



ENTREPRENEURIAL PERSPECTIVES (LCDB7001)

Assignment-2



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This article reviews the paper 'Creating Incentives for Innovation' written by Gustavo Manso. In this paper the author focuses on a specific question- that how managers and employers who are involved in open-ended and creative job roles can be motivated to try new things to bring in originality and innovation through them. To answer this question Manso uses the decision-modelling method from the probability theory known as bandit problem, which has two participants- a principal and an agent. Manso throughout his paper has suggested how the principle can motivate the agent to be explorative instead of exploitative for principle's best interest, as innovation has now become an imperative factor for organizational growth and innovation can be done by being explorative only (Manso, 2017). It can be seen that the author has tried to build up his model by discussing several macro-factors which are responsible to motivate the mind of explorers in their innovation agenda.

Summary of the paper

Manso mentions the limitations of the traditional compensation and incentive schemes and claims that, to motivate innovators the whole reward system need to be different, which he tried to prove by performing a laboratory experiment. In the experiment he has critically assessed that how a well-developed incentive scheme which includes giving explicit contracts such as golden parachute, option repricing, etc. can motivate agents to take the risk and investigate with new methods.

Although, Manso correctly claimed how job security and corporate culture is responsible for developing innovative behaviours (Wendy, 2017; Anahi, 2019; Peter, 2000), but did not mention any references to prove its accuracy (Nigel, 1977). Manso also shared that it is effective to follow a regular feedback system not for evaluating the agent's performance, but for sharing information between the agent and principal/supervisor to guide and help the agent in his/her innovation agenda.

He also mentioned how bankruptcy laws which absorbs the failures of entrepreneurs and give them another chance to start fresh by taking off the debts encourages agents to be innovative. Manso has criticised the interference of independent boards which can halt the process of innovation by focussing on short-term goals. Manso then suggested, how in such cases, universal demand (UD) laws can help the company directors to find an alternative solution before

the shareholders can lodge a complaint against them, if they feel the managers/executives have breached their fiduciary responsibilities towards shareholders. To prove his point, he refers to his same work twice, but mentions different time periods, at one place he stated that the study has been done considering the impact of UD laws on innovation in USA companies from 1989 to 2005 (the accurate one), and in the other place he stated it is from 1976 to 2006. It is not sure that whether it is a typing mistake or something else. Moreover, it is still questionable why the author used the time period till 2005, as the paper was published in 2017. More than 10years gap can impact heavily to understand the current implication of UD laws on innovative behaviours and it is crucial for any research to use current data as much as possible to able to accurately reflect the reality (Philipson, 2016).

Shortcomings of the paper

The research paper consists of rich texts with sound explanation to his findings, however, it lacks proper referencing, which questions the credibility of his work (Nigel, 1977; Philipson, 2016). At various instances, the author only mentions that 'many literature' has suggested this finding, making it ambiguous (Gazni & Didegah, 2016). The research paper explicitly does not deal with empirical data, however, it uses the final percentage values from others' works and his own previous research works. Even the data he has mentioned lacks proper analysis and does not follows rigorousness as it need to be. The experiments he mentioned were drawn from his previous works as well. He establishes his key points by using his previous four works, which questions the reliability and positionality of this research work. The whole paper depends on the referenced papers as it does not contain any of the research works or experimental studies in details other than the main output of those research studies. This paper rather acts as an amalgamation of various macro-factors, which are individually studied by other researchers in support of encouraging explorers in their innovation agenda and does not mention any gap or limitation or scope of further studies. Most of the papers it referenced are based on quantitative research methodologies which need to be further studied to evaluate the accuracy of the findings stated in this paper.

Evaluation of the research methodology used

Although, the author has tried to consider various macro-factors responsible for the motivation of explorers to be innovative, but does not refer enough references, examples and data to strongly support his findings. Neither the paper makes enough impression of following the research methodologies. Manso describes one experiment as a foundation of his argument, but it lacks the systematic and scientific rigour which is highly essential in research studies (Bryman & Bell, 2015). He does not mention his sampling process for his experiment, neither he mentions which group he considered as variables and controls. The hypothesis was poorly constructed, without stating the construct of the experiment, the instruments used and how the outcomes were measured. It also does not mention the duration of the experiment and how many periods were used, leading to the credibility issue of the research strategy he used (Saunders, Lewis & Thornhill, 2015) There were three groups in his experiment, one with fixed wage, another with standard pay-for-performance and the last with allowance of failing at the initial phase of experiment with no extra cost and getting paid according to the pay-for performance at the end of the experiment. It is not sure if his independent variables were really independent or had any influence from the experimental environment. Moreover, the experiments were not repeated either to see if the results are similar as it gives confidence in the results (Saunders, 2009).

Contribution of the paper

In terms of contribution the paper does not really contribute any new information to the research paper as the findings stated in this particular article were published before in different other papers in bits and parts. Although, this paper helped to look at innovation rewarding schemes differently once all its responsible macro-factors within an organizational setting has been put together, which itself can be considered as a contribution to the knowledge, but the paper lacks in following research methodologies strictly along with inadequate referencing. Thus, the contribution of this particular paper can may be nullified.

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