

THE IMPACT OF AN INNOVATION AWARD ON ORGANIZATIONAL INNOVATION

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ABSTRACT

We explore whether winning or not winning an innovation award influences organizations' subsequent innovation behaviors (e.g., creation and diffusion of innovation). We suggest winners utilize awards result in developing and diffusing their award-winning innovations. Our empirical testing is conducted based on winners, non-winners, and participants in a health care innovation awards program. Contrary to conventional wisdom that only winners benefit from participating in awards, our research shows that not winning an award stimulates applicants to develop more innovations.

Keywords: Awards, legitimacy, reputation, innovation

INTRODUCTION

Management scholars have shown great interests in the consequences of winning multiple forms of prizes, such as certification contests (Rao, 1994), awards (Azoulay, Stuart, & Wang, 2013; Wade, Porac, Pollock, & Graffin, 2006), and tournaments (Anand & Watson, 2004; Jensen & Kim, 2015). These studies have suggested that awards often brings positive consequences for the winners, such as an increase in compensation (Malmendier & Tate, 2008; Wade et al., 2006), stronger negotiation power (Ranft, Zinko, Ferris, & Buckley, 2006), or performance (Anand & Watson, 2004; Sine et al., 2007). Contrarily, some studies identified winning an award encourages hubris and overconfidence, often followed by negative consequences in performance (Chatterjee & Hambrick, 2011; Kovacs & Sharkey, 2014; Malmendier & Tate, 2008; Wade et al., 2006) and in personal life (Jensen & Kim, 2015).

This paper examines the impact of an innovation award on winners and non-winners, on their subsequent innovation activities. Also, as opposed to examining the subsequent innovation activities using only the future success or failure of the contested innovations in an awards program, we investigate the subsequent innovation activities in two ways: (1) the breadth of implementation of the focal innovation (i.e., the innovation that was applied for in an awards program), and (2) the initiation and development of new innovations. By examining these two different innovation activities, we take a comprehensive view of the effect of the award on subsequent innovation behaviors and get to have a bigger picture of award.

THEORY AND HYPOTHESES

Since innovation causes changes to status quo, we acknowledge that innovation can result in cultural changes. We distinguish between two potential outcomes of creative organizational

culture; first, innovations are introduced, second, the creativity of the culture is maintained or enhanced through continued diffusion of ideas throughout the organization.

Hypothesis 1a. Creative organizational culture increases the implementation of innovations in the organization.

Hypothesis 1b. Creative organizational culture increases idea diffusion in the organization.

Awards provide positive reputation to the award-winning innovations. By being known for high quality innovation, award winners become more prominent in their organizational field (Rindova & Fombrun, 1999; Stuart, Hoang, & Hybels, 1999). The awareness for winning innovation tends to increase dramatically after the award results announcements. The increased legitimacy thus increases the likelihood of the innovation being adopted, while the enhanced reputation increases the likelihood of idea diffusion.

Hypothesis 2a. Winning an innovation award enhances implementation of innovations in the award winner's organization.

Hypothesis 2b. Winning an innovation award enhances idea diffusion in the award winner's organization.

We propose that the impact of an award is not restricted to the winners. While innovation may help firms become more competitive, the innovative process is often viewed as synergistic or expanding the potential scope of the organization in ways that may decrease direct competition.

Hypothesis 3. Nearly winning an innovation award increases the idea diffusion of new innovations in the non-winner's organization.

METHODS AND RESULTS

We examine the impact of innovation awards in the healthcare industry setting. The awards program examined here is the annual innovation award granted to medical clinics and hospitals sponsored by HealthPartners.

We find a significant positive effect for Top Down cultures, in the absence of external award incentives, the effect of a managerial champion appears to be a key driver in the adoption of innovations. We find a positive effect of innovation awards on the adoption of innovation through various aspects of organizational culture (individual rewards, autonomy, and support). We did not find effects for the other measures of culture, including the Top Down variable. We found a significant negative effect of award winning on idea diffusion. Nearly winning the award appears to have a significant negative effect on idea diffusion.

Broadly, we find that external awards tend to increase the number of innovations that are adopted, although they can limit the diffusion of ideas in ways that may shift the organizations culture. External innovation awards mechanisms may be effective in that they generate recognition and incentives sufficient to overcome barriers to innovation embedded in organizations.

References available upon request