

Researchers find key to radical innovation and financial success in corporate culture

Firms that commercialise radically new products dominate world markets and increase the competitiveness of their national economies. But what drives this radical innovation?

Policy makers still look for answers in government regulation, scientific talent and investment. However, as world economies converge and labour and capital become more mobile, country level drivers of innovation are no longer relevant, according to research conducted by an Innovation Fellow of the Advanced Institute of Management Research (AIM) and his co-authors.

“Today, corporate culture is the strongest driver of radical innovation,” says Jaideep Prabhu of Cambridge University.” And firms can foster an innovative corporate culture regardless of the country in which they are located.”

He cites the example of the United States – traditionally an innovative country and home to radically innovative firms like Apple but also to firms such as Kodak, which have failed to cannibalise successful products.

“Then there are firms like Samsung and Infosys,” he says. “They are in the lagging economies of Korea and India but have leapfrogged ahead of slumbering American giants.”

The study acknowledges that corporate culture is intangible and notoriously difficult to change. However, it identifies the specific attitudes and practices within innovative firms that make them special and drive radical innovation. These include:

- Embracing risk rather than averting it.
- Being concerned with future development rather than complacent about a successful past.
- Cannibalising successful products for future innovations.
- Empowering product champions.
- Fostering internal competition.
- Providing incentives for enterprise.

In line with AIM’s objective to impact on management practice, the research has developed a diagnostic tool to help managers assess their corporate culture and so benchmark their firm against others. In this way, they can foster attitudes and practices that support innovation.

The research provides a number of important insights into radical innovation and corporate culture that could have a significant impact on current management practices and government policies.

AIM Press Release



- National governments cannot increase innovation unless firms themselves embrace a culture of innovation from within.
- Firms will have greater success if they develop a culture of innovation than if they rely on governments to invest in or protect markets.
- R&D spending, scientific personnel and patents across countries do not automatically lead to the creation of new products or guarantee financial value.
- Radical innovations significantly increase the market-to-book value of firms.
- Patents are not as important in influencing financial value as radical innovations and firms can be highly innovative without patenting.

Professor Prabhu concludes that measuring radical innovation allows firms and nations to gauge where they really stand on the outputs that count. "This," he says, "helps firms and governments channel resources towards drivers that matter. It ensures that the whole process of innovation is efficient and productive."

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Notes for Editors

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