



Photo: Getty Images

Innovation's Accelerating Interest in Water

Over the past decade the world of innovation has evolved to become more strategic, more open and more focused on the big issues. Innovation expert Dr. Tim Jones predicts that over the next decade, water will become as central to every company's innovation agenda as issues such as carbon, web 2.0 and wellness are today. While to those in the water industry this may be seen as a long time in coming, for those in many organisation's innovation team, this is a major shift.

Innovation as an issue has risen up from being a research and development or marketing priority to become a CEO area of focus. Supported by consistent evidence (e.g. innovationleaders.org) that successful innovation drives growth more effectively than other alternatives, more and more companies have sought to raise it into the core of the corporate agenda: Pretty much every CEO speech now mentions innovation as well as sustainability.

As innovation has grown up, it has become focused on the bigger issues. In a desire to address major challenges, what are often called the 'catalysts for innovation' have become more significant across multiple sectors. The food industry, FMCG, financial services and consumer electronics have all placed 'wellness' as a core priority; Web 2.0 has been a big issue for the media, publishing, communications and IT sectors; and carbon has spread from energy and transport to become central to most companies future agendas.

As organisations such as Shell, IBM and now Vodafone (through the new futureagenda.org programme) have all looked forward, water has increasingly played a big role. Shell's Technology Futures programme in 2004 highlighted that water is more significant than oil; IBM's Global Innovation Outlook programme had a deeper focus on water and the Future Agenda programme has water as a key topic for debate. Clearly companies outside the water sector all now have water on their radar and are trying to identify the roles that they can play.

Accompanying this strategic insight route, more consumer focused companies are becoming increasingly aware of water as a mainstream media issue. Over the past year, The Economist, Financial Times, Wall Street Journal and the BBC have all done major features on water, and especially embedded water, and so consumer research is now beginning to pick up signals that this is a rising public concern that will influence decisions going forward.

As a consequence of all of the above, as we help companies understand and prioritise their future growth options, we are seeing water as the constant issue in every discussion. Whether from a threat or opportunity stand-point, many major global companies are grappling with the topic. We are now seeing a number of different innovation reactions. Some are small right now, but have the potential to grow, while others are major from the start.

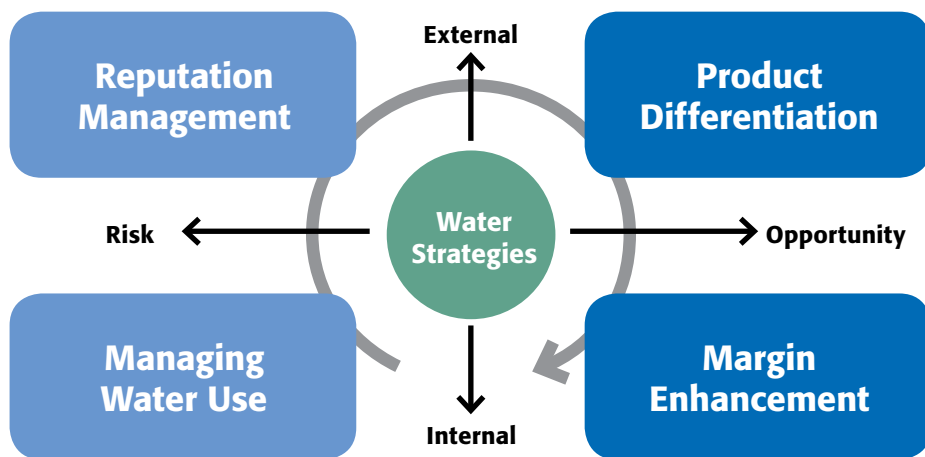
Clearly there are several sectors who are high water users. They understand that potential water scarcity is a pivotal issue

for their future. Materials companies such as Dow, DuPont, Alcan and Corus are all looking at ways in which they can innovate more around the water they use as part of their production processes. Over the past decade Dow, for example, has reduced the amount of water produced per kilogramme of product by 35 percent and lowered its freshwater intake by more than 50 billion gallons (400 billion litres) a year.

Equally, the automotive industry, the IT sector and the food and drinks industry are also concerned about both future 'security of supply' issues as well as emerging consumer sentiment. Everything that people have been worried about around energy can evidently be applied to water – price, security of supply and scarcity. In these companies, concern about managing water use is seen as an innovation priority for both internal resource risk and external reputation risk. They are busy getting accurate views of their individual water footprints so that they have the data to track and guide improvements going forward. Some are already declaring future water use ambitions while others are keeping their cards close to their chests.

Other organisations have started to see water as a major innovation opportunity and an issue upon which they can base new growth prospects. Some of these are focused first on product differentiation from a water use point of view. SAB Miller has been the most progressive of the drinks companies to declare a target of 25 percent reduction in water use. One can expect to see that migrating onto product labelling as a consumer facing claim shortly. Equally Nike and Timberland have announced plans to label embedded water on some of their products and several food companies are readying themselves for water to join salt and fat as a primary label requirement. In the FMCG arena both P&G and Unilever are using reduced water consumption in TV adverts and clearly believe that it is an important brand enhancement issue that will influence consumer choice. Lastly, within the next year, a major car manufacturer has plans to include embedded water as a key part of its consumer facing data alongside carbon emissions. Water is going to be on more consumer's minds and so companies are proactively preparing for this.

On top of this, several major organisations have looked at water and seen it as an area where they can grow significant new businesses. GE, for one, has had an increasing focus on water as part of its ecomagination programme that is now the primary platform for the growth of the new busi-



Although originally seen as a largely internal risk issue, many companies are now seeing water as a topic on the external agenda and an opportunity platform. Source: Water Strategies



Photo: Michal Zacharzewski/SXC

nesses. If GE makes water a priority then pretty soon so will many followers. The other big company to have already declared its ambitions is IBM, which has moved from seeing water as a risk to an opportunity. At a single plant, IBM achieved savings of USD 3 million while increasing output by 33 percent through improved resource management. This included a 27 percent reduction in water purchases, almost USD 1 million in water treatment savings, and USD 1.5 million in energy savings, without incurring any capital cost. After seeing water as an issue in 2004 and so including it in its emerging business organisation as a primary innovation platform, IBM launched its first water business focused on smart metering in April 2009. This is only the beginning: The IBM EBO programme is a high impact innovation engine that produces a host of multibillion dollar new businesses and water will feature highly in many of these going forward. As well as these, we know several major multinationals who are preparing to launch new

“water” businesses in the next year or so. These have all come from their strategic innovation programmes and all have expectations of significant global impact.

Consequently, companies outside the water sector are increasingly interested in help from within it. The competences that many are now seeking to develop are abundant within the water industry. But they may not yet have been applied outside. Looking forward, we see that the use of water will be the single most influential factor on the innovation agenda of many key firms. This is not just about water joining carbon on the corporate responsibility agenda, either. As some of the examples above highlight, water is emerging as a primary source of competitive differentiation. The convergence of water and innovation is both underway and accelerating fast. Interesting times!

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