

Turbo-Charging Innovation In State-Run Enterprises: Finding The Right Change Makers



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Problem of practice:

The world over, some of the most challenging and resource-intensive areas of development are entrusted to the state. Basic infrastructure such as utilities, public healthcare, public transport, rail, roads and ports – often face long gestation periods for return on capital, and tricky issues of land acquisition, environmental impact, and pricing of a public good. Such issues lend these assets to state ownership, especially in developing countries. State enterprises are fundamental to long-term health of the economy. Unfortunately, state enterprises are often marred by red tape and political indifference or interference, and are rarely associated with innovation. Sometimes though, there do emerge bureaucrats who succeed in moving mountains. What differentiates these individual innovators and how do we identify them? [Research](#) by Vassallo and team identifies the traits of such individuals.¹ This essay highlights the importance of such public sector intrapreneurs, and elaborates an approach to finding these rare talents

¹ Jarrod P. Vassallo et al., “Design Thinking and Public Sector Innovation: The Divergent Effects of Risk-Taking, Cognitive Empathy and Emotional Empathy on Individual Performance,” *Research Policy* 52, no. 6 (July 1, 2023): 104768 <https://doi.org/10.1016/j.respol.2023.104768>.

Public Sector Intrapreneurs

The French National Railway Company, popularly known as SNCF (Société Nationale des Chemins de fer Français), exemplifies excellence in delivery by a state enterprise. But it was Guillaume Pepy, who headed the SNCF from 2008-19, and played a pivotal role in transforming the rail company that prided itself in being a part of the French history. Pepy pushed for expanding the high-speed rail network in France, and enhancing connectivity between major cities and reducing travel times. Even though he was caught between aggressive trade unions and a slow bureaucracy, Pepy succeeded. He also led the way for digitization of SNCF with innovations such as online ticket booking, mobile ticketing apps and real-time information systems. The journey was not without challenges. “The biggest obstacle is the management culture. For historical reasons, it is very top down,” [Pepy](#) said in an interview.²

Another example of stellar state enterprise delivery is the digital transformation in Denmark, led by the Agency for Digitisation. The agency brought together the central government, regional governments, municipalities, as well as the private sector. Denmark was named the most digitalised country in the world by the European Commission in 2020. “What is amazing about it is that it works across the public and private sector,” said Rikke Hougaard Zeberg, long-time director of the Agency. It was this initiative that made it possible for Danish citizens to access more than a hundred different services with a single digital key. The initiative made it easy for citizens to claim unemployment, pay taxes, get married, sign up their children for education, pay their bills, get a driving license and access healthcare among myriad other services.

Other such examples of intrapreneurship in state-run enterprises include: [Petrobras](#)³ in Brazil, which is credited with making the country a major player in global oil, [China Mobile](#),⁴ which accelerated telecom growth in China, and [Emirates](#),⁵ the national airline that helped associate United Arab Emirates with luxury travel and tourism.

But not all public sector enterprises have success stories. There are examples of nations which seem to have frittered away opportunities due to public bureaucracies that have failed to innovate and keep up with the times. Recently, [Germany](#)'s potential inability to resolve its key challenges – geopolitics, climate change and demography has been attributed to its lack of innovation and digital adoption among its bureaucrats.⁶ Analysts believe that “the problem is not a lack of funds—it is the nature of the administration itself. Observers paint a picture of a government stuffed with lawyers and unable to steer policy or even monitor consultants properly. Germany's federal structure has created a patchwork of digital fiefs

that are fiercely guarded”.

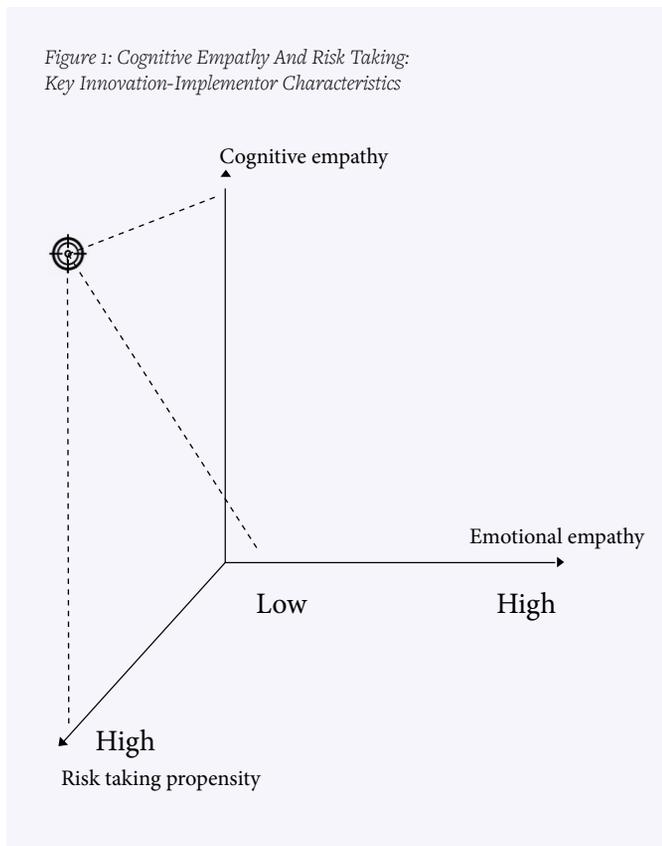
But there are also stories of innovation from around the world which show that it is possible to have public-sector intrapreneurs — those who can ideate, innovate, and implement change within large organizations — despite the challenges inherent in these public enterprise. Equally, we see that lack of a digitally savvy or innovative bureaucracy within a nation can lead to a reversal of economic gains or sickness. The questions for senior policy makers, public administrators and even public-private partnerships is: How to find these rare changemakers - those who not only generate innovative ideas but also ensure successful implementation, in environments that can range from apathetic to hostile.

How To Identify These Intrapreneurs?

Entrepreneurship, creativity and innovation studies say that an individual's tendency to take risks (aka risk-taking propensity) and empathy are central to innovative thinking.⁷ The recent research by Vassallo and team sheds vital new light: While risk-taking propensity is key to innovation and implementation, empathy is not as unidimensional as was traditionally understood. Successful intrapreneurs in the public sector, the new research finds, have a highly developed cognitive empathy: An ability to infer the perceptions, pain points and worldviews of other stakeholders. Conversely, such change-makers were found to score low in emotional empathy: The reflex, almost gut-response of sharing with the feelings or emotions of others. To reiterate, emotional empathy was found to be detrimental to effective intrapreneurship in state owned enterprises.

Unlike emotional empaths who can get consumed by emotions of others, cognitive empaths take on the mental perspective of stakeholders, identifying the highs and lows in the stakeholders' experience of public goods. Cognitive empaths can then incorporate these insights from diverse sources to develop a more effective solution. The impact of these opposing traits becomes pronounced as the innovation process advances and interactions with other stakeholders and decision-makers increase. A successful innovator with high cognitive empathy will be able to manage the conflicting needs and competing perspectives of the various parties. S/he can better navigate the two strategies used to overcome innovation barriers — framing and fixing. Framing is using new ways of setting context for decision making, which enables others to change their minds in support of implementation. Fixing involves providing new resources and modifying one's own approach, e.g., seeking new funding sources

The study found that a cognitive empath is better able to walk the tight rope between framing and fixing, compared to an emotional empath. Cognitive empaths can correctly gauge the incentives and multiple facets of various stakeholders and accommodate the diverse perspectives without losing sight of the original goals. They are also flexible enough to modify their own approach without really compromising on the outcome.



Risk Taking - An Essential Trait

No innovator can survive with being just an empath, they also need to be risk takers. The current research confirms that risk-taking is a key behaviour for employees in a state-run enterprise to facilitate innovation and implementation. Risk-taking propensity is an individual's willingness to engage in behaviours with uncertain outcomes (as can be seen in the figure above). Effective risk-takers tend to weigh positive outcomes more highly, initiate risky negotiations if required and are likely to ask more (than they need) of others. Risk taking also encourages flexibility and creativity in task identification and allocation.

An example of an internationally acclaimed risk taker is TN Seshan, who was India's Chief Election Commissioner from 1990 to 1996. Seshan undertook radical reforms in the electoral process, a vital infrastructure for the world's

largest democracy. In doing so, he faced stiff resistance both internal and external, from politicians. In a country with [1 million polling booths](#) and over 900 million voters, managing elections have always been a challenge.⁸ Seshan had to eliminate corruption of local officials, tampering with votes and vote counts, intimidating and bribing voters. Seshan managed to do so by instituting a model code of conduct for electoral officials; deploying central police forces to suppress malpractices at polling booths; and issuing voter identity cards to all eligible voters. [Seshan](#) did so despite facing repeated threats and intimidation, a testament to his risk-taking ability.⁹ These long-range reforms were recognized in the form of national and international awards, including the Magsaysay Award, aka the Asian Nobel Prize.

Cognitive Empaths in Action

An example that illustrates not only a risk-taking propensity but also cognitive empathy is that of Gajendra Haldea, a career bureaucrat also known as 'Mr. Infrastructure' within India.¹⁰ Even after economic liberalization in the 1990s, infrastructure development in India had stalled due to a lack of private enterprise participation. The private sector was reluctant to participate due to a lack of clear policies, underinvestment, mutual distrust between the public and private sectors and nightmarish stories of botched implementation.

But a few years later, the scenario changed. A 2011 World Bank report stated that India had become the top recipient of Private Participation in Infrastructure (PPI) since 2006 and had attracted an investment of \$20.7 billion in the first half of the year. The Asian Development Bank noted that India had surpassed China and Japan to rank second on the Public-Private Partnership (PPP) projects performance in Asia; the bank also highlighted that the Indian projects had introduced a key driver of effectiveness: Model Concession Agreements. These agreements were the key to unlocking the PPP potential in India, and had been drafted by Haldea in a masterstroke of cognitive empathy.

Instead of responding to the conflicting demands of stakeholders during implementation, Haldea realized that it was better to address key concerns at the design stage. The agreements he drafted took into account diverse stakeholder needs, but also set an airtight blueprint, which made it hard for stakeholders to deviate in later stages of infrastructure development. Gary S Wigmore, head of Asian Project Finance, said, "Mr Haldea juggles the disparate interests of investors, users and the government deftly and successfully." Haldea realized that he needed higher authority to ensure the airtight nature of the agreements; so he established a high-powered

committee on infrastructure – chaired by the highest executive authority, the Prime Minister, and comprised of key cabinet ministers. In doing so, Haldea co-opted resources that were not his to command, these were risky negotiations, but vital to the success of public-private partnerships.

Thus, Haldea demonstrated cognitive empathy as well as risk taking in order to transform the process and substance of India's infrastructure development. Haldea's Model Concession Agreements were widely adopted, forming the basis for over 200 national highways, 150 state highways, a major metro rail system, 20 power generation projects, rail-locomotive development for 1800 locomotives, 3 medical colleges-cum-hospitals, and many other public-private ventures.

In Practice

So, if you are senior executives in a new public-private partnership, or senior public officials considering major upgrades to a public enterprise, how do you select the right leader to bring about the major change needed? We suggest three sets of selection criteria, based on the research by Vassallo: First, for risk-taking propensity, you should look for individuals, who desire to explore new opportunities for improving public services: such individuals are likely to have a track record of volunteering for pilots and launches Also look for those who view setbacks and failures as learning opportunities. This last characteristic of risk-taking propensity needs to be nurtured by top leadership, as well as organizational practices because being overly critical of adverse outcomes can inhibit a manager's risk-taking ability. All else being equal, such individuals usually have a track record of staggered success - initial setbacks followed by a steep upward trajectory.

Second, for cognitive empathy, changemakers demonstrate a keen curiosity towards multiple stakeholders. They exhibit behaviours such as 1) seeking out others' opinion before making a decision, 2) considering two or more sides to every question, and 3) putting themselves in the shoes of others, especially those that upset them. To identify candidates with such characteristics, a 360-degrees feedback process can help. Asking not only supervisors, but also peers, subordinates, and external stakeholders who were impacted by the candidate's decisions in previous assignments – can help in efficiently locating the next Pepys and Haldeas. External stakeholders could include end users (such as private citizens), as well as strategic suppliers (such as consultants, technology providers, and other vendors).

Third, there is a need to identify individuals who are not high on emotional empathy, that is they do not exhibit 1) great emotional upheaval when confronted with other people's misfortunes, or 2) get nervous when others around them are nervous. Again, we would recommend a 360-degrees process of soliciting feedback. While a self-assessment survey is a more time-efficient approach, the 360-degree feedback process is likely to yield more reliable evaluations, and results on the ground.

Finally, a word of caution – you do not need these characteristics in all situations. Effectively managing a mature public utility, or stable public education system does not require a very high risk-taking ability and/or cognitive empathy. These traits are only desirable when significant innovation is required: whether to overhaul or pioneer new public goods and services. Then, it is in the interest of end-users, elected officials, civil servants, and private enterprise, to search hard for such qualities. Doing so will accelerate the amplifying effect that public goods and services usually has.

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If you have some inputs you would like to share, you can also reach out to us mpi@spjimr.org

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