



Portsmouth Water Innovation Framework Recommendations

**Conway Strategic Water Consulting
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Portsmouth Water Innovation Framework Recommendations

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1- Purpose of this report

Conway Strategic Water Consulting was commissioned to carry out a review of PW's current approach to innovation and make recommendations on a proposed innovation framework for implementation.

The purpose of this report is to:

- present findings on PW's current approach to innovation and opportunities for improvement
- make recommendations on a proposed innovation framework
- recommend endorsement of the proposed innovation framework by PW's leadership team.

2- Innovation review methodology

The review of PW's current innovation approach and development of the innovation framework proposal was undertaken following the following key steps:

- **Step 1:** Compilation of innovation best practice approaches and water sector weaknesses, including review of:
 - Ofwat feedback to water companies on PR19 business plan submissions in relation to innovation
 - “PR24 and beyond: Creating tomorrow together”, published by Ofwat
 - “Innovation baseline in the water sector” report, prepared for Ofwat by the Centre for Strategy and Evaluation Services
 - “Collaborative Innovation in The Water Industry – An Industry Guide” published by the Twenty65 Research Group.
- **Step 2:** Conducting six internal PW workshops attended by 36 staff from all PW departments
- **Step 3:** Formulation of initial findings and proposals, and review with PW's sponsoring director
- **Step 4:** Presentation of initial findings and proposals to PW Leadership Team, requesting feedback
- **Step 5:** Further development of findings and proposals, incorporating Step 4 feedback, and review with PW's sponsoring director
- **Step 6:** Holding individual discussions with members of PW Leadership Team on the innovation framework proposals
- **Step 7:** Finalisation of findings and proposals with PW's sponsoring director
- **Step 8:** Submission of recommendations.

3- Workshop feedback on current PW innovation activity

Key findings relating to PW's current approach to innovation are summarised below. The text shown in italics represent combined quotes from workshop discussions.

a. Innovation is ad-hoc and isolated

- *Isolated innovation in some areas*
- *Happening in pockets but clandestine*
- *Disjointed and ad-hoc*
- *Innovation isn't visible.*

b. Innovation activity isn't organised and structured

- *Innovation is an unstructured hobby activity*
- *Not joined up*
- *There needs to be a clear pathway so that anyone can easily share their ideas*
- *Feels very siloed*
- *We need a framework, and somebody responsible and dedicated to bringing it all together.*

c. Innovation needs to be better targeted

- *Innovation is reactive rather than proactive*
- *Innovation seems focussed on short term*
- *Innovation needs to be linked to strategy*
- *No business wide visibility of challenges*
- *No direction on what type of innovation is important.*

d. There isn't time available to focus on innovation

- *Not enough capacity and resource available to spend time on innovation*
- *Most people are already over-stretched.*

e. Innovation ideas process not effective

- *Ideas have been put forward in the past but went nowhere, leading to frustration*
- *No feedback provided to the people who submitted ideas*
- *PW people are an untapped resource but don't know what to do with an idea*
- *There needs to be a clear pathway so that anyone can easily share their ideas.*

f. Innovation success isn't celebrated

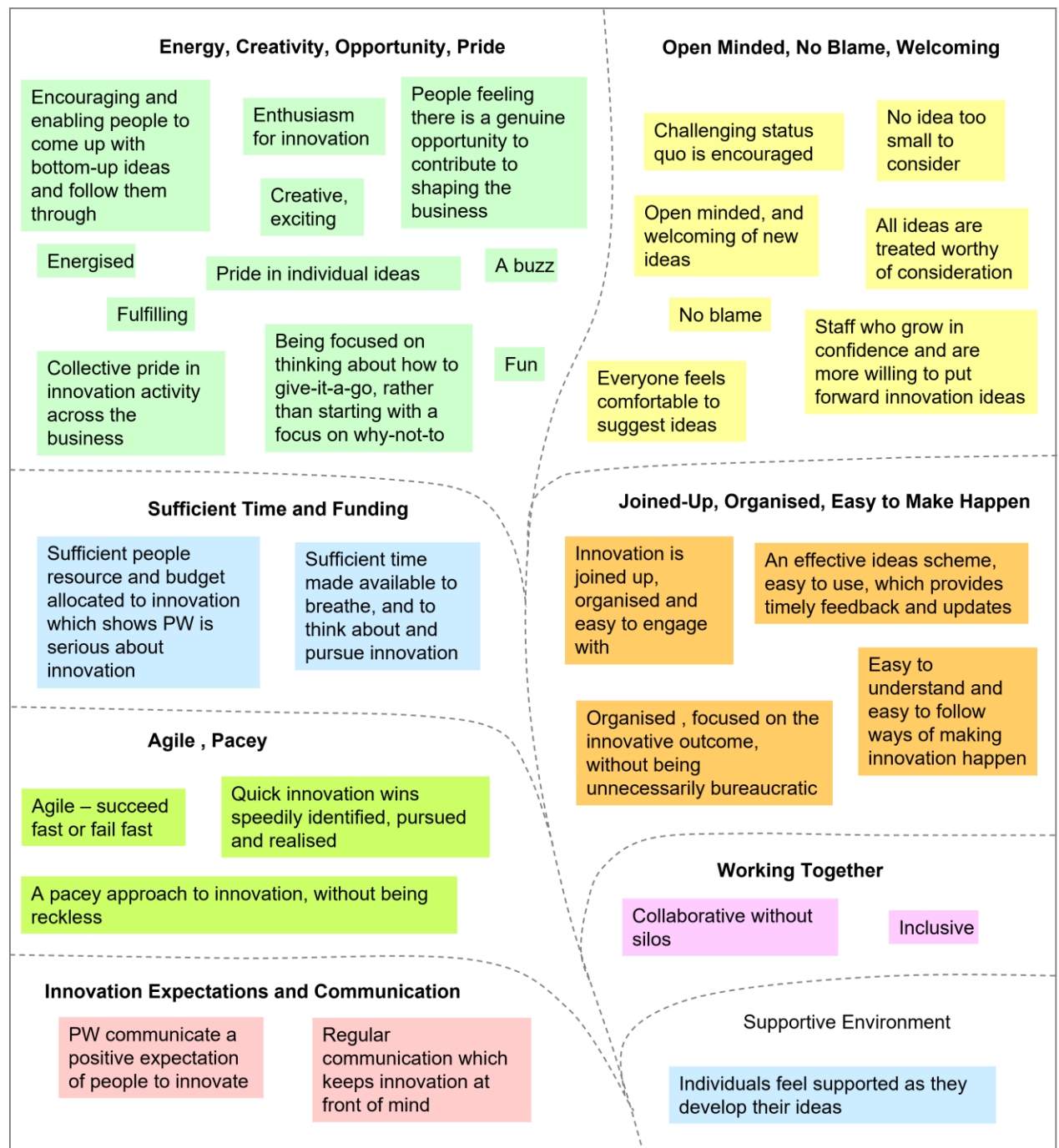
- *When we do manage to innovate, we should celebrate more to encourage others – but we don't.*

g. Our innovation culture isn't strong enough

- *Most PW people don't think about innovation, and if they do, they tend to feel deflated*
- *Always the same limited number of people who contribute ideas*
- *There needs to be a bigger appetite for innovation, a stronger innovation culture and innovation needs to be easier to do.*

4- Workshop feedback on target cultural feel for innovation at PW

The chart below summarises workshop outputs relating to the target cultural feel for innovation at PW.



5- Key guidelines informing development of the PW Innovation Framework

Dialogues held during the review produced a range of key guidelines which informed the development of the PW innovation framework. These are summarised below.

a. An innovation approach which is consistent with the context of PW

The PW innovation framework needs to be **organised, ambitious and, at the same time, a light touch**. The PW resources devoted to innovation will necessarily reflect that PW is a smaller water company, and the format of the innovation framework needs to be developed in a way which is commensurate with the PW context.

b. Innovation best practice features applied in a sensible way

The innovation framework needs to incorporate best practice features to be expected of an effective innovation approach and applied in a way which is sensible and manageable for the PW setting.

c. An easy-to-use innovation framework

It is essential that the innovation framework is easy-to-use and not a bureaucratic burden.

d. An innovation framework which leverages existing processes

PW already has business process in place which can also be utilised for the purpose of innovation. For example, PW has an investment prioritisation process, a project delivery process, a risk management process, and a company communication process. Accordingly, in many areas PW doesn't need to invent new business processes, but instead apply existing approaches to innovation.

e. Managing risk

Whilst innovation success can never be guaranteed, managing risk to avoid failure is critical to ensure that funding deployed delivers benefit. Being a fast follower and working in collaboration with other organisations is likely to be key for PW.

f. Near, mid, and long-term innovation thinking

The innovation model emerging from this review needs to be capable of assessing and accommodating innovations needs, in the near, mid and long term.

g. Bottom-up innovation is key for PW

Stimulating and enabling organic, bottom-up innovation is key for PW. That isn't to say that top down strategic innovation will not be pursued. However, it is anticipated that an engaged workforce generating and delivering bottom up innovation is likely to deliver a substantial performance gain.

h. Ideas Scheme

The existing PW ideas scheme isn't effective and at least needs reinvigorating if not replacing. The ideas scheme should be an easy-to-use mechanism which attracts participation, where no idea would be too small to be considered. Idea submitters should receive timely feedback on progress, with all ideas visible to everyone, and with contributions sought and welcomed.

i. A dedicated resource to enable and provide a focus on innovation

A dedicated resource is required to initially establish the innovation framework and subsequently provide an ongoing focus for innovation. The resource could be full-time initially and migrate to part time.

j. PW innovation culture needs to be reinvigorated

Workshop feedback painted a picture of current innovation at PW as being disjointed, with a lack of broad engagement. Accordingly building a stronger innovation culture is key.

6- Recommendation 1 - The role of innovation in PW

The role of innovation in PW, as developed from workshop discussion, is to:

Discover and develop innovative ideas and approaches, big or small across all functional areas, and implement selected opportunities to deliver real benefits which enhance PW service and performance.

Key parts of this description are highlighted below, with supporting underpinning points:

- ***discover and develop innovative ideas and approaches***

The focus is about utilising innovation to raise the performance of PW. Accordingly, innovation items need only be new for PW, and not necessarily for the industry as a whole. In this context being a fast follower of innovation developed by others would be valid as newly developed innovation for PW. (That said, it would be less appropriate to consider activities which primarily relate to catching up on well-established practice as innovation.)

- ***big or small across all functional areas***

Innovation exists in a continuum, from continuous improvement to incremental change, to fast follower, to step change transformation, and more. The proposed PW framework approach is to harness innovation opportunities big or small, and hence all innovation opportunities across the continuum are valid candidates.

Innovation can be driven by both top-down strategic needs and bottom-up good ideas. Top-down strategic innovation typically relates to innovation driven by price review business planning, delivering regulatory outcomes and business strategy considerations. Bottom-up

innovation is typically driven by staff at all levels who generate ideas on how activity could be improved.

Adopting an innovative approach is relevant across everything PW does. Accordingly, innovation extends beyond technology to cover all PW functional activity.

Innovation addresses short, medium and longer-term needs, as opposed to concentrating predominantly on shorter-term financial drivers.

- ***implement selected opportunities***

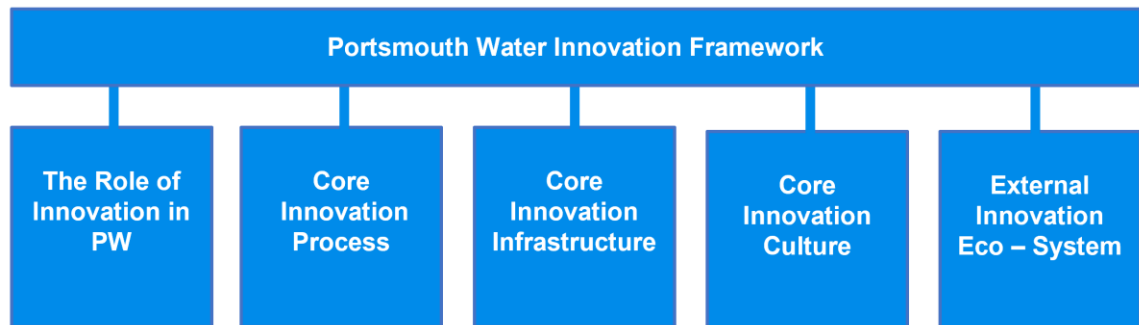
The aim of the innovation framework is to make best use of available innovation funds to deliver optimum benefit. The number of annual innovation candidate items for consideration is highly likely to be substantially greater than the annual innovation funds available. Accordingly, it is essential to be selective about the innovation items to be pursued, utilising a prioritisation process.

- ***deliver real benefits***

Delivering real benefits from innovation depends on the innovation candidate idea being successfully developed and subsequently implemented into operational use. To maximise the likelihood of success the proposed innovation framework incorporates an-end-to-end core process, a supporting infrastructure arrangement and references governance provisions, including a stage gate review process, risk management and realisation of benefits.

7- Recommendation 2 – Portsmouth Water innovation framework components

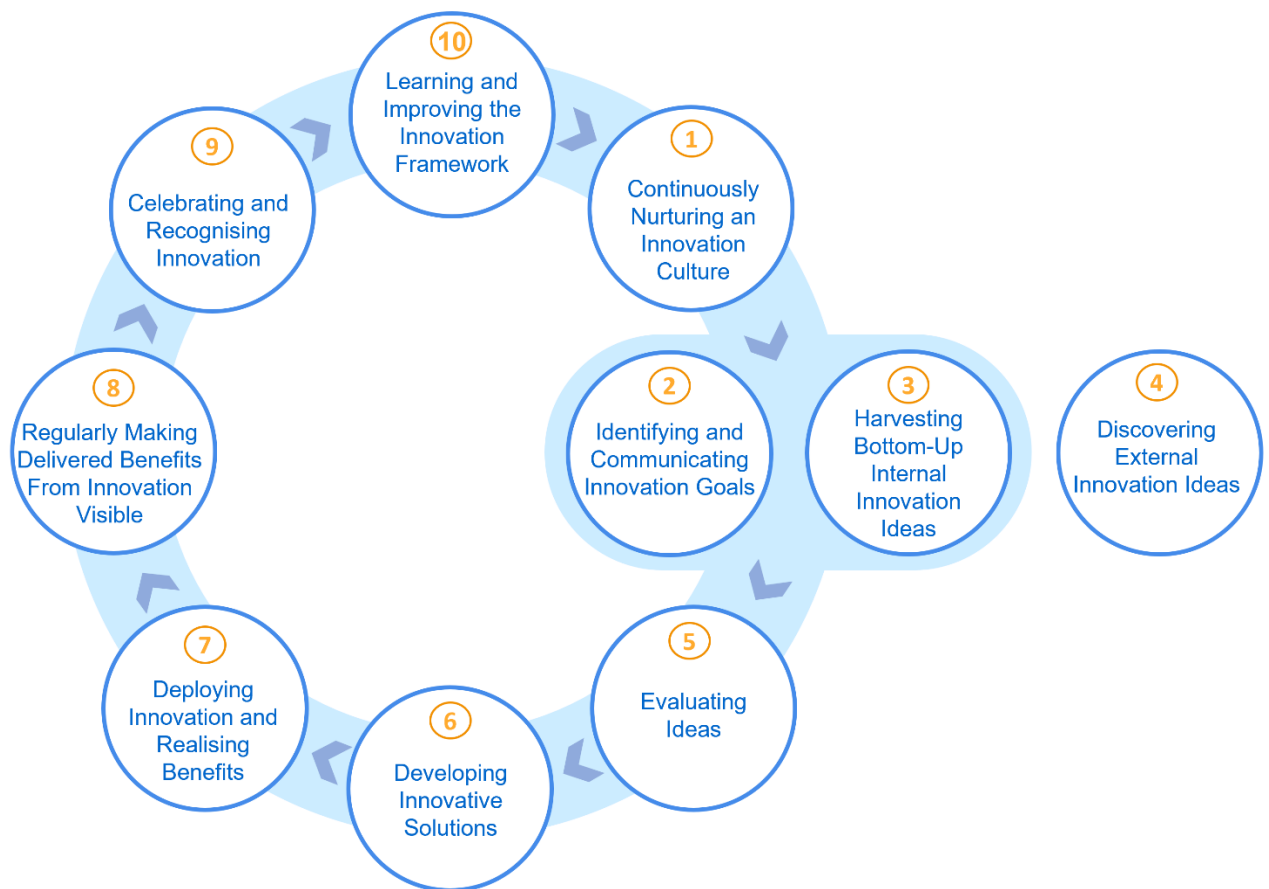
It is proposed that the PW innovation framework comprises of the following five components:



- The “Role of Innovation in PW” is described in Recommendation 1 (Section 6).
- The “Core Innovation Process” describes the core steps involved in the end-to-end process of identifying innovation needs, evaluating ideas and subsequently developing and deploying innovative solutions. Refer to Recommendation 3 (Section 8).
- The “Core Innovation Infrastructure” describes the arrangements and mechanisms put in place to enable and support the core innovation process. Refer to Recommendation 4 (Section 9).
- The target “Core Innovation Culture” is described in Section 4 of this report. Refer to Recommendation 5 (Section 10) for steps to build the target innovation culture.
- Steps to develop PW’s external innovation eco-system are described in Recommendation 6 (Section 11).

8- Recommendation 3 - PW core innovation process

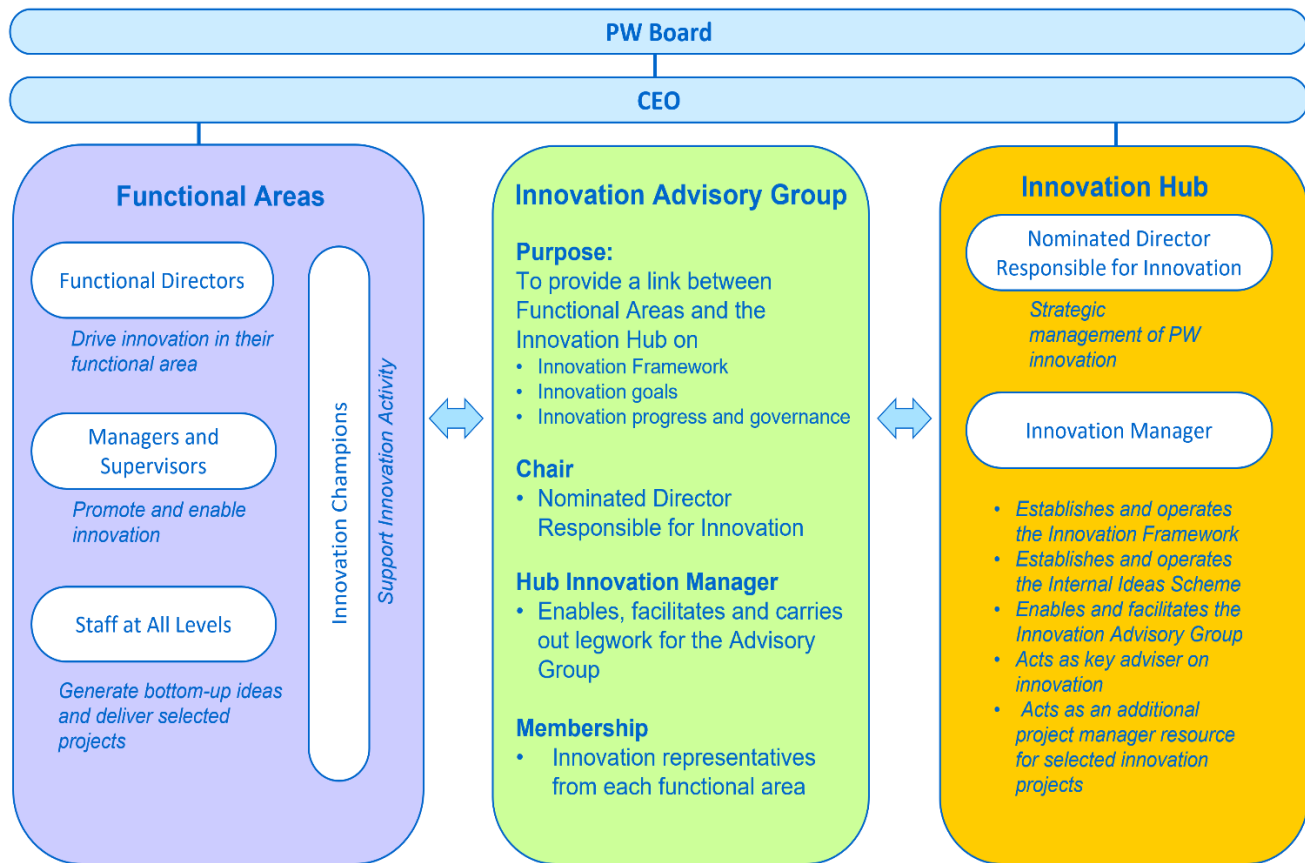
The chart below describes the summary core innovation process:



- **Step 1:** Establishing a strong innovation culture with an engaged workforce is key to innovation success. Refer to Recommendation 5 (Section 10) for building the PW innovation culture
- **Steps 2, 3, and 4:** Innovation goals will include top-down strategic goals as well as bottom-up areas of innovation focus. Innovation goals are shared both internally and externally with PW's innovation eco-system
- **Step 5:** Resulting internal and external innovation ideas are evaluated and prioritised. A cohort of innovation candidate ideas are subsequently selected to move forward for development, consistent with budget provision and PW capacity to pursue
- **Step 6:** Selected innovation ideas are progressed in line with governance procedures including risk management, stage gate review and ongoing benefits assessment
- **Step 7:** Successful innovations are deployed with benefits realisation being closely managed
- **Step 8:** Regular cross company communication on innovation takes place, giving visibility to innovation benefits realised, keeping innovation in front of mind and encouraging innovation engagement and motivation
- **Step 9:** Staff commitment to innovation is celebrated and recognised, thereby reinforcing the innovation culture
- **Step 10:** Completed, failing and abandoned innovation projects are reviewed to identify lessons learned for incorporation into the innovation framework.

9- Recommendation 4- PW innovation infrastructure

The core innovation infrastructure shown in the chart below serves to enable and support the core innovation process.



Key underpinning aspects of the core innovation infrastructure are summarised below. Comments are colour coded to align with the diagram above.

1- PW Board and the CEO

PW Board publishes a statement of commitment to innovation, champions innovation, reviews and endorses innovation plans, and is actively engaged in monitoring innovation performance.

2- Directors, leaders, managers and supervisors

Actively champion, encourage and support innovation.

3- Innovation as a core company value

Include contributing to innovation as part of performance appraisal and personal development discussions. Also assess innovation outlook and mindset as part of the recruitment criteria for new staff.

4- Nominated director responsible for innovation

The nominated Director for Innovation is one of the functional directors with an additional companywide responsibility for strategic management of innovation.

5- Innovation Hub and the Innovation Hub manager

Appoint an Innovation Hub Manager to act as the single point of responsibility for hands-on establishment and ongoing operation of the innovation framework. This individual brings it all together and also acts as a project manager for allocated innovation projects.

6- Establishment of an ideas scheme

The Hub Manager establishes an easy-to-use Innovation Ideas Scheme, where no idea would be too small to be considered. Idea submitters receive timely feedback on progress, with all ideas visible to everyone, and with contributions sought and welcomed.

7- The Hub Manager creates light-touch innovation support material as described below, adapting existing business processes for innovation purposes wherever possible

- Mechanisms for evaluating and prioritising candidate innovation ideas
- Innovation risk management and stage gate review processes
- Mechanisms for monitoring benefits realisation
- An online toolbox of innovation guides and techniques
- Targeted innovation awareness briefings and where appropriate training packages.

8- Ongoing cross company communication on innovation

The Hub Manager leads on maintaining regular cross company communication on innovation, including the following:

- Business challenges and innovation goals
- Innovation portfolio progress
- Innovation framework updates
- Celebrating successful PW innovation
- Describing what has been learned from unsuccessful innovation
- Innovation stars who demonstrate commitment
- Innovation news from across the sector.

9- Functional directors

Directors drive innovation in their functional area.

10- Functional innovation champions

Innovation champions provide signposting support to staff pursuing innovation in their functional areas.

11- Functional staff feel supported to innovate

- Innovation training support packages are in place
- An online innovation toolbox has been created containing guides and techniques
- Supportive managers and supervisors
- Functional innovation champions have been established

12- Innovation Advisory Group

The Advisory Group serves as a link between the functional areas and the Innovation Hub, made up of representatives from each area, and helps shape an integrated innovation approach. A key aim of the group is to take a cross business view on innovation, including identifying top-down strategic innovation goals, prioritising innovation activity and developing the innovation framework.

13- Establishing innovation goals which align with business needs

Innovation activity encompasses both top-down strategic innovation needs and bottom-up innovation opportunities. Top-down strategic innovation goals need to align with strategic business requirements, typically comprising Price Review requirements, regulatory outcomes, strategic business considerations, and addressing risk register items.

Bottom-up innovation should align with opportunistic ideas from staff at all levels. An online summary of innovation goals should be available to internal staff and external organisations.

10- Recommendation 5 - PW innovation culture development

The following opportunities to build an innovation culture were identified during the review from a combination of workshop dialogues and consideration of best practice approaches.

1- Board commitment to innovation

Innovation culture can be supported by the PW Board demonstrating commitment to innovation. Activities can include publishing a statement of commitment, championing innovation, reviewing and endorsing innovation plans, and being actively engaged in monitoring innovation performance.

2- Shared understanding of the role of innovation in PW

Conduct regular awareness raising sessions to ensure the role of innovation is understood by all.

3- Include innovation as a core company value

Individual contribution to innovation could be included in performance appraisal and personal development discussions and an innovation mindset included as a key recruitment criteria.

4- Directors, leaders, managers, and supervisors actively champion, encourage and support innovation.

Directors, leaders, managers, and supervisors have completed awareness briefings and understand their role to champion and support innovation.

5- Organised, easy-to-use innovation processes are in place online

Having launched the innovation framework and with awareness briefings completed, instant online access is available to all PW staff to the ideas scheme and innovation guidance.

6- PW challenges, top-down innovation goals and innovation themes being effectively communicated across the organisation

All staff have completed an innovation awareness briefing with further training where appropriate. The role of innovation in PW is understood by all, and innovation goals have been clearly communicated across the organisation.

7- Sufficient resource time is made available, so staff feel they have the headroom to contribute to innovation

Potential to consider providing protected time for team innovation activity.

8- Sufficient funding is made available, so staff feel there is the financial support to innovate

Level of overall funding set at a level commensurate with the scope and size of PW.

9- Staff feel supported as they contribute to innovation

A mix of innovation training support, provision of an online innovation toolbox, supportive managers and supervisors, with functional innovation champions who can provide support.

10- Creation of a flexible space in the new building which can be made available for innovation activity.

As PW moves to new premises a flexible space could be incorporated into the new building which could be used to enable group innovation activities.

11- Sharing inspiring stories on innovation

Learning from the innovation stories of other organisations and other industries can inspire and motivate PW's innovation activities.

12- Running targeted innovation sprint or similar events which build collaboration

Taking the opportunity where appropriate to run cross business innovation events to build collaboration across functional areas, adopting an approach which is agile, pacey and fun.

13- Regularly communicating on innovation

Keeping innovation in front of mind by regularly communicating across the organisation on:

- Business challenges and innovation goals
- Innovation portfolio progress
- Innovation framework updates
- Celebrating successful PW innovation
- Describing what has been learned from unsuccessful innovation
- Innovation stars who demonstrate commitment
- Innovation news from across the sector.

14- Recognising and celebrating innovation commitment, successes, and failures.

A range of rewards and recognition could be available, including simply saying thank you, being recognised as an award winner at an annual event , or receiving a financial benefit.

11- Recommendation 6- PW external innovation ecosystem

The following approaches to building PW's external innovation ecosystem were identified from a combination of workshop dialogues and best practice thinking.

1- Communicating PW's innovation goals externally

To attract the contribution of external organisations, they must first be aware of PW's innovation goals. Accordingly, mechanisms need to be in place to communicate PW innovation goals externally. These should include an externally available online resource which describes PW's innovation goals and how to engage.

2- Building an external innovation ecosystem which aligns with PW's innovation goals

This ecosystem should be shaped to support the achievement of PW's innovation goals. Accordingly, partners should be selected based on their ability to contribute to near, mid and long-term goals.

3- Innovation resources, collaborative programmes and fast-follower activity

The resources which PW commits to innovation has to be in balance with the size and scope of the organisation. This probably means that the centre of gravity of PW's innovation activity will tend more towards (though not exclusively):

- collaborative programmes such as Spring and the Ofwat Innovation Fund
- fast-follower innovation
- organic, bottom-up innovation.

4- Innovation ecosystem candidates

The range of typical candidates include:

- Academic institutions
- Supply chain
- Water utilities
- Organisations from wider industrial sectors
- Specialist Innovation 'Scout' organisations, such as Isle Utilities
- Enabling organisations, such as Spring.

5- Collaborating with other 'Water Only Companies'

Is there the potential for 'Water Only Companies' to increase their innovation capability by collaborating more closely and creating a shared innovation ecosystem which can deliver greater innovation impact?

6- Collaborative working

Effective Working with innovation ecosystem partners requires close collaboration, a capability which needs to be developed.

12- Recommendation 7 - Key next steps

A pragmatic set of immediate next steps is summarised below

- 1- Resources
 - Appoint Innovation Hub Manager
 - Establish Innovation Advisory Group
 - Establish functional innovation champions.
- 2- Innovation goals
 - Identify top-down innovation goals
 - Identify bottom-up innovation themes
 - Communicate innovation goals internally and externally.
- 3- Ideas scheme
 - Develop and implement ideas scheme
- 4- Innovation framework
 - Prepare light-touch innovation framework support material (i.e. approaches for ideas evaluation, prioritisation, risk management and benefits realisation)
 - Create online toolbox of guides and techniques
 - Prepare briefing material on the innovation framework and operation of the ideas scheme
 - Launch the innovation framework.
- 5- Carry out targeted innovation awareness briefings and, where appropriate, light touch training.
- 6- Build PW innovation culture in line with Recommendation 5.
- 7- Build PW external innovation ecosystem in line with Recommendation 6.

13- Recommendation to endorse the proposed PW innovation framework

It is recommended that the proposed PW innovation framework described in this report is endorsed.