

The Leadership Conundrum: Balancing Innovation & Operational Excellence

How's Your Swing?

People talk about golf swings, bowling swings and tennis swings but the swings that have intrigued me for years are the pendulum-like swings that companies make across the *Operational Excellence/Innovation Continuum* as they seek that elusive balance between the two extremes.

Operational Excellence / Innovation (OpIN) Continuum



Perhaps you've read the book or seen the movie version. Act I. It starts out with a passionate and hungry group of people who have an idea on how to make money or provide value. It might be a product, a service, a process or a market idea. They start a company. Their small number of employees are driven and incentivized to create growth opportunities. Some make, some don't. Some that make it do really well and start to grow larger. The company is running more ad hoc than structured. Act II. Time for a leadership change. The leadership that brought them to this point is now viewed as "just not the right skill set" to lead them into the next phase. They now need leadership focused on operations versus innovation. They need to tighten up and drive structure and cost efficiencies. Spend that was once viewed as an investment in opportunity is now seen as fanciful waste. Act III. The new leadership meets their objectives and costs are down. Their numerous employees are driven and incentivized to create cost saving opportunities. The company is running like a smooth oiled machine. Act IV. Cost efficiencies can no longer provide the needs for the bottom line. Growth is needed but it has fallen off the radar screen. Act V. Time for a leadership change. Let's hurry up and get some innovation going. Act VI. Some make it, some don't.

I am guessing many of you have either seen this movie, heard about it or played a role in some part of it at either the corporate level or at a business level.

It's true and indeed necessary that the proverbial pendulum swing from time to time along the *Continuum*. After all, business needs change. It's just where it swings and when it swings. Are they dramatic reactive moves, moderate moves or smaller controlled movements, or non-existent movements? It's a balancing act as they say.

It's NOT OR - It's AND &

Many times leaders see balancing operational excellence and innovation as choice: operational excellence OR innovation. Long-term successful companies see it as the way they do business: operational excellence AND innovation.

Michael Tushman and Charles O'Reilly III call it the *ambidextrous organization* in *Winning Through Innovation*. Judy Estrin, in *Closing the Innovation Gap*, and John Kao in *Innovation Nation*, present a compelling case for America to refocus on innovation; and A. G. Lafley and Ram Charan tell us how they do it at Procter & Gamble in their book, *Game-Changer*.

From business leaders to researchers to day-to-day practitioners, there is a resounding message: Neither innovation or operational excellence is an option. An organization must have both.

Sometimes it's a swing towards operational excellence. Sometimes it's a swing towards innovation. The question is, are both strategically planned, resourced, sponsored, supported, and executed upon appropriately without atrophying one for other? When resources are limited, Wall Street is watching, and the landscape is changing at incredible speeds, determining the *right*...I mean *best*... balance along the *Continuum* can inadvertently move the leadership conundrum from a balancing act to a juggling act.

👍 *Learning professional opportunity #1: Start the Conundrum discussion.*

How might you engage leaders in exploring where on the Operational Excellence / Innovation Continuum the organization has been & why, and where it is today & why? Ideas: Leverage an upcoming leadership meeting or event. Make it a "prep" event for the strategic planning process. Create a synchronous online learning program on the topic.

What's The ~~Right~~ Best Balance?

Why differentiate between *right* and *best*? Solving the conundrum takes "best" thinking versus "right" thinking when making decisions about balance. And while it involves how leaders at all levels in the organization think, it absolutely must start at the top where strategic planning is done. The *top* can refer to the top of the corporation or the top of an organization – wherever a leader has significant control over business direction and resourcing.

Leaders seeking the *right* balance may realize a number of unintended outcomes. *Right thinking* may drive data and information to be sought to such an extreme that analysis paralysis could set in – decisions might not be made in a timely manner or perhaps not made at all. Being *right* means you are taking a discrete and fixed position because there are only two possible positions in this game, and the other position is wrong. When you can't be wrong, as is the reality in many corporate environments, *right thinking* may incite risk avoidance and increase politically-based actions. When you're *right*, you're done thinking about it, and you stop looking for the answer.

Leaders seeking the *best* balance consider their decisions as... the best they can be based on the best information available in the timeframe required. The timeframe or *time-to-decision* is considered as

critical in the decision making process as the decision itself. *Best thinking* doesn't set an expectation that decisions are the right answers for perpetuity. With the realization that decisions in today's fast-paced global business world have a number of complex dimensions and a temporal nature, *best thinking* leaders continue to keep an eye out. Thus, in the future if things change, previous decisions are allowed and even encouraged to change to keep the organization at the best balance point on the *Continuum*.

👉 *Learning professional opportunity #2: Broaden thinking.*

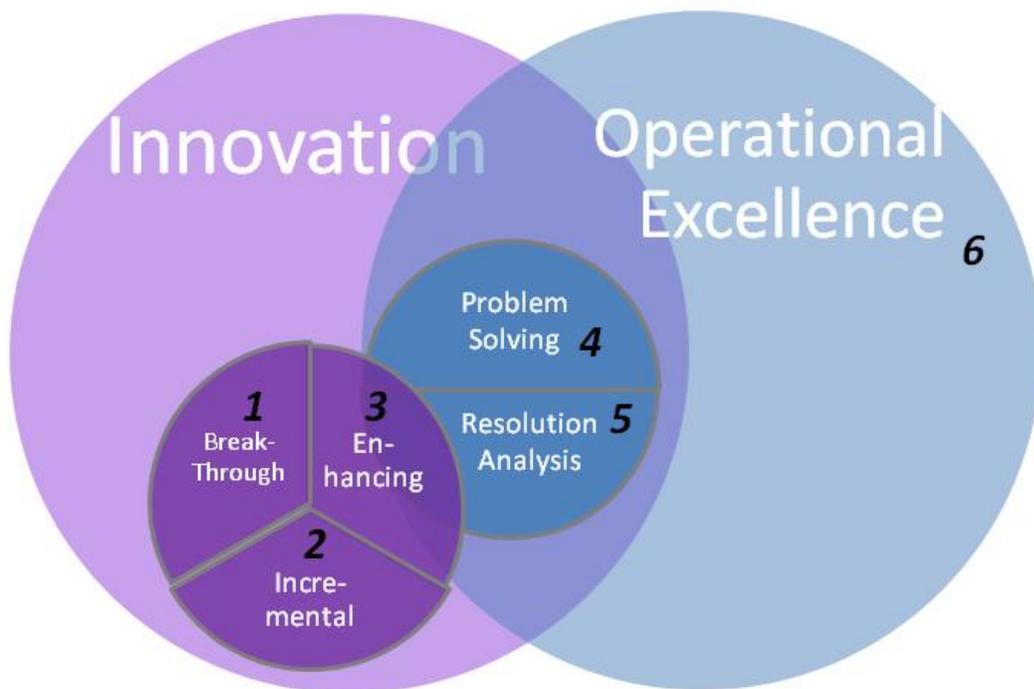
Where might you instill "best" versus "right" thinking into your leadership learning and development solutions? Ideas: Introduce the concept at points in training or coaching where decisions are made or discussed. Start at the top. If the top leaders don't think this way, it will be difficult for the reports to make many truly impactful "best" decisions.

What Are You Trying to *Balance*?

It's easy to say an organization must have both innovation *and* operational excellence. It's difficult to do. What are the options for an organization that embraces this "AND" approach? What are they really trying to balance? There are six elements and the good news is that the first five, as seen below are innovation-based. And the even better news is that half of them (3, 4, and 5) are in the operational excellence space, a sometimes over-looked place for innovation.

Business Balancing Elements (BBE)

BBE: Deciding what you want to be.



1. *Breakthrough Innovation – Outside of the current product or service offerings.*
2. *Incremental Innovation – Extension of current product or service offering.*
3. *Enhancing Innovation – Internal to current product or service offering.*
4. *Problem Solving Innovation – Using innovation methods to solve challenging operational problems.*
5. *Resolution Analysis Innovation – Reviewing how challenging operational problem, that did not utilize innovation methods upfront, were solved after the fact to identify innovations that unknowingly occurred.*
6. *All other activities that drive operational excellence.*

NOTE: There are a number of ways to classify the pure innovation efforts. A host of terms exist from breakthrough to disruptive to radical to incremental to continuous. I chose the three above -- breakthrough, incremental and enhancing -- because I have found people can grasp them easier and dive in into the nuances from there. When Chris Galvin was CEO of Motorola, he significantly influenced my thinking on the terminology.

Finding the best balance for the organization is realizing the organization's vision (WHY) by *using best thinking* to decide the amount of resources and support for each of the *BBEs* (WHAT & WHERE,) the timeframe (WHEN,) and the execution path (HOW will you swing to the new spot on the Continuum & WHO will be involved.) What did, does, and should your *BBE* picture look like? Some may look like one of these or hundreds of other combinations...



How will you get there? Big swing, moderate swing, or small swing on the *Operational Excellence / Innovation Continuum*? Why should you care? Your organization has a culture, a way it operates. Big swings involve a significant change effort that will take time and resources. Sometimes a big swing is an intentional reinvention of the organization or sometimes it's an urgent reaction to a condition precipitated by previous years of *less than best* decisions that led to atrophy or a lack of capability building either in innovation or operational excellence. On the other hand, a continual series of very small swings probably means the organization has reached a sweet spot and is enjoying a successful hover for the short term but may be taking their eye off the long term.

There is no one-size-fits-all. There is only a *best* picture and a *best* swing for your organization for a specific period of time based on your history, your current state, and your future needs.

👍 *Learning professional opportunity #3: Ignite a balancing act.*

How might you engage leaders in exploring what your organization should be (BBE)? What's the best allocation of resources and support for each of the Business Balancing Elements (BBE)? Ideas: Facilitate an action learning session at an upcoming leadership meeting or event. Partner with the owner or sponsor of the strategic planning process to include BBE concepts. Create a synchronous online learning program to leverage geographically dispersed leaders.

Increasing Traffic at the Intersection of Innovation & Operational Excellence

Leaders ask how they can make time for innovation in their operational units when they're tight on resources, quality is a must, time to market is critical, and customer satisfaction is king. Where does innovation fit into this operational picture?

There are three BBE's (3, 4, and 5 above) that fall smack in the operational space. It's more about positioning them integratively versus trying to accommodate them separately. It's about using innovation to solve operational problems and using operational problem solving to fuel innovation. Also, recalling that there are innovation efforts to enhance product or service performance (element 3),

innovation and operational excellence are 2-way streets. When they intersect, that's the kind of traffic you want!

When you have an operational problem, enhance your problem solving methods and tools with innovation methods and tools. They *are* different. Many operational problem solving methods involve very structured and linear thinking whereas innovation methods also utilize a number of other thinking techniques including lateral thinking.

If you've solved a challenging operational problem, chances are some innovation gems may have been created. People who work in operational positions typically don't think of themselves as highly creative and innovation individuals, at least not within the context of their day job. Also, employees, whether knowledge workers or not, most times have a grandiose definition of innovation such that if they aren't inventing the likes of an iPod or a fusion energy source, they trivialize their efforts. This potentially leads to missed intellectual property or trade secret opportunities, or even missed breakthroughs that may have broader implications.

 *Learning professional opportunity #4: Increase innovation through operations.*

If your organization conducts after-action reviews or post-mortems, take that concept to the next level by including an innovation review. Add to the suite of problem solving techniques and tools. Ideas: Expand training and action learning sessions to explore where innovation may have occurred. Also introduce innovation skill building and action learning sessions to operational personnel so they can utilize them in problem solving. Involving employees in innovative thinking, impactful work and learning new skills is known to increase engagement.

Driving Learning Solutions to Help Solve the Conundrum.

Among your organization's learning solutions, whether they be educational offerings; coaching, mentoring or performance feedback; or experiential learning, there are most likely a number places among those offerings, curriculums or programs where the following can be integrated or introduced.

1. Recognize both operational excellence AND innovation are a must.
2. Using *best thinking*, seek the *best* balance among the Business Balancing Elements (BBEs.)
3. Understand and plan the change management efforts, if any, required by the *swing* you'll take across the Operational Excellence / Innovation Continuum to realize the best balance.
4. Leverage innovation opportunities in the operational space to increase innovation and employee engagement.