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Innovation Management in India

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Abstract

Innovation Management is used not only for developing new products but also for improving the way jobs are done to meet the organization's mission. In 21st century emerging economies are putting tough challenges to developed economies in technology and ideology with a new set of consumer circumstances they have never encountered before. For nurturing a dynamic innovation culture organisations have to invest in right governance which should be market focussed, collaborative and adaptive. Pumping more corporate revenues into R& D wouldn't automatically translate into more triumphs on new discoveries. Quantity does not imply quality. Corporate must strive to improve the quality of their firm's R&D output.

Key Words: Innovation, Innovate India's way to modernity, investing in right governance, Innovation strategy in India and Innovative Indian companies.

Introduction

Innovation management emerged as a discipline in the 1890s with Edison's innovation factory. Edison changed the image of the sole inventor by converting innovation to a process with recognized steps practiced by a team of inventors working together – laying the basic design of the R&D department. These steps are streamlined to the major extent in all industries and include idea generation, concept development, feasibility studies, product development, market testing and launch. Innovation management is thus corresponds to the development of new products, processes and services. In cases where the organization does not make or offer products (goods or services), innovation lies in improving the way jobs are done to meet the organization's mission (i.e. process innovation).

The high demand for innovation in the knowledge economy – brought about by shorter technology and product life cycles as well as the sophistication of customers – increased the organizational demand for new ideas. This meant two things first innovation has to be pushed down to the frontline where knowledge of the customer is and where the number of ideas generated is greater. Second, it meant that top management has to adopt appropriate innovation strategies to lead the surge of the innovative activity. As a result innovation needed to be systemized as a business process into the way that the organization does business – and hence the need for innovation management. Only organizations that liberate the innovative spirit of their employees, tap into the knowledge of their customers and partners, and manage innovation projects as a portfolio are able to reduce time to market with successful products. Examples of such companies are HP, 3M and Procter and Gamble.

Take, for example, acquisition, that popular strategic ploy of the late '90s. It turns out that the staggering prices paid to capture other firms often lower growth rates rather than increase them. Just 23% of acquisitions earn back their cost of capital, concludes a McKinsey study, which looked at deals made by 116 companies over an 11-year period.

Tried-and-true methods such as suggestion systems that promote cost-saving ideas and continuous-improvement task forces that look to make processes more efficient can certainly improve your bottom line. But they won't help you achieve top-line growth. Smoke-and-mirrors tactics will only fool the market for so long. The solution? Innovation.

With all the hype about innovation during the bubble years, you'd think that companies were doing a lot of it. But don't be deceived by the billions they poured into new technology. Most firms have been focused almost exclusively on incremental improvements and line extensions. Valuable as these efforts are, their benefits rarely go beyond the intermediate term. The long-term benefits that come from game-changing breakthroughs, however, require more work: unconventional methods of seeking out the unmet and unarticulated needs of customers, faster prototyping of ideas, new ways of funding ventures, and compensation systems that provide incentives to increase the revenue from new products and services.

Innovative Ways in India to Modernity

The recent changes in the world, whether in technology or ideology, underline the fact that emerging markets are a great leveller for businesses. They challenge even the most indomitable global champions with a new set of consumer circumstances that they have never encountered before. Emerging market consumers of today have a wider and better set of competitive choices, many of which were non-existent when the developed markets' leg of the race was being run. And the consumption discourse today is totally different too, now that we are far more conscious of dwindling natural resources and ecological threats.

In fact, the newer markets of the world often create a "champion's disadvantage", because most champion companies are prisoners of their past success formulae. They are far too deeply vested in every way in the religion and the ritual that they have built so far and the risk of change is real. The same applies to western academia, who has built knowledge based on the experiences of global businesses. Their predicaments are understandable.

Thus, in the early years of Indian retail, we debated when India's car penetration would get to a reasonable level to enable "modern" retail to "take off". The interesting thing is that the cell phone is to India what the automobile is to America (Shiv Vishwanath in Times of India). The automobile became the central nervous system of America, thanks to a very aggressive car manufacturer lobby, and low prices of gasoline in the days when this central nervous system was being built. The retailing environment was built around this, and then evolved further from this base. It is obvious that the retail environment in which India, or indeed any emerging market operates from is quite different.

However, we haven't seen a whole host of new innovative retail formats in India so far. In fact, there seems to be a weary wait for FDI rules to change so that the western retailers can come and modernise this market. Australia is proof that local retailers can and do own a market. Many malls in Dubai have a distinctive local flavour, leaving no doubt about which part of the world they are in; and there exist some very interesting formats like small single storied "local" destination modern malls. How come Indian malls seem determined to strip all cultural character away from them, in the cause of being "modern" retail?

Indian consumers have grown up in an era of high tech and high touch - think Jet airways, or your local video shop or bank branch head. They remember you via the computer but recognise you in person. American consumers had to trade in high tech for high touch, and have a far more transactional consumer culture. It is not altogether obvious that the present Indian model should be evolved into a higher being as it is in the US. It isn't about decreasing costs, because customer attrition and new customer acquisition costs are huge. In Asia, in many a 5-star hotel, you thoughtfully get a small hair grip along with a shower cap so that the job can be better done, and multi plug points are built in because people from different countries have different plugs. In California, in a very high end hotel, we found the plug adaptor stocked in the mini bar in the room priced at ten dollars! Is that modern best practice?

Yet another example: developed world marketers are now most concerned about green products and sustainable consumption. India has an opportunity to get there ahead of others by not starting down the bad road at all, because most of India is yet to seriously begin its consumption journey. The accompanying picture is from Bangalore, of a "fast food format" idli served in an ingenious container made of leaves, allowing sambar to be put on top of the idli and scooped out with a spoon.

It is the "global best practice" marketer who overplays and overuses plastic packaging, when in fact we have always been very frugal with our packaging due to cost considerations. If we have the courage to say that "made in India" packaged goods will be low plastic in their packaging, and if we can instead bring about storage and reuse container revolution, then we can leap into the future on this count without going through the painful "modern" steps in between.

Investing in right governance

Investing in right governance structures, processes, and skills is key for seeding and nurturing a dynamic innovation culture that is market focussed, collaborative and adaptive.

In future Indian Corporate will take responsibilities nation’s innovation from government run R&D labs. Well known Corporate like Bharti Enterprises, Tata Group, Reliance Industries and Wipro etc. has already ramping up their R&D investment as they seek to launch word class products and services that can compete in global markets.

Pumping more corporate revenues into R&D won‘t automatically translate into more triumphs on new discoveries. Quantity does not imply quality. Corporate must strive to improve the quality of their firm’s R&D output. In order to win in today’s digital era, firms need a flexible, market-focused, corporate R&D function anchored by partner-friendly processes that span corporate and geographic boundaries. Corporate has to infuse innovation model with their existing and future R&D labs a progressive culture that is market focused, collaborative and adaptive.

Market-focused: To boost market knowledge and shape new markets, technically minded R&D scientists and engineers should act as ethnographers by observing the customers to grasp their needs, and engaging customers in a meaningful dialogue to seek their continuous input. To boost the market value of their inventories, R&D teams should be staffed just with science and engineering Ph.Ds but also with anthropologists and micro economists. These multidisciplinary teams should leverage social computing tools like inter- active prototyping to engage internal and external customers in co-innovation.

Collaborative: To drive business innovation, R&D managers must learn to partner with other corporate officers and functional leaders within the organisation and multiply relationships with external specialists. In particular R&D scientists and engineers should team up with corporate strategists, cross-pollinate technical and market insights, integrate marketing and supply chain, and network with external invention and go to market partners. One Indian company that “get it” is the Tata Group, which plans to deploy in the UK an integrated global R&D hub to drive innovation strategies across the group’s heterogeneous business activities. TCS has also launched Co-Innovation Network (COIN), a collaborative ecosystem of IT and business partners worldwide who work closely with TCS to jointly develop and deliver client-valued innovations.

Adaptive: R&D managers should take a cue from adaptive supply networks: value chains that can anticipate, as well as coordinate to changes as well as coordinate a response to changes like competitive threats or new business opportunities. R&D should make the innovation value chain adaptive by continually – refreshing long term research plans (by, for instance, collapsing five year research planning cycle down to 36 months) and investing in dynamic portfolio management tools and exception management processes. For instance, as they seek to replace their copycat approach with their original R&D work, Indian pharmaceutical companies with global ambitions can emulate Eli Lilly in systematically weeding out commercially unviable or operationally challenging inventions from R&D pipeline early in their life cycle. And Indian FMCG suppliers can learn from fashion maven limited brands, whose R&D marketing and operations rely on “Alignment Gate”, a stage gate analysis tool to identify and resolve unplanned supply chain bottlenecks or customer requirement changes to ensure an on time and cost effective launch of fashion products

CEOs will also require the courage to take calculated risks and back ground-breaking new products and services even if these may cannibalise their firm’s existing products and services. Taking risk is never easy, but innovation is fundamentally about

experimentation, and experimentation fundamentally involves failure as much as success.
CEOs will not be able to transform their company's innovation culture single-handedly. Rather, the organisation wide adoption of an innovation culture will require CEOs to galvanise their employees into thinking about future, taking risk and experimenting. Rewarding innovation will automatically encourage it; but punishing failure will only lead to a culture of caution that is likely to stifle creativity and risk. Likewise, lacking internal competition, firms are likely to stagnate and oppose change. Controlled competition on the other hand provides option for employees with new ideas to find backing from some quarters when others within the firm oppose them.

Innovation Strategy in India

Govt. Of India's 12th plan approach paper mentions innovation and attending policy in passing. National Innovation Council has been set up, with a mandate to formulate a "Roadmap for Innovations for 2010-2020." The body plans to set up a national innovation portal, which would be a platform for collaboration and information, it is duly elaborated. Further 13 state governments have already constituted state innovation councils. A few well known instances of innovation in industry and services in India are also stated but what's wholly missing is the pressing need for new initiatives and proactive policy generally to shore up innovation economy wise. National Innovation Council is said to be rolling out a 'tool kit', guidelines and best practices for improving the performance of industry clusters. But we need to incentivise capabilities and collaborations in concrete terms, by for example having a regular platform to diffuse innovation and amendment capabilities, especially for small and medium enterprises via regular interaction from a learning and skill-up gradation perspective.
Greater diffusion of innovative practices broadly defined would pay rich dividends and solidly improve the growth potential by better leveraging knowledge, insight and available skills. What is desirable is to gear up innovation systems by policy engineering a narrowing of gaps when it comes to the capabilities and resources skills, and across sectors and industries. A well functioning national innovation system also requires better linkages across production, resources and knowledge generation.

Innovative Indian Companies

Two Indian companies have been listed among the top 10 innovative firms of the world by US magazine Forbes in its latest edition. Where Hindustan Unilever ranked no. 6 and BHEL ranked no. 9.

HCL Technologies:

1. 'Employee first, customer second': Because of its shock value, this initiative invited world wide interest.

2. 'U'and 'I' approach: Employees could directly approach and query President Mr. Vineet Nayar.

3. Trust Pay: 85% of the salary of employees was made fixed, including bonus, along with a trust in them to deliver results.

4. 360^{o} feedback: This was made compulsory, and opens for all to see. The President of HCL was the first one to put his own form on the intranet for all to review. Others followed suit.
5. As a result, HCL Technologies saw its attrition rates dropping, employees better engaged in delivering, and deals getting better and multi-functional.

During the time of recession in 2008 Pantaloon was the only retailer in organised retail industry which has seen growth in sales by 25% where rivals Shoppers Stop and Vishal Retail, grew sales by only 3.3% and 17.8% respectively in the same period. Operating margin fell by 1.4% at Vishal Retail and 4.4% at Shopper's Stop. This is because of Pantaloon's CEO Kishore Biyani's innovative ideas of Biyani's native caustion and his ability to keep an ear to the ground. Kishor Biyani sent a mail to all its employees "Garv Se Kaho Hum Kanjoos Hain". Besides this Biyani and his employees took an oath to be stingy and axe costs. The Future Group Shopping Festival, End of Season Sale at Pantaloons, Happiness Sale at Central, Blind Fold Sale at EZone, Sabse Sasta 3 Din at Big Bazaar and the Exchange Mela were all attempts by Biyani to keep in store excitement alive during a lean period.
Future ideas team visit homes of all classes of consumers across the country. The check out all rooms, take photos and make notes to understand usage of space, furniture, utensils, et.al. After taking this initiative Big Bazaar offers pulses and grains to stockpile for a year in January for Gujrati customers. It plans a bucket on wheels for multiple usages (keep books, vegetables, clothes). Furniture Bazaar plans a modified computer table for multiple applications.
Godrej Interio designer team stayed in Dharavy shanty to design products for poor. Designers shared benches with school children and visited families and paramedics to innovate furniture. Company introduced sizzle dining table with an induction plate in the centre. Plans a multipurpose furniture set that can be used in bedroom, living room and dining room for less than 1.5 lakh. Company also launched adjustable classroom furniture that is user friendly and does not hurt children if they bump against them.
Mirc Electronics team visited homes and interacted with the consumers and realised that washing machines mostly do not clean collars and that working couples hate return to a hot house in summer. Then company introduced Sparkle Washing machine with an in-built scrub, and Onida pre-cool AC that can be turned on with an SMS.
During the time of recession FMCG companies adopted innovative ideas to rev up their sales. The movie-rental company, backed by Reliance ADAG, has tied up with Future Group's Big Bazaar, Pantaloon, e-Zone and Electronic Bazaar brands, ICICI Bank, Kingfisher, Samsung and Book My Show.com besides ADAG's other companies as a part of strategy. By offering discounts on memberships or free membership on purchase of product of any company, companies acquire additional customers without spending on advertisement.

Conclusion

Innovation Management is used to increase competitiveness and overall performance of the organisations by allowing its managers and engineers to cooperate with common understanding of goals and processes. Innovation Management is related not only with R&D but it involves workers at every level

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in contributing in organisation's development, manufacturing, and marketing. Management can stimulate innovation by utilizing appropriate innovation management tools and motivation of work force for continuous development of organisation. Innovation processes can be pushed or pulled through development by creating multifunctional teams, reducing the time to market with the help of tools like using brain storming, virtual prototyping, product life cycle, experiencing and understanding consumers needs by using products and services along with consumer at his/her destination.

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