

# Creating an Innovation Mindset

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Hello, I'm Paul Michelman, director of content for Harvard business digital, and I'm delighted to be here today with Vijay Govindarajan.

Vijay is a professor at the Tuck school of business at Dartmouth and author along with Chris Trimble of Ten rules for strategic innovators.

Welcome Vijay.

Thank you.

So Vijay our mission for today is to address a few of the most fundamental questions facing managers who are trying to lead innovation in their organizations.

So to get us going, name two things that you think every leader must to facilitate ongoing innovation.

I think that's very simple because the first important thing is to recognize that the world is changing.

Therefore they can't simply only reengineer their current business but also need to innovate in response to those changes.

So the first thing that they need to do is to understand what are the things that are changing around them.

In terms of customers, technologies, competition, demographic shift et cetera and therefore think about how they need to adapt to the change.

The second is to really understand change in this order is less of a technical problem but it is more mindset.

It's an organizational issue.

Therefore, they need to pay attention to how they shift the mindset of the organization in order to bring about this innovative change.

So that begs the question, how do we change the mindset of an organization.



Is this purely a cultural thing, do you need systems in place, lead us into that.

I think it is obviously something, which cannot be changed overnight.

We know that.

Therefore, mindset, since mindset really involves people, it is really injecting new blood into the organization.

Therefore, whenever one is thinking of this fundamental innovation, we need to bring new voices.

That means, in a company like Procter & Gamble or General Electric, you can borrow people from another unit.

So if you're in locomotives in GE, you can bring people from the postal business or aircraft business.

That is a new voice.

Many times, it has to come from outside the company.

Therefore, companies, which must innovate, if they want to change the mindset, they must have the courage to bring outside talent into the organization.

What about unleashing existing voices within the organization?

Do you risk, perhaps missing an opportunity to hear from someone who felt constrained by the past, by focusing too much on outsiders?

I think that is again a very good question.

I don't think we should view this as "either or".

I would agree with you 100% there are lots of voices inside the company, who are even working on the core business, who can think differently.

Therefore, if you are a senior leadership team, you must encourage those mavericks to step up to the plate and give their ideas.

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And therefore, we must treat our internal employees with the same respect that we give to outside hires.

Right right.

So almost by definition Vijay innovation requires change.



Change's often met with resistance.

What advice do you have for managers who trying to bring about change, but they've run in to resistance within the organization.

Perhaps if I were to just pick three things, that are important in order to overcome this resistance to change, the number one would be the performance measurement system.

I think people respond to how they are measured and rewarded.

So if you want them to behave differently with regard to innovation, we must change the performance measurement system.

The second thing that I would change is willingness to collaborate, because innovation is different from creativity.

Creativity is an individual effort.

Whereas innovation is commercialization of creativity, that requires organization effort.

Therefore the second thing we need to promote is collaboration.

The third is somehow we must create the tolerance for failure culture.

Because innovation by definition means doing something different, something new, something path-breaking that means you are not going to succeed a hundred percent of the time.

So unless we tolerate a failure, people are not going to push the envelope.

So those are three low hanging fruits we need to address.

Vijay, your work takes you far and wide, puts you in front of many different companies.

All the products and services you've come across recently.

What's your favorite innovation story?

I think everybody's favorite innovation story if they are asked to name perhaps three again they would all name "Google", it's a great innovation, continuing to be great innovation.

Certainly people who name "iPod", and Apple's innovation in the music industry in the same blood.



I would put what is happening in emerging markets.

Particularly companies like "Tata"s which are fundamentally reinventing the automotive industries in India with the three thousand dollar car.

I will put them in the same category, and then maybe other examples from emerging markets which are rapidly reshaping the landscape.

So what do we have to learn from the development of three thousand dollar car?

What are the bigger lessons that we can pull out of that?

I think perhaps the most important lesson to pull out of it is emerging markets, because they are fundamentally different than the developed markets.

Because emerging markets are big markets the size of India and China.

It's gonna be huge because we are talking about 2.5billion people that fight those years of pent-up demand.

Those economies are gonna grow big.

However they face micro customers.

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And therefore they bate definition route web ultra low cost business models.

And the reason why they are so important is US companies and European companies, we can take our world-class capabilities into those markets but then reinvent the MRA machine, reinvent the automobile, reinvent the telecom sector.

But those innovations will also come and disrupt the business models in the west.

So therefore perhaps one of the most significant lessons multinational should keep in mind is these emerging markets are going to be the source for business model innovations like the IPOD and GOOGLE in the next 25 years which are gonna fundamentally disrupt the US market.

Therefore by participating in those markets today and innovating, they can actually keep their market share and dominance in their home markets.

Ok, a good lesson Vijay Govindarajan.

Thank you very much.

Thank you.

