

*A Natural Kind of Innovation**

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How to innovate? That's a hot subject in company corridors, management schools and elsewhere, but that's not the thrust of what I want to share today. Rather, I would like to shed some light on how innovation has taken place on different occasions - and in different ways - in the Tata group. The message I want to convey starts with the idea of innovation as it evolves in human beings.

We are all born innovative. However, from the moment of our birth to the next 15-30 years, various efforts are made by various people and entities - by our families, by our education systems, by the societies we live in and are shaped by - to stymie our innovativeness. By the time we turn 25 we could well end up attending seminars on how to be innovative. The best of innovations happen when this situation is circumvented.

The Western form of innovation is about teaching the processes and systems. Not surprisingly, the whole business of management education has now become so that somebody has to teach how to do something, from step one and model one onwards and then go on from there sequentially. I call this the McDonaldization of management education. But management is like a nice meal served with a glass of wine: you have to soak yourself in it, think about it, see and understand the context. If you can do that, then you have delivered yourself the chance to unleash the real power of innovation, which is natural innovation.

Natural innovation is innovation that happens naturally, unconsciously. In this context, there can be many sources of inspiration, among them nature and other human being and organizations. Consider, for instance, the baby bird that learns to fly. You won't catch this fledgling trying to practice how to fly, or

see it take training lessons from its mother; it will, one fine day, get up, flap its wings and take to the air - and naturally so. Similarly, a new-born fish does not have to learn to swim, or a flower to bloom.

Fishes swim because they are meant to swim, birds fly because they are meant to fly and flowers bloom because they are meant to bloom. People innovate because they are, in a natural-born sense, meant to innovate, and not because they are trained to innovate by way of lectures and books. Now, if you want to read books and attend lectures, please do so; they are not bad influences. But it would be unwise on your part to presume that a two-year MBA program will make an innovator of you.

If you tell a truly innovative person she has been innovative, she is likely to respond by saying, "Oh! I didn't think about it that way." In that respect, innovation is the opposite of management. In management you can put all the rules in place and then operate by them; in innovation you have to open everything up, and that's the way of nature, where actions and reactions are far from fixed.

That's where flexible architecture comes in. In an organized structure people have to break the structure to pull off the unusual. When Ratan Tata set his mind on creating the Nano he got three-four people to report to him directly. That number expanded to 30 and then to a team of 300 and more people. Mr Tata was the champion of this shared endeavor and he was directly connected to it. This, in turn, led to what may be called aligned aspirations.

Organisms interact in nature because they are part of an alliance. Take what happens in Australia with eucalyptus trees and possums? Australia is a country where they are both in harmony. The possums deposit their droppings on these trees. The droppings contain nitrogen that nourishes the eucalypti, and the possums get nutrition from the trees in return. This

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is an example of aligned aspirations and it happens in companies, too.

The first task in the innovation journey is to innovate holistically. You have to start by thinking of innovation as an across-the-board effort that encompasses many things. The whole business model, in such circumstances, can be an innovation. Take offshoring, for example. Offshoring has been in existence forever; applying it to a particular activity was the innovation, as Tata Consultancy Services (TCS) discovered at the turn of the 1970s. But the folks at TCS originated this without knowing that it as an innovation. This is what I mean by natural innovation.

A critical point here is that the cultural environment is more important than processes. For innovation to happen and for it to flourish, you have to create an environment where people feel natural about what they are doing. In the mid-1980s, when Japanese automakers were beating the hell out of their American competition, an American professor found that Toyota had something called lean manufacturing. He went and studied it and that was the 'just in time' process. This American academic spoke to the engineers at Toyota engineers and asked them what was the secret of their success. They said they didn't know what he was talking about. "You are making cars in a very clever way, just in time, lean manufacturing and so on," he added. "How else do you make a car," the baffled Japanese asked.

Much like the country that India is, there is certain messiness in innovation. It is not the neat theorizing that books tell you it is. Often whenever Tata wants to create something new, it starts another company so that it can think in terms of aligned aspirations. TCS was once a part of Tata Power and Tata Motors was promoted by Tata Steel. Many western companies tend to have everything aggregated: one single company with different divisions. That's not a bad way to go about it -Hindustan Lever did that way - but it can produce some unproductive effects sometimes.

Another point is that on the question of innovation you have to be a long-term player, a really long-term

player. It is like with parents and their children: there cannot be a short-term relationship; the ties must endure and they must be nurtured for the best results to come through.

For ties that endure, you need look no further than the Tata group. The Taj Mahal hotel in Bombay was the first building in the city to have electricity, ceiling fans and much else. Tata Steel was the first company in India to raise money from the public (nobody up to that point had envisioned Indians having money to invest in private equity). The structure of the Tata group, the entire edifice, is a work of innovation. There are the Tata Trusts, which own Tata Sons, the promoter company of the group. Tata Sons, in turn, owns shares in the different Tata enterprises, which are the children, grandchildren and great grandchildren of the original owners.

The Tata trusts are the root (nobody quite recognizes this) and Tata Sons is the trunk. The tree is growing and the youngest of the progeny are at the top, getting sunshine and water, support and sustenance. That's how it has unfolded in the Tata group. In this context, the Lakme case is an interesting one. Lakme was sold by Tata to Hindustan Lever, but before that comes the tale of how it got started. The story goes that Indira Gandhi wanted an Indian company to produce cosmetics for Indian women. She called Kish Naoroji, the then resident director of Tata Sons in New Delhi, and said, "Tata should be making lipsticks, talcum powders and other basic cosmetics for Indian women." Mr Naoroji replied that the Tatas made steel and generated power, but it had no expertise in cosmetics. "Do something," Ms Gandhi urged.

That is how Lakme came to be, but the story does not end there. There's that name. Naval Tata, director of the Tata group, was in Paris and he saw a French opera by the name of Lakme, a French version of Lakshmi. That is how the name Lakme came to be the brand name and the rest is history.

Tata Salt is a different kind of innovation, completely desi, and completely outsourced, so to speak. The packing was outsourced, as was the marketing, the distribution, the branding, the pricing and the

invoicing. This was a remarkable innovation for its time - back in the 1970s - and almost impossible to replicate today. Benetton has done something similar in garment manufacturing, and that is the subject of a HBS case study.

Innovation comes clothed in different shapes and sizes, and it helps to have a case study to push forward its merits. I once attended a management program where the professors talked about the Benetton innovation and the greatness of its outsourcing model. Then I came back to Tata and realized that Tata Salt had done much the same, but no one was there to speak about its efforts.

Do you know which is the world's largest branded-salt company? It's Tata Chemicals' two brands of salt, and this even the people at Tata Chemicals do not know. What's the clever idea here? There is precious little water in Mithapur, where the Tata Chemicals plant is, so they decided to pump in seawater and desalinate it. What they got was pure, distilled water and pure salt. Question was, what do they do with this salt?

The chemicals guys had their water and, understandably, were least concerned about the salt. This could be carted away, for all they cared. That's how it came to pass that somebody would come and take away this unwanted residue. Then somebody else understood that this unwanted residue was the purest of salt. This salt was iodized for the first time in India, was put in a packet - at a time, back in 1983, when packaged salt was an alien idea - and began to be sold. That was how Tata Salt, today the largest selling packaged salt in the country as well as one of India's most trusted brands, was born.

So it is that simple, unheralded concepts come to fantastic fruition, and in a manner that can best be described as natural. There are many such examples in India and in the Tata group. There's Titan and its Edge, the slimmest watch in the world, Tata Motors and its extraordinarily successful Ace and the Nano, and Tata Chemicals with its Swach water purifier. Then there are the business model innovations, such as TCS.

The Tata leadership has always been concerned about what the Tata group can do for the greater good of many. If you set out to do good for other people, something good will happen to you. Swach is illustrative of this truism. Unsafe drinking water is one of the biggest killers in the world, ahead of Aids and heart disease, but water purifiers have the lowest penetration among consumer durables in India. Television sets, pressure cookers, bicycles, refrigerators, washing machines - you name a product and it's ahead of water purifiers.

Swach started with the boffins at the research wing of Tata Consultancy Services (TCS) figuring out a way to mimic the natural cleansing of water, which means the way nature does it. What they created was quite remarkable: a water purifier that requires no electricity or running water, made of natural elements like rice husk ash and capable of purifying up to 3,000 liters of water with every cleansing cartridge. And they pulled this off, with significant help from Titan, at a cost that was even more remarkable.

Tata group has an innovation forum and its mandate is not to tell people how to innovate but to restore the natural order that generates outstanding innovations. We have a number of senior colleagues contributing to this endeavour, we have workshops and international experts and our own people going to different places in the world and seeing for themselves what is happening there on the innovation front. We have research publications and other material to further the learning, we have reward and recognition initiatives, and we have what we call the Tata Innometer, which is a rating yardstick for innovativeness.

All of this encourages, we believe, a process of self-discovery and self-awareness and that is the only way to improve the state of innovation in any given company. On April 26, every year we hand out innovation prizes to our most innovative people and companies. Here we have a category called 'dare to try', which honours brave and original innovation efforts that have not been successful.

This is a unique prize category. In the first year that

we constituted it, we found that people were not willing to admit to failure. But the truth is that you stumble, you get some things wrong; that's how life unfolds. Our people from abroad, from our foreign acquisitions, were happy to apply for it, but our Indian companies were shying away. That was in character with our country and its mindset. Have you ever heard of an Indian admitting to failure? It is always somebody else's fault. But this mindset

changed as well and the dare-to-try segment started receiving more and more attention.

There is no such thing as no-risk innovation; risk will always be there. Managers are trained to be judgmental rather than knowledgeable; they are hired to make judgments. What you have to do is minimize risks. That's a big difference from avoiding risks altogether.

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