Crisis as Antecedent of Innovation

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ABSTRACT

World-wide spread Covid-19 has badly hit the economies across the globe. Several countries had clamped short duration lockdowns to contain the spread of the pandemic. Such forced closure of the commercial and other facilities led to a massive loss of business, severe decline in demands, and worst-ever disruption in supply-chain. Many small and medium enterprises failed to survive the crisis resulting in job losses for their employees, income insecurity for their owners and dwindling chance of loan recovery for their lender. Stock markets were also hit hard because of the depressing sentiments in the communities all over. However, several other companies saw an opportunity in the times of crisis and decided to reorient their strategies based on innovation and creative problem-solving. This article explores how a crisis can serve as a precursor of innovation which in turn can enable the organizations to withstand the predicament, especially during and after the pandemic. Based on a comprehensive review of literature, the article provides an incisive view on innovation as an organizational response triggered by a crisis like Covid-19, which has affected the entire humanity beyond any limits.

KEYWORDS: Pandemic, Covid-19, Lockdown, Crisis, Innovation

INTRODUCTION

The crisis has often presented a threat and an opportunity at the same time. No wonder, the Covid-19 has also unfolded quite unusual ways of handling the emerging situation while it has devastated human populations across the world beyond any measures. A pandemic like Covid-19 has indeed disrupted the typical living, and people are now constantly talking about the ‘new normal’. This ‘new normal’ has created new needs and unusual pressures at the workplace as well as in the communities. However, there are a more significant number of people with a positive outlook and an inner drive to challenge the status quo and come up with solutions to human miseries through hitherto unknown paradigms. ‘Common wisdom suggests that every crisis presents opportunities’ (Anthony, 2009).

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Crises, especially the one we are experiencing now, have a significant financial and human toll, stranding assets and human capital and causing significant social and economic dislocation. However, many of these dynamics are ingredients for disruption from which new business models emerge (BarAm et al., 2020). The traditional response of the industry leaders to the crisis is consolidating their core businesses, leveraging the familiar opportunities, ensuring a steady cash flow even when the market is under turmoil and managing risk with a short term perspective. However, an unorthodox response to the crisis can lead to surprising outcomes in the long run. BarAm, et al. (2020) suggests the following possible courses of action for the businesses amidst crisis:

- Adapting the core to meet shifting customer needs;
- Identifying and quickly addressing new opportunity areas being created by the changing landscape;
- Re-evaluating the innovation initiative portfolio and ensuring resources are allocated appropriately;
- Building the foundation for post-crisis growth to remain competitive in the recovery period.

Interestingly, a good number of companies are already ahead of the curve as they have moved away from the inertia clamped by Covid-19. McKinsey’s Global B2B Decision-Makers Response to Covid-19 Crisis Survey indicates that 96 per cent of businesses have changed their go-to-market model since the pandemic hit, with the overwhelming majority turning to multiple forms of digital engagement with customers (McKinsey & Company, 2020). Furthermore, food distributors that traditionally supplied to the restaurants are setting up digital direct-to-consumer channels as the crisis decimated their core restaurant sales while the entertainment industry is generating new content to fill the void in programming created by the suspension in sports leagues (Bar Am et al., 2020). Even the medical devices firms are gearing up for emerging scenario in the wake of Covid-19 crisis. According to Bar Am et al. (2020), ‘medical device firms that historically had a narrow competitive set and were insulated by a complex and highly technical regulatory approval process are facing competition from previously unimagined new entrants such as home appliance manufacturers and automakers, as regulations are relaxed to meet critical needs’.

‘There is nothing like a crisis to ignite innovation’ (Rigby, Elk and Berez, 2020). Historically, a good number of companies have been established during the economic downturn, and they have managed to thrive despite all odds. For example, Johnson Controls was set up in 1885, General Electric (GE) was founded in 1892, 3M was established in 1902, Walt Disney came up in 1923, McKinsey & Company came about in 1926, Microsoft was set in 1975, Compaq came into being in 1982, and Marvel Entertainment started its operations in 1998. Interestingly, all these companies started their operation when the economy was not at its best. Furthermore, the success of all these companies can be attributed to their cutting edge innovations starting with electricity (GE) to most ultra-modern cinema experience (Marvel Entertainment). Also, several technological marvels came about during periods of economic crises. Alexander Graham Bell surprised the world with his invention of telephones in 1876 while Sony launched transistor in 1957.

CULTIVATING A CULTURE OF INNOVATION
Innovation is ‘something different that has impact’ (Anthony, 2012). Drucker (1985) has postulated that innovations are triggered by unexpected occurrences, incongruities, process needs and changes in the industry as well as the markets. Hence, possibly, it is the best time to stop by and have a look
at how the leaders of organizations can create a culture of innovation to survive and thrive in these challenging times in the middle of the life-threatening crisis posed by Covid-19. deJong, Marston and Roth (2015) provide a comprehensive list of eight action points which may help the organizations become innovative. The framework of nurturing innovative organizations is given as under:

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<th>Action Points for Nurturing Innovation</th>
<th>Leading Questions</th>
<th>Underlying Elements</th>
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| Aspire                                | Do you accept innovation-led growth as absolutely critical, and have you cascaded targets that reflect this? | • Innovation vision and model  
• Required growth contribution from innovation  
• Cascaded targets and accountabilities |
| Choose                                | Do you invest in a coherent, time–risk balanced portfolio of initiatives that are resourced to win? | • Clarity of innovation themes  
• Portfolio balancing time and risk  
• Resources sufficient for initiatives to win  
• Portfolio governance |
| Discover                              | Do you have differentiated actionable customer, business, market, and technology insights that translate into winning value propositions? | • Customer orientation  
• Multiple-lens insight generation  
• Differentiated value proposition |
| Evolve                                | Do you create new business models that provide defensible, robust, and scalable profit sources? | • Exploration of new business models  
• Changing value-chain economics  
• Diversifying profit streams  
• Delivery-model changes and new customer groups |
| Accelerate                            | Do you beat the competition with fast and effective development and launch of innovations? | • Planning and execution rigor  
• Cross-functional project culture  
• Customer- and market-based learning |
| Scale                                 | Do you launch innovations in the relevant markets and segments at the right magnitude? | • Go-to-market planning  
• Launch management  
• Operations ramp-up |
Extend
Do you win by creating and capitalizing on external networks?
• Strategic external networks
• Collaboration skills
• Partner of choice

Mobilize
Are your people motivated, rewarded, and organized to innovate repeatedly?
• People priorities
• Enabling structure
• Supportive culture
• Learning and adaptive organization

[Source: de Jong, Marston and Roth (2015)]

Furthermore, Anthony (2012) suggests the following time-tested stimuli for innovation, which the organizations can reinforce among their employees across all levels:

- Questioning: raising difficult and uncomfortable questions that enforce or eliminate constraints;
- Networking: relating with individuals from diverse backgrounds who demonstrate new ways of thinking;
- Observing: looking at the world around self for unexpected provocations;
- Experimenting: deliberately confounding things by trying new things or going to new places.

Alongside a culture of innovation, it is also imperative to focus on strengthening innovation capabilities. Skarzynski and Gibson (2008) have suggested the following building blocks for innovation capabilities:

- Leadership and Organization: Top management and organization aligned around a shared vision of innovation;
- Culture and Values: Collaborative, open learning and incentives that reward challenging the status quo;
- People and Skills: Disciplined approach to building innovation capabilities across the organization;
- Process and Tools: Systematic approach and supporting tools to enable idea generation, pipeline and portfolio management.

Apart from stimulating the teams across the organization, it is also essential to foster an ecosystem for innovative. Ander (2006) has suggested seven interrelated steps for creating an innovation ecosystem:

- Identification of intermediaries who might adopt innovations before the end-user;
- Identification of all the complementary innovations essential for the targeted innovation;
- Estimation of delays caused by interdependence of complementors;
- Estimation of delays caused by the adoption process by the intermediaries in the system;
- Estimation of delays caused by the interdependence of the intermediaries with their complementors and integration hurdles;
- Estimation of time to market the innovation;
- Re-assessment of initial performance expectations and innovation strategy.
The innovation ecosystem is crucial because it is integrated with the overall culture of any organization and not induced by an external crisis on an ad hoc basis. So the organizations having an innovation ecosystem are better placed to come out with innovative offerings to their consumers in the shortest possible run time. However, it is not at all easy to build innovative organizations. deJong, Marston and Roth (2015) rightly observe:

‘Big companies do not easily reinvent themselves as leading innovators. Too many fixed routines and cultural factors can get in the way. For those that do attempt, innovation excellence is often built in a multiyear effort that touches most, if not all, parts of the organization. Our experience and research suggest that any company looking to make this journey will maximize its probability of success by closely studying and appropriately assimilating the leading practices of high-performing innovators. Taken together, these form an essential operating system for innovation within a company’s organizational structure and culture.’

CONCLUSION

For most of the corporate leaders and top executive, the current pandemic is the worst they have experienced. However, in the last two decades, there have been several incidents that have shaken the corporate world. The Covid-19 has presented a unique opportunity for all the small and large organizations to find their innovative pathways out of the most unusual crisis faced by human civilization so far. No doubt, the organizations will take cues from the emerging business environment and rise to the occasion to build a better and prosperous future for all the stakeholders. However, here is a word of caution. Quality of innovation is something which can be a game-changer in these challenging times. Hence, little incremental twists in the products, services, systems and processes in the name of innovation may not help the organizations today. It is a pity that a number of organizations pay lip service to the cause of innovation and hardly focus on creating a culture of innovation. For such organizations, surviving the crises becomes a herculean task, thus jeopardising the interests of various stakeholders, including the shareholders and the employees in a big way.

It is high time that the business leaders start focusing on creating a culture of innovation by investing in a full-fledged department of innovation with Director at par with Chief Financial Officer, Chief HR Officer, among others. Such a department should not function as an isolated R & D lab. Instead, the department of innovation can be a hub of new ideas and experiments with the total involvement of all the employees across all the departments in a particular organization. The employees can be motivated by way of innovation capability building activities such as regular sessions on brainstorming, ideation, creative problem solving and department-wise innovation targets. Besides, there should be appropriate matrices to measure the effectiveness of innovation. The sooner we re-orient our approach towards innovation from random serendipity to structured management function, the better.

REFERENCES


