondents in the Americas and Asia named innovation as their top challenge.

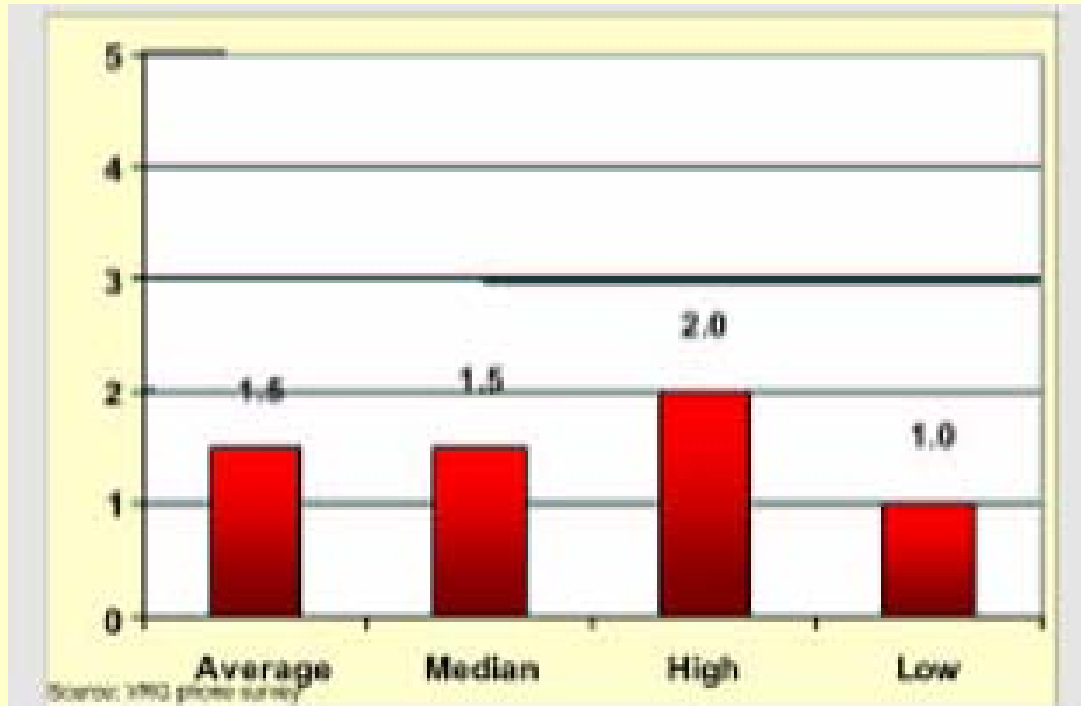
How about the  
pulp and paper industry?

# January editorial

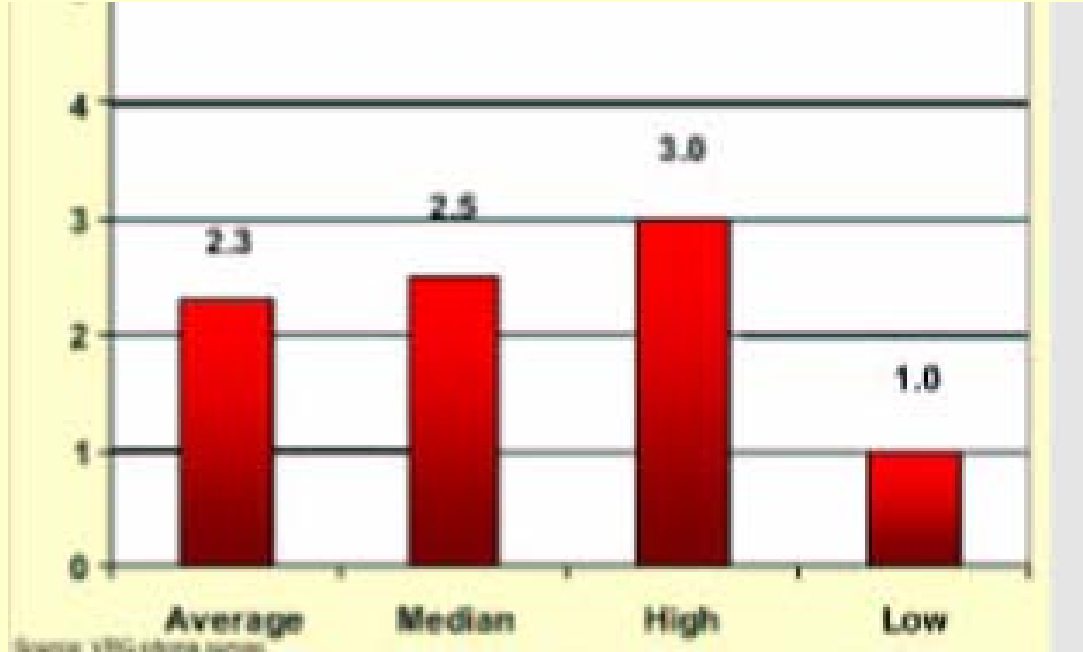


*"In the years I have been in the pulp and paper industry I have heard the word "innovation" used many times, and in fact have used it many times myself. Yet I have never thought of this industry as particularly innovative."*

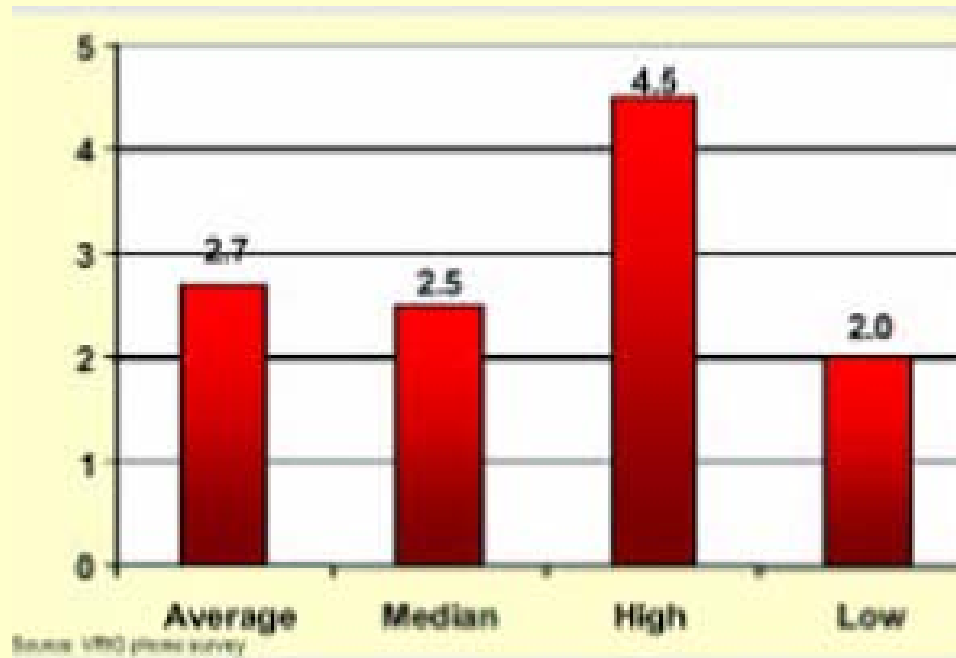




A survey of 20 senior pulp and paper executives and managers found that they don't think the pulp and paper industry, in general, is innovative.



However, they felt that their company was above average when it comes to innovating...



...and that their company was relatively successful when they did innovate.

# Barriers to innovation

- A Georgia Tech study of Georgia's pulp and paper industry found:
  - Companies were more likely to innovate through **supply-chains** or business processes than through knowledge-based intellectual property.
  - There were significant barriers to innovation including:
    - Lack of **skilled workers**
    - Lack of **funds**
    - High **costs**

Source: Drs. Jan Youtie and Philip Shapira, Georgia Tech

# Pulp and Paper Observations

- Due to low profits, the industry avoids risk and as a result R&D expenditures have been reduced or eliminated and transferred to suppliers and research consortiums.
- Most innovations have been of the “sustaining” type instead of the “disruptive” type.
- Most innovation seems to be taking place in the area of packaging, i.e. MeadWestvaco’s Center for Packaging Innovation in Raleigh.
- Most companies think that they are innovative, but when was the last time we experienced something startling or revolutionary that radically changed the way we do business?

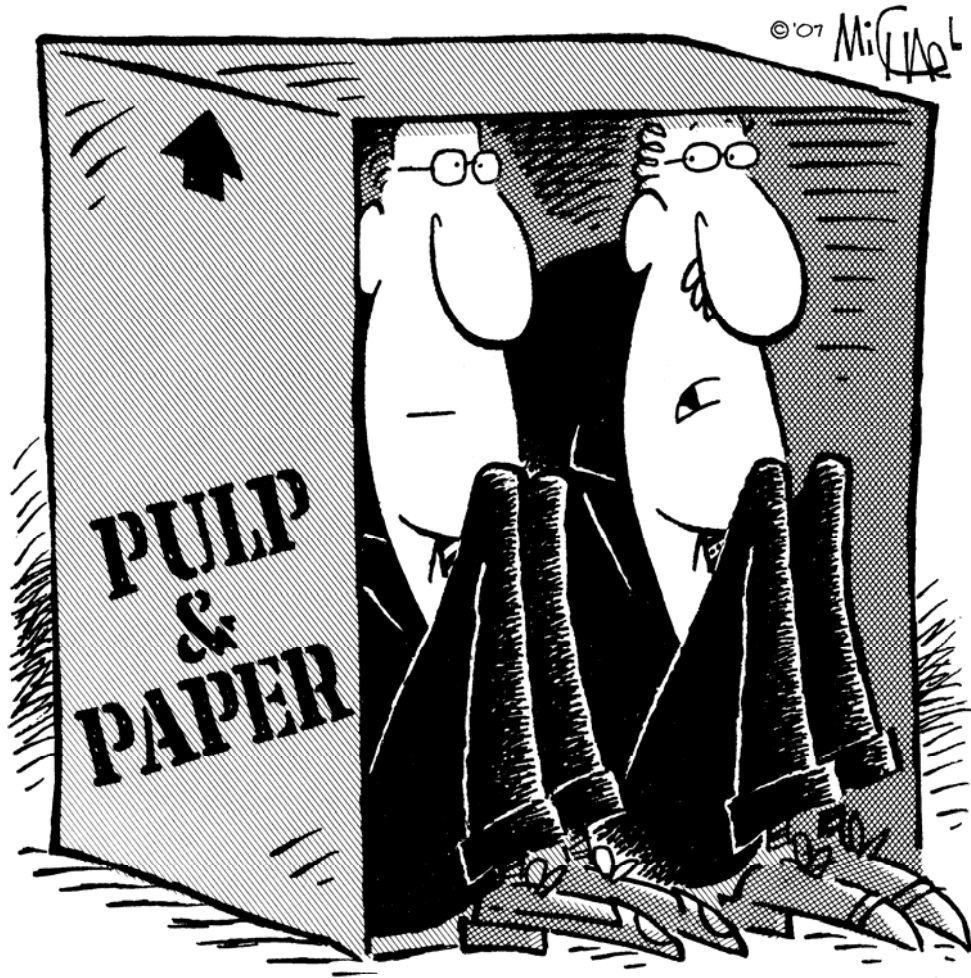
# Some exceptions



*“We wanted to create an environment and culture that allows our people to do their best and realize their full potential. Our philosophy is based on the very basic belief that we all come to work every morning with the intent of doing our very best.”*

Hannu Melarti  
President, Kemira North America

The rise of “bio-refineries” could change the profitability picture for pulp and paper companies while improving the environment and cutting our dependence on foreign oil.



"JOHNSON, I THINK IT'S TIME WE  
TRIED TO THINK OUTSIDE THE BOX."



Thank  
you!