



CPAs & Business Advisors

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Workplace innovation fosters productivity, quality

Innovation drives business success. Without new or improved products and processes, most manufacturers would experience little or no growth. For this reason, it's important to develop a workplace culture that encourages innovative thinking.

Small and large steps

There are two approaches to innovation. The first is a system of continuous, incremental improvements. This method assumes that the accumulated effect of small changes will make a product fresh to consumers. An example of this is computer software, which generally features relatively minor changes from one version to the next.

At the other end of the spectrum is the breakthrough idea, which takes large leaps at one time. Unlike continuous improvement, the breakthrough solution seems to appear from out of the blue, causing the proverbial "aha" moment. Most breakthrough ideas come about only after a person has a thorough understanding of the problem and the variables involved.

Manufacturers realize the value of innovation when it comes to functions, such as product development or marketing efforts, but innovation can be useful in nearly any area of your business.

For example, you could redesign your factory so that workers perform their jobs faster and safer, or you might discover a way to use scrap material that you would otherwise discard. Other areas that could benefit from innovative measures include logistics and warehouse operations, accounting procedures, and customer and supplier relationships.

What's the problem?

Regardless of the area, the first step is to define the problem or challenge. Let's suppose a company manufactures a product that has seen declining sales in recent years. The manufacturer wants to revise the product so it will win back old customers and appeal to new ones.

As the company looks for solutions to its problem, it will need to adopt an attitude of "anything is possible" during the initial stages of its search. This is the time to brainstorm ideas and consider all possibilities. Most of the suggestions likely won't pan out, but it's difficult to tell at the onset what line of thinking might lead to the best solution down the road.

What do customers want?

Innovation needs to address customer needs. There should be an underlying purpose for the change, not just change for its own sake.



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For example, let's say a manufacturer decides that a more colorful product will sell better. It tests customer color preferences and begins manufacturing those colors that tested the most favorably. But between the time of testing and the product reaching the market, consumer taste in colors shifted, and some of the new product colors are no longer popular or attractive to potential customers.

Now consider if the manufacturer received customer feedback that several plug-in features of a product were confusing. As a result, the manufacturer starts color coding the wires and the plugs to make it easy to see where everything goes. In this second example, adding color addressed a need for an easier-to-use product and would likely be a feature that customers would value.

Keep sharpening the saw

Once you incorporate a systematic approach to innovation, it's important to ensure that it's delivering the desired results. There are a number of ways to measure innovation, including revenue growth, customer satisfaction, productivity and the number of new products that reach the market. As is true with any performance measurement, it's a good idea to set a metric and compare results over a period of time.

Innovation is essential to the financial health of your manufacturing company. By improving your current products, and creating exciting new ones, you can increase your customer base and your profit margins.