



# On Schumpeter and Sushi:

## Creative Destruction, Restaurant Remodeling and Birthday Dinner

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*“Times of innovation... are times of effort and sacrifice, of work for the future, while the harvest comes after...”*

*Joseph Schumpeter*

What professional effort requires more courage than innovating? Innovation tomes frequently focus on the creative aspects of product and service development, but that is only half of the equation. Schumpeter coined the term “creative destruction” as a description of the innovation engine that moves economies forward. Creating the future necessarily involves destroying something from the present.

I was reminded of this when my son picked the Mr. Samurai restaurant as the location for his birthday dinner. He is a self-proclaimed sushi freak, and Mr. Samurai delivers not only good-quality sushi but also an excellent teppanyaki show at a reasonable price. Fresh fish (some still swimming), click-clack knife juggling, food flying through the air, onion stack volcanoes—the whole nine yards. The only negative I perceived was the facility itself: dated décor and a strip mall location made it feel more like a trip to a convenience store than destination dining.

As we approached, we were greeted by sheets of plastic on the store front, billowing like sails in an ocean breeze. “Oh no, they’re closed,” came my son’s voice from the back seat. It never occurred to me to check and see if they were actually open. We went ahead and drove up to the door and saw the “pardon our dust, open during remodeling” sign. Relieved, we parked and proceeded in.

The restaurant interior was in full Jekyll and Hyde mode. The half I remembered from previous visits was covered in canvas drop cloths, scattered tools and stacks of assorted building materials. The other half, which had

previously been the small ice cream parlor next door, was beautifully organized, inviting and stimulating to all senses. Old seating made of plastic and steel had been replaced by new seating of hardwood and leather. The window to the kitchen carved from painted drywall had been replaced by a walnut and polished brass bar. Overhead, fluorescent lighting had been replaced by pendant chandeliers. The scene perfectly captured the concept of creative destruction. To create the new, the old had to literally be destroyed.

But why would the owners embark on such a risky endeavor? Mr. Samurai had been a successful restaurant already with consistently good crowds in spite of the décor. Why not just leave well enough alone? Consider the risks: The economy is uncertain, and expenses like dining out are easy to forego when belts get tightened. Would a remodel actually increase customer traffic, or would it push away people who think that now the prices must go up to pay for the new ambiance? If traffic did increase, would it do so sufficiently to cover the money invested in the reconstruction, not to mention the additional rent for the expansion into the old ice cream parlor space? What would happen to business during the remodeling? I’m sure we are not the only ones who thought that the restaurant must be closed, so how many others just drove on by?

While this little restaurant remodel may not exactly win any innovation awards, the questions to be answered and the risks to be accepted present very similar considerations to those we face as product developers. We embark on reinvention efforts without a crystal ball that offers perfect foresight into the future. We invest time, money and sweat in things that have no guaranteed return. We risk fortunes and reputations in a quest to make things just a little more functional, a little faster, a little cheaper, a little more

efficient, a little more durable, a little bit safer, a little more...

Thoughts that the Mr. Samurai story begs innovators to consider:

**1. Face that fact that innovation requires not just creation, but destruction.**

Rarely is the destruction as literal as sledge hammers to dry wall, but at some point, the products and services of the past must be sacrificed for those of the future. Making such a sacrifice requires courage and consciousness. You must think consequentially, that creating X will destroy Y. This thinking is especially important when Y is not some competitive or external factor. Much of the time, if not most of the time, Y is something internal, something you own, something that you have relied upon. You have to be willing to let that go or face inevitable irrelevance. As the late Steve Jobs said, "If you don't cannibalize yourself, someone else will."

It seems obvious to say, but it is much better to do this consciously than accidentally. It is easy to forget, though. It is easy to be so focused on the creation that the destruction is forgotten. Forgetting to consider the necessary destruction leads to last-minute scrambling for solutions to unanticipated problems, which inevitably leads to inefficient and poorly executed fixes.

**2. You must be honest with yourself.**

I have no doubt that the owners of Mr. Samurai were very proud of their original restaurant. It was a successful endeavor, after all, even in hard economic times. But they did not let their pride in the current product stand in the way of trying to make it even better. They recognized that their physical facilities were not ideal. They recognized that there was hidden, unrealized potential worth pursuing.

Challenging the status quo, especially in good times, requires an acute awareness of unfiltered reality. You must be in touch with your current strengths and weaknesses, and with your future potential. You must be aware of the real environment around you. Unbiased awareness is not easy, and in a strict sense, may not be truly achievable, but it can be approached through open-minded listening to others and constant questioning. You must combine the curiosity of the child incessantly asking "why?" while observing and absorbing the reality around you. Do not underestimate this challenge. As the popular aphorism goes, "It ain't so much the things we don't know that gets us into trouble, but the things we know that

just ain't so."

**3. Innovation takes time.**

The owners of Mr. Samurai did not simply lock the doors one night and return the following morning to a new restaurant. The construction process lasted months. Prior to the construction process was the planning process. Prior to the planning process was the saving process. The will to make it happen had to last for a long time, through much turmoil and amid constant distractions. Such fortitude requires a special balance of opposing forces.

What is needed is the paradox of patient impatience. Impatience channels the drive and energy required to slog through Schumpeter's "times of effort and sacrifice." Patience provides the stamina to persevere until the "harvest [that] comes after." Impatience creates the sense of urgency to push forward quickly, while patience creates the discipline to push forward correctly. Patient impatience recognizes that the wrong product launched early will fail but so will the right product launched late. You must launch the right product at the right time. Or, more accurately perhaps, you must launch the "rightest" product as quickly as possible.

**4. Choosing between "pardon our dust" and "voila!"**

In renovating the restaurant, Mr. Samurai chose to remain open throughout the process. People like me could see what was going on throughout the transformation process. Sometimes, that's not a good thing. Nothing creates a vegetarian faster than a visit to a sausage factory. In such cases, it is probably best to simply reveal the finished product with a cheerful "voila!" Sometimes, though, the backstage pass is a great thing. The finest of fine dining experiences at Charlie Trotter's restaurant in Chicago involves eating at a table placed in the kitchen to observe how these works of culinary art are created first hand. The intimate experience becomes a part of the product itself and is something for which customers will pay a handsome premium.

Many factors should be considered before deciding between the two approaches. Will the experience draw your customers closer or push them away? What will be the financial impact? Is it better to maintain reduced but positive cash flow for a longer term, or is it better to speed the process at the expense of current income? Are you at risk of exposing your intentions to competitors? Do you have an opportunity to co-create and co-develop your product with your customers? How

will your decision impact relationships with your suppliers and other stakeholders?

**5. Chance favors the prepared mind.**

As I asked myself why Mr. Samurai would do these renovations at this time, in this economy, with shops going out of business all around, it occurred to me that maybe these conditions were actually fortuitous in a way. The space next door became available when the ice cream parlor went out of business. Rents may be driven lower due to lack of demand for space, and the low demand for new construction could have made remodeling costs more competitive. If the owners had been saving their profits for reinvestment, then that may actually be the perfect time.

As mentioned above, innovation takes time. With advanced preparation, however, innovation can be accelerated. Resources can and should be amassed over time to focus opportunistically when the time is right. This applies not only to human and financial resources, but to intellectual resources. Create an innovation library for yourself, a sort of savings bank of ideas, concepts, technologies, business models, etc., which may simply be waiting for their time to come. Then, when the time is right, some of the front-end work will already be done, accelerating the execution process.

**6. Communicate with your customers.**

From the road, Mr. Samurai looked closed. With the rash of business failings creating empty store fronts throughout the country, it was the act of purest desperation, based on wanting to fulfill a child's birthday wish, that made me even bother to go see if the restaurant existed anymore. They needed signage readily visible from the road to let people know that they were open during construction. I can't help but wonder how much business they lost for the lack of such a simple piece of communication.

As you develop new products and services, how are you communicating with your customers? Are you keeping them apprised of your plans? Are you building excitement for something coming soon? Are you effectively listening to their feedback, needs and desires for your products and services? Have you considered what channels might be required to keep people connected with your business while you are still preparing to wow them with your innovations?

I sincerely hope *Visions* is providing that kind of communication and connection to you, as PDMA continues to remodel and reinvent itself. 