

# When top management becomes a business risk

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**In order to exploit the sometimes enormous potential of digitisation, companies need to have the courage to try out new ideas, the readiness to apply new solutions, and the willingness to invest in information technology. Innovation projects often fail because the top management has gaps in their knowledge.**

Many companies in industry find it difficult to profitably exploit the potential of digitisation. Many want to move towards digitisation, but shy away from the necessary investment in information technology. A typical defining feature of this tendency is a lack of knowledge among the top management. Managers are afraid to ask the right questions for fear of losing face. These gaps in knowledge can result in projects being put on the back burner or a lack of investment in IT.

Obstacles that can compound the problem are a fear of failure, rigid processes and an unwillingness to give opportunities to the younger generation of employees. For industrial companies to get on board the innovation train, three fundamental aspects have to change:

## 1) Change in mindset at management level

In many companies, the top management's attitude towards innovation is characterised by reticence and uncertainty, preventing the company from adopting a forward-looking approach. Although most managers deal with the topic of innovation, when it comes to making the necessary changes in culture and to the processes and structures, many managers fail to follow through - on the one hand due to a lack of experience of complex innovation projects and, on the other, because of fear of failure. Here, [a paradigm shift must take place](#), driven by management. As our CEO Nicolas Durville emphasised [in his article on innovation in business](#), innovation must become a management task in order for it to be anchored strategically within the company in the long term.

## 2) Establishment of a corporate error culture

Often, neither employees nor managers are accustomed to working in an environment where an error culture is celebrated and there is space for new, revolutionary ideas. But this is essential for innovation projects. What needs to happen for revolutionary products to emerge?

- Ideas should be sought, tested and discarded in a creative manner. And this should happen across all hierarchical levels. Younger employees in particular can offer fresh new

perspectives.

- Innovation projects must also be allowed to fail, so that improvements can be made and to enable the lessons learned to lead to success on the next attempt.
- Rapid feedback from the market and customers is essential in order to minimise misjudgements and bad investments. However, this means that products should not be tested on the market for the first time only after they have been fully developed and refined, but rather at an early prototype stage.

### **3) Modernisation of the IT landscape**

In addition to culture and processes, a vital element on the road to becoming an innovative industrial company is information technology. Many industrial companies are at a level of complexity and development with their information technology that makes the digitisation of products and services almost impossible. All too often, there is a lack of understanding that greater investment in existing and new systems is unavoidable. There is no short cut here: companies that want to survive in the age of big data, virtual reality and artificial intelligence must see investments in their IT structures as a long-term investment in their competitiveness.

This also includes consulting external experts to ensure the safe and efficient transformation of the company. Here, too, a change in thinking is required. Bringing in external partners should not be seen as an internal failure, but as an opportunity for successful change. If all these changes are made, industrial companies can successfully capitalise on the great potential offered by digitisation.

*The first part of the series on innovation:*

- The four largest drivers of innovation for CEOs (Nicolas Durville)