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COMMENTARY

The American Way

 By **HAROLD EVANS**
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Why does the American economy keep confounding the Jeremiahs (and the Dow Jones Industrial Average keep soaring)? It is the appetite for innovation, the extraordinary capital to support risk, and the political framework of freedom for the individual. I recently asked Sergey Brin and Larry Page, through their search engine Google, what they could discover about American chief executives and innovation. They gave me 9,850,000 entries to read. By now it may be up to 10 million or more.



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This cornucopia about innovation reflects a major but little remarked change that has taken place in American business thinking. Of course, Google is just one of the innovations which now make up the tissue of our everyday lives -- think of email, antibiotics, television, statewide banking, FM radio, personal computers, the uplift brassiere, helicopters, instant cameras, cell phones, synthetic fibers, radio tuners, MRI scanners, scheduled airmail, trans-Atlantic flights, fish fingers, microwave ovens, transistorized hearing aids, artificial insulin, lasers and jet planes, not to mention the container shipping that effectively initiated globalization.

The focus used to be on efficiency. As a crude guide to the developing change in emphasis, Google gives me today only half as many entries for CEOs and *efficiency* as it does for CEOs and *innovation*. Efficiency, once the be-all and end-all, is no longer considered enough for survival in the world economy. In a global marketplace, efficiency -- and the cost cutting associated with it -- is essential but may not be enough when competitors in China and India can discount you to death with demographics.

Our future depends on groundbreaking innovation. Yes, we must implement and develop the lead with efficiency, but in that management process never lose sight of the animating vision that created the innovation in the first place, or the lead will surely vanish. The mountain ranges of innovation are littered with the skeletons of the great corporations that lost sight of the summit they set out to conquer.

Flying across the vast landscape mapped by Google, however, a random descent to inspect what they are saying in the valleys reinforces the impression that while innovation is currently valued more than ever, this value is in danger of depreciating. There are any number of offerings in the Google search results and business literature that are described as innovations but are really techniques of managing an existing business or improving it at the margins. These are very useful no doubt, but have nothing to do fundamentally with innovation, change and especially systemic change.

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We should reserve the terms "innovation" and "innovators" for real change and not confuse it with different functions. There is a fairly common acceptance of Joseph Schumpeter's definition of innovation as entrepreneurship, embraced also by Peter Drucker. It may be *lèse-majesté* to say so, but that acceptance is a pity. Entrepreneurship, the assumption of risk, may not be innovative at all. You assume risk if you open a new auto dealership, but this is not innovative unless you are the first.

An entrepreneur may be the enemy of innovation. David Sarnoff, the black-belt bureaucrat who headed RCA, was a classic entrepreneur, but he was the relentless and unscrupulous enemy of innovation in the introduction of FM radio. He was heavily invested in making AM radios and broadcasting AM through RCA's National Broadcasting Corporation. So he did his best to sabotage the astoundingly brilliant Edwin Howard Armstrong (1890-1954), inventor of FM, even though he had the right of first refusal of Armstrong's invention.

Armstrong, the inventor of so much in the technology of transmitting sound, was forced into being an innovator, starting his own company and broadcasting music flawlessly from WQXR in New York on July 18, 1939. (Interestingly, the 425-foot radio tower he built in Alpine, N.J. in 1937 to 1938 for the first FM radio station, was the salvation for NBC, among others, when the antenna on top of the World Trade Center collapsed in the 9/11 outrage.)

Postwar, Sarnoff became a genuine promoter of innovation in pioneering a system of color TV compatible with black and white, defeating the non-compatible electromechanical system pushed by Bill Paley of CBS. But Sarnoff, entrepreneur, also did to Philo T. Farnsworth (1906-1971), the inventor and innovator of electronic television, what he had done to Armstrong. In the end he had to pay Farnsworth for his groundbreaking patent but then had the gall to claim the credit he did not deserve as "the father" of television. He was certainly an innovator in the creation of a number of myths about himself: Time magazine's 100 Most Important People of the Century issue (in 2000) still credited him as the innovator of both radio and television.

When an innovator is overlooked or an innovation misrepresented it is not simply a question of equity; it distorts our perception of the essence of innovation and the essential qualities of an innovator. It clouds our perception of what it takes to survive in global competition.

The individual dominates the story of American innovation and is insufficiently honored in our histories -- to say nothing of the abysmal history courses in schools and colleges. Only recently did Columbia University honor Armstrong with a plaque in his laboratory, and Rutgers University is still short of funds to catalog properly the immeasurable riches of Thomas Edison's papers -- all five million pages of them.

The research departments of major corporations have not been unproductive -- one thinks of the Bell Labs for the transistor and today Monsanto in biotechnology -- but can anyone have had more impact on our world than the 23-year-old trucker who got frustrated at the day he spent on the noisy pier in Hoboken, N.J., waiting to have his cotton bales unloaded from his truck, loaded onto the cargo ship, and then unloaded and loaded again at the other end?

For nearly 20 years, Malcom McLean did nothing about his inspiration that it would have saved everyone a lot of time and trouble if he had just been able to drive his truck on to the ship. Why didn't anybody facilitate that before he organized the sailing of the *Ideal X* from Port Newark, N.J., on April 26, 1956? Might as well ask why it took us so long to put wheels on luggage.

Mr. Evans is the author of "They Made America: From the Steam Engine to the Search Engine: Two Centuries of Innovators" (Little, Brown, 2004).

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