

Innovation

In a world of change and competition, innovating is not a luxury, but an essential.

All businesses need to innovate, though it may take any number of forms, from the steady refinement of established products to the leap in the dark when an untried idea is launched.

Whether introducing new technology, getting people to work in new ways or creating new products, you must innovate to survive.

This briefing covers:

- The opportunities for innovation.
- Where to get new ideas.
- How to make your business innovative.

1 Opportunities

Whether you are innovating incrementally or developing new products or services, there are always opportunities.

There are three main approaches to consider.

1.1 Improve existing **processes** (see 5).

For example, can you change the way you make your product and produce exactly the same thing for a lower price?

1.2 Improve your existing **product**.

- Could you repackage it?
- Could you re-size it?
- Can you discover new uses for it?
- Are some people using it in ways it was not designed for? You may be able to modify it.

- Can you introduce the product to new user groups who do not know about it?
- Can you achieve the same (or better) benefits for a lower manufactured cost, by understanding more precisely why and how your customers use your product?

1.3 Create an entirely new situation with **quantum leap** innovation.

With a wholly new product or service, you can make innovation itself a key selling point (see 6).

2 Planning the future

Your business needs a vision of where it is going.

2.1 Know the market **sector** you ought to be in.

- Recognise the opportunities, or demand, for change in the markets you serve.
- Should you focus on the area where your business is strongest and abandon others? For example, there is one UK engineering firm that focuses solely on overhauling landing gear for Boeing 737 airliners.
- Could you take advantage of market opportunities by entering into a strategic partnership with another business? For example, a carpet fitting firm might develop a preferential working relationship with a local department store.

2.2 Know what type of **products** or **services** you will offer.

How do you do it?

- A** Set aside time for innovation **workshops**, with cross-functional teams from all parts of the business.
- Do not let status or position in the company get in the way of good ideas. Discussion in workshops should be open, informal and not too tightly targeted.
 - Consider using an experienced outside facilitator to run the sessions.
- B** Try **exploding** complex issues into small pieces. This lets people get to work on solving more manageable, clearly defined problems.
- You can worry later about how the parts of the jigsaw can be fitted together.
- C** Lead people away from thinking innovation must mean radical, **big bang** changes.
- A lot of small improvements can add up to a big change for the better — and usually with far less risk.
- D** Show clear **evidence** that the pursuit of innovation is seen as a continuing process.
- Emphasise that innovation does not just happen in the workshops.
 - Experience shows that the 48 hours after a workshop has ended can be a very productive period. Make sure ideas that surface during this time are not ignored till the next workshop.

- Do you need to re-develop existing products or services or introduce completely new ones?
- Will employees need training to provide your new products or services?
- What resources will you need?

2.3 What changes to your **business processes** will a new product or service involve?

- Identify which parts of your business work most efficiently. Could methods used there be put to work in other areas?
- If you are launching a new product or service, what aspects of your business processes will be affected?

2.4 Outline your vision in your **business plan**.

- Break down longer-term goals into specific numerical targets and short-term aims. A long-term goal might be achieving £3m turnover and national distribution. This might break down into an interim target of £1.2m in sales and full coverage of the south and west of England within 15 months.
- Keep your goals challenging and SMART (specific, measurable, agreed, realistic, time-limited).

“Almost as a side effect, a culture of innovation helps to motivate and retain employees.”

Dave Collerton,
Business Logistix

3 External inspiration

Be market-led, or, better still, market-inspired (so that you can sometimes produce things the market does not yet know are possible).

3.1 Find out about existing and potential **customers**.

- Log customers' comments, complaints and requests. Seek feedback at meetings, through surveys or by printing a feedback form on bills or receipts.
- Find out why you lose customers to your competitors. For example, look for trends in quotations that do not convert into orders, or talk with competitors' customers at industry events and shows. See **Planning your marketing** and **Research for your marketing**.

3.2 Know your **business environment**. If you can see change coming, you can often turn it from a threat into an opportunity.

- Be alert to environmental pressures, new regulations, economic factors, social trends and consumer fashions.

3.3 Know your **competitors**. What products or services do they offer?

3.4 Communicate with your **suppliers** and show that you value their opinions.

3.5 Identify the people you respect as **experts** in your field and find opportunities to talk to them.

- Read what they write in the trade press.

3.6 Investigate opportunities for **benchmarking** aspects of your business performance against other companies in your own field — or even in completely different industries. See **Benchmarking**.

4 Internal inspiration

No-one knows more about your business than the people who work inside it.

4.1 Talk to your **employees**.

Obstacles to innovation

Recognise that day-to-day tasks are always likely to seem more urgent than innovation.

A Make innovation a **priority**, by setting aside time and money for it.

B Combat insecurity and **resistance to change** through better communication.

- Gain recognition of the need for innovation by discussing the consequences of not taking action.
- Increase the amount of contact time between you and your employees.
- Physically raise the profile of innovation in the business. Set up noticeboards, upgrade your suggestions scheme and circulate an ideas sheet or bulletin.

C Deal with **cynicism** about 'yet another management fad' by involving employees in the processes of innovation.

- People are less cynical about proposals incorporating ideas they have suggested.
- Show employees what is in it for them. If they can see the opportunity to make their own working environment better and more fun, they are more likely to contribute suggestions.

- Spend time walking around your business with your eyes and ears open.
- Use your appraisal process and suggestion schemes to canvass employee ideas.
- Hold regular team meetings to gather feedback and ideas.
- Keep hierarchies flat. Short chains of command make it easier for ideas to be heard.

4.2 Improve your **product** by identifying faults.

4.3 Make full use of internal **benchmarking**.

Are there good ideas in one part of the business that can be used elsewhere?

4.4 Encourage **experiments** and be prepared to take risks.

- Allocate new projects to teams. Give employees new responsibilities as part of their team roles.
- Choose performance measures that will help you monitor each project.
- Recognise employee-led innovations, both privately, in your appraisal process and publicly, using noticeboards or newsletters.
- Start a system of rewards for individuals or teams who bring business success through innovation. See **Incentive pay**.

5 Improving processes

5.1 **Analyse** which of your processes have the most impact on your customers.

- What could be done more efficiently?
- What could be done that would increase customer satisfaction?
- How could cost-effective improvements be made?

5.2 New products or services may require **technical** support in the form of new machinery or systems.

- For example, a set of frequently asked questions (and answers) on your website may cut the customer support workload.

5.3 **Employees** must be involved in developing new processes, both to get the right answers and to ensure they are motivated to make the changes work.

5.4 Parts of your business may need to be **restructured** to meet your innovating goals. Setting up cross-functional teams is one of the best ways of making innovation happen.

“A good business plan is the foundation of an innovation strategy. Use it to check you are meeting — then exceeding — your company goals.”
John Laurie,
Profit from Innovation

5.5 Rate your **suppliers** and meet regularly to monitor the improvement of processes.

6 Product development

The distinction between products and services can often be an excuse for sloppy thinking in service sector companies.

Whether you are developing metal fasteners or an Internet estate agency, whatever you dream up, shape, bring to market and ultimately sell can be regarded as a product.

6.1 Do not make a move until research indicates there is a **market** for your new product.

- Avoid situations where you have to invent the market as well as the product.

6.2 Analyse the **resources** available to you within your business and outside.

- Almost all product development these days requires you to set up and manage some sort of 'virtual team', involving outsiders as well as your own employees.
- Put together a team with a mix of talents. (See **Teambuilding**.)

6.3 Map out the **critical path** for developing the product and bringing it to market.

- Check everything, to make sure you are on the right track at the specification stage.
- Without the right brief, there is a danger of racing ahead up blind alleys.

6.4 If there are aspects of your innovation that are truly **novel**, protect your intellectual property with a patent, design registration or registered trade mark (see **Intellectual property**).

See **New product development**.

7 Nurturing innovation

Commitment is key. Half-hearted innovation will fail, causing disruption and lowering morale.

7.1 Train your managers to **lead** innovation.

Encouraging innovation in your business may mean redefining the relationships between managers and employees.

- Make sure your managers are not afraid to fail (see **Leadership**).

7.2 **Involve** your employees in the development of your business.

- Share your vision of where you are heading. See **Managing change**.
- Make sure business goals are regularly communicated in team meetings.
- Develop your employees' skills and ambitions. See **Using training effectively** and **Personal development plans**.

7.3 **Plan** for innovation and set new challenges.

- Build your long-term goals into your business plan. Set and review numerical targets and milestones.
- Track key performance indicators (eg profits, sales and ROI) to monitor progress.
- Set a target for sales of products less than three years old.
- Focus on the areas of your business where new ideas can make the most difference.

7.4 **Review** your situation regularly.

- If circumstances change, you may need to change policies.

8 Support for innovation

8.1 For **general** information, contact:

- Your local Business Link (0845 600 9 006 or www.businesslink.gov.uk).
- The DTI Innovation Unit website (www.innovation.gov.uk).
- The European Commission's UK-based Innovation Relay centres (www.cec.org.uk).
- Your own trade association or the relevant institute in the field.

8.2 For advice on **new technologies**, contact:

- The Patent Office Search and Advisory Service (www.patent.gov.uk or 0845 950 0505).
- The European Commission's Innovation and SME Programme (www.cordis.lu/innovation-smes).

8.3 You may be able to attract **grant** finance.

- A range of funding is available under the Small Business Service's R&D Project Grants scheme, which replaces the Smart scheme.
An associated grant to investigate an innovative idea, to help businesses prepare for innovation has also been launched.
- European Structural Funds money may also be available on a matched funding basis.

Expert contributors

Thanks to **Paul Ryan** (Business Logistix, 01869 331 565); **Terry Green** (QM Group, 01908 511400).

Further help

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name, such as **Managing change**.