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Unboxed

It's No Time to Forget About Innovation

James Yang

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… Wild market gyrations, frozen credit markets and an overall sour economy herald a new round of corporate belt-tightening. Foremost on the target list is anything inefficient. That's bad news for corporate innovation, and it could spell trouble for years to come, even after the economy turns around.

"To be honest, we had a problem with innovation even before the economic crisis. That's the reason I wrote my book," says Judy Estrin, former chief technology officer at Cisco Systems and author of "Closing the Innovation Gap." "We're focusing on the short term and we're not planting the seeds for the future."

In tough times, of course, many companies have to scale back. But, she says: "To quote Obama, you don't use a hatchet. You use a scalpel. Leaders need to pick and choose with great care."

There are important things managers can do to ensure that creative forward-thinking doesn't go out the door with each round of layoffs. Fostering a companywide atmosphere of innovation — encouraging everyone to take risks and to think about novel solutions, from receptionists to corner-suite executives — helps ensure that the loss of any particular set of minds needn't spell trouble for the entire company.

She suggests instilling five core values to entrench innovation in the corporate mind-set: questioning, risk-taking, openness, patience and trust. All five must be used together — risk-taking without questioning leads to recklessness, she says, while patience without trust sets up an every-man-for-himself mentality.

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Yet even that approach has its drawbacks. Companies that create silos of innovation by designating one group as the "big thinkers" while making others handle day-to-day concerns risk losing their innovative edge if any of the big thinkers leave the company or ultimately must be laid off.

"Innovation has to be embedded in the daily operation, in the entire work force," says Jon Fisher, a business professor, serial entrepreneur, and author of "Strategic Entrepreneurism," which advocates building a start-up's business from the beginning with an eye toward selling the company. "A large acquirer's interest in a start-up or smaller company is binary in nature: They either want you or they don't, based on the innovation you have to offer. The best way to foster innovation is to create something, put it to the test, build a good company and then get it under the umbrella of a world-renowned company to move it forward."

David Thompson, chief executive and co-founder of Genius.com Inc., based in San Mateo, Calif., says that innovation "has a bad name in down times" but that "bad times focus the mind and the best-focused minds in the down times are looking for the opportunities."

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"The last thing you want to do with innovation is just throw money at it. It's a very tricky balance."

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HOWARD LIEBERMAN, also a serial entrepreneur and founder of the Silicon Valley Innovation Institute, says innovation breeds effectiveness. It's not about efficiency, he argues. "Efficiency is for bean counters," he says. "It's not for C.E.O.'s or inventors or founders."

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"Creativity doesn't care about economic downturns," Mr. Lieberman says. "In the middle of the 1970s, when we were having a big economic downturn, both Apple and Microsoft were founded. Creative people don't care about the time or the season or the state of the economy; they just go out and do their thing."

Janet Rae-Dupree writes about science and emerging technology in Silicon Valley.

BY its very nature, innovation is inefficient. While blockbusters do emerge, few of the new products or processes that evolve from innovative thinking ultimately survive the test of time. During periods of economic growth, such inefficiencies are chalked up as part of the price of forging into the future. But these arenâ€™t such times.Â Foremost on the target list is anything inefficient. Thatâ€™s bad news for corporate innovation, and it could spell trouble for years to come, even after the economy turns around. â€œTo be honest, we had a problem with innovation even before the economic crisis. Thatâ€™s the reason I wrote my book,â€ says Judy Estrin, former chief technology officer at Cisco Systems and author of â€œClosing the Innovation Gap.â€ By its very nature, innovation is inefficient. While blockbusters do emerge, few of the new products or processes that evolve from innovative thinking ultimately survive the test of time. During periods of economic growth, such inefficiencies are chalked up as part of the price of forging into the future. But these aren't such times. Wild market gyrations, frozen credit markets and an overall sour economy herald a new round of corporate belt-tightening. Foremost on the target list is anything inefficient. That's bad news for corporate innovation, and it could spell trouble for years