

Think twice before setting up your innovation center

by Alex Robbio - Thursday, June 23, 2016

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Think twice before setting up your innovation center. In my day-to-day work, I talk with CIOs, CTOs and other technology and business leaders. We know that their top priority in 2016 is to grow their businesses. With the economic expansion of Latin America over the past decade, many organizations are looking to the region either as a potential new market, or as a location to find desperately needed talent to fulfill their business objectives.

[In my last post](#), I discussed the challenges of hiring loose programmers for business critical software products. As I stated before, today your software is the interaction point with your customers- and you simply can't rely on programmers who have no long-term interest in your organization, no cultural alignment, and no consistent processes. Taking this route translates into hidden costs, poor product quality, and low staff retention.

Today I want to take aim at another option for organizations: setting up your own development or innovation center in another part of the world.

The idea behind this is to benefit from the high quality talent available in other regions of the world, while benefiting from lower costs, all at the same time as maintaining business intimacy. In addition setting up a global innovation center can help bring in new ideas, different and fresh talent, and a different perspective to your everyday business. This is a similar approach to the captive model which was in vogue a few years ago.

However, as with the captive approach, there are a number of problems. For example, I have seen a number of organizations trying to set up their own [development center](#) with 10-20 people in Latin America, and they have struggled. We've seen organizations sell or even give away these operations, after they fail in successfully running them. There are several reasons for this.

While some countries in Latin America, such as Peru, score highly on the ease of doing business rankings by the World Bank, a lack of familiarity with the market, culture, and business environment represents a challenge. Particularly for North American businesses, I have seen difficulties in adopting different tactics to find success in different markets - what works in one market can't simply be transported to another market and culture.

In addition to unfamiliarity with the culture and business environment, a limited brand presence will translate to difficulties in attracting and hiring the best individuals. Meanwhile a lack of opportunity for individuals if they do decide to join, often results in higher rates of attrition. As you increase wages to counter rising attrition, your costs will increase. In other words, you're struggling right from the start.

Ultimately I see organizations that decide to set up their own center, as in the process of letting go. It is

their first step in a journey to creating a diversified, global organization. But there is also another reason why I don't see setting up your own innovation center as the solution to today's business challenges.

We know innovation today requires bringing together different perspectives. Disruption happens at the intersection of different technologies and business models. Moving forward in 2016 I believe successful organizations, and the top executives in those organizations, will come to orchestrate a broad range of partners- whether that is a digital agency, an innovation/R&D partner such as [Belatrix](#), to more traditional system integrators and consulting organizations. It is the mix of these different skill sets and perspectives, where organizations will be able to source the skills they need, which will have success in driving the digital agenda through 2016 and beyond.

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