Incentives for motivating radical innovation – how to make it work?

While rewards and recognition are critical in encouraging a robust innovation culture, they can also backfire. Designing an optimal and strategic incentive system is key, says SMU Professor Thomas Menkhoff.

An important question for academics and business leaders is how best to motivate innovative behaviour in organisations. To one of my research studies on knowledge sharing behaviour in knowledge-intensive contexts, rewards and recognition turned out to be critical management tools to encourage knowledge sharing and collaboration.

But top management does not always see the need to intervene to introduce active new ideas for many reasons, such as the belief that many positive, tangible incentives might backfire. And then there are corporations who go all out, such as tech firms to incentivise employees to work on new and innovative products. Despite the promise of tangible monetary benefits, such as stock options and profit-sharing plans which sometimes outweigh the intrinsic motivation to innovate, employees may disengage.

Psychologists describe this as “a strong reward-driven orientation that supports radical innovative behaviour”. This is a key aspect of what is commonly referred to as SMU’s Master of Science in Innovation programme. It first, when designing an incentive framework to support innovativeness, managers need to provide explicit recognition for exceptional projects.

Incentives, such as funding or financial compensation, which is insufficient, can lead to a narrow project mentality in contrast to broad goals set by CEOs, such as improving living standards through appropriate management, funding and other support.

Innovation KPIs incorporated into a balanced innovation scorecard must leave enough room for trial and error, experimentation, exchange of ideas and learning.

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