

# **Interview Rowan Gibson for the Management Innovation Forum**

## **– Dubai**

### **Questions:**

#### **1. Are there common factors that create innovation? These could be cultural, economic, geographic. If so what are they?**

Yes, there appear to be some common factors. Generally speaking, innovation occurs in environments where we find a lot of diversity, along with a high degree of connection and conversation.

Think about the world's most progressive, most-trendsetting cities – hotbeds of coolness like New York, London, LA, and San Francisco. What do we find there? We find a rich mélange of different ethnic groups, age groups, skin colors, cultures, perspectives, experiences and values. We find incredible diversity.

The same goes for Silicon Valley. It's a wonderful mix of smart, young people from almost every part of the world. Indeed, think about America – arguably the most innovative nation on earth. What is America if not the ultimate melting pot, a giant “mash-up” of immigrants from every corner of the globe?

Mixing different people, ideas, assets and competencies has spurred new thinking and driven progress throughout history – in every kind of civilization and in every field of human endeavor. Why? Because, in essence, innovation is about “combinational chemistry”. Radical innovations are spawned by the interplay of different ideas, assets and domains that don't usually belong together. It's this interplay or recombination that allows you to do interesting new things or invent entirely novel products and services.

The only way to create “combinational chemistry” is through connectivity and conversation. Quite simply, the more connections there are between individuals and their ideas, the greater the number of possibilities for recombination. A rich tapestry of connection, conversation and interaction is one of the critical preconditions for innovation.

#### **2. Why are some regions around the world more innovative than others? Any examples?**

Certain national or regional cultures seem to be more congenial for innovation than others. For example, we tend to find a lot of creativity, entrepreneurship and business innovation in countries like the USA, the UK, The Netherlands, and the Nordic region. These are cultures where there has long been a kind of “outward focus” – a historical openness to ideas and perspectives from all around the world – and they are also cultures that seem to encourage free thinking and contrarian views.

On the other hand, there are cultures that seem to find innovation more difficult. I would argue that these tend to be countries or regions that have an “inward focus”, where there is less interest in ideas that come from outside. Generally, they are also cultures that discourage free, independent thinking; where kids are taught at school to “know their place” and not to question anything. Some of the countries in Asia, as well as in Africa, would fall into this category, and to some extent it's true of the Middle East.

### **3. Why does the Middle East lack innovation? (No Middle East countries have ever been listed in the world's most innovative countries)**

I'm not sure it's fair to say that the Middle East lacks innovation (and I can't say I pay much attention to those lists, anyway; they are usually very superficial). Human beings all share the same basic DNA and there is ample evidence that there is creativity in all of us.

What the Middle East seems to lack, though, is a culture of entrepreneurship, opportunism and innovation at the grass-roots level. If we think of American culture by comparison, certain notions immediately come to mind like "the land of opportunity" or "the American Dream". These notions are chiefly about individuals working hard and using their ingenuity to attain material prosperity and recognition – so we hear common phrases like "going from rags to riches" or "achieving fame and fortune". Essentially, that's what America has been about for the last couple of centuries.

Coming back to this region, what exactly is the "the Middle Eastern Dream"? Do ordinary people at the grass-roots level really believe it's possible or even desirable to "make it to the top" through innovation and entrepreneurship?

I'm certainly not criticizing or questioning Middle-Eastern values here. Neither am I saying that the American value system is ideal or perfect. Far from it. In fact, I believe it's quite legitimate to question the whole point of this kind of capitalism, and to ask what it does to people's lives, and to societies, and to the environment, because there is clearly much more to human existence than material prosperity.

But if you ask me why there is a lack of innovation in the Middle East compared to, say, America, I think this is part of the answer.

### **4. Does religion hamper innovation? Does democracy drive innovation?**

Religion certainly has an impact. If we consider certain aspects of traditional Islamic law, for example, we can ask ourselves how they affect innovation. Take the Islamic law of inheritance, which inhibits the accumulation of capital. By definition, this keeps Middle Eastern companies very small and short-lived. It certainly doesn't facilitate the creation of big commercial enterprises around entrepreneurial founders. In fact, the whole concept of the corporation is absent from the region's legal infrastructure. That's why the private economic sector in the Middle East is basically negligible. Instead, what we find in the region is that most of the resources are concentrated in a disproportionately-sized public sector.

What this also creates is a lack of talented "knowledge workers" of Middle-Eastern origin who can help to build and run local companies. That's why so much of this talent or "human capital" has to be currently imported from outside the region. Dubai is an extreme example of that.

Democracy basically means that everyone has a voice. I'm not sure that political democracy has much of an impact on innovation, although it does allow people to question established ways of doing things and hold contrarian views – which is fundamental to the innovation process. However, in my new book, "Innovation to the Core", my co-author and I talk about "innovation democracy" – which is the notion that great ideas can come from anyone and anywhere. This can certainly be a driver for grass-roots innovation.

**5. Do you agree/disagree that deprivatization drives innovation? Any examples? (e.g Mohammed Yunus idea and achievement in India)**

I believe that innovation can have both positive and negative drivers. When someone spots an emerging opportunity and decides to go after it, I think of that as a positive driver. Richard Branson's Virgin Group seems to work like this.

Conversely, when someone sees some impending threat and it forces them to innovate, or they're frustrated about some problem and they decide to solve it – that is a negative driver. It often goes back to the old truism: “necessity is the mother of invention”. Arguably, the most innovative periods of the last century were during the two World Wars, when it was *literally* “innovate or die”.

What drove Mohammad Yunus to come up with Grameen Bank in India, and become the world's first “banker to the poor”? Yunus happens to be a very warm, very caring and compassionate individual who saw an unarticulated need – a problem that needed to be solved – and created the concept of “micro-lending” as a way to lift people out of poverty. So it was a negative driver (solving a problem or a negating a threat) but with a very positive outcome.

Contrast this with the subprime mortgage debacle in the US. This particular financial innovation was driven by a desire to make unfair profit out of poor people. So it was inspired by opportunity (a positive driver) rather than threat, but it kicked off the whole financial meltdown mess we're currently in, because the business model was unsustainable.

**6. In your opinion, which city would you consider to be the most innovative (cities that house the most innovative people)? Why?**

I've already mentioned cities like New York, London, LA, San Francisco. These are extremely innovative places where there's always a creative buzz in the air, and I think it's very much to do with the factors I highlighted: incredible diversity, and a high degree of connection and conversation. Of course, it helps that there's a lot of money in these cities, and no end of talented people. That means that it's easier to connect smart ideas with the resources required to make them happen.

**7. Do resources (cash mainly) drive innovation or is innovation driven by greed and profit making?**

As I've said, innovation is often driven by the positive desire for profits. Today, most companies are under immense pressure to grow their revenues and profits – quarter to quarter, year to year – simply because it's a world where shareholders rule. And, on the long term, innovation is the only tool left in the toolbox for achieving those results. It won't come from quality or efficiency drives; these avenues have already reached their arithmetical limits. So I think it's quite legitimate for innovation to be driven by profit-making.

Greed is something else. That's where we come back to the subprime mortgage, which was marketed as a blessing for poorer people but was actually just extortion in disguise. Actually, I think the banks deserved the beating they got for this, but unfortunately a collapse in the global financial system ends up impacting all of us.

I do believe that innovation requires resources (both human and capital) to make an idea happen, but it often doesn't need anywhere near as much in terms of resources as some people think. For example, when Steve Jobs and his team created the original Macintosh, IBM was spending about 100 times more money on R&D than Apple. And the

SpaceShipOne project – which has opened the way for space tourism – managed to achieve something on a shoestring budget that NASA wasn't able to do with billions of dollars.

## **8. How can leaders instill a culture of innovation in their companies/societies?**

The question makes it sound rather simple – it suggests that you can simply “instill” a culture of innovation – but the fact is that it's incredibly difficult to change culture inside a company or a society. I mean, *incredibly* difficult. You can't just come in on Monday morning and say “I'm going to instill a culture of innovation here.” In my experience it takes about 3 to 5 years to make significant changes to an established culture.

When you pick up a business magazine and read about innovative companies like Apple or Google, you have to remember that these companies never had to change their culture; they were *born* innovative, right from the start. It's very different if you're an “old-line” industrial company, particularly a highly centralized one – or a society where innovation is less common – and you want to somehow make the cultural shift from innovation laggard to innovation leader.

The only way to make that cultural transition is by employing the kind of mechanisms we outline in the new book – the policies, processes and systems that allow an innovation culture to gradually evolve and then to perpetuate itself. In my experience, these would certainly have to include visible leadership engagement, new organizational structures for orchestrating and supporting innovation, a disciplined approach to building innovation skills and hiring the right people, effective tools and processes for generating novel insights and opportunities, and creating an open innovation marketplace along with mechanisms for redeploying resources and managing the innovation pipeline from initial idea through experimentation to commercialization.

## **9. What is the relationship between innovation and nationalism/patriotism? Does belonging to a culture or nation help in driving innovation?**

I'm not sure there is a relationship. If anything, I think patriotism can seriously get in the way of innovation because it can blind you to ideas from outside your own culture. You end up blinkered, believing that your way is the *only* way.

However, as I explained earlier, being based in a particular culture can either make things easier or harder for the innovator. For example, if I come up with an innovation like Google and I'm based in Silicon Valley – as the company's founders, Larry Page and Sergey Brin, were – it's far easier to get access to the necessary funding and talent to commercialize that idea than if I'm in, say, Siberia. Actually, Sergey Brin's family emigrated from Russia when he was 6 years old. If they had stayed, I think Brin might be working today in some remote nuclear power station, or an internet café in Moscow, instead of running one of the world's most powerful IT companies.

## **10. Does competition drive or dilute innovation?**

There's no doubt that competition drives innovation. In today's hypercompetitive global economy, the customer simply has many more choices than ever before. There are many more companies competing for the same customer order. So, as Michael Hammer expressed it a while back, it's no longer “we'll make whatever we like and the customers will take it because it's the only option they've got”. Success today lies with those whose offering suits

the customer best, which means understanding and addressing the customer's needs in ways that the competition has overlooked or ignored. That puts a premium on innovation.

**11. How do we keep innovation fresh in a company or a society?**

Through ongoing communication and conversation around innovation issues, as well as regular cultural activities that promote innovation and allow it to thrive.

**12. Many say that Dubai is innovative. Others say Dubai 'buys' innovation. Others yet claim that Dubai is a copycat. What do you think?**

I think Dubai is all of those things and they're all OK. Whether you come up with a new idea yourself, or you pay someone else to do that, or you simply import an existing idea from another place, the important thing is that you are inventing ways to create value, and thereby wealth.

Dubai is taking the lead in the region when it comes to innovation, and I'm very excited about what we are likely to see over the next decade or so.

**13. Is there anything you would like to add?**

I'd like to add that it's very easy to talk about innovation, but the real challenge is to turn rhetoric into reality, to transform innovation from a buzzword into a deep core competence. That's what I'm coming to Dubai to speak about.

In the past, the advantage went to those companies or geographic regions that could compete best on the basis of factors like quality or cost. Today, the advantage goes to those who can innovate better than the competition. Dubai is already becoming a paragon of world-class innovation in the Middle East – but the challenge now is to move innovation beyond the level of huge real-estate development projects, and down to the level of the grass-roots entrepreneur. This will be the next vital phase in Dubai's exciting economic development.

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