

## ESE Series: Trial and Error vs. Innovation

**We look at the impact and balancing of incremental change versus innovation in learning organizations.**

---

### Authors

(Click on the link below to see the author(s) background information on Ashbec.com.)

[Vaughn Frick](#)

### Issue Summary

What is the relative impact of systematic incremental change versus innovative change? How can the two approaches be coordinated and balanced?

### Keywords

Disruptive change  
Incremental change  
Lean manufacturing  
Effective Strategy Execution

### Predictions

N/A

## Why Trial and Error?

Most incremental change that comes about in a learning organization is the result of a form of "trial and error". For example, consider a lean manufacturing scenario. When a product defect or some other undesirable outcome is discovered on the assembly line, production activity is stopped (in a localized area, not the entire facility) until the cause of the defect is determined and countermeasures can be put in place. This process is referred to as "kaizen" or continuous improvement.

The performance improvements that result from an individual incident tend to be relatively small. However, if this process is systematically followed over a number of years, the result can be world-class performance improvement. The improvements in initial quality in the automobile industry in general and Toyota in particular is the most often cited example.

## What about innovation?

Innovation can take many forms but it generally results in larger performance changes. Business process reengineering was often credited with innovative revolutionary change even though the substantial performance improvements achieved were often the result of simply streamlining and applying information technology to existing business processes. Truly innovative developments that result in product substitution or the creation of entirely new markets are rarer but they reshape the playing field. Revolutionary change can give a business a formidable competitive advantage. In the past, that competitive advantage could translate into a substantial lead that could be maintained for some time.

In today's environment, knowledge of the innovative change propagates rapidly. Unless they hinge on a patentable concept, such changes can be quickly duplicated by competitors. Even with patent protection, once the type of change is widely understood other methods of accomplishing the same objectives without infringing on the innovators patent can generally be found much faster than in the past. This tends to reduce the

### [Ashbec LLC](#)

Entire contents © 2004 by Ashbec LLC. All rights reserved. Reproduction or dissemination of this publication in any form without prior written permission is forbidden. The information contained herein has been obtained from sources believed to be reliable. Ashbec LLC disclaims all warranties as to the accuracy, completeness or adequacy of such information. Ashbec LLC shall have no liability for errors, omissions or inadequacies in the information contained herein or for interpretations thereof. The reader assumes sole responsibility for the selection of these materials to achieve its intended results. The opinions expressed herein are subject to change without notice.

financial impact of innovation.

## Balance and Coordination

The impact of these new rules means the company that relies strictly on innovation to compete will rarely dominate the markets they create. Today even the innovative company must also be a learning organization that continually refines the business processes made possible by their innovation. By creating a learning organization that continually makes small improvements on a foundation of innovative change, a business can extend the period during which they enjoy the competitive advantage created by their innovation.

At the same time, such a business must also provide an environment in which there is sufficient research and exploration to create future innovations. They must also ensure that the organization reacts quickly to the types of innovations or other structural changes in their environment that Andrew Grove called "strategic inflection points" (see sidebar). These points might be result of innovation or simply an anticipated maturation of a market but they change the industry structure in such a way that they require companies in that marketplace to change the way they do business.

One of the key goals of implementers of Effective Strategy Execution<sup>®</sup> is to help each organization migrate to standard management practices that will maintain a balance between the incremental change mechanisms such as lean manufacturing and more disruptive change mechanisms such as business process reengineering or even applied research. In this manner, the learning organization is not limited to one type of change or the other. Gains can be made from either source and innovative change can be made more valuable.

## Bottom Line

The highly competitive learning organization of the future will use systematic incremental change for direct performance improvements and to maintain competitive advantages gained through innovative change. The only way this balance can be maintained is through standard management practices that recognize the value of each. Without this combination and management discipline, any competitive advantage gained through innovation will become increasingly fleeting.

### Managing Innovative Change

In his book "[Only the Paranoid Survive](#)", Andrew Grove, the former CEO of Intel discusses the importance of being constantly aware of changes that have recently occurred or that can be anticipated in a company's business environment. Often, how the company reacts to these inflection points determines their immediate future.

A second book that makes a substantial contribution to the management of innovation is the work of Clayton Christensen, "[The Innovators Dilemma](#)". In particular, he addresses the issue of cannibalizing an existing business for the benefit of an innovative approach to the same market niche. (For the condensed version on that specific issue, see "[Meeting the Challenge of Disruptive Change](#)" by the same author in Harvard Business Review.)