

CIO – Innovation management best practices

On-line survey data analyzed by Factor

Factor #1 – Management’s emphasis on short-term or long-term profits.

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

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

For those further interested in the data, the average ‘Ideal’ was 2.03 and the overall average ‘Delta’ was 2.65. Respondents’ ‘Ideal’ therefore infers that some emphasis on the longer-term is more desirable than focussing on short-term profits!

Respondents have it right! A lean to the notion of thinking somewhat longer-term!

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 such as achieving quarterly result expectations from Wall St., can stultify innovation. Just listen to Michael Dell (Charlie Rose interview of December 10, 2013) and his explanation of what he could 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.

December 14, 2015

² Go <http://www.corporateinnovationonline.com> to pick up ‘thought starters’- under ‘Ideas’ by Factor.