30 Years of Innovating: Lessons Learned

By Lanny Vincent

Editor's Note: Lanny Vincent has been working in and studying the field of corporate innovation management for 30 years. The art of innovation management has evolved over this period. Despite the recent "noise" about innovation, a few sustained signals of wisdom have emerged through the years. The following are Lanny's reflections on lessons learned from three decades of client assignments and 15 years of collaborative research with the Innovation Practitioners Network. We invite your response. — JG, Editor

Admired economist and innovation expert Clayton Christensen recently put his finger on why the current state of innovating is so weak. In articles in the *New York Times* and *Forbes,* Christensen lays blame on a combination of the wrong metrics, misguided teachers of entrepreneurship, and misinformed tax incentives, all of which erode a proper balance among three different types of innovation, which he labels empowering innovations, sustaining innovations, and efficiency innovations.

Empowering innovations are those that transform expensive products into affordable ones, create jobs and take 5 to 10 years or more to come to the market. The Ford Model T, Sony's transistor radio, the personal computer, and cloud computing are examples. **Sustaining innovations** are

those that replace older products with newer, improved versions, create few new jobs and take much less time to move from conceptualization to commercialization. Most of what people think of as innovation are of this type like Apple's iPhone and iPod, and Toyota's Prius. **Efficiency innovations** reduce the costs of making and distributing existing products, eliminate jobs and take the least amount of time to implement. Efficiency innovations "emancipate capital" which can be, but is not necessarily, reinvested in innovating. Toyota's just-in-time production system is a prime example.

Christensen makes the case that these misguided metrics, teachers and tax-incentives favor efficiency innovations over the other two types. As Vincent & Associates, Ltd. has been geared toward empowering innovations in corporate settings, we applaud Christensen's observation.

As a result, the following retrospective on managing innovation efforts in corporate settings over the past 30 years is biased toward empowering innovations, and intrapreneurial more than entrepreneurial contexts. Here are the top ten lessons learned from each of the past three decades in an

approximate chronological sequence.

The 1980s: ATTACKER'S ADVANTAGE

Lesson 1: Nothing happens except out of relationships.

Innovating is not a solo act. The lone inventor or entrepreneur is a persistent myth. Look more closely and you will see a relationship. Steve Jobs and Steve Wozniak. Roy and Walt Disney. Bill Hewlett and Dave Packard. Bill Gates and Paul Allen. HP recognizes this wisdom in its new business creation efforts by pairing a technologist with a business person where both together lead the early effort.

Lesson 2: Insight about users without invention is science; invention without insight is clever.
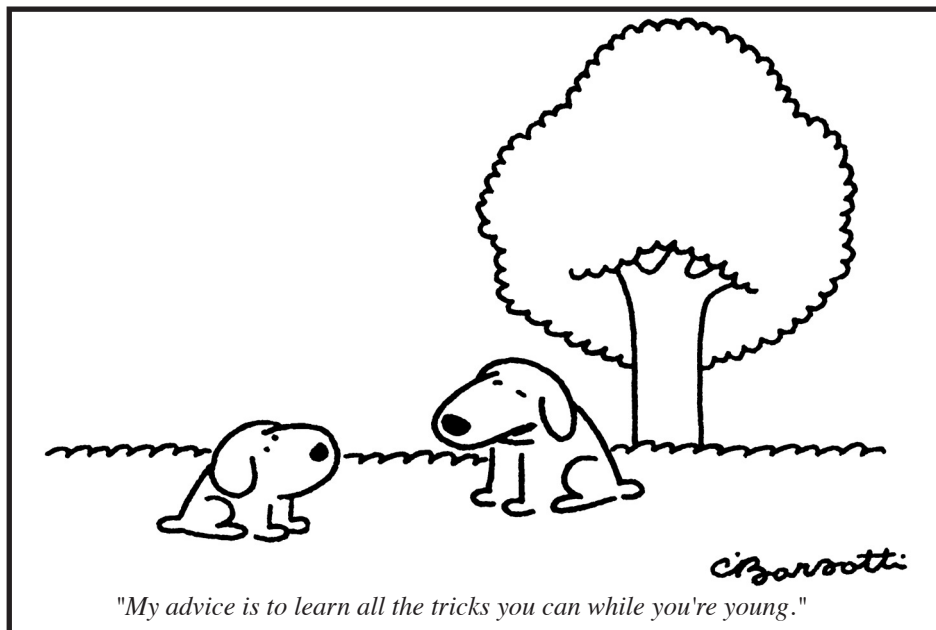
"No wine before its time" was a slogan made famous by Ernest and Julio Gallo. Similarly, idea generation before its time turns into either sour grapes or fresh wine in old wineskins. Either the ideas fail to ferment to a satisfying vintage or the corporate skins can't contain them. Either way, idea generation is best done *after* an immersion in new realities gleaned from investigating the end-users' context. This requires from innovators empathy and identification with the end-user *before* generating new ideas.

Lesson 3: Process follows content just as form follows function.

Toyota surprisingly turns out to be agnostic about methods and techniques used in their development system and slow to implement software solutions. They are rigorous about principles, however, and this is one of them.

Lesson 4: The new is always at first rejected. If it's not rejected, it's probably not new.

Many companies seek to avoid rejection, and look for safer adjacencies to capitalize

"My advice is to learn all the tricks you can while you're young."

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on their go-to-market capabilities. This safekeeping produces imitations more often than innovations.

The 1990s: KNOWLEDGE-CREATION

Lesson 5: Innovation is "learning applied to creating value."

The late Al Ward (an expert in Toyota's development system) described innovation with this phrase. Peter Drucker, the father of modern management theory, made a similar point when he called "ideas the least reliable source of innovation." Ikujiro Nonaka reminded us that what enables a company to create new value and wealth is not what it knows so much as it is its ability to create new knowledge. Knowledge-creation (learning) is the fundamental phenomenon of innovating, even more basic than idea generation. This is particularly true for empowering innovations.

Lesson 6: Learning comes from safe, productive failures more than from success.

Fail early, often and in the field, where the truth of failures can teach us much. The biggest mistake is to try something and end up relearning what was already known. This is one of the more difficult things for corporations to do: create safe, productive failure zones where the learning curves are steep.

Lesson 7: Profits accrue to innovators more than inventors.

David Teece's study for the Commerce Department in 1988 showed that "complementary business assets" are the key enablers to generating profits, even more than inventions. The implication? A company's willingness to adapt and flex its go-to-market business models comprises the larger portion of success in innovating. As important as inventions are, getting them to market is even more profitable. Sometimes this requires the company to get out of its own way.

The 2000s: INSULATE (not isolate)

Lesson 8: "Success is the enemy of innovation."

Peter Chernin, COO of Fox, said this in a meeting we facilitated. Many companies launch their innovation programs with the naïve notion that everyone in the company will welcome the new. However, sibling rivalry for resources and management attention is inescapable in a corporate setting. Our Innovation Practitioners Network actually mapped this paradox and found effective mechanisms companies use to address it. Sponsors, midwives and innovators all are necessary to avoid costly and unnecessary mistakes of innovating from the inside out. Empowered innovating is an outside-in job.

Lesson 9: Types of innovations and innovating vary depending upon context and business architecture.

Innovating in contexts of high volume, standard products is one thing; innovating in the context of a complex system architecture is quite another (think consumer packaged goods versus an enterprise IT system). What is true about innovating in one is not necessarily true for the other. And there are many different types of innovations from technology platform innovations to basic product innovations; from manufacturing and business process innovations to marketing innovations. Cross-context generalizations about innovating are dangerous.

Lesson 10: Networks, communities of practice, and organizations each play a role in parenting innovations.

The social architectures of networks (designed for transferring information) are fundamentally different than the structure of communities of practice (designed for creating new knowledge). Both differ from the basic architectures of organizations (designed for executing efficiently and effectively). Innovating takes all three, but progressively, and in stages. It takes a village.

LOOKING FORWARD

The 2010s: INNOVATING SYSTEMS

As we progress into this current decade, we anticipate gaining fresh and relevant wisdom on innovating principles from systems thinking. Already our Innovation Practitioners Network has developed two models with which we will begin simulations this winter. Some additional lessons are already starting to show themselves.

Lesson 11: Innovations emerge, as do innovators.

In complex and even complicated contexts—where most of us spend our time—innovating efforts may need stage-gate resource management schemes. However, we should never think that innovations develop in a flow. They morph within and between phases. So phase changes are the worst time to conduct stage-gate reviews.

Lesson 12: Corporate innovating efforts need leading more than managing.

Our systems analysis work is revealing that companies tend to be quick to manage their innovating efforts, but slow to lead them. Just the opposite should be the case, as innovations—particularly empowering ones—tend to redraw boundaries and attract the creation of new resources where before there were none. Boundaries and resource creation are governing issues more than management tasks. Leaders create powerfully positive effects on their innovator communities when they express convictions describing why and where innovations are needed. When this is done well, leaders will have more than enough compelling options from which to select.

Lesson 13: Break through often requires a break down.

One reason a break through comes so infrequently is that most of us resist letting go of what worked in the past. Empowering innovations require releasing the rigid containers of our current core competencies and reframing what we know in light of the new and relevant requirements emerging from the company's immediate external ecosystem. Discovering these new requirements is possible, and surprisingly, not with that much effort. ❏

Top 10 Books on Innovation Management

(from the past 30 years)

- *Innovation and Entrepreneurship*, Drucker
- *Innovation: The Attacker's Advantage*, Foster
- *The Knowledge-Creating Company*, Nonaka
- *The Living Company*, de Geus
- *Dealing with Darwin*, Moore
- *The Innovator's Dilemma*, Christensen
- *The Innovator's Solution*, Christensen
- *Thinking in Systems*, Meadows
- *Re-Creating the Corporation*, Ackoff
- *Theory U*, Scharmer