

What Finnish companies can do to become better in innovation

By Kalle Heikkinen and William Kerr


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The S&P recently downgraded the Finnish credit rating to AA+ (from AAA). A primary reason for this downgrade was a lack of growth in key sectors of the Finnish economy like Information Technology. Finland also faces a substantial level of public debt, and there is no better way to reduce debt than economic growth.

In Finland, much of the discussion after the S&P downgrade has focused on what government should do to promote innovation and growth.

We believe that it is equally important to discuss what Finnish companies themselves could do to unleash the power of innovation inherent in Finnish businesses.

Global survey results

In this context it is not reassuring that NAG's recent global study with Harvard Business School professor Boris Groysberg discovered again that Finnish top managers are good at making current processes more efficient but are more risk averse than their global peers (see Boris Groysberg and Kalle Heikkinen, More evidence for "Success-Driven Complacency" syndrome. Finnish and Global Executives' Assessments of Their Firms in 2013 ¹).

There is a risk in focusing on your core competence in a highly dynamic marketplace. While you are refining your processes, you may miss a structural shift in the markets that totally undermines your strategy.

We offer five observations that can help you to navigate your company towards being more innovative and to grow faster.

#1 Understand that the clock speed of change is accelerating

Appreciating the speed of change in the global business environment is key. For example, the recent business press has marveled at Berlin-based Rocket Internet's IPO of EUR 6,7 billion. Rocket was founded in 2007 and engages in the replication of successful ecommerce businesses on a global scale. Whenever Rocket sees a business model becoming successful, it immediately replicates it globally. It has successfully replicated the business models of eBay, Groupon, Airbnb and many others.

There are some unsavory parts of Rocket Internet that we are not endorsing here, but the contrast to the sale of Nokia's mobile business for EUR 5,4 billion could not be more striking. In 2007, Nokia was the world's biggest mobile phone company and Rocket was a business plan. The world changes just that fast, and the clock speed of business is accelerating.

In today's interconnected world, booming businesses can be generated practically anywhere. We don't think Helsinki is at any big loss to Rocket Internet's Berlin on this matter, and the United States also struggles with its credit ratings and debt levels.

#2 Don't fear risky exploration, fear instead of innovation stalling

Most importantly, the culture of Finnish business needs to become more dynamic. Being risk averse has become a terrible recipe for business survival. Everyone knows about the major transformations of IBM and Nokia in

1 <http://www.naggroun.fi/docs/NAGTT08012014.pdf>

time past, but today's companies need constant agility. Amazon and Netflix reinvented themselves entirely within just a decade of their founding.

Global competition and fast technology cycles demand that companies be creating today their growth platforms for tomorrow. Innovation does not happen spontaneously as part of everyday business; rather, companies need to make innovation a priority and establish separate business units to test innovative approaches. Rather than fearing exploration, companies need to be afraid when their innovation machines stall.

#3 Learn from the best companies in the world

If there is one lesson worth taking from Rocket Internet, it is the power of moving ideas and best practices across places. In the United States and elsewhere, stronger models for corporate venturing abound but are rarely practiced here in Finland. In large and small companies, US businesses are adopting lean start-up techniques and embracing experimentation. This makes innovation more cost effective, increases the range of opportunities that can be pursued, and lowers the hurdles to launching new ventures.

Innovation must be properly managed within the core competencies and strategies of each firm, but again Finland can make big

strides simply learning from the experiences of others.

#4 Look for opportunities to co-operate across firm's boundaries

Finnish businesses need to help each other to succeed. Finland holds a number of important assets—good universities, strong science and engineering talent, raw discoveries, and so on—but the ecosystem does not link up as well as it should. The boundaries of successful firms have become much more porous with open innovation, powerful collaboration across firms, engaging local innovation contests, and so on.

#5 Prepare for some bumps in the road, they are part of the bargain

Be forewarned—not every step will go perfectly, without any stumbles along the way. In fact, if the ride is free of all bumps, it likely means you are not pressing the envelope fast enough. Picking up a quotation originally made by Michael Jordan to describe missing basketball shots, a prominent US venture capitalist, Vinod Khosla, emphasizes, “our willingness to fail gives us the ability and opportunity to succeed where others may fear to tread.” The experiences of the last few years show that standing still will not be satisfactory. The more that Finland can embrace a dynamic view of business, the better its growth and stability for tomorrow will be.

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