

Without Innovation There Is No Survival

Technically speaking businesses are always in one of the phases of business cycle; slump, recession, recovery, and boom. And, if business is nowhere in these phases, it has probably completely phased out i.e. gone bankrupt. Many famous business houses have lost their glory in the past, and even though they remain exemplary, their contemporary value is only in history books

***Kodak, the 131-year-old photography pioneer, filed for bankruptcy on January 19th 2012. For survival Kodak launches Innovation Institute:
<http://www.kodak.com/global/mul/corp/img/IMGIMS.jhtml>***

Enron Corporation was an American energy, commodities, and services company based in Houston, Texas. It filed bankruptcy on December 2, 2001, Enron employed approximately 20,000 staff and was one of the world's major electricity, natural gas, communications, and pulp and paper companies, with claimed revenues of nearly \$101 billion during 2000.

Once upon a time Delta Airlines was among the best and most profitable airlines in America but the company filed for bankruptcy in 2005. But, this scene was soon swapped and in 2007 Delta Airlines again made a comeback with innovation of code share agreements with Swissair.

General Motors based in Detroit, was one of the biggest car manufacturing company's of the world. With operations in more than 157 countries, and more than 209,000 employees, the company eventually experienced a drastic decline in car sales, and was lead to file bankruptcy in 2009. After receiving good government financial aid, the company came back on track with the horror of bankruptcy behind it.

Also read: <http://finance.yahoo.com/news/10-brands-that-will-disappear-in-2013.html?page=all>

For the last few centuries, the United States economy has been dependent upon a few different things. One of those is innovation, for without it, not growth would be possible. One of the things that has always pushed the American system forward is a spirit that promoted and demanded innovation at the same time.

People used their creative juices to create things that would benefit society and from there, we have grown to a point where new innovations are almost elementary. The abstract definition of innovation has to do with simply taking what we currently have and improving it to better benefit society. There are quite a few examples of this where gifted individuals have taken steps to empowering an entire industry.

What is Innovation?

In its purest form, innovation is what we have seen from many of the developing industries over the last century. It is the molding of current ideas and methods of the development of new ideas based upon what we already know. In order for innovation to be possible, people must continue to think and continue to keep an open mind about various issues. Once businesses and innovators think they have it all figured out, these people cease to improve. From there, the economy becomes stagnant, businesses don't grow, and capitalism as a whole suffers.

There are many examples of innovation that can be used to illustrate this point. The automobile industry is a perfect place to start, though they have not exactly followed through on that idea over the last decade. In the early 20th century, people traveled by foot, by bike, or by train. There obviously were no cars going around from town to town, so people had to find other ways to make it happen.

Some very smart people proposed ideas for powered machines that could fill the void and take people where they needed to go. One of these people was Henry Ford and his original cars set the standard that the industry would live by for some time to come.

The interesting thing about the automobile industry is that it was born out of a spirit of innovation, but things didn't stop there. All sorts of new ideas were developed, including putting air in tires, developing more complex engines, and a host of other technologies. Over time, as vehicles became more capable, innovations in the safety industry were introduced to the automobile.

Things like airbags, crumple fronts, and anti-lock brakes have been staples that were developed because someone sought to improve what we already had. After that, there were the technological innovations like radios, satellites, and GPS response systems. Over time, things have just gotten better and better, which is one of the reasons why the industry saw its meteoric rise.

Other Examples of Innovation in Society

You don't have to look very far or very hard to find places where society has evolved and innovations have taken hold. When you walk into your home today, you can flick on a host of lights with only one simple act. Electricity has evolved and the ways that we use it have changed since it was originally found. Even more than that, innovation in how we communicate has taken place over the last century. Gone are the days when the only way to get in touch with someone in another town was the Pony Express or a telegram. We developed phone lines to help with communication and things have grown from there.

Even over the last ten years, innovations in telecommunications have been profound. Just about everyone has a cell phone these days and most people have some form of high-speed internet. These people don't have to worry about what their options are when they seek to get in touch with someone a world away. They can either fire off an email or make a long distance phone call and within minutes, they can be connected to someone sitting in China or someone doing business in Tokyo. This industry is one where innovation has not slowed down, either. The combination of cell phones and the internet is the new thing, as more people are using Blackberrys and other PDAs in order to stay on the net at all times.

This might seem like a far cry from where we once were, but it's an example of how a capitalist society can not only benefit from innovation, but also depends upon it. Today, many of the businesses that keep society afloat would not be able to function without the technologies that have been developed and the improvements to those technologies that have been similarly implemented. It is a cycle that has been necessary in nature.

What Happens when Innovation Stops?

One of the biggest fears of any capitalist country is the stopping of innovative thinking. We live in a society that demands the development of these ideas. The earliest inventions seemed like big news at the time, but they are just footnotes in today's world where things are more complicated and education is more readily available.

Every person in industry has to be looking for new ways to do things and ways to improve upon what we have already developed, or society itself will cease to go any further. When we become stagnant, we run the huge risk of losing out primary means of survival. It is something that's dire, though on a different level than you might have seen in the old days.

One industry mentioned previously provides a glimpse into what it's like when innovation ceases to exist anymore. The automotive industry was quite obviously the model for how an industry should operate all throughout the 20th century. It was run by pioneers who started out with a dream and developed that dream into a multi-billion dollar world where everyone was driving a car. Things became affordable, they became safe, and lots of different companies were throwing their hat into the ring. With all of these competing companies, new things popped up often and companies had to keep trying to improve in order to get better and maintain a competitive advantage.

What has happened lately is something that industries in the future must learn from. Instead of continuing to get better and adding new ways for cars to serve consumers, the automotive industry has gotten stagnant. They have just been tweaking little things about vehicles and they've been making cosmetic changes to new models instead of developing new ideas. For instance, if you go look at the GMC Yukons made in 2000 and those made in 2009, you will see very little difference, aside from some slight improvements to appearance.

The cars have remained mostly the same and that's not good for business. Only now, when faced with bankruptcy and the prospect of going out of business have these companies seriously considered new ideas. Consumers would have responded to more fuel-efficient and environmentally friendly cars, but the automotive industry had no reason to pursue those avenues. At the time, they were making plenty of money without pushing the envelope, so there was no motivation to get out and try to improve upon things in a tangible manner. These companies have mostly picked up and started trying to innovate a bit more now, but it might be too late to save them.

Where are the majority of automobile companies now? They are either going out of business or they are begging the government for bailouts to stay in business. Detroit itself is losing jobs by the thousands of and people are being cut that have given their lives to the company. This is the harsh reality of what happens when you cease to improve. When an industry or a sector of a capitalist society sits around and expects improvement to just happen, it rarely happens. Instead, they end up with a result like the one we have today. That is, Saturn is shutting down its operations and many big companies buying other car makers in an industry that is struggling mightily.

How Could This Have Been Prevented?

The higher ups at these companies have looked very foolish through all of this, but they should be thanked for providing a blueprint of what not to do in a capitalist society. These executives wonder just what their options were. After all, with fuel prices rising, what were they going to do? The problem, of course, is that they never acted. If they had put the efforts into developing new ideas into these cars that they did in the 1950s, they would have had their solution right in front of them.

The ability to make cars would have been enhanced, prices could have come down, and demand would have increased. Unfortunately this didn't happen, so we are left to wonder, "What if?"

The argument is that, at some point, innovation becomes more difficult because many of the best ideas have already been explored. That might seem valid except for the fact that almost every generation has struggled with this. New innovations are possible because we currently have the technology to research them and to test them. We have more technology available today to handle these things, so it follows that we should be able to continue pushing the envelope.

At the very least, an industry like the automotive industry should be able to do a good bit more than they have been doing over the last fifteen years.

Innovation and its Place in Capitalist Society

Capitalism is not an economic system that was designed to be easy. It is one where entire industries sometimes get swallowed up and people who don't continue to improve end up getting cut out. Because of the nature of the beast, it is absolutely essential that everyone involve keeps looking for ways to improve. That doesn't just include looking for new technologies, either. Many of the best innovators are those people who come up with new ways to analyze performance and new ways to think about business. Efficiency is a key in capitalism and that only comes as a result of long and hard thinking about where you are as a business and where you are headed, as well.

Innovation alone will not make a capitalist society go and it won't help a capitalist society survive. It does play a very key part of the equation, though. As the folks in the automotive industry can attest, the moment we stop looking forward and developing to the fullest of our ability is the moment that we are doomed to something like bankruptcy. It may not seem fair, but it is a reality that many before us have lived with and it is something that they coped with. Moving forward, it is something that we will have to face, as well.

Don't Just Survive—Thrive: Leading Innovation in Good Times and Bad

We can't fix our current economic problems by simply spending more money to buy bad debt. While economic stimulus may be needed in the short-term, what we need for the long-term is real innovation that creates jobs and drives productive economic growth. Companies that survive the financial crisis by identifying and exploiting innovation will serve as economic growth engines in the future—and will be the industry leaders of tomorrow. In fact, while crises are certainly painful, they also tend to spur innovation.

Even today, there are numerous companies who are not just surviving, but are thriving, by exploiting opportunities created by the economic crisis. Indeed, some businesses will emerge from our current crisis stronger than before—those who can innovate with discipline in good times and bad

The Chinese use two brush strokes to write the word "crisis." One brush stroke stands for danger; the other for opportunity.

Today's crisis provides fertile ground for innovation and opportunities are at an all-time high. But the question is: How should companies pursue opportunities given the tremendous uncertainty and significant threats to established businesses? Cutting back and hunkering down may get you through the short-term crisis, but will not position you to lead in the future. In fact, if cost cutting is your only response you may find yourself cutting out fat, then cutting out muscle, and finally cutting to the bone.

By the time the crisis is over, you may have lost your customers, your best employees, and the motivation and power needed to lead the industry. That's why you need a mindset that says: "I'm not just going to survive—I'm going to thrive."

Even leaders whose companies face significant crisis and need to make very deep cuts should look to the marketplace to identify trends and opportunities that show how their companies can emerge from crisis positioned to lead in the future. One such leader who stepped up to the challenge was Lou Gerstner at IBM. When he took the helm, the company was hemorrhaging cash—over \$16 billion was lost between 1991 and 1993. For the company to survive Gerstner had to take \$7 billion out of the company's yearly cost structure and to stay ahead of creditors, he had to make the cuts in less than eighteen months. But rather than just start cutting, he first went out and talked to customers who told him that their key area of pain was the difficulty of integrating the "islands of automation and information" throughout their global companies. This feedback helped guide where to cut. Gerstner, himself a former IBM customer, immediately recognized the opportunity. He reversed the previous decision to break up IBM and announced a new direction, which he called "One IBM." Having planted that stake in the ground and incited key employees to stay, the company carefully chose areas to cut, businesses to sell, and those to close based on the "One IBM" plan. Processes were streamlined and redesigned to enable the company to go to market as One IBM. Duplication and redundancy were eliminated and core operating processes were standardized.

Once the company was stabilized and the foundation for One IBM was beginning to take shape, it was time to strategize—to take the One IBM theme and translate it into focused strategic initiatives that would make the "vision" actionable in the marketplace. Coincidentally, the company began its intense period of strategizing during the early days of the commercialization of the Internet—a powerfully disruptive technology that had caught the world by storm. Most established businesses either ignored the Internet or viewed it simply as a consumer "toy." But IBM, as a result of its customer feedback and transformational journey from the brink of crisis, viewed the Internet through another lens. To them the Internet was a powerful integrating platform for doing business inside a company and across business networks. Similarly, the Internet, they recognized, was a key missing ingredient in the search for an organizational model that enabled large companies to execute with discipline even as they responded quickly and effectively to opportunities. E-Business became the new rallying cry that galvanized IBM's employees around an exciting new technology frontier that promised to address market pains—and continue the company's transformation. In his autobiography, Gerstner commented:

The concept of e-business galvanized our workforce and created a coherent context for our hundreds of products and services. The vast new challenges of networked computing reenergized IBM research and triggered a new golden age of technical

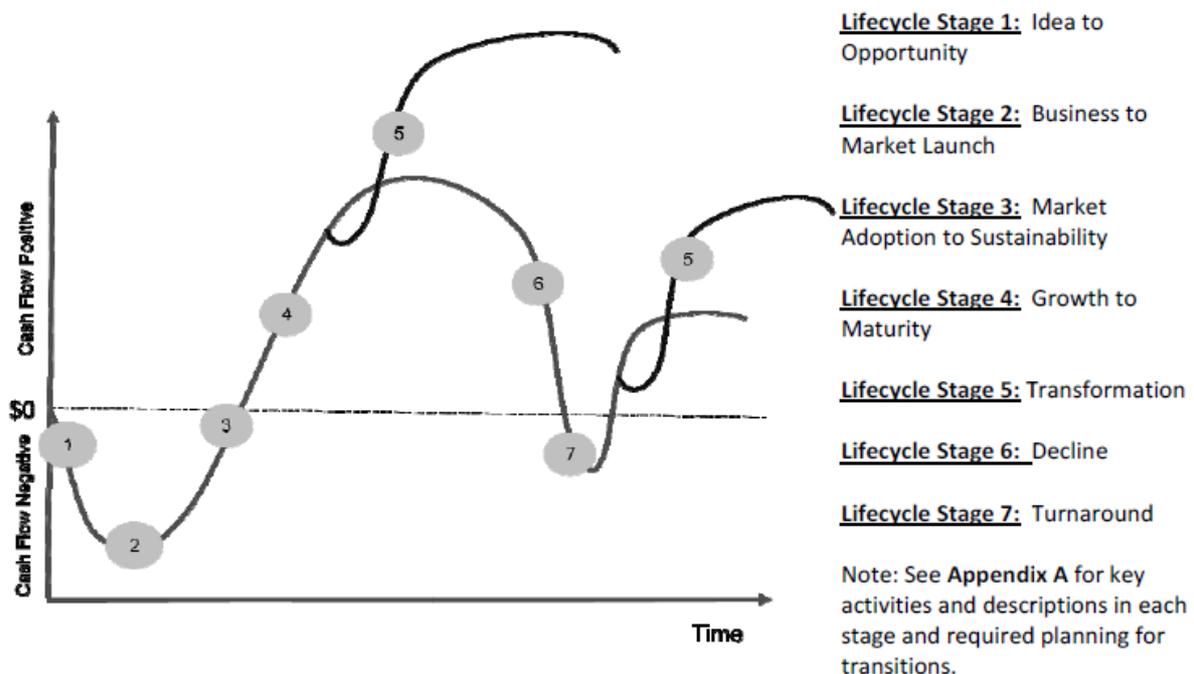
achievement for the company. Most important, the investment did what we wanted to do at the outset—re-establish IBM’s leadership in the industry.

The e-business strategy triggered a cascade of strategic investment decisions through the remainder of Gerstner’s watch with regard to which products and businesses to enter and exit. Gerstner made enormous investments in Internet products and services at a time when few executives of major companies had even put the words “Internet” and “strategy” together.

From Surviving to Thriving

Less than five years after the company was on the brink of bankruptcy, IBM had survived its “near death” experience and, by year-end 1998, had achieved steady revenue and profit growth. The e-business strategy was beginning to take hold and over 25% of the company’s \$82 billion in revenues was being driven by new service offerings and acquisitions related to the company’s e-business strategy. But with revenue growth at less than 6%, the company’s forward momentum was well below the red-hot technology industry average at the time. IBM had survived—but was it thriving?

A Business Lifecycle Approach to Leading Innovation



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