



Deconstructing innovation reward

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ABSTRACT: Rewarding innovation is a complex task, but one that needs to be addressed by every organisation that is serious about effective innovation implementation. To shed some light on the topic, an informal opinion poll was undertaken. Five organisations were interviewed with the intention to create a baseline for future interventions and to illustrate current practice. The area of focus was limited to current practices and approaches. It included discussion on current reward mechanisms, main problems experienced with the current approach and possible changes envisaged going forward. The results confirmed the use of traditional approaches – but also highlighted other, more surprising trends.

An innovation capability has become imperative in the dynamic business environment of today. Whether you are part of a public or private entity, the message remains the same: innovation will be the vehicle that drives your future growth, deepens your impact and enhances your service delivery. You know this. You are working at implementing innovation at every level in your environment, you are managing innovation processes and addressing culture by initiating activities to support your innovation drive. You also know that a large part of culture is rewarding innovative behaviour and ensuring that it becomes the “way we do things around here” – but what to do? What seemed to be brilliant reward last year has turned into unmanageable chaos and the way forward is unclear.

Addressing innovation reward can, at best, be described as a battleground of indifference. More often than not, the opposite is achieved as reward efforts fail and unintended consequences cloud original reasoning.

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It is with this view in mind that RIIS has undertaken an opinion poll to shed some light on current practice and delve deeper into the related issues. The results were interesting and highlighted the difficulty in effectively implementing innovation reward.

THE APPROACH. Interviews were conducted in an informal, unstructured manner. By no means was this opinion poll viewed as a research intervention, but rather as a baseline to inform deeper discussions on the topic in the future. We wanted to get a feel for what organisations were currently doing and understand the difficulties they experienced.

The organisations that participated in the poll were more than happy to share their views, but requested anonymity for the purposes of this article, as their processes to obtain formal approval for publication could not be completed timeously.

Three organisations in the public and three organisations in the private sectors were interviewed. One public entity, however, asked to be withdrawn at short notice, as its innovation reward policy needed updating and no consensus had yet been reached on the way forward. The opinion of a public innovation recognition institution was also sought to add wider applicability and depth.

The organisations surveyed are all known for their innovation successes and represent some of the biggest entities in their sectors. Apart from one private entity that employs 400 staff members (but is part of a global, multi-national organisation), the general size of the organisations surveyed varied between 15 000 and 27 000 staff members. All of the private companies interviewed are listed on the Johannesburg Stock Exchange (JSE) and are extremely successful with their innovation initiatives. Most of the public entities that participated are previous CPSI, Technology Top 100 and even international innovation award winners and are known for their excellence in innovation management and service delivery. Many of them attributed their improved cost savings and above-average service delivery to the active implementation of innovation.

The opinions represented in this report therefore capture the activities and opinions of South African leaders in the field of innovation.

FOCUS AREAS. The area of focus was limited to current practices and approaches. Participants expressed their opinions about innovation management, in general, and their approaches to rewarding innovation, in particular. Discussions incorporated:

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- Current reward mechanisms implemented within the organisation.
- Main problems experienced with the current approach.
- Planning innovation reward for the future and possible changes envisaged.

THE FINDINGS. The results obtained are summarised in table format below.

The issues highlighted here include whether incremental innovation ideas are rewarded separately

Reward issue	Private entities			Public entities	
	Entity 1	Entity 2	Entity 3	Entity 4	Entity 5
Is incremental innovation reward treated separately from radical innovation reward?	Yes	No	No	Yes	No
Maximum amount for monetary reward	Very small	None	R1 million	R10 000	None
Typical non-monetary awards	Publication opportunities Study International conferences and the presentation of papers Parallel career development path	Visibility Chairman's Awards Product development workshops	Profiling Publication Press releases Presentation to CEO	Involved in implementation Publications/journals International business trips/expos Exposure at group video conferences T-shirts, caps, sports bags, USB memory sticks marketing material	Publication and profiling
Monetary rewards	Above-average bonuses	Stock options Salary increases Above-average bonuses	None, apart from the one large amount	None	None
Combination monetary and non-monetary reward	No	No	Yes	Yes	No
Innovation award ceremony	No	No (General ceremony no category for innovation)	Yes Main reward programme	Yes Main reward programme	No
Rewarding of ideation process and participation	No	No	No	No	No
Directed innovation reward programme	No	No	No	No	No
Award on innovation implementation	No	No	Yes	Yes	Yes
Regularity of rewards programme	<i>Ad hoc</i>	<i>Ad hoc</i>	Annually	Annually	Annually

Table 1: Innovation reward mechanisms: a comparison

from radical innovation ideas, the maximum amount allocated for monetary reward, typical monetary and non-monetary reward mechanisms, the use of innovation award ceremonies, whether or not innovation efforts are rewarded after implementation and the regularity of the innovation reward.

The main learnings obtained from each interview are also summarised in the following section, after which general trends are briefly discussed:

Type of entity	Main learning
Private entity 1	Leadership needs to be passionate about innovation and its implementation. The desired objective can be achieved by means of non-monetary reward and stretch targets.
Private entity 2	Innovator support structures and idea development workshops support innovation implementation and impact positively on culture. The basics need to be right first! Leadership passion and a focus on innovation are the main drivers.
Private entity 3	Innovation reward needs to be adapted according to the organisation's culture. Large monetary rewards can be very successfully executed and managed. Teamwork should be supported at all costs.
Public entity 1	An innovation award programme can successfully combine monetary and non-monetary rewards. The communication and common understanding of it throughout the organisation, however, is vital. A peer nomination system for nominations supports employee involvement and the gathering of entries.
Public entity 2	Making funds available for implementing innovation projects can be a reward in itself. Profiling innovative projects positively impacts on a culture for innovation. Revisiting these projects for impact and growth will ensure sustainability and replication.
Innovation award entity	The success of international innovation reward programmes has demonstrated that monetary reward is not necessary for motivation, or needed as encouragement to innovate. Reward, however, is culturally linked and a combination of monetary and non-monetary rewards is often ideal.

Table 2: Innovation reward mechanisms: a comparison.

GENERAL TRENDS. Innovation reward differs from entity to entity and is hugely dependent on the type of culture and environment in which the innovation occurs. In general, monetary and non-monetary rewards are combined, but huge differences are apparent in the amounts being made available for financial reward purposes.

Larger private entities seem to focus more on collaboration and the employment of specialists, with a focus on non-monetary rewards. In these organisations, a culture for innovation has already been established and the foundations for success have been laid. Resources are being allocated and funding is being made available. Measurement is also taking place and innovation is actively managed and expected from everyone.

Some public entities combine monetary and non-monetary rewards with great success, while others focus solely on non-monetary rewards. Several public entities have expressed an intention to implement more monetary rewards, as that is what the culture demands, while others want to move away from it. The results of another public entity that initially participated in this exercise were not



included here, but its approach is interesting, as the organisation employs more complex innovation reward mechanisms and rewards employees for participating in the innovation process. Directed innovation drives further form an integral part of its reward mechanism and this is combined with large monetary rewards every quarter.

Innovation reward will further be influenced by organisational policy, leadership orientation, area of focus and the availability of budgets.

It seems that there are just as many ways in which innovation can be rewarded as there are employees or possible innovators in organisations. The choice and application of innovation reward remains personal and contextually relevant. An interesting observation worthy of further investigation would be the relationship between organisational innovation maturity and non-monetary reward mechanisms. It seems that the younger the innovation capability in the organisation, the more financial reward is required as motivator and incentive, although this may not be true in all instances.

FINAL OBSERVATIONS AND RECOMMENDATIONS. Most of what was said here may come as no surprise. What is evident, though, is that innovation reward and the design of the appropriate mechanisms to support it are very complex. However, if innovation is to become part of the organisational culture, it is something that will have to be addressed as a matter of urgency, taking cognisance of the organisational context in which it is implemented.

It seems that the most popular approach includes informal, non-monetary reward together with an annual

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innovation award ceremony where monetary and non-monetary reward are often combined. Recognition in the form of a presentation to the CEO, business travel and study opportunities are also featuring high on the list. Other effective approaches incorporate directed innovation drives linked to a periodical financial reward.

Any decision on innovation reward, however, should be based on the prevalent organisational context and culture. It should be driven by policies that encourage the desired innovative behaviour the organisation wants to

Often, the younger the innovation capability in the organisation, the more financial reward is required as incentive

entrench. A participative approach will further strengthen communication and create a more sustainable intervention.

Guidelines when designing innovation reward policies

The following guidelines can be helpful when designing an innovation reward mechanism:

- Keep it simple! The more diverse your reward mechanisms, the more difficult they become to administer effectively.
- Focus on teamwork. After all, innovation is about collaboration, knowledge-sharing and implementation – and for that, you need teams.
- Innovation award ceremonies serve a dual purpose. Apart from public recognition, they provide opportunities for communicating, marketing, peer involvement and a combination with monetary reward.
- Non-monetary reward and recognition are often easier to administer and much more appreciated than you might think.
- Reward should be allocated shortly after the innovation has been implemented. This builds momentum and lets people know that their input is valued and needed.
- Rewarding innovation is not easy, but – if administered effectively and transparently – it can have a huge impact on culture and ensure a sustainable innovation capability. That is definitely a reward in itself, isn't it? ■