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Exploring marketing metrics used in innovative companies

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ABSTRACT

This study recognises that both metrics and innovation lead to superior performance. It explores the marketing activities and processes followed by innovative companies, in particular those involving customers, and proposes the key metrics aligned to these; thereby formalising marketing's role in the innovation process.

Qualitative expert-interviews were done using the Critical Incident Technique; 11 professionals from a South African company, recognised for its innovation, were asked to share their personal experiences of a recent company innovation.

The findings highlight the value of a strong corporate culture of collaboration and inclusion, as well as an unwavering focus on creating value for the client, and conclude by proposing a finite marketing dashboard of 12 metrics that align people and processes as key indicators of success to guide the marketer during the innovation process.

KEYWORDS: marketing metrics; marketing dashboard; innovation process; customer focus; corporate culture

DECLARATION

I, Jo-Anne Fraser, student number 13061438, declare that this research project is my own work. It is submitted in partial fulfilment of the requirements of a Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been previously submitted for any degree or examination at any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Ms. Jo-Anne Fraser

Signature   11 November 2013

Date

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1.1 PURPOSE OF THIS STUDY

The purpose of this research is to explore the marketing activities and processes followed by innovative companies and in particular, those involving customers during the innovation process – and propose key metrics aligned to these activities that can guide the marketer, and company, as key indicators of success through the innovation process. The study applauds the value of metric-based information and discusses the current marketing metrics known and used, identifying the gap in metrics available to use during the innovation process.

1.2 CONTEXT OF THIS STUDY

Research on marketing metrics has been exhausted over the last decade as marketers have endeavoured to earn respect and a place at the board room table (Farris, Bendle, Pfeifer, & Reibstein, 2006; Gama, 2011; Mitchell, 2008). Schools of thought still differ between using a single metric, or a combination of financial or non-financial metrics, or both, in a quest to build the ultimate marketing dashboard (Clark & Ambler, 2011; Farris et al., 2006; Mintz & Currim, 2013; Mitchell, 2008). Literature supports that all efforts should be geared towards understanding the key marketing activities that focus on generating value for the customer while contributing directly towards the corporate strategy. However, where innovation is a strategic imperative, there are no defined marketing metrics to guide these marketing activities (Mintz & Currim, 2013).

With the world in which we operate changing as rapidly as it is, along with an increase in competition, it is the innovative companies that have a source of competitive advantage (Artz, Normal, Hatfield, & Cardinal, 2010; Gambatese & Hallowell, 2010; Moses et al., 2012;

Porter, 1990). Innovation leads to superior performance (Gambatese & Hallowell, 2010), particularly in global markets (Autant-Bernard, Chalaye, Manca, Moreno, & Surinach, 2010). Innovation becomes strategic when it is intentional, and all business areas and processes are aligned (Sheu & Lee, 2011). The marketing department and all its efforts should be no different.

Research on innovation has also identified the integral role the customer plays in idea generation, opportunity and diffusion (Gambatese & Hallowell, 2010). Customers are the most important assets of most companies (Schulze, Skiera, & Wiesel, 2012) and metrics should guide the value they are giving and receiving during the innovation process. Companies must carefully monitor customer preferences and uncover evolving, difficult-to-articulate needs (Kotler & Keller, 2012).

In 2011, 62% of executives interviewed said that their business strategy is 'largely' or 'totally' dependent on innovation (Manceau, Moatti, Fabbri, Kaltenbach, & Bagger-Hanssen, 2011). Companies are required to innovate more and faster than ever before, due to changing consumer needs, the need to respond to the growing needs of emerging markets and the shorter life cycle of products and services. Innovation has become they key criterion by which you assess how good a company is and how good it is likely to be in the future (Blankley & Moses, 2009a; Manceau et al., 2011).

1.3 Fostering innovation

In the 2007 McKinsey Global Survey, executives agreed that culture and people are the most important drivers of innovation – yet they acknowledged that their companies' approach was often too informal (Capozzi, Gregg, & Howe, 2010). Further research implied that most senior executives do not actively encourage and model innovative behaviour, nor give employees the support needed to innovate. Some practical steps were identified to advance innovation, including defining the kind of innovation that drives the corporate objectives, adding innovation to the formal agenda at leadership meetings and by setting performance targets and metrics for innovation (Barsh, Capozzi, & Davidson, 2008).

Global management consulting firm, Accenture, believes that high-performing innovators have four key capabilities:

1. They really understand what their customers want, even before customers realise it themselves.
2. They have a clear strategy for innovation’s role and contributions.
3. Collaboration.
4. Effective innovation management – driving innovation as an interconnected value chain. They elaborate here that clear steps, milestones and decision criteria are needed to achieve successful and sustained innovation (Accenture, 2011).

Effective innovation management will require companies to be well-informed about their own business and they can only do this by developing and utilising effective metrics (Forrest, 2010). Metrics indicate the priorities of the company and provide a window on performance, ethos and ambition (Forrest, 2010).

1.4 Innovation in South Africa

Although the proportion of innovative enterprises in South Africa is considerably higher than the EU-27 averages (Blankley & Moses, 2009b), South Africa’s success as a country is linked to the ability of its companies to innovate, which provides the catalyst for the development of new products and services essential in protecting existing markets from global competitors, and opens up new opportunities around the world (Accenture, 2013).

1.5 CONCLUSION

Marketing needs to be a guiding philosophy or orientation that drives the business forward, not merely a department function (Cottam, Ensor, & Band, 2012). While innovation too should be a philosophy, managed on a cross-functional basis, rather than within a traditional, functional structure of the organisation (Cottam et al., 2012). Identifying the fundamental activities and processes during the innovation process and aligning key metrics to support them will contribute to formalising marketing's role in the innovation process as well as to increasing the company's and country's overall performance.

CHAPTER 2: LITERATURE REVIEW

2.1 MARKETING METRICS

2.1.1 Defining the use and benefits of marketing metrics

Kotler and Keller (2012) define marketing metrics as the measures that help organisations quantify, compare and interpret their marketing performance, while Mintz and Currim (2013) associate superior business performance to guidance by these metrics . Farris et al. (2006) elaborate that metrics encourage rigor and objectivity, and make it possible to compare observations across regions and time periods, while facilitating understanding and collaboration. This information provides senior executives with a manageable set of key indicators that cover the relevant strategic activities for the company (Clark & Ambler, 2011), influencing firm profits (Abramson, Currim, & Sarin, 2005) and shareholder value (Schulze et al., 2012).

In their book dedicated to marketing metrics, 'Marketing Metrics: 50+ Metrics Every Executive Should Master', , Farris et al. (2006) include a quote in the introduction from management experts: "... every metric, whether it is used explicitly to influence behaviour, to evaluate future strategies, or simply to take stock, will affect actions and decisions." They go on to say quite simply that if you can't measure it, you can't manage it (Farris et al., 2006).

2.1.2 The foundation of marketing metrics

When looking at the company's strategic direction, marketing has been found to be the most influential group – meaning that to implement change and strategy successfully, a company needs marketing support (Homburg, Workman, & Krohmer, 1999). In reverse, it is equally important for marketing's efforts to be aligned to the overall corporate objectives. Good marketing measurement and key indicators of success should start with the company's business model and strategy (Clark & Ambler, 2011) – in the case of this study, one that is driven by innovation. An ideal marketing metric dashboard then requires the company to have an ongoing understanding of the market it serves in this innovation context by answering the following: Who is the customer? What do they do and want? Who is the competitor? How do we create, communicate and deliver value to this customer better than the competition? and, How do we make money in this process? (Clark & Ambler, 2011). The environment they work in, including metric orientation, and firm characteristics are other variables that may influence this dashboard (Mintz & Currim, 2013) and so would need to be considered when compiling the ideal marketing metrics dashboard.

2.1.3 Compiling a marketing metric dashboard

Although a deep understanding of all aspects of the company is the foundation for good marketing measurement, it also requires an understanding of the aligning key indicators (Clark & Ambler, 2011). Neither one metric, nor a dozen in a specific area, are sufficient. (Ambler & Roberts, 2008; Clark & Ambler, 2011; Mintz & Currim, 2013; Mitchell, 2008). The metrics portfolio should represent a balance of internal and external audiences, types of metrics and qualities such as comprehensiveness, cost, efficiency and relevance – with the initial dashboard being reviewed and evolved regularly (Clark & Ambler, 2011).

Although the need for this dashboard is recognised, the above approach does not provide solid advice on how to compile a dashboard of the most valuable metrics. Few marketers understand the pros, cons and nuances of each (Farris et al., 2006). Managers need to understand, calculate and explain key business metrics, how each one is constructed and how to use it in decision-making (Ambler & Roberts, 2008; Clark & Ambler, 2011; Farris et al., 2006). With the number of perspectives the marketer needs to consider, compiling a dashboard will bring the metrics together in a clear, integrated and concise package. This will also enable the marketer to compare and check each metric against the others for deeper understanding and accuracy (Farris et al., 2006). Ambler and Roberts (2008) agree that step one in selecting the right metrics is to make the company's long- and short-term goals explicit, and then to assign each of these goals at least one metric where marketing plays a major role. Clark and Ambler (2011) suggest the way in which employees' activities contribute to these actions should be included. At the end of the process, marketers will then be able to link these inputs and marketing actions with financial expenditure, competitive activities and expected results to measure against original goals (Ambler & Roberts, 2008).

When compiling this dashboard, Mintz and Currim (2013) provide an extensive list of marketing mix activities with corresponding marketing and financial metrics for the marketer to pick and choose from - one or all - as indicated in Table 1 (Ambler, Kokkinaki, & Punano, 2004; Ambler & Roberts, 2008; Clark & Ambler, 2011; Frischmann & Gensler, 2011; Gama, 2011; Gupta & Zeithaml, 2006; Zahay & Griffin, 2010). This demonstrates the over-analysis that can be spent on producing marketing metrics without a clear focus on what you are trying to achieve. Many of these metrics are highly specialised and not always useful; only proving relevant for specific analyses (Farris et al., 2006). In addition marketers may only develop this skill of accurate selection over a period of time (Farris et al., 2006).

The list of metrics appears comprehensive – including both lead and lag measures for marketing activities that can be used from the introduction or launch of the product or service, right through the lifecycle to maturity and then to the decline of the product. Well-recognised marketing-mix activities and disciplines are listed in the first column of this table (Table 1) – each with supporting marketing and financial metrics. The list of activities however clearly excludes marketing's role and any marketing mix activities that take place during the innovation process –this exclusion therefore also comprises all supporting marketing and financial metrics and key indicators that are needed to guide the marketer and measure success during this process.

Table 1: Marketing and financial metrics

Marketing-mix activity	Marketing metrics	Financial metric
General metrics	Market share (units or rands) Awareness (product or brand) Satisfaction (product or brand) Likeability (product or brand) Preference (product or brand) Willingness to recommend (product or brand) Loyalty (product or brand) Perceived product quality Consideration set Total customers Share of wallet Share of voice	Net profit Return on investment Return on sales Return on marketing investment Net present value Economic value added Marketing expenditures (% specifically on brand building activities) Stock prices/return Tobin's q Target volume (unit or sales) Customer segment profitability Customer lifetime value
Traditional advertising	Impressions Reach Recall	Cost per customer acquired/cost per thousand impressions Lead generation Internal rate of return
Internet advertising	Impressions Hits/visits/page views Click-through-rate	Cost per click Conversion rate Internal rate of return
Direct to consumer	Reach Number of responses per campaign New customer retention rate	Cost per customer acquired Conversion rate Lead generation
Social media	Hits/visit/page views Number of followers/tags Volume of coverage by media	Lead generation Cost per exposure Total costs
Price promotions	Impressions Reach Trial/repeat volume (or ratio)	Promotional sales/incremental lift Redemption rates (e.g. coupons) Internal rate of return
Pricing	Price premium Reservation price Relative price	Unit margin/margin % Price elasticity Optimal price
New product development	Belief in new product concept Attitude toward product/brand Expected annual growth rate	Expected margin (%) Level of cannibalisation Internal rate of return

Sales force	Reach Number of responses by campaign New customer retention rate	Sales potential forecast Sales force productivity Sales funnel/sales pipeline
Distribution	Out-of-stock percentage/availability Strength of channel relationships Product category volume	Total inventory / total distributors Channel margins Sales per store/stock-keeping units
PR sponsorship	Volume of coverage by media Reach Recall	Lead generation Cost per exposure Total costs

Mintz and Currim (2013)

2.1.4 Measuring marketing during the innovation process

Mintz and Currim (2013) prove that managers in companies that have a greater market orientation use more marketing metrics than those based on financial measures; yet they believe that prospectors do not fall within this group due to the uncertainties of the new markets they enter. Of the marketing activities however, new product decisions were said to use marketing metrics – while product development decisions tended to use more financial metrics to guide them. The study done by Gambatese and Hallowell (2010) declare an overall lack of metrics during the entire innovation process however.

2.1.5 The importance of marketing metrics during the innovation process?

If marketing metrics lead to superior performance (Mintz & Currim, 2013) , the theoretical perspectives presented by Ambler et al. (2004) provide support for the relevance of consumer-focused, innovation-driven metrics to contribute to this overall company performance. These include:

- Control theory, where Ambler states that once management establishes goals, metrics are set to compare goals with performance targets. This is a general directive towards all company goals. In terms of specific strategic objectives, especially those as challenging as innovation, there is far less direction. Ambler et al. (2004) do recognise conditions where marketing efforts are more difficult to measure. This leads to the second platform of Ambler's perspective.

- Ambler's directive is to use agency theory in conditions where marketing efforts are hard to measure - and more emphasis is placed on marketing expenditure controls - but the actual directive remains elusive and the prescription is vague. This supports the research by Mintz and Currim (2013) on prospectors developing new products for new markets and relying on more financial measures.
- The third theoretical approach mentioned by Ambler encompasses the institution itself, with aspects such as company culture, values and history, as well as the industry in which it operates contributing to innovation. Incorporating these into metrics is less straightforward and calls for disciplines other than those necessarily resident within marketing. This leads into further unpacking of literature on innovation.

2.2 Innovation

2.2.1 The benefits of innovation

While measurement may be vague, the innovation concept itself is less so. Innovation is acknowledged as a source of growth and renewal for a company and economy (Autant-Bernard et al., 2010; Moses et al., 2012), and can be achieved through new product design, a new production process, a new marketing approach, or a new way of conducting training (Porter, 1990) – each with its own key indicators of success. Innovation does however require deliberate and measured investments in skills and knowledge, as well as in physical assets and brand reputations. It also requires a conscious effort to gather information through R&D, market research or simply by effort and an open mind in relooking current business practices. This information plays a large role in the process of innovation and improvement (Moses et al., 2012; Porter, 1990) and suggests the use of metrics to track whether necessary activities and processes are taking place to harness it.

Porter (1990) believes that innovation results from effort, and a company can only maintain its competitive advantage through a relentless focus on constant improvement. Innovation and change are inextricably linked together and competitors will overtake at any signs of complacency. He does however say that customer relationships, economies of scale in existing technologies and loyalty of distribution channels formed early on can lead to a competitive advantage that may last for a number of years.

2.2.2 The innovation process

Innovation can be achieved through a flash of genius, brain storming and/or stroke of luck, or through a systematic approach (Sheu & Lee, 2011). They propose using systematic innovation process, linking planned business practices, and describe it as a 'way of innovative problem-solving systematically' that paves the way to "destined innovations". Each component is important to the innovation process and all must exist in order for innovation to occur and thrive (Gambatese & Hallowell, 2010). Resource wise, using a standard approach provides resources with a framework in which various tools and knowledge can be integrated to facilitate the innovation.

2.3 CUSTOMER INVOLVEMENT

2.3.1 The benefits of customer involvement

Zeithaml, Bitner, and Gremler (2010) believe the 'customer gap' is formed when companies have a lack of understanding of their clients' real expectations and needs – caused by poor interaction and feedback, or no real desire to address them. On the other hand, customer involvement helps firms innovate through superior and differentiated products (Alam, 2002), as well as the development of the innovating company (Oberg, 2010). Customer involvement improves a company's operational ability through superior technical quality and a faster development process, as well as accelerated diffusion of the innovation – and all literature agrees customers should be included throughout the entire development process. Camlek (2010) argues that innovative breakthroughs stem from understanding and tracking the actual customer environment and challenges. Throughout the innovation process, it is important to have standard processes in place to involve customers as valuable relationship-partners, gathering unique information and insights on the market, competition, new technology and personal preference for the company, as well as into the product and service development process (Alam, 2006).

2.3.2 The role of the customer during the innovation process

Customers are active to various extents and contribute in many different ways to innovations; playing roles as initiators, co-developers, sources of inspiration, informants, generators of ideas, developers, users and marketers (Oberg, 2010). Specifically looking at new service development, they can play a role in all ten stages of the development process, yet involvement in idea generation, service design and service testing and pilot runs may however be most valuable (Alam, 2002).

While the marketer has a number of models to choose from to gather feedback from clients - including in-depth interviews (popular choice); user visits and team meetings (popular choice); brain storming; user observation and feedback; telephone calls; faxes and emails; focus group interviews; and the interaction with users in management retreats (Alam, 2002) - the frequency and objectives for each of these should be set, and the findings captured and compared. Understanding the proper accomplishment of these activities and the processes involved then requires the right metrics.

Spending time or considering spending time with a brand may decrease the relationship distance between the customer and the company, leading to positive changes in engagement with the company. In addition, by changing the understanding of the situation from the communal relationship to an economic exchange, with simple actions such as giving input, there can be significant improvement on behaviour (Liu & Gal, 2011) Although it has been shown that the company will benefit from its customers' input to help improve its products and generate new ideas, as well as from potentially enhanced brand loyalty, the measurement and quantum of this is not understood. Financial metrics still act as the guide during the product development process (Mintz & Currim, 2013), whereby customer input is not a contributing factor and the role of the customer in accelerating the diffusion process is not considered.

2.2.3 Selecting and using customers in the innovation process

Bindroo, Mariadoss, and Pillai (2012) confirm that a company's own customer clusters are critical in the development of innovations. Geographical clustering of companies has been proven to result in regional economic growth and an increased number of innovations (Porter, 1990). Customer involvement, real-time information flow and face-to-face engagement help companies identify their clients' tacit and implicit needs, and positively and significantly affect the degree of radical innovation and innovation speed (Bindroo et al., 2012). Where customers are served through intermediaries, this knowledge will need to be deliberately gathered through frequent engagement with these aggregators.

Ellis (2006) warns that when companies have geographically diverse consumers, interaction with important customers, and gaining an understanding of their satisfaction levels, becomes increasingly difficult. Further to the proximity of clusters, Bindroo et al. (2012) confirm the relationship between the heterogeneity of customer clusters and radical innovation. Diversity within a company's network exposes the company to new ideas and information (McEvily & Zaheer, 1999), challenging marketers to understand diverse consumers and service them (Bindroo et al., 2012).

2.2.4 The complexity of developing products and services for clients' needs

Although the benefits of involving the customer in the innovation process are clear, ensuring that the right information and a deep understanding are ascertained is paramount. Petkova and Rindova (2006) believe there is a gap between the intended value of the innovation (expected by its producers and reflective of their ambitions) and perceived value (expected by customers). The concept, 'Beauty is in the eye of the beholder', is particularly relevant when understanding value. Value is about more than the product features and functions and should rather be illustrated from the customer's perspective. Vandermerwe (2004) believes that this can be done by widening the definition of the market space you operate in – encompassing the entire customer experience. Feedback needs to be gathered through every stage of what she terms the 'customer activity cycle' - from pre-sale (i.e. making a decision), to during (customer taking action), to post-sale (review and measurement), and to then align innovation and business practices to deliver it. From there it is essential to position all value statements from the customer's perspective in a simple and easy to understand language (Camlek, 2010) and to use communication that creates and shares information to reach a mutual understanding (Everett, 1983).

Another challenge for the marketer comes in delivering products and services through intermediaries such as financial advisers, agents and subcontractors, where they often act as a customer aggregator, or even as a substitute. Besides depending on these stakeholders to deliver quality service on the company's behalf, they are also the conduit of information and feedback and may require specific attention to control or motivate them to meet company goals (Zeithaml et al., 2010).

2.4 A CULTURE OF INNOVATION

Corporate culture is the strongest driver of radical innovation across nations and a higher predictor of financial performance for a company than other measures such as patents (Cottam et al., 2012) – yet Cottam et al. (2012) believe that the deficiency of an innovation culture is a deep challenge encountered by marketing.

A company's innovation climate plays a substantial role in fostering employees' innovative behaviour and shows a positive association with knowledge-sharing (Yu, Tsai-Fang, & Yu, 2013), and diversity of knowledge (Un, Cuervo-Casurra, & Asakawa, 2010). Quite simply, communication is key (Gambatese & Hallowell, 2010) and needs to flow to facilitate innovation. The company should also provide and measure the incentives, mind-sets and environment needed to facilitate the integration of knowledge, and the creation of new knowledge – particularly the conversion of tacit knowledge held by individuals - into explicit knowledge that can be applied to the creation of new products (Un et al., 2010). This literature all agrees on the necessity of this innovative climate to facilitate innovation, and factors contributing to its success should be considered, measured and consciously driven right from top management.

Committing resources to innovation is a key indicator of a company's strategic intent; and this too is something that should potentially be monitored as an indicator of success. Cottam et al. (2012) and Gambatese and Hallowell (2010) believe that this should be comprised of an inter-disciplinary, cross-functional team – using diverse backgrounds to influence the direction of innovation – as well as an innovation champion (Gambatese & Hallowell, 2010). This behaviour can also be enhanced by encouraging and providing opportunities for employees to put forward their ideas, with good support from upper management (Gambatese & Hallowell, 2010). This has been found to be particularly relevant for finance and insurance operators (Yu et al., 2013); and is supported by less traditional models (hierarchical and bureaucratic) of business organisations (Cottam et al., 2012). Prospectors are said to be far looser and organic, with their control being centralised throughout the organisation. Implementation tools, such as reward systems, empowerment, participative decision-making and culture, are far more important than tight or mechanistic performance measures (Valos & Vocino, 2006); while employees need to understand how their efforts relate to important company goals (Clark & Ambler, 2011). It is quite apparent that understanding the corporate culture and what behaviour it is driving needs be a key item on the marketing agenda, with metrics to track its progress included on the marketing dashboard.

2.5 Conclusion

This literature review outlines the importance of marketing metrics on the success of a company's current and future decisions and actions – particularly when aligned with the company's strategic goals. While much research has been done around both marketing and financial metrics for use once the product or service has been launched in the market, where innovation is a strategic objective these marketing metrics are not yet clarified. This literature identifies a number of factors that contribute to the innovation process that should potentially be considered when compiling this marketing dashboard - which lays the foundation for this study.

Chapter 3: Research questions

The purpose of this research is to understand the specific processes and factors that contribute to the success of the innovation process and to provide insight into key indicators and metrics that can be combined to form a marketing metrics dashboard. The question that will be answered to inform this research is:

Research question: What systematic approach is used during the course of innovation, and what processes help achieve this?

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

In this section, the proposed research methodology to address the research question set out in Chapter 3 will be described. A description of the methodology and research design is included, along with the population and respondent detail, and the procedure used for gathering the data.

4.1 RESEARCH METHODOLOGY

This study was conducted using the guidelines of Saunders and Lewis (2012) through qualitative research, which is exploratory in nature as it explores how innovative South African companies use marketing metrics to support their company objectives. Using the Critical Incident Technique to collect, content analyse and classify observations of human behaviour (Gremler, 2004) and an inductive approach to take contextual, specific learnings and move them to the general, it provided insights regarding frequency and patterns of factors that affect the innovation process (Butterfield, Borgen, Amundson, & Maglio, 2005; Gremler, 2004), and proposes a set of marketing metrics that can be used to guide these marketing activities.

4.2 RESEARCH DESIGN

The research study was conducted through qualitative expert interviews – inviting professionals to talk about their experiences and views from their field of work. Critical Incident Technique was used, a methodology well-suited for service research, by means of a set of procedures to systemically identify the factors that contribute to success or failure of a individuals or a company in a specific situation (Gremler, 2004).

4.3 Unit of analysis

The unit of study for this research was an innovative unit, recognised for its innovation in a recent innovation study.

4.3.1 Primary population

The primary population comprised of companies that are recognised to be innovative, as defined by their marketing strategy and objectives that are aligned with the overall corporate strategy – and innovation is a key strategic objective.

4.3.2 Sampling frame

The sampling frame was made up of companies that have been identified through the South African 2011 Annual Innovation study, conducted by the Innovation Agency. This study looked at a number of aspects surrounding the level of innovation being achieved by companies, from an end-user's perspective. The study was concluded in 2010 and 2011 and was done in a controlled manner through surveys with open-ended questions. Respondents represented a wide range of individuals from various backgrounds, with many occupying middle to executive level positions within South African corporates. Participants identified the following 22 companies as the most innovative in South Africa.

Table 2: South Africa's most innovative companies: 2011 Annual Innovation Study

Most innovative SA company 1-10	Most innovative SA company 11-22
SABMiller	Outsurance
Woolworths	Coca Cola
Nandos	Shoprite and Checkers
Sasol	FNB
SARS	Kulula
Discovery	Naspers
Capitec	MTN
Pick n Pay	Virgin
Multichoice	Mr Price
Bidvest	Cell C
Vodacom	BMW

The list includes a combination of product and service companies, with the top three ranked companies being product-based.

4.4 SAMPLING METHOD

The sampling technique was non-probability, purposive sampling. The sample represented a typical case of a successful innovative company and illustrated diversity. A multi-phased approach was used, starting with the selection of a company, followed by a selection of divisions within the company, and lastly, the selection of people within the divisions.

4.4.1 SECONDARY POPULATION

The secondary population comprised of companies and divisions within the innovative company. The sample included marketing, technical marketing, R&D, IT and product managers and executives from Discovery (see Annexure B) - a multinational company with five South African businesses, recognised as innovative in the aforementioned study. The research focused on one of the Discovery businesses, namely Discovery Insure – a two-year-old business operating in the short-term insurance industry. Judgement sampling was used in selecting Discovery Insure due to its very recent innovative product launch in July 2013, to minimise chances of respondent memory loss – a noted criticism associated with the Critical Incident Technique (Gremler, 2004). Mintz and Currim (2013) say that company strategy results in managers making similar decision-making processes throughout the firm. The focus of the research was to ascertain if this is true across the different Discovery Insure business units contributing to the innovation process.

4.4.3 Tertiary population

The tertiary population comprised of employees of the division or subsidiary company, in which quota sampling was used across types of function.

4.5 Data collection tool

Critical Incident Technique offers a clearly defined, systematic and sequential research process developed by John Flanagan (1954), which facilitates the investigation of significant occurrences identified by the respondent, the way they are managed, and the outcomes in terms of the perceived effects (Gremler, 2004). This content was then analysed and interpreted to report on the data.

The aim was to help organisations quantify, compare and interpret their marketing performance; provide rigor and objectivity in decision-making; facilitate understanding and collaboration; and provide a manageable set of key indicators that cover the relevant strategic activities for the company.

Semi-structured and conversational interviews were used to gather data, using the Critical Incident Form (Annexure C). Face-to-face interviews were preferred as vital observations would be possible. Telephonic interviews were used as a back-up where required, due to diary constraints of the interviewees. Using the Critical Incident Technique, respondents were asked to explain the innovation process around the recent Discovery Insure launch in their own words, recalling specific and significant occurrences and their effects on the innovation process. Depending on the nature of each interview, additional questions were asked to explore the answer in more or full detail.

The interviews were objective and exploratory, with no preconception around what was important to the respondent, resulting in a rich source of data gathered from the respective respondent's point of view.

The method was as follows:

- Each interviewee was given a consent form to sign at the start of the interview, which included a confidentiality clause.
- Selection of the critical incident was discussed.
- Respondents shared their personal experience of the critical incident.
- Notes were taken throughout the interviews, with full data collected through audio tapes and transcripts of conversations. Special notes were taken of expressions, emotions and visual displays.
- Themes and patterns were cross-referenced, new themes were identified, and the data was reviewed in line with literature.

4.6 Validity and reliability of the research

The data was assessed for reliability and validity to understand the objectivity and credibility of the research. The validity of the research was substantiated by a number of techniques, including respondent validation and constant comparison. The Critical Incident Technique is criticised for reliability and validity around ambiguities associated with category labels and coding rules (Gremler, 2004). One researcher was used right through the interview and analysis to ensure consistency throughout the research process. Triangulation was used in comparing the data with the company's annual report. Overall insights were formed to create general principles.

4.7 Data analysis and interpretation

Researchers can use a number of techniques for analysis and interpretation when using qualitative data. Spiggle (1994) identifies seven analysis techniques, of which comparison and iteration were useful for this research. Comparison allowed the researcher to explore differences and similarities between respondents, while an iterative technique enabled the researcher to move back and forth through the data collection and analysis process to probe further and gain a deeper understanding of the answers.

4.8 Limitations of this research and future studies

Due to the small sample size, knowledge produced could not be generalised to all innovative companies in South Africa – findings were possibly unique to the relatively few people, and large, listed companies included in the research study. The results could easily have been influenced by the interviewer and/or researcher's personal biases and idiosyncrasies. The fact that attention was only given to one company within the Discovery Group could possibly have detracted from the potential of the findings to be applied to all innovative companies. Due to retrospective research, respondents could have had recall bias.

CHAPTER 5: RESULTS

Chapter 5 presents the results obtained from the data collection and analysis following the methodology outlined in Chapter 4. The qualitative study was aimed at identifying the key indicators that contribute to, and support, the innovation process. The sample was chosen using purposive sampling to allow the innovation process to be explained from the perspective of all business units that were involved. Nine interviews were conducted using the Critical Incident Technique, in which respondents were asked to talk about their respective experience with the recent Discovery Insure innovation launch, while touching on the key events and milestones along the way.

All interviews took place during August 2013, within three weeks of the innovation launch – with the majority taking place within the week that followed the event. Respondents were interviewed at their own offices, with a semi-structured and conversational approach. Respondents were asked to describe their experience. The majority spoke freely, with only occasional pauses for reassurance that they could continue talking. Prompting questions were also used to ensure all aspects of their experience were covered.

This chapter explores a number of high-level findings and themes that emerged from the data. Respondents' quotes have been interspersed throughout the chapter to highlight the clarity of the many points that were discussed.

5.1. STRATEGIC RATIONALE FOR INNOVATING

Respondents identified a number of reasons for annual innovation at Discovery, including building the company's brand and a genuine positioning of innovation in the market, creating a first mover and competitive advantage, as well as supporting the market-product interrelation. Evidence of this is given below.

> *"It's a company philosophy that every product has to re-invent itself every year to stay ahead of the competitors in the market and to provide the best offering to the client. So within our unique offerings we aim to grow and provide the best service we can in line with our company core purpose of 'making people healthier and enhancing and protecting their lives'."*

> *"There are probably three reasons (for the annual innovation launch). One is to be seen as innovative. There is a brand value of being innovative and people want to be associated with innovative players as opposed to staid players; so you innovate to provide this. But on the other hand you don't want to innovate for nothing, for the sake of it; you don't want to have a launch that is empty – it has to have substance in it. The second reason is the competitive space – innovation keeps us steps ahead of the rest of the market. When people catch up you just become a commodity again. Then the third piece is looking internally, where we are in our evolution, and where we have gaps in our product… focusing on all the different markets.*"

Even though the company innovation launch takes place annually, the innovation process is an ongoing business practice. Respondents stated that although the recent launch has just taken place, meetings have already been set up to discuss innovation for the year ahead, and how to 'do things even better.'

> "*We set a date…. and once the last one is finished, from that time onwards, we starting thinking about ideas of what we can do for next year's launch. It's a continual process, rather than a 'this time of year thing'*."

5.2. Respondents' experiences

Although all respondents were able to identify a high-level process that is followed during the innovation process, no step-by-step guideline is formally available. This knowledge seems to have been learnt through experience, rather than through a formalised and documented process, or overt metrics; speaking to a great deal of implicit rather than explicit practice. The average tenure of respondents at Discovery is 6.8 years; including three respondents with over five years, and three with over ten years.

The following high-level steps were reiterated in similar order by the majority of respondents in the interviews:

1. Set a date for an annual innovation launch (referred to by all nine respondents).
2. Identify broad themes to be considered – including elements of product enhancements, improved service, and innovative marketing initiatives.

   "Themes develop over a long period of time… ideas put on the table, initially quite loosely, and they are debated in various forums."

   "I think the launch is initially very loose, then it gets tighter into different streams – which are key things… at the centre there is our core product that we want to develop and differentiate, then there is a layer around – like the fringe benefits that are closely linked to the product that we can sell to our clients, then on the outside of the circle are the 'wow' factors – the touchy, feely things that really make an impression on people."

3. List, rank and prioritise ideas based on demand, value and the business case: once a stream of ideas has been generated through multiple channels of client feedback, these are discussed internally with a number of internal stakeholders, who have extensive product and development experience in other Discovery businesses. Informal internal research is also done to qualify ideas and perceptions. A number of respondents clarified that if a brilliant idea is initiated internally, these are not shared externally during the innovation process, but rather cultured internally and launched with other products that brokers have requested.

"If we come across feedback identifying a perception, and can confirm this perception internally, then obviously there are people in the market with the similar perception… then there is a need."

"Test the perceived value of the product that people would pay versus the cost, and if higher, then there is clearly a perceived need for the product."

"Once you find out what the needs are, you start prioritising them…"

"We have a long list of ideas and we prioritise together. We probably launched about five; six or seven good ideas, and maybe three times that that are still out there that were not pursued. Some of them maybe just don't have the correct focus on them, or they may be too operationally complex, or simply very expensive good-ideas. There is also a balance between doing too much, and then it's no longer exciting in getting views from people."

4. Begin a focused investigation of ideas, generating the following documentation: business architecture, product and system specifications (mentioned - in part - by all nine respondents).
5. Create a project management dashboard and manage all deadlines.
6. Test new functionality, including a soft-roll out of new service promises.

"It's good if we can pilot before we actually make the promise so that we don't go to market with something that is not doable, because every process has its inherent pitfalls and things we didn't think of."

"*That's how a lot of our technical innovation works – it's just trial and error. We try…. then we try something else, see how that changes, change our communication, see what happens, add incentives and then start coming up with the product once we know it actually works…. Once you have proven a concept, the fundamentals, then it's just a case of putting the pieces together…. We want to know what turns people on and gets them to engage."*

"Through our experience it is good if we can pilot before we actually make the service promise."

5.2.1 The role of the intermediary

Discovery is a financial services company that relies on an intermediate broker channel to market its products to potential clients. Although relationships with clients are built up over time, the broker is relied on for this initial marketing and sales process and often for relaying clients' ongoing needs. Almost all respondents acknowledged this upfront, with one respondent describing the brokers outright as their 'main audience'. The frequency of discussion around the broker is reflected against the nine respondents below, thereby in this study identifying them as considerable role players.

Respondent	1	2	3	4	5	6	7	8	9
# of points discussing the broker	14	24	4	6	4	4	1	2	6

Ongoing communication and feedback from this channel are seen as vital to the innovation process. Respondents emphasised that understanding the brokers' role and how best to support them is essential. Face-to-face interactions and frequent meetings were, highlighted, with a number of three to four days per month for these given as an indication in one interview. Identifying brokers' needs and obtaining their feedback were the most frequent points highlighted by respondents – tallying half of the total broker points discussed.
Respondents further describe it below:

> "*We have a service team specifically for our sales channels who are on the road giving them updated information, hearing their problems and finding out where they have issues and what is working well or not working well. It's a continuous process."*

> *"We have a lot of feedback from our sales channels. They are the core of our business – they take our product out to market…..We engage with them a lot in the innovation process….. We continually get feedback from them, and when we have a number of similar comments, we will arrange more formal, maybe focus groups."*

"You have to get your sales people involved. If it is not going to sell, there is no point."

In considering why this level of involvement with brokers is undertaken - it was identified as important to understand the wealth of knowledge that the brokers hold. Broker feedback and ideas are taken very seriously – involving them upfront to get their input and help design solutions. One respondent commented that they don't know what they want until they have seen what they don't want – again emphasising the importance of establishing good relationships and working closely with them.

"They are much closer to the clients so know what they need… we bounce ideas off them… we took brokers through the whole product and they changed things, and we changed things and they helped us decided how to make your product a hit… brokers have to sell it, we do listen to brokers."

Of course the wish list is endless, and not all feasible in the short-term. Brokers are then used to help prioritise the ideas for implementation and select their top three - or so, 'big hitters'.

"We have to start shedding off what we want – so we have our list of ten, they prioritise…. we try matching all ten, but as time runs out, we have to start trimming... in the end we've developed and met 90% of brokers' requirements."

"We know that if we give brokers what they want, they're going to sell more."

Brokers are used across different stages of the innovation process. Idea generation and idea screening are identified above, while using select 'trusted' brokers was also identified in the testing process.

"We have a beta test of brokers that help us test (online tools). Once we are comfortable with everything we take it live, but only tell a few brokers, and let them use it for a while, getting feedback, before rolling it out to everyone."

Respondents describe the importance of capturing feedback from all types of brokers.

> "*Sometimes we put a mix of different brokers in a room, including a mix of really star-sellers, and brokers that aren't giving us a lot of business…. about ten people in total in a room… and we start putting things out and making social chat. They talk about what doesn't work, and then someone will say 'but wait have you tried it this way'… we find one broker will ask a questions and another broker will answer it, and where they have gaps we will fill in or where they are on the wrong track we will fill on, but it gives the other brokers ideas of better ways to sell things. We simply listen to the conversation and take notes, and steer them in the right direction to make sure we get the right coverage…. so they get tips from actual brokers selling. This works very well. You also get a lot more buy-in."*

The presence of multiple players and sources was highlighted as respondents spoke about brokers; regularly following with an acknowledgment that there are different types of brokers, with different business structures, focus areas and unique needs.

> *"We interview independent brokers that sell Discovery Insure, and those that don't. We interview our tied agents that only sell Discovery Insure… we find the agents have very different needs….. We look at brokers with binder agreements where they earn broker fees to do their own administration."*

Other segmentation measures identified included the level of influence and reputation - engaging with industry names as well as new comers; as well as tenure in the industry - with both established and new brokers being considered.

Respondents also spoke of multiple, non-consumer sources – and the role of consumer aggregators such as intermediaries and consumer journalists. One respondent described how one of the recent launch ideas came from having breakfast with a consumer journalist who expressed the complaints she gets from consumers and wished she had more time on which to focus. The respondent said further:

"Normally you see where the complaints come from – I think you just need to be open-minded. Just listen to the client and put yourself in his shoes – you'll find the client is right and there is no defense in what he is saying that makes you change it."

The long-term value of relationship building was underlined, along with the ability to leverage historical relationships. This also pinpoints the importance of long-tenured employees. Many employees, including a number of the respondents, have been in the industry for a number of years and their long-term industry relationships are often also leveraged.

"Choosing who to involve, we spoke to the head of the broker support team and asked which brokers we can trust, and visited brokers who have become our CEO's friends."

"*It's also a psychological thing, you create champions during the process, if you take time to sit with them and understand their processes…. It's often about setting expectations and creating that relationship*."

Regional variances were acknowledged, with differences in behaviour and needs described between brokers in major cities in South Africa, with vast differences between Cape Town, Durban and Johannesburg brokers' business approaches and support requirements.

"We also find there are very different needs between Joburg and Cape Town brokers. Joburg brokers are lazy; he wants his PA to do everything. He doesn't even log in on our website to do is administration… his PA will do it… but the broker will be the first one to phone in to complain… Where Durban brokers want their own access to everything… their raw data… they want to log in and do everything themselves. Joburg want one contact person in our building that they can phone whenever they need something, where Cape Town brokers have a mixture of the two… some want one contact person, some want to do it all…. There is a big difference in the metro areas and what their needs are. We also find that Durban brokers are more onboard for helping – like beta testing, so if we are rolling something out all of Durban brokers want some of the action to help us test it and make sure we are on track, where in Cape Town and Joburg only some of the brokers will help. Joburg brokers will offer, but then more often than not, not do anything, while the Durban brokers ask when they can start helping."

5.2.2 Meeting clients' needs

While the broker's role and value was articulated, the ultimate end-goal of adding value to the client was also clearly expressed, with a number of facets to this discussed by most respondents.

Respondent	1	2	3	4	5	6	7	8	9
# of points discussing the client	23	16	27	2	6	9	4	1	10

To start, innovation is used to simply fill any gaps the company has.

> "*We launch with the aim to create something new specific to our clients' needs…. The start of the process is to understand what we currently offer, and understand if there are any gaps in what we currently offer, then go internally to see how we can close those gaps*."

Client experiences and needs are gathered and understood through feedback from a number of different channels, including the operational and service team areas. Respondents' comments supported this with over a third of the points mentioned focusing on client needs and feedback.

> *"In the early research phases… we look at what is happening in the market externally, with our competitors, and what are we hearing from our clients."*
>
> *"We actively engage with our clients. We always get servicing member-based ratings to see what is happening and we are very active in social media; trying to understand their problems and take them on board."*
>
> *'We have client interactions – especially like complaints or bad interactions, and we collect that information and see if there is a trend coming through – then we'll obviously try and create something in that space. We also keep a close eye on*

technology, on world innovation in various spheres, whether it's electronic or in social media, to see if there is any way we can utilise that….. To make peoples' lives better, enhance their lives."

The above quote also highlight the mindset that the respondents have in getting feedback – both good and bad. The desire to constantly improve what they provide their clients is supported below.

"We are always looking for ways to improve things. There is always an opportunity to improve things. We don't need to innovate just for the sake of it."

The use of company data to really understand client behaviour and engagement is also used to solve business problems and find better ways to do things for all parties involved. One respondent made it quite clear that they are all clients themselves, so it is appropriate to use self as a source for establishing what they want.

Understanding clients' needs extends further than the just the product – particularly for a financial services company selling an intangible product where the marketing material and communication is the initial manifestation of the product. Respondents all had a good panoramic view of the entire process, including understanding how it will be sold, and where it will interact with the client.

The sales process is often the first touch point for the client, which includes all marketing material that the client reads pre-, during and post-purchase. Communicating innovative products and services, also requires an innovative communication approach. Comprehensive material is put together for brokers to use in the sales process, and for clients to understand what is being offered. Although segmentation of the client base was not clearly articulated, there is a clear understanding of the different needs of clients that need to be addressed through the communication, as alluded to by the following respondents.

"Looking from a marketing perspective – what is the best way to take this out to our clients… We look at what we are launching and the best way to take that information out to the client. We simplify the very technical communication that the product (development) teams have put together. We'll work with them to understand fully what we are launching from a man in the street's perspective."

"We need to be very clear about what we are saying… our product can be complicated and we need to make sure we understand and are clear in our communication to various people…. We have this wonderful product, but it is not going to be so wonderful if we can't explain it to someone, in the right manner, and in the right space. We need to guide the business on this sort of thing."

"We need to understand how the product works, we need to understand our clients and what they need, we need to understand who is going to sell them, and how we are going to talk to each person through the process."

While putting marketing material together, the question is asked as to how the innovation will manifest in the client's mind. Respondents, particularly those who work with financial advisers, spent a fair amount of time unpacking the sales process and tools that the company provides, and how these manifest in the lives of their clients. During the process, additional testing is done to ensure the full selling and buying process is understood. One delegate discussed how the sales tools pre-populate the client information for the broker – making the selling process that much simpler and efficient.

"We need to make sure that sure that the financial advisers' and clients interests are met throughout the innovation period."

5.2.3 Buy-in and approval

Once ideas have been collated, respondents all identified a handful of influential individuals who need to see the ideas before spending any more time on them. Ideas are presented and there is broad agreement on the process moving forward. The presence of an influential champion is apparent. Individuals identified by most respondents include the Group Chief

Executive Officer, and Chief Marketing Officer, who ‘always have an eye on what is going on out there’ and ‘essentially are responsible for carrying the brand’. The innovation launch is overseen at the highest level and early, and final, sign-off by these individuals is a non-negotiable step.

The Discovery Insure Chief Executive Officer, Chief Operating Officer and Chief Financial Officer were also identified as crucial to decision-making and approval during the process.

> *“Our Group CEO and CMO are probably the two critical sign off pieces. If you don’t have their sign-off then it’s going to be an uphill battle. We choose to get their sign-off early to clear up any major objections… one or two projects get cancelled, but when you see their faces light up, you get a sense, and just know.”*
>
> *“If you are spending money it’s important to make sure your CFO understands why you have spent the money, otherwise he doesn’t buy into it and you will always have a negative slant”.”*
>
> *“So key people I would say is Adrian Gore, our group CEO, because he has this requirement across his business units; then the Chief Marketing Officer…”*

5.2.4 Identifying the business case

Understanding the operational implementation impact of new ideas was identified as a consideration when prioritising ideas to launch. Creating the business architecture specification document was highlighted early on as a link between business needs and current business practice.

> *“So you can build nice systems sometimes but whether they are actually what the business need is the problem… business used to give system requirements instead of business requirements... it’s now about the approach to business and how we solve their problems… it’s an initiation of a need, not the solution… this change in analytical process has resulted in a lot more success in launches.”*

Many respondents touched on costs for the business and costs for the clients, again in the prioritisation process – and a handful referred to understanding the business case for a new product.

> *"You mustn't lose sight of this post innovation – the business case needs to provide it. One idea we had was a great idea but scrapped two years in a row because of the cost of implementing versus the benefit take out. The benefit is good, but the cost of it is just too high."*

5.2.5 A CULTURE OF INNOVATION

A strong corporate culture came through from all respondents; contributing factors are discussed below.

Respondent	1	2	3	4	5	6	7	8	9
# of points discussing internal culture	14	4	2	3	10	3	3	4	4

The culture of openness and transparency, interaction and collegiality was spoken of. All nine respondents attributed the success of the innovation process to the internal collaboration process. All business areas within the company are involved right from the onset and each play a valuable role in building and refining what is launched. Transparency was also identified as going hand-in-hand with collaboration, with data being shared openly between teams.

> *"We keep the whole team involved; it's important that they whole team knows what we are working towards – and there are no surprises at the end."*
>
> *"It's due to the involvement of everybody. I think everybody has their core function… there is value to be had at involving everybody at the right stage."*
>
> *"There are lots of people involved from marketing, business, sales, technical marketing people and I think there is a lot of collaboration in that process."*

This collaboration culture was noted to also extend to business partners and suppliers, with transparency again being highlighted as supporting the innovation process. One respondent clarified how partners are often the face of Discovery Insure to the client and own much of the client experience. Having a shared understanding of the larger strategy and value proposition for the client is vital in delivering what needs to be done, often within budget and time restraints.

> *"Collaboration with partners is critical because ultimately they are interacting with the clients. If they don't buy into what we are trying to do, or out thought process, then they won't deliver on it. Sometimes if you ask partners to do things that are sub-optimal profitability or cost, they need to understand the big picture."*

Although a number of formal meetings and face-to-face discussions are held, the fast pace of the project is enabled with adhoc get-togethers and updates using email, sms, and 'quick phone calls' – keeping everyone on the same page. Communication was identified as a key factor to success, facilitating quick turn-around times, and mutual understanding. Debate is encouraged and was described as both heated and healthy.

> *"I think that this in our instance, happens very quickly… there are a lot of discussions, there is a lot of talking, a lot of collaboration."*

> *"We're very verbal in that updates are given on the fly to anyone on the fly, but we do try discuss it at the exco meetings too so that everyone gets feedback."*

> *"Email does work well in getting quick sign-offs."*

> *"It's also on-the-fly communication so no one will wait for a meeting to discuss something. We get to a point when there are phone calls, sms's, emails, all going around to keep everyone on the same page… there is no formal set up."*

> *"We communicate openly and quickly and in doing so we make sure we are transparent and everybody is involved in the process."*

“I think everyone works well together and even though there are some heated moments and pressures we still come together and laugh about it at the end.”

“There is a lot of debate and to-ing and fro-ing around the products – it does help to define the product a bit more.”

The culture also reflects a dislike of bureaucracy and prescriptive systems. This informal approach is credited to working so well due to each participant’s understanding of his/her role, and how what he/she does influences and impacts everyone else. It is due to this understanding and accountability that extensive verbal communication can be used, instead of spending time trying to formalise the process.

“We were laughing because we never physically sign something off and people say ‘well where is the signature’ and we just tell them that it’s signed off, we’re not looking for a piece of paper and it’s very hard for auditors to understand because we say it’s signed off…. we don’t have time for admin.”

‘” think it’s very important to understand everybody’s role, so that in your role, if there is a hiccup in another area, how it affects everyone.”

The culture is one of lower-power distance. With role clarity, as identified above, an important factor, the sharing of ideas across roles is widely and openly accepted, with the common goal in mind, rather than a territorial approach. Key individuals, cited above as important for the sign-off process, were also acknowledged as readily available and an interdependent part of the collaboration process. This was identified as an essential factor to not slow down the process, and again something that supports innovation at Discovery Insure.

“If someone has a better idea, a better way of doing it, during the process, even if it overlaps my role – more streamlined, quicker, and better for the client, cheaper, more effective, then we’ll go for it. We constantly relook things – even in the final stages.”

The corporate culture is also one of inclusiveness – valuing all individuals and their potential to contribute, and encouraging the offering of ideas.

> *"If you went to another company you would spend all your time trying to convince someone why it's not a bad idea, or they would give you the reasons why it wouldn't work. I think the culture in this business is that it is a great idea, and I am sure it will work, and then we deal with and work through the problems."*
>
> *"We have a way of always getting the market leading ideas. We have the most amazing thinkers – it's because of our environment. We have people who have joined from other companies but Discovery has a way of keeping us innovative. Discovery has a way of making you feel part of everything."*
>
> *"People innovating need to be motivated – if you come up with an idea and just get shot down, eventually you don't use your energy to generate ideas. This company produces that kind of energy… it like multiplies the energy, while other companies do the exact opposite."*
>
> *"Anyone can contribute. There are no bad ideas. Sometimes ideas develop overtime and become something very different when we get to the launch stage."*
>
> *"It really is a team effort and the passion and excitement in that space really drives us…. There is an element of fun."*

In showing inclusiveness again, and a collectivist trait, is recognition and reward for good ideas; giving participants the opportunity to be a part of the roll out of their ideas.

> *"Everywhere there is a focus on doing something new, coming up with ways to improve the business or makes the lives better for our brokers or clients. Good ideas are also implemented and there is recognition associated with that. With the innovation competitions, everyone is inspired and motivated, and given the opportunity to come up with ideas, and get recognition. So people want to come up with an idea because it's two fold – recognition for doing it, and the opportunity to actually implement the ideas themselves... It is empowering people."*

This inclusiveness and sharing of ideas is a group-wide culture, not something isolated by brand.

> *"Sharing of ideas is also not limited to within the Discovery Insure business, but is done across the other Discovery businesses in the group. It's not just product integration, but also kind of innovation and idea generation that is starting to happen across the group."*

With role clarity identified above as an important factor, sharing of ideas across roles is widely and openly accepted, with the common goal in mind, rather than a territorial approach.

> *"If someone has a better idea, a better way of doing it, during the process, even if it overlaps my role – more streamlined, quicker, and better for the client, cheaper, more effective, then we'll go for it. We constantly relook things – even in the final stages."*

Internal innovation competitions are also used to generate ideas; this time creating a culture of competiveness – and an individualistic trait. Respondents referred to two competitions where employees submit ideas and stand a chance of being rewarded.

> *"People are challenged."*
>
> *"We don't have the word impossible in our vocabulary."*

5.3. Conclusion to research results

The purpose of this chapter is to present the research results from the research sample, based on the research question in Chapter 3.

These findings and other significant qualitative comments collected from the research sample will be discussed in the next chapter, in conjunction with the literature review presented in Chapter 2.

In closing, using triangulation for validity, the following insight and quote from the 2012 Discovery Integrated Annual Report gives context to the Discovery business strategy and focus:

‘Discovery’s strategy and products focus on, what they believe are the most fundamental areas of people’s lives – their health and wellness and the financial security of their families. They strive to add value and make a real difference in the lives of their clients through ‘continuous innovation designed pioneering products and services’. They believe their client-centric approach lies at the heart of the way they do business and is the common thread running through all our products. Looking to the future, Discovery’s goal is ‘to be one of the best insurance organisations in the world, one that is renowned for excellence, innovation and financial strength.’ ("The 2012 Discovery Integrated Annual Report," 2012)

Chapter 6: Discussion of results

6.1. Introduction

The purpose of this chapter is to discuss the results of this research in light of the research question posed, and it brings to a close this research cycle. In this chapter final conclusions are drawn, based on the literature review discussed in Chapter 2 and the findings obtained from the qualitative interviews presented in Chapter 5. Based on the results, conclusions are made from consideration of the responses and a set of 12 key indicators are proposed for the marketer to use as a measure of success during the innovation process.

The research question sought to understand the specific processes and factors that contribute to the success of the innovation process and to provide insight into key indicators and metrics that can be combined to form a marketing metrics dashboard. The question that will be answered to inform this research is:

What systematic approach is used during the course of innovation, and what processes help achieve this?

6.2. Conclusions and proposal of marketing metrics

The literature review in Chapter 2 consistently applauds the value of marketing metrics, yet includes a number of alternative views on the ideal metric, or metrics, to use when compiling the marketing metric dashboard. The results from this study concur with Ambler and Roberts (2008) in that no one silver metric is sufficient to manage the innovation process – yet they differ from the strong weighting placed on financial metrics. On the other extreme, the study done by Mintz and Currim (2013) sets out to provide an elaborate overview of the full marketing metric landscape, offering over eighty marketing and financial metrics to choose from. One of the six dimensions they base their conceptual model on is the firm's characteristics, justifying that this accounts for differences in resources, motivations and abilities affecting information use. Surprisingly, corporate culture does not feature at all within their framework. This study however has proven the undeniable value of a strong corporate culture of innovation as the fundamental contributor to the innovation process, supporting the findings by Cottam et al. (2012) that corporate culture is the strongest driver of radical innovation and highlighting the need for marketing metric literature to draw on innovation literature. While building and maintaining corporate culture has traditionally been seen as a human resources function, the results prove that marketers should no longer solely entrust this critical role to other departments within the business, but rather incorporate the key drivers of achieving and maintaining this culture of innovation as part of the marketing metric dashboard.

6.2.1 A CULTURE OF INNOVATION

In looking at the findings from this study, a number of key insights have come to light, each contributing towards the culture of innovation at Discovery Insure. Although employees from varying levels were interviewed, every respondent acknowledged the primary role that the corporate culture plays in achieving innovation. Clark and Ambler (2011) propose a different set of metrics for use by the C-suite versus middle management, however it is evident that having the right culture that promotes innovation is something that should be driven by managers on all levels – creating a greater sense of accountability, and building a far stronger case for success.

The Discovery Insure culture is achieved through a number of environmental and attitudinal factors that enable all divisions within the business to work towards and achieve the corporate strategy. While all of the above starts with a clear understanding of the corporate objectives, the direction of the corporate strategy could shift in the presence of this strong corporate culture, and employees would be equipped to positively draw together to adopt their new goals and work together to achieve them. This contradicts the literature by Ambler and Roberts (2008) who believe marketing metrics should be directly linked to the corporate strategy. While the company's long-term and short-term goals need to be explicit, this research shows that the root energy created by a culture of innovation, is a far stronger indicator of success than simply tracking activities towards a corporate objective.

The first contributing factor to Discovery Insure's culture is the absolute obsession with continuous innovation right from the top, and the drive to achieve this in everything the company does. Innovation is built into the overall corporate strategy and, as recommended in the literature by Valos and Vocino (2006), incorporated into internal conversations, incentives and reward programmes - ensuring that it is always top of mind. This pinpoint focus and desire for constant improvement is recognised in the literature by Porter (1990) as a key ingredient for innovation. Companies not achieving this sort of innovation may learn from this constant reinforcement and focus from senior management. Innovation champions play key roles in driving the innovation process, and provide early agreement and consent on ideas – giving employees the freedom to move forward with their work. This culture is then driven through the collaboration of cross-functional teams and a sense of inclusion within a relatively flat corporate structure. This aversion to being a hierarchical organisation opens employees up to engage in conversations with people on various levels and from different divisions, and creates an environment in which individuals are able to express themselves and their ideas – which supports findings of Yu et al. (2013) in that this is prominent in finance and insurance operators. Input is valued, and interestingly, often debated – and a lack of bureaucracy stimulates frequent and informal communication and sharing of data. The lack of prescriptive systems and processes enables employees to create their magic – while collaboration and inclusiveness facilitates and supports the process.

While the culture of innovation is unmistakable, clear metrics for this may be slightly more complex to articulate. The findings highlight that much of the contributing behaviour is innate to Discovery Insure employees, rather than formalised, and any moves towards formalisation would be met with resistance due to perception that structured procedures are contrary to innovation. Gama (2011) recognises the value of an appropriate corporate culture as a contributor to marketing success yet includes it as just one of the factors in his expanded model of marketing performance; and although he acknowledges its intrinsic nature, he provides no metrics to gauge its success. Other factors that the model requires the marketer to focus on include metrics within marketing processes, market performance and financial performance; which dilutes the marketer's attention on what this study has shown to be the most fundamental metric during the innovation process.

The approach taken by Clark and Ambler (2011) of using metrics to compare against past information also does not support the innovation process. If new decisions are constantly compared to previous ones, creativity and imaginations will be stifled. They go on to say that metrics should be based on understanding the competition, customers and environment – yet again where innovation is concerned, metrics would be far more beneficial to track whether the right culture that drives innovation is flourishing rather than to benchmark against what is already out there. For this, cultural metrics may need to be included on the marketing metric dashboard to gather meaningful feedback on employee engagement and intrinsic mind-sets. This leads to the first of the metrics to be considered:

1. Employee KPIs linked to corporate strategy: This metric will ensure employees are aware of, and understand the corporate strategy as well as align all employees' efforts across the company.
2. Innovation-based incentive and reward mechanisms: Measuring innovation incentives and rewards will enable the company to track the number of innovative ideas generated by employees, and ensure the right mechanisms are being used to drive this behaviour and, in turn, recognise and reward employees.
3. Levels of employee engagement: Employee engagement, such as employees' feeling of inclusion, is the cornerstone of corporate culture and should be measured to inform where any corrective action is needed.

4. Availability of innovation champions: Innovation champions drive the innovation process forward and motivate employees through their personal involvement. Tracking their engagement and availability can ensure that decisions are made early in the process, and employees are empowered to move forward with their work.
5. Level and ease of access to data: Ensuring that employees across divisions have easy access to view and share data not only contributes to a culture of collaboration and inclusion, but empowers and enables employees to take ownership and deliver on their objectives.
6. Number of divisional teams involved in the innovation process: This metric will guarantee necessary collaboration across divisions.

6.2.2. Client-centricity

The second most evident factor in fueling the innovation process is the absolute focus on the client. Feedback is gathered through a multitude of channels – taking time to understand the entire customer experience and ascertain where value can be added. Customers are involved in the various stages of innovation – including idea generation, service design and service testing - as identified by Oberg (2010) as most valuable stages – with soft-service launches specifically mentioned as important at Discovery Insure.

Customers may be individuals or may be represented by an aggregator, clearly depicted in this study by the role of the financial adviser, and as elaborated on by Zeithaml et al. (2010). Understanding the various roles of the customer as well as any stakeholders who have large exposure to customers enables the company to gather detailed feedback about the customers' needs and experiences. The internal culture of transparency, openness and collaboration is adopted for partners and suppliers, and should be extended to these aggregators and client-facing stakeholders too to ensure the brand is upheld, and information flows back to the company habitually.

While the financial adviser provides feedback representative of his clients, his exposure is restricted to within the framework of his business, which may limit the interaction and exposure to left-field customer-orientated innovation opportunities. The financial adviser is also managing the interests of his own business – and the company should be mindful of this complex agenda when involving these individuals in developing and prioritising ideas. This highlights Discovery Insure's accurate approach to customer engagement – dealing directly with the customer as well as aggregators, partners and suppliers to gather a balanced view of the external environment and customer experience, and demonstrating the value in dealing with heterogeneous and geographically-diverse stakeholders for maximum benefit, as discussed in the literature by Bindroo et al. (2012).

Discovery Insure's ability to manage collaborative relationships with diverse stakeholders, while channeling feedback into the innovation process, provides insight into the next metrics to be considered:

7. Number and variety of sources of feedback used: Feedback from multiple stakeholders and channels is crucial to inform the innovation process in giving reason for this metric.
8. Frequency in which sources of feedback are rotated: This metric will track that a variety of stakeholders are used throughout the innovation process and that due diligence is given to each of them.
9. Number of new ideas and product gaps identified: Innovation needs to be a continuous process so tracking the number of ideas indicates whether all idea generating mechanisms are working, while the number of ideas and product gaps identified boosts the innovation process.
10. Number of service pilots in trial: The value of piloting-service initiatives has been shown, so tracking the number of pilots taking place not only guarantees that it

occurs, but ensures that the right number of innovations will be launched each year.

11. Number of new technologies integrated into new product development: This metric will ensure that new technologies are being adopted to create leading-edge products and create opportunities for innovation.
12. Speed to market: Measuring speed to market will measure a number of factors, including the efficiencies of internal processes and collaboration. This metric will also reflect the degree of engagement with customers in the innovation process which, if done correctly, contributes to the speed of the innovation process.

6.2.3. The innovation process and business case

Gambatese and Hallowell (2010) believe that a systematic approach to innovation works best – linking relevant business practices and ensuring all components of the innovation process are accommodated; while Un et al. (2010) agree on a formalised approach to facilitate knowledge-sharing and the creation of new knowledge. These stringent procedures would however create tension within truly innovative companies, with formalised procedures perceived as an assassin to the creativity of the innovation process. A number of the respondents in the study touched on a high-level understanding of the process followed, yet operating with a common goal in mind, the collaborative culture within the company facilitated the process without strict protocols and reporting needed.

Besides creating value for customers, businesses need to create value for shareholders and the business case needs to prevail during the innovation process. With a strong focus on meeting the overall business objectives, including tension between being client-centric and striving to be a leading global insurance company known for “financial strength” ("The 2012 Discovery Integrated Annual Report," 2012), the Discovery Insure employees collaborate to achieve the overall corporate objectives, working in an environment of open conversation and debate, and the constant drive to better themselves and what they do.

6.3. Conclusion

Clark and Ambler (2011) write about shifting and refining the marketing metric dashboard over time; while Ambler et al. (2004) believe corporate cultures evolve over time, and therefore the marketing metrics must too. The power of a strong culture of innovation has been demonstrated in this study however, clearly indicating the way in which this drives the innovation process and in turn, is a leading predictor of overall success.

As this chapter concludes, 12 key indicators have been suggested as key indicators of success to guide the marketer during the innovation process. This list can be seen comprehensively in Annexure D, while the benefits of incorporating these into the innovation and for other stakeholders will be summarised in Chapter 7.

Chapter 7: Conclusion

7.1. Introduction

This chapter highlights the major findings of the research, which set out to understand the central processes used by innovative companies in an effort to identify the key activities that can be tracked and measured during the innovation process, and used as key indicators of success. Measurement constitutes the nervous system of any organisation and with the value of innovation accounted for in the literature in Chapter 1 (Artz et al., 2010; Gambatese & Hallowell, 2010; Moses et al., 2012), a dashboard of metrics aligning people and processes during the innovation process will position marketing as a valuable contributor to driving the business forward.

7.2. Major contributions and findings

This study contributes to marketing theory by distilling the success of the innovation process down to the presence of a strong corporate culture of innovation, and a passion in delivering value for the client – and the conversion of this into a set of marketing metrics to guide the marketer through the innovation process.

The findings show this obsession for innovation is driven from the top, yet is palpable across all levels of the company; built through a values-driven business of collaboration and inclusion. While incentives and rewards are used to stimulate innovation, innovation champions empower employees to take accountability and perform, ultimately delivering on the corporate objectives. Although the importance of a strong culture and how this contributes to the innovation process is affirmed in the literature (Cottam et al., 2012; Gambatese & Hallowell, 2010; Yu et al., 2013), this study takes it one step further by providing key metrics to guide the marketer on a number of key indicators that contribute to its success.

This obsession extends to providing products and benefits that add real value to the lives of diverse clients; with an understanding of, and adaption to, the many faces and roles the customers may have. The drive to continuously improve is fuelled by multi-channel feedback and engagement with customers, involving them in a number of stages in the innovation process.

Through these insights, a dashboard of 12 metrics has been proposed - one that speaks directly to the four key capabilities believed to be apparent in high-performing innovation companies (Accenture, 2011) of meeting customers' needs; and embracing the role of innovation in achieving the corporate strategy, collaboration and understanding of the contributing factors that lead to innovation, and managing them. This dashboard of metrics will do just that.

7.3. Recommendations

Recommendations for marketing practitioners are to position marketing as a guiding philosophy across the business, sharing these metrics with managers across other divisions within the company, including partner- and supplier-relations; and creating a common language and stimulating the same collaborative and inclusive culture to drive success across divisions during the innovation process. It is hoped that implementing these proposed metrics will facilitate a common measurement culture within the company and allow better understanding of the issues underlying the success of the innovation process.

7.4. MANAGERIAL IMPLICATIONS

The research contributes to a more detailed understanding of the relationships between corporate culture, customer engagement and marketing metrics – giving the marketing manager a greater sense of confidence that his/her efforts to monitor these factors contribute to the performance of the company. The results also allow marketers to use less, yet more targeted metrics during the innovation process. Managers need to embrace the value of a marketing metric dashboard and create a metric-based culture. Managers should be more aware of cultural metrics, and how these can be incorporated into marketing metrics.

7.5. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This research has several limitations as well as several opportunities for expansion. Firstly, the study only considered innovative companies in South Africa. The study concentrated on an innovative company in the services industry; giving reason for other industries, with diverse stakeholders and distribution channels to be studied to refine further measures. The study also focused on a company with centralised functions, whereby results may not be applicable to decentralised businesses in which corporate culture and collaboration may be more complicated.

There are four suggestions for future research:

- Firstly, to implement these metrics and track their success during the innovation process.
- Secondly, to investigate the performance implications of the type of customer involved at the different stages of the innovation process and how this process can be formalised.

- Thirdly, to implement and track the performance implications when using a variety of stakeholders at different stages of the innovation process.
- And lastly, understanding what metrics can be used during the innovation process in companies operating in countries with a high, power-distance culture. The flat structures, lack of bureaucracy and collaborative culture central to these findings would certainly not prove to generate similar success under these conditions.

7.6. Conclusion

Effective management of innovation requires companies to be well-informed about their own business – positioning the marketing metrics proposed in this study squarely as a means to facilitate this. By measuring fundamental activities and processes that contribute to the innovation process, the role of the marketing department is elevated – contributing directly to the performance of the company, and broadening the innovative culture so beneficial to the economy of South Africa.

ANNEXURES

Annexure A: Email to respondents

Dear [Insert first name]

I am conducting some research for my MBA though the Gordon Institute of Business Science, University of Pretoria. The research involves understanding the steps that are followed during the innovation process, and the processes that enable it. Through interviewing a number of people across Discovery Insure, I hope to compile a dashboard of marketing metrics that can be used to guide marketing activities through the innovation process.

Confidentiality will be observed throughout the research process and the final report will be for academic purposes only. Your participation is voluntary and you can withdraw at any time without penalty. The duration of the interview will be no longer an hour. I would be most grateful for your participation. Please confirm if you will be willing to assist. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Jo-Anne Fraser	Kerry Chipp
Jo-Annef@discovery.co.za	chippk@gibs.co.za
083 364 2423	082 330 8759

________________________	________________________
Signature of participant	Date
________________________	________________________
Signature of researcher	Date

Annexure B: Table 3: Interview respondents and tenure at Discovery

Position	**Tenure at Discovery**	**Interview date**
Head of Product Development	5,5 years	16 August
Head of Technical Marketing	2,5 years	16 August
Brand Manager	5,5 years	16 August
Business Architecture	10 years	7 August
Project Manager	14 years	19 August
Divisional Manager: Products	7 years	27 August
Head of Pricing	1 year	16 August
Chief Operating Officer	14 years	19 August
Chief Executive Officer	2 years	23 August

Annexure C: Critical Incident Form

Name: ______________________________ Date: ______________________________

Critical Incident Technique: Core question

We would like to understand your experiences during the innovation process at Discovery Insure – and have chosen to focus on the recent Discovery Insure launch as a specific example to really unpack this process.

Please will you take me through your experience, in your own words, talking through the entire process leading up to the launch, touching on key events and milestones along the way?

Prompt questions:

1. Can you explain the build up or reason for the innovation, and hence the recent Discovery Insure launch?
2. What are the specific actions that contributed to the success/failure during this innovation process?
3. What steps were specifically significant during the process?
4. Who were the key individuals that played important roles in the innovation process and at what stage were they involved, and critical to the process?
5. Did you involve your clients at all during in the process?
6. [If yes] How did you select which clients to involve, and when did you involve them?
7. Can you describe anything that you did that was especially effective or ineffective?
8. What was the outcome or result of this action?

9. Were there any particular milestones or indicators that confirmed you were on track?
10. What do you think were the non-negotiables in the innovation process?
11. Tell me about your biggest challenges in the innovation process – and how overcame them?
12. How did you implement learnings during the process, and how were these shared, and engrained in day-to-day business for the future?

Annexure D: Marketing metric dashboard for the innovation process

1.	Employee KPIs linked to corporate strategy
2.	Innovation-based incentive and reward mechanisms
3.	Levels of employee engagement
4.	Availability of innovation champions
5.	Level and ease of access to data
6.	Number of divisional teams involved in the innovation process
7.	Number and variety of sources of feedback used
8.	Frequency in which sources of feedback are rotated
9.	Number of new ideas and product gaps identified
10.	Number of service pilots in trial
11.	Number of new technologies integrated into new product development
12.	Speed to market

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