Innovation Fallacy #2 - Spending Drives Output

by Bill Poston

One of my favorite fallacies is that innovation spending is correlated with innovation output. This is another example of weak inference and insufficient evidence. Thinking that you need to spend more to get more can lead managers to make the wrong assumptions about what it takes to deliver growth.

In reality, it isn’t about how much you spend on innovation, but what you spend it on and how effectively you spend it, that determines the results you derive from innovation efforts. I am not saying that innovation is free or that spending doesn’t matter, I just do not believe that these variables are directly related. Nor do I believe that spending is the first thing to evaluate.

In many organizations, spending more on innovation would be a gigantic waste of money. Without improved capabilities, the money will simply be spent without any discernable impact of results. Smarter allocation of investment into different innovation types, improved governance, dedication to excellence in execution, and better alignment of strategy are all superior options to increasing the innovation budget or adding resources to the organization.

As in the case of risk, the best innovations are those that can be developed and launched cheaply. Please challenge the sloppy thinking that assumes we need more investment in innovation to deliver increased results. This is a false choice and far too simplistic to help make good investment decisions.

Get the house in order first and then let’s talk about how much we need to spend to deliver results.

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