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Google's policy of 20% free time for everyone to innovate is a bad idea

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Or so, says Vijay Govindarajan, the Earl C Daum 1924 Professor of International Business at the Tuck School of Business at Dartmouth College, and was the first professor-in-residence and chief innovation consultant for General Electric. He is an expert on strategy and innovation. He was the first professor-in-

residence and chief innovation consultant at General Electric. Most recently, he has co-authored The Other Side of Innovation — Solving the Execution Challenge, along with Chris Trimble. In this

interview he speaks to DNA.

How do you define innovation?

Innovation is adapting to change. Think of a change like the Internet. New business models like Infosys' global delivery model is possible because of the Internet. Innovation is not a new phenomenon. Innovation has always been important.

However, because the rate of change will be more in the next 10 years compared with the last 10 years, innovation will be more, not less, important going forward.

What is the other side of innovation?

Innovation is a two-part challenge. First you have to come up with a great idea, then you have to execute it. Execution is the other side of innovation. When hoping to stimulate innovation, companies tend to put almost all of their energies into this side of innovation — the thrilling hunt for the breakthrough idea. That's unfortunate, because there are severe challenges and hidden dangers on the other side. Complicating matters, the managerial techniques that work well on this side of innovation have almost nothing to do with what works on the other side.

Can you elaborate?

Companies tend to emphasise idea generation for a lot of reasons. For one thing, it's very easy to get involved in, and to generate excitement about, a Big Idea Hunt.

Creativity is fun and energising. Plus, being the person that comes up with the Big Idea confers great status. If you come up with the Big Idea, then you will always be associated with it. Execution, by contrast, seems like the behind-the-scenes dirty work. In addition, companies tend to make the mistake of underestimating the degree of difficulty of the other side of innovation. They know how to execute day-to-day operations and thus presume that execution is easy. But innovation execution is much harder than most companies realise.

Any examples?

The Tata Nano is a good example where Ratan Tata not only had the idea (People's car for `1 lakh) but he had the discipline to get it done.

You write in your new book that organisations are not designed for innovation…

Simple. Innovation and ongoing operations are always and inevitably in conflict. Worse yet, the forces behind day-to-day operations are typically much stronger than the forces behind innovation. Organisations are not designed for innovation, they are designed for ongoing operations. They are designed to be what we call performance engines. They are constructed for efficiency and accountability. They are built to be on-time, on-spec, and on-budget — every day, every week, and every month. They are outstanding at delivering consistent and reliable results.

So what is the problem?

The problem is that there are deep and fundamental incompatibilities between ongoing operations and innovation. The method of the performance engine is to make every task, every activity, and every process as repeatable and predictable as possible. But innovation is exactly the opposite. Each innovation initiative is non-routine and uncertain.

Those sound like insurmountable barriers. Should we even be building performance engines?

Yes, absolutely. Performance engines are incredibly powerful. In fact, they are at the very foundation of modern life. By mastering the construction of performance engines, the management profession has raised living standards around the world. While it is true that performance engines create barriers to innovation, they are not at all insurmountable. It is entirely possible for a single organisation to simultaneously excel at innovation and day-to-day operations.

Which companies have mastered the other side of innovation?

There aren't any. The other side of innovation is a challenge that vexes even the best-managed corporations. In fact, we've worked with companies that show up routinely at or near the top of the most innovative and most admired lists in the popular press, and they struggle with the other side of innovation just like everyone else. It's trial and error, and companies get it wrong all of the time.

What, then, makes you confident that it is even possible to master the other side of innovation?

We have been studying the other side of innovation for ten years. We've compiled a library of case studies about the other side of innovation that we think is the most extensive in the world. But what we don't have is even one example of a company that did everything right the first time. We have stories of failure and stories about initial struggles, corrections, and eventual success. All of these stories are instructive. All hint at best practices. What we've been able to do in our research is piece together a picture of what it would look like if a company were to get it right the first time.

Why hasn't anyone done this research before now?

First, it's an expensive and lengthy study. We were fortunate to have access to the necessary resources. Second, until the 1990s,the dominant paradigm in strategy was to secure a profitable position in the market and then defend it. Keep everyone else out. Strategy was about seeking stability. If you think about it, there couldn't possibly be a strategic doctrine more antagonistic to innovation. Only in the last two decades has it become widely accepted that stability is elusive if not impossible. The only way to stay profitable — or, in some cases, even to survive — is to innovate.

Are there any innovations that the performance engine can tackle on its own?

Yes. Any initiative that is small enough that it can be tackled by one person or a small group of people in their spare time can move forward inside the performance engine. A lot of continuous process improvement happens this way. Also, routine product and service development — bringing out this year's version of last year's product — can also be managed using performance engine techniques, because it is a repeatable and predictable process. These two forms of innovation are important, but they are rarely sufficient over the long run.

Was there anything in your studies that shocked or surprised you?

When we launched our research, we expected to be writing a lot of conditional recommendations. If you are working on an innovation that meets certain conditions, and if your existing business has certain characteristics, then the following steps are advisable. What surprised us most was that the general was more powerful than the specific. Not every situation is the same, of course, but you can get much, much further than we anticipated with a one-size-fits-all prescription.

What is your prescription for the other side of innovation?

Every innovation initiative requires a special kind of team and a special kind of plan. The special team is actually a partnership between a dedicated team, which is dedicated full time or nearly full time to the project, and the shared staff, which supports the project while sustaining its performance engine responsibilities. The special plan guides a disciplined experiment. Just running an experiment is easy. Doing so in a disciplined fashion ensures that you learn quickly. Quicker learning leads to better decisions, and better decisions lead to better results.

How do you build a dedicated team?

It's critical to treat the process of building a dedicated team literally as though you are building a brand new company from scratch. That means using a mix of both insiders and outsiders, writing new job descriptions, creating new

processes and systems, and so forth. Established companies have a nasty habit of creating new organisational sub-units that behave just like the rest of the company — exactly as though a parent has passed along its DNA to its offspring. We call these units "Little performance engines" and they are deadly to innovation.

Some companies create skunk works with very little funding to see if a wild idea will work — they scale up when an idea looks like a winner. Your comments on this strategy?

Skunk works are a really bad idea. Skunk works are a group of rebels who are asked to innovate and they are kept far away from the Performance Engine. Such isolation would eliminate the conflicts with the performance engine. But by taking that extreme approach, established companies would forfeit the one major advantage they have over independent start-ups —their existing assets, such as brands, manufacturing facilities, relationships with customers, areas of technical expertise, and much more.

Google has a policy with 20% of the employee time being spent on side projects. What do you think about this strategy?

Google's policy of 20% free time for everyone to innovate is a bad idea. Few organisations have 20% slack time that can be shifted to individual initiatives, and even fewer can afford to increase their human resources costs by 20% to create the needed slack. But even more significantly, we worry about what actually gets produced with such an approach. It seems likely to generate a tremendous amount of activity on this side of innovation but nearly nothing on the other side. With a bit of spare time, one person can dream up a big idea or two, but how can they do anything with them? It seems all too likely that the approach will create a mountain of great ideas on paper that never become anything more than … great ideas on paper.

You were the chief innovation consultant for GE. How does a big huge company like GE innovate?

GE has been at the forefront of innovation for 100 years. GE was

co-founded by Thomas Edison who was the best innovator of all times. Two recent GE innovations: $15,000 portable ultrasounds (the traditional ultrasounds cost $350,000) and $400 portable ECG machine (traditional ECG machine costs $10,000).

Testing out what a company might think is a next big innovation is very risky. How does the company get its act right?

Yes, innovation is risky. However it is possible to de-risk big projects by coming up with a series of assumptions and testing assumptions one-at-a-time. This is a process we call disciplined experiments. Just running an experiment is easy. Doing so in a disciplined fashion ensures that you learn quickly. Quicker learning leads to better decisions, and better decisions lead to better results.

You have devoted 10 years of your lives to studying innovation. What is next for you?

In October 2009, we published 'How GE is Disrupting Itself', co-

authored with Jeff Immelt, chairman and CEO of General Electric. In that article, we introduced the notion of reverse innovation. Quite simply, a reverse innovation is any innovation that is adopted first in the developing world. It is a rising phenomenon with potential to transform the global economy, accelerating the rise of those who understand it and vanquishing those who do not. We are now working on a book on the topic.

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