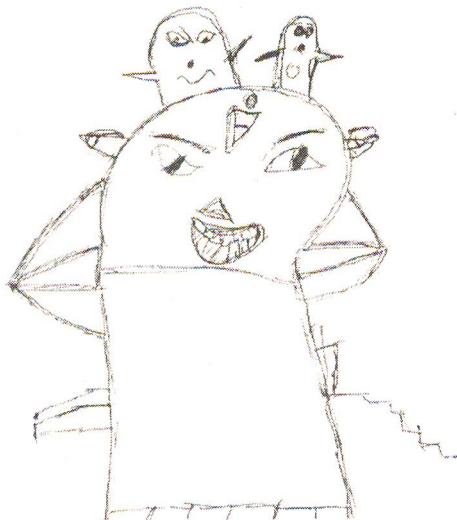


CREATIVE REVIEW:

# Innovation Without Creativity?

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The New Age of Innovation :  
Driving co-created value through global network  
C.K. Prahalad & M.S. Krishnan  
Tata McGraw-Hill, New Delhi, 2008



As I read the book, a vague memory led me to find a copy of HBR, April 2002. It carries an article, 'Customers as Innovators: A New Way to Create Value' by Stefan Thomke and Eric von Hippel, Pages 74-80

The new age of innovation co-authored by C. K. Prahalad and M.S. Krishnan gives a progressive view of how organizations should look like or what they should aspire for in the next phase of globalized economy. As the authors imply, no industry is immune to the fundamental transformation of business that is happening globally. This transformation in turn will alter the nature of the organization or the firm as they call it and how it creates value.

The authors claim that value will be 'co-created' with the participation of the consumer/customer, where the focus will be on the personalized experience of a single customer at a time. Since no single firm ideally will have the resources to manage the needs of millions of consumers, each firm will have to access resources from multiple sources or through a global network. The success of such a business model which they have named N=1 and R=G, depends on the

underlying business processes, analytics ad applications, information and communication technology, and the social infrastructure that supports them. They have identified the various impediments created by organizational legacies as well as the problems created by dynamic reconfiguration of people resources, where the employees have to work under pressure, across time zones, remotely and across cultures.

**The core of the whole book can be summarized in the few lines of the last chapter of the book. Without a clear and unambiguous commitment from the managers, an entrepreneurial and innovative culture within the firm cannot be created.**

The book ends with an agenda for managers, the attitude, skills, etc required to create an innovative culture within the firm so as not to be left behind in their progression towards creating value. where they have mentioned that without a clear and unambiguous commitment from the managers, an entrepreneurial and innovative culture within the firm cannot be created.

### **An Overview**

The book, ideally for CEOs, senior executives, and managers at every level, raises an awareness of the transformation happening in the global market and tries to develop a blueprint for companies to transform towards a new business model of value creation. The contents are definitely well researched and logically well structured. They have tried to explain the business model through various case studies. But their claim of a unique perspective on the essence of innovation is debatable. Nowhere in the book is the actual locus of innovation and value being identified and explained, as if innovation is happening somewhere out there in the market.

Even though the authors have no doubts about the fact that the basic building block of an organization is the individual, it is precisely here, in the mind-setting of the individual that the innovation has to happen ... This critical aspect is not mentioned anywhere in the book. This individual aspect or the human element is missing in this book - except, of course, the customer who is 'innovative' in demanding product quality.

### **Co-creation of value: N=1, R=G**

The authors have tried to show the success of various firms which are moving towards the N=1, R=G business model. Few of them have been taken out for re-examination to understand the kind and quality of value and innovation they have created. One of them being that of Tutor Vista; a small start up that provides personalized instruction in on-line formats for high school students. Here, the student [considered a consumer] can choose the subjects, can decide upon the number of hours as well as the intensity of tutoring and even choose the teacher who may be geographically located anywhere in this world.

The lessons are personalized for the student [N=1] and the resources are accessed as needed from a global

resource pool [R=G]. The success of this endeavor itself shows that value has been created through improved grades better retention ability and of course affordability. The question whether the student has achieved anything else other than a degree is not applicable here. Other than a disconnection from the traditional classroom setting, what kind of insights or innovation is happening within the mind setting of the individual student to manage the ever changing environment? Of course the first individual who discovered the possibility in creating such a format is highly innovative indeed!

Another case study is that of wal-mart, a firm that has used its logistics capabilities to manage its global supply chain in a brilliant way. Wal-mart revolutionized retailing by focusing on a business model built on business processes and information technology to match. It will be inspiring to know that it has the largest commercial database in the world! But why is this firm that has created such a lot of value, subject to billions of dollars of class action law suits for discrimination against female employees, anti union action and illegal hiring practices? Why are there a great number of Wal-mart employees working in difficult conditions? It should not matter that most of the things sold here are manufactured in global locations in conditions no one really wants to know more about, as long as the consumers' experience gets personalized. Maybe it has created a lot of value for the founder's children!

To illustrate their arguments further to follow the N=1, R=G business model, another example given is that of the traditional truck tyre industry. The business model has remained the same where the vendors sell the products competing largely on the basis of price, affordability and brand awareness. Here they are proposing an alternative strategies in which manufacturers do not sell tyres but charge for services in such a way that the revenue will be based on tyre usage and not on a one time sale. The firm gets detailed data on how individual drivers drive their vehicles by installing sensors that measure tyre performance and relay this data to a central data center. The company can alert drivers to be careful, to check the tyre pressure or in some cases ask them to go to the next service station and change the tyre. According to the authors, the business shifts from selling a tyre to an ongoing

relationship with the consumer. Once again, in what way does it help the diver improve on his driver competencies? There is a disconnect from his ability to analyze the situation on his own to a dependency on machines to provide accurate information. Of course here the innovation is actually in the firm's computer program that can reduce human activity and thinking to predetermined quantifiable measurements.

The authors have tried to explore various other firms and industries at different levels of experimentation; all of them moving towards the N=1, R=G model of business processes. According to their analysis all organizations are on a slippery slope unless they catch up with this model. But to call this competitive environment a social movement is a little bizarre because in all possibility the kind of consumer participation that they are envisaging might even lead to a social disengagement!

**Only an individual with a creative mind-setting can innovate - to bring in new ideas and methods.**

#### **The missing link**

There is no doubt about one thing that, we are living or operating in a world where the market has insinuated into every area of our lives. Such a changing dynamic of markets will definitely create complex demands on the managerial system of the firm; for they are the ones who manage. The commitment efficiency, flexibility and innovation required for the managers to perform in this competitive landscape will happen only if their creative potential inherent in their intelligence is triggered. It requires creativity to respond competently to continually evolving opportunities. Though the authors have given the requirements for the managers to be competent, how to convert them into a reality is not given. It cannot be done by imitating a business model.

**Is 'innovation' possible without 'creativity'? If N=1, whether a manager is that '1' who has the freedom and courage to develop resources required 'for' innovation? Organizations or their HR practices and policies do not reveal any significant evidences of giving importance to competencies relevant to innovation in their selection processes.**

#### **Innovation without Creativity?**

The whole book is dedicated to establish the need of 'innovation'. Looking in detail, innovation is an aspect 'manifested' outside. The design and structure of an automobile tyre is innovated, curriculum is innovated, and so on. Yet, how this innovation is possible without certain relevant competencies on the part of those who make the products? Can 'innovation' occur just from R=G? Why the authors avoid mentioning anything about 'creativity', even when they position the concept 'co-create'? Is innovation possible without 'creativity'?

If N=1, whether a manager is that '1' who has the freedom and courage to develop resources required 'for' innovation? Organizations or their HR practices and policies do not reveal any significant evidences of giving importance to competencies relevant to innovation in their selection processes. Seldom any training program calendars mention 'creativity'.

A new generation of creative managers is required to 'co-create' the 'new age of innovation'. Perhaps, the work of C.K. Prahalad & M.S. Krishnan would help creating such an awareness in the minds of those who read between the lines of their book.

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