

Volume 6 | November 25, 2015

(NOT FOR SALE)
MAGAZINE

CFO INSIGHTS



*CFO balancing financial
prudence with need for*

innovation.

Pg. 22

A publication of the

YES BANK

National CFO Forum



Technology Innovation: Bridging the Financial Divide

Magdolna Juridesz,
CFO, Home Credit India

20

mjunction: a Journey of Innovation

Viresh Oberoi,
MD & CEO, mjunction

34

Education and Skill Development: Creating an employable workforce

Dr. Himanshu Rai, Dean,
MISB Bocconi, Mumbai, India and SDA Professor
of Organization & HRM, SDA Bocconi, Milan, Italy

38

PPP: Way forward for Healthcare and Medical Education

C.V. Rangarajan,
CFO (Group), Manipal Education
and Medical Group

40

Financial Innovation for Corporate Transformation

B.R. Jaju,
CFO, Diligent Power

42

Innovation Ecosystem @ Tata

Ravi Arora,
Vice President, Tata Sons
Member, Tata Group Innovation Forum (TGIF)

04



Balancing Corporate Financial Prudence with need for Innovation

Pooja Aggarwal,
CFO, Birlasoft

22

INNOVATION ECOSYSTEM @ TATA



RAVI ARORA

Vice President, Tata Sons

Member, Tata Group Innovation Forum (TGIF)

In the years 2005 and 2006, Mr. Ratan Tata, in a few formal meetings that he had with Tata leaders and managers, expressed his deep desire for starting a formal innovation program in the Tata Group. He was apparently pleased with the progress of companies on Business Excellence and wanted a similar effort on Innovation. We know the high level of personal interest he has even now for new technologies and innovative products. But to foster innovations in companies, he has always recommended to focus on culture.

The debate on how to start the innovation program continued for some time and finally it was decided that Tata Quality Management Services (TQMS), a division of Tata Sons which managed the Business Excellence program will own the innovation program as well. To some it may sound like asking two incompatible partners to stay in one house. To cut the long story short, the main reason for this decision was to get the elder sibling provide the initial nourishment to the younger one! Tata Group Innovation Forum (TGIF), in the leadership of Mr. R Gopalakrishnan (Director, Tata Sons) was formed as the apex body to provide directions to the program. The execution arm of TGIF was housed in TQMS. It worked extremely well for 8 years and only in 2015, it has been detached from

the Business Excellence team and is married to the Corporate Technology (R&D) team.


The team chosen to design, plan and run the innovation program had no experience in Innovation. It was decided, like in many instances in Tata, not to hire a management consultant. I guess this approach could be taken only if the program is comparatively ahead in the country or amongst the markets in which the company serves. In such a case the only two ways to build capability in the team are: (a) Learning by trying (b) Learning from others. In our case, both these approaches were used. Tata leaders and managers were taken to the USA, Japan and Israel to learn from some of the most innovative companies. Our focus in the US visit was on culture and processes. R&D was focused in Japanese companies and emerging technologies was the focus in Israel. Similarly a few well known global experts, mainly from the academic world, were invited almost regularly to conduct workshops for Tata companies.

Let me share my views on a few myths related to innovation:

Most business leaders think of R&D when it comes to making innovations happen. We have always believed that innovations other than R&D are equally

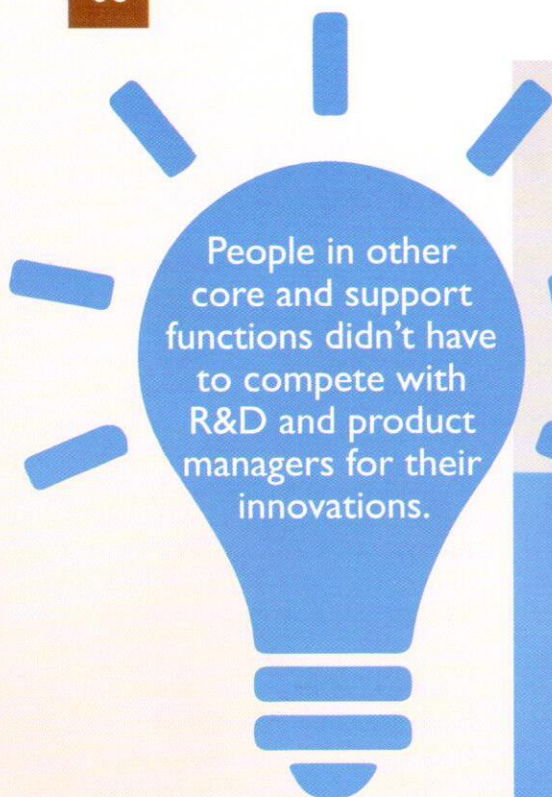
important and useful for companies. In order to create this belief we did a few simple things: (1) Created a definition at the corporate level and also for companies which was inclusive for all, (2) Created a framework that allowed people to report the success of their innovations in several non-financial measures, (3) Replaced 'Patent' by 'Difficult to replicate', (4) Emphasized on 'Global first' but also encouraged 'Country first' and 'Industry first', (5) Created awards for innovation in a manner that people in other core and support functions did not have to compete with R&D and product managers for their innovations.

Many leaders, who are not satisfied with their innovation intensity, hopelessly attribute it to culture which makes it a non-starter for everyone. In my view, culture is nothing but following the processes sub-consciously. Therefore this culture can be created only if there is a process which is well understood and is followed by people for many years. In the case of Tata, we have created a few



We have always believed that innovations other than R&D are equally important and useful for companies.





processes, are practicing them and are busy removing hurdles in practicing them better. To name a few, we have a Tata InnoVista program that celebrates the successes and struggles of 'Innovators' in converting their ideas into innovations or new technologies or new designs. On the other hand we have a program called Tata Innoverse which encourages managers to openly share their specific challenges externally to get innovative ideas. We have a long way to go in making these processes 'enjoyable to follow'. On the other hand, we are creating a few more new processes which we believe will make innovations happen better.

Taking risk or mitigating risk or being risk averse. I am sure we all agree that in this world of increasing VUCA, being risk averse will lead us nowhere. There is no doubt that innovation projects inherently will have more risks as compared to other projects. The job of CFO is to minimize all types of business risks. Unfortunately, neither the risk assessment process nor the capital investment process differentiates between the innovation and non-innovation projects. In my view, the solution lies in CFO being



equally responsible for maximizing the returns from innovation and minimizing the loss due to missed innovations. If only we do this would the CFO think like the co-founder of the company in which he or she works.

In order to encourage people to take audacious innovation projects, we have an award called DARE TO TRY. This award is given to teams for trying their best to be successful, mitigating the risks and sharing the learnings with the rest of the organization. This is not an easy award to give and also to receive! For people like me, it poses a different type of a problem: The line between 'encouraging bold innovations' and 'encouraging failures' becomes very thin with such an award.

Let me end by sharing my views on some of the future trends which might drive innovation in the next 10 years -

- 1) Not all innovations would be digital led.
- 2) Ageing population leading to innovations in healthcare, financial services, autonomous services
- 3) Intelligent & Connected world, personal mobility and IoT
- 4) Innovations not only in clean water but also clean air
- 5) Distributed manufacturing, distributed R&D & more collaboration
- 6) Congestion leading to new cities and innovations in housing, mobility, logistics and education
- 7) Zero waste: Factory, food, household
- 8) Data capturing and Big Data analytics
- 9) Increasing EQ

The opinions expressed in this article are the author's own