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Further Reading: Curtis, E. and Sweeney, B. (2017) 'Managing different types of innovation: Mutual reinforcing management control systems and the generation of dynamic tension'. *Accounting and Business Research*, Vol. 47, No. 3, pp. 313-343.

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Protecting multiple types of innovation

Engaging in multiple types of innovation with different time horizons and risk levels has been found to be important for organisational performance. However, organisations face particular challenges when they engage in more than one type of innovation such as radical, incremental, customer-oriented, and technological innovation. Typically, innovations with a greater likelihood of short-term success command greater attention and resources, frequently crowding out longer-term radical innovation projects. Management control systems, broadly defined to include systems which manage the culture of the organisation, strategic plans, performance measurement and budgeting systems, have significant potential to influence the attention and resources directed to different types of innovation.

Research Findings

This study examined the experiences of a medical device company that sought to sustain a long-term balance of 20% technological innovation (which involved finding a customer requirement to which the new technologies developed by the company would provide a solution) and 80% customer-oriented innovation (focused on modifying products to suit customers' short- and medium-term requirements). Although the company had in the past primarily focused on technological innovation, over time this activity virtually ceased. We examined the role of management control systems in failing to prevent this crowding out. We found that this organisation had a robust control infrastructure in place in the form of a supportive innovation culture and clear strategic direction which supported both types of innovation. However, customer-oriented innovation was further protected by other types of feedback and measurement control systems, such as project management systems, and performance measures around ideas generated and ideas translated to production orders. These control systems protected customer-oriented innovation by commanding management attention, stimulating action, and driving accountability around the use of innovation resources. In contrast, technological innovation, being remote from revenue generation activities, was managed more informally. Resources were vulnerable to diversion as highly skilled engineers were frequently called on to solve project and production problems related to meeting short-term customer needs. While many feedback and measurement systems have negative connotations in the context of innovation, we found that they can play a positive role in the context of high uncertainty by reducing the vulnerability of resources invested in particular areas.

Policy implications

Our research findings provide evidence that the design and use of management control systems is crucial to protecting vulnerable longer-term innovation projects from crowding out. To counteract the momentum that can build in favour of short-term innovation and more immediate profits, management need to question:

- What systems are in place to direct management attention to multiple types of innovation?
- How do these systems drive action in relation to each type of innovation?
- Who is accountable for driving multiple types of innovation?

Without these types of controls, blind spots can develop in an organisation which fail to alert management to an unconscious drifts from strategy. This can leave longer-term innovation vulnerable and unprotected.