

CAN LEADERS OF PUBLIC COMPANIES MAKE THEM INNOVATIVE?

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Public companies have limitations to innovate because they are usually concentrated on short-term results and are subjected to scrutiny and accountability in their innovation projects. Therefore, leaders of public companies face a greater challenge if they want their companies to be innovative. Leaders must make use of all their creativity and leadership skills to accomplish short-term goals and at the same time foster the innovation that companies need to remain successful.

There is no consensus on which companies are the most innovative. Possibly the main reason for the lack of agreement is the absence of common criteria defining what constitutes an innovative company. Lists of the most innovative companies usually include technological and pharmaceutical companies because of the prevalent belief that an innovative company is one that develops new successful products or obtains a large number of patents. However, the development of new products or the generation of patents usually results from the work of a relatively small group of researchers within an organization, not the collective effort of the entire organization. It appears that for an organization to qualify as innovative, it is necessary to be innovative not only in terms of the development of new products or the generation of patents but also innovative in the development of new methods of doing business. A truly innovative organization constantly improves business processes and finds new ways to not only develop new products but also to obtain a better market understanding, develop better relationships with its customers, create a better working environment for its employees, and improve its relationship

with its suppliers, distributors, the community, and other stakeholders.

To be a truly innovative company, the entire organization must be involved and engaged in an innovation effort. However, in public companies, almost all the organization's energy is dedicated to the achievement of short-term results, and consequently, room for innovation is limited and, in the best scenario, reduced to a few research groups. Aggarwal (2013) and Kwoh (2013) noted a decrease in patents when companies go public because of the effect of public scrutiny and accountability to shareholders. Therefore, leaders face a greater challenge to maintain innovation. How does an organization innovate if it faces criticism as a result of innovative projects failing? How does an organization evolve into one that not only cares about short-term goals but also values innovation as a driver to achieving long-term goals? To innovate while obtaining short-term results is difficult, but it appears more feasible in private companies where, unlike public companies, long-term goals are not understated by the urge to achieve positive quarterly and yearly results.

One possible solution for balancing short- and long-term goals, while still fostering innovation, is to become a private company. However, such a solution is not reasonable. Many large and midsize corporations need considerable capital, which can be obtained only by being a public company. Then, what should organizational leaders do? The answer is not easy. Much has been written about the dual organization, capable of performing routine tasks and innovating at the same time, but few companies are able to successfully achieve such duality.

Leaders have an important role in innovation. They must create a favorable environment for change and promote the free exchange of ideas for innovation to flourish; but how can this be achieved in a public company focused on short-term goals? Leaders of public companies must adeptly use their creativity and leadership skills to achieve short-term goals and at the same time foster the innovation that companies need to remain successful. If leaders fail in getting everyone on board by rewarding progress or achievement, innovation will not occur. As experience and history have shown, it is easier to know what needs to be done than

to actually be able to do it. The leadership challenges described above are a very interesting provocation for leadership researchers interested in innovation.

References

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