

On-line survey data analyzed – Factor by Factor

Factor #1 – Management’s emphasis on profits. Is management’s focus too much on the short-term or is management deemphasizing the short term and looking for a big payout? Two extremes are ‘measured’.

Our survey respondents were clear that they reject the extremes and register a degree of satisfaction with the way their own management looks at profits.

- 23% of respondents are quite satisfied with their management’s approach – based on a ‘Delta’¹ of 1 or less.
- 45% indicate a degree of discontent, based on a ‘Delta’ of 3 or more, with their management’s approach.
- 7% were less than enamored.

For those further interested in the data, the average ‘Ideal’ was 2.03 and the overall average ‘Delta’ was 2.65. Respondents ‘Ideal’ infers that some emphasis on short-term profits is desirable, more so than management waiting for a big payout!

The notion behind measuring this Factor is to relate the impact of the focus on profits to the implications for innovation within the organization. Too heavy an emphasis on the need for short-term profits, quarterly result expectations from Wall St., for example, can stultify innovation. Just listen to Michael Dell (Charlie Rose interview of December 10, 2013) and his explanation of what he can now do with innovation now that the short-term pressure is lessened with the company having gone private.

¹ ‘Delta’ is the difference between a respondent’s Ideal rating and their rating of their own situation – their Reality. The larger the gap the greater is the dissatisfaction.

We provide several ideas for structural changes which could be adopted to address this issue².

- Possible initiatives to modify and improve the culture for innovation
- Form a corporate venture capital group and integrate decisions into the planning process
- Set up a new venture as a means of segmenting the business
- Engage in seed investment in arms-length entities
- Fund innovation in internal divisions or groups

‘Think longer term’ is a phrase which is increasingly being heard. If you thought this issue was not important you need to read information available on the Henry Jackson Initiative for Inclusive Capitalism web site as well as other recent commentary.

Of note: New York Times, May 10, 2012, on the issue of corporations having to report quarterly earnings and the need for Boards and senior management to think longer term. The group is led by Dominic Barton, Global Managing Director of McKinsey & Company. There is an interview with Lynn Forester de Rothschild, article is by Julia Werdigier: A Call for Corporations to Focus on the Long Term. <http://dealbook.nytimes.com/2012/05/14/group-calls-on-companies-to-focus-on-long-term-goals/>

This issue is one that we will be hearing more about as this decade unfolds.

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² Go <http://www.corporateinnovationonline.com> to pick up more information on the initiatives noted here.

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