



## How to use WAVE<sup>®</sup> Small Business

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WAVE<sup>®</sup> SB helps you to strengthen your firm's capabilities and performance. WAVE's unique model covers both innovation and the broader capabilities needed for strong performance.

You get a report on how well you manage both "today's business" and "tomorrow's business", plus recommendations.

This Guide is in two parts. Part One introduces the WAVE<sup>®</sup> model and shows you how to interpret your report. Part Two takes you through a new way to allocate resources to achieve better performance.

Once you have a password, go to [www.innovationwizard.com](http://www.innovationwizard.com), read the next three pages of this Guide and then log on. Answer the questions on your company and 45 on its capabilities. You will get your report immediately.

TIPS on completing the Company Details Page:

- You must answer every question.
- If you are not sure which industry sector to select, choose "other".

Problems online are rare, but if you have a problem press the REFRESH button.

WAVE<sup>®</sup> SB works best in companies with 10 to 100 employees and has been used successfully by companies with 5 to 250 employees.

**PRIVACY:** All data that you submit is treated by Wave Global as confidential and is not disclosed to any other party without your written permission.

### IMPORTANT

To make a record of your assessment, print each web page **BEFORE** you go to the next page.

After printing, click on **continue** to get to the next page.

## Part I: **THE WAVE<sup>®</sup> MEASUREMENT MODEL**

Are these organisational capabilities familiar to you?

**MANAGEMENT**  
**STRATEGY**  
**MARKETING**  
**PRODUCTION**  
**ADMINISTRATION**

These capabilities, and one more, make up the **FOUNDATIONS** of the **WAVE<sup>®</sup>** model.

The sixth capability ...

**OPPORTUNITY SCANNING**  
Trends and Competitive Intelligence

is of growing importance for businesses competing in local and global markets.



## WAVE FOUNDATION CAPABILITIES

MANAGEMENT

STRATEGY

OPPORTUNITY SCANNING

Trends and Competitive Intelligence

MARKETING

PRODUCTION

ADMINISTRATION

Some capabilities have a bigger impact on the success of your company than others. Which are most important in your company?

There are also six *parallel* capabilities that you need to manage in order to harness change and innovation successfully.



<b>FOUNDATION</b>	<b>INNOVATION (i)</b>
MANAGEMENT	LEADERSHIP of i
STRATEGY	STRATEGY for i
OPPORTUNITY SCANNING Trends and Competitive Intelligence	OPPORTUNITY SCANNING Discontinuities and networks - sources of i
MARKETING	INTERNAL “MARKETING” of i Creating an environment conducive to innovation
PRODUCTION or operations	CREATE, CAPTURE, ASSESS, APPLY The core innovation processes
ADMINISTRATION	MEASURE AND MAINTAIN i

This table shows the Foundation capabilities and the corresponding Innovation capabilities.

There are natural tensions between the capabilities. Consider marketing/sales and production/operations. They compete for resources. Operations are focused on efficiency. Sales are focused on “getting money in and product out”, sometimes without ensuring that the product is ready. Managers have to make decisions to balance the tensions.

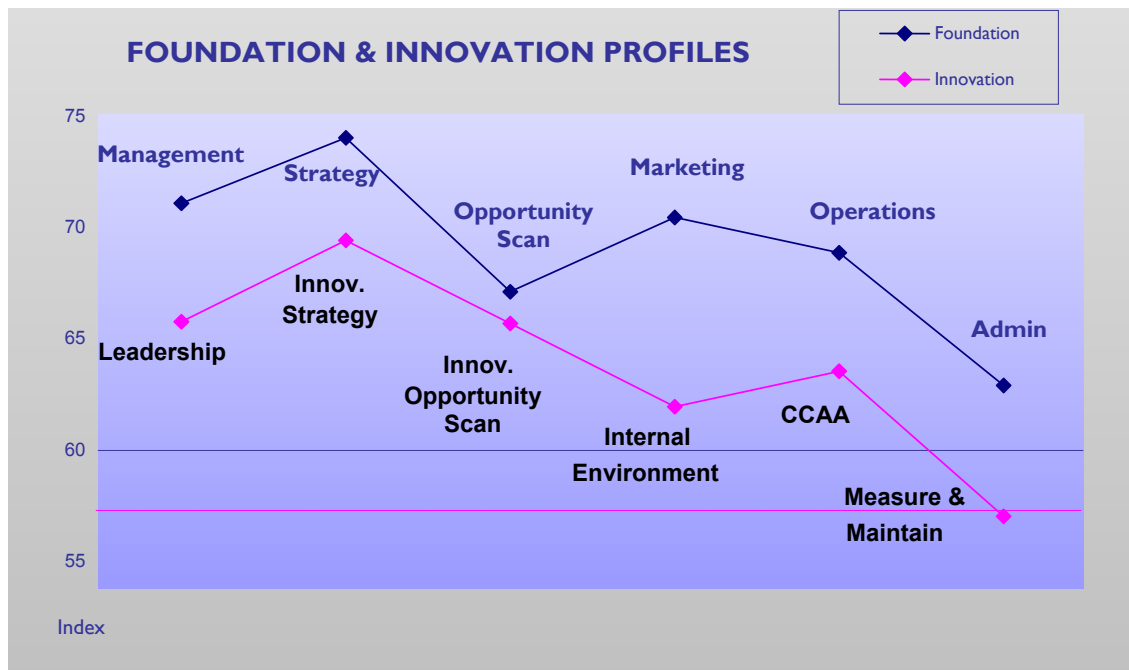
There are similar tensions between the Innovation and Foundation capabilities. For example, a manager traditionally plans and controls. A leader “shows the way”: they direct, motivate and inspire. One person can play both roles, but the emphasis is different for each role.

*Complete your assessment and print your four page report now. Then continue using this Guide.*

# INTERPRETING YOUR REPORT

## Your capability profiles

Your report begins with a chart similar to the one below, but with scores and profiles based on your answers. Write the names of the twelve capabilities next to the data points on your chart, using the following chart as a guide.



Your chart shows your assessment of the relative strengths and weaknesses of your business capabilities. The two dotted horizontal lines are the median scores for the Foundation and Innovation capabilities for the 450 firms in the data base. “Internal Environment” is short for a work environment that is conducive to creative problem solving and innovation.

Look at your chart and you will see:

- the strength of your capabilities relative to other companies (well above, around or well below the dotted horizontal lines)
- whether your Foundation capabilities are of relatively even strength (a fairly straight horizontal line) or are very uneven (a zig zag line)
- whether your Innovation capabilities are of relatively even strength
- whether most of your Innovation Capabilities are slightly below or well below your Foundation Capabilities.

Does the pattern of strong and weak capabilities make sense to you? Do the patterns of strengths and weaknesses contain any surprises?

Skip the page displaying the table of capability scores and move on to the recommendation pages.

## Recommendations

The number before each recommendation suggests its priority. Several recommendations can have the same priority number because of the particular ratings you made.

Work through the first ten recommendations.

1. Are they all appropriate for your company? You may want to modify the wording of some recommendations to fit your company's terminology.
2. Consider the time frame for implementing each recommendation. Should it be implemented in the short term (the next six months) or the medium term (the next three years)? Allow a period long enough to get measurable results. Mark each accordingly, using "S" for short term and "M" for medium term.

Ignore material below the recommendations on the last page.

At a later time you will need to return to the recommendations and think about how to implement those that are most important. Before you do so, look at Part 2 of this Guide. It offers a new approach to allocating resources to improve your short and long term performance.



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**WAVE<sup>®</sup>**  
The business growth Platform

## Part 2: LEVERAGE WAVE® KNOWLEDGE

This part shows you how to get full value from WAVE®. You will need to spend an hour or more, and longer if several managers are involved. When you have finished you will have:

- a “first cut” plan for reducing the margin of error in your company budget. You can achieve the same financial result with less expenditure or a better result with the same expenditure.
- a more strategic approach to budgeting, including knowing whether to spend more or less (time and/or money) on innovation
- set priorities for improvement and innovation in your business

### 2.1 MAKE BETTER RESOURCE ALLOCATION DECISIONS

***Some managers find this exercise illuminating and some find it difficult. If you find it difficult to complete by yourself, skip the exercise and move on to 2.2.***

The WAVE® model helps you to optimise your performance for a given level of expenditure. Put aside innovation for a moment and consider your Foundation profile. If your profile is a horizontal line, it shows that your firm has *similar* strengths across all six capabilities. There are no capabilities acting as “weak links in the chain” and pulling down your performance. Very few firms have such evenly balanced capabilities. To improve your overall efficiency, review how you allocate resources between the capabilities by answering these five questions:

1. In firms like yours, how *should* total expenditure be allocated between the six capability areas? Answer this quickly by entering percentages in column 1 of the table below. Your figures should add up to 100%. Allocations vary between industries and firms, although production will usually take up most resources and opportunity scanning the least. Capability descriptions are on page 9.
2. Estimate how expenditure *is* allocated between the capabilities in your company. Enter your estimates as percentages in column 2. If you want to be thorough, you can use a spreadsheet to allocate expenditure items across the capabilities. Your figures should add up to 100%.
3. Put expenditure aside and estimate the relative contribution of each capability to your firm’s performance. For example, while strategy is very important it uses few resources compared with other capabilities. In column 3, rank each capability from 1 (most important) to 6 (least important). You will find that capabilities such as strategy use relatively few resources and have a big impact.
4. For your two or three weakest Foundation capabilities, estimate in percentage terms how much you should spend to achieve even strengths across the capabilities. You will usually need more than one year to achieve even strengths. Write your estimates in Column 4.
5. Review the figures in columns 1, 2, 3 and 4. In column 5, enter final percentages, based on your judgment of the gaps between current and desired expenditure after considering the relative importance of each capability, and funds needed to work towards even strengths across all six.

Foundation Capabilities	1	2	3	4	5
Management					
Strategy					
Opportunity Scanning					
Marketing and Sales					
Production/Operations					
Administration					
TOTAL	100%	100%			100%

There is no exact fit between your account categories and WAVE® capabilities. Nevertheless, you should find it easy to apply the results to your budgets, either immediately or at the time of your next budgeting process. This exercise does not deal with *how* you spend the money. For initial guidance, look at those Priority Areas coded “F” for Foundation from your WAVE® SB Report.

## 2.2 INCREASE OR REDUCE EXPENDITURE ON INNOVATION

In most companies innovation activities use a small part of total expenditure. Typically, figures are between 0.5% and 5% of expenditure. In a few companies, especially start-ups where research and innovative technology are at the core of the business, innovation represents a much higher proportion of total expenditure. Whatever your situation, how do you decide whether to spend more or less on innovation?

First, answer these four questions:

1. Estimate your current expenditure on innovation, where innovation is defined broadly as involving not only R&D but also new products and services, internal processes, employee suggestions and business model changes. (If you completed 2.1 you thought about allocating total expenditure across your Foundation capabilities. If you want to be thorough, you could allocate your total expenditure across all 12 capabilities; first deduct total innovation expenditure from the Foundation categories and then split it across the Innovation capabilities.)

2 What is the level of turbulence (speed and complexity of change) in your firm’s markets and external environments? Choose from: very low, low, medium, high and very high.

3. For the next three years estimate the rate of increase in the level of turbulence in your markets and external environments: Choose from: very low, low medium, high and very high.

4 Does your firm or company have the ability to change and innovate at a rate that will match the level of turbulence over the next three years? Choose from: yes, unsure and no.

If you answered “unsure” or “no”, you need to take steps to make your business more agile, responsive and innovative. You should probably increase expenditure on innovation. Your first task is to spend more *time* planning how to make innovation work for your business. Think about the trends, threats, opportunities and issues behind your answers to questions two and three. These items will suggest *where* you need to take action.

If you answered “yes” it would appear that your firm already has the agility to respond to positive and negative surprises in your markets. You could reduce your expenditure on innovation and concentrate on optimising your Foundation capabilities

## 2.3 REVIEW YOUR INNOVATION STRATEGY

Does your firm have a written innovation strategy? If so, is it clear to your managers? Do they know what it means and how to apply it in their work? If not, you will find it useful to review/spell out your innovation strategy. Do you have a statement that describes the focus of your innovation efforts? Your efforts could focus on one or more of: research, products, services, processes, business models and workforce creativity. Your statement should connect your innovation efforts with your overall business directions and strategy. You only need one or two sentences, although you may write more when you put words to paper for the first time and edit it down later.

## 2.4 CHOOSE PRIORITY PROJECT AREAS

Whether you increase, decrease or maintain expenditure on innovation, you have recommendations from your WAVE® SB assessment on building innovation capabilities. Recommendations coded “I” involve Innovation capabilities. Some recommendations are also coded “F” and involve both Foundation and Innovation capabilities. Once you reviewed your innovation expenditure and set your innovation strategy, you will have a better framework for deciding how much to do and how and when to implement the recommendations.

Don't take on too much. If after following this approach you start by implementing just two or three improvement or innovation projects, you can be confident that you have chosen well.

*This Guide is a simplified introduction to WAVE® SB. If you have questions about the assessment or the Guide, talk with an accredited consultant or email [enquiries@waveglobal.com](mailto:enquiries@waveglobal.com) with SB in the subject line*

### WAVE Capability Descriptions

Descriptions are based on expenditure items from Income and Expenditure accounts.

Management	Includes the salaries and overheads of all people in management roles, whether they have general management roles or functional roles. For precise costing, you should deduct a small percent of salaries for managers' time used in strategy and opportunity scanning. Deduct a larger percent (e.g. 50%) of the salaries of managers with responsibilities for marketing, production and finance and allocate to the appropriate capability.
Strategy	Includes all costs associated with strategy reviews and strategy formulation. These costs typically include consulting fees, fees for reports and studies and a small proportion of managers' time.
Opportunity Scanning	Includes all costs associated with competitive intelligence, and with assessments of new markets, technologies and business opportunities.
Marketing Sales	Includes all costs of marketing communication, including advertising, promotion and costs of selling.
Operations	Includes all production or operations costs: labour and overheads, materials, distribution costs, plant and equipment lease or depreciation, and maintenance costs. Also includes research and new product development, where these are among your expenditure categories.
Administration	Includes accounting; legal, insurance and general administration and office expenses; and depreciation on office equipment.

IT costs can be allocated across up to four capability areas: management, marketing, operations and administration.

