

Innovation can be planned, but not in detail

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Every company must face the fact that the New Economy is a High-Innovation Economy.

No organization can stay unchanged forever: change or disappear applies to companies as well as dinosaurs. Yet few companies support and encourage a program of systematic, sensible, constructive change carried out for the good of the organization.

In the average company, change occurs because some strong individual or department forces it in his or her own interests.

Another problem with change that occurs haphazardly is that by the time the need to try something new is evident, someone else has already seized the opportunity.

That's why Western Union is not your telephone company and the steamship lines do not operate airlines. They were too late to seize the high ground.

As recently as the early 1970s, senior managers saw innovation as a subversive force.

A company continually in the throes of launching new products, changing its production line, experimenting with new organizational forms, and revising its human resource policy was expected to thrash around like a Mexican jumping bean on a warm plate. Such an organization was deemed incapable of setting enduring goals and steering a straight path.

But, in today's turbulent environment, companies are blown around like leaves,

and some sort of planned internal adjustment is a prudent way to maintain stability.

"Creative destruction" means replacing an almost-good-enough practice with something even better. Perhaps the artist Pablo Picasso understood creative destruction when he wrote, "Every act of creation is first an act of destruction."

Men and women with the zeal to try something new are resented by people who have a stake in maintaining the almost good-enough.

The Japanese seem to be particularly good at overcoming this aversion to creative destruction. Some Japanese products are truly original, truly "brainstorms," and others are imitations of a high quality product originating elsewhere.

But what makes the Japanese so formidable is their ability to convince the whole organization to get behind an innovation. They can sense when almost-good-enough needs to be succeeded.

Let's examine how U.S. companies can create a climate for innovation.

First, the top leadership should decide if changing the economic circumstances truly demands a fundamentally new approach.

Some big companies went through this exercise five or 10 years ago and decided that nothing less than major internal changes would assure their survival.

The giant manufacturer of chemicals, Monsanto, decided its world was about to come to an end because, in the short run, the price of its raw material (petroleum) would skyrocket and, in the long run, large chemical processing equipment would be replaced by genetically engineered bacteria.

In the early 1970s, Monsanto engaged in a little creative destruction by providing early venture capital for Genetech, a pioneer company in genetic engineering.

Several companies have learned that top-down, centralized financial-based planning does not produce innovation. It may call for it, but it can not produce it. It almost seems that the strong downward flow of planning cancels the upward flow of creating.

Don't treat innovation like just another activity that can be handled by corporate staff. Innovation can't be planned in detail or it wouldn't be innovation.

If you can't plan innovation from the top down, what can you do? You can let the line managers make it happen.

You can share with them your conviction that to survive the company must change. You can prove to them that their ideas will be listened to (as at Holiday Inns Inc., where every manager is required to submit three ideas each year). And you can allow them to brainstorm and even experiment without feeling that one mistake will ruin their careers.

Your goal is to make your operating managers your strategists and to keep your staff busy furnishing them the strategic information they need.

Our role models are no longer the heavy industries straining to climb just one million more widgets higher on the earning curve, to reduce costs by 1/10 of 1 percent.

Our new role models are the computer and robotics companies, where managers start each day by asking; What can I try that has never been tried before? ■