

“An occasional newsletter to share ideas and insights on information age topics.”

Wall Street Guru uses incremental innovation to save lives....

It's almost legendary that small teams doing innovation can sometimes make a **huge** difference for large organizations. This is still true. One recent case is “The Snake Eater.” Our troops in Iraq are mightily handicapped by our own peacetime rules, procedures, and bureaucracy. One result is an expensive, unpopular war that's gone on for too long.

One such “troop” is Marine Major Owen West, leader of a team of nine U.S. soldiers advising an Iraqi brigade. When not fighting in Iraq, he's an energy trader for Goldman Sachs in NY.

Last fall, West figured out something profound – soldiers are becoming the region's cops. This mission isn't something conventional armies do. Armies blow up things and kill enemies. Police do arrests; Soldiers do “kill the bad guys.” Cops and soldiers are not the same. Not even close.

For an army at war, the goal is to close with and destroy an enemy quickly while adhering to the Rules of Engagement. For Western cops, the goal is minimum force, due process, and civil rights. Cops and soldiers may both carry guns, but they are as different as chalk and cheese. If special ops and counterinsurgency warfare is involved, the differences are even more extreme.

But West was right, of course: Cops is the mission, not war. Unfortunately, he and his men didn't have the proper tools for that job. Since he had no “cop equipment,” West got Goldman Sachs to chip in \$14,000, a troop-support charity to donate \$30,000, and he found a small firm, Cross Match Technologies, to develop a handheld fingerprint workstation, the MV 100. He even found an ex-Army blog reporter who embeds with our troops to hand-carry a prototype back to Baghdad.

The results were phenomenal. The *jundi* (Iraqi soldiers) call West's LV 100 “Snake Eater” (they call the bad guys “snakes”). The day after the prototype arrived, West was sending back digital photos of Iraqi soldiers fingerprinting suspects with his Snake Eater. A rumor quickly spread that the Iraqi Army was implanting GPS chips in insurgent's thumbs. That was on January 20th and by early February General Robert Neller, who is Deputy Commander of Operations in Iraq, reported that “they were receiving advanced biometric equipment like the device being employed by Major West” and that “networking our biometric capability is a priority of this organization.”

Snake Eater was developed in a month for under \$50,000. ***Fresh eyes and the right talent doing low-risk incremental innovation can make a huge difference.*** I enjoy such projects.

Report from Innovation Space....

What is happening out there? Well, it seems to be a very mixed bag so far as innovation is concerned. On the large stage, Kodak is betting on technological innovation being able to drive a new business model for printers. Their core play is 1) better quality color printing with images that don't fade, and, 2) much lower prices for print cartridges.

Kodak has a compelling technology advantage, but it also has formidable competition that will give them only one chance. They have to get it all right the first time which is difficult. Still, if they can, this could be their best story of the decade. Successful “disruptive innovation” is the Holy Grail.

More typical is what’s unfolding at Dell. Things are not going well. Michael Dell has returned to run the firm, but his plan is very different than the “innovative renewal” Steve Jobs recently pulled off. Dell says he plans to return to his old business model which worked for so many years: Assemble to order, outsource design, and do it all cheap and fast over the web. ***Ho-hum.***

Is innovation happening, or not?

Not at large firms it seems. I was much too optimistic about an imminent resurgence of innovation in large firms. Yes, an increasing chorus says, “Innovation is a survival issue,” but the reaction of Dell is more typical than that of Kodak. The course that seems safe may be more risky, and doing what you used to do is neither hopeful nor innovative. Ask Detroit if you don’t believe me.

Mentioning Detroit, many in Corporate America don’t see a problem until too late. Also, top management is too overloaded and preoccupied with other things – quarterly reports, Sarbanes Oxley, backdating, etc. – to be able to focus on corporate renewal or value creation.

An influential group in the UK called the [World Innovation Forum](#) was kind enough to make me an Honorary Fellow a few years back. Many of my colleagues are bitterly disappointed that the U.S. has shifted away from innovation. Brian O’Leary, Ph.D, Fellow, WIF, says, “(America) appears to be too distracted by wars, repression, and the dominance by large corporations who don’t embrace technological change outside of their own interests.”

The last is true. ***“If Edison had been an MBA, he would have invented a large candle.”*** Worse yet is that the icons of corporate management have become figures like Donald Trump. Whatever you may get from such leadership, it isn’t innovation or value creation. It’s entertainment maybe.

To innovate you need leadership and the right talent, not additional quantification, process, and proof. The CFO owns the past, through reporting. The COO owns the present, through process. What’s needed are more CEOs who take ownership of the future by sponsoring innovation teams.

The burning issue of our time: Energy Innovation, or not....

Energy independence is a ***huge*** deal. It is absolutely crucial to our national security, life style, and standard of living. Washington is subsidizing domestic ethanol production as a route to energy independence. Subsidies make sense, but ***only*** if we also do the science and business right, which isn’t a strength of our lobbyist-driven bureaucratic government.

Bioethanol has been very successful in Brazil where it’s replaced 40% of the gasoline used. Ethanol made from sugar cane produces 8-10 times the energy required to produce it. Unfortunately, it’s not quite that simple. We don’t have the right climate for mass production of sugar cane, but we do have a lot of farmers who grow corn. From corn, you can only get 0.8-1.3

times the energy required for production. Politicians from Bush to Obama are pushing subsidies for corn-based ethanol, but environmentalists get queasy because it takes so much land, energy, and water to produce. Economists get queasy too, but for different reasons.

Free market bioethanol would help, but we've combined domestic crop subsidies with high tariffs on bioethanol imports. So we don't get cheap ethanol from Caribbean sugar cane or EU sugar beets. Instead we get food protests in Mexico, where the demand for corn to ship to the U.S. to make ethanol has raised prices from \$1.10 to \$3.50 per bushel, with no end in sight. Instead of energy independence, we get happy lobbyists, dubious energy gains, and expensive corn.

What we need are private-sector entrepreneurs to pursue real opportunities in energy. People like Venture Capitalist Vinod Khosla are betting big on biofuels made from recycling waste products. He'll make a lot of money. What we don't need is pork-barrel policy. One of the worst mistakes of the 1970s was a National Energy Plan much like what's now being discussed in Washington.

The Department of Energy (DOE) was created while the Congress and President Carter pushed forward windfall profits taxes, price caps, subsidies for solar energy, tax breaks for using coal, and direct spending on synthetic fuels. It did not work. Not only did all of this fail to stop imports or the use of fossil fuels, it was also the source of serious economic pain. It made things worse.

Energy subsidies are needed, but impeding the free market alters the course of economic activity in ways that cannot fully be understood in advance. This might be a good thing to remember.

Do you want to save your company? Invest in the future....

A single day's investment in innovation can make a huge difference for your company. More and more firms are coming to realize the ability to innovate is a survival issue. If you agree, you need to hear my new talk to learn why this is so, what has changed, and what to do. My seminar, ***Practical Innovation***, shows you how to get results from innovation.

The target audience is Upper Management, Innovation Teams, and Middle Managers responsible for new product development and strategy. I've been doing this for a long time, but this talk is new. For the first time I have approaches that will work no matter where you are in "innovation space." The feedback from the test sessions I've presented to senior managers is very positive.

If you are interested in developing your organization's innovation potential and performance, this interactive program will show you how and help you get started. If you're not, it will tell you why you should be. The time required is one hour, and open Q&A is provided. Please contact us for more information.

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"The resistance to a new idea increases as the square of its importance."

Bertrand Russell

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