

Sound Enterprise Economics

One of four Major Elements of an Innovative Culture

How does economics relate to innovation?

Profitability

- Management is prepared to wait a reasonable time for a payout from innovation, but not too long
- Management is not looking for short-term profits

Risk profile

- In the planning process, management is seen to be willing to take on some risk.

Management Practices

Investment

- Management, when planning, put a strong emphasis on looking for opportunities and is less focused on rationing resources
- R & D spending should be better than the competition but not over the top either
- The investment portfolio should comprise both short and long-term projects

Planning

- Management, including the Board of Directors, is willing to take on some risk during the planning exercise
- Tracking innovation performance is important to provide focus and a sense of progress
- Planning is not seen as 'shooting from the hip'

Resources

- The indication, or past evidence, is that resources will be available for innovation if good projects are identified

Built on a base of

Trust and Respect

...for diversity, beliefs, values, traditions, language, behavior, geographic location, history, governance, social habits, attitudes, training, education, timing, threats, change, etc.

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