

# Just What Is Innovation?

Mike Collins



Innovation is not just about coming up with new ideas and products— it's also about changes that lead to growth and differentiation. Before you address new products, services, technologies, and processes, you need a foundation that leads to innovation. Here are 6 factors that will help foster an organization of innovation:

**1. Leadership** — Innovation means change, experimentation, and new ideas which are inherently risky. If a company leader is risk averse then the company and employees will be risk averse. The best leaders that I have met who promote innovation are people who have been entrepreneurs and have worked in the marketplace. They are comfortable with risk and are willing to take the chances necessary to grow. If the leader is not fully supportive of a creative environment and doesn't inspire the employees to take chances, it will not happen.

**2. Tolerance of experimentation** — Pushing authority down to the people who do the work means empowering them to experiment with new processes and procedures. This entails a culture that promotes risk-taking and pushing employees out of their comfort zones. It means convincing them that they do not have to fear criticism and reprisals for their mistakes and rewarding them for their successes.

**3. Hiring creative people** — Why is it that small start-up companies often have more than their fair share of creative people compared to a 500 person mid-size manufacturer? Could it be that as the company grew and added employees that the organization automatically changed to include more rules, controls, and management tools to manage more people? Once this level is attained, flexibility and innovation can get crushed and the hiring of new employees will turn to safe employee profiles and against the oddballs that may be creative. To re-create the innovation culture, some companies have developed teams of creative people,

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formed separate organizations to develop new ideas, or purchased a start-up company.

**4. Having a product development process** — Structured processes are often seen as the enemy of creativity. But some of the most successful manufacturers have a defined process. If you are committed to developing new products and services you really need to develop a process that everyone understands. The process will enhance the chances of success from ideas to market introduction.

**5. Organization** — The best organization to promote a culture of innovation is a flat and de-centralized organization where authority is continually pushed down to the people who are doing the work. I call this a "prospector" organization, and I find it to be a type of manufacturing organization that works well in a changing environment. A prospector's prime capability is in finding and exploiting new product and market opportunities.

Indeed, formalization is a means of reducing the probability that "deviant" behavior will occur but, in many instances, this is exactly the type of behavior the Prospector is attempting to encourage. Deviant behavior and creativity often go hand in hand.

**6. Idea Generation** — Prospector organizations are designed to monitor a wide range of environmental trends, market changes, and customer problems. The prospector, therefore, invests heavily in individuals and groups who can scan the environment for potential opportunities. A good prospector organization always has at least one person who can interview customers and assess markets to find new ideas for growth on a continuous basis.

### Innovation Results

If your company decides to find new customers in new markets, you will inadvertently commit yourself to new products and services. This is an opportunity.

That said, new processes may be just as important as new products. Ron Davis, CEO of Davis Tool, saw the writing on the wall as commodity job shop parts were sourced more and more from Asia. Davis Tool decided to change their strategy by offering quick turnaround on custom or low volume jobs. Davis knew that many of their customers were operating on a just in time basis and could not live with the uncertainties of using foreign suppliers as long as the deliveries were quick.

To support the new strategy required adopting the new process of vertical integration. Davis now offers machining, fabrication, nickel plating, anodizing, laser cutting, tool design, Solid Works, Pro-Engineer, powder coating, painting, and engineering design from one location. This strategy allows Davis to offer very quick deliveries and gives them control of most processes. The result of the new strategy is that they have reduced their flow time (average time a work order is open) from 40 days to 17 days.

### Warning Signs

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In his 2006 report on innovation<sup>1</sup>, Joel Popkin says three main inputs are used to create economic wealth. The first input is the nation's stock of knowledge. R&D is the main ingredient for the growth of knowledge. The second is its stock of tangible physical assets such as plant and equipment. The third is human capital—the nation's labor force and its level of training and education. Productivity links these inputs to economic output.

- The Popkin report makes the point that U.S. manufacturing innovation is at risk, and there are some critical warning signs:
- Outsourcing is transferring American R&D to foreign countries.
- The US share of global trade is shrinking.
- The manufacturing sector is experiencing a broad shortage of skilled workers and young people are generally not interested in manufacturing as a career.
- U.S. growth in R&D has averaged only 1 percent since 2000.

Most people don't realize that manufacturing's leadership position in innovation and high value products is what will sustain long term economic growth, productivity gains, and the standard of living of most workers in the economy. Our innovation edge is what creates the real wealth of the nation and it supports many other parts of the economy. Most of the R&D that feeds this innovation in our economy still comes from manufacturing (not services).

Popkin concludes that, if the innovation process goes offshore, America will lose much of its capacity to generate wealth and that decline in long term economic growth is assured. So the secret to improving innovation is to focus on growing manufacturing.

1) US MANUFACTURING IS AT RISK, Joel Popkin and Kathryn Kobe, the Council of Manufacturing Associations and the Manufacturing Institute, February 2006

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