

# The best companies channel their inner David Bowie

PEOPLE OPINION

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**Giving UK companies the chance to reinvent themselves will benefit us all.**

At the end of the Second World War, John Maynard Keynes famously suggested that the best way to get the UK economy going would be to ask the Americans to bomb factories in the UK “at an hour when the directors were sitting there and no one else”. He added: “How else are we to regain the exuberant inexperience which is necessary, it seems, for success.”

Keynes was joking (one hopes) but his point remains salient, particularly at a time when the UK faces a major productivity crisis.

Of course, every big company once started out life as a small and inexperienced business, usually looking to push barriers and break into a market by doing something innovative. But along the way, in search of market dominance and under mounting pressure to deliver shareholder returns, fear of risk can sometimes overtake an appetite for it.

Yet, as history has shown us time and again, businesses that retain market leadership positions and sustain growth in the long-term are the ones that consistently innovate and behave like challenger brands - channelling their inner Madonna (or David Bowie) to reinvent regularly. This is where collaborating and partnering with start-ups and SMEs can help.

Small and micro businesses can be breeding grounds for innovation, with many having been created as innovative solutions to existing problems. Less restrained by old habits and traditional ways of working, a young company is often able to think differently, to see opportunities that others fail to spot, to make quick decisions without multiple layers of management having to sign-off on them, and to embrace novelty and the unknown.

These qualities are the driving force of innovation and some of the biggest game-changing business disruptions over the past decade have originated from young and inexperienced start-ups taking risks and experimenting with new approaches.

Big businesses that have struggled to keep up with the pace of innovation have paid a high price. Blockbuster Video is a good example, having failed to compete with new online competition and adapt quickly enough to changing consumer habits. Kodak is another.

But increasingly, more brands are starting to recognise the power of collaboration and the benefits of outsourcing innovation. A recent Accenture survey of 1,000 big companies in the G20 found that revenues generated by collaboration with start-ups and entrepreneurs on innovation currently represents as much as 9pc of large companies' total revenues. This is expected to rise to 12pc in three years and 20pc in five years.

And all the evidence indicates that connecting early-stage SMEs to established corporates generates benefits to both parties. For the corporates, the injection of new blood and ideas can accelerate innovation and enhance the entrepreneurial culture of the company. For the start-ups, huge benefits can be reaped from access to a large company's networks; as well as brand legitimization and access to mentoring from experienced business leaders.

But it's not always easy for big and small businesses to access the right collaborations. How does an SME approach a big company? Who do they talk to? How does a corporate know a particular SME with an innovative solution even exists? Geography is also an issue; the majority of brands are headquartered in London, while 74pc of the country's digital businesses are based outside the capital (and 98pc are SMEs).

Effective and reliable brokerage is key, and in recent years there's been some interesting new developments that are helping facilitate collaborative relationships. National not-for-profit company Creative England, for instance, has had considerable success with a series of supply chain initiatives that have linked small digital businesses with major corporations such as Microsoft, Walt Disney, Bauer Media and BBC Worldwide.

In the past three years it's invested millions of pounds into hundreds of high potential digital businesses; supporting companies like two-year-old Salford-based Formisimo – a cutting-edge online analytics company providing solutions to clients including Arsenal FC, Toyota and the Financial Times. Likewise, specialist Liverpool-based software company LivingLens has grown from a three-person start-up in 2014 to a team of nine today, working with leading brands like Unilever, Vine and Carphone Warehouse.

It's also investing in a growing national network of start-up accelerator programmes, providing seed investment and intensive business mentoring; and linking the companies that graduate through these programmes to investment opportunities via local business angels and corporate venture funds. This is what we need more of, but on a bigger scale. Creative England is now looking to develop more corporate partnership funds in everything from digital healthcare to retail, advertising and fintech. At Creative England Live 2016: Catalyse, an event held on Wednesday at Google HQ, the company announced a raft of new initiatives that will take this work to the next level.

The key trends that have evolved as a result of the digital revolution – personalisation and customisation; interaction and immersion; the growth of analytics and the exploitation and commercialisation of real-time data; the integration of the online and offline world and the ability of the crowd to leverage action – are driving massive shifts across our economy. If brands are to keep up, they must do more to put trust, experimentation, cooperation, imagination and, crucially, creativity and collaboration at the heart of their business.

Working with effective finance and brokerage mechanisms like Creative England can help facilitate the sort of research and development that's vital for fuelling future growth and, crucially, future productivity.

*First published on The Telegraph*

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