

How to escape the success trap — and not fall into another one

Research suggests that current success can be detrimental to innovation, even in a completely rational or hyper-paranoid organization. IESE's Enrique Ide offers advice to escape the success trap.



March 1, 2021 | Updated January 25, 2024

- **A dose of paranoia is said to help incumbent companies overcome "success syndrome" by never resting on their laurels. But "hyper-paranoid" organizations can deplete employee motivation and morale by trying to pursue every possible new technological innovation.**
- **To best pursue a promising innovation, upper management's unwavering commitment is key.**
- **If an organization has an internal credibility problem, upper management should consider creating an autonomous division to develop a promising innovation unfettered.**

By [Enrique Ide](#)

Studies have shown that incumbent companies — especially successful ones — usually struggle to innovate and are sometimes driven to extinction by technological change. This idea, which is sometimes called the "success syndrome," was popularized by Clayton Christensen in his best-seller *The Innovator's Dilemma* in 1997 and has haunted business executives ever since.

Numerous explanations have been put forth to try to explain this phenomenon. The most common of all is that current success blindsides upper management, making them believe — incorrectly — that a new technology or product is not worth pursuing. The prescribed medicine is then straightforward: to avoid this success trap, upper management must be constantly vigilant — some might say paranoid — of every new technology or product that arrives on the market.

However, is this the entire story? Is paranoia the cure? Through my research, I've found that current success can be detrimental to innovation even in a completely "rational" or "hyper-paranoid" organization. Understanding why this is the case not only sheds light on how to design better change strategies, but also highlights the fact that too much paranoia can be a bad thing.

In a nutshell, [my research](#) shows that current success can be detrimental to innovation because it makes it harder to motivate employees to embrace change. The reason is that employees anticipate that upper management will return to the old profitable business if the innovation does not show immediate results. Hence, they fear that the time and effort they must spend in making the innovation work will be wasted.

This problem is especially pronounced in the case of disruptive or "architectural" innovations

that completely change the way things are done inside the organization. The reason is that these innovations usually require significantly higher investments from employees.

How to combat the success trap

Are successful incumbents then cursed? Can they do something to overcome this issue? In my research, I show that several complementary actions can help address this problem.

1. When the organization decides to pursue a new direction, upper management must have an **unwavering commitment** to it. This will reassure the rest of the organization that their efforts in embracing this new direction will not be wasted if results take some time to arrive.
2. **Trust and communication** are important. Commitment from upper management is useless if employees do not trust upper management or are unaware of this commitment.
3. When trust and commitment are lacking, a good idea is to **create an autonomous division** to develop the innovation. This division should be endowed with its own budget and decision-making abilities. Creating such divisions helps lessen the temptation to shelve the innovation too quickly.
4. When possible, successful incumbents should try to **conduct small-scale experiments** (for example, creating and testing prototypes) before fully committing the organization to an innovation. Positive results in small-scale experiments can help boost the organization's confidence in the innovation, making the upper management less prone to return to the old business should unexpected problems arise during full implementation.

Paranoia: a double-edged sword

The fact that commitment to a new direction is crucial to motivating employees to embrace change also suggests that upper management's paranoia about new disruptive technologies can be a double-edged sword.

The reason is that pursuing every possible new technology out of sheer concern that one may drive the organization to extinction can be as detrimental to employee motivation and morale as current success.

Indeed, even though such paranoia sends a signal that the organization never looks back (so

that current success will no longer be an issue), employees still worry that their efforts will be wasted. That's because they may anticipate that the organization will haphazardly change direction in the future.

For a concrete example of this phenomenon, consider the case of BioNTech, creators of the Pfizer-BioNTech COVID-19 vaccine (along with pharmaceutical giant Pfizer).

In a recent academic symposium, Nobel Prize recipient Oliver Hart asked BioNTech founder Dr. Ugur Sahin why he decided to create BioNTech as a separate enterprise, instead of directly working for Pfizer. His answer was revealing, saying that, before BioNTech, they had tried to collaborate with the pharmaceutical industry. Yet after the first two to three years of a collaboration, management would always decide to stop the initiative due to the company "going in a different direction." According to Sahin, it was extremely frustrating to invest time in a collaboration and then see it stopped even though it was running as expected. As a result, "we understood that if we wanted to develop medicines we had to start our own company," he said.

Sahin's experience collaborating with incumbent organizations provides an all-too-common cautionary tale. Unless veteran companies commit fully to an innovation and communicate clearly with their employees, organizational morale will suffer — and innovation will remain elusive.

A version of this article first appeared on Forbes.com under the headline [Why Hyper Paranoid Companies Can Still Fall Prey To Success Syndrome](#).



Enrique Ide

Assistant Professor in the Economics Department at IESE, specializing in Industrial Organization and Organizational Economics.

www.iese.edu/insight