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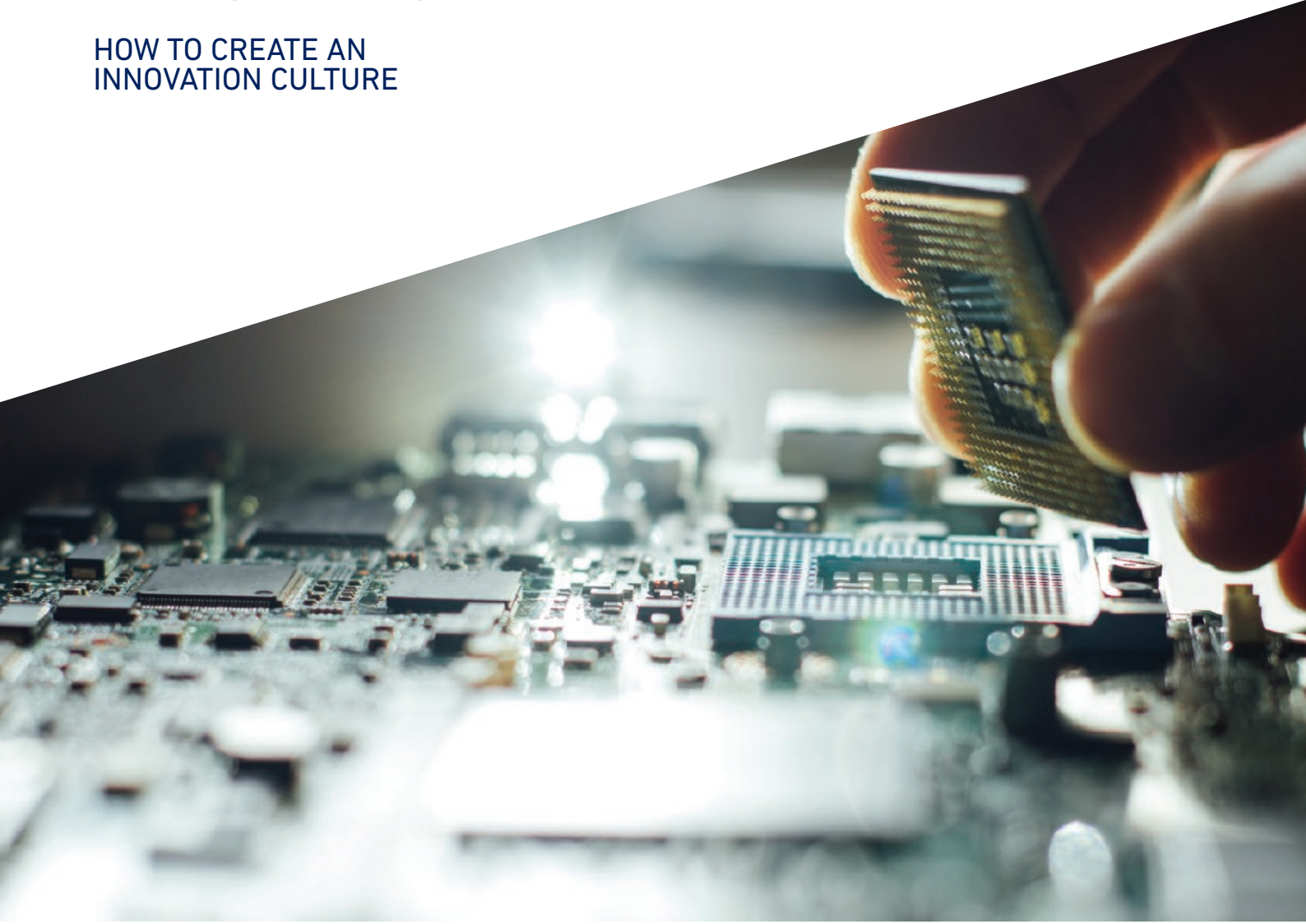
INNOVATION

HOW TO CREATE AN INNOVATION CULTURE

Creating an innovation culture – why it's important

With slow productivity growth across Scotland, improving and embedding an innovation culture within firms is key to Scotland's future prosperity. The UK Innovation Survey (UKIS) 2017 results for Scotland showed that for 2014-16 the proportion of innovation active[1] businesses in Scotland was 45%, 4% lower than the UK as a whole[2].

In CBI Scotland's Pursuing Prosperity report[3] we highlighted the importance of Research & Development (R&D) and innovation to company growth and productivity, with companies that plan R&D investment more productive than firms that do not. It has also been shown that firms already investing in innovation are more likely

to export outside the UK, compared to businesses not actively investing (UKIS 2017: 32.1% vs 10.2% in 2014-16)[4].

Not only is work place innovation linked positively to productivity and growth, research shows that there is a clear link between innovation and employee engagement, helping to reduce staff turnover and absence[5].

With Scotland's share of innovation activity currently ranked 10th out of the 12 UK regions and nations[6], there is much more businesses in Scotland could be doing. Finding ways to create an innovation culture within a business will vary. However, some general steps can be taken to help foster new ideas and approaches which CBI Scotland has explored in our four steps to creating an innovation culture.

4 steps to creating an innovation culture

Step 1: Engage and empower employees

Empowering and engaging employees in innovation is fundamental to creating an innovation culture - employees who support new initiatives and ways of working help to embed these into business as usual.

- Encourage all **employees at any level to share their ideas** and create an environment where they are comfortable to do so (see this approach in action at Spirit AeroSystems in Case Study 1).

- Avoid giving one person or team responsibility for 'innovation' and **give everyone licence** to propose new solutions at all levels of the business, including presenting such ideas at boardroom level.

- Give employees the **time and space to be creative and innovate**, for example through innovation labs or transformation teams to help give momentum to initiatives within the business.

- **Recognise and reward experimentation** to motivate employees to deliver business improvements. This doesn't have to be monetary and could include allowing the colleague to be involved in developing or implementing their idea or recognising them at employee forums.

- **Communicate openly and regularly** with employees about change and innovation initiatives to give people the time to understand what the business is trying to achieve and why, how they will be involved or impacted, and provide them with the opportunity to raise any concerns.

> A CBI survey found that 9 in 10 respondents claim to have a board that supports innovation, but just
>
> ## 45%
>
> think that employees at their company have time to innovate[7]

Step 2: Be flexible and learn from failures

How a business responds to failures can be the key to future success. Firms that embrace and learn from failures are able to more effectively set a clear path to take the business forward.

- **Learn from failure** and take lessons learned into future projects or initiatives.

- Consider **leadership and management's attitude and response to failure**. A negative response can stifle innovation, with employees more reluctant to put their ideas forward or take responsibility for implementing change due to fear of the consequences.

- Don't allow the **fear of failure to act as a barrier to innovation**, however, understand the consequences of failure and put in place steps to mitigate the impact and cost of failure.

- Build in the ability to **adapt to changing needs and circumstances**, which includes reacting quickly to developments, by adopting an agile approach to innovation projects.

Step 3: Ringfence funding and prioritise

Funding for innovation and change projects should be allocated annually and action plans put in place to prioritise what the business wants to achieve.

- **Allocate funding for innovation and change projects in annual budgets** to make sure they are supported and prioritised. Take into account that budget requirements will likely be for more than one year and that all costs associated are considered, including potential training costs (see how KubeNet have been prioritising innovation investment in their business in Case Study 2).

- Have a **clear view of why there is a need for change and use data** where possible to support the business case for funding and ensure the business is targeting the right areas for innovation.

- Put in place **clear action plans** to drive innovation up the Board agenda. Action plans should consider both the short and long-term goals of the business and what the business wants to achieve. This will help to prioritise projects as well help to keep a focus on innovation, by reporting on progress and identifying any issues, successes and failures.

Step 4: Understand the support available for innovation and learn from others

Businesses can benefit from better understanding the innovation support that is available to them, both government-funded support and learning from peers.

- Get an **awareness of the support for innovation** that is available to business in Scotland and how to access this[8].

- Build **strong learning networks and invest in continuous learning**, for example by developing strong links with academia. Many Scottish universities and colleges already have training programmes in place that support businesses to improve productivity and innovation[9]

- **Connect with other businesses** to learn from their experiences, successes and failures, as peer-to-peer learning can identify relevant examples of what works, lessons learned and give businesses the opportunity to connect with potential partners.

- Consider how **collaborating with another business or university** could open up the development of new techniques or technologies, de-risking of investment in research, or extension of capabilities and expertise available to the business[10].

References

1   'Innovation active' refers to an EU-wide definition used by UKIS 2017 that covers businesses engaged in a set of different activities seen as capturing innovation. For more details see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/700472/ukis_2017_headlines_final.pdf

2   https://www2.gov.scot/Resource/0054/00542649.pdf

3   *Pursuing Prosperity: Why Regional Productivity Growth Matters for Scotland's Future*, CBI, June 2017

4   https://www2.gov.scot/Resource/0054/00542649.pdf

5   "For companies who practice workplace innovation, staff turnover is over a fifth lower, while absences are reduced by nearly a quarter" – *Scottish Enterprise* (https://www.scottish-enterprise.com/support-for-businesses/improve-productivity-and-skills/supporting-and-improving-your-team)

6   https://www2.gov.scot/Resource/0054/00542649.pdf

7   *Now is the Time to Innovate: The Road to Three Percent*, CBI, March 2017

8   While this can vary between sector, examples of the support available include; the Workplace Innovation Fund, Scottish Enterprise Innovation Support Services, the Be the Business Programme, Scottish Innovation Centres, Entrepreneurial Scotland and Innovate UK.

9   For example, the Productivity through People Programme endorsed by the Be the Business Productivity Leadership Group, which is run by Strathclyde Business School in Scotland.

10 *Pursuing Prosperity: Why Regional Productivity Growth Matters for Scotland's Future*, CBI, June 2017

Businesses benefiting from innovation

Case Study 1: Spirit AeroSystems puts innovation at the heart of their culture

Spirit AeroSystems is one of the largest manufacturers of aerostructures in the world, with design and build capabilities for both commercial and defence customers. Their headquarters are in Wichita, Kansas, with further operations in the US, UK, France and Malaysia. The Prestwick site in Scotland, employs approximately 1,000 skilled and professional workers, manufacturing metallic and composite wing components for the Airbus 320 family.

At Spirit innovation drives everything they do. Not only do they continue to refine and revolutionise internal processes, supply chain management and integrated team protocols, they have a focus on areas of R&D that specifically address customer needs and anticipate future challenges.

Key to Spirit's innovation success is the engagement of their workforce. All colleagues are encouraged to share their ideas no matter how large or small, continually improving processes and products for their customers. Spirit recognise that the best ideas come from those operating the processes and developing their products and use tools such as value stream mapping to identify improvements.

Spirit is actively investing in innovation and developing new concepts, designs and solutions that will help build next-generation and next-next-generation aircraft. In 2018 they announced the creation of a new R&D complex at their Prestwick site, expected to open in 2019, which will focus on the development of next generation aircraft.

Not only will the complex immediately create 40 high-value jobs, it will include a training area and operate on an open access basis to partners creating an environment that fosters supply chain and academic collaborations.

Case Study 2: Investing in innovation has been key to KubeNet's growth

KubeNet are a leading business telecoms and technology company based in Glasgow with customers worldwide. Founded in 2006, they have grown rapidly from a traditional telecoms business, to having a full digital product portfolio and being known as an early adopter of products and services within the industry.

Over the past three years, they have been actively redeveloping their product portfolio and internal business processes, allowing them to define their business strategies and support continuous growth.

KubeNet has invested in automation and has developed and deployed bespoke internal platforms across the organisation to manage service and operational activities. Throughout this journey they have empowered their employees to contribute ideas on

how the business can continuously innovate to improve products and services for their customers and internal processes.

Employees have also been given the opportunity to be involved in the development process, allowing them to support the implementation of their ideas and work together to navigate best practice. Employee satisfaction and productivity have increased as a result, and the innovations put in place have allowed them the time to focus on value-add activities.

KubeNet have seen further benefits from their investment in automation, with improvements in customer service and increased customer satisfaction levels, as well as enhanced business analytics. In 2018 they also exceeded the industry service level agreement (SLA) standard set by Ofcom.

Furthermore, due to the time and costs saved as a direct result of the improvements made, the team has been able to focus and enhance their products and services for customers, with new job roles also created.

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