

Understanding the Link Between Crisis and Innovation

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Brooks Brothers recently joined a long line of American businesses filing for bankruptcy amid the pandemic. This news didn't come as a huge surprise, since sales at the 200-year-old retailer were already challenged by relaxing corporate dress codes prior to the COVID-19 outbreak. In early July, Montreal-based DavidsTea—which was also struggling with declining sales before the coronavirus crisis—was added to Canada's list of pandemic-related business failures after it applied for protection from creditors under the Companies' Creditors Arrangement Act.

As the health crisis persists, of course, even ventures that were thriving before social distancing measures disrupted the global economy are failing. And the numbers could significantly increase if a second wave of COVID-19 catches us all off guard. That's the bad news. The good news is that corporate managers don't have to play defense, since many of the business failures in question are partly due to a failure to innovate. In other words, instead of spending all their time and energy reacting to the chaos created by the pandemic, managers can go on the offensive.

In a recent *IBJ* Insight entitled "[Building Corporate Resilience](#)," Ivey Business School Professor David Loree examined how organizations can better prepare themselves for unexpected challenges by ritualizing ingenuity, or bricolage—the ability to improvise a solution to a problem by making do with whatever is at hand. This article explores how companies can make themselves more competitive by understanding how crises open the door to innovation, then offers advice on how to foster innovation in good times and bad.

Most innovative companies have one thing in common that helps drive success—and we are not talking about an innovation plan. You can plan to support innovation, but innovation itself isn't something you sketch out on a white board. It stems from a curious mindset, not a process.

Ivey Professor and innovation expert Rob Austin and Mark Healy, Executive Director of the Ivey Academy, an executive learning and development provider, recently hosted an online discussion about innovating during the pandemic (for past and upcoming topics, see the Academy's [events page](#)). Healy started the conversation by noting he had just spent some time with managers of a Canadian manufacturer that was in "remarkably good shape all things considered," but the company's executives were still thinking about innovation—currently the responsibility of R&D—more than they normally would, especially about how they structure operations to be innovative. And as Healy noted, this isn't just a good idea—it is something every company should consider a top priority.

Why? Simple. Proactively fostering innovation is never easy, especially for mature companies. But as Austin explained during the live-streamed discussion, "The general effect of something like a pandemic is that it jolts us—it takes us to places we would not have necessarily gone otherwise, and I mean that both in a physical sense and also in the sense of our thinking."

Simply put, thanks to the coronavirus outbreak, organizations around the world are experimenting like never before, and this forced increase in experimentation represents a unique opportunity to take innovation to a higher level because it is taking place while everyone's standard operating environment has been disrupted. But to really seize this opportunity, organizations need to proactively create or better support an innovative culture. And that requires understanding the unplanned nature of many world-changing innovations.

Keep in mind that a dirty lab led to the eventual development of penicillin. As the story goes, bacteriologist Alexander Fleming returned to London from a 1928 Scottish vacation and found mold contaminating a bacteria culture that had been left uncovered at his lab in St. Mary's Hospital in London. Curiosity led Fleming to examine the tainted Petri dish under his microscope, and that's how he discovered that the mold *Penicillium* prevented the growth of bacteria.

As Fleming put it: "When I woke up just after dawn on September 28, 1928, I certainly didn't plan to revolutionize all medicine by discovering the world's first antibiotic, or bacteria killer. But I guess that was exactly what I did."

There is no way to quantify the role mistakes play in innovation, but the evidence isn't just sitting in our medical cabinets. It can be found everywhere, including in the box of Kellogg's Corn Flakes on your breakfast table, which resulted from accidental flaking of wheat berry. In 1898, W.K. Kellogg and his sanitarium director brother Dr. John Harvey Kellogg absentmindedly let wheat dry out while attempting to make granola. This led to the creation of Corn Flakes, not to mention a US\$13.5 billion multinational enterprise that currently employs about 30,000.

Like Fleming, the Kellogg brothers deserve credit for rolling with the punches and having the curious mindset required to capitalize on unexpected setbacks.

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Driving innovation is different than driving efficiency—which is why one focus of the Ivey Academy’s executive education program [Managing for Innovation](#) (currently offered virtually thanks to the jolt to our industry delivered by COVID-19) is training executives to defy past thinking, especially when it has repeatedly proven effective or efficient.

Breaking established habits on your own isn’t easy, but as mentioned above, organizations around the world are being forced to experiment like never before. And while an awful lot of this experimentation will fail, it is what happens after an accident or mistake takes place that separates an innovative culture from the wannabes.

The concept of accidental innovation can be misleading because most accidental innovation actually results from a decision about what to do when faced with the unexpected. So, one lesson for organizations experimenting during the pandemic is that there can be value in your mistakes, and that making sure that you don’t miss the serendipitous opportunity of a lifetime requires the willingness to venture down a rabbit hole without being held back by your original objective.

Working without a clear objective can be wasteful, but it also opens the door to finding something truly unique and valuable. That’s why recognizing value in interesting accidents is a non-trivial capability, one that many artists attempt to cultivate. As Austin [pointed out](#) when discussing the research behind “Accident, Intention, and Expectation in Innovation Process,” a 2006 working paper co-authored with Lee Devin and Erin Sullivan:

“In science, the arts, and other creative activities, the ability to know what to throw away and what to keep seems to arise from experience, from study, from command of fundamentals, and—interestingly—from being a bit skeptical of preset intentions and plans that commit you too firmly to the endpoints you can envision in advance. Knowing too clearly where you are going, focusing too hard on a predefined objective, can cause you to miss value that might lie in a different direction.”

The uncontrollable nature of the systemic jolt created by COVID-19 offers another lesson for managers. According to polls, the crisis has spawned widespread openness to innovation. This isn’t something you can replicate in normal times—and you shouldn’t even try, at least not at scale.

During the virtual Ivey Academy discussion on innovation, participants were asked about what it takes to build an innovative culture, and more than a few mentioned the freedom to fail. But freedom to fail is a double-edged sword. The tension that typically exists between an organization’s fiscal stewards and its creative folks exists for a reason—failure is costly. As a result, building an innovative culture that is also a sustainable and profitable culture is a balancing act.

During the pandemic, innovation has been supercharged by the increased levels of variation. But it is important to note that most variation is not valuable, which is why organizations spend a lot of time trying to weed it out during normal times. This, in turn, stifles innovation.

Variance shouldn't be targeted for elimination. Instead, management should strive to support innovation with a steady supply of variance, along with a healthy attitude toward following the unexpected, but without also generating massive losses. Working with computer simulations can help do this. Another idea is to create freedom-to-fail sandboxes.

In “Oops! Accidents lead to innovations. So, how do you create more accidents?”—a [2008 Wall Street Journal article](#)—Austin, Devin, and Sullivan outlined various strategies that companies can use to capitalize on opportunities created by accidents, ranging from giving employees offbeat tasks to keep them creative to embracing diversity, including neural diversity. In “[Accidental Innovation: Supporting Valuable Unpredictability in the Creative Process](#),” published in 2011 by *Organization Science*, they also highlighted how digital systems can play a supportive role.

Offering the right incentives, of course, is also important. Scientific studies on motivation and rewards suggest that financial incentives designed to spur innovation can be counterproductive. As Dan Pink argues, what really motivates creative employees is autonomy, the opportunity to “get better at stuff,” and working on something that matters. Giving employees autonomy may appear to run counter to traditional management thinking, but the productive engagement created by self-direction at Google—where employees are encouraged to devote 20 per cent of their paid time to personal side projects—also appears to drive innovation.

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With the jolt created by COVID-19 removing bureaucratic, regulatory, and mental obstacles, a lot of previously unimaginable innovations—like remote medical visits and mass virtual work—have been born. Some things created by this crisis will disappear when life returns to normal. But if we are lucky, the heightened focus on innovation will remain.