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Improvement and innovation: the virtuous cycle

Tony Manning

Here's a challenge: You've been cutting costs from your business for a year or more. You've downsized, outsourced, cut your debtor's days, and stretched payment to your suppliers. High interest rates are keeping shoppers away. The rand has strengthened, so you can't repeat those one-time gains you enjoyed when you hiked your prices a year ago, and you face competition from imports. What do you do?

Some advisors would say you've got to focus on productivity. That you have to be even tougher – shed assets and people, put a stop to all entertainment, fly economy, and take biscuits off the tea trolley. And that you also have to push hard for *improvements* in everything you do.

Others would see this as a short-term fix. They'd warn that you can only cut so far before you start slicing into muscle and bone and crippling your company. The better course, they'd say, is to get *innovative*. To think out of the box and develop a radically new, disruptive strategy that will delight your customers and catch your competitors unawares.

So who's right?

Should you aim for improvement or innovation?

Listening to the management gurus, you'd think these were two diametrically opposed possibilities. You'd get the impression that you can do either one or the other, but not both – and definitely not at the same time. And that if you start down the improvement path, you might never make the jump that innovation requires, whereas making innovation a way of life will surely produce a wave of ideas about improvement.

Harvard Business School professor Michael Porter says that strategy is about running a different race, not about running the same race faster. It's an appealing message – especially to gung-ho executives who want to show they're bold and creative, and enjoy killing sacred cows.

And of course, "radical" sounds a lot sexier than "incremental." (Imagine the difference in delegate numbers at a conference on "How to improve your company's prospects," compared to one headlined, "Radical strategies for reinventing your business"!) Innovation looks a lot more fun than mere improvement. And anyway, innovation surely offers unlimited possibilities, whereas improvement must have limits.

In fact, this is a pretty dumb debate. What looks like an "either or" issue isn't that at all. As an executive, you should never fall into the trap of believing that improvement and innovation are mutually exclusive, and must be managed in different ways, at different times, and maybe even by different people.

For one thing, every company operates in a constantly-changing environment. The customers who are right for you today may or may not be best for you tomorrow. And competitors will continually offer new products and services. So you have to keep checking your focus and testing your value proposition. And you have to keep re-jigging your delivery system, to make sure that you can promise the value that's most attractive to your chosen customers at the cost that's best for you.

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Secondly, while running a different race sounds appealing, the reality is that you might not be able to do it for long. For in this information age, competitive firms decode each other's strategies extremely fast, and in no time at all everyone races down the same path.

And thirdly, as Japanese firms have shown in one industry after another, competitive advantage often comes from "the samurai's 1 000 tiny cuts" – from doing 1 000 things 1% better rather than making one change of 1 000%.

Whether staying ahead takes improvement or innovation doesn't matter. Besides, *doing something better usually demands that you find a new way of doing it; and doing different things or doing things differently often happens as a result of pushing the performance limits.*

I have long been an advocate of continuous and aggressive change in organizations. (One of my books was titled *Radical Strategy*.) But after many years of working closely with major companies in just about every industry, I've learned that:

1. There is seldom one best way to do anything.
2. You have to walk a fine line between continuity and change.
3. If you don't get the basics right, your breakthroughs may sink you.
4. Innovations are not all of the "big bang" variety; many seem insignificant but can be worth a fortune.
5. Suggestion schemes are mostly a waste of time.
6. Dishing out prizes may encourage people to make a difference, but nothing beats creating a climate in which they *want* to be inventive.
7. The only way to encourage either improvement or innovation is to ask everyone you see, every day, "What have you done differently and better today?"
8. If you keep saying "no" to ideas, you'll get no ideas.
9. Praising small ideas triggers big ones.
10. Rapid, complete, and regular feedback is essential.

Of course, a lot of experts will take issue with the notion that improvement and innovation are two sides of the same coin. They'll haul out evidence that while improvement can happen just about anywhere, innovation needs a special approach – which is likely to include "skunk works," big budgets, people with green hair, and so on.

To which there's just one reply: the new value that tomorrow's customers will expect is most likely to come from doing some of today's activities better, and also from doing some different things. Exploring new possibilities should be everyone's business. To hire potentially smart people and then limit their imagination is not sensible.

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