

Riding dead horses.

We need a shift of paradigm, not cosmetics

Final keynote at the congress „narrative & innovation“, 17th September 2010

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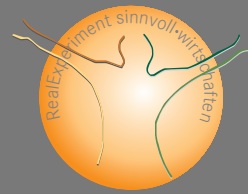
Abstract

It is common knowledge that there is no sense in trying to ride and spur a dead horse. But this is exactly what we try to do every day. Most innovations discussed and / or realized in companies today are on the level of products, processes and business models. We systematically ignore our most powerful and effective leverage: Innovation of the organisational model and management itself. We are still under the spell of two basic „old school“ ideas: First, the effectivity and efficiency of dividing management on one hand from executive functions on the other, as proposed by Taylors one hundred years old „Scientific Management“. Second, the homo oeconomicus and the superiority of rationality over emotions and intuition.

Therefore the paradigm of predictability and control is still underlying our organizational structures and cultures, ironically illustrated by the term „innovationmanagement“ defined as systematic planning, steering and control of innovation in organizations. Effectively every innovation we create and realize within the framework of „old schools“ management is doomed to remain cosmetic surgery. After a succesful operation we will look a bit (or even a lot) more like we always dreamed: slimmer and sporting a sexier shape. But the mind-set is still the same and the fat will return in nasty bumps on other parts of our body. The scalpel has to cut through our skin again and again.

Hence it's much more effective to change the mindset, the paradigm and the basic principles of creating and steering companies themselves. To be thorough and extensive, innovation must occur on the level of the organizational model and management. The paradigmatic assumption of predictability and control and its operative principles should be transformed into its opposite: Beginners mind - instead of spezialisation; self organization - instead of hierarchy and control; possibility space - instead of planning and steering; Error kindness - instead of standardisation and, last not least, trust - instead of extrinsic motivation.

Doing so and realizing not to be homo oeconomicus but homo reciprocans and therefore acting in epistemic humility by accepting that our rationality is bounded, we paradoxically achieve creative and innovative structures and culture: Becoming lean and flexible, we would be able to decide on the basis of fragmentary information, enabled to improvise and make productive use of errors, chances and passion.



Intro

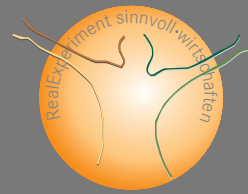
Hello Ladies and Gentlemen! I am gladly taking up the chance to talk to you on the topic of innovation here today. Professor Lutz Becker - thank you very much for offering me this opportunity! Let's get started.

About two years ago I was invited as keynote speaker at a congress here in Germany. One of the other speakers was a German Ex-Astronaut holding his talk „From Vision to Mission“. He presented his thrilling story of becoming an astronaut, including dozen of spectacular pix like the parabolic flights with the so called vomit comet, where the zero gravity was trained. No question, that was great entertainment. And then he came to his core statement: „What I want to say is, that you have to plan for every eventuality in your company.“ Believe it or not, nobody, absolutely nobody raised his arm and asked: „Äh excuse me, and if this is so, why did NASA Astronauts die in several missions?“ To remember: The Space Shuttle Challenger crashed in 1986 and Columbia in 2003. Discovery was affected by a lot of malfunctions before starting, and building the Endeavour Shuttle to replace Challenger became necessary after the crash but was never planned, generating new costs of about two billion dollars.

The NASA is a great symbol for elaborated projectmanagement concerning most complex projects and hence an impressive example for the leading paradigm of economics: Prediction and control. The most impacting roll-out of business and economics is the roll-out of this paradigm to the whole of society: To Education, Health Care, Politics and so on. Everything has to be measured and evaluated in a certain standardized way, every part of our society is supposed to be predictable and controllable. Ironically we can notice painfully: Still in cold winters the Eurostar gets stuck in the Eurotunnel, and in hot summers the German ICE mutates into a heat trap. In our worldwide transcultural war on uncertainty we overlook the obvious:

We can't control the future, not even our present.

Innovation has always been not only a matter of great intellects but also of luck, chance and useful errors.



Last but not least innovation is an inbred part of human nature in general: We all are born creative, we just have to look at our children playing, talking, interacting and discovering their world.

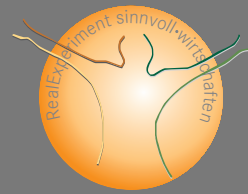
You might not believe in our creative roots and resources, perhaps because you don't estimate kids' plays as creative or don't experience children regularly, so I've got an interesting story for you.

Once, some years ago, a female adipositarian patient wasn't able to lose weight. She tried everything but her unconscious was sabotaging her and nothing worked. Because of this and some other indications she was a candidate for so called bariatric surgery to stop her unstillable hunger mechanically, allowing only the intake of small amounts of solid food. A few weeks after her surgery she had an appointment in the clinic to check her improvements: There were none! She hadn't lost a single ounce of fat. She even gained weight. The physicians spoke to her, trying to find out the reason for this incredible development. Finally they were told that she was putting three XXL Glasses of chocolate cream into the microwave every morning and then drank them. Ladies and Gentlemen - creativity blazes its trail, even in pathology if there is no possibility to be creative in a healthy way. It is a creative and solution focused reframing itself to interpret this behaviour as creative rather than a proof for mental illness. No irony, sarcasm or cynicism meant.

To develop sustainably innovative Companies we have to ensure that all employees are enabled to access their natural creativity at work and will to make use of it. And we should be open to use chance, errors and passion and react appropriately to the element of uncertainty. How can we make this happen?

It is common knowledge that there is no sense in trying to ride and spur a dead horse. But this is exactly what we try to do every day. Most innovations discussed and / or realized in companies today are on the level of products, processes, business models and strategies. We systematically ignore our most powerful and effective leverage: Innovation of the organizational model and management itself. We are still under the spell of two basic „old school“ ideas: First, the effectivity and efficiency of dividing thinking on one hand from working functions on the other, as proposed by Taylor's one hundred years old „Scientific Management“. That's where management comes from. Second, the homo oeconomicus and the superiority of rationality over emotions and intuition.

Therefore the paradigm of predictability and control is still underlying our organizational structures and cultures as illustrated by the Astronauts' call on planning every eventuality. Ironically the term „innovation management“ is another example for this paradigm demanding systematic planning, steering and control of innovation in organizations. Effectively every innovation we create and realize within the framework of „old schools“ management is doomed to remain cosmetic surgery. After a successful operation we will look a bit (or even a lot) more like we always dreamed: slimmer and sporting a sexier shape. But the mind-set is still the same and the fat will return in nasty bumps on other parts of our body. The scalpel has to cut through our skin again and again.



Hence it's much more effective to change the mindset, the paradigm and the basic principles of creating and steering companies themselves. To be thorough and extensive, innovation must occur on the level of the organizational model and management. The paradigmatic assumption of predictability and control and its operative principles should be transformed into its opposite: Beginner's mind - instead of specialization; self-organization - instead of hierarchy and control; possibility space - instead of planning and steering; Error kindness - instead of standardization and, last not least, trust - instead of extrinsic motivation.

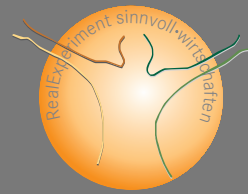
The five principles

Beginner's mind - the paradox of open expertise

In 1979 the Australian pathologist Robin Warren who had no expertise in gastroenterology, discovered a special kind of bacteria in the samples of gastric mucosa collected from his patients. Warren and his colleague Barry Marshall, a General Practitioner, postulated a connection between gastric ulcers and this bacteria, since it could be found in almost all patients suffering from gastric ulcerations. The expert opinion on the cause of this disease up to that point had been an association with spiced foods, alcohol and stress. For it was common knowledge that no bacteria was able to survive in the acidic climate of the human stomach. So Marshall and Warren set out to cultivate the bacteria in vitro in order to conduct further experiments.

After cultivating the bacteria successfully - which is another interesting story - they were not able to evoke gastric ulcers at animals. Because of that, Marshall decided to experiment on himself. He ingested a dose of solution containing the bacteria in question - against his wife's vivid protest. About one week later he presented with all symptoms of an active gastric ulcer. Marshall suffered massive discomfort and was hardly able to eat. Luckily he had come up with an antibiotic therapy beforehand that had already been used to cure his patients, even though his successes had not been recognized by his scientific peers. He treated himself and recovered quickly.

Presenting these results Marshall and Warren expected to be finally taken seriously. But as we know since Copernicus, experts are extremely resistant to new findings. Not to say, we are stubborn like mules. Presenting their results at a congress they were shouted down and finally called crackpots. Trying to publish their work in the renowned medical journals „Lancet“ and „New England Journal of Medicine“ they were turned down by the publishers being denied entering the peer review system! Many years later, in 2005, the pseudorational experts came to their senses: Marshall and Warren were awarded the Nobel Prize for medicine due to their discovery of „*Helicobacter pylori*“ causing gastritis and gastric ulcers. By the way - the bacteria's secret was covering itself in slime to survive in the acidic gastric environment. The changes in therapeutic management were revolutionary: Before their discovery patients underwent extensive surgical procedures with harsh consequences for their digestive tract. Today the brief application of antibiotics is sufficient.



It's not only the scientific domain deteriorating to expertocracy. Our firms, society and democratic apparatus are also affected. We don't hire Engineers but Electro-Engineers, aeronautical engineers, mechanical engineers, software engineers and so on. We're highly specialized. We have to be. The amount of knowledge in every domain has become so extensive that we are unable to highlight every area of our profession. Surely focusing has its advantages. We turn into experts that are capable of immersing deeper and deeper in their specialized field with increasing knowledge and experience. Enabling us to develop a profound professional intuition. This is a value to hold up. But we're still ignoring the dark sides. We're turned into geeks and render unable to approach a task from another than our expert position. Just remember: The gastroenterologists in the case of Marshall and Warren.

This surfaces in companies when the usual interaction difficulties occur: We stay well within the claim of our own department and don't perceive process chains as entities. Not realizing that value creation happens along the way regardless of formally divided responsibilities. What the others are doing is beyond my understanding and not my cup of tea anyway.

Surely these difficulties don't have their root in expertise, only. Due to the increased Tayloristic division of labour into management and execution, there is an increased feedback loop to our educational system demanding further specialization during the qualification process already. This again feeds the spiral of division of labour. This vicious circle in its exclusivity costs us innovational power and entrepreneurial success and asset.

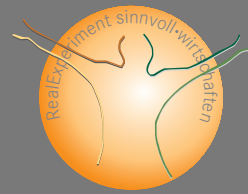
What we need is what I call open expertise: We have to develop our expertise as hitherto but we have to let go our epistemic arrogance as experts. We also should develop simultaneously the capability of looking at our challenges with beginners mind. We should be able to switch both positions instantaneously.

Remember the beginner's mind and open expertise next time somebody new in your working environment suggests something different to what is normal or totally beyond usual thinking.

Self organization - exorcise the headquarters' arrogance

Would you call a sales increase of 5.300 Percent in 21 years a success? I would say so. From being a single product manufacturer of vegetable oil centrifuges, this firm has experienced a remarkable transformation since the 1950. The probably most important part of this transformation happened during a market shattering crisis in the 80s and 90s when Brazil's economy threatened to break down due to an inflation rate of up to 25% per month. In 1990 prices grew up to 1000%. This hyperinflation could only be stopped by a currency reform in 1993.

Thus it was no surprise that the company I am talking about was on the verge of breaking down as hundreds other businesses had done. The owner and CEO tried every well known management tricks to rescue his company. All that science-based stuff to manage and lead productively. Nothing worked. With his back to the wall he made a decision that changed everything for him and his employees. He and his top-management team met the whole



workforce and decided to incorporate every employee in all further decisions. Purchases were made in agreement with the workforce and the income of workforce and top-management was dramatically reduced and the employees received a higher share of profits. This way they survived the Brazilian economy crisis. And much more: They even emerged invigorated. This success encouraged the CEO to follow the stroken path more consequently. Today there is no human ressource department anymore, but the workforce is responsible for employing new colleagues. They decide on their own, when, where and how long they work and even how much they earn. They decide on new locations, new products and their prizes, and have free access to all information. That is entrepreneurial selforganization at its best. The company I have been talking about is Semco and its owner and leader Ricardo Semler.

Mostly, when me and my colleagues present such examples a lot of people argue in the same way: „That’s another country, culture, branche, size, you can’t compare this to our company. Our situation is completely different.“ Well, I will give you another example from another country, culture, branche and company size.

Ulf Lunge and his brother Lars have achieved something seemingly impossible: They produce High-End-Runnings Shoes in the high-wage location Germany. The production ist nearly permanently sold out, customers are thrilled by the great quality of Lunge Running Shoes made in Germany. I’ve talked to Ulf Lunge about entrepreneurial intuition, uncertainty, planning and self organization for my recent Book „Feel it!“ on intuition in business.

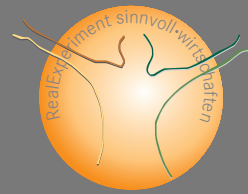
He explained his and his brothers’ conviction on the importance of an extensive empowerment of their employees. Based on their long-time experience both believe that it doesn’t make any sense to decide vital questions especially with the executive board only. They not only allow, but call their employees in for important decisions. Ulf and Lars Lunge have gained insight in their own boundaries on the one hand and the power and possibilities of shared decision making and self organization on the other hand.

Remember self organization next time you walk on a crowded sidewalk wondering why there are so few collisions.

Error Kindness - Turning taboo into a chance

25th of April 2005 was a sunny spring day in Itami, Japan. At 9.16 am the local train left the station with almost one minute delay because the young train operator Ryujiru Takami had to steer back the train after missing the regular stop. Leaving the station, Takami entered a turn marked with a speed limit of 43 miles per hour at 72 miles, trying to make up for his time loss. Takami tried to break but he didn’t control the train anymore. It tipped and moved on the left side wheels only for over 100 Yards before five wagons derailed and crashed into apartment houses near the railway. 106 of 580 Passengers died and 460 were injured, some of them severely. Why did that happen?

Japanese trains are on time. Since 1964 the high speed train Shinkansen for example has an average delay of 18 seconds - on a distance of 310 miles! This precision is expected by



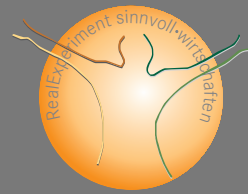
customers in Japan today. In order to fulfill this expectation, JR West's Railways as Takami's employer take fierce action against their workforce. In so-called „additional trainings“ operators and conductors were interrogated, sworn at, had to write senselessly extensive reports. Additionally they were made to weed pest plants and had to salute all passing train operators at a station as humiliation. Employees associated to repeated delay were pressed to sign off themselves. Some employees committed suicide subsequent to these additional trainings. The operator Ryujiru Takami had to take part in such a training lasting 13 days already. One of the chiefs of the labour union at that time, Osamu Yomono, said: „I am pretty sure that he didn't want to experience such a handling ever again. So he desperately tried to catch up with a delay to escape this terrible punishment. That's why he drove so fast.“ This example goes to show: Being afraid of committing mistakes just makes them more likely to happen.

Zero tolerance for mistakes also makes it impossible to see and seize the chances inherent in mistakes. We're turning a blind eye on the innovative power of error. Every mistake committed menaces our plans and questions the planning we put energy in before. As a consequence we're in search of the culprit in order to eliminate this source of error. This way we make it impossible to encounter the occurred error in a creative and mindful way. How we could use the error and what could come from it is not within our mental frame, but we get totally worked up in mending the plan variance in order to keep up with our set scheme. Zero tolerance for mistakes therefore is a Procrustes' Bed: What doesn't fit is chopped off or stretched forcefully. But we should bear in mind that many extremely successful products and developments were made possible through mistakes.

Remember errors as chance next time you stick a Post-It somewhere or pop an antibiotic pill like Penicillin.

Possibility Space - transforming chance, errors and passion in added value

You all know Gore-Tex. I am pretty sure. Presumably most of you posses an outdoor-jacket, trekking- or running shoes made waterproof and yet breathable by that fiber. But did you know that W. L. Gore, the developer and producer of Gore-Tex is also succesful concerning a subbranch of musical instruments? How it came to that can serve well to illustrate what our consulting group refers to as possibility space. One of Gore's Employees was a passionate cyclist at the time this story starts. He came up with an idea how the Teflon based Gore-Tex technology could be used to improve bicycles. If he managed to cover the metall made Bowden wires, that work the brakes, in Teflon, this would make the application of grease in friction points unnecessary. The Idea was good, but didn't work. But the development crew came up with a totally different field of application. Guitar strings. Up to that point metall strings consisted of wound steel that annoyingly only sounded fresh and brilliant for a short time. After a while the sound dulled because the overtones vanished due to material wear. The reason: Corrosion attacks the metall surface and in between the windings small particles gathered and affected the vibration of the string significantly. Manteling the strings



with a coating technology prevented them from being spoiled by dirt and skin particles. The result was the guitar string „Elixir“ lasting 3-5 times longer than ordinary strings.

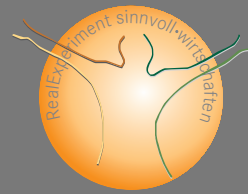
Now all this might not seem any special to you apart from the product innovation. Where is the possibility space in that? Quite simple: Within the firm there never was the concept of entering the musical instruments market, nobody in management even had the faintest idea about it. The product was born from someone's passion for cycling and being allowed the opportunity to invest into this passion during his working hours. Without the pressure of having to achieve a set goal with a set amount of resource. At W. L. Gore 10 to 20 percent of working time can be committed to the employees' special interests. On top of that they are supported by easy access to resources both financially and concerning manpower. No need for tedious application forms and audits as we know it from many if not most companies.

Possibility space unfolds on three levels: Most of us are ridden by one or the other passion, that we were not able to integrate in our working life up to date. They exist restricted to leisure time. Of course not every passion can or should be part of our job. It's up to us whether we want to work away meaninglessly or if we want to burn for something. Real flow, real happiness can only be encountered if we love our work for its own sake. But we have to open ourselves to this possibility. If we want persisting innovation we have to open space to ourselves.

The second level is organizational culture. Individual possibility space is crushed if we focus on existing conditions only. Advance concerning innovation of products, processes or business models demands cultural commitment to possibility space. What's the point in offering your personal possibility space to your company if your engagement isn't acknowledged or even punished? To encourage that kind of behaviour appreciation and trust are necessary prerequisites. Possibility space has to be a cultural marker, making a difference in the interaction between all levels. Breaking out of THE REALITY and entering ones individual possibility space should be natural. There, the innovativ power of passion could be set free. We need to be blessed by the insight that chance and error can be added value, even though unplanned for the company. Only if we take up this approach concerning chance and error we can utilize them with the necessary mindfulness. We have to give gaps in between us a chance.

Last but not least we have to show consequence on the structural level. This includes providing time and resources in an appropriate way. If you take the concept of possibility space seriously, your employees need gaps in their working schedules, to be filled with their interest and passions: Time to develop own ideas and get own projects started. Of course involving others in their ideas has to be possible up from a certain point. Easy access to a certain amount of financial means is necessary to boost small-scale experiments and first steps in development without justifying kowtows to half a dozen hierarchy levels.

Remember the possibility space next time you put on your Gore-Tex jacket or shoes.



Trust - Using the natural power of cooperation

Since economy has been learning from military we're constantly indoctrinated by the tale that economy was war. Managers are considered tough dogs, not to say: Real economic Navy Seals, trained in the hart art of economic close combat, to win the war for talents and prevent to be swallowed, filleted or shredded into pieces. This counts among the biggest bogey man stories I've come across. We should be aware that this scenario is not in the least unescapable. It has risen mainly from metaphors and tales we use to describe economy and can't withstand critical questioning in the same way social Darwinism is disproved by the actual genetics and upcoming Epigenetics. Cooperation start on the genomic level, yet: DNA, foundation to all live forms, can't replicate without aiding molecules. The real root of performance is cooperation. It is simple. No paramilitary Chief Executive OFFICER survives without his cooperating network. He is not bound to survive if his employees don't tolerate his egomaniac escapades. iGod Steve Jobs himself wouldn't be able to develop, design, produce, advertise and distribute the iPhone 4WA, spoken: Working Antenna, without his workforce and suppliers. There is no survival without cooperation. Of course there are situations when cooperation fails. In game theory, a Tit-for-Tat strategy has proven optimal under the condition of repeated game situations as found in day to day working life.

We should stop suggesting to ourselves, that economy was combat and war bearing in mind, that the world is turned into what we expect. The influence of preset expectation is strikingly highlighted by the Rosenthal-Effect originally referring to an experimental situation where teachers attributed high skills to part of their students, even though they were of average intelligence. After six months the presumed geniuses showed a significant raise in IQ compared to the rest of the class. Just because the teachers in question expected higher achievement and therefore supported them unconsciously, hence boosting the students self efficacy. The role of expectation is no voodoo but bland psychology.

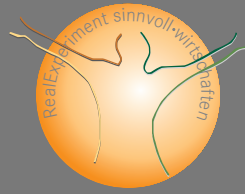
Distrust and control kill (suffocate) spirit of innovation. In a working environment poisoned by distrust nobody will consequently offer his inbred, natural creativity. If we don't trust our employees to happily offer his creative resources, it will be so. If we tell ourselves that we need to manage, steer and control innovation, it will be so. Psycho-locigally.

Remember trust next time you don't pass an information because you think your people can't handle it or you don't receive an information because your boss thinks that's the best for both of you.

Conclusion

If beginner's mind, self organization, error kindness, possibilty space and trust persistingly thrive in our companies, that is management innovation. More precise: Innovation of the manner we create and steer companies. The natural innovative power of all co-workers would be set free by far more effectively than realized today. To pinpoint it excessively: We just have to turn things upside down. Transform innovation management into management innovation.

Meanomize Economy



My view is not a consultant's opinion only. It's our experience and conviction, that the five principles are important to achieve and preserve an innovative climate where ideas bubble up naturally. My colleagues and I are founding a company where we achieve to realize those principles by a simple knack: Everybody, no exceptions, everybody joining us becomes a managing director. Equal rights and duties, no differences made on this level. You may call it unrealistic, ridiculous, crazy, or whatever you want. We call it a visionary RealExperiment. But please, please: remember: Not even 100 years ago it would have sounded unrealistic, ridiculous and crazy when somebody postulated that we would land on the moon someday soon.