

To be truly innovative, India's manufacturing sector seemingly has a long way to go both nationally and at the corporate level

A recent examination of management practices in India which contribute to a culture for innovation

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Overview

India has the potential to innovate world-class products but in spite of experiencing significant economic development, especially in the provision of low-cost satellite based services and the manufacture of low-tech products, the country lags behind expectations. Part of the reason is that spending on research and development is not yet up to the level of innovative companies and venture capital is not yet well established¹. Part of the solution is seen in the investment by western companies and the innovative culture which they bring to business in India; an example being G.E.s² significant investment in R&D in India.

The World Economic Forum ranks India ranks 33rd in terms of the country's capacity for innovation. Our most recent survey of India's management practices in the manufacturing sector suggests that there is also significant room for improving practices which encourage, rather than discourage, innovation.

'An innovative climate is not just a sentimental need. It has powerful business implications and can bring real results. There's a reason why companies like Google and Apple have such a breathtaking record of rapid innovation; you need to look no further than their climate. A climate of innovation ensures that you'll have the inherent ability to not just innovate with an occasional flash of brilliance, but to do so continuously. That's an extremely important strategic advantage to have in a fast-moving marketplace that's overcrowded with competitors'.³

¹ The New York Times, February 22, 2010, In India, Anxiety Over the Slow Pace of Innovation.

² See profile of G.E.by White & Partners Ltd. <http://www.corporateinnovationonline.com>

³ FutureLinkLLC. See; www.getfuturelink.com

National innovation ranking

The Global Competitiveness Report 2010-2011⁴ provides an indication of the state of innovation in India. The report states that India's competitiveness fell two positions since the last review but provided 'good results in more complex areas including... innovation.

India does not rank high in several areas which contribute directly to the innovative capacity of the country.

<i>Factor Reviewed</i>	<i>India</i>	<i>China</i>
<i>Capacity for innovation</i>	33 rd	21 st
<i>Quality of scientific research institutions</i>	30 th	39 th
<i>Company spending on R&D</i>	37 th	22 nd
<i>University-industry collaboration</i>	58 th	25 th
<i>Government procurement</i>	76 th	12 th
<i>Availability of scientists and engineers</i>	15 th	35 th
<i>Patent (utility) per million population</i>	59 th	51 st

While China scores ahead of India in all but the availability of scientists and engineers and the quality of its research institutions, there are a number of countries such as Vietnam, Indonesia, Taiwan and Brazil which, surprisingly, top India's rating in innovation. The ranking implies that government needs to rethink its procurement practices and introduce policies which encourage more collaboration between public and private sector research.

Management practices and innovation

Our recent examination of the culture for innovation at the micro level in India may also provide some of the answers to poor innovative performance. Our survey indicates that there are several Factors⁵ which, while present in highly innovative companies, are absent or poorly represented in Indian companies. These Factors, or indicators of cultural values impacting innovation, can be addressed by management but making real change will take time. The Factors are elaborated upon below.

The introduction of foreign investment, and along with the investment the use of improved management practices, can be a positive experience however it is normally difficult to *enforce* innovation from above or from afar. Innovation typically results from the actions of a successful founder who not only has great ideas but instills a culture for innovation in the organization. Examine, for instance, G.E., 3M, and John Deere. The founders' influence had a profound influence on creating a culture for innovation which continues to this day.

Recent examination of the culture for innovation in India's manufacturing sector

A recent survey⁶ of the manufacturing sector in India reveals several areas where the culture for innovation does not compare well with highly innovative companies. The survey compared cultural aspects of innovation in a small sample of India-based companies with a composite of three of the most innovative companies in the world; 3M, P&G, and John Deere, i.e. the 'Best'.

Of the 25 Factors surveyed, the following 8 Factors were considerably out of line with the 'Best' and accounted for over 50% of the 'score' (for an explanation of the survey and the 'score' see Calibration Survey at ;<http://www.corporateinnovationonline.com>).

⁴ World Economic Forum

⁵ For definitions of Factors, refer to <http://www.corporateinnovationonline.com>

⁶ Calibration survey at <http://www.corporateinnovationonline.com>

- **Factor #1: Too much emphasis on short term profits;** i.e. management lacks a balanced focus on both short and long-term profits.
- **Factor #2: Management, in reality, does not look for innovation;** i.e. while management may talk a lot about the need for innovation, there is not much done to encourage innovativeness.
- **Factor #3: No tolerance for mavericks;** i.e. management does not make room for or promote those who speak out of line or exhibit off-the-wall thinking.
- **Factor #5: No tolerance for failure;** i.e. failure is not treated lightly and therefore people are dissuaded from taking chances.
- **Factor #6: No emphasis on people and their interactions;** i.e. human resource management is not a priority.
- **Factor #7: Little, if any, recognition for innovation;** i.e. reward and recognition of innovation is not a common characteristic.
- **Factor #8: Management seeks compliance with the 'norm';** i.e. conformity is highly valued.
- **Factor #12: Little input on management decisions from the balance of organization;** i.e. suggests that a highly-centralized, hierarchal management structure is in place.

The following Factors were of lesser importance to the respondents but are worth noting.

- Factor #11: No use of independent work groups – which is a common characteristic of innovative companies.
- Factor #13: Very formal (excessive) decision process – innovative companies take steps to improve the informality of decision making.
- Factor #18: Highly centralized organization – smaller sized organizational units is the norm in many innovative companies.
- Factor #22: No innovative tradition yet in place in the organization – companies which start with an emphasis on innovation have a tremendous advantage over those whose history may not include innovation.

While the standard of comparison used, i.e. the ‘Best’, may be too high and certainly the size of our sample partially limits the interpretation, the message is that the culture for innovation can be improved. Fixing the culture will require management to address a number of these Factors and not rely solely on addressing only one Factor.

The following diagram categorizes the Factors impacting innovation into four management themes:

- providing motivation,
- encouraging communication,
- managing the corporation’s economics,
- demonstrating tolerance,

and all management practices built on a base of trust and respect.

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An Innovative Corporate Culture is Based on Four Management Themes

Major issues for India-based manufacturers are shown in 'red'.

Providing motivation by;

- aggressively seeking innovation,
- focusing on identifying opportunities,
- emphasizing people management,
- having rewards for innovators,
- encouraging loyalty.

Encouraging communication by;

- seeking openness and transparency,
- having an appropriate level of informality,
- putting in place a clearly-understood organization structure,
- seeking participation,
- maximizing delegation with accountability and responsibility.

Managing the corporation's economics with an emphasis on;

- profit, but with a 'mid-term' horizon, not always short-term,
- having an acceptable risk profile for new investments,
- planning but with targets established for innovation.
- enabling resources for new opportunities.

Demonstrating a tolerance for;

- mavericks,
- failure,
- differences from the norm,
- risk taking.

Built on a base of
Trust and Respect

for diversity, beliefs, values, traditions, language, behavior, geographic location, history, governance, social habits, attitudes, training, education, timing, threats, and for change.

<http://www.corporateinnovationonline.com>