

WHILE MANY MANAGEMENT GURUS FOCUS ON STRATEGY, VIJAY GOVINDARAJAN IS MORE INTERESTED IN EXECUTION – AND PARTICULARLY IN HOW TO MANAGE THE FUTURE AT THE SAME TIME AS THE PRESENT

Thinking inside boxes



GOVINDARAJAN AT A GLANCE

- Born India, 1951
- Graduates in chartered accountancy in 1971 and joins prestigious Indian firm.
- Goes to Harvard Business School in 1973
- After MBA, does Doctorate, focusing on organisational effectiveness.
- He is currently the Earl C Daum 1924 Professor of International Business and Founding Director of the Centre for Global Leadership at the Tuck School of Business at Dartmouth College in the US.
- He is also the 2009 Professor-in-Residence and Chief Innovation Consultant for General Electric.
- He was previously on the faculties of Harvard Business School and the Indian Institute of Management, and has served as a visiting professor at INSEAD, the International University of Japan and Helsinki School of Economics.
- He has written seven books, including *Global Strategy and Organisation* (2003), with Anil K Gupta, *The Quest for Global Dominance* (2001), with Anil K Gupta, and *Ten Rules for Strategic Innovators – From Idea to Execution* (2005), with Chris Trimble.

INNOVATIVE THINKING IS usually believed to happen ‘outside the box’. But not for Vijay Govindarajan, a Professor of International Business at the Tuck School of Business at Dartmouth College in the US, and generally agreed to be one of the world’s leading experts on innovation and strategy. One of his favourite metaphors for strategy involves three boxes – and he encourages managers to think about what goes on inside all three.

Box one involves managing the present – for example, improving the efficiency of today’s businesses. Box two involves selectively forgetting the past. And box three is about creating the future. Often, says Govindarajan, organisations spend a disproportionate amount of time on box one – particularly at times of crisis.

Of course you have to cut costs when sales revenue falls and margins are squeezed, “but boxes two and three are critical even in tough times,” he says.

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“You can’t neglect the future. Expansion always follows recession, and expansion lasts longer and is more robust than

recession. A recession fundamentally changes the competitive landscape in most industries: there are new winners and new losers. The best time to prepare for expansion is during a recession because assets and talents are cheaper.”

However, while companies have to keep thinking about the future and avoid getting bogged down in the present, they need to allocate their resources differently in a downturn. In normal times he advocates companies spend about 50 per cent of their resources on the core business and about 50 per cent on what he calls ‘adjacency’ and ‘breakout innovation’ – in a ratio of perhaps 35 per cent and 15 per cent respectively. But in a recession, he advises those ratios should shift to spending about 70 per cent of resources on the

core business, 25 per cent on adjacency and 5 per cent on breakout innovation – “because you can’t afford to make a serious mistake during the recession.”

Managing today and the future, at the same time, is hard, particularly in difficult times, as he acknowledges. “You essentially have two jobs to do: make money now and invest for the future. Those two different jobs require different strategic architectures.”

But the key to managing the future is to have a clear strategic intent, he believes, adding that strategic intent is not “the virtually interchangeable motherhood and apple pie-kind of mission statements that you see in top companies,” but is, instead, about direction, motivation and challenge.

“It’s about thinking big, dreaming big and having an unrealistic goal,” he says, arguing that HR’s traditional approach to goal setting and performance appraisal unintentionally panders to mediocrity. Where goals are insufficiently ambitious, he says, “managers tend to shrink their ambition and expectations, not expand them.”

But Govindarajan has for the past 25 years built expertise not in strategic planning, but in the less studied area of strategic execution – “the choices senior executives must make to ensure that their organisations can achieve their strategic intent,” as he puts it.

With the advent of the new dominant business force of the internet, no competitive advantage was secure. As Govindarajan says: “Strategy was a matter of creating a new and better future, not finding the best way to compete within the existing boundaries and conventions of an industry.”

So since 2000, he has focused on exactly how corporations can build breakthrough businesses while simultaneously sustaining excellence in their core business.

He explains: “The prevailing wisdom is that the key success factors are discovering a great idea and finding a great leader capable of building the new business. But a great idea can only get you started, and even the best leader cannot build tomorrow’s business inside an organisation that is fully dedicated to efficient operation of today’s. Companies must shift focus from ideas to execution, and from leadership excellence to organisational excellence.”

His thoughts, along with five years of field research in ten corporations, are distilled in the 2005 book *Ten*

FAMILY FAVOURITES

Organisations keen to build an enduring institution could do worse than emulate the behaviour of families, says Govindarajan. In a recent publication, *The Emotionally Bonded Organisation: Why emotional infrastructure matters and how leaders can build it*, he and co-author Subroto Bagchi detail the eight common elements in ‘emotional infrastructures’.

1. **Proximity:** Leaders are accessible in times of need.
2. **Rich communication:** Leaders are open and honest and know how to communicate.
3. **Myths and rituals:** Specific rituals and stories not only make a company unique, but they also reinforce ideas and concepts within the company.
4. **Bonding through adversity:** Many organisations fall apart when times are hard, but an emotionally bonded one pulls together and comes out stronger.
5. **Voluntary support networks:** Leaders let rich and supportive social networks grow.
6. **A bold vision:** The company has an articulated vision that is bold and ambitious – sometimes unattainable.
7. **Deeper values:** When emphasis is put on values beyond the corporate level, employees feel a stronger bond with the company.
8. **Extreme exclusivity:** If it’s easy to join an institution, people are not strongly bonded to it. Conversely, if it’s very difficult to join then people become interested.

Rules for Strategic Innovators – From Idea to Execution, co-authored with Chris Trimble. In the book the authors explain three central challenges of building breakthrough businesses within organisations that are already established and successful.

1. You must forget some of what to this point has made your company a success.
2. You must borrow some of your company’s existing resources – the most important advantage you have.
3. And, because experimental businesses rarely stay on plan, you must learn as you proceed.

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Govindarajan’s decades of enquiry into how organisations can become more effective was prompted by an unfortunate, but seminal, experience early in his own career. In 1971 he graduated at the age of 20, and joined a top Indian firm as a management trainee. But he quickly became frustrated by the rigid boundaries in which he was forced to operate, and after two years he left, and, at great personal and financial risk, emigrated to the US to attend

Harvard Business School.

He nearly failed his MBA, as he struggled to read written English, but pulled through due to the diligent mentoring by one particular professor. He then did a doctorate, naturally gravitating to questions of organisational effectiveness.

He plans to continue focusing on issues of innovation within large corporations for several more years, but is starting to enjoy a new phase in his career – helping organisations deal with the challenges posed by rapidly emerging economies such as India and China.

“The asymmetries between the developed world and the developing world go far beyond just cultural difference; there is vast economic asymmetry as well,” he points out.

“We are only just beginning to understand the full nature of the challenge of building organisations that can be simultaneously effective both in a country with a GDP of \$30,000 per capita and one with a GDP of \$300 per capita. In parallel with the vast economic disparities are stark distinctions in consumer buying habits, distribution systems, dynamics of local competition, environmental sustainability, and the role of government. Global corporations will have to stretch and innovate to succeed in such environments.”

But in helping companies deal with the vast economic symmetry he talks about, Govindarajan will also be achieving some symmetry of his own.

“Finally, it appears, I will be afforded the opportunity to return home and to return my full energies to India,” he concludes.