Fostering innovation and sustenance of it as a culture can be best achieved by making sure that there is sufficient motivation for it.

Innovators are typically motivated by self actualization or money or respect. The first category of people just needs a conducive environment while others need all three aspects. So companies need to offer money, recognition and a conducive environment for innovation to thrive.

While companies understand that they need to do this, it typically takes a big seat in the fight for survival quarter by quarter in the harsh economic climate amidst intense competition in a global marketplace. Companies as we know go through a lifecycle as well.

During the initial phase of establishing their product or service, companies usually are forced to focus on atleast one core innovative aspect to distinguish them from competition and establish a foothold. At this stage, organizational culture is more flexible promoting innovation fairly aggressively.

Then the consolidation and expansion phase takes hold. From then on, companies having tasted the initial success, usually think that the party lasts forever. The environment from that point onwards is more focused towards sustaining and expanding on the gains thru more expansive ways of scaling up. Innovation fails to take off due to the need for control, risk aversion to innovation or innovation weighed against improper metrics etc.

In the third and final phase, growth stalls. Companies start fighting a loosing battle against the decline of the top-line and bottom-line. Companies then wake up and desperately seek innovation in some form or other to bail it out. But unfortunately it becomes too late as there is not enough resources to invest nor time.

By recognizing and accepting that, in spite of seemingly assured forecasts, accidents happen in various forms (competition, disruptive innovation, customer preference change etc) upsetting the onward march of a company and cuts it life short, companies will be forced to focus and invest on innovation.

Companies in the second and third phases as mentioned above can make a risk assessment and predict their own demise factoring in the industry averages for lifecycles etc. Then depending on the left over years, a portion of the company’s investment can be directed towards innovation promotion. This can be in the form of new innovative products or innovative features in the current product or innovative processes to make it more efficient etc. Each company can decide as to what suits it best on the basis of what will help prolong the life of the company. Companies will need to re-evaluate on a quarterly or yearly basis as to how the results of this focus and innovation have helped extend the thriving life of the company in terms of the forecasted top line / bottom line contribution.

When the above approach is adopted during the second thriving phase of the company, a company may be able to get enough innovation in the necessary aspects of it’s operation to extend it’s life. The measures used in forecasting the remaining life of the company, the portion of the investment directed towards innovation, the actual measures taken to foster innovation and the evaluation of the results of this investment all can be company specific and can be kept company confidential to experiment with this approach. But they need to be fairly evaluated and circulated internally.

All the stakeholders of the company typically want the company to live and grow forever. But the reality is usually distorted by a myopic focus on the balance sheet and income statement. The vision beyond that is distorted with an optimistic outlook of the future. Just like human beings are forced to plan for eventualities including accidents and death, companies when forced to add the above measures will be forced to see reality and the need for constant innovation to thrive or at least survive. Once they are forced to recognize it and address it with a KPI on innovation that directly is seen having a bearing on the guidance, companies will do what it takes. This will enable constant innovation in atleast some areas for each company as per the strategy adopted by the company towards innovation.

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