

## There are no points for original thought!

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[Leadership Advance Online](#) – Issue V, Spring 2005

by Pete Hammett

In the early 90's, I had the privilege of working with a team of extremely bright and dedicated people at American Express in the development of a new credit card – Optima True Grace. Over the course of nearly a year, the Amex design team architected various value positions, marketing plans, business operations and deployment strategies for the new card. By all accounts the launch of the True Grace card in the winter of 1994 was very successful, resulting in a healthy increase in new account bookings for American Express. However, within a few short months, a major competitor replicated many of the salient features of the new Amex card. The net affect was an immediate decline in new account bookings of the Optima True Grace card – and its eventual withdrawal from the marketplace a few years later.

As the Amex design team reviewed the market influences that had so dramatically impacted the initial success and eventual decline in the Optima True Grace card, a sobering assessment surfaced: *“There are no points for original thought!”* While the creative concept for the new product was compelling, we were not able to innovatively establish a sustainable competitive advantage<sup>1</sup>. Thus we encountered a real-life case study on the distinction between creativity and innovation.

### **Creativity v. Innovation**

While subtle, there is a noteworthy distinction between creativity and innovation. Creativity centers on ideation – that is the process and dynamics associated with generating ideas. Innovation, on the other hand, is the practical application of creative outcomes into productive results (Shalley & Gilson, 2004; Krause, 2004). In this distinction we are able to form several key axioms that highlight how, at times, creativity and innovation combine as a force multiplier, while at the same time they can actually work against one another.

#### *Examples of Creativity v. Innovation*

When we attempt to characterize creativity, we often isolate personal traits associated with someone of noted giftedness. For example, Gelb (1998) outlines some of the characteristics of Leonardo da Vinci to be curiosity, a disposition towards experiential learning, the ability to embrace ambiguity and an appreciation for connecting the dots.

However, when we characterize innovation, we generally draw our focus on implementations of remarkable outcomes. For example, Henry Ford's application of mass production concepts in assembly line production was hardly creative. Many of the concepts Ford employed had already been in play in various forms. What was compelling, however, was Ford's innovative approach in applying these creative concepts to yield productive results (Sternberg, Kaufman & Pertz, 2004). Ford, himself, highlights this point, offering that: “I invented

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<sup>1</sup> Note – this was before we realized Galbraith's assertion that we now live in a world of temporary competitive advantages (2).

nothing new. I simply assembled into a car the discoveries of other men behind whom were centuries of work” (Hargadon, 2005).

A similar example that highlights the distinction between creativity and innovation can be found in how the U.S. Navy borrowed a creative idea from the British. At the turn of the 1800's, naval gunnery accuracy rates were abysmal, averaging less than two percent - - of 9,500 shots fired, less than 130 hit their intended targets. However, a creative British Admiral, Percy Scott, had developed an ingenious method of elevated gears and telescopic sightings that allowed gunners to continually adjust fire to account for the rolling of the ship. The result was a remarkable increase in gunfire accuracy. However, as Tushman and O'Reilly point out, Admiral Scott was more interested in creative endeavors than product development and was content with simply outfitting his own ship rather than the entire British Navy. Admiral Scott was, however, inclined to share his ideas with others including a young U.S. Naval Officer, Lt. Sims. What Lt. Sims lacked in creativity he more than made up for in innovative thinking and tenacity. Over the course of many months and many bureaucratic roadblocks, Lt. Sims eventually convinced President Theodore Roosevelt to take up the idea of continuous aim gunfire and thereby increased the accuracy of U.S. Naval warships by 3,000 percent (Tushman, 1997).

The point to make is that while “creative” people are important to have around, for innovation to occur within an organization, leaders need to be able to harness the creativity within themselves and their teams in order to direct practical, beneficial results. To this end, Shalley (2004) suggests that the “role of leaders is to ensure that the structure of the work environment, the climate and culture and the human resource practices (e.g. reward and recognition) are such that creative outcomes can and do occur” (p. 35). The type of creativity emerges within an organization is contingent not on the Leadership, but on an organization's environment (Sternberg, 1999); and in particular, environments that exhibit “expert knowledge and information, and the granting of degrees of freedom and autonomy” that fosters greater creativity (Krause, 2004). This gives way to the first axiom of creativity v. innovation:

***Axiom #1: Creativity is influenced by environment. – Innovation is influenced by leadership.***

### **Influencing Creativity and Innovation**

In order to build sustainable success, organizations need to run two concurrent strategies:

1. Build and maintain operational efficiencies that will allow margins for investments.
2. Allow for continuous innovation through productive implementation of creative energies (Basadur, 2004).

To make this balance of creativity and innovation work, organizations need to understand several key influencers.

#### *The Tyranny of Success*

In some regards, an organization's success can become its own worst enemy. As Tushman and O'Reilly point out, successful organizations often become entranced with their own press<sup>2</sup>. Thus, a dangerous paradox emerges. For an innovative organization to thrive competitively, it must build infrastructure and processes to facilitate delivery of goods and services at a compelling value. However, it is often these operational processes that constrain the creative energies that lead to the organization's success. Mintzberg characterizes this condition by suggesting that as an organization matures, innovation will not occur continuously or even in a steady progression, but will rather, occur in “phases of change” over time.

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<sup>2</sup> An indicator of this is how successful organizations often fail to acknowledge the beautiful preponderance of skills, personal styles and culture that are so appealing to on-lookers.

In the end, an organization can become ensnared in the inertia that occurs when small companies grow and expand. Tushman and O'Reilly make this point when they suggest, "as long as there is no gap between expectations and performance, a successful system will actively attempt to remain stable. "Drawing from the laws of motion, we can reflect on how organizational inertia might be influenced by creativity and innovation. For example, an organization at rest (e.g. stagnate) will stay at rest until acted upon by the force of creativity, and once set in motion, the directional focus of the organization will be influenced by innovative energies. Likewise, an organization in motion (e.g. engaged in focused direction) will stay in motion until redirected by creative energies. In this analogy we are able to craft our second axiom of creativity v. innovation:

***Axiom #2: Creativity sets an organization in motion. – Innovation gives that motion focused direction.***

#### *Trust in Leaders v. Trust in Organizations*

Kohtamaki (2004) outlines that in the early stages of an organization's life, trust is typically embedded with the founder – someone whose vision and passion inspires and drives people with creativity and innovation. However, as an organization matures, trust in founding leaders can be replaced with individual roles, responsibility and even procedures. Eventually, as an organization grows, its entrepreneurial spirit gives way to the need to standardize operations. During this phase of an organization's life, confidence in a particular individual can be replaced with trust with the company. The result is that the organization experiences fewer creative solutions and less innovative breakthroughs that had once come from an environment where people trusted their leaders and affirmed individual confidence in their competency. In its place, organizations often instill strong institutional processes and procedures characterized by clever problem solving. From this we frame our third axiom of creativity v. innovation:

***Axiom #3: Trust embodied in a leader influences innovative breakthroughs. – Trust embodied in the organization will, at best, foster clever problem solving.***

#### *Reward and Recognition – Making Things Happen*

If we look at creativity and innovation as critical resources for organizational success, the natural question emerges: How do we make creativity and innovation happen? In attempting to answer this question, much research has been focused on studying the impact of extrinsic rewards on creativity. For example, research has shown that the "effects of monetary incentives and recognition of creativity are not uniform across different jobs and employees" (Sternberg, 1999). We do know that the way jobs are structured influences creativity. For example, the more complex and demanding the job, the greater the creativity exhibited (Shalley & Gilson, 2004). Specifically, individuals in complex jobs, by definition, require greater cognitive skills, and therefore, typically don't see gains in creativity/innovation from extrinsic rewards and recognition, while individuals in less complex jobs, requiring less cognitive skills, will see positive results from reward and recognition programs (Sternberg, 1999). We also understand that people are drawn toward environments where creativity (and perhaps their individual contributions) are recognized, supported and valued (Breen, December 2004).

Collins helps summarize the complexity for how incentives influence creativity with the following observations (Sternberg, 1999):

- There is a measurable extent to which some level of motivation (reward) will connect people with a particular topic and thereby increase their interest and thus, creativity.
- The more tedious the task, the more influential motivators are to the creative process.
- Different motives will act distinctly on different components of the creative process.

While there are a number of theories that attempt to explain why reward structures generate differing results as it relates to creative outcomes, what is clear is that when it comes to reward and recognition, there

definitely is no such thing as a “one size fits all.” However, more pragmatically, we may need to consider that there are distinct forces at play that influence a person’s creative energies v. someone’s innovative thinking.

This might help to explain why reward structures that attempt to influence creativity are hit or miss at best. Perhaps this is because creativity is closely tied to a person’s passion – their heart and spirit. This may also explain why the most compelling creative outcomes are inspired. It would be interesting to critique creative outcomes done for hire v. outcomes generated from inspiration.

In contrast, innovative thinking may be more influenced by extrinsic motivators. Anecdotally, we see evidence of this when organizations provide incentives for quality improvement ideas. Using Amex as an example, we saw a tremendous influx of innovative ideas when we solicited employees to contribute process improvement ideas through an “All Ideas Matter” (AIM) initiative. A particular motivator designed in the AIM program was that employees realized a percentage of the savings incurred. The innovative ideas resident within the employees was brought out through the incentives in the AIM program.

In considering the distinction in how we might generate creativity v. innovation we uncover the forth axiom:

Axiom #4: The best creative outcomes are those that are inspired. – The best innovative thinking can be facilitated with compelling incentives.

### **Summary**

If creativity is about generating ideas and innovation is about producing results, organizations need to bring equal focus on both processes. To this end, organizations may find the following helpful in positively influencing and fostering creativity and innovation.

<i>Axiom</i>	<i>Considerations</i>
<b>Axiom #1:</b> <i>Creativity is influenced by environment. - Innovation is influenced by leadership.</i>	Do whatever you can to create an environment that produces as much creative energy as possible. Harness the organization's creative energies through effective leadership of innovative applications of those creative energies.
<b>Axiom #2:</b> <i>Creativity sets an organization in motion. – Innovation gives that motion focused direction.</i>	Organizations need to balance standardization and customization. (e.g. standardize to capture cost savings – innovate to capture market share)
<b>Axiom #3:</b> <i>Trust embodied in a leader influences innovative breakthroughs. – Trust embodied in the organization will at best foster clever problem solving.</i>	Be guarded that you don't mistake problem solving for breakthroughs. Realistically assessing the outcomes of your creative and innovative energies may help determine if employees are "in it" for the organization or its leaders!
<b>Axiom #4:</b> <i>The best creative outcomes are those that are inspired. – The best innovative thinking can be facilitated with compelling incentives.</i>	Inspire ideas – Reward results!

### About the Author



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