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My Case for Top-Down Innovation

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Businesspeople are just about tapped out on top-down innovation. At least, that's the impression you'll get from a quick lap around the Internet, where there's abundant criticism of innovation initiatives that come tumbling down from the peak of the org chart, with the expectation that those occupying the lower ranks of the corporate hierarchy will put those new strategies into action.

However, I've found that at different phases of the innovation process, you need to take different approaches. To gather ideas and learn from them, it's far more effective to take a grassroots approach and seek out contributions from lots of people. But when it comes to betting and executing on a game-changing strategy, especially one that's built on a disruptive business-model innovation, you need support and leadership from the top.

Nevertheless, the arguments against top-down are abundant. Critics contend that in a top-down culture, management believes it has a monopoly on good ideas; that top-down denies the power of "opt in"— people are far more enthusiastic when they take on projects they volunteer to do, as opposed to those they are assigned to do by some corporate kingpin; and that the explosion in social technologies, which fuels collaboration across networks, will accelerate the trend toward top-down's opposite: bottom-up, decentralized collaboration.

For these and other reasons, top-down is deemed by many commentators as so old economy, particularly in the technology industry, which takes a far more grass-roots approach through crowd-sourcing and rapid, online experimentation to test which ideas stand the best chance of winning in the marketplace. But to those who declare that top-down "rarely works," I offer three counter-examples from the tech industry itself: Microsoft, Apple, and Google.

As Raul O. Chao argues in this *Washington Post* piece, all through Microsoft's meteoric rise in the 1990s, high-impact innovation depended on the "vision and drive" of the man at the top, Bill Gates. In 2008, when Gates stepped down from his role as chief software architect (as well as CEO), Ray Ozzie stepped in. Ozzie took a far more grassroots approach to innovation, but those efforts never delivered "the type of game-changing innovation that was expected." Two years later, Ozzie left Microsoft.

Under Steve Jobs, Apple was quintessentially top-down. "Innovation is saying "no" to 1,000 things," he famously quipped. At Apple, there was never any doubt as to who was the ultimate arbiter of what constituted that one-in-a-thousand, "insanely great" idea.

Then there's Google. Granted, Google's preference for small, self-managing teams speaks to a dramatically decentralized innovation culture. So too does the companywide practice that frees up engineers to devote twenty percent of their time to any project that piques their interest.

But think about it. Isn't twenty percent a paltry amount of time to devote to conjuring products and services that define your organization's future? Who at Google puts in one hundred percent of their time—or close to it—to focusing on innovations that dramatically advance the company's performance? My guess is it's the two guys at the top, cofounders Larry Page and Sergey Brin.

Make no mistake, I buy into the notion that in the first phase of any innovation effort—where you attempt to come up with new strategic options—a democratic approach often works best. In the corporate version of a democracy, every one has a vote. Or at the very least, every one has a voice in putting forth an idea for a novel product or service. The whole notion behind the "no one is as smart as everyone" mantra is that ideas must come from every part of the company. The arithmetic of innovation dictates that you need to gather hundreds of "out there" ideas to cull the one or two that will ultimately fuel a company's renewal.

But in the all-important second phase, where a promising idea evolves into a game-changing strategy, innovation works best when democracy yields to autocracy. Einstein once said, "If at first, the idea is not absurd, then there is no hope for it." Who but the CEO has the influence—and, yes, the power—to marshal the company's resources behind an "absurd" idea and drive it through the organization?

Fact is, the chief executive's foremost responsibility is to identify, develop, and deploy innovations that lead to real competitive advantage. All of the other challenges that weigh on every CEO—meeting the quarter's financial targets; enhancing the brand; creating a culture where everyone gives their best—are ultimately irrelevant if you haven't figured out how to invent your company's future.

Certainly, it's dispiriting to work in an organization where good ideas flow down solely from the pointy end of the corporate pyramid and the relationship between executives and associates is entirely transactional—"we pay, you execute on our ideas."

But top-down doesn't have to mean command-and-control. Done right, top-down takes in some of the same practices as grassroots innovation, while avoiding many of the pitfalls. To illustrate, in my next post I'll describe the innovation process we used to create Panera Cares, our attempt to fight food insecurity in America.

For now, I'll close with a question: what approach to innovation do you think works best—top-down, bottom-up, or some combination of the two? And… if you believe in both… which works best… when?

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