



# EXECUTIVE SUMMARY

**Wales for Innovation**, the Welsh Assembly Government's Action Plan for Innovation, commits the Wales Management Council to playing a leading a role in "Better Equipping People to Innovate."

During 2002, the Wales Management Council asked William Battle Associates to conduct a series of in-depth interviews with 12 companies in Wales to find their "secrets of innovation".

This report presents the findings of that research as a way of sharing best practice and encouraging others to both innovate and create an environment where innovation can flourish.

Innovation is not merely the development of new products and technologies, but the whole process of introducing and maintaining a culture of creativity and original thought throughout all aspects of running a business.

DTI and CBI research has established that the most competitive companies in the UK are led by visionary, enthusiastic champions of change, who know their customers and constantly introduce new, differentiated products and services.

Research in Wales has identified seven "secrets of innovation"

- **Leadership**
- **Strategy**
- **People**
- **Process**
- **Products/Services**
- **Customer Focus**
- **Profitability through Competitive Advantage**

Leadership for innovation is a combination of managing the status quo and external focus to understand the market and where it is going. Leaders set the pace and direction of the business. The skill set is different from management. Leaders must think outside the box, challenge what currently exists, have the dynamism to succeed, and above all value people.

Innovation must help to deliver company strategy and must be applied within a context of where the business wants to be. Management and workforce must then work as a team to innovate to achieve shared business goals.

The culture of a company is critical to promoting innovation and competitive advantage. The key question for Welsh managers is 'Are we getting the best from our people?' They must ensure that all employees find their work fulfilling and rewarding, and then maximise the opportunities for capturing ideas and thereby increasing profitability.

Innovative companies demonstrate the characteristics of High Performance Working with great emphasis on teamwork, autonomy of decision-making, full involvement in the whole business process, emphasis on skills development, and reward for success.

Innovative leaders and managers are open to critical information, are excellent communicators, have a sense of urgency, question the status-quo, know the customer intimately, practice 'hands on' management, know the power of a good idea, seek to learn, and share experience.



They must also ensure that they recruit the right people, deploy them in the most effective way possible, and recognise and reward the innovative contributions that each and every employee can make.

There must be a process for managing and stimulating innovation. This process must

- **capture ideas quickly from employees and customers**
- **highlight key issues to find solutions to problems or to develop new ideas**
- **measure the right things and put this data to innovative use**
- **network with those outside the company to gain a fresh business perspective.**

Companies across Wales vary in size, complexity and management style. Each must be flexible in managing innovation, and develop a process that is appropriate for their own objectives and circumstances.

Managers who aspire to lead innovation must be prepared to challenge what already exists and if necessary be unpopular so that the business can exploit new opportunities. The innovative manager must be a master of change. The key question is 'Have I as a manager scanned the horizon for opportunities and threats which affect my business?'

Managers must also learn to manage the innovators by being open, reflective, responsive to ideas, supportive and able to embrace change. The manager who has a vested interest in the status quo will stifle innovation.

Innovative companies have an intimate knowledge of their customers who will provide the greatest stimulus for new products and services. But the innovation must also be proactive, anticipating customer needs many years in advance.

Companies in this research demonstrated that they also took the fullest possible advantage of good luck and business opportunities that came their way to develop new products and services that further differentiated them in their market.

A major barrier to innovation can be current success and the gradual continuous improvement of the current business. This can create complacency. Innovation is not continuous improvement, it is a step change where the customer offering delivers significant added value and satisfies sometimes an unarticulated customer need.

For innovative companies customer focus and the depth of customer knowledge are vital factors for success. Allowing staff at all levels to visit customers and learn from them, and creative analysis of customer complaints, are just two ways in which innovative companies put themselves in their customers' shoes.

Innovation provides a competitive edge; it is the means by which companies differentiate their goods and services from the competition.

This research suggests that the greater the level of empowerment for innovation, the higher the profitability of the company.

Innovative managers need continually to ask questions about their business and their market, and act on the answers to innovate and improve their business.

This report not only summarises the secrets of innovation from leading companies in Wales, but uses this as a stimulus for further questions every manager should ask about his or her own business, so that they can become more innovative, more successful, and more profitable.

