

---

# Self-sustaining Innovation through Intrinsic Motivation

---

Anatoliy Molodchik

Perm State Technical University, Komsomolski pr. 29, 614000, Perm, Russia.

E-mail: [molodchik.m@yandex.ru](mailto:molodchik.m@yandex.ru)

Mariya Molodchik\*

High School of Economics, Studencheskaya 38, 614070, Perm, Russia.

E-mail: [molodchikma@hse.perm.ru](mailto:molodchikma@hse.perm.ru)

\* Corresponding author

**Abstract:** The literature supports the view that the employees, who are empowered, self-determined and intrinsically motivated, have a greater degree of innovativeness. However, there is a gap between theoretical issues and practical recommendations regarding the organizational design aimed at accomplishing self-sustaining innovation through behavior-based management. Using case-study method the authors analyze the 20-years experience of successful sustainable innovation practice of the Regional Management Center providing educational, training and consulting services in the Russian educational market. The findings state that the sources of motivation to innovate should be inherent to employee and to organization. This can be realized through mechanisms of individual tension, knowledge transfer and retention. The entry to the innovation environment should be free and “play rules” should be determined for the long term. This encourages the sustainable emergence of new leaders with entrepreneurship abilities, ambitious goals and drive for innovation. The case study discovered the shift from Product to Leader life-cycle management.

**Keywords:** sustainable innovation; intrinsic motivation; management of leader lifecycle; case.

---

## 1 Introduction

There are many factors which influence the innovation process and holistic view is preferred. However, the employees are determined as the conduit between the organizational factors and the innovation process (Smith et.al., 2008). Sustainability of innovation depends on the motivation to create, to invent and to implement the ideas in new products and services. What are the sources of this motivation?

Theoretically there is intrinsic and extrinsic motivation (Deci and Ryan, 1985). The first one means that the motives are internal to the employee and there is self-evaluation mechanism at work. The intrinsic task motivation is achieved through:

- meaning - value of work goal or purpose,
- competence,

- self-determination - autonomy in the initiation and continuation of work, and
- impact, when the employee influences work results (Thomas and Velthouse, 1990).

The literature supports the view that the employees who are empowered, self-determined and intrinsically motivated have a greater degree of innovativeness. The motivation to innovate is influenced by management style, organizational structure, available resources, organizational culture and corporate strategy (Smith et. al., 2008). Knowledge management plays a key role and refers to the supportive activities, which facilitate acquisition, generalization, internalization and externalization of knowledge (Holsapple and Singh, 2005). Organizational environment should be dynamic; search oriented and should emphasize creative tension (Hamel and Prahalad, 1994).

Today there is a gap between theoretical issues and practical recommendations to the organizational design aimed at accomplishing self-sustaining innovation through behavior-based management. Besides there is a lack of attention to the special group of employees – the middle level managers, whose role is to ensure the innovation process, inspire the others, act as a leader and develop the future leaders. The recent investigations of innovation companies prove the necessity of entrepreneurial leaders, who are ready for the changes, can take risks and are proactive. The dynamic of leadership process determines sustainability of innovation and organizational performance (Hersey and Blanchard, 1969; Ward, 2003).

The research question addressed in this paper is: “What are the intrinsic based mechanisms of self-sustaining innovation directed at leaders and future leaders in the organization?”

The methodology is based on the case-study method. The paper includes the description of research design, brief summary of the Regional Management Center development, and detailed presentation of three mechanisms – individual tension, knowledge transfer and knowledge retention. The last two sections are devoted to findings and conclusions.

## **2 Research design**

The paper follows the single case study research design. It is based on the 20 years experience of innovative practice of Regional Management Center (RMC) operating in the Russian regional educational market. RMC is the recognized leader among the regional organization providing educational, training and consulting services. Here we try to formalize the methods and day-to-day routines which allow to provide process and product innovation and make them sustainable.

Generalizing the results of the Regional Management Center, we analyzed the relevant documentation; the market’s dynamic and provided 7 semi-conducted interviews with the heads of business units and the employees, who are in so called “high innovation potential group”. The interviews were held in October-November 2010. The permission for records and citations was obtained from all the respondents. The analysis of motivation sources (extrinsic or intrinsic) was based on three series of short questionnaire surveys in 2000, 2004, 2010.

### 3 Short overview of the Regional Management Center development: 1990-2010

RMC was founded in 1990 in the time of deep reforms in Russian educational and re-training system. From the very beginning it took an active position in the regional market. Today RMC is a financially independent organisation, which enjoys the privilege of the state licensing system, accredited to provide continuous adult professional education. RMC provides assistance with further education by offering a number of special programs in general management, economics, finance, business and marketing, accounting, law, personnel external relation, PR, and some others. On completion of the courses the listeners are granted federal diplomas (certificates).

Geographically RMC is situated in big industrial Russian region – Perm region, where live more than one million people.

The development dynamics of RMC is presented in Table 1.

**Table 1** Indicators of RMC development

<i>Indicators</i>	<i>1990</i>	<i>1995</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>
Number of employees	18	48	67	112	145
Number of business units	4	20	39	44	49
Market share % (region)	26	43	51	59	64

Source: Internal documentation of RMC.

Number of employees was taken from staff list of RMC. Additionally RMC invites visiting professors, trainers, specialists from the other regions and different countries (Germany and Great Britain). Work conditions and performance based fee are the most attractive in the region. Regional educational market in Perm is in the maturity stage. The competition is very high. The market share of RMC was calculated as a part of the total revenue of eight main payers in market niche of retraining programs in business education.

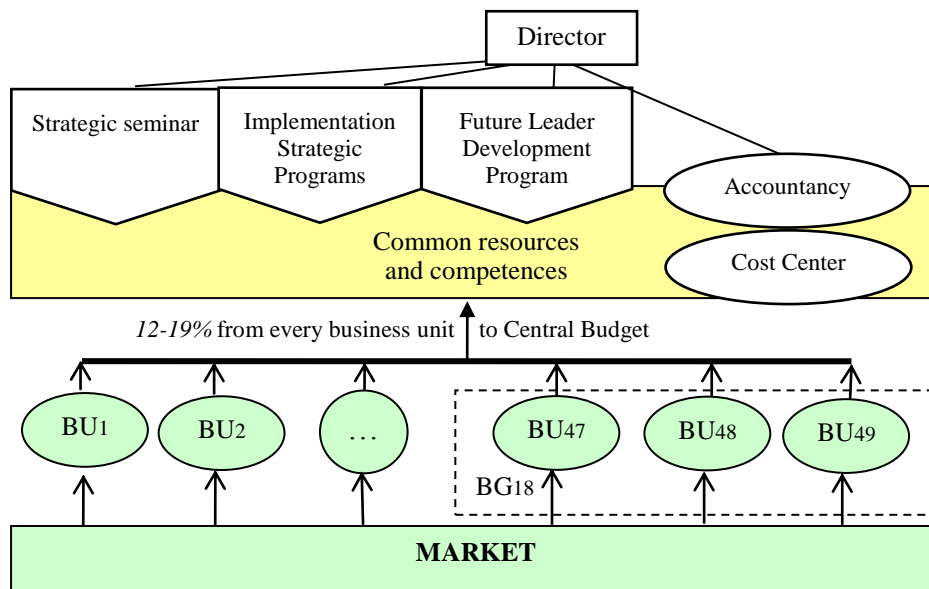
RMC has a product-oriented structure and decentralized profit oriented management system (see figure 1). Today there are 49 business units, which work as profit centers taking more than eighty percent from sales to the own dispose. Every business unit has a subaccount. The heads of the business units have the right to take the financial decisions. Some of business units are connected in business groups. In this case they have common strategy and may have similar clients.

There is the cost center dealing with utilities (gas, water and others) and accountancy. There are three Committees: Strategic Seminar (held annually), Implementation of Strategic Programs (held quarterly), Future Leader development Program (held ones every two month). The Director deals with the strategic development and guarantees the long term rules of financial relationship.

“I have worked here since 1993 and there has been no change in rules. Every month I give to the Central Budget 16% from my subaccount and the rest stay at my disposal. I pay the salary to the trainers, pay for the working papers, which we distribute among the clients, auditorium rents, and so on. How do I spend my profit? I can pay it to myself. But if we speak seriously, it depends upon the season...in summer we have practically no money. Autumn is a good time, but we usually work only for “salary”. In winter and spring we try to buy

new books, to participate in the seminars and conferences, to further improve our qualification and the attractiveness to the clients.” [Head of Business Unit, interview October 2010]

**Figure 1** Organisational structure and financial relationships in RMC



BU – business unit, BG –business group

RMC innovates products (new educational program, new consulting services and so on) and processes (new professional communities, new systems of clients feed back). These innovations are stimulated through three mechanisms: mechanism of individual tension; knowledge transfer and retention mechanisms. They are described in the next section.

#### 4 Three behavior-based mechanisms for sustainable innovation

##### *Mechanism of individual tension*

Theoretically individual tension means additional employee’s tug in productivity, and innovativeness caused by the gap between ambitious individual goals and restricted resources. It is intrinsic by nature. In RMC the individual tension is induced for the heads of business units as towel as for the future heads.

Every head of business unit acquires a virtual property right - the right to use the most part of unit’s revenue and this is in the long term. But they take also the risk of a financial failure. After some times (our observations showed that it can be from six month to one and half year) their behavior changes, they begin to associate themselves with the results of the unit. In the literature it is called entrepreneurship motivation. The heads of business units become the leaders, who can take the risks, be proactive and innovate for the wealth

of the unit and consequently to the organization as a whole. In RMC they are called leaders, not the heads.

The mechanism of individual tension is based on

- self-determination of goals;
- responsibility for results;
- long-term rules.

Analysing the motivation factors of this group of employees (existing leaders) we found that intrinsic motivation dominates over extrinsic (see Table 2). In the questionnaire survey we asked “What factors influence your motivation?” and used four level scales: 1 – no influence; 2 – small influence; 3 – important factor; 4 – main motivation factor.

**Table 2** Motivation factors of business unit’s leaders

<i>Motivation Factors</i>	<i>2000</i>	<i>2004</i>	<i>2010</i>
	(39 leaders)	(44 leaders)	(49 leaders)
Salary	2.95	2.4	2.9
Bonuses	1.9	1.5	1.55
Praise	2.8	2.8	2.7
Social recognition	3.35	3.2	3.4
Right to take decisions	3.75	3.82	3.8
Work satisfaction	3.75	3.7	3.65
Identification with the result	3.7	3.7	3.75

Source: Questionnaire surveys.

The second part of the mechanism of individual tension is oriented on the future leaders and professors, young teachers and trainers, who work in RMC. This program includes self-determination of timetable of professional achievements.

During the research we have found that the mechanism of individual tension provides for the alignment of organizational and individual goals.

#### *Knowledge transfer mechanism*

Knowledge transfer mechanism ensures the sustainability of innovation process and the synergistic effect of organizational intellectual ability. It induces the willingness to share one’s knowledge (skills, experience, habits and so on) with others. It drives the synergistic effect of knowledge circulation within organization itself and among different network communities.

Knowledge transfer in RMC is based on

- voluntary participation and
- openness.

The tutorship is highly developed in RMC. Especially it concerns the growth of future Leaders. The literature supports the importance of internal development programs. Ac-

According to the Human Capital Institute Report, forward-looking companies pay more and more attention to the leadership development programs, which leverage existing leaders as coaches or teachers (McKeown, 2011). The barriers of knowledge transfer are the lack of time and the lack of accountability were the clear winners (McKeown, 2011). In RMC there is special Committee which deals with Future Leader Development Program. We made the interviews with the two members of “high innovation potential group”. They told us about the obstacles in knowledge transfer between existing and future leaders.

“...It depends upon the emotional status of the tutor and of course upon his (her) coaching ability. Not everybody can do this. And another problem - they are really afraid to lose the power and money. But I am lucky – my tutor is a good leader and is afraid that I will be a leader too...” [Trainer, the participant of the group of future Leaders, interview of November 2010]

Among other instruments of knowledge transfer we have identified electronic library, best-practice implementation, communities of practice and corporate entertainments.

### *Knowledge retention mechanism*

One the most serious problem in knowledge intensive businesses is the retention of qualified personal. In RMC was developed the mechanism of knowledge retention. It involves the willingness to work in organization sharing corporate values.

The mechanism of knowledge retention is based on

- sense of involvement;
- brand;
- common infrastructure;
- common resources.

Sense of involvement is based on intrinsic motivation. In RMC it is realized through three Committees: Strategic Seminar, Implementation of Strategic Programs and Future Leader Development Program.

“Why I work here? I have the possibility to realize myself. I see the results of my work and I can decide what to do further. The people around me are so enthusiastic, they are in constant drive. It is really exciting to work together.” [Leader of business group, interview of November 2010]

This mechanism provides for the retention of experience and beginnings leaders that allows sustainability of organization.

## **5 Findings: shift from Product to Leader Life Cycle Management**

Analyzing innovation process, the sources of creative ideas and the factors influencing the knowledge externalization in RMC we found a shift from classical Product Life Cycle to Leader Life Cycle management. Sustainability of innovation depends on the willingness (ability and desire) of business units’ leaders to be productive and to grow new leaders.

We have discussed the concept of Leader Life Cycle Management with the Heads of business units and discovered six stages. Characteristics of them are presented in Table 3.

**Table 3** Stages of Leader Life Cycle

<i>Stage</i>	<i>Characteristics of Leader</i>
Development	Desire to be leader Learning ability
Introduction	First successful results Entrepreneurship ability Ambitious
Growth	Regular successful results Strategic orientation Team creation
Maturity	Sustain successful results Sustain innovation Constellation of leaders
Decline	Changes of values Frustration Loss of initiative
Death	Retirement from entrepreneurship Work change

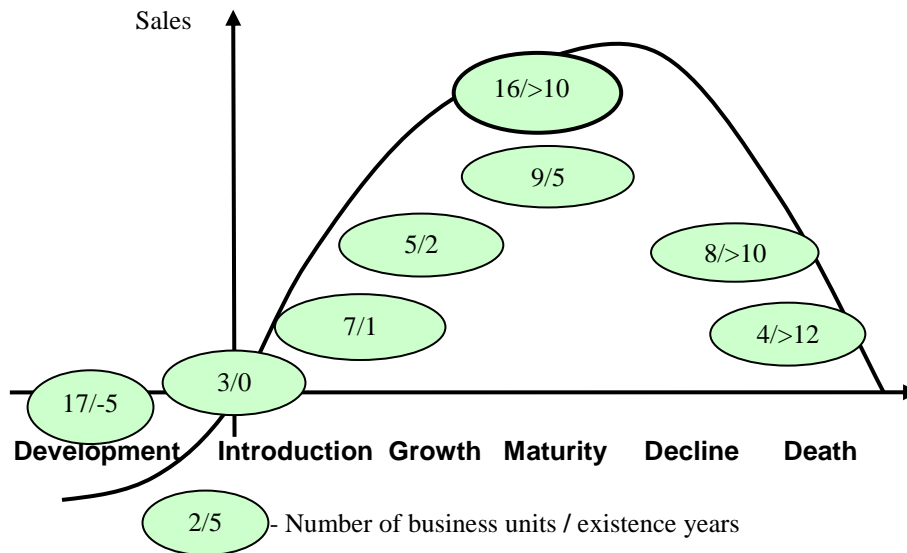
Source: Interviews and questionnaire surveys.

The aim of Leader Life Cycle Management is to accelerate the first two stages and to lengthen growth and maturity stages, as also to develop the substitution process the “old” leaders to the young one. In perfect case the organization creates the self-development renewal process and has balanced structure of leaders, which are in the different stages of their life cycle.

The management of Leader Life Cycle encourages a system of more levels leadership. When the existing leaders are actively incorporated into the development of the emerging leaders, companies reap the benefits (McKeown, 2011). The organizational culture, structure and corporate strategy create conditions for sustainable appearance of new leaders with different innovative ideas. The dynamic of RMC showed the continuous growth and renewal of leaders, who have entrepreneurship ability, ambitious goals and innovation drive.

The figure 2 shows the business units ordered in their life cycle stages. Some of them are in Introduction stage, some in Growth and so on. Analyzing the reasons of Decline and Death we found a strong dependence between the failure and the changes of leaders value preferences and their state of health. The most interesting in this figure is the situation of 16 business units, which exist more than ten years. They are connected in two business groups. The heads of this business groups are successful in development of new leaders.

**Figure 2** The structure of business units portfolio according to their lifecycle stage (2010)



There are, of course, issues associated with such dynamic self-development organizational processes. Among them we can name the high internal rivalry between the leaders of business units, because they work in one educational market. The next issue is the probability of losing common goals and reduces the intrinsic motivation for self development and performance targets achievement. Entrepreneurship environment increases the risks of high qualified personal outflow, because successful business unit leader can try him anywhere else. But successful innovative practice of RMC shows that these issues can and need to be solved.

## 6 Conclusions

The paper gives practical recommendations regarding organizational design aimed at accomplishing self-sustaining innovation through behavior-based management. It was concluded that the mechanisms of motivation to innovate should be inherent to employee and to organization. The entry to the innovation environment should be free and “play rules” should be determined for a long term. Leaders lifecycle management can be provided through intrinsic-based mechanisms of individual tension, knowledge transfer and knowledge retention.

With some modifications the described mechanisms can be implemented in other companies. Limitations of our research are connected with the single case and with firm-specific factors. RMC has product-oriented structure and works in an emerging market.

## References

Deci, E.L. and R.M. Ryan. *Intrinsic motivation and self-determination in human behaviour*. New York: Plenum Press, 1985.



- Hersey, P. and Blanchard, K. H. "Life cycle theory of leadership," *Training and Development Journal*, 23 (5), 1969, pp. 26-34.
- McKeown, E. "Organizations Need to Leverage Leaders as Coaches or Teachers," *Training and Development Journal*, February, Vol.65, Issue 2, 2011, p.20
- Hamel, G., Prahalad, C.K. *Competing For the Future*. Boston, Massachusetts: Harvard Business School Press, 1994.
- Holsapple, C.W., Singh, M. "The Knowledge Chain Model: Activities for Competitive-ness." In *Handbook on Knowledge Management 2*, Springer Science & Business Media B.V., 2005.
- Thomas, K.W. and Velthouse, B.A.. "Cognitive elements of empowerment: An "interpretive" model of intrinsic task motivation," *Academy of Management Review* 15, 1990, pp. 666-681.
- Smith, M., Busi, M., Ball, P., Meer, R. "Factors influencing an organization's ability to manage innovation: a structured literature review and conceptual model", *International Journal of Innovation management*, Vol.12, No.4 (December 2008), pp. 665-676.
- Ward, A. *The Leadership lifecycle: matching leaders to evolving organizations*, Palgrave Macmillan, 2003.