Hierarchy kills Innovation

Author : Doug Kirkpatrick

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Innovation and Leadership in the Workplace of the Future

There is no shortage of drivers competing to advance organizational freedom and engagement: technological, sociological, generational, philosophical and myriad others. I believe that innovation and leadership economics will vie for the pole position as key drivers in the race.

Gary Hamel has written eloquently about the [management tax](#) imposed by bureaucracy. The direct overhead costs of maintaining hierarchies are massive. The opportunity costs are equally compelling. One of those opportunity costs is unrealized **innovation**.

There are great examples of virtuous **innovation** practices in vanguard companies. W.L. Gore & Associates, for example, is widely known as "the world's most innovative company." At Gore, everyone is free to innovate. The ability to actually lead the development of an idea depends on one's credibility, which is earned over time. The open sourcing of **innovation** at Gore led to the creation of entirely new businesses in Elixir guitar strings and Glide dental floss.

Colleagues at California tomato giant Morning Star are familiar with the hypothetical tale of Suzy Sorter, a bright young person who sorts tomatoes during the summer. One day, she comes up with a great **idea** (perhaps for using rejected tomatoes!). She puts together a business plan, gains buy-in from fellow colleagues, designs a production process, finds customers, and creates an entirely new business. If the business is spun off, who will serve as **CEO**? That would be... Suzy.

Unfortunately, not all companies seem to value **innovation** everywhere. Ideo co-founder David Kelley, in a brilliant **TED** talk called "[How to Build Your Creative Confidence](#)" that has been viewed more than three million times, talks about dedicating his life to helping as many people as possible regain their thwarted creative confidence, and think of themselves as innovators. In Kelley's words, to "have people realize that they're naturally **creative**, and those natural people should let their ideas fly." How many organizational leaders actually believe that, and act accordingly?

Innovation in traditionally managed companies often takes a leisurely, circuitous route. Ideas can be advanced or suppressed, depending on the individual motives of a designated

gatekeeper. Sharing a new idea doesn't necessarily translate into a leadership opportunity for the idea generator. And by the time a project is selected by the hierarchy, the assumptions behind the idea's business case may have completely shifted. **Kodak's** failure to channel its inner Schumpeter and cannibalize its own film business with digital technology that **Kodak** *itself invented* is a classic case of innovation left to die on the road to commercialization.

Engaged employees in vanguard companies brim with innovative ideas. Granted, not all innovations are terrific -- anyone who has struggled with bloatware understands that. Some ideas represent incremental improvement. Some represent quantum change. Why not encourage, collect and evaluate all of them, simultaneously and continuously, from any and all possible sources? Incremental improvements, in aggregate, can prove to be substantial. Quantum improvements can prove to be disruptive, even existential. They will, like earthquakes, occur regularly but unpredictably. Science historian James Burke noted that one year after the 1781 patent on the sun-and-planet gear system to convert the piston power of Watt's steam engine into rotational power to drive a shaft, the economic growth curve in **Britain** began a steep and sustained upward climb. More recently, in the 1980s, the debut of [baby carrots](#) disruptively transformed supermarkets, the carrot industry and consumption patterns throughout the **United States**. An entire enterprise structured to listen, detect, surface and deploy innovation from any point at any time would seem to have an inherent advantage in creating order-of-magnitude change.

Just as unrealized innovation represents an opportunity cost, companies can harvest more ideas and boost their return on **innovation** investment with creative organizational design. In other words, gaining advantage by innovating the organization itself. Just because a company solicits ideation from anyone in the enterprise at any time doesn't mean that everyone will be skilled in selecting, developing and commercializing projects. But with an open organization, you can at least remove the barriers between those functions and encourage open dialogue throughout the entire **innovation** value chain. Expertise not found in-house can be outsourced.

These enhanced innovation capabilities represent a compelling long-term strategic competitive advantage -- just ask W.L. Gore & Associates. Organizations today have a huge opportunity to **innovate** their operating philosophies, their organizational designs and their cultures. And with the right ecosystem, employees will be free to ideate product and service innovations as fast as their individual and collective creativity allows.

Other costs of hierarchy include risky leadership and unrealized leadership. The risk-benefit ratio of top-down, command-and-control hierarchy is fast skewing toward risks outweighing benefits. Decisions made by individuals or small cadres of designated leaders, without adequate information, are inherently dangerous. Stakeholder input is essential for making quality decisions, even if the decision-making process takes longer. Pity the talent executive at Decca Records, who in 1962 [told Beatles manager Brian Epstein](#) that, "We don't like your boys' sound. Groups are out; four-piece groups with guitars particularly are finished."

In addition to weighting companies down with unnecessary risk, the opportunity costs of unrealized leadership are huge.

Lori Kane, Ed.D. of CollectiveSelf.com, spent five years studying forty self-organizing groups on the U.S. west coast. She tells the story about being on a small team at **Microsoft**, where no one necessarily knew who the leader even was on any given day, but all felt the continuous pull of leadership throughout the team. In a self-managed ecosystem, where leadership can arise from anywhere at any time, **leaders** exist everywhere. People are pulled into leadership based on need, interest, passion, expertise and relationship. The environment itself calls out leaders from every corner of the enterprise. This is another huge competitive and **strategic** advantage for **enterprises** bold enough to trust fall into freedom.

Although most of us usually don't think about it, organizations, like people, do not last forever. The average tenure of a company on the S&P 500 is eighteen years, and the churn rate is accelerating. In an age when information moves at light speed, society can no longer afford the luxury of wasting time, money and the life force of human beings on soul-crushing bureaucracy. As Peter Block and Peter Koestenbaum write in their superb book *Freedom and Accountability at Work: Applying Philosophic Insight to the Real World*, it's time for leaders to embrace freedom with the same enthusiasm they once embraced control. The future demands no less.