



Article Number 3

Innovate or Evaporate: How to Create a Sustainable Future

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Abstract

Creating the future, pursuing new opportunities, and making positive differences in people's lives, organizations, industries, and societies demand innovation. Organizations benefit when leaders create a system for innovation. To do this they must adopt a new way of thinking: systematic investment thinking for a sustainable future. Decades ago, Dr. W. Edwards Deming introduced his new theory of management to the Japanese; it is a system of theories and knowledge that when used, can help leaders and organizations learn, improve and innovate to better serve society. Through the four interdependent bodies of knowledge that Dr. Deming called the System of Profound Knowledge and with contributions of other theorists and practitioners, organizations can innovate and create new wealth and opportunities for the future. The aim of this paper is to explore innovation as investment thinking for creating the future and to examine why it is critical to create a system of innovation. In addition, its purpose is to pose the questions: Does your organization foster innovation? Are you getting the innovation out of the organization that you could?

Introduction

The need to explore opportunities and build a healthy and prosperous future, create new revenue streams and wealth, discover new solutions and transform individuals, organizations, industries, and societies leads us to focus on innovation. Through innovation, order can be found in chaos; nations, industries and economies can be pulled out of a crisis; and, a new foundation for growth may be realized.

For the purpose of this paper, the operational definitions used are as follows. "Creativity is the ability to generate ideas and alternatives. Innovation is an idea, method, or

device that is taken to market, the introduction of something new, different, unique. Invention is a discovery, product, or finding (operational definitions contributed by Dr. Myron Tribus, 2002).

Innovation as Investment Thinking

People create ideas. Some of these ideas are implemented for use in the marketplace and make a significant or less significant difference in society. However, ideas that result in innovation have the distinct opportunity of creating discontinuities that may result in system level changes. To create, to innovate, is to create the future. One requirement for innovation is faith that there will be a future. Innovation, the foundation of the future, cannot thrive unless the top management have declared unshakeable commitment to quality and productivity (Deming, 1986, p.25).

Ideas that could have evolved and created revolutionary businesses, products, or services are often not heard and are discounted. Other times, the ideas get lost in the company complexity and never make it to market. Innovation means executing ideas. Companies often focus on innovation when there is plenty of money to allocate to the Research and Development budget; however, as the economy ebbs and flows, so does the consistent focus on innovation.

Developing revolutionary innovation must become a fundamental organizational capability. The strategic thinking and questioning that leaders embark upon must deliver novel solutions to customers' needs and future customers' needs. Industry revolutionaries take the entire business concept, rather than a product or service, as the starting point for innovation (Hamel, 2000, p. 15.)

Ideas and the Customer

The most urgent business of business is ideas (Hirshberg, 1998, p. 16.) It is not the job of the customer to be the visionary of a business. It is not the job of the customer to create ideas and to take those ideas to market, to provide better products, services, or new business concepts or models. The customer generates nothing. No customer asked for electric lights. No customer asked for photography, or for the telephone. No customer asked for an automobile. No customer asked for an integrated circuit. No customer asked for a

pocket radio. No customer asked for a facsimile. It is good to introduce, by innovation, a new product that will do the job better. But where does innovation come from? The moral is that it is necessary to innovate, to predict the needs of the customer, give him more. He that innovates and is lucky will take the market (Deming, 1994, p. 10.)

What Business Are We In?

To turn out a good product or service is good, but it is not enough. To continuously improve a product or service is good, but it is not enough. Organizations must ask, "What products or services would help our customers more?" We must think about the future. What will we be making 5 years from now? 10 years from now? (Deming, 1994, p. 10.) To innovate, an organization also asks, "What is the constancy of purpose, the aim that an organization can and wants to rally around, to serve its customers, make a difference, and create new markets and its future?" By focusing on the aim and the customers' future needs, organizations can deliver new products, services, and business models, the product of investment thinking. Innovation needs to be seen as investment thinking, thinking about the future, creating the future, making ideas a reality for the marketplace with some making a difference in society.

Solving Problems And The Customer Experience

At the heart of innovation is the customer experience. Whether it be the new car he has purchased for the family, the golf club she has swung to improve her score, the comfortable shoes they have worn on the hike, or the tour company that guided them on a three-week African safari, the customer is connected with the aim of the organization, to some degree. Beyond the experience, organizations focusing on innovation interpret it as a corporate strategy, one that allows them to compete for customers, employees, and wealth. Innovative companies and powerful brands link with the word "experience." Creating a better experience also creates more value for your brand (Kelley, 2001, p. 195.)

Through anticipating needs, solving problems, or being curious, the greater innovation flourishes. The more curiosity we bring to the world and the better we learn to listen to problems, the more innovative solutions we can

develop-and innovation, we had agreed, represents our only hope for the future (Rodin, 1999, p. 220.) In Discovering the Future, Joel Barker asked his Paradigm Shift question, "What do I believe is impossible to do in my field, but if it could be done, would fundamentally change my business?" (Barker, 1992, p. 156.)

Innovation and Leadership

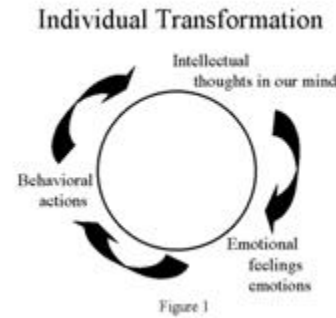
The degree to which one can innovate, to create the future has to do with the degree one is connected with the world. How well one anticipates, understands, and prepares for change helps define its competitive edge. The questions arises, "Why compete when you can create a new market and have it all to yourself? (Burrus, 1993, xiv.) But not all organizations are competing or succeeding. One of the greatest flaws in business today is the challenge that past success will guarantee future success. And, due to that myth, countless organizations are failing. Many that do fail, need to fail. Often times those that are failing are not innovating; they are stagnating, or paralyzed with fear, complacency, or arrogance. If managers are not leading and bringing innovative ideas to market successfully and anticipating the future, they are leading their organization to its demise.

Companies today are obsessed with satisfying shareholders. Spin-offs, de-mergers, share buybacks, tracking stocks, efficiency programs---all these things release wealth, but they don't create new wealth. Neither do mega-mergers. These strategies don't create new wealth because they don't create new markets, new customers, or new revenue streams. Industry revolutionaries are in the business of creating new wealth. The challenge will be capturing your fair share of tomorrow's opportunities (not wringing a bit more wealth out of yesterday's strategies (Hamel, 2000, p. 19.)

Challenges to Innovation and Investment Thinking

Innovation is not easy to lead, especially on the business concept level. It means creating, listening for, hearing and executing ideas. It demands new thoughts, new feelings and new actions (Figure 1.) It takes guts; it takes smarts, and a tolerance for the messy. It means taking risks and allowing for mistakes and failures on the journey. It means a new way of thinking, investment thinking for creating the future. Fears and beliefs are challenged, and a new culture and environment of

learning and collaborating is essential.



The quality of our thinking will determine the quality of our future (deBono, Speech.) "The significant problems we face cannot be solved at the same level of thinking we were at when we created them." said Albert Einstein.

Organizations that lack innovation and investment thinking have people who have withdrawn their natural leadership and have suppressed their own creativity. Caring and sharing plummets. Productivity and morale falls. People are stuck in the status quo, "don't rock the boat" thinking. The focus is on tight structures, linear thinking, individual accountability and performance measures, stagnant standards, ranking and rating people, the latest "flavor of the month fix-it program" and cost cutting. If the workplace lacks fun, experimentation, creativity, a tolerance for mistakes, diversity, and non-linear thinking, it lacks the Soul of Innovation.

Forces of destruction (grades in school, gold stars, merit system, pay for performance, numerical goals, explanation of variances, sub-optimization, every group a profit center) rob people, and the nation, of innovation and applied science. We must replace these forces with management that will restore the power of the individual (Deming, 1994, p. 122.) Transformation is required in government, industry, education. The result will in time be greater innovation, applied science, technology, expansion of market, greater service, and greater material reward for everyone (Deming, 1994, p. 123.)

Organizations need strategies that focus their attention on the future, not solely on reacting to the competitor. Continuous improvement answers the question: how can it be better? Innovation answers how can it be different-and better? There is a significant difference, as are the results, between those who "reflexively compete rather than seek to gain a strategic advantage through innovation." (Burrus, 1993, p. xviii.)

The Innovation Process of taking an idea to market is described by many different steps, but essentially includes generating ideas, experimenting with them, prototyping, developing and delivering them to market (Figure 2. The Innovation Process). However, innovation as a concept needs to be taken to a higher level. The successful company of the future must understand how people really work and how technology can help them work more effectively. It must know how to create an environment for continual innovation on the part of all of the employees. It must rethink traditional business assumptions and tap needs that customers don't even know they have yet (Seely Brown, 1997, p. 230.)

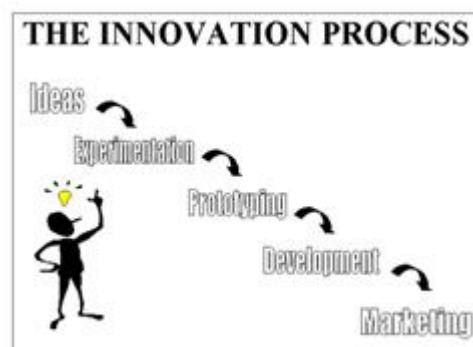


Figure 2

The System of Innovation

A whole company (organization) must be managed as a system. The function of every component, every division, under good management, contributes toward optimization of the system (Deming, 1994, p. 25.) In a System of Innovation the following components may include: Idea generation (the creativity process), Leadership, Knowledge, Language, Interdependent processes (experimentation, developing, prototyping, marketing, etc.), methods and tools, and culture. Focusing on innovation as a system will help people optimize their innovation strategy and better serve customers and society.

A system is a network of interdependent components that work together to try to accomplish the aim of the system (Figure 3. Production Viewed As a System.) A system must have an aim. Without an aim, there is no system. The aim of the system must be clear to everyone in the system. The aim must include plans for the future (Deming, 1994, p. 50.) We tend to focus on snapshots of isolated parts of the system, and wonder

why our deepest problems never seem to get solved. Systems thinking is a conceptual framework, a body of knowledge and tools that has been developing over the past fifty years, to make the patterns clearer, and to help us see how to change them effectively (Senge, 1990, p. 7.)

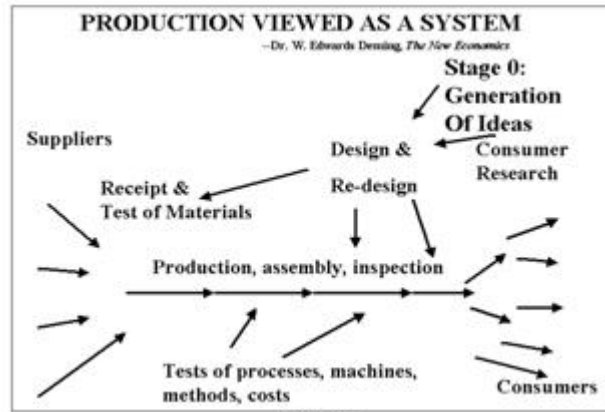


Figure 3

Leadership needs to manage a System of Innovation; it needs to manage all of the components for optimization and tap in the intelligence, creativity, and contributions of everyone in the system (Figure 4. The System of Innovation). Innovation needs to be systematic and perpetual (Figure 5. Innovation as a System). It begs to answer the question: What does an organization need to do to foster and sustain innovation? How will innovation, quality, and the customer experience be built in? How will the organization solve problems, not just better, but differently? The processes that will deliver innovation need to be alive with the "pulse of the customer" next to the work. The culture and work environment should be full of the curious and young at heart, with areas that encourage idea flow, cross-functional teams and a fun sense of dynamic urgency. New ideas, great ideas need to be captured and heard; there needs to be a "listening for learning," so that great ideas that could result in great innovations will not be squelched.

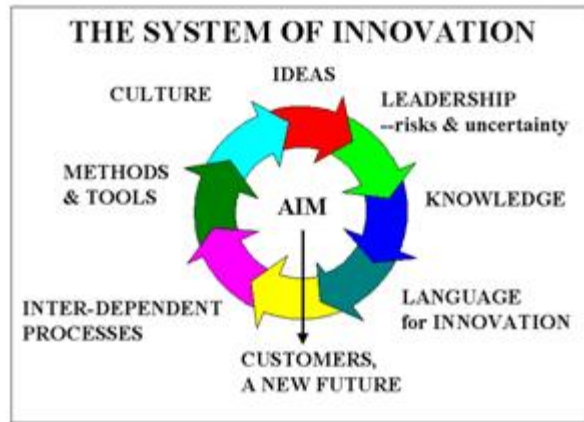


Figure 4

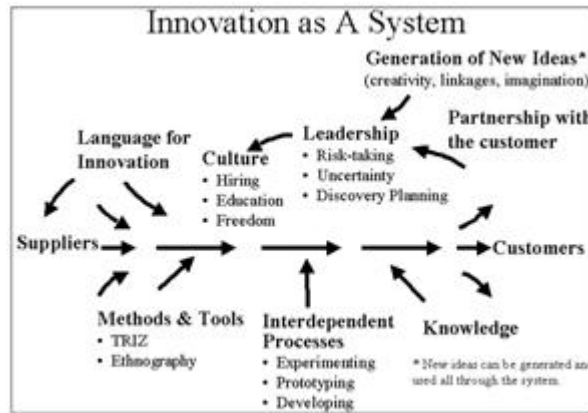


Figure 5

Tapping in on the creative ideas of everyone in an organization is imperative for the long-term success of the system. Joy on the job comes not so much from the result, the product, but from contribution to the optimization of the system in which everybody wins (Deming, 1990, p. 146.) From the idea through the innovation process, people are seeking connections; exploring another industry and seeing what is happening can help innovation. If you want to jump start your imagination machine, you have to feed it with new stimuli, new people, new experiences (Hall, 1995, p. 53.)

Summary Remarks

Innovation, taking ideas to market, helps create a sustainable future and explore opportunities. A system of innovation however, helps people, organizations, industries and societies transform; this progression begins with an idea that can evolve and impact and

create system level changes (Figure 6. Transformation Progression.) The first step of transformation is the individual. This transformation is discontinuous. It comes from understanding the system of profound knowledge. The individual transformed will perceive new meaning to his life, to events, to numbers, to interactions between people (Deming, 1994, p. 92.) A System of Innovation, managed and optimized, can make a greater impact on people's lives and the future. Leaders will rise to the challenge, to not only adopt innovation as a fundamental strategy, but also to create a system of interdependent parts that when optimized will sustain innovation over the long term.



Figure 6

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