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EMPOWERING INNOVATION

Overcoming the barriers to innovation and scaling

Index:

1

Does your technology deserve better?

In the highly competitive tech sector, where product life cycles continue to shrink, successful companies are the ones who continually innovate and scale their businesses – adding real value.

Innovation and scaling go hand-in-hand, as the former requires cash, and the latter can provide it.

Innovation is not just the preserve of new start-ups. Established businesses need to innovate in order to thrive. However, too many companies hit a wall when it comes to making progress on both these fronts, not least because they often confuse these terms with R&D and Growth.

2 What is innovation?

Like the term 'Marketing', which took years before it became a recognized 'function' and activity within a business, innovation is struggling to find its identity – often being labelled as another word for the more riskier forms of R&D – as opposed to what it actually is, which is perhaps best described as follows.

"R&D is about turning money into knowledge. Innovation is about turning knowledge into money"

In other words, you can argue that innovation is synonymous with the purpose of most businesses, which is in turn synonymous with the definition of Marketing – identifying and satisfying customers' needs at a profit.

Almost certainly, too much 'innovation' is driven by a desire to solve a technical challenge or innovation for innovation's sake, rather than by a true understanding of customers' current and future needs, and an awareness of the competition and what they are doing. Every now and then a game changer is created, disrupting a market almost by accident – but these are very few.

Barriers to innovation

Charlie Widdows (Cofounder Solverboard), in describing the five main blockers to innovation, summed up the problem businesses have in innovation and where it fits into their organisation.

1. Fear of failure
2. Conflicting goals in the organisation
3. Lack of innovation skills
4. No clear definition of innovation
5. Disagreement over who owns innovation

3

Embracing innovation

Taking a lead from many VCs, (who work on a percentages basis - accepting a certain failure rate compensated by the occasional big win), businesses should consider developing an innovation strategy that adopts a similar balanced risk approach, and is market led.

This strategy would require companies to

- Up their game as regards market intelligence and forecasting
- Recognise that innovation can cover any aspect of the business where a competitive edge can be achieved and maintained.
- Recognise their strengths and weaknesses.
- Prioritise innovation 'projects' based on potential return and risk – the ability to scale rather than just grow steadily.
- Embrace partnership and collaboration/co-opetition opportunities.
- Develop clear quantifiable and time-bound milestones to measure performance against
- Treat this process as an integral part of their business strategy.
- Be creative in seeking funding for the projects.

Funding innovation

Innovation is a continual process and requires continual investment. You may create something that is ahead of the game today, but you can't afford to sit back and relax as your competitors won't.

Whilst there are various sources of non-dilution funding available to support innovation, including R&D grants, these either cost money or are high risk (grants). Neither are guaranteed and take time to access, making it difficult to build them into an Innovation Funding Road Map. Much better if you can 'future proof' funding for innovation through creative scaling solutions.

But what do we mean by this?

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4

Business Scaling vs Business Growth

Two of entrepreneurs' favourite topics are growth and scaling in business. The words are thrown around a lot, but the enthusiasm with which they're used often outpaces the accuracy.

Many people use these words to mean the same thing: A company getting bigger, gobbling up more market share, and making more money.

But there's a crucial difference between growth and scaling in business terms, and it's an important distinction to understand what really happens when businesses grow and what kind of growth you should be looking for.

When companies grow, they are increasing their revenue equally as fast as they are adding resources to enable that increase. The company may gain £500,000 in new revenue, but in order to do so they had to hire a whole new sales team at a cost of £500,000. The company's gains and losses are evened out, so even though the company is growing — by new employees and a corresponding uptick in revenue — it really hasn't gained much value.

Added Value through Scaling

When companies scale, on the other hand, they add revenue at a faster rate than they take on new costs. A company that is scaling may gain £500,000 in new revenue through a licensing agreement or the setting up of 3rd party sales channel agreements with key players in other geographical markets. 'Instant' access to new markets and customers can generate exponential revenue increases, whilst costs are minimised.

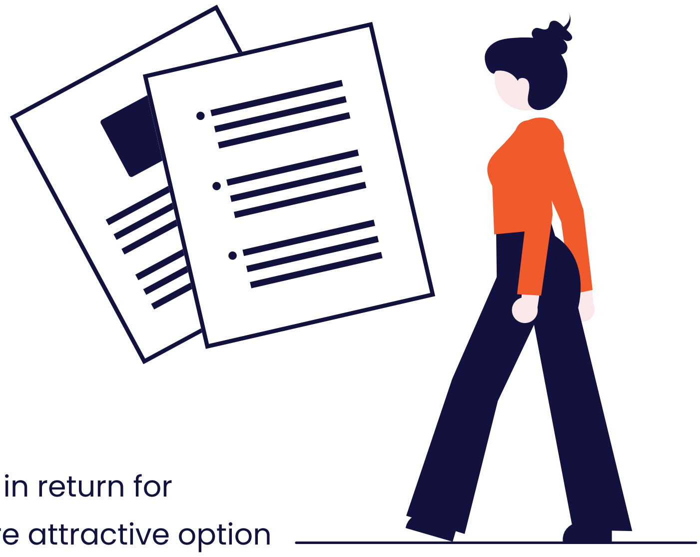
Some margin has to be sacrificed, which is why this route is generally more attractive to high margin digital tech businesses.

Scaling can add real value to a business – delivering the optimum return to all stakeholders.

Scaling and Funding - connecting the dots

Let's say you have successfully managed to agree in principle a licensing agreement – it is obviously in both parties' interests to maintain the competitive advantage of your product/service.

Bearing that in mind, as well as laying the foundations for scaling your business, there may be the opportunity for some clever negotiations at the start which result in an agreement which ensures funding for your ongoing R&D programme.



A guaranteed/up front income in return for licensing rights might be a more attractive option in the short to medium term, ensuring your company can confidently map out its R&D programme and keep its product at the leading edge of technical development.

Barriers to Scaling

Scaling doesn't come naturally to most tech businesses – common reasons being

- The skill set of the business is tech oriented, not commercial.
- They don't understand the market or their competitors
- People like to stay in their comfort zone – no global aspiration.
- There just isn't enough time to even start thinking about scaling.
- The real objective is to develop the tech to a point where it can be sold and let someone else exploit its true potential.

Overcoming these barriers is not easy on your own – it requires time and expertise.

But, developing a clear, innovative scaling strategy that can deliver exponential growth is what separates the leaders from the followers.

5 Why using a partner like Infintec is worth considering

Using a specialist like Infintec can help you achieve the funding you need and the scaling your technology deserves. Our broad industry experience and market intelligence enables us to rapidly assess the opportunity, identify 'partners', negotiate agreements and basically put in place your scaling strategy. We call it our Fin-Maxima solution. Our Fast-track, Paid-on-Results method of working minimises your risk and time commitment.

Using Infintec allows the your company to explore new potential markets, new product sets and geographies using our skill set to expand your business.

What's not to like?

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