

THE INNOVATION IMPERATIVE

TAKE A MOMENT TO CONSIDER THE FOLLOWING

The average manufacturing labour rate in China is typically a tenth of that in the UK. However, wages in the Far East can go even lower than this. Wages in clothing and footwear factories in China, performing subcontract manufacturing for well-known Western companies such as Wal-Mart, Nike, Adidas, Ralph Lauren and Esprit ranged from $0.13 to $0.32 per hour, albeit working in very poor working conditions. ('Lean is not enough', *Manufacturing Engineer* 2003)

"The UK will never again compete on cost alone. Our future success lies with a highly skilled workforce providing innovative, high-value goods and services that command a premium in global markets." (Digby Jones, Head of the CBI, January 2003).

A study by Japan's ministry for trade & industry (MITI) concluded that 54% of the world's most important inventions over the past 100 years were British. Of the rest, 25% were American and 5% Japanese. According to Japanese research figures, of all the patents granted throughout the world for new inventions in the last 50 years, 40% have been to inventors from the British Isles alone, and the trend continues.

According to research by Michael Porter published in 2002, "UK companies compete less on unique value (versus cost) than advanced nation peers". Porter goes on to point out that in manufacturing, UK companies make less use of advanced management techniques than companies from competing locations including the US, France, and Germany. Additionally, EEF research finds that, even when new techniques are employed, UK companies generate less returns than US companies.

So, what can we conclude from this? Firstly, it is clear that UK companies must move away from competing on cost, to competing on the basis of value. Providing commodity products is no longer sustainable for most companies. The surge in the last few years in outsourcing manufacturing to lower cost offshore economies is proof of that. Secondly, looking at history, one might conclude that such is the excellent tradition of invention in the UK, that providing higher value products and services would not be a major challenge. However, experience shows otherwise. Invention is only one part of innovation – successful commercial innovation can be defined as converting a good idea into a product, service or process that generates benefits for a business. This is a major step beyond inventing something – a hard road lies ahead to creating commercial success and British companies have often stumbled or lost their way on this journey. Thirdly, UK companies have a long way to go in using best practices effectively and generating good returns.

So what is the answer? There is no simple answer. But it is clear that UK manufacturers need to dramatically improve their ability to generate new products, services and new ways of doing business that allows them to differentiate themselves from lower cost rivals. There are also many examples of exemplary UK manufacturers who can compete with the best in the world in innovation; companies such as Renishaw, Kesslers, Gripple, Dyson and Glaxo SmithKline. Companies can learn from these leaders and understand the key practices that need to be in place to enable successful innovation – both in their business processes and in their products and services.

We will be exploring effective innovation for both product development and process improvement at an IEE Seminar, 'Innovation for high value-adding manufacturers', on the 27th October in London, with speakers from Ford, Stannah, IBM and Kohler Mira together with the latest academic thinking from Cranfield School of Management and London Business School. Why not join us? For more information go to http://www.iee.org/events/hvam.cfm

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