



WHY WE CAN'T INNOVATE

BILL FISCHER ON THE SIX REASONS WHY COMPANIES ARE NOT DOING ENOUGH FOR THEIR FUTURES

By IMD Professor Bill Fischer

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

“Ad Hoc, slow, short-term, insular.” That’s the overall characterization of corporate innovation processes that appears in a recent [“State of Innovation” report by CB Insights](#), based on a survey of 677 Corporate Strategy executives. While a lot about the identity of the firms in the sample remains unknown, the conclusions appear reasonable and support familiar reasons for alarm. Despite 41% of the respondents admitting that their firms are “at extreme risk of disruption,” 78% of innovation portfolios are allocated to continuous innovation instead of disruptive risks. It’s a phenomenon we see daily: we are at risk, we know it and yet we choose not to respond in an appropriate fashion. The reasons why for such paradoxical behavior are not addressed in the CB Insights report, but I believe that they can be gleaned from numerous conversations that we have had with a wide variety of corporate executives.

Winning the future through innovation is not an alien idea to most imperiled market-leading incumbents. My experience is that they full-well understand the risks that they face from outsiders, they also are totally aware that only disruptive innovation will save them from those who intend to disrupt from outside and they are well-versed in such fashionable practices as design thinking, lean startups and open-innovation. We are talking about smart, successful managers in well-respected companies, after all. They know their craft well; but they just can’t innovate! It’s not their fault, they tell me; they are [ready, willing and able](#), but too many forces conspire against them. Try as they may, and they do try they say, it is simply impossible to innovate in their situations. I think that they are telling me the truth as they see it, but I also think that they see it wrong. Let’s look at some of the most familiar reasons that we are told account for innovation not being pursued or not being possible to do:

- **“We know the customer well. We’ll know when they want something new.”** In fact, this is almost never true. The number of executives that I work with in B2B or B2C industries that are really up-to-date with their customers’ needs is incredibly small, and the notion of a customer journey is something that is not commonly articulated, especially in B2B markets. A colleague told me that last week, among a group of 45 senior executives in a Scandinavian B2B market leader, only 12 had ever been to a customer site. How can we be customer-experience-centric if we have no first-hand familiarity with what this means, or how it works?
- **“The future is forever, but the present is this quarter.”** I hear this frequently. We are so short-term results driven that we are forced to put off for the future good ideas whose time has come. The growing problem with this, among so many, is that today’s future is shorter than it used to be. With accelerating innovation cycles, industry convergence and lower barriers to entry, S-curves are shortening, and, as a result, the future is advancing quicker.
- **There’s no sense of urgency.** This is almost never explicitly articulated, but you can feel it in the cadence of the company’s work, or the recognition that the short run is always trumping the long. This affects nearly every aspect of an organization’s life. When BCG speaks of organizational *vitality*, it emphasizes the that [the vital company](#) builds its future through developing growth options, which are generated by top management thinking differently and the firm supporting this new thinking by investing in the right capabilities. Companies without a sense of urgency don’t do such things. As a result, they have few, if any, real growth options.
- **“I’m not in the innovative group.”** Too many of the organizations that we see are so tied-up in their organizational structures, processes and ownerships that they are unable to recognize and harness the innate creativity that resides within their workforce. Turf-battles, expertise domains, certification, and assumptions about appropriate experience all get in the way of addressing an innovation challenge in the most effective way possible. In all too many instances, “innovation resumes” are studied with the attention typically accorded to filling a seat in a classical symphony orchestra, while jazz and rock groups who are also filled with considerable talent, succeed on the basis of what someone can do next, not what they did in the past. Frequently, the least impressive innovation groups are the ones most insular and procedural in terms of hiring.

- **We are too process-oriented to be wild and crazy.** [Innovativeness thrives with discipline.](#) The most innovative groups typically rely upon processes to ensure that their craziness is best-expressed. Andy Boynton and I, in our [Virtuoso Teams](#) project, discovered that innovation magic occurs at the very moment that each member of an innovation team believes that they have full freedom to add their best ideas, while top management believes that it is in complete control; both, at the same time.
- **Our margins are too thin to innovate.** In fact, this may be the most frequent excuse heard for not pursuing big innovation and the best response to such a shortsighted view is "stay with this attitude and you've not seen anything in the way of thin margins, yet!"

Greg Satell has recently reviewed the [innovation experiences](#) of several companies, GE and IBM, included, and has found, among other things, that a failure to be on top of market trends, an inability to give up traditional metrics when the reality of the market is changing profoundly, and a failure to seek out grand challenges for the future are all part of the reason that so many firms cannot innovate. My good friends and colleagues Cyril Bouquet and Jean-Louis Barsoux have written about [the five myths of innovation](#). They recognize that innovation is the lifeblood of any organization, but that there is also a mythology of innovation that frustrates real change and a greater reliance upon innovation as a strategic necessity. Their myths are about why innovation processes do not succeed. My concerns, as indicated above, are that it never gets started.

[Bill Fischer](#) is Professor of Innovation Management at IMD, and co-director of the IMD-MIT/Sloan Driving Strategic Innovation Program.

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