WHAT IS INNOVATION GOVERNANCE?

PART I

By Emeritus Professor Jean-Philippe Deschamps – August 2012
This is the first in a series of three articles about innovation governance.

Managing innovation effectively involves mastering a number of processes – from idea generation to project management and commercialization – across functions, disciplines, or even companies. At the same time, it requires promoting a culture that channels creativity, stimulates entrepreneurship, and encourages teamwork. The role of top management is to combine “hard” business processes and “soft” people factors through an effective innovation governance system. Innovation governance is not a task that can be delegated to any single function – innovation is inherently cross-functional – nor is it one that can be delegated to the lower levels of the organization. In this first article, I will define what it really means.

Innovation governance provides a frame that defines the mission, focus and implementation of innovation in the company. It starts with establishing a set of policies regarding the scope of innovation and addressing a number of questions dealing with both ‘content’ (i.e. projects) and ‘process’ (i.e. approaches and responsibilities).

Innovation governance defines the scope of innovation
In many companies, management behaves as if innovation dealt only with the development of new technologies and products. It ignores or at least underestimates the importance of other types of innovations. Therefore, innovation governance must fight this misapprehension and promote and steer all aspects of innovation. Defining innovation broadly means at least three things for senior managers: enriching projects through multiple innovations; paying attention to all the specific processes within innovation; and combining top-down and bottom-up innovation.

Searching for multiple innovations
As part of its governance mission, management must ensure that their company innovates across all aspects, not just in technologies and products. More importantly, they need to remind the organization that sustainable advantages often come from combined, mutually-reinforcing innovations. It is important to establish a process whereby project teams are required to think through and propose innovations in all aspects of their product, including business model, process, offering and delivery.

Paying attention to all the specific processes within innovation
Thinking broadly about innovation means going beyond the traditional focus on new product development projects. Innovation governance execute effectively all the critical, albeit fuzzy, upstream processes – starting with an immersion in the market, the identification of opportunities and the generation of ideas to exploit them. It implies also to focus the organization on the disciplined downstream processes that conditions success in the market by way of the product launch, roll-out and customer integration.

Balancing bottom-up and top-down innovation
Some companies, particularly in the US, are known as archetypal bottom-up innovators, meaning they rely heavily on the creativity, imagination and entrepreneurship of their staff. Others, particularly in Asia, favour ambition-driven, top-down innovation. In these companies, leaders search for and target opportunities, then align the organization to implement them. Both innovation modes are essential and it is the role of top management, as part of its innovation governance mission, to find the right balance between bottom-up and top-down innovation.

Innovation governance addresses questions on ‘content’ and ‘process’
A comprehensive innovation governance system needs to address at least six fundamental questions:

Why do you want to innovate?
Senior managers may well think that the answer is so obvious that this question is unnecessary, but it needs to be asked; does everyone in your organization think that the answer is obvious? Do all employees know why you need to innovate, and how this imperative relates to your corporate vision and objectives? The actual answer will vary according to circumstances – for example, companies in a strategic stalemate may look at innovation as a way to generate totally new business, while others may see it as a way to reinforce their current business – but clarifying it is important. It helps iron out differences in perception and communicates clearly with the rest of the organization.
Answering this first question will, in fact, be the starting point of your innovation governance mission.

**Where do you look for innovation?**
Defining the purpose and objective of innovation leads naturally to the next question: where should you focus and what should be your priorities? What type of innovation do you want to pursue and for what objective? Some organizations argue that innovation is needed in all business areas, and as such they promote a wide scope for their innovation activities. Others are more focused in their search for competitive advantage. Generally, innovation is most effective when it is tightly aligned with the priorities identified in the business strategy.

**How much innovation do you target?**
This question covers two different areas: ambition and risk, and funding. The first will help you define how much risk you are willing to take to achieve the innovation that you want. In other words, are you willing to accept a high level of uncertainty in the search for breakthroughs, or do you favour a more prudent approach in the form of a series of incremental improvements? Clarity on this will ensure that employees fully understand the risk/reward boundaries in their search for new ideas. The second aspect – funding – is just as important. There is little point in pursuing breakthrough ideas unless you can commit the resources necessary to implement them fully and market them aggressively.

**How can you innovate more effectively?**
The number of books, articles, and public seminars devoted to this question shows that it is on the agenda of nearly all organizations, including the most innovative. A good innovation governance system will always include a formal process to assess the effectiveness of all innovation activities (processes, tools and measures). But it will also identify opportunities for improvements in softer organizational and cultural aspects, such as communications, cooperation and teamwork as well as entrepreneurship and risk taking.

**With whom should you innovate?**
“Open-source innovation” – building on the ideas and technology of external partners – is now pervading most businesses. Innovation governance includes the formulation of a policy regarding the extent and scope of future cooperation and partnerships, as well as the necessary incentives to making it happen in practice.

**Who should be responsible for what in innovation?**
One of the most concrete aspects of innovation governance is the definition and allocation of specific management responsibilities at all levels. From the highest level – i.e. who is in overall charge of innovation in our company? – to more operational levels – i.e. who will be in charge of specific processes or missions? Top management can choose between different models for the assignment of primary and supporting responsibilities, each with their advantages and disadvantages. The next articles will describe and characterize these models.

This is the first in a series of three articles about innovation governance. In the second article, Professor Deschamps will review the various governance models used by organizations today, and in the third he will analyze which of these approaches is most effective.

Jean-Philippe Deschamps is Emeritus Professor of Technology and Innovation Management at IMD business school. He has taught extensively on Orchestrating Winning Performance, Driving Strategic Innovation, and the Accelerated Executive Development Program.
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