

Module 1: Understanding Innovation

Overview:

People have always innovated. The wheel was an innovation which revolutionised travel, construction and engineering which became so common throughout many cultures that we forget there was a time when wheels were unknown. In the last 25 years innovations such as YouTube (2005), feel as if they have been around forever, but in fact they are relatively new.

Innovations are not always as dramatic as the wheel, which revolutionised transport, engineering and farming. New ideas or ways of doing things can make an incremental improvement. Some traditional sectors (especially in craft or artisan skills) may think innovation is not needed, that it will spoil the ethos of a skill or damage a tradition. However, innovation does not necessarily mean changing a traditional product or process, innovation includes new ways of buying and selling, new ways of networking, reusing, or reducing waste or exploring how new technologies can take traditional activities to new audiences.

Learning Outcomes:

By the end of the module learners will

- Know about different types of innovation and how to apply them to a business scenario
- Have practiced defining innovation goals suitable to their businesses
- Understand how to develop partnerships for innovation

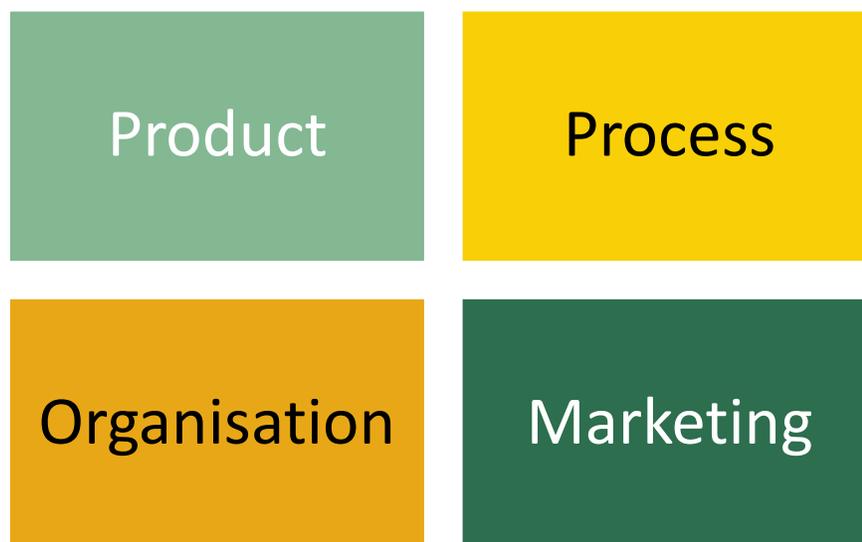
The module includes source material to help you gather information about innovation and activities to allow you to try out ideas and test your knowledge of innovation.

Different types of innovation

Innovation is not just about invention; it is also about adaptation. There are many types of innovation, which can be used separately or in combination to support your business growth and development.

Innovation can be incremental – taking place slowly and in stages, such as the release of slightly updated versions of an existing product, or it can be radical/disruptive innovation such as Uber.

Many innovation funding organisations categorise innovation into four main types:



What do these innovation types mean in practice?

Product innovation:

At its most radical this would be the invention of a completely new product, such as the 2004 invention of the super strong, super light material graphene. However, many products which are flagged in the media as 'inventions', are in fact refinements of existing products. So, the electric car is not really an invention of the 21st century, it is the incremental improvement of already existing technology. Similarly, anti-viral face masks in fashionable patterns are not a new invention, they are the repurposing of existing materials into a product for which there is now a high demand. Product innovation can be incremental and slow. A new fabric design that

disrupts face recognition software is a product innovation, so is the creation of a new flavour of the traditional English scone (lemon and coconut), or the adaptation of Polish Pirogi dumplings to include a curried vegetable version. Product innovations spotted by participants in the CASCADE project include the use of anti-glare glass by a picture framing business or the use of waste pallet wood to make garden ornaments.

For a case study in product innovation look up the Adidas LOOP shoe on your Internet Search Engine

Process Innovation:

This is where improvements are made in the way something is done. This could be improving production methods, but it can also be developing a more efficient way of keeping records. A world-famous example of process innovation was Henry Ford's idea of moving from a small group of men making a car from start to finish, to the use of a production line to speed up the process. This innovation changed manufacturing globally and is still widely used. As with production innovations, process innovations need not be as dramatic as the creation of production lines to be effective. Incremental changes can make an important difference. Process innovation would include new delivery methods such as the use of drones currently being rolled out by Amazon. It is easier to spot the difference between product and process innovation where goods are concerned, but less easy if the service sector is included. Our project is designed for craft, artisan, and creative sectors, and some of our participants provide a service (such as musicians and puppeteers). Process innovation for such businesses could include moving to an online booking system or producing a QR code to enable easy access to an online contract.

Organisation Innovation:

Redesigning organisations may seem very challenging, and possibly unnecessary for a micro or small craft, artisan, or creative business. However, innovation in organisation can be very effective and is much more straightforward than it sounds. It simply refers to a new idea,

product, service, technology, process, or strategy which an organisation takes up. So, an example from our project participants includes a wedding pianist who adopted an iPad and blue-tooth foot pedal as a means of transporting music to venues. This means music can be downloaded for free, from open-source web sites, massively increasing repertoire. Furthermore, if a guest makes a request for a piece they do not have, it is possible to download it instantly. Similarly, a craft-based social enterprise innovated in the way in which potential suppliers of services can tender for contracts to enable a wider pool of applicants for funded work.

Marketing Innovation:

Marketing can be a problem for micro and small businesses. There are many companies offering marketing advice or services, but it can be difficult to evaluate whether this will be an effective use of limited financial resources. Nowadays there is a lot of marketing activity on social media, and for small business owners who are not familiar with how best to engage with social media this can pose a problem. Social media is free to use, but offers to promote advertisements or posts for a fee. Traditional marketing methods such as fliers also require an investment and may be difficult to evaluate the benefit. Therefore, working out what marketing approach will work best to generate trade can be a problem, marketing innovation may seem even more of a challenge. However, there are some quick ways of innovating in marketing which are relatively easy to adopt.

Marketing:

Marketing can be summarised by the 4Ps acronym, product, price, place, and promotion. To this should be added the importance of relationships. Small and micro enterprises are well-placed to build strong relationships with customers and thus get repeat business.

Important points to remember in marketing are:

- Your product may not be physical, you could be providing a service. It is important to define and understand your product, in order to plan how to sell it.

- Pricing is very important in marketing your products. Too often new businesses charge too little to cover their true costs.
- Places may not be physical (a website or a virtual shop on a platform such as Etsy), but should always be considered a 'shop window' or 'showcase'. Make sure you are displaying your product well and showcasing it.
- Promotional activities include email marketing, customer service, customer feedback opportunities, direct mail, events, word-of-mouth, and social media.

Summary:

So, with these important basics in mind it is possible to see how a small enterprise could begin to innovate. Within the CASCADE project examples of marketing innovation by participants have included a potter who provided some mugs and plates to a popular local café for use by customers, with work also displayed for sale in the café, this increased sales by 30%. A photographer who offered a basic pet photo-shoot with proceeds to a local animal charity, generated free publicity in local news media and many people who booked the charity shoot bought additional high-end prints, as well as telling others about the service. An example of events-based marketing innovation is a jewellery maker who took products to a wedding fayre, having previously relied on the Etsy shop for sales. Again, this innovation proved profitable, as brides bought sets for themselves, and as gifts for bridesmaids. As a result, the jeweller decided to expand the range to include wedding-specific items and gifts.

Activity: Separate the fact from fiction (5-10 mins)

After reading the information about innovation, decide whether the following statements are true or false:

Statement	True or False
1. Innovation means inventing a new product or service.	
2. All innovations require financial investment.	
3. Innovation can be small changes to the way something is done.	
4. Marketing innovation is best done through paying a marketing professional	

Breakdown of answers:

- 1. False:** Even small changes to a product of service are innovations
- 2. False:** Many innovations require no financial investment but if you come up with an idea that needs investment there are a wide range of grants and loans available for this.
- 3. True:** Introducing a customer loyalty scheme is an example of a small innovation that can improve trade.
- 4. False:** There are many marketing innovations that are easy to introduce.

Case Study 1:

Traditional handloom weaving has a long history in Sri Lanka, it dates back more than 3000 years. The communities who still produce cloth in the traditional ways and to ancient designs are scattered in rural areas, where travel is difficult. Middlemen are commonly used to provide raw materials and to market the products made by weavers, which are mainly textiles for the home (bedding, curtains, tableware) and sari lengths. Community members want to maintain their traditional skills and share them with the younger generation to ensure the craft continues for many years. However, in order to do this, they need to improve the income from handloom so that young people would not migrate to the city in search of higher wages. In Sri Lanka most people have mobile phones and use them to access the Internet. Even in rural areas coverage is good.

Case Study 2:

A restaurant and pub in a small city wanted to innovate to generate new sources of income. They asked the local university about innovation support and arranged to work with a group of marketing students. The students conducted market research with customers and in the wider city. They noted the location was on a large, public square. They suggested working with the local council to hire the square at Christmas and create a Christmas market with an ice rink. This was an innovation in the city, which had previously not had such an attraction. The attraction has been a huge success, bringing in over 150,000 visitors and increasing turnover and profits.

Case Study 3:

A small music-based social-enterprise working with children needed to encourage schools to engage. They realized they did not have a clear image or message. They worked with graphic design students who provided new, clear branding and advertising materials. This helped with promoting the enterprise in schools and increased their impact.

Case Study 4:

A video games design company wanted to exploit artificial intelligence (AI) to enhance their work. They partnered with the data science team at a local university and applied for funding from Innovate UK. They were awarded a grant to enable them to work for 18 months with a team of data scientists and were able to develop a completely new way of incorporating AI into their products. This led the company to increase their sales and employ 5 additional staff members.

Activity: Research (20 mins)

Choose one of the case studies above. Look online to find out about the processes involved and consider the types of innovations which could be implemented to help improve their business opportunities. There are no correct answers for this task. Use the table below to record your thoughts

Product innovations	
Process Innovations	
Organisation Innovations	
Marketing Innovations	

Review: We will review Case Study 1 below

Four handloom communities worked with a Sri Lankan university and enterprise educators and introduced the following innovations:

Product innovations	The weavers worked with textile designers from the university to generate new designs. They also created a range of new products that could be easily manufactured by the weavers to broaden out from sari lengths and home textiles, these included shirts, ties, and hats.
Process Innovations	The government provided a grant for solar panels which enabled weavers to work after dark and also to buy electric sewing machines to make the new products.
Organisation Innovations	They identified providers of raw materials which would work directly with the weavers and offered competitive prices.
Marketing Innovations	The university helped the weavers to network with high-end fashion companies in the west who want fairly traded textiles. This led to new markets being developed without using middlemen.

Defining your innovation goals:

It is helpful to have goals to aim for to innovate effectively. You may need to experiment with different ways of innovating before finding something which is successful. This means innovation goals or objectives may be more uncertain than objectives set out in a business plan, they may involve more risk, especially in time, than other goals.

While we have separated innovation into four main types, when setting innovation goals, it can be useful to think about sub-types as these may help you identify objectives.



Time – how could you save time? Would a work-flow assessment help understand where time could be gained? Find out how to do one online. Simple changes can make a big difference



Productivity – increased productivity could come if some routine tasks (e.g., invoicing) could be automated, if packaging can be simplified, if processes can be combined.



Efficiency – this could be innovating in order to use less energy or improving a design, so the product is more efficient for end users. Services can become more efficient by developing an app for bookings



Convenience – make it easy for customers to buy your product, increase the number of outlets, check your products are easy for potential customers to find.



Quality – have you got an effective quality control process? Can you improve the quality of your product? Do you produce a high-quality product that is superior to competitors? Make sure the message about quality gets to potential customers.



Customer needs – find out what your customers want. Do some basic market research as a simple innovation may enable you to better meet their needs.



Customer experience – how can you improve this? Relationships and word of mouth are important in building a business.



Risk – have you undertaken a risk assessment? How can you innovate to reduce risk? Consider issues such as climate change, market change and so on. Can you produce a product or service that reduces risk for others?



Sustainability – innovating in closed loop production will save materials and energy. CASCADE has specific planning tools to help you with this.



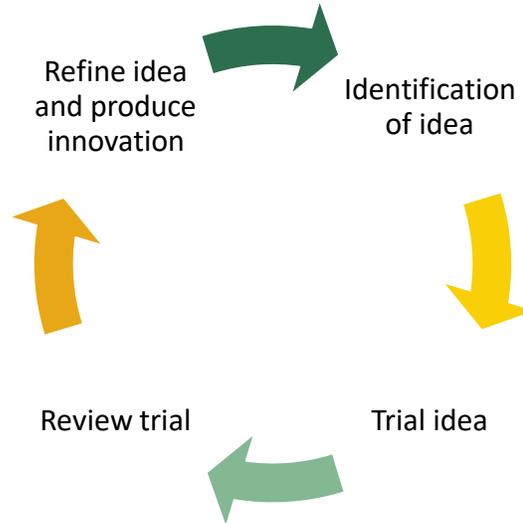
Knowledge – you need to be an expert in what you are doing. Keep up with the latest advances or ideas. Join relevant trade organisation's, borrow books from the library on your topic, subscribe to relevant trade magazines or take opportunities for free learning offered online.

Activity: Plan of Action (150 words, 20 mins)

Try setting some innovation goals for your business. Remember, you should include an action within each goal, and it can be useful to state how you might achieve your goal. We have provided an example innovation goal to help you with designing these.

Innovation Goal	Steps needed to achieve goal
1. (EXAMPLE) My sustainability innovation goal is to find new ways to reuse currently wasted scraps of yarn.	Research what other knitters and weavers are doing with wasted yarn. Find potential partners who could use yarn (e.g. textile artists). Work with other local producers to share resources.
2.	
3.	
4.	
5.	
6.	

You can create innovation plans by following the steps in the diagram below, and these steps will also be useful to follow if you want to apply for innovation funding from a government or private funder. You may find our innovation planning template useful:



Activity: Fill in the template below (10-20 mins)

1. Initial Idea (jot down what you have noticed)	2. How can I develop this? (Does my observation lead to an opportunity?)
	3.
4. What feedback can I get to improve this?	How can I implement this?

Sample filled in template:

<p>5. Initial Idea (jot down what you have noticed)</p>	<p>6. How can I develop this? (Does my observation lead to an opportunity?)</p>
<p>Hannah runs a curtain making, repair and alteration service, she is quick at machining and has equipment and space, and sometimes she is not busy with repairs. She also has left over materials and threads. Hannah spotted parents searching for ideas for original fancy dress costumes on her social media (for world book day, Halloween, nativity plays etc) and thinks there is a demand she can meet.</p> <p>7.</p>	<p>8. Next to her shop is a charity shop with clothes for £50p-1 an item. She decides to see if she can make fancy dress costumes using second-hand garments and her stock of left-over materials. She asks her friends on social media for some ideas for costumes and makes six outfits as samples.</p>
<p>9. What feedback can I get to improve this?</p>	<p>How can I implement this?</p>
<p>Hannah shows her products to friends and family with children aged 3-10. She gets feedback and finds there is demand for a wider variety of ideas for boys' outfits and for bespoke costumes. She checks out best-selling books and popular films, cartoons, and video games to get more ideas. She finds out people will pay between £25-35 for an original costume, and she can make up to two costumes in one hour.</p>	<p>She thinks the plan to use design innovation to expand her business is viable but needs to work out how to promote this. She decides to start with local selling groups and word of mouth while she builds up a stock of costumes.</p>

Co-operation with other enterprises for innovation:

There are a variety of sources of help in planning, implementing and even funding innovation. Every EU country has a system of support and we have provided country-specific information to help you find support. However, there are some sources of support that are common across most countries, and we detail them below.

Small, creative enterprises can innovate by working in partnership with other, similar businesses. For example, innovating by ordering supplies with other people can enable discounts for bulk purchases, sharing a workshop with others can reduce costs or enable access to a larger space. Other producers may be able to use your waste products, and this can lead to more innovation being developed.

Universities:

All universities are interested in developing partnerships with small businesses. They have teams established to help put you in touch with the most useful people within the university – these are usually called Business Development Teams. You will find that all departments in a university are keen to support innovation relevant to their research or development interests. Universities also have scheme where businesses can access students for short-term projects. These projects are supervised by academics or professional services staff. Most university support is provided free of charge for small enterprises.

Chambers of Commerce and other business networks:

Joining formal business networks, or even starting your own, informal business network can be helpful in learning about innovations, getting funding for innovations or finding people who can share ideas or create partnerships with you to develop innovation. You could start an informal network via social media. There are also many groups on Facebook and Instagram which link up people with creative, craft of artisan businesses.

Quiz: Check your understanding

Check what you know about innovation

- What services can universities provide to help with innovation?
 - A. Students to conduct projects
 - B. Academics to provide advice
 - C. Partnerships to obtain funding
 - D. All of the above

- How many stages does the Cascade Innovation plan have?
 - A. 4
 - B. 5
 - C. 6
 - D. 7

- How could you build your own innovation network?
 - A. Join an official business support group
 - B. Start a group on social media
 - C. Contact other people working in your sector directly
 - D. All of the above

Breakdown of answers:

1. D Universities can offer support with all of these options, and many universities will offer additional services for small businesses. These are often free or have a minimal charge.
2. A The Cascade innovation planning tool has 4 straightforward stages to help you plan your innovation process
3. D Building a network will help your business develop. Research have found that the more links a business has, even if these are not close ties, the easier it is for the business to develop and grow.