

wazoku

Improving the flow

of innovation
in the water
industry





The water industry is facing enormous challenges with wide-ranging regulator-set objectives to:

- Improve customer service
- Provide a resilient and efficient supply of water
- Ensure affordable and fair bills
- Improve and innovate

Wazoku recently hosted an executive roundtable with leaders from some of UK's water companies. What we learnt was a lot about the transitioning state of the water industry and how innovation plays a big part in their inherent task to change and transform the current status quo. The discussion was recorded and transcribed and the quotes you will read in this eBook offered under Chatham House Rule and have been anonymised accordingly.

This eBook presents some of the conclusions drawn from that roundtable, alongside research and experience working in this sector. We aim to offer some practical tips for water companies keen to **improve the innovation flow** in their organisations.



Embracing **change** – the July 2019 Ofwat watershed

In July 2019, the water industry regulator Ofwat published its consultation paper, [*‘Ofwat’s emerging strategy: Driving transformational innovation in the sector’*](#). The regulator stated how strongly it believed that the adoption of innovative approaches was vital to the future of the industry and explored some of the options available to water companies in delivering innovation.

One option that particularly stood out, was Ofwat’s proposal to make up to £200m available for innovation activities for the period 2020–2025. This is a highly significant moment for the water industry, and July 2019 will come to be known as a watershed moment in the sector, with Ofwat working to help water companies achieve their innovation goals.

“We believe that the adoption of innovative approaches is key to delivering long-term resilience and great customer service at an affordable price, and the sector will need to step up and increase innovation in order meet the strategic challenges it faces in a cost-effective and sustainable way. We also want to see companies work more effectively together and with their supply chain to better tackle these challenges.”

Ofwat’s emerging strategy: Driving transformational innovation in the sector.



The state of innovation in UK water

While the Ofwat consultation paper has been welcomed by the water industry, in the past there have been criticisms of the regulator and its approach to innovation.

“It’s difficult to be told to suddenly start innovating, without having the tools, knowledge or funding to actually help and facilitate this change.”

There is an immediate and on-going need to deliver smarter and more efficient services, reduce leakage and lower customer consumption of water. Innovation is undeniably an integral part of succeeding as an organisation and an industry. However, the question remains, where to start on this mammoth journey. How can water companies start to build an innovative organisation that can realistically achieve these deliverables?

Innovation is not just some shiny new tech solution, it’s something that needs to be seeded throughout the fibre of an organisation. Look objectively at your business and think about its receptiveness to new ideas, and more importantly, it’s ability and willingness to change.

A big hurdle that water companies are facing is how to challenge the current business model. How is your organisation looking for ways to pivot and transform what you already have – versus – searching for the next ‘game-changing’ idea that has the potential to disrupt the entire organisation or industry.

Often smaller, quick improvements to existing processes, people or infrastructure that can be implemented now, for example; to reduce bursts or leakages, can start to get the ball rolling and unfold bigger and more significant changes in the future.

To begin to unpack these hurdles, there needs to be a clear vision and strategy from the top. Without this, any innovation programme or initiative will feel like an uphill challenge. In an industry that is formerly risk adverse and change resistance, it can be difficult to understand what an innovative approach looks like.

“I’ve heard business leaders in water say they’re not sure this ‘innovation’ thing will work and so they are reluctant to fund it. They’re pushing to deliver what we’ve always delivered, and some aren’t interested in bringing new people onboard or spending any money to facilitate change.”



Who is **responsible** for innovation?



Although innovation transpires in many different forms, there are two key complementary approaches – **top-down innovation** and **bottom-up innovation**.

The former relies on a strong and powerful vision, usually from the company founder or executive team. Elon Musk and the Tesla brand is a good example of this. In this instance, innovation is driven by the senior teams and is supported by employees who buy into this vision.

Bottom-up innovation works in the opposite way. Ideas are generated by employees right down to the front-line staff, who are supported by a culture that fosters and encourages such creativity.

“Solely top-down innovation will often meet resistance through the organisation, so bottom-up innovation can be a better and more integrated approach – but it’s hard to achieve successfully.”

Bottom-up innovation can be a highly effective way of engaging and empowering employees. Giving a voice, role and responsibility of innovation to every single person in an organisation will drive innovation in a more sustainable way.

By leveraging both approaches to innovation your organisation will have a good vision and strategy while building an enduring culture of innovation throughout the organisation.

Innovate for **today**: Make change a constant capability

This approach of bottom-up innovation gives way to the concept of incremental and continuous improvement. These are typically smarter, faster or more efficient ways of approaching existing tasks, products or services. It's about **changing and challenging** what's being done now so that your organisation can be the best possible version of itself.

Ideas for continuous improvement will typically be easier to implement for the organisation and derive more tangible value in a shorter timeframe. They will inherently aim to refine, upgrade or improve what already exists. The very nature of continuous improvement means an ongoing and evolving process.

In many ways, it stands to reason that the on-the-ground teams, whether it be the repair person fixing a burst pipe or the contact centre person dealing with day-to-day customer issues, would be a good source of practical ideas that can be implemented right away.

These people are generally the ones facing everyday friction points and observing where small, but significant improvements could be made. As water is facing increased customer demands and striving to improve the customer experience – who better to ask, than the people talking and interacting with them daily?



What's **blocking** innovation for water firms?

Four key themes emerged from the executive roundtable discussion:

1

Vision: Leaders of water companies must have a clear vision for the short, medium-term and future of their organisations. What is being invented or reinvented to ensure offerings are still viable in 10 years' time? Change is not inevitable. It takes work to build a company that is comfortable with change and is willing to support it. If your organisation is barricaded with people or processes that reject change, innovation won't stand a chance.

“It's been identified in the water industry that we need to be doing something different, something better. But what does good look like? – no one knows the answers.”

Investment – Money, time, resource:

Many water firms are struggling to put together the funding needed to change mindset within the organisation or to begin to create a sustainable culture of innovation. There is an internal struggle to pool the together the resources and execute strategy.

2

“We don't want to hire more people, but none of the people we've got, have any free time to help foster innovation.”



3

Shifting mindset: Senior teams in water organisations are struggling to see what tangible return on investment (ROI) an innovation programme can really offer them. Shifts in mindset must happen at every level, to ensure buy-in and engagement. Having tracked outcomes will further encourage this shift.

“Some of our people who are meant to be the key drivers don’t have the right mindset. They’re asking ‘why should I do or foster innovation?’ and, ‘why should I help the company be more successful?’”

Collaboration: Problems shared are problems solved. If you don’t know where to start – talk to other organisations that do! Adopt a more open innovation approach and start to challenge the status quo. Yes, historically there has been little collaboration between the wholesale and retail sectors, but what information can you share? What can you mutually benefit from and how can you work better as an industry to share and learn from each other’s experiences?

4

“There is some collaboration on the wholesale side between water companies – but there needs to be much more.”



Empower your greatest asset: **People**



“Striking a balance in teams and within the wider organisation makes a difference. It needs to include older and more experienced employees, combined with new, fresh (often younger), less experienced minds in the room to challenge traditional ways of doing things and look at new things from different perspectives.”

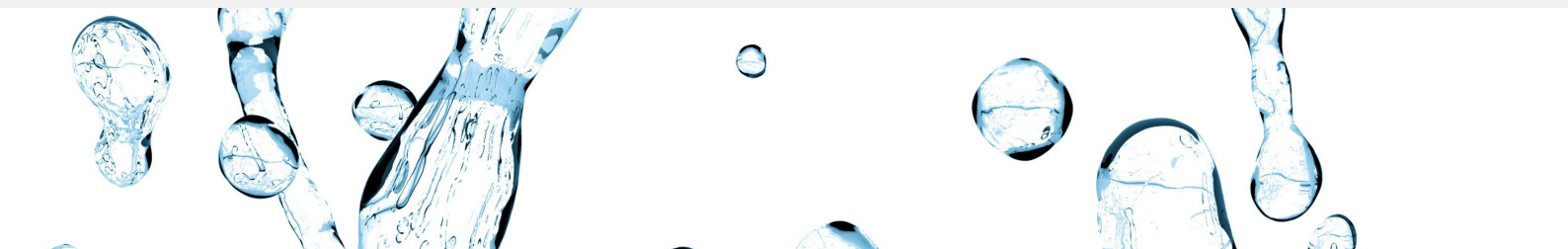
Who should water companies engage in their innovation programmes?

Be it the people setting the innovation strategy, the customers or suppliers, the teams connecting with end-users or beyond – a diverse range of people with different roles, backgrounds and perspectives should be embraced.

Involving everybody in your organisation in the innovation process will help gain a 360° view, ensuring a broader reach and adoption to begin more impact driven improvements or big-picture ideas.

Remember, saying is not doing. Leaders must make it clear that innovation is a priority and is valued through a series of communications and actions. Innovation champions can help facilitate ideas and discussion but consider how you'll engage a wider audience.

Building a real culture of innovation is key in motivating people to contribute ideas. But it's not straightforward and needs a strategic long-term commitment.



Build a **sustainable** culture of innovation

Innovation spaces – Physical, virtual or both. Whilst it's important to be clear that ideas and innovation do not only happen in that space, creating a bespoke area for innovation demonstrates commitment to it and can help facilitate creativity and fresh ideas, fuelling both internal and external collaboration.

Incentives – Ofwat is providing incentives to water companies to be innovative and meet the regulator's targets, so it stands to reason that those companies should therefore incentivise its employees to share great ideas, foster innovation and help to achieve targets. Incentives can be varied and not necessarily costly. Several industries use rewards and recognition, not just with their employees but by entering industry-wide awards to celebrate the successes and learnings of tried and tested innovation.

Freeing up time & ensuring accessibility – Everyone is busy, so it's not unreasonable for employees to wonder just how they are supposed to find the time to come up with new ideas and participate in innovation programmes. If employees are expected to go beyond their day jobs, then they need the tools and time to do so. This may mean deploying a weekly an 'innovation hour' dedicating time for people to contribute or having a single 'always on' outlet accessible anytime and anywhere to share new ideas.

Communication – This is a crucial element and one not to be forgotten. Once you've engaged your employees and you've asked for their input, what are you doing with their ideas? Collecting new ideas is just the start of the process, communicating a clear process for analysing, evaluating and acting on ideas is where the hard work starts – but also where lies the most value and potential for transformative results.

Feedback loop & evaluation – Having invested in building a richer culture of innovation, there then needs to be on-going engagement with the people involved and the overall approach to innovation. This involves constant iterations and improvements to the innovation programme – are you collecting the right ideas? Is the process working? Do people know the status and progression of ideas? How can you better optimise the programme?



Encouraging **collaboration** across, between and outside the sector

An important part of any innovation programme is collaboration. Ideas need to be discussed and developed and whether that takes place face-to-face or online, collaboration is essential. But in the water industry, it is not always straightforward.

The industry is broadly divided into two – wholesale and retail. On the retail side of the sector there is almost zero appetite for collaboration. That's perhaps understandable, but there is more willingness on the wholesale side to collaborate and to share best practices. Everyone involved could benefit from joint approaches, as currently most companies are approaching things in a slightly different way – is it really beyond the scope of possibility for involved firms to work together on some of the good stuff?

“It's been identified in the water industry that we all need to be doing something different, something better. There's not real competition between the wholesale organisations and I think we all face similar challenges around better engagement with customers.”

“We find that bringing groups or industries together cross-functionally to collaborate and share knowledge can be truly valuable. Outside groups, they see things from a completely different perspective – and that is exactly what you need sometimes.”

Collaboration need not be restricted to the water industry. In late 2018, Anglian Water and Yorkshire Water announced partnerships with the [Energy Innovation Centre \(EIC\)](#). Its aim is to accelerate the delivery of innovative projects across gas, electricity and water. It provides both companies with ‘unrivalled support in their commitment to creating long-term value for their customers, respective regional economies and the communities they serve’.

Water companies around the globe including the UK's Severn Trent and United Utilities have also joined forces to form a [World Water Innovation Fund](#), aiming to source and develop ground-breaking technologies. This is a great step forward for the industry as this initiative is also pooling global resources and ideas.

Learn from and collaborate with other sectors. Industries that are more mature in their approach to innovation than the water sector can offer useful insights and steer your organisation down the right path. The non-conflicting nature will mean they are likely to be more open, share the lessons they have learnt and advise on how water companies should best approach innovation.



A common misconception about **technology** and innovation

While innovation can often start with new technology or involve your IT teams – that alone doesn't mean your organisation is innovative. Research labs or innovation spaces can be great ways to showcase innovation but if they are exclusive and only engage a limited number of people – then you also limit innovation in your company to that specific group.

“90% of our stakeholders are asking, “what new systems are you putting in” or “what new IT kit are you implementing to achieve innovation”. Innovation is not just about new technology; it’s about thinking differently, challenging what’s already at play and about empowering people widely to give new ideas.”

Technology can certainly be a driver for innovation and can help facilitate the roll-out of smart, innovative programmes. At Wazoku, we power innovation for our customers with our idea management platform, enabling them to build out innovation programmes and collect, evaluate and implement new ideas from across the business and throughout their entire organisation's network.

“If you take a specific subject matter and ask for ideas to solve a specific problem, you will have people focusing on that area and often get clever and valuable results.”

Innovation needs to be strategic and inclusive and it helps to have an operational and outcome-driven focus. To tackle it any other way will have a significant impact on the success of any innovation programme.

Diving into some key **pain points**

Regulator-driven objectives mean that water companies need to change at pace. Here's what change could look like.

“We've got to reduce our customer consumption of water by 20%, we have to reduce leakage by 15% AND we have to win the hearts and minds of all our customers – whether they know who we are or not!”



Improving customer experience: Everyone is a consumer of water and understands how necessary it is for the day-to-day life. Is your organisation truly keeping users in mind at every step, or, is change happening purely to meet regulatory targets?

Think about the way you currently interact, communicate and solve customer problems. With how much confidence can your organisation say that it is offering the best possible experience for each customer, every day, across the entire organisation, from supply to responding to leakage claims?

Finding new ways to reduce call wait times, report leakages or improve water quality may not seem game-changing improvements, but incremental changes do and will contribute to a better customer experience.

Consider:

- How easy is it for your customers to communicate with you?
- Are you operating communication channels that best meet your customer needs?
- Are you using customers usage data in the most effective way possible?
- How are you measuring customer experience or satisfaction? Can you track and measure this consistently over time?
- Could you improve the feedback loop from your customers?



Reducing consumption: Better communication and education is integral in changing consumer behaviour. If consumers can see the value to them, to you and to the global resource, they will be more willing and motivated to make change. Engage your customers by presenting real and transparent information alongside actionable tasks they can do to help your cause.

Data will play a big part in being able to showcase reduction and behavioural changes in water usage. If users can visualise and track water usage or be incentivised to reduce consumption, then user patterns may start to shift.

Consider:

- Why should your customers care about reducing water usage?
- What engaging ways can you educate users? Apps? Games? Competitions?
- What actions can households take to operate a better, smarter and more efficient home across all utilities? Think beyond water to gas, electricity and renewables.
- What can consumers do to make sure water is clean and safe for future generations?
- Could a region-on-region competition to 'save our water' help educate and incentivise the general public?





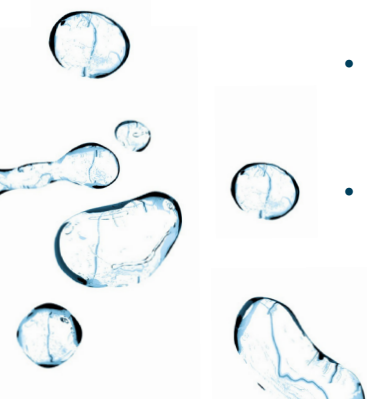
Efficiency across the supply chain: Once again, communication and collaboration are important here. All water companies need to constantly improve and evolve the way in which they do both. Is there open and free flowing communication between all your manufacturers, service suppliers, contractors and potentially other water companies?

To identify problems in supply chain, open dialogue is key from across this entire network. The ability to collect information and accurate data is also crucial, to be able to identify, track and measure things like down time, blockages, leakages, equipment, claims and more.

There are countless people involved in the supply of water and at each stage of this supply, there are opportunities to operate better than before. Crowdsourcing ideas from workers on the front-line may offer new ideas, perspectives and solutions that weren't thought possible.

Consider:

- Are you asking for feedback from **everyone** across your supply network? If so, are you actioning or responding to every idea?
- How could opening dialogue between other utilities change the future of water?
- Could a single platform connecting water companies locally and globally break down barriers of communication within the industry?



Five takeaways for accelerating innovation in the water sector



A more action-driven, innovative approach is needed in order to generate real change. Companies should start thinking of ways to tap into Ofwat's £200m innovation fund and focusing on people, processes and collaboration should be at the fore-front of this pitch. For those organisations keen to begin, or reboot their innovation journey, here are five key takeaways to help get started.

1

A strategic view from the top – Any innovation programme requires a vision, direction, strategy and impetus from the top of the organisation. In the water industry, where innovation has progressed more slowly than in other sectors, this is perhaps even more important.

2

Look for quick wins to build momentum – Quick wins are hugely important when looking to improve innovation. They are crucial for building momentum and demonstrating return on investment. Even small wins can provide wider visibility to innovation projects and can help increase funding for larger-scale innovation.

3


Keep an eye on the big picture – Continuous improvement and change is vital but don't forget to look beyond those ideas that are quick and easy to implement. Remember, some ideas that seem too aspirational now, could be ones to foster, evolve or start preparing for in the future. Keeping this in mind will help focus efforts and deliver transformative ideas that have a much greater effect on regulatory targets.

4

Collaborate as far and wide as possible – Collaboration is really what underpins innovation and without doing it well, innovation and innovation programmes will struggle. People need the tools to collaborate effectively and collaborators should integrate with a broad cross-section of employees, wholesalers, industry groups, suppliers, customers and even organisations from other sectors that have faced similar challenges.

5

Build a culture of innovation – This is not something that happens overnight and requires commitment and courage to see it through. Water companies idea communities; your people - need to know that there is a culture that supports the This can include a combination of physical and virtual innovation spaces for brainstorming, the right technology and tools for wider and more sustained engagement, incentives, time, confidence to focus on innovation and much more.





Learn how Wazoku's idea management platform can enable bottom-up innovation and build an embedded, sustainable culture of innovation throughout your organisation.

Find out more by [requesting a demo.](#)

wazoku

Change the world **one idea at a time** through a structured and collaborative idea management platform.

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