

Unleash Innovation in Foreign Subsidiaries

Introduction

- The challenge of going globalize not simply to sell products wherever customers are but to take advantage of right ideas wherever they
- *No one has a monopoly on great ideas, least of all headquarters.*
- *Four approaches can help corporate executives jump-start new*
- *Ideas and experimentation in far-flung operations*



Innovation at the edges

- **Subsidiaries should be regarded as peninsulas rather than as islands**
- **As extensions of the company's strategic domain rather than as isolated outposts.**
- **Innovative ideas flow more freely from the periphery to the corporate center.**
- **Corporate executives require a new set of practices, with two aims:**
- **To improve the formal and informal channels of communication between headquarters and subsidiaries.**
- **To give foreign subsidiaries more authority to see their ideas through.**
- **Only then can companies ensure that bright ideas – and the smart people who dream them up– don't end up marooned on desert islands**



How to Unleash Innovation in Foreign Subsidiaries

Advantages of Globalization:

- Increased profits
- Greater ease and speed of transportation for goods and services
- Allows for greater improvements in technology
- Educational improvements as countries become more competitive
- Reduction in monopolies

Best Practice

“Taken together, the four practices we’ve outlined can help corporate executives unleash innovation at the edges and fulfill, at last the promise of going global.”

Birkinshaw & Hood believes that in order for an organization to realize the advantages of globalization (such as those listed in slide 2) they should provide incentive and support systems to facilitate their efforts.

Give Seed Money to Subsidiaries

Involves providing subsidiaries with discretionary budgets allowing them to test their ideas.

Advantages:

- Subsidiaries would be somewhat financially independent
- Depending on management strategies, employees in subsidiaries will be encouraged to produce new ideas

Disadvantage:

- If there is too much emphasis on innovation, management might become overwhelmed with harebrained projects and employees might be discouraged when and if their project ideas are not realized

Use formal requests for proposals

Use Formal Requests for Proposals

It's a good practice to use (RFP) when you want to make a new investment.

- Advantages:
- Reasons for projects are better substantiated if there is proof of proper research and reasonable benchmarking.

- Disadvantages:
- Parent managers can be set against ideas if it does not have immediate benefits to the company

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Encourage Subsidiaries to be INCUBATORS

Advantages

- Distance vis-à-vis geographic zones can be an advantage
 - By providing experimentation possibilities .e.g.U.S. computer Manufacturer and Swedish Subsidiary.
- Moribund and obscured subsidiaries can become relevant and gain prominence by serving as incubators for corporate headquarters.
 - By providing shelter and resources for weak businesses. e.g. Errickson

Disadvantages

- A new business idea generated by subsidiaries may not receive corporate headquarters buy in.
- Success depends on how project champion is connected to the headquarters.

Example:

Samsung uses home country as incubator to compete in the western world.

Build International Networks

There is a high probability that new ideas can emerge from subsidiaries if there are effective employee rotation programs.

Advantages:

- **Tangible business goals are accomplished by deploying talented employees on short term overseas assignments.**
- **Furnishes useful resource for current projects**
- **Increases variety of professional networks that may generate new innovations.**
- **Promotes ideas brokering.**
- **Idea brokers would procure seed money more easily because they would know the internal politico-economic maneuvers of the parent company.**
- **There would be increased profits as a result of cross-selling products and services.**

Build International Networks continue

Disadvantages:

- Management of subsidiaries might feel incompetent and threatened by the introduction of “alien” management.
- Cultural barriers may have to be overcome.
- Metrics may need to be developed for proper measurements of network’s effectiveness.

e.g., ABB, HP

Conclusion

- As multinationals take such an approach, we can expect far more creative and genuinely innovative ideas to emerge from the edge of the corporation than from the center. The challenge becomes one of tapping into the ideas and leveraging them effectively.