Continuing to think about Clayton Christensen’s article in the June 2014 edition of the Harvard Business Review, “The Capitalist’s Dilemma”. The article contends that investor myopia and outdated assumptions about capital being a scarce resource cause companies to underinvest in market-creating innovations that are necessary for their long-term prosperity.

While it is true that not every company is flush with cash, large established enterprises have a “superabundance” of capital. They are awash in cash and can borrow for next to nothing. Yet, these same companies often choose doing nothing with their money over investing in market-creating innovations.

If capital is no longer a scarce resource, then people become the constraint to breakthrough innovation. Therefore, the ability to attract, retain and optimally deploy talent is a critical success factor. Increasing investment in market-creating innovation without the talent – and the processes, decision-making frameworks, governance, and systems to identify growth opportunities – might be a mistake.

The message here is that we need to invest in both market-creating innovation and in the capabilities to bring breakthrough innovation to market. Think about the measurement of return on investment in “making good people better” or in attracting breakthrough innovators to your organization. What if we treated time as a scarce resource instead of money? Wouldn’t an investment in improving our processes and systems that amplify our talent be a better use of capital than hoarding it in the cash account?

Putting cheap capital to work creating the capacity to innovate and increasing the value of your human resources will produce far superior long-term returns than your money market account.

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