BUSINESS & SOCIETY
How business affects our lives

Empowering employees to innovate

In the West, innovation is commonly associated with individuals and daring ideas that break from the status quo. In most Asian organisations, however, leaders still play the key role.

Companies must be able to innovate to survive in this new, globally-competitive environment

by Lim Su Lin

O ur world is getting increasingly competitive. Fifty years ago, businesses had to worry about competition in only their locality. Today, globalisation has made it possible for a company to come up with an original product or service, only for a competitor halfway around the world to replicate it, before it can even be patented.

Customer expectations are also sky high. Unlike previous generations who were largely content to use products or services that had remained unchanged for decades, today's customers are constantly looking for something newer and better. In other words, they want companies that solve their problems.

These conditions boil down to an essential truth for companies: to thrive, they must be constantly on their toes, challenging themselves to come up with new and different ways of doing things, and constantly improve on things that they already do.

In other words, they must be able to innovate to survive in this new, globally-competitive environment.

Defining innovation

What is innovation in the business context? For many, it tends to conjure up images of technological gadgets, inventions, patents and sleek, user-friendly products.

Product innovation has been around for years. It is what gives top-performing companies like Apple and IBM the edge over their competitors.
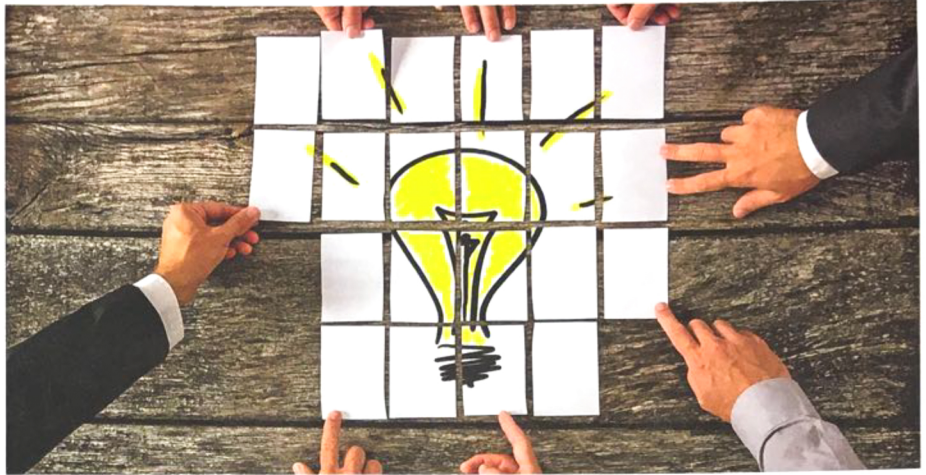
But these days, innovation is not limited to creative ideas and breakthrough products alone. Increasingly, companies are shifting the focus to include other intangible concepts, from a company's business model, services, operations and designs to even HR processes.

Broadly defined, innovation is a strategic change that creates value for an organisation, whether it be a change in design, technology, process, or any combination of these.

Innovation is about doing something sustainable that creates real growth and long-term value to the company in terms of financial returns, brand value, customer loyalty or social value.

State of Malaysian companies

Several parties play key responsibilities in spurring innovation.

> **Many are less willing to take risks and explore new frontiers in innovations, simply because failure is often dealt with severely in our culture."**
> – Azim

Firstly, there is the government which, besides providing funding and infrastructure, should encourage greater market liberalisation so that companies become more competitive.

Then there are policymakers who can help by getting consumers and customers to be more sophisticated and demand more innovation from companies.

But besides these external catalysts, the driving force for innovation should ultimately come from companies themselves, being the main players in the marketplace.

The crucial question is: how innovative are Malaysian companies?

In 2009, views on the state of innovation in companies were compiled and analysed in a research document known as the Malaysian Innovation Climate Survey (MICS).

Unlike other reports which tend to take a top-down approach, the MICS survey explored innovation from the employee's perspective.

The survey cut across various industries, including ICT, services, banking and finance, manufacturing, oil and gas, infrastructure and construction.

Respondents came from companies of all sizes, ranging from those with fewer than 10 employees to those with 1,000 or more. Most of them were experienced professionals, aged 31 to 40, with the younger generation (those below 30) forming the second largest age group.

Significantly, the MICS survey revealed that, even during hard times – 2009 being the year of the global financial crisis – the bulk of employees felt that innovation was important.

Some 38% strongly agreed that innovation should be a key priority for their organisations, while 79% agreed their companies should intensify efforts to innovate. Overall, almost 90% believed in the importance of innovation.

However, when asked to rank how their companies invested in innovation, the response was extremely lukewarm.

Only 9.3% of respondents strongly believed their organisations were very innovative, and fewer than half believed innovation was a reality in their organisations.

Barriers to innovation

Based on the responses from the 2009 innovation climate survey, most employees perceived there was much room for improvement in their organisations.

In the past seven years, our government has invested heavily in innovation, yet it seems we still have a long way to go to

catch up in the "innovation" arms race (see sidebar).

What is hindering Malaysian companies from being more innovative?

One major obstacle, based on the survey, is lack of direction to innovate from leaders and managers.

The survey found that one of the top barriers to innovation in large companies was that employees felt that their leaders had failed to provide a clear idea on how and why they were expected to be innovative.

According to researchers, this may be linked to an Asian culture that values hierarchy and conformance.

Unlike western organisations, most Malaysian (and Asian) companies still have a culture which espouses a clear distinction in rank and status between superior and subordinates.

"From a cultural perspective, we are still very leader-focused," says Dr Suraya Sulaiman, executive director and co-founder of Alpha Catalyst Consulting, the Asian-based innovation consultancy that conducted the MICS survey.

"If you look at inherited customs from the colonisation period, the top management (in organisations) would have certain privileges apart from the ordinary rank and file. Today, there are still remnants of this practice lingering in organisations," she explains.

Leaders may be heads of department or senior managers in charge of large teams, or even young executives in charge of two or three persons.

According to Suraya, in many companies, such individuals still influence policy and direction to a large degree, unlike western organisations which have moved towards embracing a "flatter" organisational structure.

"When you talk about hierarchy, I think very few organisations in Malaysia have a flat structure," says Suraya.

While a handful of companies, like DiGi, have embraced a looser, more egalitarian structure, top-down leadership and innovation still seem to be the prevailing modus operandi for most companies.

DiGi is the only Malaysian company to be listed in *Forbes'* annual ranking of the World's Most Innovative Companies in 2014.

Give clear directions

In a culture that values hierarchy and conformance, it does make sense to have company leaders steer the innovation process.

"In situations where employees are still not used to thinking how or where they need to innovate, leadership guidance is still very important," says Azim Pawanchik, Alpha

Consulting's other co-founder.

On the other hand, top-down innovation does have a drawback as it puts the onus on leaders to set the momentum for innovation and firmly steer it through.

But do company leaders take this initiative?

Aside from conducting research, Alpha Consulting has also developed a "Catalyst for Change" Innovation Framework for organisations, which comprises four key stages: conception, creation, conversion and connection.

Based on previous experience implementing this framework for companies, Azim says with the exception of IT firms, many companies face a key stumbling block when leaders fail to provide employees with a clear idea on how to innovate.

"Leaders in many companies generally do not provide a clear direction for employees to innovate," he says.

It might seem counterproductive for leaders to put a structure on innovation, but in a context where there is still a conservative approach to innovation, it helps to provide employees with a solid framework.

"Innovation itself involves taking risks and (courage) to face failure, (but) such approaches do not sit well within the Asian cultural context where a majority of employees will still feel uncomfortable taking on high-risk projects," says Azim.

In such a context, leaders must be deliberate to let their employees know what is expected of them, by uncovering the areas where change is needed to create value.

From the start, they should identify key areas where innovation is needed and then allow employees to exercise creativity within these parameters.

"One of the best practices we have seen is where the company provides a database of problems or issues to be tackled. Team leaders and managers can then decide which area they want to address and encourage employees to submit ideas," says Azim.

Once these parameters have been set, he says the next step to nudge employees in the right direction is by creating a performance management system that captures their efforts to innovate, for example, what are the rules for an employee to innovate and how would innovation feed into his or her KPIs?

Many employees unwilling to take risks

In the long term, companies should work towards helping employees develop mindsets that are more attuned to innovation.

This is where the challenge lies, since most Asian employees are still conservative when it comes to voicing out breakthrough ideas that go against the grain.

"Many are less willing to take risks and explore new frontiers in innovations, simply because failure is often dealt with severely in our culture. Many will still comply with their leader's orders even though they disagree with them," Azim says.

"Partly, it has to do with the way we have been taught to think in our education system. Whenever something is too open, employees will get afraid and not dare give ideas," he adds.

In the 2009 MICS survey, employees working for Malaysian companies based in the IT, oil and gas, banking and manufacturing sectors were asked to rank how strongly they felt that failing in an innovation project would not affect their careers.

The results showed overwhelming negative responses, with scores on the "failure doesn't impact career" index falling below the 4.0 (equivalent to "agree") benchmark in all four industries.

Furthermore, common responses such as "We've never done this before" or "This failed when we tried it previously" came up almost as reflexes when employees were asked to select a specific innovation project to work on.

Creating a safe space

Such responses suggest that many employees still prefer to "play it safe" when it comes to problem-solving, instead of being daring to challenge existing boundaries.

Such conservative attitudes will only be further ingrained if the company does not provide a conducive environment for employees to generate fresh insights and ideas.

"If the company culture makes it unsafe to practise innovation, this will be noticed and internalised by employees. People are less willing to take risks if they feel their careers will be jeopardised," says Azim.

To help wean employees off this culture and be more open to taking more innovative risks, leaders firstly need to create good rapport with their employees which is lacking, according to Alpha's research.

In 2014, the consultancy carried out an Employee Crowd InnovAsian Study (ECIS) asking employees to choose the top two areas which negatively affect their ability to innovate at work.

Based on the ECIS, one of the key

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challenges that surfaced was a perceived lack of trust and empowerment from their leaders.

"In most Malaysian organisations, we have found that the biggest killer to innovation is lack of (perceived) leadership support and trust," says Azim.

"Leadership support and trust greatly influence employees' willingness to take on risks to attempt new innovative solutions. However, based on the feedback given, many employees still felt they didn't have freedom to do a lot of things."

The takeaways

At the end of the day, it is clear leaders have a crucial role to play to spur innovation in Asian organisations. In companies which are less innovation matured, leaders must be responsible to give employees clear direction and purpose on expected outcomes. This means establishing a framework that defines the parameters of innovation.

"When you talk about asking employees to be innovative, there's a caveat," says Suraya.

"What the mind doesn't know, the eye cannot see. To give an analogy, it is like asking a child to make a trip to the shop on his own, when he doesn't even know about road safety and all of that.

"You need to give employees a clear process and educate them on the expected parameters (like) such-and-such is what we want you to achieve. Once they are clear on these, things become a lot easier."

Once employees are used to thinking about innovation, the next step is to build a culture that empowers them to feel comfortable voicing their ideas, without fear of being penalised.

"For employees, what will truly encourage them to practise innovation is having the right leadership support and trust. They just want the procedure and environment where they can be innovative," says Azim.

"The biggest killer to innovation is not having a proper policy for failure. If employees dare to try something new and fail, leaders must make sure they know their careers will not be jeopardised." FocusM

How innovation has progressed in Malaysia

THREE key reports help give a snapshot of Malaysia's progress in innovation over the past decade.

These are the 2010-2011 World Economic Forum (WEF) Global Competitiveness Report, the Economist Intelligence Unit (EIU) report on "A new ranking of the world's most innovative countries" and the 2009-2010 Global Innovation Index (GII) by INSEAD, a Europe-based graduate business school.

Each of these reports had used different parameters to measure a country's innovativeness.

In all three reports, the top 10 positions were largely dominated by European and Scandinavian countries. However, Singapore made it to the top 10 in the GII and WEF reports, ranking 7th and 10th respectively. Malaysia was ranked 24 to 31 in all three reports.

Last year, no Malaysian companies were ranked in annual global innovation listings such as *Forbes'* Most Innovative Companies List or that of the Boston Consulting Group.

From a cultural perspective, we are still very leader-focused, says Suraya

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