

# LARGE PROBLEM

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LET'S BE BLUNT: Big companies almost never innovate. This is unfortunate because innovation is one of the few ways to gain proprietary advantage and stay profitable. It's not that innovation itself is rare--it's occurring everywhere. Which means, mostly, elsewhere. And as engineers and inventiveness continue to flourish in China and India, elsewhere moves farther and farther from here. A healthy business must therefore not only innovate more within its walls but leverage innovation elsewhere too.

So why is innovation so hard for big companies? The main reason is that innovative people tend to prefer working in smaller organizations that have more focus and less bureaucracy. Even in small companies, adopting a large-company style can frustrate the innovators.

The problem with large companies isn't that they fail to do large and seemingly ambitious projects; it's that they fail to do small, quirky, controversial projects--truly innovative projects that wouldn't be accepted by the organization at large but that have the potential to grow. (If everyone thinks an idea is okay, how can it be innovative?) A large organization--its missions threatened by new ideas--is often incredibly hostile to its own innovators; the antibodies to change are strong.

Some rare individuals seem to have the ability to encourage great innovation even in large organizations. Steve Jobs is the most obvious example. In his work at Apple and at the hit machine Pixar (see previous story), he clearly knows how to protect and encourage innovators.

But apart from cloning Steve Jobs, what's a company to do? Consider Google. Larry Page and Sergey Brin, the company's founders, hire lots of smart and innovative people, organize them into very small groups working in parallel, and encumber them with minimum bureaucracy. Given Google's success, that is a strategy that other large companies could emulate, had they the courage (and clones of Larry and Sergey).

As for the rest of us, most big corporations could allocate a substantial portion of the creative budget to small projects. Here "small" means the number of seats at a table at the local restaurant around which a group can gather regularly, having lunch--not meetings--changing their minds, and otherwise being left alone to come up with something great and new.

And after a few years, if the ideas haven't jelled, the groups should be disbanded without retribution. After all, the projects should be radical enough that many of them fail, or the rest can't be great. If you want a culture of innovation, you can't punish people for

attempting great things and sometimes failing.

Suppose a small team has come up with something really interesting. Before rushing it into production, it's a good idea to look beyond the borders of the company for something similar that can be bought. There are probably a few--maybe even many--smaller companies around the world that have tried the same thing.

Without the small internal groups, the odds of even speaking the language of all the other entrepreneurs out there are small to none. But given people in your organization who've learned the lingo, these external groups can be optioned or purchased at a nice price. That's because the innovators get an irresistible chance to see their dreams realized, while the large company's infrastructure generates the volume to justify the favorable terms. This, in a nutshell, is Cisco's strategy.

Apples and Pixars and Googles may be rare. But most companies can set aside money to explore ideas. And if, after searching the world, you find the same idea all ready to go, just buy it! In a networked world, being innovative means being a Cisco.

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Companies could copy Google's strategy, had they the courage (and clones of Larry and Sergey).