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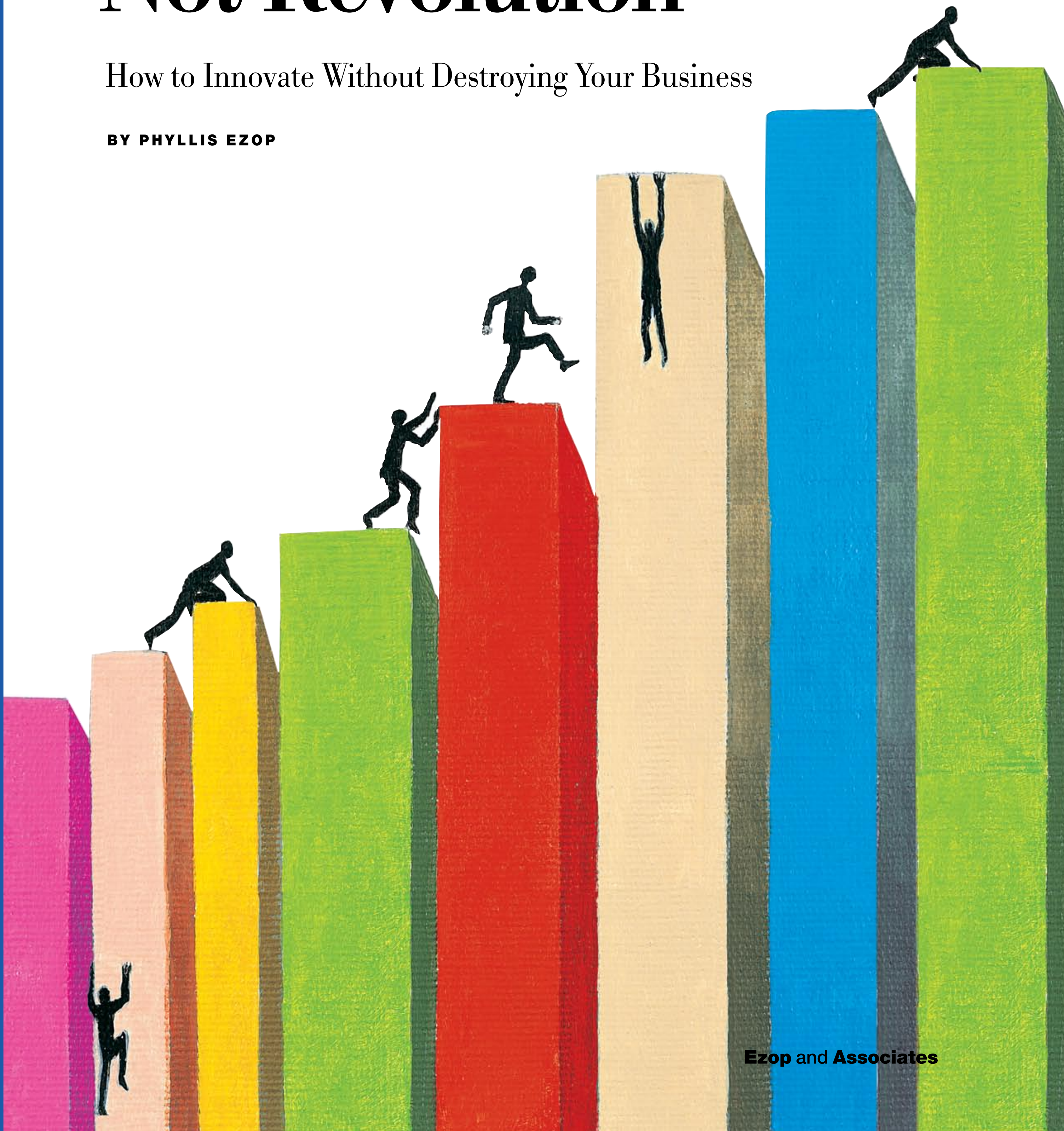
SPECIAL REPORT

Evolution, Not Revolution

How to Innovate Without Destroying Your Business

BY PHYLLIS EZOP



Ezop and **Associates**

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Innovation is often viewed as the fuel for growth. So, companies start innovating...and innovating...and innovating. Yet, profitable growth frequently does not follow. In fact, innovation may actually impede growth, especially when innovation is excessive. And, the expense of chasing numerous innovations that go nowhere can easily cripple a business.

So, how innovative should you be? And, how can companies innovate in ways that build their business, without stifling growth by pursuing the wrong innovations?

To answer these questions, this report covers three areas:

1. How companies succeed by evolving, and how selectively pursuing innovations based upon evolution, not revolution, is crucial for success.
2. How numerous business issues, ranging from disruptive innovation to the impact of changes in management, are explained by evolution, not revolution.
3. Clarifying what evolution is and is not.

Succeed with Selective Innovation that Lets Companies Evolve

My 20+ years of research reveals insights about the relationship between innovation and growth. The research finds that innovation is not necessarily the key to growth that common wisdom often thinks it is. Although growth frequently results from innovation, most innovation fails to produce growth. Either it fits a company poorly, or doesn't work for other reasons. And, expenses can easily soar out of control when companies try hundreds, or even thousands, of failed innovations in a number of different areas before stumbling upon something that works.

According to my research, however, it is selective innovation that propels successful business growth. Selective innovation entails choosing and pursuing those innovations that are right for your business. It focuses upon innovations likely to foster profitable growth.

But, how do you know which innovations to selectively pursue?

My 20+ year study of business success and failure finds patterns that unlock this mystery. A key pattern from my research findings is that successful businesses evolve. How? By building upon their prior heritage. Powerful evolutionary steps take a company from where it has been to its future growth. These steps do not entail radical change, and are never big jumps. They are evolutionary in that they build upon one another, progressively enhancing a company's understanding of the business dynamics required for its growth. Building expertise via evolutionary steps equips an organization to master the new without biting off more than it can chew. This step-by-step approach, making one move after another, typically into nearby areas, lets companies evolve.

According to my decades long research, innovation based upon evolution offers the greatest potential for success. In contrast, revolutionary innovation generally breeds failure. It is evolution, not revolution, that propels a company toward accelerated growth. Conventional wisdom may find this surprising, however, since innovation is often expected to unleash revolutionary growth breakthroughs.

But, the lofty expectations associated with revolutionary innovation reflect a common perception, not a reality. An extraordinarily successful innovation that triggers drastic change may be perceived as revolutionary because it is vastly different from what most people have previously experienced. So to them, it appears revolutionary. Yet, it was actually evolutionary for those who developed the idea and spearheaded the innovation's adoption. The developers and nurturers of the innovation took several evolutionary steps to achieve what the rest of the world sees as a revolutionary breakthrough.

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This explains the well known Innovator's Dilemma, popularized by Christensen. What Christensen calls disruptive technologies can look like revolutionary innovations to incumbent corporations caught off guard by the disruption. But, companies bringing about the disruptions and achieving impressive growth from them actually take steps that are evolutionary, not revolutionary. These steps are neither radical nor giant, but build upon where the disrupting company has been. And, they are not limited to technological disruptions.

For example, Howard Schultz led Starbucks' phenomenal growth via evolutionary steps. Coming from a background in sales (according to Schultz's book *Pour Your Heart Out*), he was senior management in a firm that sold supplies to Starbucks, then a relatively small, but thriving coffee bean retailer. Seeing great potential, he joined Starbucks. He later left to pursue his own business built around a concept more like what Starbucks is today, eventually acquiring and expanding Starbucks.

Starbucks' original founders also took evolutionary steps. They initially carried high quality Peet's Coffee in their stores, and spent time learning from Peet's experience. Peet's founder had worked in coffee and related areas for many years before perfecting the coffee his business sold. Thus, by the time Howard Schultz shifted from selling Starbucks coffee beans at retail to purveying lattes for on premises consumption, ultimately building today's Starbucks, his product had already evolved through years of refining and perfecting.

Another example is Microsoft. Numerous evolutionary steps were taken before Microsoft developed the operating system for IBM PCs, and eventually succeeded with Windows. In high school (according to the book *Hard Drive* by James Wallace), Microsoft founder Bill Gates programmed extensively in BASIC, yet spent time reading business magazines and figuring out how to make money from computer projects.

Then, he went into business developing software to provide municipalities with traffic counts, and even ran it on a version of a microcomputer he developed. Later, Microsoft produced BASIC software licensed first to run on the Altair, a computer for hobbyists, and then to run on other desktop computers as well. Thus, although Microsoft revolutionized the marketplace, the steps to get there were evolutionary.

More recently, Google's disrupting influence on Microsoft was also the result of evolution. According to *The Google Story*, a book by Vise and Malseed, Google's early roots were in academic work that ranked a web site's importance based upon the links to it. Google's methods were modeled after how the importance of a published academic paper is gauged by where and how often the work is cited. Initially, Google's founders used their ranking system to search the internet for their research as graduate students at Stanford. After their ranking system delivered results superior to then popular search engines like Alta Vista, Google evolved into the search business. But, like Microsoft, Starbucks and others who successfully revolutionized the marketplace via disruption, Google attained its position through evolutionary steps.

"Since evolutionary steps are not giant steps, evolution might easily be confused with incrementalism"

Thus, disrupters have typically taken a number of evolutionary steps by the time the marketplace is revolutionized. But, incumbents may have taken few, if any. As a result, incumbents trying to reclaim markets invaded by disrupters often have difficulty recapturing lost ground. An incumbent's attempts at timely response may require bigger, more radical steps than the disrupter took. And, with more radical steps instead of evolution, the possibility of successful innovation can easily evaporate.

Even disrupters with little or no formal work experience in the industry succeed by taking evolutionary steps. Conventional wisdom often attributes their successes to a beginner's mind that makes a disruptive revolutionary breakthrough possible because its developers were not tied to the existing approach. But, while these disrupters lack traditional experience, their success often evolves from some other form of connectedness to their innovation. It may evolve from academic work, for example, like Google did, or from market familiarity that arises when a disrupter is a customer whose needs were left unserved. Or, it may even evolve from a passion that immerses the disrupter in industry knowledge.

Regardless of how it originates, the success of allegedly inexperienced disrupters generally happens through evolution. This is why merely bringing in inexperienced people who are not tied to old ways will not solve the Innovators Dilemma. In fact, coming in with an entirely blank slate may add to the problem because there is virtually nothing to build upon. Yet, since fresh perspectives do prove valuable, it can be beneficial to temper a blank slate with some connectedness from which to evolve. This might entail pairing fresh thinkers and those with more experience. Or, it may build upon and evolve from industry and market knowledge fresh thinkers gained through means other than traditional work experience. But, however fresh thinking is tapped, evolution is vital for success.

Evolution Explains a Range of Business Issues

Besides disruptive innovation, evolution's importance explains much more. For example, in his book *Beyond the Core*, Zook uses the term adjacencies to describe related areas where companies can be most successful when moving outside their core business. Like Zook, my 20+ years of research finds that evolving into related areas offers the greatest potential for expanding beyond the core business. But, my decades of research into success and failure patterns shows that companies succeed via powerful evolutionary steps into nearby areas, not only when they move beyond the core, but whenever they work to grow the business--whether developing marketing plans, pursuing innovation and change, or whatever.

Furthermore, the importance of evolution, rather than revolution, also explains the relatively frequent failure of executives brought in from outside an organization, especially those hired from another industry or from a different culture. This is why a growing small business can easily run into trouble after recruiting outside professional managers from large corporations. Conventional wisdom portrays the problem as founders refusing to relinquish control. But, often those founders can see that the outsider's revolutionary changes are too radical to succeed.

Large, established corporations also have problems when leaders recruited from elsewhere are too revolutionary, especially in an era when more CEOs come from outside. Outsiders charged with shaking up the status quo often pursue what seemed to work well in their prior situations, but does not fit their new setting. Instead, they should resist the temptation to make moves for the sake of applying their own prior background. Unless their moves are evolutionary for their new organization, what they do typically will not be right for the organization at all. Why? Because companies succeed via evolution, not via radical change. And, while outside recruits are especially vulnerable, even entrenched insiders can succumb to the temptation to be too revolutionary.

What Evolution Is Not

Since evolutionary steps are not giant steps, evolution might easily be confused with incrementalism. But, evolution does not mean a company limits itself to very tiny, incremental innovations like new flavors or new colors. Such tiny innovations are barely innovations at all, and with them, a company is unlikely to evolve. In contrast, evolutionary steps can potentially move a company in new directions or position it for adapting to conditions of change. Nonetheless, evolutionary steps are relatively small. They take a company into nearby areas by building upon where the company has been in a step-by-step fashion, never in big jumps.

Furthermore, evolution does not seek to break all rules. And, it never breaks rules merely for the sake of rule breaking, but only when bending a rule takes a company in a step by step fashion from where it has been to where it plans to go. For example, a fast food chain introducing a new burger aimed at adults broke the rules by promoting the product with kids saying Yuck. Advertising that made such derogatory comments about the product was certainly revolutionary, but did not sell the burgers. Instead, to be successful, rule breaking must be done for good reasons that can move a company forward via evolutionary steps.

Yet, evolution does not avoid risk. On the contrary, evolution entails calculated risks. Like any risk, the risks taken via evolutionary steps never guarantee success. But, their evolutionary nature increases the chances for favorable outcomes.

For example, Ted Turner, who is well known for his risk taking, took evolutionary steps to found and build CNN. His CNN venture was risky since nothing like that had been done before. And, already so successful prior to CNN, Turner was taking considerable risk because he had a lot to lose if it all went sour. Yet, since he previously built a successful cable TV station, developing a cable news network like CNN entailed evolutionary steps. And, with those evolutionary steps improving the odds of a favorable outcome, CNN succeeded and revolutionized newscasting.

Additionally, evolution does not preclude ambitious goals. But, since lofty goals generally will not be achieved with a revolutionary approach, evolutionary steps are required. Sometimes this entails interim goals that involve less stretch, yet allow progress toward a grander future.

Finally, although evolution requires companies to build upon past foundations, it does bring about profound innovation and change. Evolving companies do things much differently than what's been done before. But, their approach, or how they go about embracing change, is one that fosters success. It is evolution, not revolution.

Implications for Companies

Efforts to make companies more innovative frequently focus upon creativity and idea generation, with an emphasis upon ignoring all rules. Innovators are told to shake up the staid company. Think outside the box. Ignore the sacred cows. But, this approach can generate revolutionary ideas. And, a wildly creative, revolutionary approach to innovation normally won't work. In fact, it can be a sign that a company has neglected its evolution and is grappling for a quick fix.

Thus, ignoring all rules and sacred cows should generally be limited to purposes such as research or brainstorming. To harness all that creativity, however, companies must be highly selective about which ideas to pursue, screening out revolutionary ideas and pursuing the evolutionary. Or, interim evolutionary steps might be taken, so a company can evolve to where it may eventually transform itself into what now seems revolutionary. And, while all companies need to be mindful of evolution, leaders newly brought in from outside are especially vulnerable to trouble if they de-emphasize it. Rather than trying to become highly innovative, companies must devote more effort to picking the right innovations, and to avoiding revolutionary ideas that can become business crippling detours.

About Phyllis Ezop

Phyllis Ezop is a nationally recognized expert on the Winning Moves that drive successful business growth. As a strategic advisor, researcher and marketing information consultant, she blends real world experience in Fortune 500 firms and other major corporations (First Federal Savings of Chicago, Allied Van Lines, Quaker Oats, United States Gypsum, Western Electric unit of AT&T) with her 20+ year study of success and failure patterns in business growth initiatives. Frequently interviewed by the media, Ezop's views have been published in *Business Week*, and she has been quoted in *The New York Times,* in *Investor's Business Daily*, in *Harvard Management Update*, and in various major metropolitan area newspapers. Her quotes and comments have been translated into foreign languages and published internationally.

Ezop's research finds that companies succeed by making a series of what she calls Winning Moves. These growth propelling Winning Moves are based upon powerful patterns that her research unlocked. Her material helps companies to pursue the right growth opportunities, as well as to identify which innovations and changes will propel them forward. Ezop's research indicates that the entire process of selecting target markets and identifying market needs warrants rethinking. And, her study of business growth unveils an entirely new framework for approaching, using, and interpreting marketing research.

A thought provoking speaker, Ezop has addressed discriminating audiences such as University of Chicago Graduate School of Business alumni, students at Northwestern University's J.L. Kellogg Graduate School of Management, and MIT Enterprise Forum. She also taught university courses in new products, market research, and consumer behavior. She served several terms on the Board of Directors of the American Marketing Association's Chicago Chapter, and she has broadened her background into local government, serving on the Village of La Grange Park Zoning Board. With an undergraduate degree in mathematics from the University of Illinois, she holds an MBA from the University of Chicago.

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