



FROM R&D TO C&D INNOVATION ECOSYSTEM- IMPROVING INDIAN INC. ODD'S

Dr. PIYUSH N. MARTHAK

ASSISTANT PROFESSOR, DR. SUBHASH MAHILA ARTS, COMMERCE
AND HOME SCIENCE COLLEGE, JUNAGADH

❖ ABSTRACT

Most companies are still clinging to what we call the invention model, centered on a Bricks-and-Mortar R&D infrastructure and the idea that their innovation must principally reside within their own four walls. To be sure, these companies are increasingly trying to buttress their laboring R&D departments with acquisitions, alliances, licensing, and selective innovation outsourcing. And they're launching Skunk Works, improving collaboration between marketing and R&D, tightening go to market criteria, and strengthening product portfolio management. But these are incremental changes, bandages on a broken model.

Thus, Smart companies will treat the world as their R&D department and use immersing global marketplaces to seek out ideas, innovations, and uniquely qualified minds on a global basis, and adapt a strategy known as Connect & Develop (C&D). To succeed, C&D must be driven by the top leaders in the organization.

As Mr. Lafley did at P&G (Procter & Gamble) the CEO of any organization must make C&D, an explicit company strategy and prioritize to capture a certain amount of innovation externally. Companies that fail to adapt to this model won't survive the competition in the global innovation market.

So this paper entitled "From R&D to C&D Innovation Ecosystem – Improving Indian Inc. Odd's" focuses on strategies for Indian companies to compete in the global innovation market.

❖ INTRODUCTION:

The study of innovations in emerging economies is important because they have large potential markets and can be drivers of these economies. The successful ones can make a big difference in a region and may well have a global impact. India is rapidly becoming a part of the global economy and given its market potential it would be of interest to study innovations in India. HP Labs in India identified power outages as a key factor limiting the access and utility of computers in rural areas, so it designed a

community PC that can run on car batteries. Clearly companies have innovated but how much such innovation from India come to mind when the world talks of innovation?

Titan FLIP, E-chopal, Divya Bhasker, Reava Tata Ace, Kurkure and Then? What will they win the next round with? They will need to be distinct product, processes, technologies, business models and organizations. The bottom line will be innovation. So what is innovation? Is it Nokia coming up with a wrist-band phone, Or Bisleri introducing flavored & vitamin A drinking water? "Innovation . . . is generally understood as the introduction of a new thing or method . . . Innovation is the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services."

❖ **KEYWORDS:**

INNOVATION, ECOSYSTEM, RESEARCH, DEVELOPMENT, CONNECT, DEVELOP, NETWORK.

What ails innovation in Indian inc. odd's?

For innovation to occur, something more than the generation of a creative idea or insight is required. The insight must be put into action to make a genuine difference, resulting for example in new or altered business processes within the organisation, or changes in the products and services provided.

India has poor infrastructure, low literacy levels for many people, and labor inflexibilities, low govt. support etc., stops Indian Inc.s from innovating so as to keep pace with the global market. Broadly the forces that discourage innovation in India manifest themselves in following ways:

- **Risk-averse**

Most of the Indians are risk averse. They believe that if you invest money in the core business you'll get results quickly, where as a new business will take time to become profitable. Finally, new business requires new competencies, but the core company doesn't recognize this.

- **Someone else recognizes our talents**

We wake up late when everything is over. This is the genuine problem faced by Indians. Take the example of spices like turmeric or the Basmati Rice. In the same way there's huge innovation in creating a high-volume, low-price business. For Eg. Cavin Kare, an Indian company, began selling shampoos in the 1990s in cheap, single-serve sachets to make them accessible to the nation's rural poor. This business model was replicated by Unilever (UL) and Procter & Gamble (P&G).

- **Lack in start-up culture**

The most promising Indian youth are experiencing healthy salaries by doing grunt work for others. This is killing the start-up culture in India. Graduates out of the colleges are getting straight into the job world. In this way our creative talent is getting drained. Indian schools and colleges still don't have a network of venture capitalists to give a head-start to creative talent. There are plenty of students from science-exhibitions demonstrating creative ideas, many of which could possibly give rise to the next billion-dollar company. But we hardly find anyone interested in investing money in such projects.
- **Non supportive government**

Unstable government, often changing policies, and non allowance of foreign direct investment (this issue is solved to quite a good extent now) make the corporate houses difficult to shift their focus from the smooth running of their business to innovation. At times individual/firms etc have innovative ideas but due to lack of support from government it becomes difficult to execute them.
- **Untapped talent in rural India**

There lies a lot of untapped talent in the rural India but due to lack of proper exposure to the world they are not spotted out. A recent example can be taken of people in the urban region of Ahmedabad who transformed the 20 watt fused tube-light into a 10 watt tube-light can be re-used by the poor people who cannot afford the original ones.
- **Lack of timely encouragement**

Most of the intellectual people in India complain about the non-availability of proper encouragement and recognition. This leads to dissatisfaction among the intellectuals and as a result their enthusiasm to prove themselves and give something innovative to the world citizens perishes. Due to this the world cannot use their talent for the betterment of the society.
- **Organizational DNA**

Indians are best in manufacturing goods at low cost. But companies need to change their focus from manufacturing orientation to market orientation therefore companies need to fundamentally change their organizational DNA to unleash the creativity and competitive spirit that Indians naturally have.
- **Lack of holistic approach**

The thinking around innovation also needs to broaden. From a narrow focus on either product innovation or process innovation, organizations need to look at innovating the whole ecosystem in the organization. Divya Bhaskar created an innovative product. As a result it had the highest newspaper sales – 452,000 copies – on the day of its launch in Ahmedabad. An innovative product can fail miserably if pushed through an antiquated go-to-market process.

- **R&D**

Often innovation is confused with R&D or product innovation.

Innovation is very broad term. Indian companies must excel in many different types of innovation – process innovations, product innovations, management innovations, business model innovations, etc. Innovation is not only an R&D function. Every employee should be thinking about innovation.

From R&D to C&D – A *Paradigm Shift*

For generations, in fact, P&G created most of its phenomenal growth by innovating from within – building global research facilities and hiring and holding on to the best talent in the world. By 2000, it was clear that our *Invent-it- Ourselves Model* was not capable of sustaining high levels of top line growth. The explosion of new technologies was putting ever more pressure on our innovation budgets. R&D productivity has leveled off

They discovered that important innovation was increasingly being done at small and midsize entrepreneurial companies. Even individuals were eager to license and sell their intellectual property. University and government labs had become more interested in forming industry partnership, and they were hungry for ways to monetize their research. The internet had opened up access to talent markets throughout the world. They used it and created, connect and develop innovation model, the model worked.

C&D – An *Innovation Strategy*

The innovative strategy of Connect & Develop approach will allow creating products to the best performance and cost needs of the world’s consumers. Connect & Develop is connecting with the world’s most inspired minds, developing products that improve consumer’s lives. When people first hear about Connect and Develop, they often think it’s the same as outsourcing innovation- contracting with outsiders to develop innovations.

But it is not so, outsourcing strategies typically just transfer work to lower cost providers. Whereas Connect and Develop in contrast, is finding good ideas and bringing them in to enhance and capitalize on internal capabilities. Take the example of Pringles-company was finding a solution for printing short messages on potato chips. The solution came from an Italian professor, who also ran a bakery & had innovated such a machine.

For Connect and Develop to work, it was crucial to know exactly what we were looking for. To focus our idea search, surveillance is directed to three environments

- **Understanding consumers**

For decades, consumers have been saving up their insights about the stuff they consume, simply because they didn't have adequate means to interact with companies or vice versa. Now the times have changed. For instance Nokia for understanding consumer preferences and finding new consumer friendly design ; organized a concept *lounge* inviting the customers to design the product as they want and the result was amazing .The company adopted the winner's design and produces a '*wrist band type phone*' then named as Nokia 888.

- **Acquire & develop technology**

An important goal for each of business units is to identify technology fields that we believe can and will be very relevant. Questions such as “Which of our key technologies do we want to strengthen?” ”Which technologies do we want to acquire to help us better compete with rivals?” and “Of those that we already own, which do we want to license, sell, or co-develop further?” The answers provide an array of board targets for our innovation searches and, as important, tell us where we shouldn't be looking.

- **Connect between consumer's wants & what technology can deliver**

Innovation can be said as a product of what consumers want and what technology can deliver to the market. If done so then no one can stop you from succeeding. The best example is of the FMCG giant P&G who understands consumer's needs and then develops its product say Bounce (first dryer added fabric softener).

How to Network?

Our global networks are the platform for the activities that, together, constitute the connect-and-develop strategy. Here are several core networks that we use to seek out new ideas.

- **Proprietary networks.**

Relying on several proprietary networks developed specifically to facilitate connect-and-develop activities. Two of the largest ones are *Technology entrepreneurs* around the world and *suppliers*.

- **Open networks.**

A complement to our proprietary networks is open networks. The following four are particularly fruitful connect – and - develop resources.

1. *Nine Sigma.*

It is one of several firms connecting companies that have science and technology problems with companies, universities government and private lab, and consultants that can develop solutions.

2. *InnoCentive.*

Founded by Eli Lilly, InnoCentive is similar to Nine Sigma – but rather than connect companies with contract partners to solve broad problems across many disciplines, InnoCentive brokers' solutions to more narrowly defined scientific problems.

3. *YourEncore.*

The ground work for a business was called YourEncore. Now operated independently, it connects about high performing retired scientists and engineers from various companies with client businesses. By using YourEncore, companies can bring people with deep experience and new ways of thinking from other organizations and industries into their own.

4. *Yet2.com.*

An online marketplace for intellectual property exchange, Yet2.com brokers' technology transfer both into and out of companies, universities, and government labs. Yet2.com works with clients to write briefs describing the technology that they're seeking or making available for license or purchase, and distributes these briefs throughout a global network of businesses, labs, and institutions.

Innovation Centric Culture

Once an idea gets into the development pipeline, it needs R&D, manufacturing, market research, marketing, and other functions pulling for it. For Connect and Develop to work, we've to nurture an internal culture change while developing systems for making connections. And that has involved not only opening the company's floodgates to ideas from the outside but actively promoting internal idea exchanges as well. Broadly the forces that help in creating an innovation centric culture in India should manifest themselves in following ways:

- **Building upon core competences**

Companies can strategically direct its growth and maximize its chances of success by leveraging its considerable technical competencies across product categories and national boundaries. Another factor can be ability to transfer its expertise from one country to another. For e.g. Building single global R&D projects so that people & resources from technical centers around the world are deployed against a single initiative which may result in a breakthrough.

- **Commitment of top management**

The top management must be totally committed to the technological innovation & continued emphasis on the superior products. For eg: Michael Dell, one of the world's most successful innovators and founder of the \$30-

billion giant, Dell Computers which is a pioneer in introducing direct sales and mass customization of PC products , himself hangs out in chat-rooms taking feedback and testing creative problem-solving strategies with his customers.

- **Effective human resource practices**

The companies should hire & retain some of the most talented people in the industry. They should be highly enthusiastic and innovation-hungry. They should also be recognized and rewarded for their contribution through financial compensation, promotions, freedom to influence the project selection. Regular training programs for employees should also be organized. In India for the BPO and other IT companies it would be very difficult to survive without the support of their talented employees.

- **Evaluating risk & results of innovation**

Because not all technological innovations will succeed in the market place; companies have to put effective market mechanisms in place to manage the development risk and evaluate business results. Clear and measurable criteria for the commercial success should be explicitly reviewed as a part of the project establishment, continuation, capital investment and progression of the market. Laboratory testing plus extensive consumer and market research should be used to control investment risk before committing to test, national, global marketing.

- **R&D integration into business operations**

The R&D activities should be fully integrated into overall business operations rather than operating as an isolated function. R&D should be responsible, along with marketing, for conducting research to understand consumer needs. Together with general management & marketing, R&D should establish strategic directions for each of the company's business.

❖ CONCLUSION

It is rightly observed that “Innovating Innovation – A Do or Die Game”. P&G has successfully shown how any company can contend with the classic innovator's dilemma -- most innovations fail, but companies that don't innovate die. Its solution, innovating innovation, is the underlying support for the payoff dramatized in the financial reports of P&G. For such companies the world is their R&D department. Due to the diverse and a high level of intellectual population; such success can be replicated by India if it adopts the same innovation strategy of Connect & Develop.

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