

What Can The Big Boys Learn From The Little Guys

By Tim Knox



Q: I am an executive at a large company and in our industry we are seeing a trend wherein smaller companies are gaining market share at an alarming rate. Our CEO believes the reason for this is that smaller companies are more prone to innovation and more entrepreneurial than larger companies. He has instructed me to form a committee to study this trend and make recommendations on how we should deal with it. I'm an executive, not an entrepreneur. Any advice would be very much appreciated.

-- Name withheld by request

A: Your question reminds me of the time my teenage daughter tricked me into doing a chemistry project for her under the pretense of asking for my advice. "But, daddy, you're just so smart..." The result was that her/my experiment got a C instead of an A and almost started a fire in the chemistry lab. Reckon daddy wasn't so smart after all: at least that was the opinion of the principal, her teacher, the fire marshal, and ultimately, my manipulative, yet adoring daughter.

However, you're in luck, Mr. X, because I know considerably more about innovation and entrepreneurship than mixing combustible chemicals.

Judging by your use of the buzzwords "innovation" and "entrepreneurial" I'd bet your CEO's opinion (which I believe is dead-on, by the way) may have come from the Conference Board's CEO Challenge 2004, which reported that 87% of the 540 global businesses surveyed cited innovation and enabling entrepreneurship as priorities for their companies. Furthermore, 31% of companies surveyed considered these issues to be of the "greatest concern."

FYI, the Conference Board is an 88 year-old, not-for-profit, global, independent membership organization that "conducts research, convenes conferences, makes forecasts, assesses trends, publishes information and analysis, and brings executives together to learn from one another. "

What many Conference Board members are learning is that they are getting their big corporate behinds kicked by smaller, more innovative, entrepreneurial companies that are not burdened by the need to have a meeting once an hour or to bury every great idea under a mound of red tape. You said it yourself: your CEO told you to set up a committee to study the trend. You might as well paint a big black hole on the wall and have everyone take turns trying to run through it. Committees and superfluous meetings are the biggest wasters of time and money in the corporate world and rarely produce anything even remotely resembling results and they are indicative of why smaller companies are gaining ground on their larger brethren.

The fact that innovation and entrepreneurship run rampant in smaller companies, but is often suppressed in larger companies is nothing new. Management guru Peter Drucker first addressed the issue in his 1985 book, *Innovation and Entrepreneurship*. Drucker wrote that one of the most often-asked questions in many a 1985 boardroom was, "How can we overcome the resistance to innovation that plagues most organizations?"

The question they should have been asking in 1985 and the question that you should be asking today is not only how can you overcome the resistance to innovation and entrepreneurship within your own organization, but how can you make your organization more receptive to innovation and more open to entrepreneurial practices?

Therein lies the key to your recommendation. To compete with the small boys, the big boys must create an environment in which innovation and entrepreneurship run rampant. Everyone in the organization, from the CEO to the executives to the managers to each and every employee must become innovation generators and entrepreneurial thinkers. You must create an environment where shooting for the stars is the norm instead of the shooting down of ideas.

To put it simply, you must turn your lumbering giant Goliath into a raging horde of David's. Now I don't mean that you should arm your employees with slings and rocks and turn them loose on upper management, although that could be really fun to watch. What I'm talking about is turning your organization into an innovative, entrepreneurial machine where everyone from the CEO to the janitor works to make the company more competitive and profitable.

One reason that large organizations are resistant to innovation is that everyone is so busy just keeping the wheels in motion and putting out fires and dealing with the day-to-day drama of big business that no one has the time to even think about innovation. And Heaven forbid they have to think like entrepreneurs. No one has time to even consider the opportunities that innovation and entrepreneurial thinking might bring. They are too busy to see that their product is becoming dated and their market share is becoming smaller. They are too busy to see the smaller, more innovative companies speeding up in their rear view mirrors. Competitors in your rearview mirror are larger than they appear...

So, here's how you begin. First off, you should develop an innovation plan that outlines how the process of innovation will work within your entire organization. If someone has an idea for a new product, for example, the innovation plan would explain the process by which their idea should be brought to the attention of management and how it can be shared with others throughout the organization. The plan should also detail how entrepreneurial employees will be rewarded if their idea is accepted and further rewarded if their idea brings future profits to the company. Here is where most big companies drop the ball. They take a great idea, brush aside the person who thought of it, then hand the idea off to upper management so it can be buried under a mound of red tape, never to be heard from again.

This is a key point: to make innovation work you must reward the innovators monetarily or by letting them take a key role in bringing their idea to fruition. It's my opinion that you should do both: pay them and promote them.

Secondly, innovation and entrepreneurship must be promoted within your organization as the norm, not the exception. There must be a clear understanding that the best way to preserve and perpetuate the organization is through innovation and entrepreneurial thinking. If you can get everyone in the organization thinking like entrepreneurs, innovation will soon run rampant.

This is how you create the raging horde of David's.

Next week we'll talk more about how large companies can become more innovative and entrepreneurial so they can compete with those pesky little guys.

Here's to your success!

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