

CIO – Corporate innovation online Innovation management best practices

India's manufacturing sector suffers from overly bureaucratic procedures and difficulty 'delegating'.

New results from CIO's on-line data-base. Merging micro and macro data!

June 16, 2017

The Economist, June 3rd, reports that PSUs (public-sector undertakings), of which there are many in India and engaged in a huge variety of economic activities are, according to a report from 2011, typically badly managed and where "over-governance promotes conservative, cautious and risk averse organizational culture, with procedures being paramount and outcomes secondary". What The Economist does not say is that this culture may well be a legacy of British rule in India, implemented at a time when such 'procedures' were required.

CIO's on-line lab, based on input from registrants' in India, provides some insight into the problems identified in The Economist. Registrants from India clearly point out that innovation management falls short of their own expectations.

World Economic Forum rating

While India's overall ranking is rapidly increasing, its 'willingness to delegate' is ranked excessively low at 56th

A more up-to-date report on India's innovativeness is provided by the latest rankings¹ by the WEF. Out of one hundred and thirty-eight countries, India's overall ranking is thirty-ninth, but while relatively low, this is a 16-place improvement over the previous year's ranking. India's growth rate is the highest in the G20 countries.

The 12th pillar of the WEC's report relates to innovation. India's capacity for innovation ranks 39th, the quality of its research institutions at 38th, spending by companies on R&D at 28th, university-industry collaboration at 24th, government procurement at 7th, and the availability of scientists and engineers at 36th. For manufacturing industries, a detriment to efficiency is seen to be centralized wage determination. Reference is also made to the fact that 'large, publicly owned enterprises (PSUs) further reduce the overall efficiency of the economy especially in the utilities sector and the financial markets'.

The 11th pillar, entitled 'business sophistication' states that India ranks 56th in its 'willingness to delegate', a rating which is echoed in the analysis of information in CIO's on-line data base.

¹ See World Economic Forum Global Competitiveness Report; 2016 - 2017



Summary

World Economic Forum rating. *While India's ranking is rapidly increasing, its 'willingness to delegate' is ranked excessively low at 56th*

Getting good ideas on their way. *Tolerance for risk, ideas and mavericks get in the way of good ideas*

Leadership. *Innovation per se is less important than people management*

Other Factors from the on-line lab. *Only ten Factors are analyzed*

Public policy issues. *Highlights from an earlier report. No new problems*

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Getting good ideas on their way

Tolerance for risk, ideas and mavericks get in the way of good ideas

Highlighted here are several of the Factors² impacting innovation management.

Tolerance for mavericks, Factor # 3, indicates that registrants desire a level of tolerance – showing a value or ‘-2’ as the rating. There is also a high degree of dissatisfaction with a ‘Delta’ of ‘3’; which is the difference from the registrants ‘Ideal’ and their ‘Reality’.

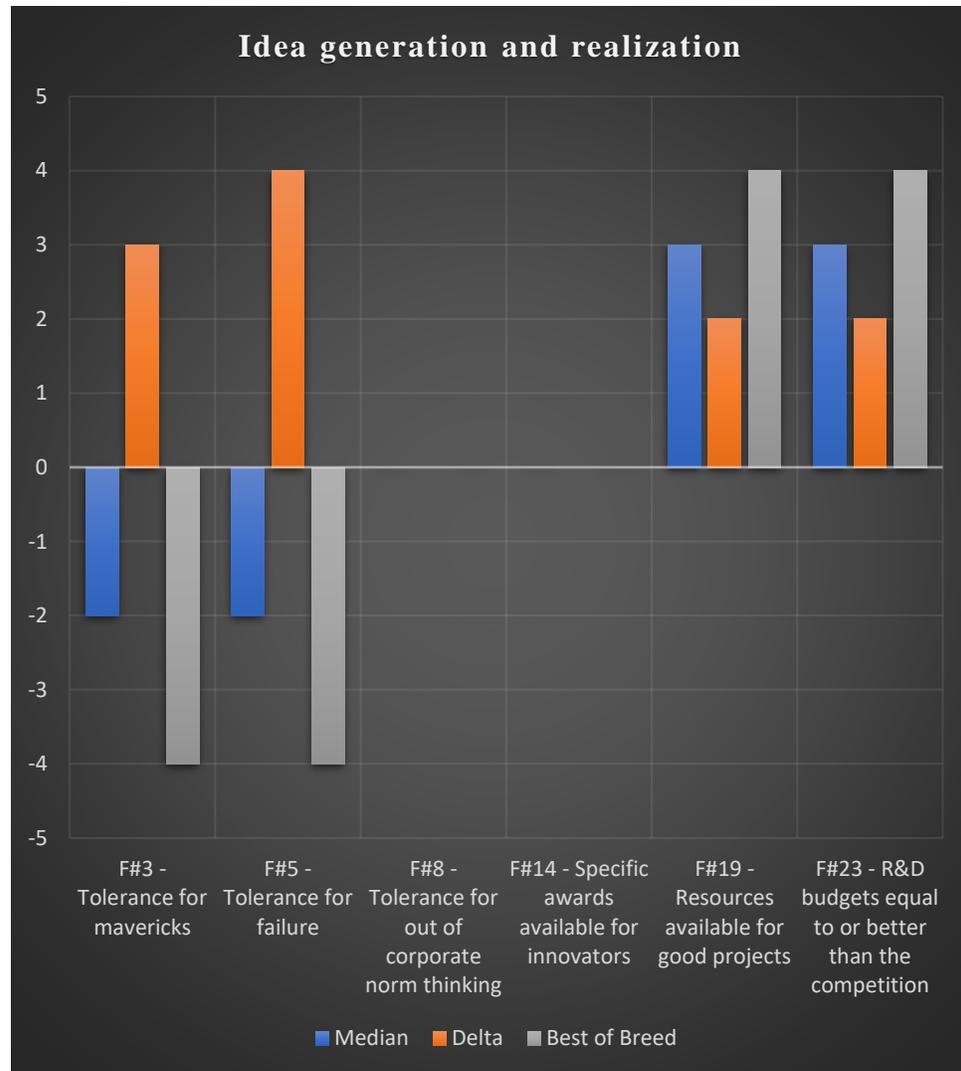
CIO’s BoB³ would set the bar even higher at ‘-4’, two ratings hire than registrants’ ‘Ideal’.

Similarly, for Factor #5, tolerance for failure, ‘Delta’ is high at a rating of ‘4’ indicating that an organization is probably highly risk averse; with a fear of failure dominating the culture.

Results for Factors #8 and #14 are inconclusive.

Registrants expectations for Factors #19 and #23 are close to being met although the ‘Ideal’

falls short of the BoB. Registrants would like to see a management which makes it known that there would generally be resources available for good projects. For Factor #23, the issue of whether R&D budgets are at or equal to the competition, registrants believe this is an important Factor and the rating is close to CIO’s BoB.



² For the full list of Factors impacting innovation, visit the web site; www.corporateinnovationonline.com

³ BoB stands for Best of Breed and is a compilation of results from CIO’s research into highly-innovative, idea-intensive companies.

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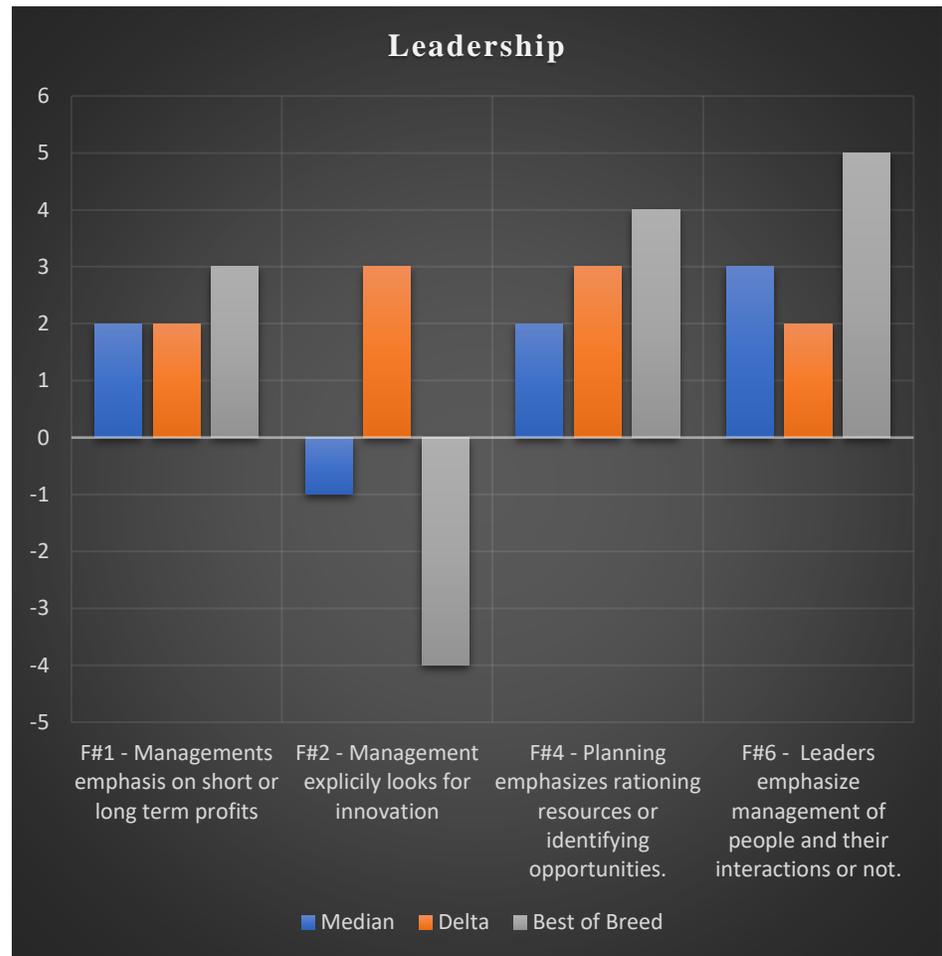
Leadership's role.

Innovation per se is less important than people management

Under the heading of 'leadership', four Factors are given prominence based on inputs from registrants.

Registrants are of a view that;

- Managements emphasis on short versus long-term profit, F#1, is about right, falling only a shade behind the BoB.
- While not placing undue emphasis on whether management explicitly calls for innovation or not, there is a degree of dissatisfaction; rated at '3'. The BoB, however is higher at '-4' but recall that this is a measurement based on highly-innovative, idea-intensive corporations and therefore the bar is set very high.
- Results for Factor #4 clearly points out the management could do a much better job by encouraging and identifying opportunities rather than placing undue emphasis on seeking cost reduction.
- Management of people ranks higher than the other four Factors under this heading; a clear nod to making sure an organization has effective human-relations practices, which are viewed as part of the climate for innovation.



Other Factors from the on-line lab

Only ten Factors are analyzed

Only ten Factors out of the twenty-five Factors available to users of the on-line lab are reviewed here. Other Factors deal more specifically with day-to-day management practices which support or detract from a climate or culture for innovation.

Three, of the twenty-five Factors, provide a view of the changing state of innovation in the registrant's organization; whether
- innovation is increasing or decreasing,

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- there is tradition of innovation and
- innovators stay or leave the organization.

For this last Factor, #21, there is a clear indication that innovators in the registrants' organization are leaving the organization, for whatever reasons.

CIO previously published⁴ a report entitled 'Modi's challenge; India's manufacturing sector – best practices not yet in place'. The report, available under 'Country comment' on the web site⁵, is more comprehensive than this report and deals with all twenty-five Factors along with additional analysis and comment.

Public policy issues

Highlights from an earlier report⁶. No new problems.

Many of the issues identified so far are not new to India's government. Key comments from the 2015 report by Ravindra Abhyankar are summarized.

- There has been no comprehensive policy focusing on innovation and entrepreneurship so far.
- Little national funding is available for R&D: from 2011 to 2012 it was only 0.88% of gross domestic product (NSTMIS, 2013).
- The linkages between industry, especially medium and small-scale enterprises and R&D or academic institutions are weak.
- Indian entrepreneurs often seek established technology as a basis for starting their business; they are hesitant to take on innovative ideas because of the risks involved, including the low availability and high cost of funds that often arrive too late. As a result, they look for minimum risk and quick returns.
- In India, the intellectual property regime is weak. Innovators do not generally seek protection for their intellectual property unless forced to. (The WEF rankings are consistent with this comment).

The point is that there is much to yet to do and that a portion of the responsibility lies with national and local governments working with the private sector in India.

⁴ September 1, 2015

⁵ www.corporateinnovationonline.com

⁶ 'The Government of India's Role in Promoting Innovation through Policy Initiatives for Entrepreneurship Development, August 2014. Ravindra Abhyankar