

A New View of Creativity and Innovation

In today's knowledge economy, there is a new reality: the most essential form of capital is not a tangible asset such as money or infrastructure—it is knowledge. And when a new paradigm such as knowledge capital emerges, new tools must be developed to manage the new resource. Creativity and innovation are emerging as two of these tools. They are essential components for achieving organizational objectives that lead to positive change and benefit society.

This is not to say, of course, that creativity and innovation are new concepts or practices. But our understanding of them is in transition as observers study the societal changes taking place because of the explosion of knowledge and identify the skills that people need to develop in order to turn knowledge into productive enterprise.

The words *creativity* and *innovation* are often used interchangeably, but in terms of leadership they are distinct. Creativity is a process of invention: new ideas and techniques are envisioned and captured as alternative ways to resolve an identified problem or opportunity. Creativity seeks to make productive something that does not already exist. Innovation is a process of execution: identifying an existing resource and, through knowledge, elevating it to a new level

of utility and value to the customer. Innovation is not invention, which historically takes a generation from discovery to implementation. Innovation can be put to use immediately—it is the best example of knowledge capital at work.

The biggest roadblock to creativity is that it is not precisely defined or well understood as a managerial practice that can have an attractive return on investment when it is put to work in an organization. It is especially misunderstood among top management, from whom a high level of support is needed to sponsor any change in an organization. The challenge now is to develop creativity as a managerial skill through a set of principles that will allow it to evolve into a practice, just as strategic and business planning have evolved into managerial skills over the past fifty years.

The biggest roadblocks to innovation are a lack of understanding of when to take intelligent risks—those that have a relatively high probability of success but are taken while the window of opportunity remains open—and insufficient knowledge of the skills and principles needed to develop innovation into a managerial practice. Perhaps more than creativity, innovation is largely knowledge driven. The more knowledge one has in attacking a problem, the higher the probability of selecting the solution that will yield the most successful and productive results.

But when does someone have enough knowledge to take an intelligent risk? In some sense no one ever has enough information because there is no end to the amount that can be gathered to support a decision. This is where innovation enters into the picture as a managerial practice. Effective

innovators learn where the lines of time and knowledge gathering cross.

The new role that creativity plays in effective leadership and achieving individual and organizational results hinges on the ascendancy of knowledge as capital. When the essential value of an organization was more in its cash reserves, product inventory, manufacturing plants, business systems, and even its patents and trademarks, top management could control these resources and force a hierarchical structure in which power and decisions emanated from the top. Whether this usually resulted in the best decisions is difficult to know because alternative choices were seldom evaluated, let alone acted on. With knowledge as power, and a universe of possible alternative choices, today's leaders must employ practices that optimize choices within a tighter time frame than under the old system. Leaders cannot control the most valuable capital as in the past and now have to adopt methods that put a seemingly amorphous capital resource—knowledge—to work in their organizations.

There is a great opportunity to develop the discipline for creativity and innovation. Peter Drucker has said that many of the managerial practices of thirty and even twenty years ago are out of date. The new reality of the knowledge worker and organization means that new sets of skills are needed to make the management of knowledge effective and productive. Creativity and innovation are two of those sets of skills.

Joe Prochaska

President

Prochaska & Company
Willmar, Minnesota

Editor's note: Reader Forum is a venue for readers to exchange ideas and opinions about Leadership in Action articles and any issues of practical importance to leaders. Send contributions to editor Martin Wilcox at CCL, P.O. Box 26300, Greensboro, NC 27438-6300, or by e-mail to wilcox@leaders.ccl.org