With the global economic slowdown, the need for innovation is even greater today. If you're looking to maintain your market share, and perhaps post growth despite the recessionary environment, innovation is key.

To understand why innovation is so crucial to success, INSEAD and Roland Berger Strategy Consultants looked into the innovative policies and practices at nine large multinationals widely respected for their innovative skills: 3M, Research in Motion, Genentech, Unilever, SAP, Bosch, Nokia, Infosys and Toyota.

The result is a new book called Innovating at the Top: How global CEOs drive innovation for growth and profit, whose purpose is to identify the values and methods the CEO finds most compelling and useful to promote innovation.

Top-down approach

While there is no silver bullet for innovation, the book’s co-author Soumitra Dutta, the Roland Berger Chaired Professor in Business and Technology, says the consensus among the nine featured CEOs was that certain conditions do favour innovation and can therefore increase the probability of success.

He adds that these CEOs view innovation as part of the core portfolio of responsibilities, so they see innovation in the company in a very broad sense, not just in a very narrow technical product sense, and they see their roles as being the champions of innovation in the entire organisation.

Olli-Pekka Kallasvuo, CEO and chairman of Nokia, however, advocates incremental changes as innovation may be difficult to accept. He dismisses the notion of 'if it ain't broke, don't fix it' as sheer complacency; and instead recommends "challenging and questioning" the current paradigm.

Even when the CEO has set the stage for innovation, employees on all rungs must celebrate the newly-installed innovation culture. Nokia's success story can be linked to one of its four core values: passion for innovation. Biotech giant Genentech credits its success to never accepting the status quo, never accepting conventional thinking and conventional
wisdom.

Sharing knowledge

As innovation begets innovation, CEOs too believe in engaging more innovation partners by sharing knowledge.

“We have learned that sharing knowledge is the best way to get knowledge,” says Henning Kagermann, co-CEO of SAP. “If you feel you have to protect yourself, you have already lost half of the game. The point is to be faster than the others through openness and sharing.” Though SAP protects itself with a few large joint-development partners such as Microsoft and IBM, 90 per cent of the time, it extends an open door.

Similarly, Genentech publishes discoveries and inventions at an early date, relying on the patent system for necessary intellectual property (IP) protection. This open policy engenders professional relationships with leading academic institutions which may participate in joint research projects, thus helping to advance the biotech field.

“In general, what you find is no one company can do it alone,” says Dutta. “So you have to be able to collaborate and compete with your peers. But a lot of the interesting innovation happens when you work in close partnership with people in organisations who are your suppliers or who are your customers and who can perhaps help you in getting products to market faster.”

Embracing diversity

Just as knowledge sharing is important, so too is diversity, which promotes friction – the good kind – and cross-fertilization. However, integrating personnel of different nationalities can be a challenge, especially with companies which have employed a homogeneous workforce. But Franz Fehrenbach, CEO of Bosch, who puts one of its core values as cultural diversity, says you have to embrace cultural change. A sound strategy, considering that the company’s future growth will be in emerging markets.

Nokia’s Kallasvuo dislikes the term “off-shoring”. “If you are a global company and you have operations everywhere, the whole concept of off-shoring becomes irrelevant … There is no off-shoring, you’re just present in different places.”

The customer is king

One can go on innovating, but the circle would not be complete without customer feedback. Fujio Cho, chairman of Toyota Motor, observes that “innovation, based on the needs (of customers), is faster, cheaper and a more dependable approach.”

Infosys sends key research lab personnel to meet with customers, because “unless our researchers realise what the outside world is and what is happening in the trenches, their innovations will have no value for the customer.”

To take this even further, several CEOs are immersed in the stimulating challenge of engaging R&D teams in business model design. Once considered the preserve of senior management, business modelling has entered the R&D arena, all this because digitisation, the internet, and new markets and distribution channels offer a sometimes bewildering array of business options to influence development paths.

However, correctly evaluating R&D progress and roll-outs has important implications beyond any particular initiative. If innovations are not properly measured and assessed, promising R&D efforts could be prematurely aborted.

New blood, new ideas

As new blood can also engender new ideas, companies such as Infosys make a point of engaging young people in the race to develop new software. The company’s chairman and chief mentor N.R. Narayana Murthy says: “We have to encourage youth because youth is all about new ideas … we have to create an environment where the young people are very confident, they are very energetic and they are very enthusiastic to add value to the corporation.”

Infosys reserves up to three days for an “Innovation Day” where only people under 30 can present ideas and suggestions to senior management.

Nevertheless, innovative ideas would not come to fruition if not for the right processes. A significant consensus among the CEOs suggests that processes can be designed to remove obstacles and create favourable conditions.

Dutta says successful organisations are trying to create what can be broadly termed as ‘innovation platforms’. “These are not processes in the negative bureaucratic sense of the word ‘process’, but much more as supporting environments for enabling virtually everyone in the organisation to come up with ideas and run with those.”

Jim Balsillie, co-CEO of Research In Motion, which created the Blackberry smartphone, says: “I think the key thing I have learnt on innovation, is that innovation lies much more in process than just having the right answers. So there’s a real premium on visibility, in transparency, in collaboration, and I
think that goes a long way."

Even if you have adopted all the key innovation drivers mentioned above, the buck doesn’t stop there; employees need to be continually motivated to keep the ideas flowing.

Genentech grants substantial stock options, as well as other forms of enhanced compensation, to strong performers. At SAP, individuals are compensated primarily by team performance, and senior executives are rewarded by how well their teams contribute to overall company results.

Several CEOs point out that a powerful incentive is simply seeing customers use a product or a service. Having success in the market, in turn, helps the innovation cycle.

Innovating at the Top: How global CEOs drive innovation for growth and profit is published by Palgrave Macmillan.

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