Innovation

Innovation has recently replaced *Agile* and *Excellence* as the accolade of choice in the business press. A dozen books have been published on the subject in the past six months. Business magazines devote special articles to the topic and *Business Week* gives annual awards for the most innovative companies. BPTrends has run several articles on innovation and we are currently running two Columns that focus on aspects of innovation. Given all this attention, it is probably worthwhile to step back a bit and ask just what innovation is and why someone who is focused on process change might be interested in the subject.

Merriam Webster's Collegiate Dictionary suggests that innovation involves: (1) introducing something new, which can be (2) an idea, a method, or a device. *The Oxford English Dictionary* (OED) suggests the word is derived from Latin, where it referred to the introduction of novelty and that it was first used in English, in something like its current meaning, in 1297. Clearly, we are not talking about a new concept here. Equally clearly, businesses have always tried to be innovative. An entrepreneur creates something new when he/she starts a new business and a manager is innovative when he/she introduces a new process. Marketing is innovative when they introduce a new ad campaign that gets a lot of attention and new product development innovates when it uses new technology to create a new product or service.

The font of modern management theory, Peter Drucker, published a book entitled, *Innovation and Entrepreneurship* in 1993, and dozens of business authors have written about the topic since then. Drucker argued that entrepreneurship required innovation. Today, most writers suggest that, in a rapidly changing world, all companies need to innovate to survive
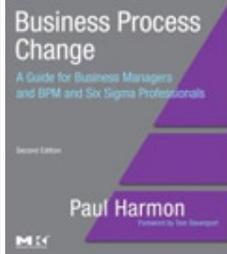
If we focus more narrowly on innovation in the context of process change, we can divide the recent literature, very roughly, into three broad categories. One school stresses creativity and focuses on brainstorming and a variety of related techniques that can help teams of people think of alternative ways of accomplishing a task. This school might be summed up as the creative thinking school.

A second school derives from the work of Genrich Altshuller, a Russian theorist who has created a systematic or "engineering" approach — called TRIZ — which can be used to examine problems and generate new possibilities. TRIZ (pronounced "trees") is a Russian acronym that means something like the theory of inventive problem solving, and it was originally developed in conjunction with work on patent analysis. Howard Smith has posted a set of films made of Altshuller explaining his methodology on YouTube at http://www.youtube.com/results?search_query=altshuller&search=Search. Most of the early interest in TRIZ in the US was generated by Six Sigma people who adopted TRIZ for use with Six Sigma improvement efforts. Recently, Howard Smith has written a masterful series of Columns for BPTrends in which he shows how TRIZ can be used in conjunction with process redesign.

The third major use of the term innovation in conjunction with process change has been driven by Michael Hammer, who has written on the importance of innovation. A good example is Hammer's April 2004 *Harvard Business Review* article: "Deep Change: How Operational Innovation Can Transform Your Company." Hammer contrasts innovation with improvement and suggests that there are times when you simply want to improve existing processes and then there are other times when you want to innovate and completely change the way you do business. In other words, Hammer is using innovation as a synonym for reengineering.

We've heard people argue that innovation distinguishes between process improvement and process redesign. Hammer seemed to suggest that innovation distinguishes between reengineering and either redesign or improvement.

We suspect a broader view is needed. Let's face it! Almost everyone is engaged in introducing new ideas, new methods, and new devices. Some are "newer" than others, no doubt, but everyone is looking for new ways to get things done. Clearly, if we are going to

make sense out of innovation we are going to need a continuum. The best source of such a continuum that we've found is provided by Charles A. O'Reilly III and Michael L.Tushman in another *HBR* article, published in April of 2004, entitled "The Ambidextrous Organization." O'Reilly and Tushman reviewed a lot of examples of innovation and ended up proposing the following continuum:
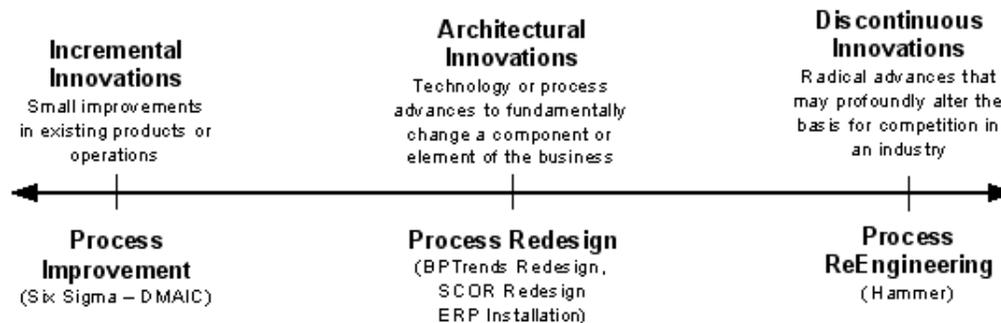

Figure 1. The O'Reilly-Tushman Innovation Continuum.

The area above the arrow shows the three categories that O'Reilly and Tushman used to map the various examples of innovation they studied. Below the arrow, I've added the three general approaches to process change, and below that I've suggested where the three most popular innovation techniques might apply.

Obviously, Figure 1 is a continuum and there are all kinds of instances that lie on the line between Incremental Innovations and Discontinuous Innovations, but at least this figure suggests why all kinds of people will be using the term innovation to mean different things. During the next two to three years, while the term continues as a buzz word, we'll undoubtedly publish a variety of articles on BPTrends that will describe activities at different points along the continuum. We'll try to discriminate between innovations that are incremental, those that are architectural, and those that are discontinuous, but we suggest that readers will want to keep the distinction in mind and apply it themselves whenever they read a new article or book on innovation.

So, there are different kinds of innovation. That raises the question: Should an organization try to focus on one type of innovation rather than another. Was Hammer right, for example: Is Discontinuous Innovation the key? This is an issue that O'Reilly and Tushman considered in their *HBR* article in April of 2004. Their answer: smart organizations divide their organizational units into two groups. One group focuses on existing business and the other focuses on emerging business. Put a different way, one seeks incremental innovations in all areas and one seeks architectural or discontinuous innovations in more specific areas. And one adjusts one's approach as things change.

Coming at this from a slightly different angle, there was a chart that Hammer and others popularized in the late Nineties that showed how companies go through periods of improvement, punctuated by periods of more rapid change. If we imagine a large company, it is easy to imagine that different departments or business units would be changing at different rates. Some would be primarily focused on improvement while others might be focused more on redesign. A few might be undertaking major reengineering efforts. This is what we suggest in Figure 2. This, in essence, is what O'Reilly and Tushman suggest that companies should foster. Similarly, this is what most business process management theorists recommend. No company can be constantly locked in the throes of reengineering or discontinuous innovation. Sometimes radical change is necessary and at other times you need a more restricted redesign effort. Most of the time a company will simply be engaged in ongoing process improvement.
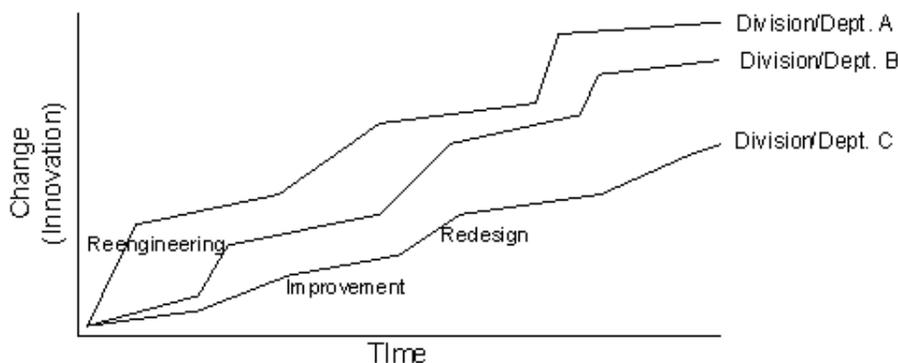
Figure 2. Some divisions or departments are changing more rapidly than others.

Once you realize that innovation is usually just a synonym for process or product change and accept that there is a whole continuum of possibilities, the trick becomes a matter of managing the mix.

The interest in innovation, in all its forms, has yet to peak. We will be hearing a lot more about innovation in 2010. Getting a good idea of what's involved, and focusing on what's important, and what can be used at your company today is important. Similarly, every reader should understand that there will be a lot of nonsense peddled in the name of innovation and should try to avoid getting carried away by either narrow definitions or by the spurious correlations that always seem to accompany any hot new business jargon.

Here are a few of the BPTrends Articles we have published on innovation in the past few years. They will provide you with a good background on the topic and some nice examples of the varieties of innovation taking place in the process world.

Extreme Competition: Cloud Computing Management Innovation. Peter Fingar - December 01, 2009
Peter Fingar describes the power of process driven Cloud Computing and suggests that organizations taking a wait and see attitude are travelling at their own risk. In fact, he posits that the best way to undermine your competitors is to tell them that Cloud Computing is just a bunch of hype. Read his Column for complete instructions.

Innovation: Leadership Qualities that Enable Innovation. Victor Howard - May 05, 2009
Victor Howard contends that accomplishing transformation is the mission of organizational leaders, and the process of transformation, more often than not, involves innovation. In his Column this month, he discusses the three qualities common among all leaders who successfully deliver innovation - focus, foundation, and freedom. Read Victor's insightful observations on how successful leaders use these qualities to enable innovation.

Beyond Survival: Thriving on innovation in a Down Economy Laura Mooney - March 03, 2009
Laura Mooney, Vice President of Corporate Communications at Metastorm, warns against the impulse to cut, cut, cut in response to the unfavorable economic environment. Instead, she exhorts companies to focus on innovation to create opportunities for new revenue and to leap ahead of competitors who are in survival mode. By looking ahead and pursuing innovation, you can emerge from the economic downturn stronger than you were at the outset.

Innovation: A Simple Approach to Accelerating innovation Victor Howard and Clay Richardson - November 04, 2008
Victor Howard and Clay Richardson wanted to address the subject of innovation and SOA, so they sought the expertise of a colleague, Puspendu Pal, who is the Lead Architect for Project Performance Corporation's Business Process Improvement Practice. Their efforts resulted in a compelling argument for applying a top-down rather than a bottom-up approach to implementing a SOA framework. Read their Column for the details.

Knowledge Reuse and Agile Processes: Catalysts for Innovation by Amit Mitra and Amar Gupta A book review by Paul Harmon - June 03, 2008
Mitra and Gupta have now published the third volume in their magisterial series that seeks to define and explain organizations in terms of their knowledge structures and business rules. Paul Harmon reviews the book and discusses it in relation to the other books in the trilogy.

Creativity Management—The New Challenge for BPM Michael Rosemann - May 06, 2008
Stefan Seidel and Michael Rosemann ask if BPM, in addition to its many successful applications, can also facilitate the management of creativity, an all-important component of innovation. The authors believe it can, and hope to set a baseline for further discussions on creativity-oriented BPM. Read their provocative Article and join the discussion.

A Strategist's Perspective: Competing with Process innovation Jim Sinur - March 04, 2008
In his Column this month, Jim Sinur brings a different perspective—a "softer" one—to the conversation about process innovation. He presents seven anecdotes, which he calls "seven symbols of success," that demonstrate how process innovation can be applied to improve human relations and interactions. From avoiding railroad disasters to handling the devastating effects of hurricanes, these stories offer a compelling read.

[Innovation Out of the Box](#) Kiran Garimella - July 03, 2007
Kiran Garimella posits that innovation is the most important imperative for an enterprise's continued growth and competitive advantage. Read how collaborative interactions, facilitated by sound business process management practices, can foster innovative thinking in an organization.

[Process innovation: # 10 P-TRIZ](#) Howard Smith
Howard Smith has written ten columns on the P-TRIZ methodology that he has developed. This is fascinating stuff and everyone interested in Innovation owes it to themselves to download and study these columns and the free software tool — Southbeach — that Smith has developed to implement this Innovation approach.

[BPM and Six Sigma: innovation behind the Scenes](#) Phil Samuel - March 06, 2007
This month, Dr. Phil Samuel is David Silverstein's guest author. In his Column, Dr. Samuel proposes to expand the current discourse on the synergy between BPM and Lean Six Sigma beyond entitlement performance to include innovation approaches which create new value through creativity and redesign.

[BPM Down Under: Process innovation](#) John Jeston - July 11, 2006
This month, John Jeston and Johan Nelis offer a broad overview on what's involved in process innovation and suggest how the challenges vary as one attempts to apply it to larger and more complex processes.

[INsourcing innovation by David Silverstein](#) - Book reviewed by Paul Harmon December 06, 2005
At DCI's November BPM Conference, in San Diego, Michael Slocum gave a popular keynote on innovation. In this book review, Paul Harmon looks at the book that Slocum co-authored with David Silverstein and Neil DeCarlo.

Till next time,

Paul Harmon