**TUTORIAL**

**How to Build a Culture of Innovation**

**India's Tata Group has made innovation part of its DNA, setting up a way for handling new ideas and making creative thinking a performance criterion**

It's not that there had been no innovation inside [Tata Group](http://bx.businessweek.com/tata-group/), the 117-year-old Indian powerhouse responsible for that nation's first steel mill, power plant, and airline, among other achievements. But when India's long protected economy was opened in 1991, Chairman Ratan Tata decided that for his companies to survive and thrive in a global economy he had to make innovation a priority—and build it into the DNA of the Tata group so that every employee at every company might think and act like an innovator.

Today those 15 companies have produced such innovative products as the $2,000 Tata Nano car, and include firms such as [Tata Consultancy Services](http://bx.businessweek.com/tata-consultancy-services/) (TCS), the Mumbai-based IT services and outsourcing power, which earned almost $6 billion in revenues in 2008.

**The TCS Strategy**

Cultural transformation is impossible without the leadership of top executives, so Tata created the Tata Group Innovation Forum (TGIF), a 12-member panel of senior Tata Group executives and some CEOs of the independently run companies. "TGIF's main objective is to inspire and share best practices" says Sunil Sinha, CEO of Tata Quality Management Services and a member of the forum. But executives also have employed other strategies to build a culture of [innovation](http://bx.businessweek.com/%20business-innovation/). Here's how they did so within TCS.

First, leaders approached the challenge both top down and bottom up. TCS Chief Technology Officer Ananth Krishnan says these involved establishing formal systems for encouraging innovative thinking and processing of ideas. "If I come up with an innovation, whether it's an incremental or a disruptive idea, I need to know whom to go to with it, and there needs to be an organizational process for moving it forward," says Krishnan.

TCS created multiple channels, and managers are trained how to direct an employee's idea: incremental innovations are handled and funded by the business unit in which the idea originated; platform-level innovations that might extend an existing offering are directed to one of the company's 19 global innovation labs, leading-edge research centres focused on specific technology areas or business sectors. Disruptive ideas tend to originate in the labs, but if one emerged from a business unit it would be directed to a lab or funded through an incubator fund run by the CTO's office. How all of the ideas are evaluated and funded is almost less important than the fact that TCS employees know ideas are welcome—and that good ones won't die in a pile on someone's desk.

TCS has also incorporated innovation into its formal annual review process, making it one of the nine categories on which employees are evaluated. If an employee wins the company's Young Innovator Award, he or she will see more than a salary bump. "It certainly accelerates your career track," says Krishnan. "I might pluck you up and put you in one of our innovation labs."

**"Creative Dissatisfaction"**

In addition to formal systems, TCS takes steps to stimulate innovative thinking. "We train people to think about improvement all of the time, to have what I call a culture of creative dissatisfaction with the status quo," says Krishnan. TCS has made innovation a component of training programs, from its leadership institute, to which 50 senior managers are sent every year, to its four-day "Technovator" workshop, at which its programmers are taught to think creatively.

Five hours of an employee's 45-hour week can be used for personal projects, such as learning a skill or developing an idea. To better capture nascent ideas, the company launched IdeaMax, a Digg-like social network that lets any employee submit, comment, and vote on ideas. Since it was launched last year, IdeaMax has collected 12,000 ideas, several hundred of which have become projects. "Every quarter, I review the top 10 most popular ideas," says Krishnan. "The wisdom of crowds works for us."

The company says it has been steadily meeting its innovation goals. Last year 10% of revenues were directly traceable to innovation activity, says Krishnan. TCS also has set goals for customer recognition of their innovations. "When we launched our innovation initiative three years ago, we said one third of customers must be able to recount an innovative element of their project," he says. "Now we've raised that to one half. Is that enough? I don't know. Maybe we should raise it again."

Source: [http://www.businessweek.com/innovate/content/aug2009/id20090819\_070601.htm? link\_position=link4](http://www.businessweek.com/innovate/content/aug2009/id20090819_070601.htm?%20link_position=link4) [Accessed on 1st January, 2012]

### **Question A1**

Based on the case study, identify and discuss **FIVE (5)** methods on how Tata has created innovative environment in its organisation.

### **(25 marks)**

1. Created multiple channel
2. Relocate the timing of employees to go to technovator workshop
3. Create a competition amongs employees in creating New ideas to The company
4. Creating system for innovative labs
5. Create a forum for innovation

**Question A2**

Discuss how Tata can apply any **THREE (3)** methods from the virtuous circle of innovation to further enhance its innovative environment for successful commercialisation of new automobiles.

**(25 marks)**