

Innovation is not about wearing a white coat



John Kay

Apple is the most innovative consumer products company of the last decade. It has redefined how people listen to music, blindsiding both music publishers and established electronics manufacturers. And it has reinvented the telephone.

Yet Apple's achievement is not the result of its technology. The gizmos in the gadgets are much the same as the gizmos already in other companies' gadgets. Apple's success lies in deploying existing technology in ways that meet consumers' needs and in attracting buyers through coolly designed devices that do not require you to be a computer geek to use them.

We despise geeks – but we are also intimidated by them, and they retain a powerful influence on our thinking. When we talk about innovation, we visualise men and women in white coats with test tubes and microscopes. Outside many university cities around the world there are biotechnology estates established by governments that believe high technology is the key to a competitive future. The funds that governments provide to support innovation are all too often appropriated by large companies that are better at forming committees to pontificate about what the global village will want in the future than they are at assessing what their customers want today.

But understanding the needs of customers is what distinguishes innovation from novelty. Quirky inventors have a place in the

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affections of everyone who enjoyed physics or chemistry at school. But the quartz watches and home computers that Sir Clive Sinclair championed in the UK were quickly overtaken by better products from other businesses, and his C5 electric vehicle was not wanted by anyone.

Pioneers of innovation are routinely pushed aside by competitors whose skills are in the marketplace rather than the laboratory. The invention of the body scanner won a deserved Nobel Prize for EMI's Geoffrey Hounsfield, but almost destroyed the company. The market for scanners is now shared by Siemens and GE.

My favourite innovative company is Easyjet. There is nothing technologically advanced about what it does, indeed nothing it does that some other airline is not doing. Yet Easyjet catalysed fundamental change in the sleepy European airline industry. Innovation is about finding new ways of meeting consumers' needs, including ones they did not know they had. Sometimes it comes from a laboratory scientist but, more often, the innovation that changes the business landscape comes from the imagination of a Henry Ford or Walt Disney, Steve Jobs or Sir Stelios Haji-Ioannou.

Last month the National Endowment for Science, Technology and the Arts picked up this point. For years research and development scorecards have dutifully recorded how much pharmaceuticals companies spend on the search for new drugs and the expenditure of governments on defence electronics. But a Nesta report, presenting plans for a new innovation index, has now recognised that most of the spending that promotes innovation does not take place in science departments. The financial services industry may have been Britain's most innovative industry in the past two decades – perhaps too innovative – but practically none of the expenditure behind that innovation comes under "R&D". And the same is true in retailing, media and a host of other innovative industries.

Support for innovation is not the same as support for R&D. Important contributions to commercial innovation come from new businesses such as Easyjet, which see opportunities that others have missed. Most of these opportunities do not actually exist and the innovations fail. But only a few such entrepreneurs have to be right to change the face of business. Other innovations come from successful companies, such as Apple, which may not be at the frontiers of science but are in close touch with consumers. Like all business success, innovative success is based on matching capabilities to market.

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