THE NINE MODELS OF INNOVATION GOVERNANCE

PART II INI A SERIES

By Professor Jean-Philippe Deschamps – August 2012
Governing innovation often starts with top management deciding, implicitly or explicitly, who will be in charge of innovation in the company. This allocation of responsibilities is generally done by choosing an organizational model among several options. My research suggests that there are at least nine models in use, some of which are more popular than others. Most companies use a primary model for assigning the overall responsibility for innovation to a person or group of persons and one or several supporting models to manage specific aspects of the process or cascade the responsibility down to divisional and operational entities. Here, in descending order of popularity, are the main primary models:

1. **The top management team**
   In this model, the top management team – or a subset of it – takes overall responsibility for innovation. It makes particular sense if you consider that innovation, as a cross-functional and multidisciplinary activity, needs to be steered from the top. In some cases this is done very informally, as just one agenda item in other meetings, while others take a more formal approach dedicating specific sessions to innovation topics. Most organizations that use this model have limited the membership of their innovation group to the senior leaders most involved with innovation – usually commercial and technical people rather than those from HR or finance. This model, used by companies such as Corning and Lego, tends to emphasize strategic content, such as the launch of radical new projects and ventures, over more process and operational issues, which are often delegated to various supporting models.

2. **The CEO (or, in multi-business corporations, the group/division president)**
   By broadcasting that the CEO is personally in charge of innovation, this model is, at least on paper, a powerful way to promote innovation internally and externally. CEO-led innovation sends a clear message to other staff and to the market about innovation’s importance to the business. It is usually associated with charismatic leaders, many of whom are also the company’s founders – the late Steve Jobs at Apple is a classic example, although his replacement, Tim Cook, may move the company towards more of a collective model 1 approach. Facebook, Amazon, Oracle and many other large ‘new economy’ companies, but also a lot of small and medium businesses are led by this model. As with model 1, CEOs tend to focus on content ahead of process. But they also focus attention on values and attitudes.

3. **The high-level, cross-functional innovation steering group or ‘board’**
   This model can take a number of forms, but usually involves the appointment of several senior managers from various functions, and sometimes across different hierarchical levels, to steer innovation as a group. It is different from model 1 because not all members are part of the top management team, although the chair is nearly always part of the executive committee; it can be led sometimes by the CEO, more often by the CTO or CRO. Philips, Royal Dutch Shell and Tetra Pak have all used this model and it works best when those involved have a strong personal interest in innovation. The empowerment of this type of steering group or board varies from organization to organization; this in turn affects whether it deals with content issues or only process management.

4. **The CTO or CRO**
   Putting the CTO or CRO in charge of innovation is one of the most traditional models, particularly in engineering or science-led companies. He or she is likely to be viewed as the promoter of technology-based products and is often a full member of the senior management team. Given the breadth of their strategic and operational missions, CTOs or CROs tend to exercise their innovation responsibilities with the help of supporting mechanisms such as a technology planning group or a network of R&D managers. By nature, they tend to focus their efforts on the technical side of innovation and will generally feel less empowered to spread innovation throughout the business side of the company or to supervise the development of innovative processes, for example in commercial operations.

5 & 6. **The dedicated innovation manager or chief innovation officer**
   These models sound similar because they entrust innovation to a fully dedicated manager, but they are actually quite different. A full-time innovation manager – of which there may be a number, in larger companies – acts as a catalyst for innovation and as the official supporter of the organization’s efforts to promote an innovation agenda. Innovation managers frequently report to a member of the top management team, tend to operate mostly by themselves, and are generally concerned with process, e.g. the exchange of best practices, rather than content which remains in the hands of line managers.
The chief innovation officer, by contrast, is generally a member of the top management team reporting to the CEO, thus with much greater influence through access to senior management attention and resources. Dutch materials-science, life-science and biotechnology company DSM is one of the prominent adopters of this model. Chief innovation officers generally take responsibility for both content and process.

7. A group of innovation champions
In this model, top management enlists a number of self-motivated middle or senior managers as the official ‘innovation champions’ of the company and manages them as a network straddling the organization’s functions and operating units. They are not necessarily idea creators themselves, but they will often promote the most promising ideas within the organization and will help busy managers follow through. They also dig for- and promote the adoption of best practices. Many are self-appointed enthusiasts willing to commit personal time and effort on top of their normal job. By focusing almost exclusively on process rather than content, groups of champions are more commonly found in a supporting role rather than as the primary innovation governance model. Pepsico under Robert Enrico used innovation champions extensively. Both Hallmark Cards and Bank of America, among others, are also known for having mobilized a network of champions.

8. No one in charge
Having no one in charge of innovation – by decision or tradition -- may sound like the opposite of an innovation governance model, but it reflects reality. There are three possible reasons why companies have no one officially in charge of innovation: (1) Innovation may be so much a part of the organization’s DNA that everyone feels responsible for it; (2) A restructure, reorganization or change of top management has created it as a temporary situation; or (3) Management does not see innovation as critical enough to require a specific governance mechanism; it expects each function to play its role in the process. The last reason is often associated with businesses in sectors requiring a predominant emphasis on operational excellence.

9. The duo
This model brings together two people to share overall responsibility for innovation. Common pairings include a CTO or CIO with a commercial or business unit manager, another functional manager, or someone else on the executive team, such as the chief marketing officer or CFO. The idea behind these models is that, since innovation is a truly cross-functional activity, it cannot be fully embraced by a representative of a single function. The technical and business elements of innovation are therefore entrusted respectively to senior representatives from these functions working together as a team. That last phrase element is obviously critical and may be difficult to achieve in reality life, as I will discuss in Part III of this series.

This is the second in a three-part series about innovation governance. The first article, What is Innovation Governance, can be found on IMD’s website. In the third article, Deschamps will analyze which innovation governance model is most effective.

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