**Lessons from the bell curve**

Strategy and innovation, the highest functions of reason and creativity, combine careful planning with improvisation—and the ability to turn on a dime

By David Holt

In my last column, I quoted the definition of strategy given by Richard Rumelt, a professor of business strategy at UCLA’s Anderson School of Management. To paraphrase: the essence of strategic thinking is speculation. The key word is “speculation.” Success usually appears during periods of stability, when the systems we have designed are producing the outcomes we desire. During these prosperous times, we may forget the earlier stages when we planted the seeds of future opportunity. There was uncertainty, soul searching, and trial and error—a certain fumbling around. A mathematician friend of mine came up with the phrase “data momentum” to describe most of what happens in our lives: 90% is driven by what happened yesterday, by forces that have already been set in motion.

This is true at all levels: in nature, in human society, in organizations, and within ourselves. Most of the time, we are pushed along by data momentum. We ride a wave, following well-known trends or processes. We are comfortable with predictable inputs and outputs. It’s like our body, where most processes are controlled by lower-brain functions. We don’t have to concentrate for it to work. Strategy and innovation belong to the other 10%, the stuff that requires focus, the times when we must make choices. They are the levers that allow us to set new goals and move in new directions. It may seem paradoxical at first that much of this conscious goal-oriented behaviour is in fact based on guesswork.

Strategy is setting a direction where there is not yet a clear link between behaviour and outcome. In other words, you are making a bet on the future where you will expend resources without being sure of the result. It is the same with innovation. In business or technology, an innovator pursues an opportunity but does not know in advance what the outcome will be or whether it will be profitable. Strategy and innovation both depend on a combination of intention and rational analysis on the one hand, and intuition and luck on the other. They also depend on an ability to suspend disbelief and consider multiple hypothetical scenarios, to ask “what if?”

Consider a bell curve, fat in the middle and tailing off at either end. In an established company, for example, most of the activity is tried-and true process and procedure, the stuff in the middle that takes place over the medium term. Strategy and innovation are the tails on either end. One tail is the zone of long range planning, and on the other tail lies improvising, the art of the short term. Strategy and innovation are also inherently self-destructive, in that they aim to replace their hypothetical selves with proven processes and procedures.

They share another important quality, which is the essence of a true experiment: the ability to be wrong. Most of us don’t like that one! Our egos prefer to sit comfortably on a little perch of expertise and experience, where we can look straight ahead and judge everything that comes our way as being either right or wrong. This is why some of the most brilliant stuff comes from the outlying regions, where there is not so much invested in the status quo.

As a strategist, the outcast Genghis Khan learned from every conquest and systematically combined the tactics and technology of his foes. Coming from nothing, he wasn’t wedded to any one particular way of doing things. As innovators, the Wright brothers were true to the painstaking hands-on approach of their bicycle shop. They made systematic wind-tunnel experiments inspired by the shape of birds’ wings, while the top physicists of the day declared manned flight to be impossible based on theoretical calculations.

Great generals learn at least as much from battles lost as battles won. Edison was proud of his methodical, trial and (mostly) error approach. Einstein ransacked libraries until he chanced upon a mathematics that described multidimensional spaces. Modern software developers intentionally release flawed beta versions of new programs so early adopters can identify the bugs.

The ever-shifting balance between planning and improvising is well illustrated by the Normandy landings during D-Day. The plan called for the Allies’ naval vessels to lie well offshore, out of reach of the German heavy guns. But when the ships’ commanders realized the troops were being mowed down on the shoreline, they disregarded orders and improvised, moving in closer so their guns could take out key German gun emplacements. This act of disobedience allowed Allied troops to establish a beachhead—the beginning of the end of the Second World War.

In the early stages, a start-up company is mostly about strategy: speculative ideas, concepts, and goals. There are few resources or processes. “The middle of the bell curve is mostly empty. The activity, and the value, is at both ends. If the company is able to attract financing and people, it is able to create processes: detailed plans, departments, products or services, a path to market. It fills in the middle of the curve. Strategy and innovation have done their jobs and can retire, at least for the moment, into the background.

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