THE MYTHS OF INNOVATION

Executive Summary

The objective of this paper was to seek out common myths about innovation and whether they can be explored in different ways from the perspective of large corporation and startup organizations.

We found that there is a distinction between the availability of ideas and the utilization of ideas. The stages of this framework are idea generation, conceptualization, optimization, and implementation. Most organizations have excellent skills in the first stages of the innovation process. While this could lead to decisions that appear attractive in the short-run, the organization's weaknesses in the latter stages will have negative consequences in the long run.

Creating an online collaborative platform for ideation is often a necessary first step for sparking innovation. However, companies assume that as long as they build the platform, employees will participate and maintain engagement. In reality, open innovation forums often fail to illicit or maintain active participation. Therefore, a well-structured open innovation forum should include intrinsic (e.g. feeling of accomplishment, recognition) and extrinsic motivators (e.g. monetary incentives) to encourage both initial buy-in as well as sustained engagement.

In addition, while open innovation is a key part of innovation in the future, it is not the full solution. It is vital to launch open innovation campaigns strategically and identify the key value drivers that should be enacted upon, select the potential innovation partners, and establish ground rules to develop the technologies or solutions that align with the company's objectives, thereby strengthening a firm's competitive position.

We found that monetary incentives does not necessarily incentivize innovation in larger corporations where employees have a stable salary, in those situations, intrinsic rewards are much more valuable as factors higher up on Maslow's Hierarchy. However, the monetary value of a new potential market is great incentive for start-up corporations to create innovative business models to create and capture value.

Finally, companies are biased towards bottom-up innovation and often neglect the importance of top-down innovation. However, both top-down and bottom-up are necessary to extract the full potential from innovation initiatives. Employees engage in bottom-up innovation through creating valuable ideas, which needs to be complemented by upper management's active engagement and support from top-down innovation.

We would recommend that organizations take a context-based approach to assessing needs on idea generation initiatives, investment in building platforms for ideation, bottom-up vs. top-down innovation, and incentivizing innovation.

(Myth 1) The appropriate resources need to be allocated beyond the idea generation and conceptualization stages of innovation.

(Myth 2) Open innovation forums should include both intrinsic and extrinsic motivators to ensure buy-in and active participation.

(Myth 3) Companies need to align their open innovation efforts to core company strategy.

(Myth 4) Intrinsic motivation should be seriously considered to generate an innovative culture in larger organizations. For startups, innovation needs to sustained by identifying the appropriate revenue models corresponding to the services offered to capture value from consumers.
(Myth 5) Both bottom-up and top-down innovation should be incorporated in a company's overarching growth strategy.

Introduction

Innovation is traditionally used to develop new products and technologies, but it has recently been used to improve aspects of the value chain. As a result, companies have tried to encourage all their employees to be innovative through the creation of ideation programs, venturing units, and online forums in traditional large-scale corporations. The success of these programs are hindered by a lack of follow-through in ideas, issues in capacity, time, and motivation for employees, and a disconnect between the priorities of top management versus the efforts of lower level employees. There are five consistent myths that reduce the effectiveness of the companies' innovation efforts. The following report will provide a summary and analysis of these five myths to support the authors' claims as well as an exploration of innovative case studies used by various different corporations and startup companies.

Background

Innovation is essential for sustainable growth within organizations, especially in light of the vast technological digital changes occurring. This importance is highlighted in a Bain & Company report, which surveyed nearly 450 executives around the world. The authors found that companies within the top quartile for innovative activities experienced significantly higher revenue growth[1]. Despite the success seen from the top quartile, less than one-quarter of the surveyed companies believed they were effective at innovation. Furthermore, four out of five stated they weren't strong at breakthrough innovation[1].

The same results were seen in a PwC report that surveyed over 1700 board level executives around the world[2]. Whereas leading innovators in the survey experienced a higher growth rate that translated to USD$0.25B revenue, laggard innovators struggled with commercializing innovation, retaining talent to drive innovation, and creating an innovative culture[3]. Therefore, innovation can only be a source of competitive advantage if implemented properly. For this to occur, companies must understand what the myths of innovation are to avoid ineffective implementation.

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[2] Arora, M., Baronikian, H. (2013). Leadership in Project Management, 2 Ed. Leadership Publishing House, Toronto, Canada.
[3] Basadur, M., Gelade, G.A. (2006). The Role of Knowledge Management in the Innovation Process. Creativity and Innovation Management.