



DOGMABUSTER: ON WHY IMPROVEMENT VERSUS INNOVATION IS NONSENSE

by Bruno Pešec

Have you ever daydreamed whilst gazing at the cloudy sky?

Perhaps you noticed those whitish, fluffy, almost cotton-like clouds? You know, the ones we like to play associations with? "This is a cat!" "No, it's a heart!" Those clouds are known as cumulus.

On the other hand, those dense, bunched-up greyish ones which seem much closer than they really are, are better known as stratus. And those long, flat, and hazy clouds which look like somebody smeared them over the sky are better known as cirrus. Fun fact: the latter are usually made of ice crystals.

Luke Howard, an amateur meteorologist, identified and named three above mentioned cloud categories—cumulus, stratus, and cirrus—in the 19th century. He did so by meticulously documenting the weather, and consequently, analysing all the collected data. Based on that he came up with a system of names.

What is interesting is that the process of distinguishing different clouds was not a simple divisive categorisation. Rather, it included discerning which cloud types were "simultaneously different from and related to one another."

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Ultimately, his contribution was so useful we still use it today, and Luke Howard is known as “the father of meteorology.”

The same cannot be said for often ill-conceived hard separation between continuous improvement and innovation. Whomever has decided those two are so fundamentally different that there is a trade-off between them, must have had some secret agenda.

When speaking to people at different organisations, the arguments seem to be based on what part of the “profit formula” is impacted. If it has to do with minimising expenses—i.e. cost reduction, waste elimination, process efficiency—then it’s chucked into the improvement bin. And if it is about maximising income—i.e. generating revenue, increasing the margin, new product introduction—then it is innovation.

Such categorisation is simply wrong, damaging, and detrimental to the organisation. Read on to learn why. At the end of the article I even propose a useful lens to distinguish between continuous improvement and innovation initiatives.

1. Processes

What is innovation about?

What is improvement about?

Why should organisations even bother with any of the two?

In my view, continuous improvement and innovation are about everlasting generation of value for customers, employees, and society.

Both processes (or process families, to be more exact) must create value. How they do so might be different, of course,

but they ultimately feed into the same outcome: better tomorrow for all involved.

If we dig a bit deeper, we can quickly find other commonalities between the two. For example, both benefit from attentive and observant mind. Spotting an opportunity, an issue, a problem, or a frustration is a skill that can be developed and nurtured. And it is critical for creating value. Customer interviews and ethnographic observations would be two examples in the innovation space, while Ohno circle and gemba walk would be two examples in improvement space.

Becoming aware of something is an important first step. What is required next is systematic approach to learning all about the spotted opportunity or issue. In both cases we must drill into the root cause; the why; to the very heart of the issue. Plan-Do-Check-Act loop and Toyota Kata are two great examples of learning frameworks in the improvement space. Build-Measure-Learn loop and Double Diamond (Discover-Define and Develop-Deliver) would be two examples in the innovation space.

Finally, both innovation and improvement demand sustained and disciplined engagement. We must deal with hundreds and hundreds of ideas on a consistent basis. In the former case it is due to the fickle and uncertain nature of radical, disruptive, and transformative ideas, while in the latter case it is about sheer volume of small, incremental improvements. Hoshin Kanri with quality

circles and kaizen teams would be an example of disciplined implementation in the improvement space, while innovation thesis with idea portfolio and innovation teams would be an equivalent example in the innovation space.

Allow me to make a parallel to our bodies and physical well-being. It's much, much easier to engage in heavy cognitive work if one has a strong, healthy body. Going for a walk, taking a hike, playing sports with friends; all of those are conducive to better thinking. At the same time, having a clear and sharp mind is helpful when one engages in strenuous physical activity. Understanding the physics and mechanics helps us perform the moves better, clarity of thought helps with adjusting to changing conditions; strength and intellect are not mutually exclusive.

As I mentioned earlier, innovation and improvement have a shared interest in creating value. They differ in how exactly that value is created. At the same time, all the methods I've listed as examples above are mutually beneficial, and not mutually exclusive. There is much to be gained from combining and integrating them.

If only organisational issues weren't preventing us.

2. Organisation

Improvement professionals are usually chucked into some quality function, which itself is usually an organisational appendix

forcefully attached via an international standard that is treated like a check-box exercise. This function is almost exclusively perceived as cost centre.

Innovation professionals are usually chucked into a very nebulous, but attractively named, function. Digital Transformation Office, Directorate of Disruptive Innovation, and Radical Innovation Lab are just some of the examples I've encountered. These functions look great on CV, LinkedIn, and business cards. In organisations' press releases they'll be heralded as the future; the spring of endless creativity and ingenuity; spoken only in superlatives. In reality, they too will be perceived as cost centres that are safe to ax at the first sight of trouble.

What I am aiming at, no disrespect meant to any of the above mentioned professionals, is that improvement and innovation functions in most organisations are set-up for failure. These professionals have so much internal inertia to overcome. To make it worse, the organisation itself will often fight back—accidentally and unintentionally—through existing procedures, beliefs, and ways of work. On top of limited budget and scarce resource allocation.

By positioning improvement and innovation functions as opposite, or somehow conflicted, we introduce yet another contested territory. Is that really necessary with all the tough work these professionals already have to do?

There are sufficient similarities between the two functions to seek, and pursue, synergies. Both have much to learn from each other, both care about making the organisation more successful, and both encounter similar challenges. And both care about creating value.

Which takes me to the next point...

3. Value

What is value?

If we look hard enough in our dictionary of choice, we might find value described as the quality that renders something desirable or the quality of being useful or important.

For our needs it is prudent to distinguish business value from the customer value.

Business value is usually easier to define since most of the businesses will strive for positive financial result. Hence, if something helps business improve its financial performance, without infringing on the organisation's vision, it might be valuable.

Customer value is something that organisations keep struggling with, especially in buyer's markets. Key insight is that we must learn what the customer values most instead of trying to force them to accept what we think they would value.

That can be learned by deeply understanding the customers' goals, desired outcomes, and intentions. Once we quantify that information we can use it as input to our value creation—i.e. improvement and innovation—processes

to create something that customer truly values. And is willing to pay for.

So, what is the issue today?

Organisations tend to demarcate two types of value, focusing their improvement efforts on creating business value and innovation efforts on creating customer value. Which, of course, is once again, nonsense.

Are we forgetting that one of the big, nay, huge, contributions of the Toyota Production System was kicking off improvement processes in response to meeting specific customer demands? Improving on safety, quality, delivery, and cost creates value for both the business and the customer. Doubly so if some of the savings are passed on.

At the same time, what good are innovative ideas that customers like and pay for if they will bankrupt the organisation? Each business has a different level of ambition. Rewards for creating value customers should not be commensurate to the effort and resources invested. They should be 10 times, or more, bigger!

To reiterate, in case I was too subtle. Both improvement and innovation create business and customer value. That is exactly how it should be.

Parting words of wisdom

Now, even if some of the above terms sound novel, I hope that you see there are much more similarities between improvement and

innovation work than you might have thought.

I wish to close this article with some practical advice to bring the two functions closer together:

- **Erase the barriers.** No, not re-organisation. Focus on developing pathways between the functions. Sit down and figure out how best to collaborate. Then prepare few slides and put them on intranet. Then do a tour of other functions and explain how they can benefit from both of you. Then keep repeating that. Forever.
- **Establish shared community of practice.** There is so much you can learn from each other. Method nights, problem challenges, idea marathons, wine-bars, action labs... Facilitate this mutual learning and reap the benefits!
- **Abolish jargon.** Both improvement and innovation people have tendency to use specialised language. Make sure to help each other understand each other. That is usually best done by abandoning jargon and switching to your local language. Alternatively, invent your own organisational jargon and go crazy with it.

Finally, I promised you a “useful lens to distinguish between continuous improvement and innovation initiatives.” In my experience, meaningful distinctions are the risk profile, scope, and typology of idea/initiative/project:

- **Risk profile.** The riskier and more uncertain the idea is, the bigger the scope is, and further from the existing business offering it is, more likely it is to benefit from the innovation process which focuses on reducing uncertainty.
- **Scope.** Ideas that focus on tweaking existing stuff (e.g. features and procedures), that take little time and resources, and are close to the existing business offering, are more likely to benefit from the continuous improvement process.
- **Typology.** My preference is with classification from the perspective of value and customer. Based on that we can have three distinct types of initiatives buckets: core, adjacent or transformational. Core initiatives are about serving existing customers with existing offerings. Adjacent initiatives are about serving new customers with existing offerings or serving existing customers with new offerings. Transformational initiatives, then, are about serving new customers with new offerings.

By quickly gauging the risk profile, scope, and type of each initiative, we can make an informed guess if we should reach out to improvement or innovation professional first. That isn't to say that either should be excluded!

At the end of the day, both improvement and innovation are legitimate pathways to competitive advantage. Why not pursue them concurrently, without setting them up as competing functions? ■