

## **Innovation, Small and Medium Enterprises and Consultants**

Kieran O'Brien looks at innovation, SMEs and particular challenges they face in becoming innovative organisations.

### **Looking back at 2009**

At the beginning of each business or financial year it is very useful for business owners and management to review progress against business plans; to identify success and failures and to take on board lessons learned in order to improve future business performance.

Our marketing strategy in 2009 focussed on traditional networking as a way of generating new business, favouring this over the much hyped online social networking approach. This strategy was followed as it was felt that our services are best presented in person though online marketing was also pursued but in a very limited fashion.

Over the past months, the regular events, seminars and workshops held by various government and semi government agencies, banks and HEIs in particular provided regular opportunities for meeting potential clients.

### **Enterprise Support**

Many of these seminars and workshops attended were sponsored by Regional Development Authorities with the objective of furthering government policy and assisting small and medium enterprises. SMEs currently account for 99% of UK enterprises, employ approximately 60% of UK employees, and have less than two hundred and fifty employees according to latest statistics. The primary focus of these events was to inform decision makers of the wide if confusing range of government support and grants available for business improvement activities.

The benefits of even marginally improving SME productivity in the present environment are obvious with the major focus of these seminars being "Innovation" which covers products and services and also organisational processes. The present Government view is that "Innovation drives economic progress, for business this means sustained or improved growth, for consumers it will mean higher-quality and better-value goods, more efficient services and higher standards of living. To the economy as a whole, innovation is the key to higher productivity."

### **Innovation**

Research on Innovation has been mainly carried out on larger organisations but in general these findings can be applied to all enterprises. Innovative organisations have taken a strategic approach to innovation and firmly linked it to overall corporate strategy. They have established effective external linkages, and work with lead customers, suppliers and relevant organisations and individuals using both formal and informal networks to identify and take advantage of new product, process and market knowledge. They have established both formal and informal organisational practices to ensure emerging opportunities are quickly and effectively exploited. Managers in such organisations demonstrate their personal commitment to the organisation's innovation strategy and communicate this effectively to all employees through their actions as well as words. Employees throughout the organisation understand how innovation helps the company succeed and are nurtured by a supportive working environment where communication works effectively both vertically as well as horizontally across the organisation.

### **Challenges within Small and Medium Enterprises**

SMEs at their incorporation in our experience are inherently innovative and often established to take advantage of a gap in the market, by founders who may not have achieved their potential within their previous organisations.

In the modern constantly changing environment where the rate of change is increasing and product life cycles decreasing, innovation is an imperative and only those who adopt it as part of their strategy are likely to survive and grow in the long term.

Owner managers of these enterprises generally have similar characteristics, with a high level of skills in their fields e.g. technical or marketing, self confident, ambitious and like to make decisions and be in control. Their enterprises and organisations are usually highly dependent on them and often moulded to suit their personalities and styles. Research suggests that these business owners rate opportunities of making their own decisions, doing something enjoyable as well as the challenge of growing their business as more important than financial rewards. Owners often employ like minded individuals who are adaptive and when required work flexibly to achieve business objectives and ensure the success of the enterprise.

These organisations are often successful though the degree of success in our view i.e. growth and profit is very much linked to the personality of the owner manager.

Companies in which owner managers demand a high level of control often demonstrate a lack of diversity with managers and employees acting in line with the perceived wishes of owners rather than taking ownership of business issues. Ultimately it can lead to employees taking on the role of the emperors' subjects as in Hans Christian Andersen's novel without balanced opposing views to inform decision making.

So while innovation generally underpins new enterprises, the owners' personalities ultimately determines whether innovation in these organisations is once off or whether it becomes part of successful business strategy.

### **Going Forward**

Over the past year we found that seminars and workshops provided useful and up to date regulatory and market information but more importantly in our case attracted our target audience and provided good networking opportunities. A number of these events were attended and they generated a number of business leads. In contrast the benefits from our online social networking efforts have yet to be realised.

Government support for innovation is well directed with management research showing firms using innovation effectively; outperforming their competitors in terms of market share, profitability and growth. Productivity within the West Midlands region lags behind the UK average considerably making Innovation a particular priority for our region and therefore of particular interest to our clients.

Consultants can aid economic recovery by helping owners and managers of SMEs create innovation friendly environments, and ensuring innovation becomes an integral part of their business strategies. We can also help them recognise their organisational limitations and encourage the delegation of decision making and promoting the empowerment of management teams. Specifically we can play important roles in building external linkages with other organisations and sharing our business knowledge and experience. Ultimately the most effective and useful consultants will help build truly learning and innovative client organisations, ensuring the success of their clients' enterprises and playing important part in economic recovery within the West Midlands and across the UK.



**About the Author Kieran O'Brien B.Eng MBA [kobrien@denovoconsult.com](mailto:kobrien@denovoconsult.com).**

The author is a business consultant and owner manager of DenovO Consulting Ltd which provides consulting and interim management services to medium sized and owner managed enterprises mainly across the West Midlands. He has degrees in engineering and business and has worked with manufacturers and service providers for over 15 years in the UK and Asia, launching products/services in overseas markets, setting up and managing new enterprises, and turning around failing business. He speaks Japanese, graduated with an MBA from Aston University in 2006 and now lives in Warwick with wife and son. He is a new member of Coventry & Warwickshire First and has recently been asked to serve on Aston University's standing committee of convocation and to join Coventry University's panel of mentors to help young entrepreneurs.