

## Creating value through innovation

Innovation has generally been recognised as essential for value creation, both for individual companies and for the UK economy as a whole. The development of new ideas, processes, and technologies and their flow across different sectors is a significant driver of economic growth and productivity. Recently, innovation has also been identified as crucial to the transition of the economy away from fossil fuels and carbon-intensive business activities.

There are many factors that affect whether and how businesses innovate, for example the availability of skills and capital and government policy measures such as tax incentives.

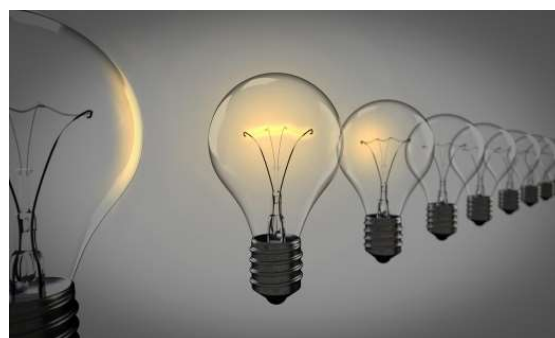
However, none are more important than the company's own culture, capabilities, and internal systems – all of which are aspects of its governance. Unless companies are governed in a way that is conducive to innovation, they are unlikely to be in a position to take advantage of new opportunities.

The most innovative companies share some key characteristics:

- They invest in activities with uncertain outcomes for which the likely commercial return is difficult to quantify and the risk of failure is higher than normal;
- They benefit from the availability of company-specific skills, which may be highly specialised;

- They have a culture which encourages flexibility, experimentation, and a high level of individual decision making; and
- They require a longer-term time investment horizon than many other kinds of business activity.

Research and Development (R & D) is the process of taking an idea and transforming it into a fully-fledged product or procedure. R & D tax credits are a government incentive designed to encourage innovation across multiple industries. This is an opportunity to reduce a company's corporation tax bill or receive a refund from HMRC based upon the number of working hours and relevant costs the business dedicates to Research & Development. Under the scheme, SME's can claim back up to 33% of the costs associated with R & D.



If you are looking for long term finance to support innovation or want to apply for R & D tax credits, speak to your accountant or tax advisor who will be able to help you with the process.

*Published in the Wigan Observer 10<sup>th</sup> October 2023.*