Govindarajan, V. , Three Box Solution – A Strategy for Leading Innovation Book Review

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Book Review:

Govindarajan, V. (2016), The Three Box Solution: A Strategy for Leading Innovation, Boston, MA: Harvard Business Review Press.

Abstract: We all are living in the era driven by dynamics of technology, internet, shifting customer preferences and loyalty. Hence business strategies require constant reformulation and redefinition. This is because the old assumptions and practices are no longer valid or there has been neutralization and imitation of tactics by competitors. Organizations can remain successful and sustainable by reinventing themselves continually. Author Mr. Vijay Govindrajan's has defined a framework, which can help the organization in leading Innovation. This book is the result of thirty-five years of research in corporations globally and includes instances of the companies benefited by implementing this framework. The more people in a company who understand how the three boxes work, the better prepared that organization will be to anticipate and exploit changes of all kinds – to act instead of reacting. The objectives of this book review are to present the new perspective of innovational practices adopted by the various organizations for the formulation of business strategies and bringing relevance according to the dynamics of the technology and challenging competitive advantage.

Introduction:

As the title of the book suggests, the author has identified the three boxes that can direct an organization in achieving sustainable development in today's uncertain competitive business environment.

The Box 1 denotes "Managing the Present". According to Govindarajan, this is the "Performance Engine" which provides organization to generate funds for routine operations as well as for investment in the activities that drives future. The author through Box 1 suggested running the core business at maximum efficiency and applying linear innovations in the present business model.

The Box 2 refers to "Selectively forget the Past". The author suggests the practice of selectively forgetting the past to eliminate the rigidity in the decision-making process and anticipating the conclusions or concept formed as per the past experiences. Carrying the past experience to the new event/ process becomes an obstacle in innovating thinking Opportunities are lost because the past has been allowed to become too powerful. Because of the past experiences, we conclude that gravity is only the acceptable business model. Box 2 is "an important enabler" of Box 3 innovations, as cleaning up the no-relevant past practices will help the organization in creating space for new Non-linear ideas.

The Box 3 implies "Creating the Future". Here the author has advocated the process of continuous experimentation and learning. Unlike, Box 1 this box requires innovation which is non-linear in nature. Govindarajan has recommended generating breakthrough ideas and experiments, which can help the organization in solving the future uncertainties.

Further, to demonstrate the implementation and effectiveness of this framework, the author has shared the cases of some renowned organizations, which have succeeded using the Three Box Solution approach.

Case 1: Hasbro

In this case, the author has explained how a product company, manufacturing toys and board games, utilized its core brands like G.I. Joe, Transformers, Monopoly etc. to expand its business across multiple platforms including movies, TV shows, clothing, backpacks, lunch bags, comic books, games, room décor and so on.

Important Enablers of Success:

- Hasbro was successful in "Avoiding the Success Trap", as it went beyond the toys to create multiple experiences.
- Hasbro "Identified the Weak Signals" of falling US birthrate and revolution of personal computer & video games.
- Hasbro was able to "Differentiate between Roots (that has Timeless Value) and Chains (that has Timely Value), by taking the decision to exit from the nursery school business and gaining Disney's global rights to manufacture dolls.
- Hasbro successfully implemented "Planned Opportunism" by identifying increased emphasis on digital gaming and leveraging its core brands into games, movies, and TV shows.

Case 2: Tata Consultancy Services (TCS)

Author has analyzed the TCS case of discontinuation of its call center services irrespective of good revenues. TCS doubled its revenues $6 billion to $12 billion from 2010 to 2014 despite global slowdown in business outsourcing markets. However, TCS abruptly decided to discontinue its call center service.

Below were the reasons analyzed by Author:

- TCS wanted to focus on Digital business opportunities, cloud, Big data analytics
- Employee churn was exceptionally high, forcing the HR department into a round-the-clock effort to hire and train as many as half a million new reps annually.
- This drained resources and distracted the company from its real goal (to develop more-sophisticated capabilities and service offerings)
- TCS Leaders rightly believed that global businesses would eventually demand higher-level, more strategic outsourced services.
- They saw that technologies were moving to the cloud, allowing business services to be delivered as an online utility rather than through traditional enterprise-owned technology infrastructures
- HBR named this move as Planned Opportunism

Author has concluded several factors which he has referred as traps for slowing down the speed of innovation with reference to the case study of IBM.

Case 3: IBM's Fall from Grace

A powerful shift in Personal Computing and Internet and Web worldwide affected the business growth of IBM. Author has analyzed and discussed the following reasons for the same:

- The Complacency Trap: Profitability delayed development of a sense of urgency
- The Cannibalization Trap: The threat of negative impact of company's new product on sales of the existing product. IBM thought that PC had a potential to threaten the mainframe computing model
- The Competency Trap: Positive results in current core business encourage the organization to invest mainly in Box 1. Why invest in skills not vital to the company's current profitability

Case 4: Keurig Coffee

Here, the author has highlighted the success story of coffee making company, with special emphasis on Box 3 innovation.

The founders of "Keurig" noticed "weak signals" in the form of changes in the context for coffee consumption at various places like office, home & restaurants due to the success of Starbucks and other coffee roasters. They found here an opportunity to serve the unattended 'workplace' and 'at home' customers, with high quality and refreshing coffee every single time.

Major Challenges:

- Lack of real understanding of coffee roasting and brewing
- Removing human error from portioning and brewing of cup of coffee, to maintain a perfect taste
- Fresh brewed single servings of coffee

Solutions:

- Keurig team approached Green Mountain Coffee Roasters (GMCR) – a reputed quality roaster, to understand ins and outs of coffee sourcing, roasting and other variables required to produce a great cup of coffee
- Developed coffee brewers and K-Cup packs/ pods, to eliminate human error and ensure a fresh cup of coffee with perfect taste every single time.

Results:

- Received funding from GMCR, later in 2006 it owned 100% of Keurig
- GMCR's revenue grew at compounded rate of 65%

In addition, the author has discussed few Principles used by Keurig as Box 3 efforts:

1. Placing the Smaller Bet First

2. Testing critical assumptions.

3. Developing a Box 3 culture.

4. Building New Box 3 Capabilities and Processes

5. Exercising Adaptive Leadership

Case 5: United Rentals Inc (URI)

URI the largest equipment rental company in the world, with over 880 rental locations throughout the United States and Canada and Provider of rental equipment to industrial and construction companies, government agencies. Irrespective of the adverse circumstances with URI in swift succession during 2007 and 2008 driving the company's stock price down from nearly $35 a share to just over $3 a share by March 2009, Company recorded the growth in business in terms of revenue. The company faced the adverse situation like the cancellation of the acquisition deal with Cerberus capital management, no permanent CEO and worst economic shock etc. URI started to expand its relationship with larger customers by Identifying and retaining the best-performing branches and having most desirable customer mix (National Accounts, Combination of industrial and construction companies) and growing the base of Industrial Customers.

Case 6: Mahindra Rise

In this case, author has identified the six leadership behaviors which helped "Mahindra" in leading innovation successfully.

Behavior 1: Avoiding the Traps of the Past

- Mahindra discontinued annual Diwali bonus, which was given to all the employees irrespective of their performance; and started the concept of performance-based bonus to selective performers.
- The goal was to replace the complacent legacy culture with a performance-driven culture, which helped the company in achieving 120% productivity growth in later years.

Behavior 2: Being Alert to Weak Signals

- The company was facing chassis crack problem in its product 'Jeep' due to frequent overload; and when they tried to resolve it by making the chassis more rugged, they realized that it will incur the additional investment of $8 million for a new metal stamping machinery.
- However, identifying such weak signal, the company developed the culture of encouraging & trusting the Mavericks and a young man - Sandesh Dahanukar resolved this problem with an idea to develop tubular chassis at an investment of only $ 45,000 .

Behavior 3: Building The Future Everyday

- Mahindra group developed the federal structure and reorganized into six different sectors: Automotive, Auto Components, Farm Equipments, Financial Services, Software, and Infrastructure. Moreover, once a business unit reached critical mass, it would be listed on the stock market.
- Mahindra's corporate center started providing "Tying Together" services by:
    - o Facilitating knowledge sharing across the portfolio companies
    - o Leveraging operating synergies in R&D, Procurement, and Manufacturing
    - o Acting as custodian of values that every operating company shares

Behavior 4: Experimenting and Learning

- Mahindra's team made the first effort to create an original SUV vehicle – Scorpio, for which a separate team of 120 dedicated people was selected and suppliers of various parts were involved as development partners.
- For test marketing purpose, the team decided to test a new version of "Bolero" - an existing vehicle first, with parts, technologies and design of the "Scorpio"
- For advertising, the "Scorpio" team tried to capture the aspirational feel of the ad commercial of Rolls Royce.

Behavior 5: Practicing Planned Opportunism

- Mahindra initiated the Blue Chip conference, which was a yearly platform where company showcases the result of the changes implemented along with seventy years long commitment towards core values.
- Mahindra developed MRV (Mahindra Research Valley) – a platform of capabilities to pursue new directions in terms of new product development. This resulted in, 20% faster pace of development from initial concept to product launch, the capacity to work on more projects simultaneously and more engineering development in-house.
- Products like XUV 500 – the fastest selling SUV and Arjun Novo – a market leader in tractor industry were the outcomes of MRV.

Behavior 6: Investing in the "Horse You Can Control"

- Mahindra's decision of producing "Scorpio" itself with its own team, instead of taking Ford's assistance and applying collaboration strategy for sourcing to include suppliers as development partners instead of domination strategy used by other players.

Conclusion:

The Book “Three Box Solution” provides the platform for innovative thinking by providing the set of tools for measuring, controlling, managing set of behaviors and factors across the levels of the organization. The book has illustrated rich company examples—such as GE, Mahindra & Mahindra, Hasbro, IBM, United Rentals, and Tata—and testimonies of leaders who have witnessed and derived this framework to lead innovation. This book contributes to understanding the alignment of an organization on the critical but competing demands of innovation.