Want to innovate? Then act like a start-up

Established companies can achieve breakthrough innovation as well as any start-up, provided that they combine the discovery attitude of entrepreneurs with the greater access to resources that established companies have.

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For a large part of the 20th century, corporations were the innovators. The economist Joseph A. Schumpeter argued that they were better placed than new companies to innovate because they were able to pour vast sums into R&D labs to develop breakthrough ideas.

But the arrival of the Information Age leveled the playing field. Suddenly, established companies found themselves losing ground to small, nimble start-ups run out of makeshift labs in Silicon Valley basements and garages.

In response, incumbent firms tried to transform themselves into something akin to a start-up, only to discover that it didn't work. They could not compete at the same game.

For them, beating competitors means great execution. And great execution means incremental innovation to gain a small advantage over competitors.

Unfortunately, this focus on incremental innovation often destroys the very capabilities required for breakthrough innovation – for revolutionizing existing markets or creating new ones. This is the innovation paradox: the better you become at incremental innovation, the less likely you are to achieve breakthrough innovation.

However, as companies such as 3M, IBM, Nestlé and Google have shown, this paradox need not block breakthrough innovation. Rather, established players have the talent and resources to address some of the toughest challenges that society is facing.

Our book, The Innovation Paradox, describes how to use the creativity, talent and willingness to discover, which every person in the organization has, to yield breakthrough innovation. Instead of trying to be something you're not, the key is to learn from start-ups, adapt and play to your strengths.

Established companies have amazing talent among their employees and their networks. They also have resources at their disposal that many start-ups can only dream about and can execute across vast geographies. They can leverage funding and economies of scale, which gives corporations the ability to manage complexity in ways that others can't.

The Start-up Corporation is able to combine these strengths as it maps a process similar to that which has made start-ups so successful. In adopting this management approach, established companies can break the innovation paradox, balancing their ability to execute and deliver incremental innovation with breakthrough innovation.

Start-ups may still be best at coming up with breakthrough products and services. But, by becoming Start-up Corporations, established companies have a significant edge and realistic chance to compete at this game, combining different products and services to create new markets.

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