

Ultimate Motivation

“Anyone can innovate if his life depends on it.”



By Larry Farrell

The cost of innovation, as measured by patents acquired and products developed, is an astounding twenty-four times greater at large companies than at small companies. If you're the CEO of a Fortune 1000 bureaucracy, stats like this—revealed nearly a quarter-century ago in a landmark study of California companies—can keep you awake at night. If you're an entrepreneur, it's the best news you'll ever hear. High-speed innovation is the entrepreneur's secret weapon—and the best part about it is that it's virtually free. It's the fastest, cheapest, and surest way to beat the competition.

Little has changed over the years. If anything, it's gotten worse for big business. Smaller, more entrepreneurial companies can, and regularly do, beat the socks off their larger, more mature competitors. And almost always, their competitive advantage is that they move faster and are more innovative than their larger rivals. The bottom line: Entrepreneurs and their high-growth companies are producing the lion's share of new products, new jobs, and economic growth the world over.

The response of big business to all this hasn't been to get smaller (heaven forbid!) or even to create small, entrepreneur-style divisions that could better compete with their more entrepreneurial rivals. No, when the business press began touting innovation and speed as the new, smart way to create growth, big companies did what big

bureaucracies do best: They created new departments, new procedures, and new mission statements. Corporate innovation departments sprang up everywhere. Expensive R&D labs were built. Executives were sent off to elite B-schools to hear professors theorize about creativity. Blue-chip management consultants were hired to study the company's "innovation processes." And, of course, companies crafted new mission statements proclaiming innovation as their core value. Hello, more management gobbledygook; goodbye, high-speed innovation.

To find out what really produces innovative action—and double-digit organic growth—here's a more modest (and innovative) proposition. If high-speed innovation is dead in many big bureaucratic organizations yet alive and well in small, entrepreneurial businesses, why not look there for clues? When you do, you won't find innovation departments, or giant R&D facilities, or elegant mission statements. What you will find is a top-to-bottom sense of necessity about beating the competition combined with an urgent mandate to do something about it. It's called the necessity to invent and the freedom to act—the entrepreneur's two golden rules of high-speed innovation.

The good news is, as Akio Morita was fond of saying: "Anybody can be innovative and fast-moving if his life depends on it." The founder of Sony, Japan's most innovative big company, learned this essential

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truth about human behavior the hard way. Like everyone else in devastated, postwar Japan, Morita was obsessed with survival. With no jobs, money, or raw materials to use, concocting something that someone might buy was an absolute necessity to putting rice on the table. While the rest of the world was convincing itself that the Japanese weren't innovators, Morita was crawling around on his hands and knees in a bombed-out building in Tokyo, cutting kitchen wax paper into long strips and coating

At 3M, they are simply brimming over with the freedom to act.

them with ferric oxide (produced in a frying pan) to make Japan's first recording tape. This goes to the heart of the matter, proving once again that necessity is the mother of invention. It also helps explain why a too-big, too-comfortable bureaucracy is the last place you'll find high-speed innovation. We all know that more gets done in a day of crisis than a month of complacency, so the trick is to re-instill this sense of urgency in the business—so that innovation becomes a necessity and everyone has the freedom to act, and act quickly.

Larry Hillblom expanded his business into 120 countries in ten years—the fastest international expansion of any company in history—because he believed that having a global network in place was an absolute necessity to making DHL a success. Most amazing of all, he did it with no financing and no business experience. In the process, he invented the international-courier industry and created a \$28.5 billion company with 160,000 employees. These things can happen when you truly feel the heat of necessity. Hillblom told me that the company pulled it off for one reason only: “We did it because we believed we had to. No network, no business. And we didn't know there was any other way than bootstrapping it, which was lucky. If we had spent our time writing business plans, lining up bank financing and venture capital, and using headhunters in fifty countries, there would be no DHL today.”

If you can follow only one golden rule at a time, you'd better make it the freedom to act. Innovation without action might get you a Nobel Prize, but it won't get you a product or a customer. Enter Ed Penhoet, founder of Chiron, one of the world's top three biotech success stories. Before I met Penhoet, I assumed that success in biotech depends on how smart your scientists are. I was in for a big surprise: “Chiron's overall competitive advantage is speed,”

he told me. “The reality is, this industry has always been a horse race. In our field, we're all smart. We all know what products are needed and what research has to be done. So just being smart doesn't give you a competitive advantage. The value only comes if you get products to the marketplace. The winners in biotech are the ones that get to the finish line first! Our history has taught us—after all these years of being in a horse race—that you have to focus on speed of action, at all levels, as the key element in building the business.”

To prove the point that very large, mature companies can keep the entrepreneur's secret weapon alive and well, welcome to the world of 3M. From its beginning in 1902 when five miners invented sandpaper to avoid going bankrupt with their “worthless” gravel pit, this has been a business built on a single-minded strategy: to grow by inventing new products. And do they ever! 3M has the highest percentage—around 30 percent—of new-product revenue of any large company in the world. (“New” means products invented within the past five years.) With \$18 billion in annual revenue, 67,000 employees worldwide, and hundreds of new products introduced every year, how does this century-old company maintain its amazing record of innovative action?

For starters, it isn't from overspending on research. 3M's R&D budget is average for its industry. The company innovates and moves quickly, first and foremost, by *aiming* to do so. Its most important strategic goal each year is hitting the 30 percent new-product revenue target. Everything in the company supports this goal—from the corporate culture, to who gets promoted, to declaring “daydreaming” an official activity for engineers and scientists. If you ask 3M people for the secret of their success in inventing new products, they'll come up with stories about “accidents, mistakes, and failures.” They will proudly tell you about the laboratory accident that led to the discovery of Scotchgard. Or you'll hear about the adhesive that failed all of 3M's product tests—it wouldn't stick—and ended up as one of 3M's great all-time winners, Post-it Notes.

Below this crazy collage of practices and beliefs, it's clear that a couple of powerful forces are at work at 3M. First, across the company there's a passion for and a belief in the necessity to invent. For 3M people, innovation is not the icing on the cake—it *is* the cake. Second, they are simply brimming over with the freedom to act. From the CEO to the front-line worker, experimenting, bootlegging new products, and making mistakes along the way are part of the job. Moving quickly and being innovative is expected of everyone. Shouldn't you expect it of all your people too? ♦