

Column: Block-by-Blockbuster Innovation

by Rosabeth Moss Kanter

Innovation retains a tinge of risk. In early 2010, product recalls (Toyota Prius) received as much press as product launches (Apple iPad). At the World Economic Forum, a global bank chairman blamed the financial crisis on excessive innovation, arguing that the focus should be on operational improvements.

But as companies emerge from recession, some leaders want to ignore risk as they call for breakthrough innovation. At recent top-management retreats, I heard CEOs singing that same tune: Stop wasting time on incremental innovations; we want only breakthroughs.

I applaud the returning interest in creating future growth through bold innovation—but not the return of rhetoric devaluing continuous improvement or presenting incremental and breakthrough innovations as polar opposites. This false dichotomy is one thing that makes innovation risky, beyond the inherent uncertainty of change.

Even if a company is fortunate enough to find the next Kindle, Swiffer, or smartphone, blockbuster products don't spring to life or work in the marketplace without the many incremental changes that make big innovation possible, such as new processes or market development techniques. Transformational ideas can require the retooling of partner networks or distribution systems. For example, to launch new, lower-cost products that helped change the game in Brazil, P&G developed small innovations in packaging, manufacturing, customer relationships, and communication methods. Breakthroughs can also require incremental innovations to monitor risks and unanticipated consequences.

Companies don't need pendulums swinging to extremes; they need foundations for generating innovation of all kinds. I've found it effective to think of an innovation system as a pyramid.

At the base are a large number of small ideas, solicited regularly from anywhere inside or outside the organization. Continuous improvements and incremental innovations can be implemented immediately. Early-stage ideas with bigger potential can be elaborated upon with minimal time or funding. When companies emphasize this base, they ensure operational excellence and empower everyone to participate in a culture of creativity and change.

The middle of the pyramid is the new-opportunity incubator. It contains a portfolio of projects, prototypes, and ventures with growth promise. These initiatives have their own identity and space for development and testing.

At the pyramid's peak are a few major bets about future directions—technologies, growth businesses, and themes that get priority for resources and management attention because of breakthrough potential. Top leaders' clarity about these bets should guide the types of ideas that start out at the base without constraining creativity.

An innovation pyramid can be open, transparent, and dynamic. Ideas move in, up,

or across the pyramid by design or through self-organizing teams. For example, virtual worlds became an IBM innovation priority and the smart electricity grid a Cisco strategy through raw ideas circulating among professionals before they emerged as business opportunities.

Incremental and breakthrough innovations go together. Companies need all the blocks of the pyramid. Perhaps we should refer to highly successful innovations not simply as blockbusters but as block-by-blockbusters.