

Interview with Gerard Muttukumaru

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“DRIVING REAL CHANGE IN ORGANIZATIONS AND NATIONS”

What are the major obstacles to driving innovation throughout any organization?

The major obstacles to innovation are embedded in the managerial DNA that today’s organizations have inherited from the industrial era. By that, I mean the values, processes, organization structures, metrics, management systems and cultural behaviors that tend to determine the way most companies work every single day.

In the industrial era, management was almost exclusively about optimization and efficiency. Companies succeeded by mastering the ability to mass-manufacture millions of standardized products, or handle millions of transactions in a systematic way, or deliver a standardized service to millions of customers. The goal was to do more of the same, only better, faster and cheaper.

However, in a world where the pace of change, and of competition, and of commoditization is hyper-accelerating, the notion of “more of the same” has become ludicrous. The goal today is not standardization; it’s strategic variety; it’s wide-scale experimentation; it’s radical new thinking. You won’t achieve these outcomes with an ideology based on optimization and efficiency. The only way to do it is by recalibrating your organizational priorities – in fact, your whole managerial DNA – around the ideology of innovation.

Any obstacles unique to European organizations given the cultures in each European nation?

Certain national cultures seem to be more congenial for enterprise-wide innovation than others. For example, I would argue that this new ideology requires an open environment where ideas are welcome from everyone and everywhere, and where there’s a lot of focus on the customer. Certain countries in Europe seem to be well adapted to this – I think especially of the UK and The Netherlands, as well as the Nordic countries. Others are not so well adapted.

Germany, for example, where I’m currently based, has a managerial culture that tends to resist the idea of empowering what I would call “front-line innovators” – those employees who are in direct contact with the customer. This is one reason, I believe, why German customer service is notoriously bad! Many managers in Germany still seem to be more comfortable with the old, traditional

“command and control” model, where responsibility and authority is centralized at the top, and plans are thoroughly executed by the people at the bottom, or out in the field.

This model works to some degree if we define innovation narrowly as the responsibility of technical R&D, which is something Germans are particularly good at. But as soon as we define innovation more broadly, to include, for example, service innovations, operational innovations, cost innovations, customer experience innovations, and business model innovations, we move out of the realm of technology and engineering, and into a world where the breakthrough ideas come from challenging orthodoxies, harnessing new trends, leveraging resources in exciting new ways and addressing deep customer needs. This is not something we can leave to the technical folks in R&D. It’s something that has to involve ordinary people right across the organization – and also beyond it. So there’s a pressing need to unleash the creativity and entrepreneurial spirit of front-line workers.

One German company that has made some progress in involving ordinary workers in the innovation process is BMW, but again it’s mostly confined to new product development and manufacturing. There is not a lot of autonomy at the level of the BMW car dealer – actually it’s quite the reverse. So I think Germany is going to find it quite difficult to make the transition to an inclusive or open innovation model.

Let’s face it: continental Europe has traditionally been quite a hostile environment for would-be entrepreneurs and innovators – particularly when compared to the US. There’s a lot more bureaucracy in government here, which helps to explain why Europe creates comparatively few start-up companies and new jobs. In America, by contrast, it’s very easy to register a new company. You can do it in about an hour. In fact, the individual states compete for new companies by offering incentives and lowering corporate taxes for the first few years. So the US is an environment that nurtures entrepreneurs and innovators. Silicon Valley is a good example.

Europe, on the other hand, seems to be in the business of writing rules for everything. That’s what many of the politicians in Brussels are literally doing all day long. And whether you look at the North or the South of Europe, you find that rule-making and bureaucracy often stifle innovation.

More importantly, what do these organizations do to overcome these obstacles and drive sustained innovation?

If the obstacles to innovation are deep and systemic – if they are embedded in industrial management principles and processes – then the only way to overcome them is to look deep inside the company’s core managerial DNA, find and uproot the forces that inhibit innovation, and invent new, innovation-friendly management processes founded on new management

principles – ones that enable and sustain new kinds of behaviors. Building a truly innovative company is not a matter of simply asking people to be more innovative; it's a matter of positively changing those things which today diminish or stunt the organization's innovation potential.

The first step here is to try to identify – objectively – the obstacles to innovation that exist within your organization. Examine your values, your cultural behaviour, your organizational structures and political structures, and ask yourself whether these things are limiting your capacity for innovation. Most importantly, take a good look at your management processes – strategic planning, capital budgeting, product development, management compensation, leadership training, succession planning, and so forth. Ask yourself whether these traditional processes are actually hindering new thinking and innovation; frustrating experimentation; stopping talent and capital from flowing to the best ideas. Try to understand exactly which things would need to be changed in your company in order to make innovation a sustainable, corporate-wide capability.

Once all these obstacles to innovation have been identified and grouped, you can try to develop a gameplan for solving them one by one. You can work hard to replace old management principles that are toxic to innovation with new, innovation-friendly processes, values, organization structures, metrics, training, and so forth. As my colleague Gary Hamel has pointed out, companies that are serious about making innovation a core competence are going to have to put as much time, energy and resources into reengineering their management processes for the sake of innovation as they previously put into reengineering their business processes for the sake of efficiency.