



Grant Thornton

An instinct for growth™

Growthline

A bi-monthly newsletter focussed on the growth of dynamic organisations.

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Most organisations are acutely aware of the fact that they have to innovate continuously, if they are to stay relevant. However, not enough businesses realise that the key to true improvement is often the ability to compete with itself.

Businesses should not be afraid to compete with themselves – it is often the only key to true innovation.

It may sound like an oxymoron but our firm believes that this kind of fearless renewal is most likely to be the secret to a company's sustainable success.

The greatest danger to innovation is paradigm obsession – i.e. a fixation on what has worked in the past, or that which the business was originally established to do. Too many businesses cling to historic successes and products or services, which may blind them to necessary changes required to keep their offerings relevant in the future.

Changes in our environment and advancements in technology can have a significant impact on the way a business operates. However, we have found that companies are often not brave enough to examine honestly how they can improve products, services and methods and subsequently adapt their way of operating, in case there is a better way that competes with the business' proven and existing recipe for success.





Businesses should compete with themselves to achieve real innovation

BY MICHEL JONKER: DIRECTOR, ADVISORY SERVICES, GRANT THORNTON

Embracing creative destruction

Too many organisations refuse to embrace creative destruction. Kodak is an example of this: it came up with the concept for a digital camera long before these became popular, but mooted the idea as the company believed this product would destroy its chemicals and paper revenue stream. If they realised sooner they were actually in the business of creating memories, the method of creating these memories would not have been an issue for them and they might not have struggled when digital cameras entered the arena.

Blackberry is another well-known example of a company that had the first-mover advantage in the smartphone industry, but failed to innovate radically and continuously and eventually lost the battle against Apple and Android's touch screens and apps. Blackberry stopped making handsets in September 2016 and only focuses on software development now.

What value do you add?

We believe an important part of the problem for many organisations is a failure to determine accurately what their value proposition is to clients. This boils down to the fact that there are many companies offering the same service or selling similar products, but what makes your business' offering unique and different from the rest?

The traditional taxi industry is a case in point when it comes to paradigm obsession. Uber offers the same service to clients as other taxi companies, but in a way that has adapted to the technology available to make it more convenient for the client. Many of its competitors now do not know how to deal with this change in the landscape, as they are still obsessed with the way taxi services were offered to clients for the past century or so.

At Grant Thornton, again, a low-code platform is being used today to develop enterprise systems and mobile apps in a very short period of time – compared to traditional programming. This new trend of rapid development, with minimum coding, assists businesses to go to market with new products or services in a very short period of time.

Disruption, which goes hand in hand with radical innovation, encompasses the way that completely new processes, products or services are created, sometimes creating entire new markets and marking a dramatic shift away from existing business models, products and services.

The key to innovation is for companies to honestly re-examine their business models (which include products and services) and clearly to establish what their unique value proposition is.

Businesses need to adopt an attitude of constantly questioning how and why they do things and they should be in competition with themselves on an ongoing basis. This will enable them to see what they should be doing differently, even if it goes against what you have traditionally believed is the right or only way of doing things.



Technology as an enabler of growth – not just in business

Several studies have shown the strong correlation between the adoption of new technology and organisational success and profits. This is also applicable to countries, where the prosperity, living standards and health have proven to be improved as technology has been embraced.



Estonia is an excellent example of a country that has used modern tools to renew itself after gaining independence from the Soviet Union (just three years before South Africa became a democracy, interestingly). Importantly: Estonia's innovation was not so much about removing legacy systems, as it was about shedding legacy thinking.

The new government made the decision to phase out paper systems in favour of digital innovation. One of the standout features of this country is that access to the internet has been proclaimed as a basic human right. Today Estonia boasts the highest percentage of internet users (at 85%) than the entire European Union (EU) (with an average of 75%).

In 2011 it had more start-ups per citizen than any other country in the EU, while the EU saw a decrease of 12.1% in start-up enterprises. It takes less than 15 minutes to open a new business and three minutes to complete your tax return in Estonia. Citizens vote electronically in the country's elections and the country offers free wireless internet, to which even more remote farmers have access.

As a result, Estonia has a high Human Development Index (HDI) rating, a high Global Innovation Index (GII) rating and a high Technology Achievement Index (TAI) rating.

New thinking for a new world

Estonia's success is in large part ascribed to the quality of its political leadership, which has embraced the use of technology. The importance of the country's institutional e-government should not be underestimated: combined with political leadership, the Estonian culture and the success of Skype, the e-government approach also encouraged the virtuous, systemic cycle of entrepreneurial success of the country. This is as a result of the government turning to its citizens to provide the e-platforms that the society operates on.

There is no reason why such thinking cannot have a similar effect in South Africa – according to the World Bank a 10% increase in broadband penetration could raise GDP growth by 1%-2% in low- and middle-income countries.

However, we emphasise that while important to the process, technology should be seen as an enabler and important building block in innovation. People remain an organisation's true competitive edge. People have the ability to ask the tough questions and make the difficult decisions that may put the company or country on a path towards innovation, sustainability and a successful future.

If you wish to discuss your own innovative business ideas, or for information please contact:

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