



A CRITICAL REVIEW ON “CREATING INCENTIVES FOR INNOVATION” BY GUSTAVO MANSO

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Table of Contents

1. Introduction	2
2. Summary.....	3
3. Critical evaluation.....	5
4. Conclusion	6
5. References	6

1. Introduction

Nowadays, in the rapid technology growth era, innovation has become an essential part in any business. However, it is not easy for organizations to adapt innovation at workplace. The concept of innovation and how to make innovation as a part of organization has also captured the concern among different authors researching. There are various existing researches studied about the motivation of innovation. One of them is an article developed by Gustavo Manso, examining the incentives for innovation in enterprises. Hereby, this report is designed to review article of Gustavo Manso, namely, “*Creating incentives for innovation*”. The report will summarize the author’s main ideas and evaluate the extent to which the author contributed to the topic of enhancing innovation in working environment.

2. Summary

The article was first published in 2017 on California Management Review by Gusta Manso, a professor of Haas School of Business. This article is aimed at discussing a model to motivate innovation for both small and large size enterprises by using different approaches. In the end, the author concluded that it is necessary for leaders to create an organization cultural environment that tolerate early failure combining with provide rewards for long-term success. Also, plans for incentives for innovation should be given for employees as well as CEO at workplace.

In terms of research philosophy, Manso decided to undertake his research based on both practical philosophy and theoretical philosophy. So, it is clearly observed that researcher utilized previous studies and self-conduction when conducting this research. Different aspects that impact the motivation of innovation was identified by the author and other researchers. Also, it is shown that the data collected from experimental evidence supported for the theoretical views.

The article begins with the discussion on the relationship between incentive schemes and productivity. It is said that almost business owners faced with the problem of motivating employees for their better performance. The author provided various previous researches, both laboratory and field experiments, that indicated that pay-for-performance scheme would increase employees' productivity. However, Manso argued that the idea might not be suitable for employees who often deal with creative problems. Hence, it is required different types of incentive schemes for different innovative and creative tasks.

Manso then introduced a model to study how enterprises can practice incentives for innovation. The model was developed based on bandit problem which has a tension between exploitation and exploration. While exploitation represents well-known methods, exploration involves new work methods. Thus, the author argued that incentive plans to

motivate exploration are different from those that motivate exploitation. The study stated that a long-term success reward, and even a short-term failure reward often motivate innovation rather than a short-term success reward. Moreover, Manso linked the corporate culture and employment agreements with motivating innovation. Organizations can provide explicit contracts and create cultural environment in which their workforce freely explore ideas. Besides, according to the author, the threat of termination would discourage the innovation among workers.

The article then focused on how boards and shareholders of a company affect the innovation. The author collaborated with other scholars on this investigation. The result showed that shifting to a more independent boards is necessary for increasing innovation while lawsuits among shareholders may minimize the corporate innovation.

Besides, in order to test the model that used bandit problem, the author formed a team with another researcher to conduct a laboratory experiment. There were 379 participants who were under different contracts ranging from pay-for-performance, fixed wage to contract designed to encourage innovation. By the end, the evidence strongly supported the idea that innovation would be motivated by the toleration of early failure with the long-term incentives. The article also raised the question on incentives for innovation in other areas rather than in business setting. Participants in the life sciences experiments demonstrated that incentives for motivating innovation had similar influences comparing with incentives in business.

Although public policy plays an important role in the incentives for the process of innovation, the author stated that it was not included in his study as there were various scholars examined on this subject. It is said that laws had significant impact on innovation so it would be more helpful for readers if the author could discuss public

policy combined with other factors. Hence, the non-existence of this subject would be a major limitation of this paper.

3. Critical evaluation

From my point of view, this article has provided a full practical and theoretical information for readers in terms of creating incentives for enhancing innovation. The author first introduced a model based on probability theory then conducted test to collect experimental evidence in order to support for his model. Thus, the main issues and questions raised by author have been clearly addressed.

The text is non-biased as the author used data from various sources. Moreover, the author worked with other researchers to collect experimental evidence also make the text balanced.

In terms of ethics, the author conducted different tests in which participants were voluntary. Furthermore, all experiments are designed to be related to every aspect that need to be considered in the incentives for innovation in enterprises. Hence, there were no discrimination in this study.

In addition, the layout of this paper is well-organized, easy for readers to follow and understand the ideas. Thanks to this paper, researchers from different fields can study and apply those ideas into other thesis/proposal or even in reality.

4. Conclusion

In conclusion, this article has critically provided meaningful practices which related to the relationship of innovation and incentives at workplace. Overall, by examining the concept of motivating innovation, the article would be a helpful guidance for others in different fields, whether business, scientific research or the academic world.

5. References

Manso, G. (2017). Creating Incentives for Innovation, *California Management Review*, 60 (1), pp. 18-32.