

## The state of innovation in Brazil

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I first began working exclusively with innovation in Brazil in 1999. I was quite excited to learn how to actually make innovation work in the Brazilian competitive environment. At that time I had accepted a position as associate director with Strategos, Gary Hamel's innovation consulting firm. This was the consultancy that did the innovation project that turned Nokia from a five billion dollar a year rubber company to the twenty-five billion dollar a year telecommunications leader.

At that time we visited most of the largest companies in Brazil to understand their perspective on innovation. While everyone *seemed* interested in the subject, almost none were willing to actually *doing* anything substantial. Now 11 years since then, superficially, things have changed for innovation in Brazil. We have "innovation laws", innovation courses in the universities, and lots of events about innovation. Some companies portent to doing "innovation management" (whatever that REALLY is..).

However beneath the surface, **Brazil is still not innovating.**

I hope that by sparking a deeper debate about innovation in the Brazilian context, we can go beyond "innovation management", "open innovation", and other popular concepts and myths to develop better approaches to innovation in Brazil. In the best book ever written about the subject of innovation - Clayton Christensen's "The Innovator's Solution" outlines two requirements for innovation to succeed: 1) Motivation, and, 2) Ability. A deeper analysis of the competitive environment in Brazil shows that *neither* of these two conditions has improved significantly in the last ten years, and in fact they are worsening.

### 1. Motivation

Many of the sectors that drive innovation, like information technology, and telecommunications, are still woefully overtaxed and under competitive in Brazil. Political ambitions to make "super giants" in the telecoms sectors will worsen this, and further impede the motivation for smaller flexible and younger companies to innovate these sectors. "Successful" big companies in Brazil are old and use the same business models as always (which themselves were copied from Europe and America). The possibility to innovate and bring forth new business model is hampered by excessive regulation, stifling taxation, low overall skills and creativity, and a general tendency to copy "best practices" and benchmarks. Even more important, is that the lack of competitiveness in Brazil means that it generally has very expensive products and services (the Economist magazine regularly puts Brazil in the top 5 most countries in the work in their "Big-Mac" comparison). There is no real reason to innovate when you can sell "un-innovative" products and services at big margins (even bigger margins if you consider the financing costs) with relatively low-paid sales forces. Motivating innovation in Brazil will mean reducing taxes and competitive and import restrictions (and finally getting the government OUT of the economy) so that someday we can have cheap products and well-paid people made by newer, smaller, younger, and flexible companies. (I would love to hear that Brazilians bought their products here, and imported their maids from the USA!)

## 2. Ability

Companies in Brazil have not developed the ability to innovate consistently. Instead they have taken the “easy road” of structuring programs to capture ill-conceived incentive programs (like the “lei do bem” and “lei de inovacao). Where they have gone beyond capturing very expensive “free” government money they have limited their efforts to “innovation programs” and training that does not really develop innovation capabilities. Some companies (and many universities and institutes) in Brazil have become enamored with “innovation management”. This concept (that innovation can be managed, like an engineering problem) is also woefully inadequate when we consider the complexity of true innovation. In fact there is no evidence that confirms that following a series of sequential steps, like stage gates, open innovation contests, etc. will have any real impact on the firm's future capability to grow. Most of what is considered “innovation management” consists of taking a complex problem and trying to fit it into a linear sequence of rather un-innovative decision making steps. When we cut a horse into many pieces we don't get a horse. We get a mess.

The truth is that the balance of the Brazilian economy is still based on a large and largely protected **internal** market, and a largely **commodity based** export market. Not much has really changed and innovation is still a long way away. It's time for a deeper debate about innovation approaches in Brazil.