How Attention From Top Managers Impacts Innovation

When companies acquire external knowledge, they need to make sure management attention doesn’t wane.

It seems strange to buy something without using it, but people do it all the time. Some buy gym memberships, planning on changing their lives, but never get around to using them. Companies too make purchases believing that the purchase itself is enough to make a change at the firm. When licensing external knowledge, for example, management might believe that once the knowledge has been acquired, it is being used efficiently. But, like that unused gym card, buying outside knowledge on its own doesn’t mean that it is put to the best use. It needs to be integrated into the firm for the best result.

Licensing external knowledge to create new products

Licensing outside knowledge is now a factor in the way that we innovate. More and more firms are moving from doing everything themselves to bringing in ideas from the outside through purchasing wholesale packages of knowledge. Two different licensing options are common – either standard licences, in which knowledge is bought without further engagement from the data/knowledge creator, or partnership/embedded licences, which establish a relationship with the provider.

In a recent article in Research Policy, “Standard vs. partnership-embedded licensing: Attention and the relationship between licensing and product innovations”, my co-authors, Thomas Klueter and Denise Dunlap, and I looked at the two ways innovative companies successfully use external knowledge. Companies can either engage in a partnership-type of licence, investing in cross-company teams, or they can purchase a standard licence for external knowledge. And the success of bringing in and using this knowledge effectively depends on the attention it gets from management.

We know that partnership licences, often more expensive and definitely more time consuming, have an important impact on innovation. What we were surprised to find in our study is that even standard licences may inspire the same level of innovation, as long as managers give their attention to the project at hand.

A conscious choice

We often think about innovation as lightbulb moments or something done entirely by R&D teams, discounting leadership. But leaders, and the attention they bestow, can have an important impact on revolutionary products or ideas. One example of an out-of-this-world innovation was the race to the moon: NASA credits the vision of John F. Kennedy as a motivator in its work. Kennedy didn’t direct the
Attention by perspective

Attention from top management doesn’t have to be the CEO directly assigning a task or participating in meetings. It’s an acknowledgement from the top that a particular project is important. The mere fact that top management is paying attention is enough.

We found management attention, both bottom-up and top-down, important when bringing in external knowledge with a standard licence in order to impact a truly innovative project. Having this attention increases the likelihood of a standard licence leading to a radical innovation because the outside knowledge is more likely to be used.

Top management has a sizable role because not only do they influence their organisation, but they also affect assignment workloads, or the direction of their R&D teams. Managers know that if they assign too many projects or if the company is working with too many different technological areas, R&D teams are less likely to benefit from the external knowledge they bring in.

The worst-case scenario is when an organisation purchases an external knowledge licence for an area that’s already overloaded, and with a top management team that doesn’t pay attention to it. In this scenario, external knowledge is very likely to fall through the cracks.

The best-case scenario is when top management is already paying attention to the licensed knowledge and the R&D team receiving it is focused and not overextended. When a company is looking for a major innovation, management must recognise its own importance.

Knowledge is just the beginning

Remember that our findings have to do with radical innovations, not improvements in an app or tweaks to existing products. The CEO doesn’t have to drive a marketing campaign about an innovative project to have an impact. It may suffice for top-level managers to mention the project in a company meeting. Since attention is a scarce resource, when the top brass expresses an interest in a project, people in the organisation do notice.

When a company buys outside knowledge, it’s vital for managers not to fall into the trap of believing that that purchase is a completed event. Buying knowledge off-the-shelf does not necessarily make for innovation. Managers must continue to pay attention to what happens next if their company is to create something completely different. Attention is a key ingredient of innovation.

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