INNOVATION LEADER
RESEARCH — Q2 2017

Research

Governance, Reporting & Communications

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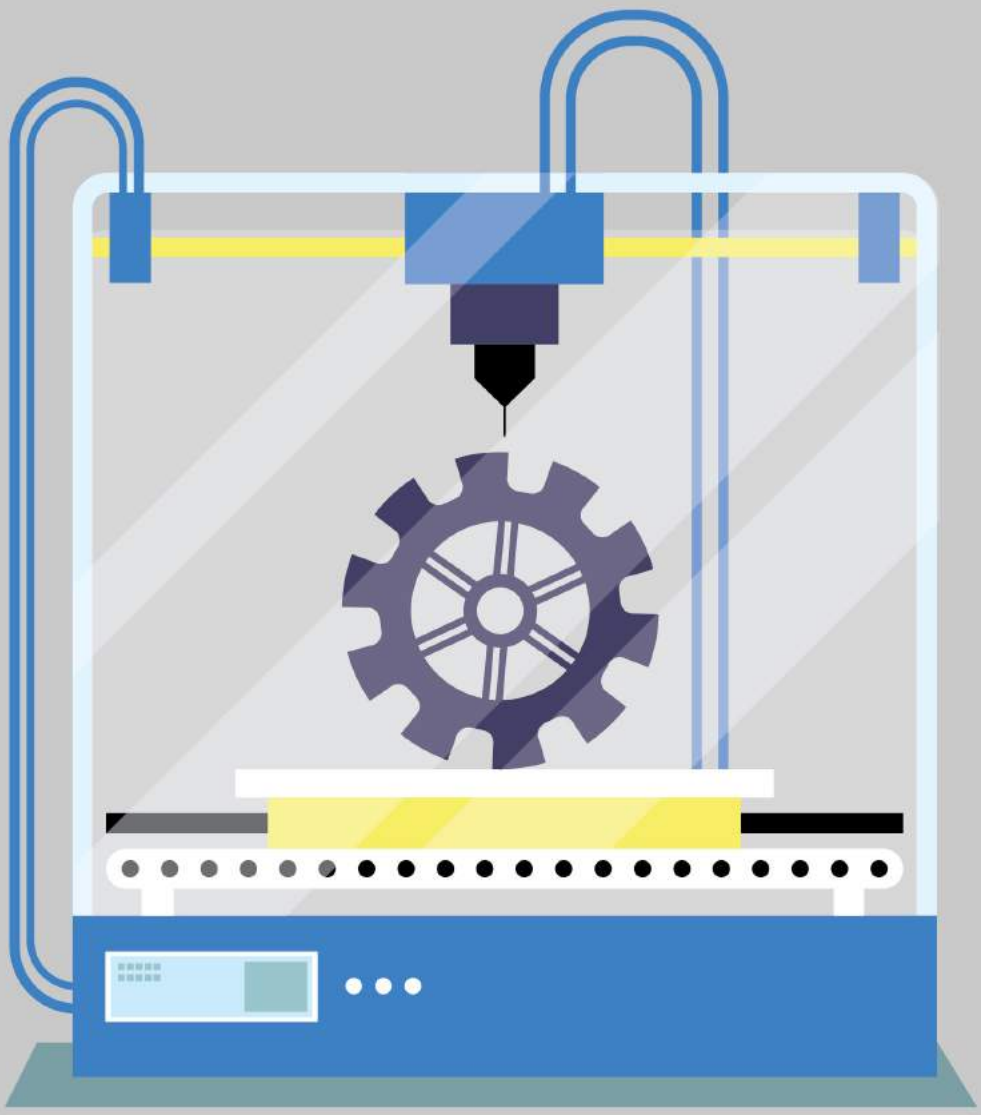
THERE IS NO READY-MADE, OFF-THE-RACK SOLUTION TO INNOVATION GOVERNANCE AND REPORTING...



Every company's innovation objectives are different. Companies have different sized teams pursuing those objectives. Some focus on developing new technologies or products, and others new business models. And no two companies have the same political environment or cast of characters, when it comes to who should (and shouldn't) be involved with innovation governance.

But the most common problem that companies encounter, based on more than a dozen interviews with R&D and innovation executives at large ($10B+) public and private companies, can be summed up in five words: "the super-sized committee of no."

Innovation councils wind up being the size of a marching band, rather than the Beatles. Representatives from every function and business unit get a seat. With more members, focus dissipates and the meetings get tougher to schedule. There are more people who can potentially feel like a piece of their business might be cannibalized — or their influence diminished — if a new idea succeeds. With so many experienced veterans around the table, getting to "yes" is hard, but getting to "no" is a cinch.

"WE HAD SO MUCH GOVERNANCE AND PROCESS AT THE EARLY STAGES THAT WE FINALLY SCALED IT BACK," SAYS THE INNOVATION LEADER INSIDE A MULTI-NATIONAL PROFESSIONAL SERVICES FIRM. **"WE ALSO PUT AN EXTREME FOCUS ON RESOURCE ALLOCATION AND FUNDING [THAT WE NEED]...TO GET THINGS DONE."**

At ExxonMobil, an innovation team in the IT division realized that the more senior the executives on its review committee, the more they expected every project idea to be fully-baked, with a complete business plan that was ready to execute. "What we really needed was [people who had the mindset of] venture capitalists, people who were willing to fund seed ideas and hunches and trying to see, 'Could this grow into something bigger?'" explains ExxonMobil Innovation Catalyst Christopher Bailey.

Inside a $25 billion financial services company, the head of employee innovation explains that they've been shifting away from committees that meet quarterly, and toward providing continually-updated information to executives through an online dashboard.

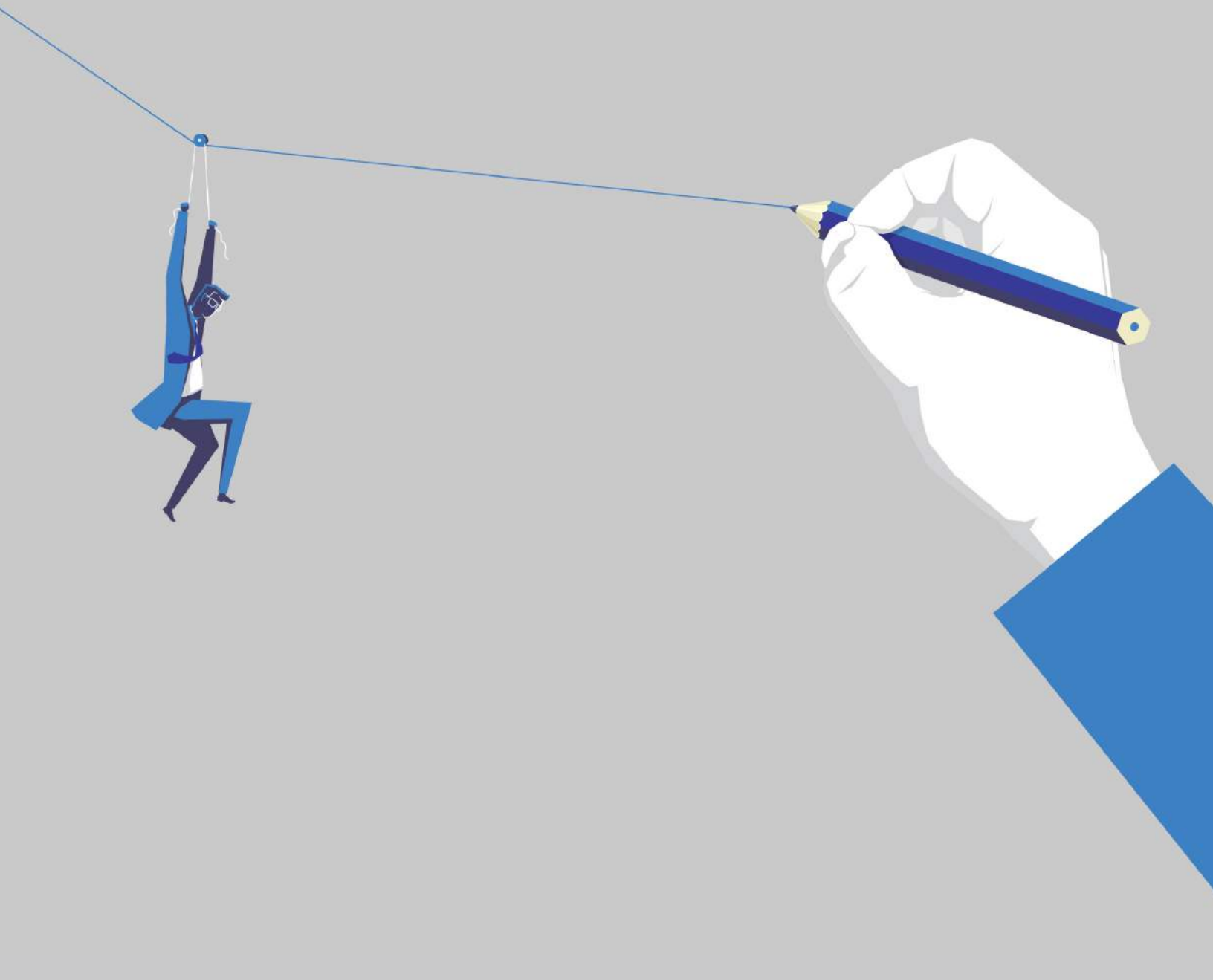
"We've tried to get away from a committee structure and have more visibility and reporting up to our senior leaders' and the CEO's dashboards," says this executive. "They can see the results we're driving. They can ask for updates at any time." She explains that it is part of an organization-wide attempt to cut the number of committees. "Waiting for a committee meeting slows everyone down," she says. "We want to run faster, recognizing that the world is changing at a more rapid pace than ever before."

How do you do move toward that sort of structure, and away from the super-sized committee of no? It begins by acknowledging that innovation and R&D efforts succeed when they have a clear sense of mission; a governance model that can flex and evolve over time; regular reporting to the governance group, and broad communication to the rest of the organization about what the team is doing and how people can get involved; and an expectation that the governance group will approve, fund, and support projects being tested and rolled out to the business at a regular pace.

"INNOVATION INITIATIVES ARE EASY TO START, AND VERY HARD TO KEEP ALIVE,"

Robert Urban, the Global Head of Innovation at Johnson & Johnson, observes. Key to survival is a model for governance, reporting, and communication that builds and maintains real support throughout the organization.

This report collects the best recommendations from our interviews, a conference call we conducted with Innovation Leader members, and a survey we fielded in Q1 2017 to understand the current state of governance at 50 large companies.



Keep the Committee Small & Focused

Forty percent of our survey respondents told us that their R&D or innovation activities are supervised by a committee. Of those, 35 percent say that committee has between 5-8 members; 22 percent say it includes between 9-12 members; and 10 percent report that there are 12 or more people around the table.

Just 6 percent of respondents told us that a single executive at their company oversees R&D or innovation; more common (32 percent) was dotted-line reporting to a few different executives. Most common was a business unit leader (40 percent), followed by the CTO or CEO (30 percent each), and Chief Information Officers and Chief Marketing Officers.

At a large construction firm, a VP tells us that a "fairly senior-level" advisory group of eight provides oversight for his work. "It's a fairly senior level group," this VP explains. "The intent of the group was that they would facilitate us to be agile and nimble in what we're trying to do. We're a very well established engineering construction company, and so we're somewhat set in our ways. What we found is that there are some differences of opinion, and approach, and objectives within that council that create misalignment within their group and it flows down to our group. It can be a little bit distracting at times."

"In a perfect world, I think you'd have two C-level executives on your committee, so you don't lose your advocate if one of them leaves," says an innovation VP in the apparel industry. "You'd have two representatives from the functions you need most, like operations or IT, and you'd have two from the business units who were going to help pilot or adopt whatever you produce. Six people would be my perfect number." Currently, this executive reports to a 12-person innovation oversight board.

While most respondents said that they preferred smaller committees to larger ones, those who didn't yet have a formal governance process in place expressed a desire for some kind of centralized authority and accountability, in part to make it more efficient to get approvals, resources, and funding.

The VP of Strategy at one of the largest nonprofit organizations in the United States says that they've recently set up a "fast track" review board for new projects, which puts them in front of a group of four "really focused operational executive," including those overseeing brand, legal, and finance. She explains:

> "Within the room, they're presented with the innovation. They're presented with a set of risk questions that the team was given ahead of time to answer.
>
> They make a decision in that room: yes, move forward, or...they can never say no, but they can escalate [the project] to the COO and the CEO. It's either, "Yes, you can move forward," or "We can't make a decision," and it goes directly to the CEO and COO to say yes or no.
>
> They're not allowed to say, 'Go back, and come back to us in three months with more data,'"because that would always happen. That has helped us with governance by moving things along quite fast.
>
> We've also recently decided that anything that's transformational — stuff that's off-core, brand new business models —has its own separate rules that go directly to the COO and CEO. That was recent, because the transformational just can't run with the standard operating business. It's too forward-thinking, [and] it has to run on its own track."

That kind of senior-level oversight is often crucial when projects are different enough — like an R&D "moonshot" or the formation of a new business venture. But when innovation programs are instead focused on collecting employee ideas for process improvements, product extensions, or cost-cutting, the governance doesn't have to involve the C-Suite.

For ExxonMobil's employee ideation program, the Grassroots Innovation Forum, "we put the wrong kind of people on [the] steering committee," Bailey explains. "We didn't need senior leaders and decision-makers." Instead, look for people with open-minds, an entrepreneurial bent, and who have networks within the company that can lend resources and support to projects as they mature.

"In putting together our advisory board, we made the point that the objective is to find new ways for the firm to grow," says one innovation leader in professional services. "You need to be at the meetings, and you need to be willing to carve out resources for the projects that we review."

We heard from several interviewees about the dangers of governance committees that are supposed to meet quarterly — but are lucky to convene twice a year — and of others that constantly would like reams more data before they give the go-ahead.

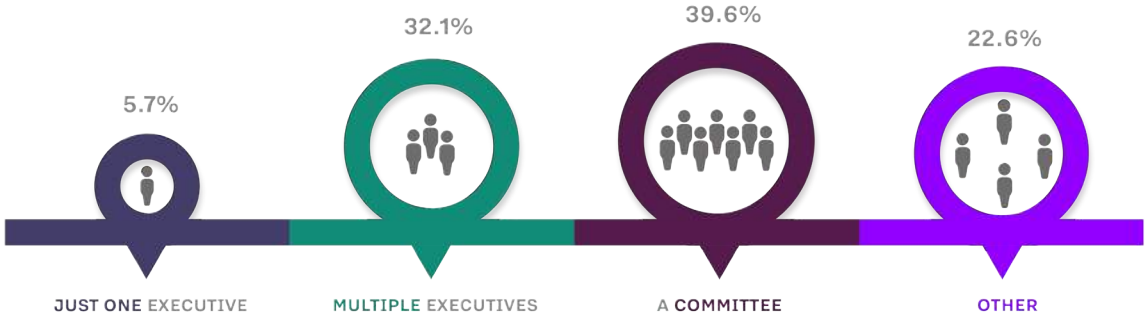
But one area where most governance committees can improve is in the hand-off from an R&D lab or innovation group to a business unit for commercialization. (See our Q1 2017 report, "Innovation Teams & Business Units.")

"Even though there's the desire for innovation, once it gets turned over to an operational group, the 'nobody's watching' phenomenon seems pretty common," says one innovation VP working in consumer packaged goods.

Is the governance group regularly checking in to ensure that a nascent product, service, or new process is getting the right resources once the business unit has taken responsibility for the roll-out? Governance shouldn't abruptly end once the cocktail napkin sketch has evolved into something sellable.

Survey Data: Reporting Structure

IS THERE A SINGLE EXECUTIVE, OR A COMMITTEE, THAT OVERSEES INNOVATION/R&D ACTIVITIES AT YOUR COMPANY?



Other responses (listed in order of frequency):

Oversight responsibility sits in different places around the company. "Distributed R&D [oversight] across many business units and two central groups." "Our R&D/Innovation teams are embedded in commercial divisions who make decisions for their market/customers. There is a very small group that spans across several (not all) divisions, but has very limited input and essentially no decision-making power."

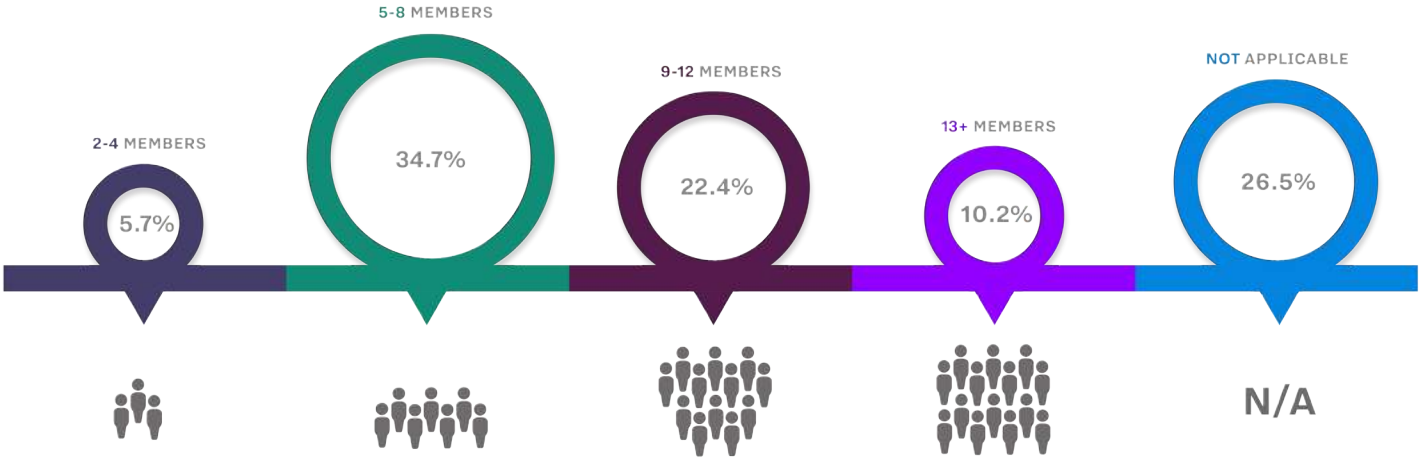
"There is no centralized accountability for innovation."

"We have an idea review committee, but are just starting to build capabilities for [Horizon 2 projects], so we don't have a structure yet."

Multiple committees.

"Random people at all levels scattered throughout the organization."

IF THERE'S A COMMITTEE, HOW LARGE IS IT? WHO IS ON IT?



Comments about who is on the committee, or how committees are set up:

"We have multiple committees of 9-12 people."

"For incremental innovation, we have a committee of three. For radical innovation there is larger committee (about 8), but most are quiet."

"The head of innovation of each business unit (we have nine of them) and the corporate manager of innovation."

"VP-level executives provide oversight."

"The executive leadership team informally oversees innovation."

"We tried a senior executive committee. It was disbanded. We do have a board of directors innovation committee."

"Within divisions, [the committee is] usually made up of 5-8 members representing R&D, marketing, sales, with general manager having final decision authority for selection/advancement."

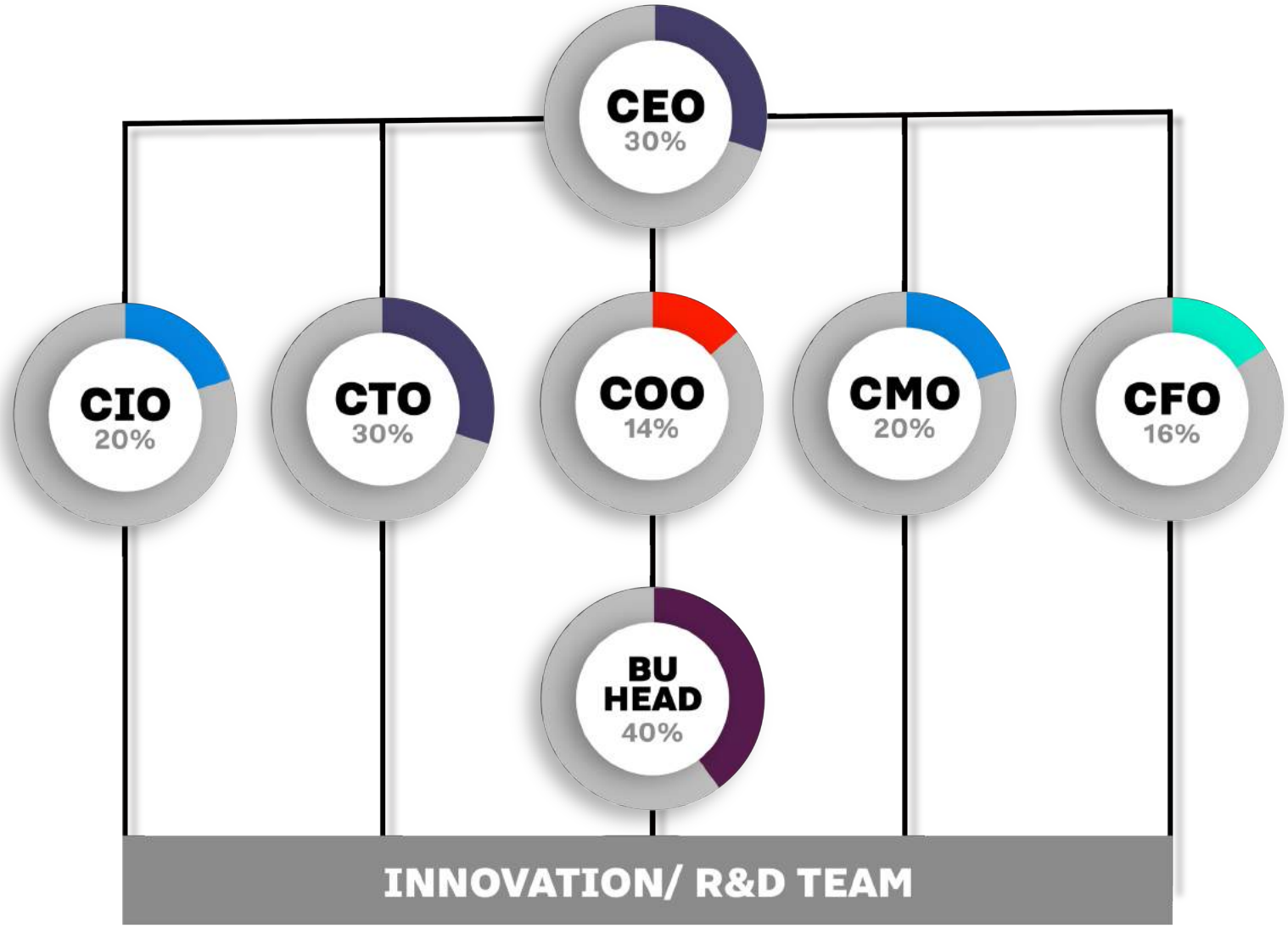
"CEO, CTO, three Presidents and a business unit strategist."

"C-Level & SVPs [across] Ops, Shared Services, IT, Engineering."

"[We have] two committees. One is the Advisory [committee], which is comprised of ~20 VPs from across functions. Then there is [the] Executive [committee], which is the six senior officers of the company."

"COO, VP Marketing & Sales, VP IT, VP Digital, Chief Architect, Director Marketing, Director Digital, Director BI, Director Innovation."

IF ONE OR MORE EXECUTIVES OVERSEE INNOVATION, RATHER THAN A COMMITTEE, WHO ARE THEY?



Other executives involved in overseeing innovation:

- "Various senior VPs within business units run their own initiatives for innovation."
- "CTO oversees overall R&D activities; I report to him."
- VP Patient Care Innovation
- Chief Growth Officer
- CCO, CFO, Chief Innovation Officer, and Business Units Heads
- Corporate Strategy, Innovation, & Sustainability VP
- Chief Information Officer
- SVP Research & Development and Regulatory Affairs / Chief Innovation Officer
- Chief Innovation Officer / SVP Innovation
- VP of Digital and Innovation
- Head of R&D and Strategy

Fewer Metrics, Updated More Often

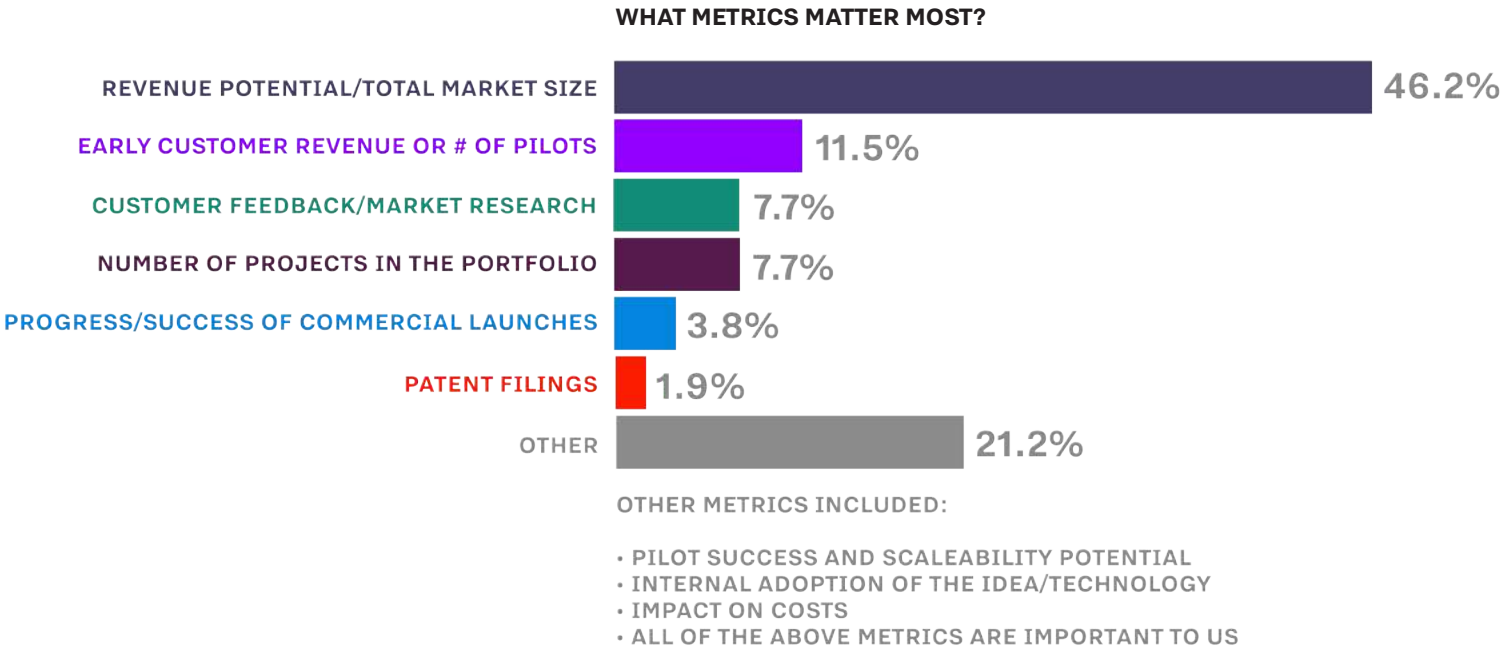
As we detailed in our 2015 report, "Untangling Innovation Metrics," there are two broad categories of metrics: activity metrics, and impact metrics. Activity metrics show how busy your group is. They include things like the number of training sessions you've run, the number of patents you've been granted, or the number of ideas you've tested with customers. Impact metrics, by contrast, show that your work is having a concrete impact on the business. They include things like cost savings, market share increase, Net Promoter Score, and revenue.

Not surprisingly, most of the executives who serve on innovation governance committees are more interested in hearing about impact metrics. In our Q1 survey, 46 percent of respondents said that the metric that their governance committee (or the executive overseeing innovation) is most interested in is "revenue potential or total market size." Another 11.5 percent of respondents said that it was "early customer revenue or number of pilots." Some companies, like mutual fund giant Fidelity Investments, use the "New Product Vitality Index" as a yardstick. Originally developed by 3M, it looks at the percentage of the company's revenue attributable to new products or services.

"Your portfolio needs to resonate with the hard-nosed financial guys," says Mona Vernon, Vice President of Labs at the $11 billion media and information company Thomson Reuters. At Johnson & Johnson, Robert Urban says that "if you can't win the argument on financial terms, you are always at risk. But Net Present Value and other financial metrics are very challenging for early-stage projects."

Of course, there are other constituencies throughout the company that may care about different kinds of metrics — even activity metrics. One Senior Vice President of Innovation explained:

> From an HR perspective, they may care about how many people are trained in innovation and participating in our efforts. When we work with an operations leader, it's very much like, "Well, what's the efficiency of the processes that have been created, and what's the cost reduction that comes out of some of these innovations?"
>
> Then, when we're meeting with folks who run P&L, it's really, "What's the growth? What's the big idea? And how can we drive that into the marketplace?"
>
> ...In terms of what [our CEO] cares about, I would say he wants us to make sure that we bring ideas from across the organization. He doesn't want them to be all from one business unit or one functional area.
>
> ...[When we examined the kinds of ideas we had funded over the past few years through our employee innovation program], what [our CEO]



> realized through that was, "Wow, we're only investing in things that provide a quick turn. How can we use [this program and its funding] to encourage people to think more into Horizon Two and Horizon Three types of ideas?"

At one of the largest nonprofits in the US, the Vice President of Strategy explains that employee engagement with innovation training programs and other initiatives is an important measure:

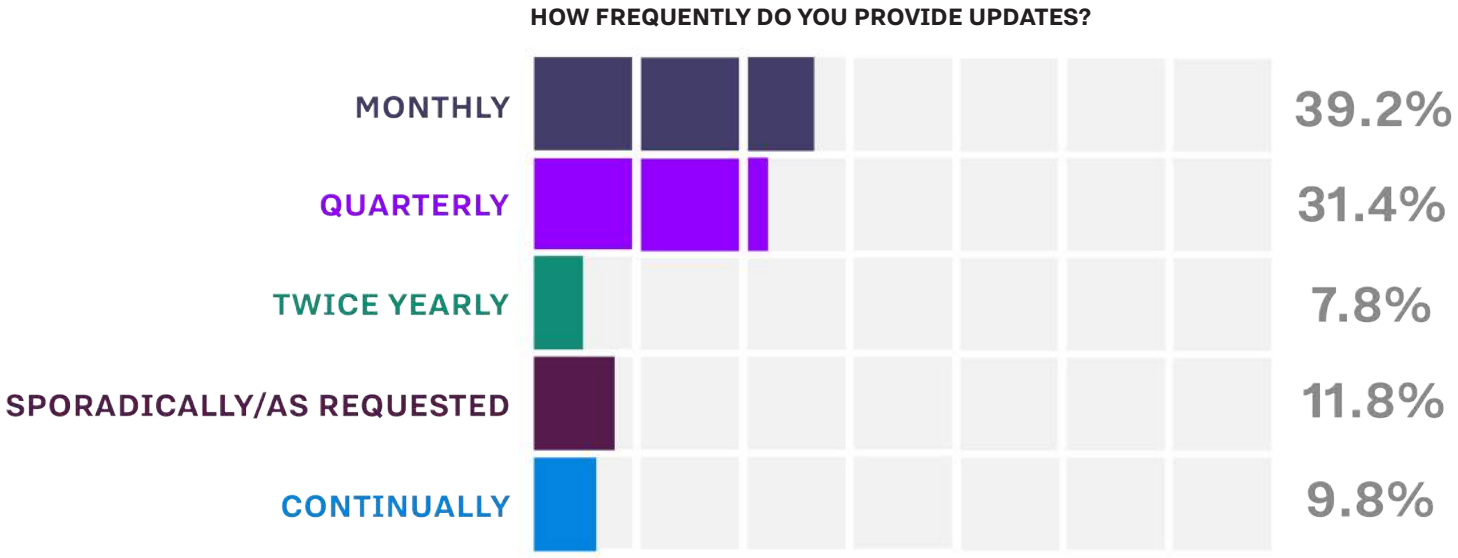
> We initially measured how many employees went onto our social media site where any employee can give an idea to reduce cost, increase revenue, or make our members' lives easier.
>
> We've historically always had 90 percent or more participation, so then we started measuring how many employees participate every month. We set a goal that we'd keep at least 50 percent of employees engaging every month, so they're not just checking a box and doing it once.
>
> We've been able to sustain that, so now we're evolving to a higher level of engagement. We're calling it our engagement quality metrics, and we're looking at did they take advantage of some of our innovation education courses. Did they compete in one of our coding or design competitions? Are they actively voting or commenting in the community? What kind of things are they doing to lean in more and be actively engaged with us?

We also heard about a growing number of people tracking how much time and money went into a project before it was ultimately killed. (In our 2015 report on metrics, we dubbed that "cost to kill.") "You can get capital efficiency and cost savings by killing projects earlier, and invalidating key assumptions earlier," says one insurance company executive. "Obviously, everyone wants the next big revenue-generating thing, but we're working to track whether we're able to kill things sooner and become more capital efficient." Without that sort of measure, others explained, they'd seen "zombie projects" that consumed lots of their team's resources — but were tough to kill for various reasons.

While only 9.8 percent of our survey respondents said that they used continually-updated information dashboards to keep executives apprised of their progress, several people we interviewed emphasized that tracking fewer metrics, but updating them more regularly, was keeping everyone happy. Thirty-nine percent of our survey respondents said that they provided monthly reports to the executive or committee that oversees their work; that was the most common frequency among our respondents, followed by quarterly (31 percent).

But one Executive Director of Innovation griped, "What I've seen is that we continuously add more metrics, but we don't generally take them away," in part because her program has many different stakeholders.

And one innovation leader in financial services cautioned that "you can't measure customer passion as you're working on a prototype. It's very hard to instrument the creative process. It's very easy to instrument a factory. The yield on innovation is low from a quantity standpoint, in terms of the things that get through the process, but ideally it's high from a revenue standpoint of the things that get out."



COMMUNICATION IS KEY

One of the things that we hear most frequently from former innovation and R&D leaders who've recently left a role is a wish that they had communicated more often, and more broadly, to colleagues inside the organization and people outside it. Sometimes, the lack of communication reflects a bandwidth issue — small teams are always pressed for time — and sometimes it reflects the challenges of getting approvals and assistance from the corporate communications team.

Inside the company, you want to communicate at-bats, hits, strike-outs, and home runs. That is, everything from things you're prototyping and testing, things you want colleagues to be involved with, things that didn't work out (with insights as to why, and kudos to those bold enough to experiment), and every successful idea that has been rolled out to the market, or applied within the organization.

Outside the company, we find it surprising how few innovation and R&D teams use videos, blog posts, infographics, photo galleries, webinars, podcasts, and demos and speaking slots at conferences and trade shows to share what they're doing with the rest of the world. "One of the best gifts an innovation group can get is when a customer sees what you're doing and says,

'I need that,'" one telecommunications R&D executive explains. "Suddenly, the people in the business units don't have so many objections." But that can't happen if you're only communicating with people inside the company. Powerful, consistent external communications can help change the way partners, customers, and prospective employees see your company.

Both internal and external communications are well worth the investment. At many companies, however, that investment gets made when a program or new initiative is launched — and then it trails off. Sometimes there is renewed focus when funding or executive support starts to wane.

While some companies try to release a new video each week, or publish a blog post twice a month, you don't need to force yourself to crank something out that regularly. But there should be a communications strategy that has goals for each quarter — what story are you telling? To an external or internal audience? Using what kind of communications channel? In a handful of companies, the innovation team has a dedicated communications person.

But a more common approach involves cultivating someone in a central group who has an affinity or interest for what the innovation team is working on. And as one financial services executive recommends, "Give people a way to engage with you when you communicate. Do you want their involvement in something? Their feedback? Do you want them to share a video on social media?"

(For more on communication, see the section, "How Should You Be Communicating with Senior Leaders — and the Rank and File?")

How Should You Be Communicating with Senior Leaders — and the Rank-and-File?

Reporting just to the senior leaders who supervise innovation and R&D activities is important, but not sufficient.

You also need to communicate to middle managers and front-line employees throughout the organization.

One leader of a new business venture launched by a financial services firm put it this way in a recent conversation: "I felt like we were constantly battling the internal communications people to let us talk about our project — what we were doing, and the impact it was having out in the world. And that meant that we didn't get wide-scale support in the company."

The venture was abruptly shut down after just two years in the market.

We asked participants in a recent workshop about the various ways they communicate progress to colleagues throughout their organization.

One key point came through loud and clear. "There's so much noise in everyone's life," said a participant from the aerospace industry.

"People are overwhelmed with emails, and there's so much information on the intranet site. You need to have a few different strategies for getting people's attention and updating them on what you do, success stories, and how they can get involved."

Here are some of the different strategies and channels people are using:

- "Immersion experiences" for executives and business unit leaders, taking them to startup hubs or accelerators that the company is involved with, or to innovation/R&D labs run by companies in other industries to see how they operate.
- "Use prototypes, not PowerPoint" to communicate what you're building to the leaders who need to buy in or approve it. "Remove the need for imagination by having something that people can use, or pass around."
- "Don't ask permission to communicate about what you're doing. Just do it."
- Focus on "WIIFM: what's in it for me?" with any audience you're talking to. Think about things from your audience's point of view. How can being involved change their perception of the company or their role...enhance their year-end review... provide tangible or intangible rewards.
- "We hold an Innovation Expo every year to celebrate employee-driven innovation."
- E-mail updates with lots of "postcards from the field" showing what the innovation group is doing, how they test things with customers, etc. Can focus on both successes and failures.
- Colorful infographics for the company blog sharing data about the impact projects are having internally — or with customers.
- The word "innovation" can be vague to many people in a large company, so try to make it more concrete: is it new ideas? Ways to save money on operations? Identifying and solving customer problems more rapidly?
- Short videos "with powerful narratives," or "focused on addressing customer challenges." One workshop participant said these are shared not only on the intranet, but on large screens in common areas at their company's sites.
- Posters promoting upgrades, enhancements, and on-going market tests. One company even does movie-style posters that team members autograph when a project is complete.
- "One of the most effective ways to communicate internally, ironically, is to have a public website," one workshop participant explained. "It shows up on Google, it tells people what you do, and it helps you recruit, even if you just need interns."

A few examples:

Ford Research & Innovation Center
http://research.ford.com/research.html

Fidelity Labs
https://www.fidelitylabs.com/

Lowe's Innovation Labs
http://www.lowesinnovationlabs.com/

Amazon Lab126
https://www.lab126.com/

Walmart Labs
http://www.walmartlabs.com/

"What's in Our report?"

Survey respondents shared some of the components of the progress reports they provide to the executives or committee who oversee their work. A few highlights:

"Impact on top, bottom line; market influence; technology metrics."

"Pipeline, trends, opportunities."

"Progress towards goals."

"Primarily gate reviews for projects; annual portfolio review; strategy discussions."

"Prioritization of next work to start; progress against expected completion date; potential revenue or savings."

"Pipeline health; revenue forecast of the pipeline by launch year vs. strat plan commitments."

"Key metrics that have been submitted to our company's balanced scorecard."

"Pipeline status, specific project status (H2 projects basically), enablers and barriers found in the journey, financials (revenue, returns, etc.), time to market, next steps, next activities related to innovation management."

"Progress on culture, emerging technologies, and growth initiatives. Review of innovation metrics via our sustaining innovation index."

"Three-hour verbal presentation to CEO and executive leadership. Detailed updates on projects with ample time for discussion and feedback."

"Updates on previously funded projects. Asks for funding..."

"For incremental innovations, reports at phase gates as they arise. For radical innovation, quarterly reports focus on learnings, networking, and project progress."

"Ad hoc updates are provided, on a project-by-project basis."

"Project status, one-page overview of new projects (including potential ROI), update on research & marketing."

"Innovation projects 'ripe' for new product development. Innovation project 'learnings.' Team achievements."

"Total number of projects; successes; failures; number of ideas submitted. Broken down by organization, revenue/cost impact."

"Standard reporting is monthly and covers the status & health (budget, timing, scope) of the portfolio by project. We also meet pretty regularly to review prospective projects for approval."

"Updates on experiments; getting approval for future work."

"Number of ideas, number of projects, time to market, market potential/impact, ROI."

"Proof-of-concept data, number of customer meetings, publications, technical presentations/whitepapers, conferences, KPI's on content published."

"1. Gate-specific recommendations (example: to move from Prototype to minimum viable product) ; 2. Investment update (how much invested by concept, by gate); 3. Portfolio review by Horizons (Horizon 1, Horizon 2, Horizon 3)"

"Innovation type; insights/why the project is important; score based on agreed upon weighted criteria (that differs by innovation type); projected revenue by year (over five years); target market segments; tech development required, target launch, current development/ideation phase."

Company X Monthly Innovation Impact Report – March 2017

"Vision Statement Here"

Innovation Landscape Updates	
Disruptors/New Entrants	
BusinessA.com	Press release announcing new capabilities on their core product
StartupB.inc	Innovation team met with founders to discuss their new mobile platform
Amazon	Announced expansion into convenience/grocery store format, which may threaten Division X sales
Emerging Technologies/Startups of Interest	
StartupC	Former Google execs launch business to build secure cloud service
StartupD.co	Advanced analytics startup in Boulder, CO that may help us with call routing
Blockchain	McKinsey report suggests blockchain will impact 30 percent of transactions in our industry by 2018
Competitors	
Competitor A	Opened new data analytics lab in San Jose, CA
Competitor B	Released three new product variations to appeal to middle market
Competitor C	Sold aging business line to invest in new delivery model
Competitor D	Announced they are increasing R&D investment 10% in latest quarterly report
Customer Trends	
Increased Mobile Adoption	Forrester Research report suggests mobile adoption nearing saturation
Millennials Coming of Age	Our latest consumer insights report shows higher-than-ever interest in Product Y for Millennials
Connected Maintenance	Decreasing tolerance for equipment downtime; customers increasingly want us to know what's wrong before the technician shows up
Regulations	
New Administration	New tax code proposal has positives and negatives
FDA Ruling	Product Z must meet new plain-language disclosure standards
UK	New UK regulation pushes consumerism too far

A Sample Monthly Progress Report on Innovation Impact

More information on this resource and others can be found on page 22 of this report.

"What I'd Change"

As part of our survey, we asked respondents what they would change about how governance works, in order to deliver more impact for their organizations.

CENTRALIZED OR DISTRIBUTED DECISION-MAKING?

"I would centralize it more ... bring it under the umbrella of one leader to enable greater penetration, engagement, awareness, and speed."

"Have centralized accountability, either one individual/owner or a small committee."

"Increased coordination and accountability to one line."

"Ability to say yes, rather than no."

"More central oversight, less everyone jumping into the innovation pool unsupervised."

"[More] distributed, autonomous decision-making."

WHO'S INVOLVED AND HOW?

"Elevate importance and involve more technical people into the scouting process."

"More active involvement [from senior leaders] and follow-ups between quarterly meetings."

"Have the committee meet more often, have the corporate innovation manager report directly to the corporate CEO instead of the corporate strategy director."

"Lower-level managers, with deeper understanding of the business unit and the consumer, [should] approve innovation projects. Executives [should] approve high-level initiatives or focus areas."

"Get the production leaders out of the governance process. They are trained to be efficient vs. reasonable risk-takers. You need a different mindset."

"Innovation should be delegated to the people on the front lines; they're the people who truly understand the issues. The leadership team's responsibilities should include oversight of investments and ensuring solutions are coordinated, but it is not solely their job to be the innovators. They are often not close enough to the day-to-day processes and problems."

"We should report to a group that has outside entrepreneurial types with experience in investment and start-ups. The group would include CEO, since he 'gets' it."

"I report to one person (Chief Administrative Officer), but must have COO & CFO approval as well as SVP buy-in for projects. That slows the process, and [there are often] too many questions and skeptics to kick out pilots quickly."

"More authority to assign the right individuals to high-impact projects so that [they] don't drag on..."

"Need agree-upon, relevant startup metrics, and dedicated external advisers (legal, risk, compliance, marketing, finance.)"

"Enhance ability for a small 'corporate' group to fund opportunities that span multiple divisions or are outside of current divisions' market objectives and capabilities."

"We need to overcome internal barriers to accelerate from ideation to implementation."

"Establish a more formal innovation strategy, committee, and portfolio management process for reviews."

"Too many cooks in the kitchen. We are in the process of changing this to be led more by the business unit leaders, and less by the Chief officers. Always trying to drive a leaner process..."

METRICS, INCENTIVES, FOCUS

"Help set up more meaningful metrics."

"Clear, consistent metrics across all innovation groups, simplified reporting structure and activities."

"Focus governance responsibility more precisely with a smaller (3-4) executive team with more clearly defined metrics (what they expect vs what we're delivering)."

"More autonomy to protect ideas in their earliest stages and incubate them to a point where they are closer to being market-ready."

"Kill more concepts."

"Focus more on strategy and gates for entering incubation; focus less on earlier gates."

"Better integrate [innovation] into organizational strategy."

"Incentivize product and marketing organizations to 'pull' on good concepts from R&D and supply good 'ideas' to R&D."

"Clearly define launch/growth metrics, and have both R&D and the business unit agree on them."

"Responsible line managers hold regular meetings, and report [progress] back out to larger group. MBO adjusted to increase probability of success."

"More communication to get guidance on strategy."

"More investment in long-term Horizon 3 work."

CASE STUDIES & RESOURCES

Why Thomson Reuters Created a Video Series to Highlight Innovators

Chief Innovation Officer Cary Burch explains the objectives and impact of a weekly video series that puts innovative employees in the spotlight.

. . .

People get various emails and communications at Thomson Reuters, and they may read blog posts. But we felt video would be a good medium to share the passion and intrigue of innovation, so we created this channel on our internal Hub site, The Innovation Network, to turn the camera on innovators who are working day in and day out to achieve results on their innovation. They may be developing new processes, new ways to increase customer satisfaction, or creating new products that solve customer needs.

When we first launched The Innovation Network series in January [2014], we picked a handful of people who were doing innovative things within the company. We have recorded about 45 videos to date, releasing a new video every Tuesday morning.

Our main focus is to highlight and celebrate the innovators within Thomson Reuters. Our internal audience wants to know how they've been successful, what risks they took, how they dealt with failure, and how they engaged the customer. The video format is about five to six minutes long, with an extended version also available that lasts eight or nine minutes. The two formats allow for the innovators to tell their stories and share lessons learned.

The audience can share, like, and make comments in blog format, which has fostered additional interaction between our global employees and the innovators. The "host format" has enabled us to create a dynamic in-person interaction about the innovator's idea, which allows for rich discussion. I wanted it to be something similar to a talk show that allowed the innovator to be on camera and to enjoy the spotlight. (On a few occasions, to keep costs down, we have leveraged Skype as a tool to record the interview from both ends of the globe.)

Six months after we launched the Innovation Network series, we launched the TRibe. We asked the communications team in each of our business units to work with our employees to create more content. Think of it like an internal YouTube channel. Many of these videos are made with a smartphone, iPad, or an employee's desktop or laptop computer. We like these to be candid videos created by the employees; they're not necessarily as high-quality or prepared as the others. The only guideline we have is that people talk about content that is relevant to innovation.

Our Innovation Network site became the #1 most viewed site within the company's network. One month we had close to 30,000 views, and Thomson Reuters has about 50,000 employees globally.

Throughout the series, we have recorded numerous bloopers and it is my hope that towards the end of this year we create a "blooper special" that will showcase the fun that we have had developing the program.

Editor's Note: Burch left Thomson Reuters at the end of 2016 and is now CEO of Bryce Capital.

CELEBRATING INNOVATORS
"Our internal audience wants to know how they've been successful, what risks they took, how they dealt with failure, and how they engaged the customer."

How ExxonMobil's Innovation Team Rebooted Its Steering Committee

Christopher Bailey, an Innovation Catalyst within ExxonMobil's IT group, explained during a 2016 Innovation Leader Live conference call how the committee overseeing his employee ideas program, the Grassroots Innovation Forum, has been reshaped. You can hear the complete audio of the half-hour call here: https://www.innovationleader.com/exxonmobil-operations-innovations/

. . .

We [created] a steering committee. At least for ExxonMobil, and I think this is relatively common across other companies, you try to make sure that everybody's voice is represented.

You make sure that across the IT organization, you have a voice that's speaking for all the different groups. You also have very senior leadership and decision-makers in that room. The basis for the initial steering committee was to get those kinds of leaders in the room, so that we can make decisions on ideas.

What ended up happening was we ran our first go of the Forum, collected some [employee] ideas. There were some ideas that were highly-voted, so we brought those to the steering committee. What we realized was that the steering committee, especially because these were senior leaders, was expecting something very different than what we were giving them.

These were ideas that were seeds. They were the beginnings of ideas. They didn't have a full proposal around them, or terms of reference that detailed and described exactly how we're going to achieve this goal.

But the senior leaders were used to seeing project proposals. [Here, they were seeing something that], for all intents and purposes, [was] a half-baked idea that needed some time to grow...

This became one of our first points where we had to go back to the drawing board and say, "This is not working the way that we were expecting. What are we doing wrong?"

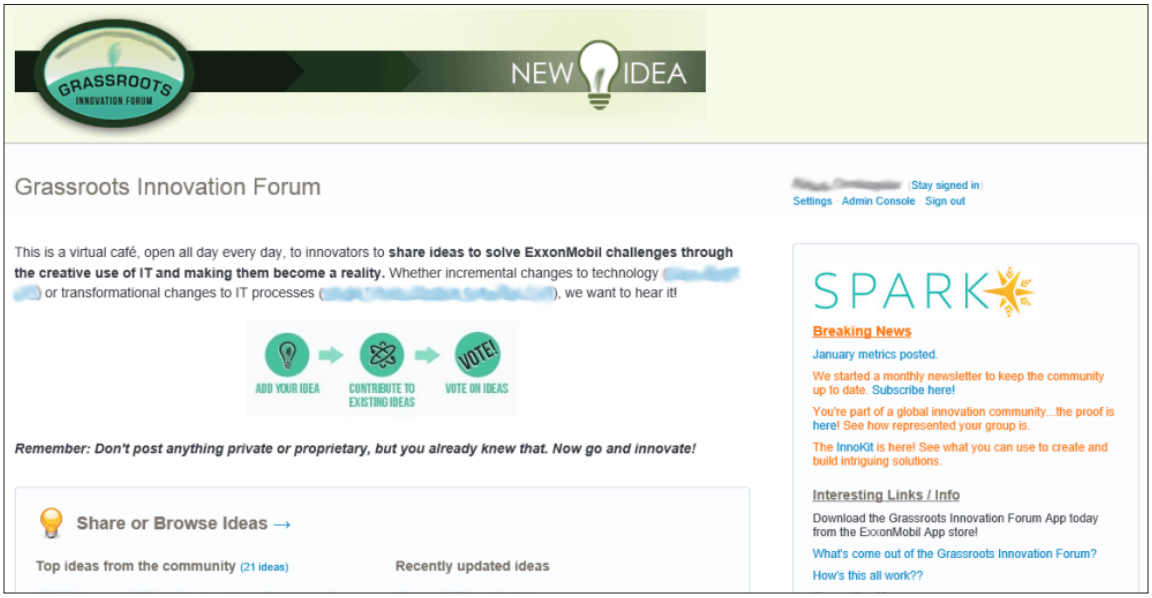
We started looking at a bunch of different companies around us that were doing similar things.

What was wrong was [that] we put the wrong kind of people on that steering committee. We didn't need senior leaders and decision-makers. What we really needed was venture capitalists, people who were willing to fund seed ideas and hunches and trying to see, "Could this grow into something bigger?"

What we ended up doing was — I'll put this politely — we let go quite a few of them. We still kept a core group of that steering committee, and then we added additional individuals that fit more this "venture capitalist" mentality.

That, amongst a number of other changes, became one of the defining factors of success going forward in energizing people to make ideas happen.

TOO SENIOR?
"What we realized was that the steering committee, especially because these were senior leaders, were expecting something very different than what we were giving them."



DEAR BOSS...
HERE'S HOW TO MANAGE OUR INNOVATION TEAM

What would you tell a new executive who had just stepped in to oversee your innovation team?

Phil Swisher, the former Head of Innovation at Brown Brothers Harriman, the oldest and largest private bank in the U.S., put together a one-pager for the partner who was taking over that role in 2013. But the advice Swisher passed along wasn't his own — it was a selection of quotes from "Innovator's Dilemma" author Clay Christensen, Intuit CEO Brad Smith, and Eric Ries, one of the originators of the "lean startup" movement.

BBH has about 5,000 employees, 17 offices around the world, and more than $3 trillion in assets under custody and management.

Innovation Discipline Mission Statement:

We rapidly take big swings at things that matter to the bank.

Two long-term goals:

1. Generate meaningful revenue from new businesses
2. Build a stronger culture of innovation.

High Level Role of Senior Leadership, as written by Clay Christensen in The Innovator's Solution:

"The senior executives [defined as Chairman, Vice Chairman, CEO and President] of a company that seeks repeatedly to create new waves of disruptive growth have three jobs. The first is a near-term assignment: personally to stand astride the interface between disruptive growth businesses and the mainstream businesses to determine through judgment which of the corporation's resources and processes should be imposed on the new business, and which should not. The second is a longer-term responsibility: to shepherd the creation of a process that we call a 'disruptive growth engine,' which capably and repeatedly launches successful growth businesses. The third responsibility is perpetual: to sense when the circumstances are changing, and to keep teaching others to recognize these signals....Until processes that can competently manage disruptive innovation have coalesced, the personal oversight of a senior executive is one of the most crucial resources that disruptive businesses need to reach success."

Day to Day Role of Senior Leadership, as written by Intuit CEO Brad Smith:

"The best leaders don't need to have all of the answers. They ask the right questions. There are three questions I always ask when meeting with teams:

1. What surprised you to the upside, and what did you learn that drove the upside versus expectations?
2. What surprised you to a downside, and what did you learn that caused the downside surprise?
3. What barriers are getting in the way of what you are trying to achieve?

The first two have to do with savoring the surprises that can often lead to breakthroughs. The third helps me understand where I can help the team be more successful."

(From a blog post by Smith entitled "Lead with Questions, Not Answers.")

Our Innovation Process, as written by Eric Ries, author of The Lean Startup :

"The fundamental activity of a startup is to turn ideas into products, measure how customers respond, and then learn whether to pivot or persevere. All successful startup processes should be geared to accelerate that feedback loop."

Marla Capozzi on Discipline, Metrics, and the Perils of Innovation Committees

One of our 2016 Innovation Leader Live conference calls featured Marla Capozzi, leader of the Global Strategy & Innovation practice at McKinsey & Co. One theme Capozzi discussed was creating the optimal organizational conditions for innovation to succeed — including the dangers of the innovation committee. You can hear or read the complete transcript of the call here: https://www.innovationleader.com/marla-capozzi-discipline-metrics-perils-innovation-committees/

. . .

Innovation Leader: I want to ask you about the innovation committee, because a lot of people, even when it's a CEO/COO initiative, they often feel the impulse to create this committee. The CFO is on it, and some business unit heads are on it, maybe some functional folks like the IT head or the CTO. That's the committee that's reviewing all of these ideas that get seed funded and maybe are lean startup prototypes. What do you advise people about the innovation committee?

Capozzi: The innovation committee is a very tricky one. As I'm sure everybody knows, you have seen successful committees and extremely unsuccessful committees in your organization. Unfortunately, most of them err on the side of not having the type of impact that we would like them to have.

The problem with an innovation committee, and the real challenge, is that what the innovation committee is going to accomplish has to be extremely clear. For example, are they allocating funding? Are they making recommendations to the C-suite? Are they more of a problem-solving organization to push the ideas further?

Most of them are set up without a very clear charter, without real accountability as to what they're going to deliver as a team. Oftentimes, if the group isn't accountable, for example reporting to the CEO, then one business unit leader has a conflict so they send someone in their place. Then the other business leaders say, "If they're going to send somebody else, send somebody in my place."

All of a sudden, it's a committee of whoever can show up, and it's not very effective. It suffers from all of those typical committee-type problems. The ones that I've seen work well are ones where they set very clear protocols.

They will say to each other, "OK, this is our responsibility. We all come to the meetings. If we can't come, we dial in, we don't send any substitutes. Our responsibility is to push these ideas to the point we are ready to go to the CEO for scale funding." It really requires a lot of discipline.

People find that a little bit counter-intuitive — especially those who are not involved in innovation on a regular basis — because innovation, in a way, requires more discipline than other things that we do because it is so new, and different. You have to apply that discipline to get the outcomes that you want.

Innovation Leader: That's an interesting point. Every time the committee meets, you're looking at different kinds of ideas that are at different stages. It's harder to make [decisions about those] than it is about typical operational stuff like facilities, or sales, or what have you.

Capozzi: Right. The worst thing that you can do is to let them set themselves up thinking that they're a venture capital team. I observed one in a very large food company that was set up, and it's amazing how quickly people can start acting like venture capitalists when they have absolutely no idea what a venture capitalist actually does.

It became very counterproductive, because they would say, "Tell me why I should invest in this idea." I thought to myself, "Well, this isn't your money." It doesn't make any sense to me.

Innovation Leader: The one positive thing I see from the venture capital metaphor is at least they have a sense of the pace at which they should be making new investments. When VCs get together, they say, "Well, we really want to be making this number of A-round investments every quarter." I think, sometimes, these innovation committees become the "committee of no," and they never make an investment. They always are saying, "Go back and bring us more data," as opposed to, "Here's the money you need."

Capozzi: That goes back to the protocol. You can have your protocol be [that] you have to convince us beyond a reasonable doubt that this is a good idea; or, the more effective ones say, "We are the business leaders of this organization. We hold the most expertise of anybody here.

It is our job to push these ideas forward to the point where they can be successful, or kill them quickly enough..."

GOAL SETTING
"The real challenge is that what the innovation committee is going to accomplish has to be extremely clear. "

Innovation Governance and 'Fast Fail' Testing

Colin Tilzey heads the Innovation Ventures Group at Kennametal, a $3 billion supplier of tooling, wear components, and advanced materials. The company makes everything from drill bits to snowplow blades to earth-cutting consumables. Tilzey reports to the company's CTO, with dotted line reporting to the CMO. Innovation at the company is "seen as half technology and half business," Tilzey says, and he sits in on both tech and marketing meetings.

Tilzey's team consists of 18 people, about half Kennametal veterans and half new to the company. He says improving products and technologies in current Kennametal markets "is where 75-to-80 percent of our resources go. About five percent goes to completely new markets, and 15-to-20 percent adjacent. Ideally, we want it to be a 70/20/10 model." We spoke in late 2014.

HOW OUR GOVERNANCE COUNCIL EVOLVED

"We have a governance council that consists of our CTO, CFO, two business unit owners, the CMO, and the global head of manufacturing. We meet with them every two months. We don't tend to wait for permission to move ideas into incubation, we just ask forgiveness. Taking an idea from the PowerPoint and talking to customers stage to actually testing the idea can take anywhere from six months to three years. We report on that progress to the governance council."

"Sometimes, we recommend killing something, and the governance council says, 'Keep it going and explore a new avenue.' Or we want to keep going and they want to kill it. Maybe there's something happening elsewhere in the company, like a product line that we're divesting. They may know about that while we don't."

"The council used to meet quarterly, and it lasted about two-and-a-half hours. We'd present an update on every project. But it was hard getting those execs all in the room at once. If more than two people weren't going to be there, we'd cancel it. So we found we were force-feeding all these project updates to them. We shortened it and changed it to every two months, but we still cancel it if two people are going to miss it. We created two-page written executive updates for every project. Those get put into a pack, but we only do a deep dive on one project at each meeting. Now, we have six meetings a year, and we shortened them to about one-and-a-half hours."

Governance and Resource Allocation

- Purpose of Governance Council
  - Define the Strategic Intent for Innovation
  - Innovation Ventures Portfolio Shaping
  - Allocate Extraordinary Resource
  - Guidance to the teams
- Membership
  - Highest Levels of Executive Management
  - Should not delegate
- Frequency
  - Quarterly

"Without those meetings, and the input from the governance council, we wouldn't get anything done. If I wanted to go spend $1 million, going through the corporate budgeting system, it wouldn't happen. But if you have the CFO and CTO and business unit guys on board, when you go to the appropriation committee, it has already been approved. There's no discussion of whether it's a good idea or makes sense for the business."

WHAT'S THE CHEAPEST THING YOU CAN TEST?

"We call our approach the 'fast fail' model. We'll try and test our hypothesis by piloting the cheapest success criteria in order to change direction, move forward, or decide to kill the project. We're looking at killing 75-80 percent of projects. I get criticized if I'm not killing enough projects. So we'll order rank all the things we need to test to make something happen, and cascade them as the cheapest, easiest, or quickest things to do. We figure out which is the cheapest part of an idea to test. Could I pay an intern to test something in the lab, or maybe adapt a machine we already have? Why not do that first, rather than spending a lot of money to do 'voice of the customer' research?"

"We kill most often at the ideation stage, or very early into incubation...One of the measures we have is time-to-prototype, rather than time-to-market, or time-to-cash. And that can be applied to a business model, a mill, a drill, a piece of material."

WHAT WE'RE WORKING ON NEXT

"Earlier this year, I created a commercial director position in my group who focuses on transitioning things back to the businesses. They want a crisp business plan, target customers, and materials for the sales guys. So that's kind of a work-in-progress."

"You want to have a mix of short-term ideas that you can give to the businesses fairly quickly. But you also need things that will have bigger impact. We've just done a system that logs tooling data in the cloud, and provides recommendations about how to improve productivity... We've beta tested it in our internal plants, and we're just moving to external beta with customers. But we've never sold software before... What are the barriers to adoption, and how do we take those away? It's turning into a real business... Our new CEO came in in November, and he is meeting with us weekly. He is encouraging us now to go recruit more people, incubate it more."

SURVIVAL OF THE FITTEST

"We call our approach the 'fast fail' model...I get criticized if I'm not killing enough projects."

Who Should 'Own Innovation?' Examining Eight Models

How many ways are there to lead innovation?

The book *Innovation Governance: How Top Management Organizes and Mobilizes for Innovation* lays out eight major models. Co-author Beebe Nelson, a former director of the International Association of Product Development, shared descriptions of each one — along with survey data about which models executives regard as most (and least) effective.

The survey was conducted by Beebe's co-author, Jean-Phillipe Deschamps, a professor at the International Institute for Management Development. Respondents represented 113 companies operating in a mix of industries in the U.S. and Europe.

"We aren't suggesting that any of these models work perfectly, and these are still the early days," says Nelson. "And the culture and nature of the company makes a tremendous difference. But some of the things you want to see are a CEO who can clarify the objectives — the why, the where, the how much risk we're going to take — or a cross-functional group of people who can get a very high percentage of the company engaged."

1. THE CHIEF TECHNOLOGY OFFICER OR CHIEF RESEARCH OFFICER IS THE INNOVATION CHAMPION.

This model is most usually employed in companies with a strong technology and/or engineering tradition. The CTO/CRO model focuses on the content of innovation, ie on the promotion of technology-based initiatives, and the CTO or CRO is rarely involved in the non-technical aspects of innovation. (70 percent said they were relatively satisfied or very satisfied.)

2. THE HIGH-LEVEL, CROSS-FUNCTIONAL INNOVATION STEERING GROUP OR BOARD.

Members of such steering groups are chosen based on functional responsibilities, and also on their personal interest in and commitment to innovation. Often, a Chief Technology or Chief Research Officer chairs the group, but other members may straddle a couple of levels under the executive committee. (65 percent said they were relatively satisfied or very satisfied.

3. THE TOP MANAGEMENT TEAM (OR A SUBSET).

In this model – which seems to be the most widely used of them all — members of the C-Suite share the duties of governance, although membership is often limited to those who are directly involved with innovation, e.g. business leaders, marketing, and R&D. (58 percent said they were relatively satisfied or very satisfied.)

4. A TWO-PERSON TEAM

Consisting of C-level execs other than the CEO, or a C-level exec with a functional or business unit head. This model is rarely used. (57 percent said they were relatively satisfied or very satisfied.)

5. THE CEO OR, IN MULTI-BUSINESS CORPORATIONS, A GROUP/DIVISION PRESIDENT.

When the CEO is in ultimate charge of innovation, the message that innovation is a top priority for the company is loud and clear. Leaders such as Steve Jobs, Edwin Land, and A.G. Lafley have all contributed to the fact that not only their companies, but the whole world, is more engaged in innovation. (56 percent said they were relatively satisfied or very satisfied.)

6. A GROUP OF INNOVATION CHAMPIONS.

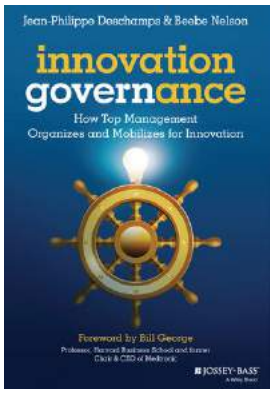
This model is more frequently found in a supporting model role than as a primary model. Typically, champions are innovation enthusiasts, sometimes referred to as "intrepreneurs." In some companies their focus will be mostly on content, i.e. specific projects. In others it will be more on the process side as they work to share innovation experiences. (40 percent said they were relatively satisfied or very satisfied.)

7. THE DEDICATED INNOVATION MANAGER.

The difference between these models and the CTO/CRO model is that responsibility for innovation is entrusted to a single, dedicated manager instead of to a busy CTO/CRO. In this model, the manager's focus is more the process than the content side, and they are usually responsible for tracking innovation success and identifying and sharing best practices. (35 percent were relatively satisfied or very satisfied.)

8. NO ONE.

In some companies, innovation is so much a part of the company's DNA that everyone feels responsible and so they believe that there is no need for governance. In some other cases, restructuring or reorganizing may have disrupted the usual governance mechanisms. And finally, in companies where innovation is not perceived as important, there may be no one in charge. (0 percent said they were relatively satisfied or very satisfied.)



RUDDERLESS?
In companies where innovation is not perceived as important, there may be no one in charge.

Downloadable Resources & Templates

We created five resources, available on Innovation Leader's website, that may be useful as you're setting up or rethinking governance and reporting for your innovation or R&D group.

Company X Monthly Innovation Impact Report – March 2017

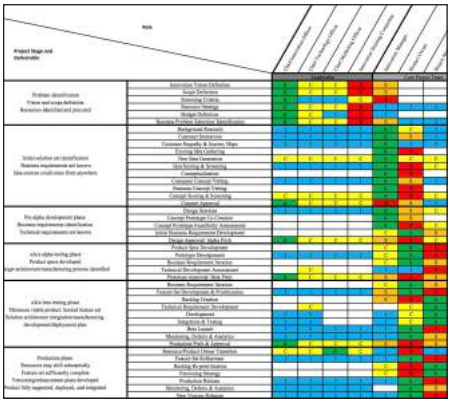
"Vision Statement Here"

Innovation Landscape Updates	
Disruptors/New Entrants	
Business.com	Press release announcing new capabilities on their core product
Startupk.inc	Innovation team met with founders to discuss their new mobile platform
Amazon	Announced expansion into convenience/grocery store format, which may threaten Division X sales
Emerging Technologies/Startups of Interest	
StartupC	Former Google execs launch business to build secure cloud service
Startup D.co	Advanced analytics startup in Boulder, CO that may help us with call routing
Blockchain	McKinsey report suggests blockchain will impact 30 percent of transactions in our industry by 2018
Competitors	
Competitor A	Opened new data analytics lab in San Jose, CA
Competitor B	Released three new product variations to appeal to middle market
Competitor C	Sold aging business line to focus in new delivery model
Competitor D	Announced they are increasing R&D investment 20% in latest quarterly report
Customer Trends	
Increased Mobile Adoption	Forrester Research report suggests mobile adoption nearing saturation
Millennials Coming of Age	Our latest consumer insights report shows higher-than-ever interest in Product Y for Millennials
Connected Maintenance	Decreasing tolerance for equipment downtime; customers increasingly want us to know what's wrong before the technician shows up
Regulations	
New Administration	New tax code proposal has positives and negatives
FDA Ruling	Product Z must meet new plain-language disclosure standards
UK	New UK regulation pushes consumerism too far

A Sample Monthly Progress Report on Innovation Impact

This "straw man" report is designed to provide holistic, near-continuous feedback to stakeholders so that the organization can ensure that the best innovation investment decisions are being made. You can use this template to fit various types of work, from experiments to bigger projects to cultural work to business unit-specific launches that require innovative thinking. Developed by Aaron Proietti, former SVP/Innovation at Transamerica.

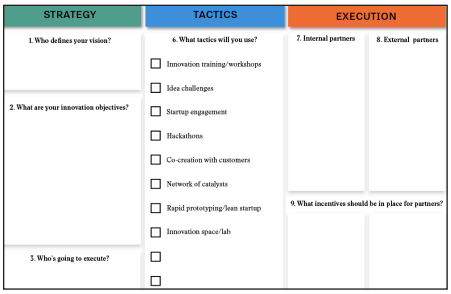
https://www.innovationleader.com/innovation-impact-progress-report/



RASCI Matrix for Building Support

A RASCI matrix is a tool that can be used to build consistent support for innovation, while mitigating against common failure modes like role ambiguity, when people aren't sure what exactly they're supposed to do — or want to weigh in more than you'd like. [RASCI stands for "responsible," "accountable," "support," "consulted," or "informed."] This downloadable Excel spreadsheet is a sample RASCI matrix for a generic "innovation project," showing how typical tasks might be assigned to various roles throughout the life of the project. Includes instructions on how to use. Developed by Aaron Proietti, former SVP/Innovation at Transamerica.

https://www.innovationleader.com/rasci-matrix-building-support/



STRATEGY	TACTICS	EXECUTION	
1. Who defines your vision?	6. What tactics will you use?	7. Internal partners	8. External partners
2. What are your innovation objectives?	☐ Innovation training/workshops ☐ Idea challenges ☐ Startup engagement ☐ Hackathons ☐ Co-creation with customers ☐ Network of catalysts ☐ Rapid prototyping/lean startup ☐ Innovation space/lab	9. What incentives should be in place for partners?	
3. Who's going to execute?	☐ ☐		

Corporate Innovation Roadmap

This PDF worksheet encourages you to think through the elements of your innovation effort, from spelling out the vision to setting up a group to oversee progress and allocate resources to monitoring results. It's a document that you can start to fill out at the earliest stages of an effort, and modify it or add to it as you progress.

https://www.innovationleader.com/corporate-innovation-roadmap/

Corporate Innovation Ecosystem Map

A broad coalition of players, inside and outside of your organization, need to be aligned for real innovation to take hold — and the different constituencies don't always share the same motivations and incentives. Created with the design firm XPLANE, this map and the discussion questions on it are designed to engage to start conversations among the innovation team and its executive champions, so that you can work toward knocking down barriers, creating new incentives for innovation, and putting in place the right resources.

https://www.innovationleader.com/corporate-innovation-ecosystem/

For more resources, visit innovationleader.com/resource-center/

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