Innovation: a necessary luxury

Patrick van der Duin

Innovate, innovate, innovate, it has become the mantra of any modern company. But how much stands of these ambitions after the business case is completed. And what does it take to truly innovate as a company. Patrick van der Duin sheds light on the subject from a corporate as well as an academic perspective to make recommendations for understanding and implementing innovation.

My career started at KPN Research, KPN’s R&D lab at the time, which, like so many other telecom-labs, no longer exists today. The dot-com bubble in 2000 forced the managers of telecom providers to focus on the present and go for efficiency at the expense of long-term investments to guarantee the cash flow. Innovation is ‘a luxury’, as Ad Scheepbouwer, the then CEO of KPN put it, making KPN Research somewhat redundant. As a result, KPN Research was bought by TNO in January of 2003 for one Euro and renamed TNO ICT. And to be honest, KPN did not have much choice. At the time of the dot-com bubble, KPN management visited KPN Research to take a look at our research. A colleague of mine presented a user study into a portable computer consisting merely of a touchscreen (a kind of tablet, if you will). Because my colleague was unable to indicate what the costs would be, he got a thumbs down. Another colleague presented a project involving a more efficient (or smarter, as we would now call it) management of mechanics. This colleague was able to answer the cost question. Both customer satisfaction and employee satisfaction had improved enormously, and it was expected that the costs would fall accordingly, resulting in a thumbs up for this project.

Unfortunately, this story is not typical of KPN, nor is it only typical of telecom providers. It is typical of many companies. It is a situation that still exists at many large companies, despite the frequent use of the word innovation in annual reports and other commercial messages, and the pride they take in new products that, unfortunately, are often not that new at all. Short-term products that are virtually guaranteed to yield a profit are preferred to innovative processes of which the outcome is (by definition) uncertain, even though, generally speaking, innovation is considered the key to success by both academics and practitioners. Innovative companies perform better than non-innovative companies.
in terms of profits, market share, and turnover, and they are also better at avoiding the extremely boring and ultimately destructive low-cost-low-price spiral. It must be much more enjoyable to work for a truly innovative company than for a company that is forever optimizing its processes. The question is why there are so few truly innovative companies? Why is innovation often preached but rarely practiced? Or better yet: what is keeping companies from becoming more innovative? There are various causes, three of which I will discuss here: a preference for the short term over the long term, the various approaches to innovation, and the distinction between projects and innovation processes.

Innovation is a long-term affair. Successful new products and services are not developed overnight, but require sustained commitment and attention from various parties. For example, the first prototype of the videophone (a first form of Skype) was built in the 1930’s and the first mobile phone call took place in 1946. It may be clear that innovation is not for people who do not have a lot of patience. However, when organizations evaluate the performance of their employees every three months, it stands to reason that the focus is not on the long term that is needed for innovation. Due to the resulting short-term vision, people no longer see the connection between what happens now and what may be the long-term consequences. According to the Italian scientist Maurizio Catino, many organizations do indeed suffer from ‘organizational myopia’. Short-term concerns obscure the long-term vision that is needed, and “the urgent drives out the important”, as Henri Kissinger once said.

In addition to patience and a long-term perspective, successful innovation also is about knowing how to innovate. Few things are more tragic than a brilliant idea that is poorly developed and as such was unable to be turned into a successful innovation. This is why many scientists and consultants are looking for the best way to manage the innovation process. This search can be seen as a quest for the ‘philosopher’s stone’. After all, once an organization learns how to innovate, the road to success is wide open. If an organization understands which factors are involved in successful innovation, it has become an innovative organization. Good practices are not enough, the quest for the optimum approach to innovation has to lead to a unique set of best practices. This is why, from time to time, scientists as well as consultants announce that they have finally found the best way to innovate. A famous example is the
book ‘In Search of Excellence’ by Peters and Waterman, who, after carefully studying the most successful companies, were able to identify the crucial success factors. Unfortunately, a few years later, it turned out that the companies they had investigated were no longer as successful as they once were. One of the reasons may be that Peters & Waterman simply invented a lot of their data, but it became clear that success factors are not eternal but subject to change. Nowadays, many people believe in the concept of 'open innovation' that was developed by Henry Chesbrough and that encourages companies to share their innovative knowledge and skills with each other.

Unfortunately, things are not that simple. When it comes to innovation, there are no 'certainties', and every organization will have to develop its own style of innovation. And although that means that there is no 'one size fits all', there are certain tendencies (but not 'laws'). For instance, incremental innovations often start with market research, and radical innovations with technical breakthroughs. And in some sectors, regulation and lengthy testing trajectories play a crucial role, while in other sectors, a quick time-to-market is essential.

As mentioned earlier, innovation involves taking risks. Doing things you have never done before. It also means that innovation management is not management in the classic sense of the word (i.e., control), and that it involves more than managing processes. To understand innovation, one needs to draw a distinction between innovation management and project management. Project management sticks to familiar paths and avoids risks as much as possible, while innovation management is about exploring those risks. Innovation management embraces uncertainty, while project management tries to manage it. The construction of the North-South line of the Amsterdam subway is a good example of the distinction between the two. As a project, it was a failure in terms of time and money, but as an innovation, it was a success, because it allowed people to drill for the first time in soft soil in a residential area. Of course, the difference is a gradual one (a day before the introduction of a new product, there is more project management than innovation management), but it is more than a merely semantic distinction, because it is an indication of the actual innovativeness of an organization. It is only when an organization accepts that innovation processes can fail that it can become a truly innovative organization. That is why governments have so many problems with innovation, because they want to minimize risks.

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when they are spending the taxpayers' money.

Innovation requires a long-term vision, a flexible innovation process and an awareness that innovation is an inherently risky process. That does not make innovation any simpler, but there is no real alternative. However, innovation is also fun, which makes innovation a 'necessary luxury', one that is possible for any organization, provided they pay attention to the elements outlined in this article.

References


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BOSS Magazine 52