Chapter 2

Review of Literature
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REVIEW OF LITERATURE

The current research work is set in the context of Indian business organizations. This chapter offers a review of various research works relevant to the current research topic. Since, the research is aimed in the context of business organizations so general researches and insights on relevant variables like innovation, heuristic and excellence have been avoided and only research studies germane to research topic and domain under focus have been presented in the following sections.

2.1 Innovation in Indian context: The case of Indovation

According to Vedic Indian perspective the essential human nature is divine or Sat-Chit-Ananda (The Existence Absolute- The Knowledge Absolute- The Bliss Absolute) which subsumes in itself a continuous process of creation, maintenance and destruction. This ancient view has further been elaborated in modern sense by Prof. Vijay Govindarajan in his ‘Three Box Model of Strategic Thinking’ which he has developed to facilitate strategic thinking in organizations. According to this model the central task of an organization’s leaders is to balance managing the present with creating the future (Govindarajan, 2006) at the same time while selectively abandoning/destroying the past. Corresponding to this he has proposed three thinking boxes wherein Box 1 thinking refers to managing the present while Box 2 and Box 3 relate to creation of future by adopting an innovative approach at all levels, see the figure 2.1 on next page.

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1 Indovation is a word coined by G. Katragadda (2009) which stands for Indian Innovation.
According to Govindarajan (2006) many organizations restrict their strategic thinking to Box 1. This tendency has been particularly acute in the past two to three years, as most leaders have emphasized reducing costs and improving margins in their current businesses. But strategy cannot be just about what an organization needs to do to secure profits for the next year. Strategy must encompass Box 2 and Box 3. It must be about what a company needs to do to sustain leadership for the next ten years. In fact, the central task of an organization’s leaders is to balance managing the present with creating the future.

Figure 2.1 The three box model of innovation (Govindarajan & Trimble, 2011)

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According to him the examples of successful Box 2 and Box 3 initiatives are Dell™ computer’s direct model in the PC industry, Wal-Mart’s transformation of the discount retailing industry, Apple’s introduction of iPod, etc. Further Govindarajan (2006) has metaphorically used his Three Boxes as corresponding to three main Hindu deities (the “Hindu Trimurti”): Vishnu, the god of preservation; Shiva, the god of destruction; and Brahma, the god of creation. For Govindarajan (2006) the correspondence between the three boxes and the three Hindu gods is clear. Vishnu/Box 1 = preserving or managing the present; Shiva/Box 2 = destroying or selectively abandoning the past; and Brahma/Box 3 = creating the future. He further maintains that according to Hindu philosophy, creation-preservation-destruction is a continuous cycle without a beginning or an end. The three gods play an equally important role in creating and maintaining all forms of life.

Another major concept relevant for innovation in Indian context is the idea of Reverse Innovation (Govindrajan & Trimble, 2012). Reverse Innovation indicates a recent trend in business innovation by which multinationals and corporations first develop and test their products in emerging/developing markets (like India) and then distribute/market these products in developed worlds. The process is slightly counterintuitive and reverse of earlier trend wherein innovative products were first conceptualized, designed, developed, tested and marketed in and for developed world supposedly because of their scientific advancement that fuelled innovation coupled with a rich consumer base that can afford and experiment with these innovative products. So, traditionally the typical innovation originated in developed world and then trickled down to developing world gradually but the process of reverse innovation is opposite to this trend. The example of reverse innovation are Tata Nano™ cars which were primarily designed for pocket constrained consumers of India but now Tata Motors plans to launch it in Europe and American markets. Other examples of reverse innovation include Gatorade™ drink popular among western sportsmen and body builders whose development was inspired by a local carbohydrate drink given to patients of cholera in Bangladesh, Chicken tikka
masala became the number one favorite food in UK in the 1990s, commercialization of Yoga in western world, Aliva™ snacks which was initially produced to satisfy the Indian consumers, Deere’s small 35 horsepower tractor initially developed to cater special needs of Indian farmers who use tractors not only for cultivation but also for transportation and commutation purpose as well, etc. The process of reverse innovation is new which became significantly perceptible post-2008 financial crisis which significantly reduced the growth in the western world and compelled it to explore innovative options in emerging markets. According to idea of reverse innovation, for new age corporations the future is far from home.

According to Chakraborty (1998) the fundamental principle of creation is gifting. He cites the example of one India’s foremost creative genius Ravindranath Tagore. For Tagore, creativity meant gifting, and gifting (or giving) is freedom and bliss, and such freedom is the basis of ethics and growth. He is of the view that the entire divine plan of the universe rests on gifting out of joy; the sun, the air, the water, the tree are all gifts of joy from the creator for the created. Chakraborty differentiates between ego and self and is of the view that the ‘ego grabs, the self gives’. So it is the True Self (Sat-Chit-Ananda) whose nature is bliss and giving that essentially lies underneath all creations and creative processes. Chakrakraborty’s ideas have parallels with the Govindarajan’s ideas presented above as ego can be equated with the ‘Box 1’ (possession, profit= manage the present) and self can be equated jointly with ‘Box 2’ (renunciation= selectively abandoning the past) and ‘Box 3’ (giving= creating the future).

Another important model of innovation discussing the nature of innovation in Indian context is the ‘invisible model of innovation’ (Kumar & Puranam, 2012), according to which although there is substantial amount of innovation coming from India but most of it remain invisible to end users of
customers around the world. According to the model, there are four major types of innovation coming from India: one, *globally segmented innovation* mainly led by major MNCs that have set of innovation and R & D centers in India; two, *outsourcing innovation* by major Indian companies (working especially in the technology sector) offered as a innovation on demand to support the new product development for the consumers of the developed countries; three, *process innovation* coming from an injection of intelligence where highly qualified staff doing routine jobs has invented newer and better processes of completing the task; four, *management innovation* of the global delivery model by reintegration the globally distributed work coming from different geographies and cultures in a innovative way.

Mohanty (2006) is of the view that with the advent of liberalization, privatization, and globalization of economies, innovative organizations are emerging in India. He
has identified following six generic forces that have stimulated the emergence of innovative organizations in India. These forces appears to have been instrumental in adding a heuristic value to innovation viz-a-viz other means of achieving organizational excellence.

- Customer Power; the rising customer power demands a multi-dimensional solution and knowledge based products. An innovative company understands the context of customer power and envisions the space of supplier -customer relationship.

- Information Power; the information power enables the promotion of knowledge networking, increases the speed of decision making, eliminates bureaucracy, and strives to delight the customers.

- Global Investor Power; due to accessibility to global investment and development portfolio now organizations are able to invest in total development by initiating global search for all resources including innovation.

- Power of The Marketplace; the 21st century open marketplace compels an organization to understand real-time strategic changes and learn faster ways for making quick innovations and acquisitions of competitive assets so as to maximize value for the all stakeholders.

- Power of Simplicity; this refers to the streamlining of systems and procedures within the organizations and moving away from ritualistic culture to an empowering and autonomous structure which promotes innovation and excellence.

- Power of the Organization; Organizational power rests in the capabilities of an organization to quickly transform market opportunities into tangible bottom-line results. This force leads to creation of smart and agile structures and totally productive high-performance action teams (or innovative teams).
Raghvan (2006), former executive VP, Ingersoll-Rand (India) Ltd., Bangalore, while commenting on how should the leadership/management of a MNC conceptualize and implement their strategy, especially in respect to India, says that the India strategy of a MNC has to be treated like a *raga* and has to be implemented in a disciplined way. He sees a lot of similarity between strategy and the classical Indian music system called *raga*. Indian classical music has a raga, which is a disciplined central theme for a tune. Although in the middle of the *raga* one can improvise the tune, the musician has to always ensure that he comes back to the main theme. He further says that when he implemented global strategies for large MNCs in India, he ensured that the main strategy or the tune or raga is definitely preserved but provided a lot of room for improvisations to be introduced. The key to this approach is that the latitude within which these improvisations can be allowed must be fixed. This seems to be an important observation but Mr. Raghvan has not elaborated much on what constitutes the centrality of this central theme, and its feasibility and broad implications while dealing with a multi-cultural and multi-ethnic workforce like India. Also the latitude of improvisations allowing the space for creativity and innovation has not been clearly specified.

Prakash (2003) has offered a review of indigenous literature on understanding the organizational behaviour in India. According to him experimentation and innovation with the organizational system is necessary for growth and development of organizations. He offers a model which can accommodate the elements of growth from within as well as assimilation from the external influences. According to him this model has “potential to creatively orchestrate the seemingly continuous as well as not so continuous aspect of social reality” (p.1).

Chadha (1989) has offered a survey of definitions of creativity and discussed the differences between creative/ innovative and conforming minds like unstructured, unconventional, multidisciplinary thinking, free floating mind, desire to enter uncertain and high risk arena, not appealing to common sense, etc. Many of these
attributes are shared by the Pioneering-Innovative leaders conceptualized by Khandwalla (1985, 1987).

2.2 The Current Scenario

Doing Business Report published by World Bank (2012) has put India on 139th rank on the index of ‘ease of doing business’ (Total countries = 182, Singapore = 1, USA = 4). The report cites that progressive elimination of ‘licence raj’ led to the 6% increase in the registration of new firms, with highly innovative and productive firms entering and gaining the market while older unproductive firms either reinventing or quitting. This makes clear that the stage for Schumpeterian type of innovation through the process of creative destruction has started (the National Knowledge Commission Report on Innovation In India, 2007, also corroborates this fact).

On Global Innovation Index, developed by INSEAD & WIPO (2012), India Ranks 62 with a score of 34.52 (Switzerland = 1, Score = 63.82). According to the report the major areas of strength which are driving innovation in India are (numbers in parenthesis indicate rank in respective areas) computer and communications service exports (4), creative goods exports (9), gross capital formation (9), total value of stocks trade (13), market capitalization (19), legal rights strength to get credit (19), growth rate of GDP per person engaged (21), daily newspapers circulation (22), intensity of local competition (27), and creative services exports (29).

According to Entrepreneurship in India Report (2008) published by National Knowledge Commission “innovation has emerged as one of the drivers of India’s economic growth, and is a factor in increasing competitiveness, profitability and market share as well as reduced costs. ..The ‘Innovation Intensity’ (i.e. the percentage of revenue derived from products or services which are less than three years old) has increased for large firms as well as SMEs in India. The strategic prioritization of innovation has also intensified since
economic liberalization. Moreover, an interesting finding is that SMEs register a greater
increase in ‘Innovation Intensity’ than large firms. This could also indicate that smaller,
decentralized, creative and experimentation-oriented organizations could be the torch- 
bearers of large-scale ‘disruptive innovation’ in the country” (p. 53).

According to the Innovation in India Report published by National Knowledge
Commission (2007), in the growth of the Indian economy, Innovation is emerging as a key driver, although this may neither be apparent nor readily visible. According to the report:

- 17% of the large firms rank Innovation as the top strategic priority and 75% rank it among the top 3 priorities.
- All the large firms agree (of which 81% strongly agree) that Innovation has gained importance as being critical to growth and competitiveness since the start of economic liberalization in India.
- All the large firms agree (of which nearly half strongly agree) that they cannot survive and grow without investment in Innovation.
- An overwhelming 96% of large firms see Innovation spending increasing over the next 3-5 years.

According to Govindarajan (2009) India has a very long history of over 5,000 years but its economic history is rather short. India’s economic history can be divided into three phases: Prior to 1990, from 1990-2008, and 2008 and beyond. Prior to 1990, Indian corporations were not intended to be efficient as if one could produce under the licence raj, customers were lining up to buy. Firms were able to pass on their inefficiencies to consumers. Post liberalisation, Indian corporates registered impressive growth primarily by becoming more efficient, cutting unnecessary costs, reverse engineering business models invented in the West, and benefiting from cost arbitrage. This "efficiency" based game is now over. Going forward, innovation will be the key to unlocking growth in India. Solving India's many problems - energy, health, water,
and education - would require fundamental business model innovation.

On the conclusion of Marico Foundation Innovation for India Awards, 2008, the Mumbai Bureau of Economic Times (March 2008) notes that currently in India innovation isn’t only the domain of high brow MNC’s but an idea that had percolated down to smaller Indian companies and social sector. The motivation behind groundbreaking innovation was often simply to make maximum social impact - no wonder, over a 100 entries out of total 205 were about social impact. Tata’s Nano car, to which VijayGovindarajan (2009) has referred as a ‘social Innovation’ & R. A. Mashelkar (2008) considered it a kind of ‘Gandhian engineering’, is a case in point. The experts agree that if India has to make a mark at the global stage, innovation has to be fostered at both business and social level. According to Dr. R. A. Mashelkar, Director General of CSIR to grow we have to make innovation the way of life, the behaviour definer, the soul, the society of this great nation. He further envisions that Indians have to harness the dream of making India a laboratory for global innovation.

2.3 Innovation as a heuristic to excellence: A review of past literature

It has always been desirable, and imperative as well, for leadership and organizations to strive for and achieve excellence in the respective area of their activity. In fact, in the increasingly hypercompetitive business environment the organizational excellence with all its primary and secondary manifestations is becoming basic minimum for survival. Moid Siddiqui (2005) cites the research survey to show that only few corporations live as long as the half of human life. Ethics, innovation, excellence, and such other metaphors of the ilk are no longer the optional. They are the life force of modern corporations. This is because innovation and its proper management can contribute to the organizational excellence in the hyper competitive environment; it can also increase a societies’ competitive position vis-à-vis other societies; and it can contribute tremendously to improve the quality of life (Khandwalla, 2003). But Kim & Mauborgne (2005) see beyond the competitive value of innovation. For
them innovation has a meta-competitive value as it can act like a tool through which corporate can create new uncontested markets (‘the Blue Ocean’) rather the competing or fighting for the existing, limited, markets (‘the Red Ocean’). So, innovation acts like a heuristic to excellence in modern business context sometimes acting as a tool to deal competition, sometimes by creating new completion and sometimes making competition irrelevant by developing uncontested markets.

Carland & Carland (2009) consider innovation as the soul of entrepreneurship, an engine of economic growth. The authors have studied and applied the Schumpeterian model of innovation and entrepreneurship in two broad organizational fields, i.e., (Danish) music and sports industry, and find that Schumpeterian model satisfactorily explain the evolution of these industries. The innovation and the process of creative destruction is linked with profits and good performance of businesses. In music industry, innovation is routine and part of life, to be alive and kicking one has to innovate continuously. However, in case of sports (football) industry it was ‘creative reconstruction’ rather than Schumpeterian ‘creative destruction’ which led to the emergence of better performing football clubs.

Mc Craw (2007), in his book ‘Prophet of Innovation: Joseph Schumpeter and Creative Destruction’, has highlighted the pioneering ideas of great economist Joseph Schumpeter regarding innovation and its role in economic growth. According to Schumpeter (1934) individual entrepreneurship holds the key to economic growth of any country. Initially Schumpeter considered small firms to be more inventive (1909), however, later he revised his position and maintained that innovation is not an option especially for firms operating in a capitalist economy. Edwards and Gordon (1984) reported that small businesses produced 2.4 times the innovations of their larger cousins and the pre-eminence of small firms in innovation is still evident in a 2005 study conducted by Baumol (2005). These trends also appear true for Indian businesses.
Khandwalla (2006) in his study suggests that to achieve corporate excellence becoming much more innovative should be the high priority of business management and leadership, especially for the Third world enterprises. He has discussed 16 management tools with real life application that can enable an enterprise to leapfrog to a much higher plateau of innovativeness. They are: creativity training, innovation training, creativity thinking networks, creative scenario building, creative surveys, creative experiments, creative benchmarking, reverse brainstorming, exnovation, multiplication of change agents, kaizen, creative overload, data mining, stakeholders councils, intrapreneurship, and parallel groups. These tools deliver a number of value propositions and facilitate an innovative mindset in the organization, a ‘stretch’ vision of future that can spur innovation, vital intelligence that stimulates innovation, dumping of obsolete activities that creates the space for changes and innovations, widespread changes and innovation throughout the organization, continuous improvements and innovations, high potential new innovation leads, and ‘breakthrough’ innovations. He has also suggested that organization design that facilitate innovations and management tools that help an enterprise generate a continuing stream of successful innovations need to be incorporated in the core management curriculums as it is extremely essential for achieving competitive-edge and excellence.

Napier, Leonard and Sendler (2006) have found that leaders/ managers in global firms are increasingly learning that creativity in management and marketing can be widespread, both within and outside their firms. While focus has been on improving technology and cost control, progressively more firms are looking to creativity and innovation as ways to improve organizational performance and achieve excellence. Understanding where the pockets of creativity are locked and what the strengths are (and where weaknesses may lie) is an important baseline. These researchers further maintain that to generate innovation, the leadership and management of a company needs to be mindful and deliberate about establishing a culture and
programs that will encourage it. For example, 3M companies have long had a program of ‘Genius Grants’ providing resource on a competitive basis- to scientists who wish to pursue new ideas. More than 60 company scientists apply annually for some $50,000 - $100,000 to pursue ideas that are outside of normal company projects, as seed money for promising ideas.

Kim & Mauborgne (2005) in their book ‘Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant ’ raise a question that why should companies waste time ‘breaking the competition’ when they can ‘break away’ from the competition? In other words, why should leaders deplete their attention span in an endless analysis and the tracking of the ‘competition’ when can they choose the path of innovation instead? Kim and Mauborgne begin with an elementary differentiation between the ‘red ocean’ and the ‘blue ocean’. The former comprises ‘all the industries in existence today’, while the latter represents ‘all the industries not in existence today’. The intensity of competition turns the market space of the former into red, bloody oceans. The authors argue that it is time to move away from the red waters of saturated markets in order to ‘create uncontested market space’ in the blue oceans of innovation since only innovation can actually ‘make the competition irrelevant’ and lead to excellence.

While the red ocean of competition will not go away, the primary objective of the authors is to set out a systematic strategy to make blue oceans possible since innovations are not just ‘creativity’ or so called ‘value innovations’, but the ability to ‘align innovations with utility, price and cost positions.’ The creation of blue oceans through the process of innovation, however, is extremely demanding. The authors set out a framework comprising the different aspects of innovation so that practicing managers can go about the task of value innovation in a systematic manner. The proposition of Kim and Mauborgne couldn’t have been more timely, and taking a lead from their research the present research will attempt to devise a way and an
example of how ‘the blue oceans’ can be created in a particular cultural context by understanding the heuristic value of innovation in pursuit of organizational excellence.

Miles et al. (2005) in their study found that the strategy of the most of successful leaders rest on three basic principles: investing in people, supporting a collaborative entrepreneurial culture, and finding and growing new markets around the world through continuous innovation. The researchers cite the economist Joseph Schumpeter (around 70 years ago) who first advanced the argument that innovation is the primary driver of economic development. The value of ‘creative destruction’, as Schumpeter describes the innovation process, has been confirmed recently by the William Baumol, whose book ‘The Free Market Innovation Machine’ demonstrated empirically that the firm and inter-firm ability to innovate explains why the capitalist economies historically have the strongest growth. However, despite its usefulness to firms innovation is not an easy task. Indeed, researchers further maintain that, one survey found that CEOs believe that their firm utilizes only 15-25% of their innovation capacity.

Michael Dell (1999), founder and CEO of Dell Computer Corp., is of the view that innovation and commitment are what takes any good company and make it great, and men and women at Dell Computer Corporation continues to prove this. He attributes the success of Dell Computer Corporation to a work culture that despises the status quo. “We precondition our people to look for the breakthrough ideas, so that when they are confronted with the big strategic challenges, they can rise to the occasion and come up with the best solution- fast” (p.126). To teach people to be more innovative two specific strategies adopted are: one, asking questions—which involves approaching a problem, a response or an opportunity from a different perspective. “By questioning all the aspects of our business, we continually inject improvement and innovation into our culture” (p. 125). The second approach adopted is looking a
problem in a holistic sense. Dell Computer Corporation seems to be one of the most glaring and most concrete example of achieving excellence through innovation and customer service in the recent time especially in the 1990s. These two methods of teaching innovation at Dell™ have an interesting parallel in Indian tradition: asking questions and looking things in a holistic manner. So, such methodologies of teaching/enhancing innovation can be easily implemented in Indian setting, and important works by scholars like Khandwalla (2006) can be of great relevance in this context.

Khandwalla (1992) considers creative excellence a major type of organizational excellence among the 6 types of organizational excellence (Competitive, Rejuvenatory, Institutionalized, Creative, Missionary, and Versatile) outlined by him. The chief trait of creative organizational excellence is the commitment to pioneering, innovation, experimentation, discovery and dynamic change. Such organizations are in a constant state of flux, shedding or modifying current activities, practices, and products and adopting new ones. A culture of creativity and innovation prevails in such organisations sometimes coupled with the desire to dazzle the world with breathtaking ideas.

Khandwalla (1983) in his study of 75 organizations, chiefly corporations, has sought to identify the strength of causal relationship between a mode of management he labelled as Pioneering – Innovative (PI) and four different dimensions of task environment. His findings have indicated that while a scopeful environment may have a stronger positive causal impact on the PI mode than vice versa, the PI mode has much stronger impact on environmental complexity than vice versa. Thus entrepreneurial type of management may be more suitable in turbulent, threatening environment than in a complex environment, and professional management may be more suitable in a complex environment than in a turbulent environment. He further maintains that the rapid socio-economic changes (the Great Indian Renaissance of
1990s) generally imply both growing environmental complexity and turbulence, especially for the societies’ larger organizations, fusion of entrepreneurial and professional mode of management may be needed for most Indian public enterprises, many large private sector enterprises, and other large development oriented institutions. Given the importance of these two styles of management, it may be useful for organizational psychologists to expand their conception of leadership beyond those of structure and task orientation, consideration and nurturance, participation, etc. to the leader’s commitment to risk taking, innovation, professionalism, and operating flexibility. For example Khandwalla (1976-77), in his study of 103 Canadian companies, found a significant association between the use of the risk-taking style of management and the growth rate of the organization. He found a similar association in his study of the PI mode of management in Indian organizations (Khandwalla 1985)

2.4 Chapter Summary
As it may be easily deciphered from the review of above studies there has been an increasing and wide acceptance of the role of innovation in achieving a speedier competitive edge and excellence in present day work organizational context. However the perception of innovation vis-à-vis its role in achieving corporate excellence seems to be less explored. Also, competitiveness (“heuristic value”) of innovation vis-à-vis other methods of excellence has not been explored. The present study honestly attempts to fill this gap regarding the researches on innovation and excellence. Important corollaries of these two contributions may further develop during the course of current and future research work.