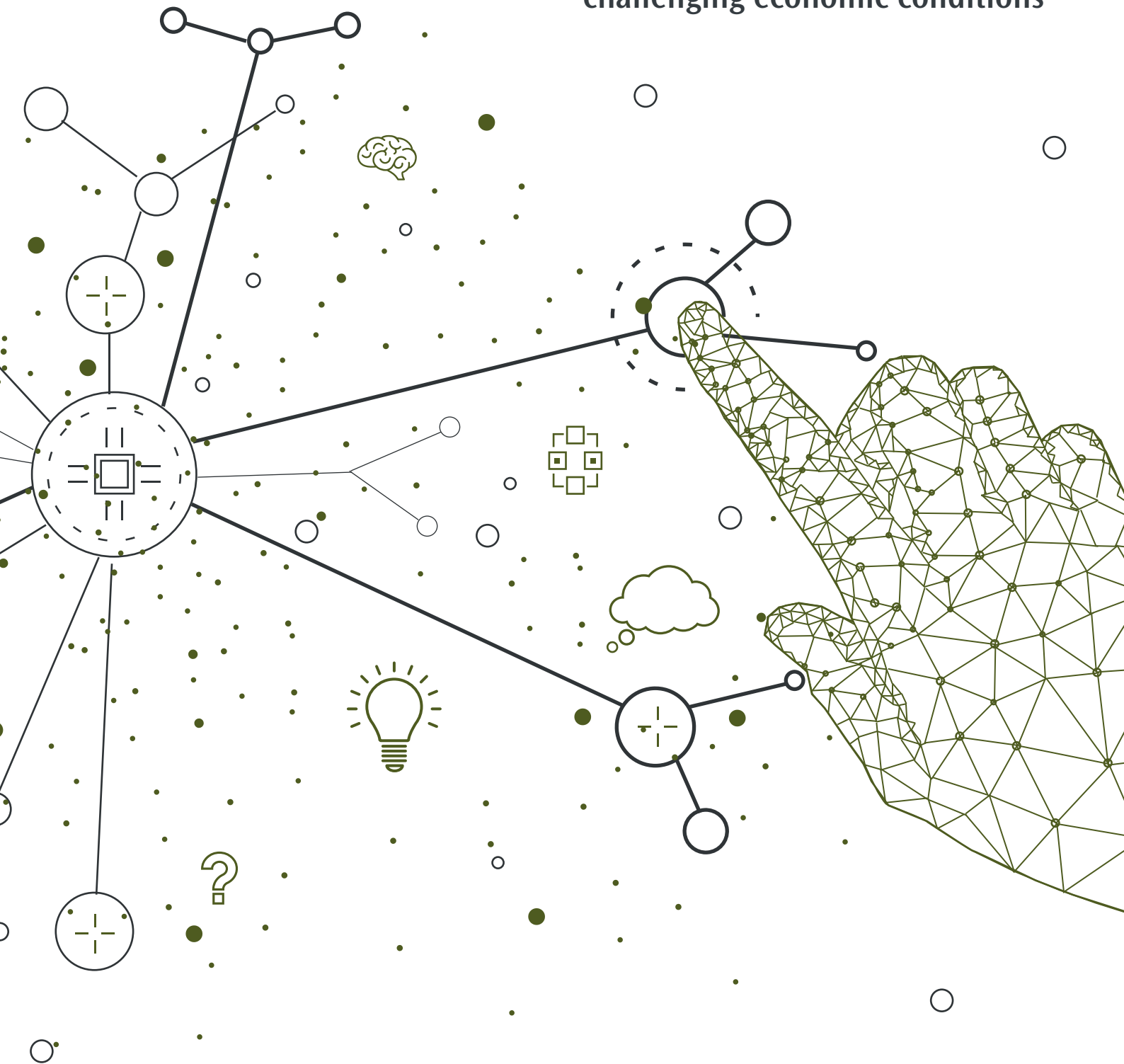


RESILIENCE AND RECOVERY THROUGH MICRO-INNOVATION

Using incremental improvements to navigate
challenging economic conditions



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Foreword

Businesses today are facing real challenges and uncertainties but at the same time opportunities to do things differently. For now the pause to normal routines provide a welcome time and opportunity to think and plan ahead. Now more than ever, companies can be agile and can disregard some of the old “normals”.

As businesses look for new ways to create value and seize commercial opportunity, the importance of micro-innovation comes increasingly to the fore.

But what is micro-innovation?

In this short paper we:

- explore what micro-innovation is;
- consider how incremental improvements to existing products and services can help organisations achieve commercial advantage;
- look at how organisations can create an environment to unlock the talent and creative thinking that already exists in their people;
- talk about ‘fail fast, fail often’ – organisations adopting an entrepreneurial mind-set and pivoting quickly both to try new ideas and to drop them if they don’t work. This is not always that comfortable a position for those who are used to long development cycles. But the speed with which you can work can give you a real business advantage.

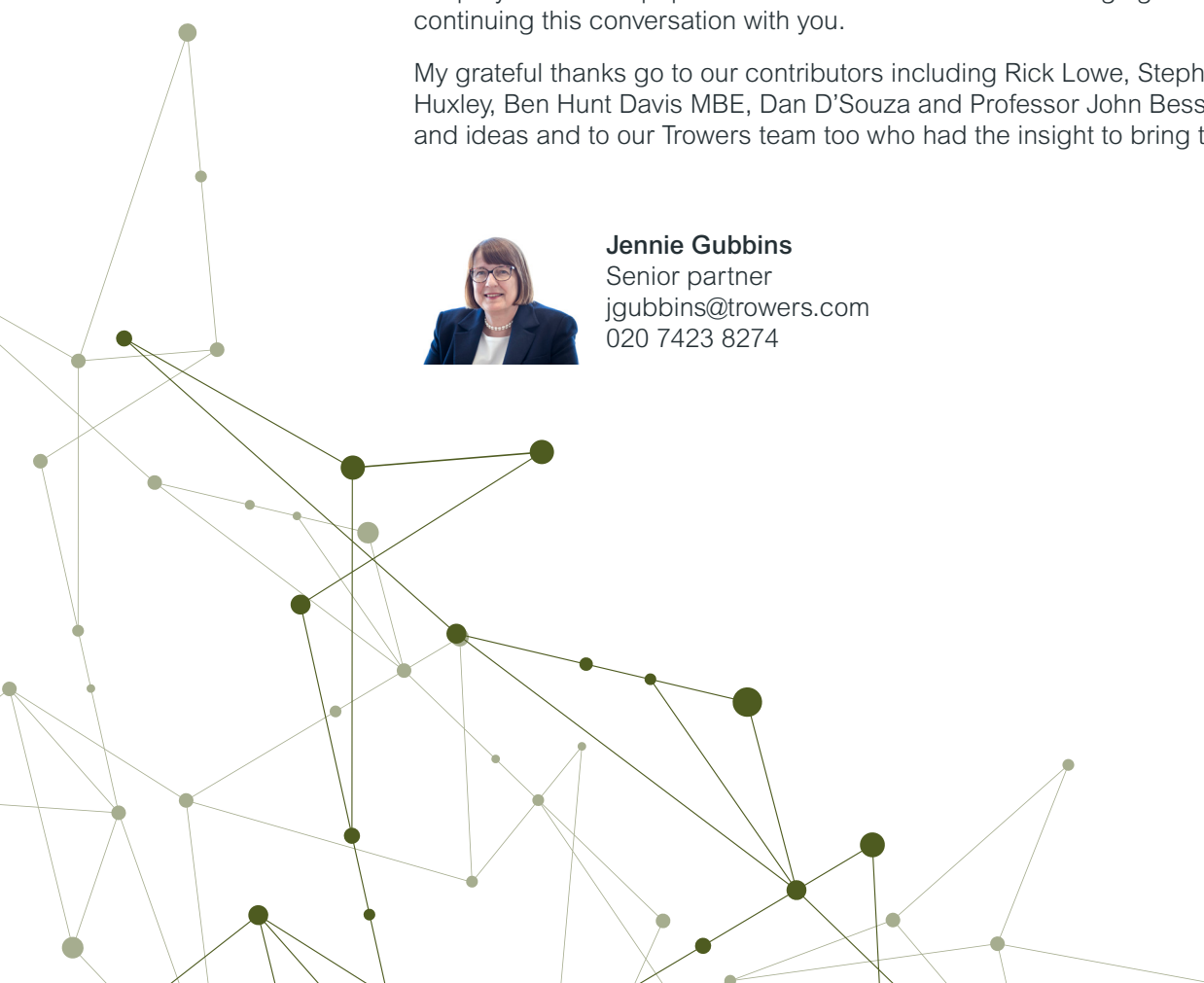
So what innovation remains untapped in your business? How do you find it and reward it? How can you try new ideas?

I hope you find this paper both useful and also a bit challenging. We look forward to continuing this conversation with you.

My grateful thanks go to our contributors including Rick Lowe, Stephen Roper, Mark Huxley, Ben Hunt Davis MBE, Dan D’Souza and Professor John Bessant for their work and ideas and to our Trowers team too who had the insight to bring this together.



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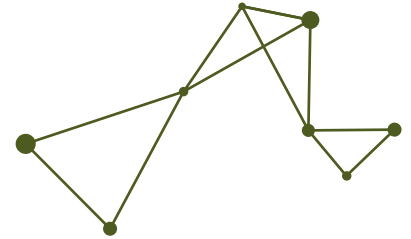


The power of incremental innovation

Innovation is often born out of periods of difficulty. When it matters most, individuals and businesses are driven to find new ways to sharpen their competitive edge and improve profitability. Businesses that innovate most effectively during periods of economic turbulence are those most likely to emerge strongly from it.

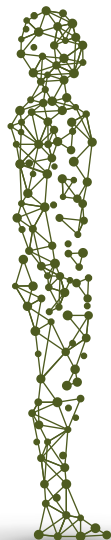
Innovation can take different forms. On one hand, innovation can be disruptive, radical and game-changing. Examples of “macro-innovation” are well documented in corporate history, with renowned high-profile brands having delivered quantum-leap transformations in certain products and services at key moments. However, such episodes of major innovation are rare and not easy to procure, often requiring significant time and R&D investment to deliver – something that becomes still more difficult with revenues and resources tight during tough times.

Instead, “micro-innovation” offers a different approach. It prioritises the identification of incremental improvements that, though seemingly small, deliver significant accumulated results. A micro-innovation perspective encourages leaders and teams to consider what small and often-overlooked changes to products or services, processes and business models could, in fact, reap big rewards.



“Micro-innovation offers a different approach. It prioritises the identification of incremental improvements that, though seemingly small, deliver significant accumulated results”

This paper is designed to highlight the importance of understanding micro-innovation and its value potential. In addition to our own proprietary commentary, Trowers & Hamblins interviewed several leading experts on the topic of innovation, from across industry, academia, public policy and sport. We are grateful to each for their valuable insights on the nature of innovation and specifically, micro-innovation.



Macro- vs. micro-innovation

Macro-innovation: a process or outcome delivering significant and disruptive change within a sector or category. Often resource-intensive at R&D stage, such processes may result in a breaking with established norms and creating entirely new (or radically enhanced) products, services, technologies or business models within a market.

Micro-innovation: a process which prioritises the identification and implementation of small, incremental changes to existing business models, products and services that deliver significant accumulated value. A strategic approach to innovation that prioritises short innovation cycles in which new ideas are rapidly launched, tested and iterated in response to real-world performance. Less resource-intensive than traditional forms of R&D, micro-innovation requires organisational agility and accurate performance monitoring.

Benefits and barriers

Micro-innovation offers a way of generating greater competitive advantage from the everyday operations of a business and harnessing the entrepreneurial (or “intrapreneurial”) impetus of its people. Whereas larger-scale ‘macro’ innovation is often seen as the preserve of either established corporates with large R&D budgets or highly disruptive industries, micro-innovation is a viable option for small and medium-sized enterprises (SMEs) in every sector seeking commercial advantage from smaller budgets.

“Whereas innovation is seen as the preserve of corporates and disruptive industries... micro-innovation is a viable option for SMEs in every sector”

Every individual within a business can play their part in micro-innovation strategies by generating ideas and initiatives to enhance products or processes. This can range from engineers honing critical tools or techniques, to receptionists and floor staff identifying novel ways to enrich customer experience, to administrative teams streamlining back office solutions. In turn, these ideas can then be shared and applied across different departments. Dan D’Souza, Associate on the Intrapreneurship Programme at L Marks, a company which advises major global corporations and start-ups on innovation strategy, comments, “Everyone has got something they would like to change about their business, so there’s no lack of ideas for improvements.”

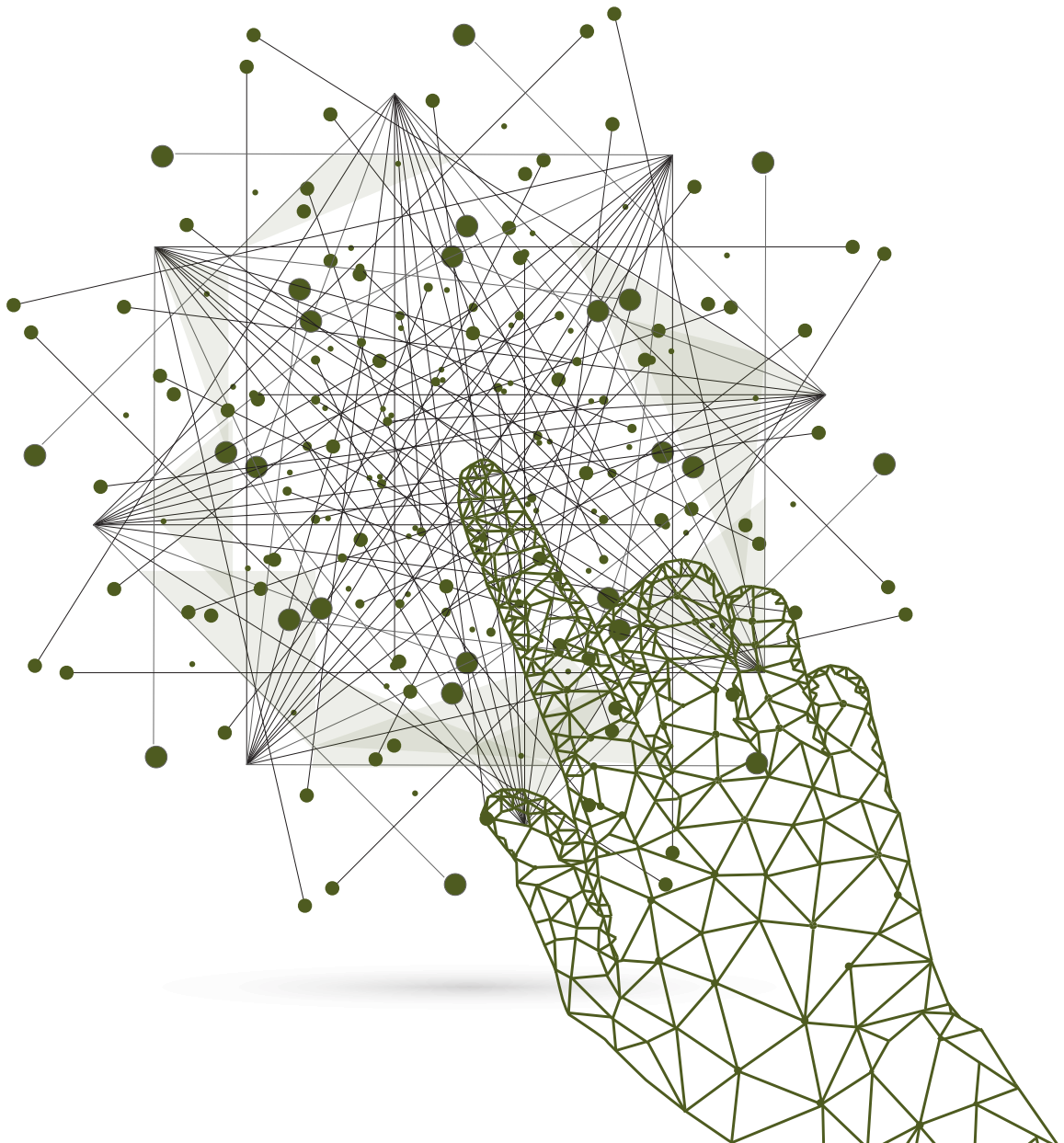
Nevertheless, barriers to micro-innovation are common in organisations of all sizes. Key among these is apathetic inertia and reluctance to change. If a prevailing commitment to ‘business-as-usual’ is too set in stone, in which individuals focus narrowly on what they perceive as their ‘real jobs’, it can prove difficult to generate incentive to engage in micro-innovation activities. This can be exacerbated if individuals lack (or feel they lack) necessary skills and resources to participate meaningfully in micro-innovation initiatives. In turn, investing to develop individuals’ skills and provide resources carries a cost. Despite being deliberately small-scale and streamlined, micro-innovation initiatives may likely require some allocation of budget if they are to bear fruit. As such, the risk/reward ratio of any micro-innovation investment will inevitably come under scrutiny, not least during the tight economic conditions of recession.

However, businesses of all sizes are capable of agility and adaptation when it matters most, as recent experience has demonstrated. Amidst the urgency of Covid-19 we have seen businesses pivot quickly from manufacturing musical equipment to medical apparatus, or high street restaurants shifting to home delivery models or providing food for key workers. The commercial reorientations that many businesses have made in quick response to the outbreak of Covid-19 suggests that organisations are more capable of nimbly embracing change when required than is often presumed.



“Businesses of all sizes are capable of agility and adaptation when it matters most, as Covid-19 has demonstrated”

Parallels can be drawn with the world of sport, as Ben Hunt-Davis MBE, Olympic gold-medallist turned business performance expert, points out. “Within sport, radical innovations like the Fosbury Flop in High Jump come along rarely as sports rules are very restrictive. Therefore looking for the small incremental improvements is what elite teams do,” he says. “In business there’s more scope for big jumps forward, but that idea of continuous development and constant learning is also very powerful, challenging the status quo and seeking ways to become more effective.”



Making it work

Culture is critical

Creating an environment that accepts and fosters agile and creative thinking is essential for micro-innovation approaches to flourish, making organisational culture a critical factor. Businesses must make clear that involvement in micro-innovation is open to everyone and strive to create an atmosphere within which individuals are empowered and proactively encouraged to come forward with ideas. Creating and incentivising such an atmosphere within larger enterprises is a key challenge.

“Agile thinking is essential in order for micro-innovation approaches to flourish, making organisational culture a critical factor”

Professor Stephen Roper, Director of the Enterprise Research Centre at Warwick Business School suggests that “making micro-innovation work is about culture: having a set of corporate values and management tools that encourage staff to feel they have a stake in the future of the business and feel valued. It’s that personal engagement which will make them want to go beyond their normal 9-to-5 role.”

“Micro-innovation is about iterative changes within the evolution of current practices. It triggers reimagination and curiosity, which ultimately kick-starts macro-innovation,” according to Mark Huxley, founder of business consultants Huxley Advisory and Freeman of the Guild of Entrepreneurs.

Framework and formalisation

Though in part an organic creative process, micro-innovation succeeds most fully in organisations that put in place a framework to proactively support it. This framework must be capped at senior management or board level by leadership individuals who understand and appreciate the commercial value of innovation and R&D strategy and supported throughout by management positioned to champion it and help create firm-wide buy-in.

Effective micro-innovation frameworks must also foster dialogue and facilitate the flow of information and knowledge-sharing across teams and organisational siloes. Appropriate digital platforms and content management systems must be in place to capture these information flows and provide a means for storing data from monitoring closely the outcomes of ideas trialled.

Moreover, individuals and teams must be incentivised, both formally and informally, to engage in micro-innovation initiatives. This involves recognising contributions made both informally and formally, including in remuneration and other benefits.



Measuring success

Micro-innovation is cyclical in nature. In contrast to large-scale change programmes requiring significant scoping and resource-intensive preparation, a micro-innovation approach sees small ideas generated and implemented quickly. The effects of these small changes are then monitored closely, to understand precisely what effect they have, how and when. Once data is collected, the ideas implemented can be adapted as required, in order to generate further improvements in outcome. Close and consistent monitoring and measuring of outcomes is essential, to ensure a forensic understanding of what effects new ideas are having.

“In contrast to large-scale change programmes requiring significant scoping and resource-intensive preparation, a micro-innovation approach sees small ideas generated and implemented quickly.”

This rapid iteration process sits at the heart of micro-innovation strategy. By quickly implementing ideas on a small scale, leadership teams can apply immediate real-world conditions and observe the value of new ideas before committing significant human and financial resources towards them.

Micro-innovations require differing methods of measurement, depending upon the nature of the idea in question and the outcome desired. There are a host of qualitative and quantitative measurement methods available to use in tracking micro-innovation initiatives, from A/B testing and beta testing, to tracking participation and click-through rates, to customer focus group feedback, to measuring footfall or sales revenue.

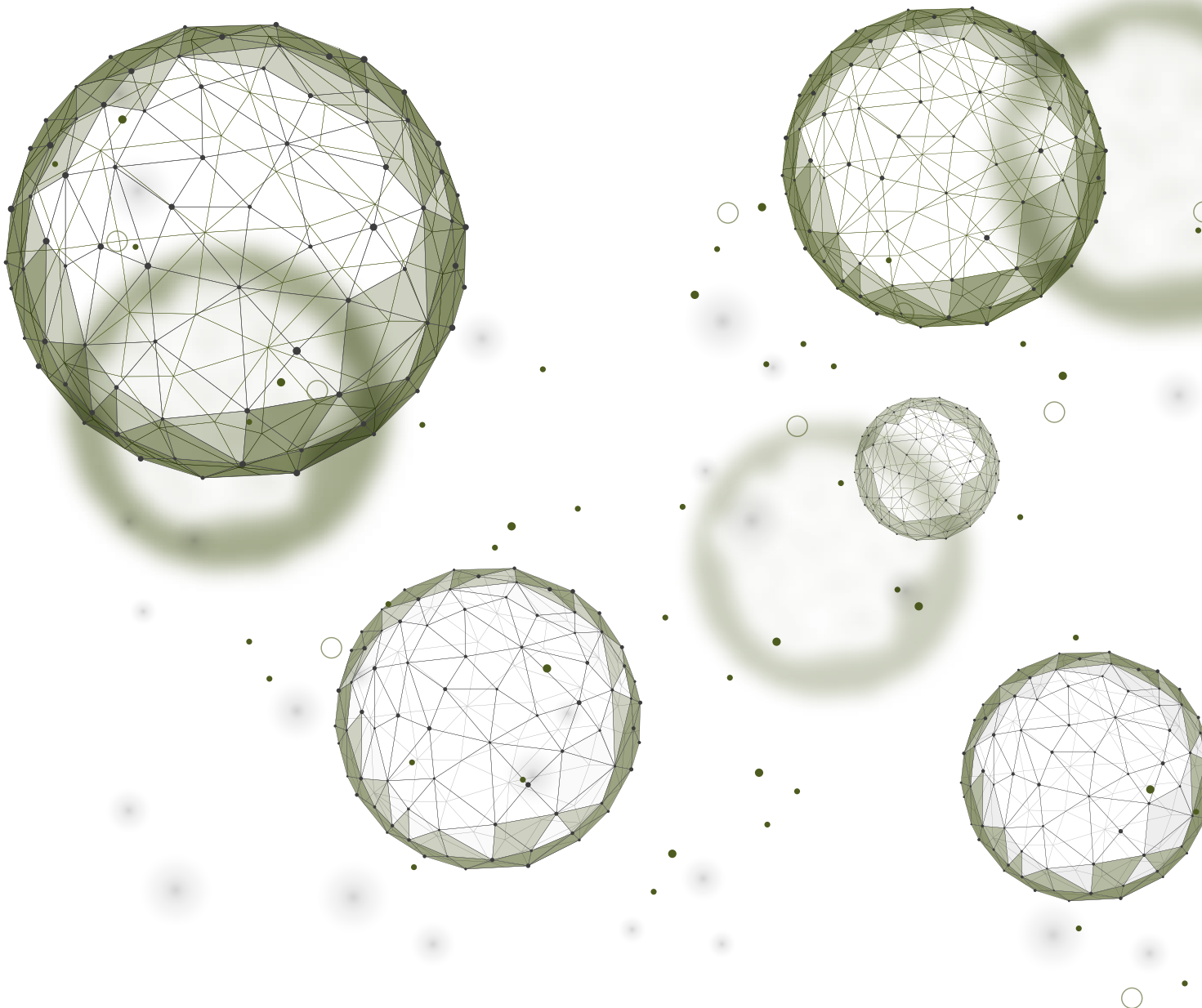
Speed and accuracy of measurement is key. Micro-innovation is predicated upon the use of rapid prototyping, or the principle of ‘fail fast, fail often’. Waiting until the end of the financial quarter or year to measure aggregate sales volumes might be too slow. Depending on the initiative at hand, micro-innovation looks to shorten the duration of the feedback loop and allow innovators to iterate more quickly – with evaluation cycles sometimes measured in hours, days and weeks, rather than months or years.

Rick Lowe, Managing Director of Brands In Ltd, a supplier of licensed apparel and accessories to major fashion retailers, and Master of the Guild of Entrepreneurs advises, “Micro-innovation can be measured in many ways, such as greater efficiency, enhanced customer, better financial results, improved human capital and a more motivated workforce.”

Summary

The Covid-19 economic crisis is set to pose a significant and prolonged threat to organisations of all sizes. Resilience and recovery are now the watchwords of boardrooms across the economy. Those businesses that adapt quickest and most effectively to the new normal are those most likely to survive it and flourish beyond it.

Micro-innovation offers a means for businesses to explore and discover new sources of commercial value. At a time when decisions over allocation of resources must be taken more carefully than ever, micro-innovation can provide a quicker and more cost-effective route to value than traditional forms of R&D-led innovation. As the economy continues to tighten, senior leaders would be wise to consider what impactful micro-innovations may lie untapped in their businesses.



Contributors

With thanks to:

Rick Lowe is Master of the Guild of Entrepreneurs and Managing Director of Brands In Ltd, which supplies licensed apparel and accessories to major fashion retailers including Amazon and ASOS.

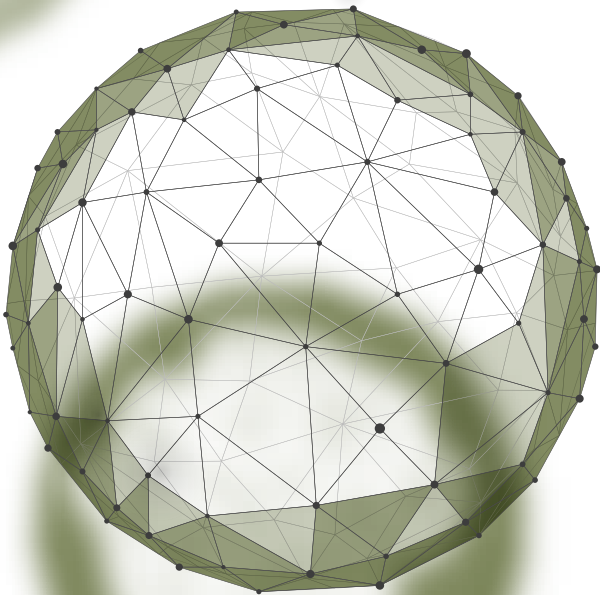
Stephen Roper is a Professor of Enterprise at Warwick Business School and Director of the Enterprise Research Centre. He has advised the OECD and UK government on innovation and enterprise policy.

Mark Huxley is a Freeman of the Guild of Entrepreneurs and Founder of Huxley Advisory, which provides mentoring and advisory services for individuals and wider business consultancy.

Ben Hunt Davis MBE is an Olympic gold-medal winner and co-founder of Will It Make The Boat Go Faster?, a performance consultancy which uses elite sport principles to transform organisations.

Dan D'Souza is a Programme Associate at L Marks, which runs innovation programmes for clients such as BMW and Lloyd's of London and has created the UK's largest network of corporate accelerators.

Professor John Bessant is Chair in Innovation and Entrepreneurship at Exeter University. He has acted as advisor to the UN, The World Bank and the OECD and is the author of over 30 innovation books.



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