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Innovation: Why Boards Should Care and Lead in It
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In today's business environment, it is becoming increasingly apparent that only those who change, and do so fast, will have a future.

Innovation has moved a rung up the ladder from being a corporate buzzword to a key business strategy. Companies can no longer afford to rest on their laurels as they risk becoming obsolete.

No change, no future

Examples of such companies are aplenty. Nokia, the kingpin of the mobile phone industry in the 2000s, saw its share in the global smart phones market plummet to a low of 3.1 per cent in 2013 from 50 per cent in 2007. This business was eventually acquired by Microsoft.

Kodak, an imaging solutions powerhouse in the 80s and 90s, made its largest blunder not seizing opportunities in digital photography – ironically, a technology that the company invented back in 1975.

Closer to home, household names such as Emporium Holdings remain a distant memory as its outlets were replaced by more contemporary shopping destinations such as Yaohan, which in turn was replaced by Takashimaya.

Survival of the most innovative

At the same time, there are others that have done exceptionally well because they care to innovate to remain relevant.

Prime among them is Amazon. The online retailer has not only driven many brick-and-mortar book stores out of business but has become the largest e-commerce company in the US. Its success has been credited to its founder Jeff Bezos who said: "If you double the number of experiments you do per year, you're going to double your inventiveness."

In Singapore, Eu Yan Sang is leading the way when it comes to reinventing the traditional Chinese medicine (TCM) wheel. The company has taken an age-old practice, validated it

through new distribution methods and made it relevant to the newer generation with clinically-proven products, modern packaging and branding that speaks to them.

OSIM International is another company that has spared no expense to innovate. Through harnessing the right technologies, it creates highly sought after products and thereby, influence consumers' way of life. These efforts have cemented OSIM's leadership position in the health and wellness segments.

Cultivating a creative culture

These examples have made it plain that innovation – that is relevant and done at the right time - holds the key to sustaining a business. Surely, that alone should be reason enough for the board to be in the driver's seat of the innovation wagon. Often, however, boards tend to just involve themselves with governance matters and leave the responsibility of innovating to the CEO and the senior management team.

To be fair, many boards are trying. More companies (and not necessarily only the technology related ones) are prioritising the innovation agenda. This is evident in the C-suite hires that are being made. For example, cosmetics giants L'Oreal and Estée Lauder have onboard a director of digital innovation, and director of digital and global corporate innovation respectively. Candy maker JM Smucker now has a director of innovation and Starbucks, a director of global innovation.

Governing innovation

While senior management can establish an innovative culture through the people they rope into the company, the board can play a big (and active) role in shaping the processes and philosophies and getting senior management to put an innovation strategy in place, and to track and measure the effectiveness of the strategy.

Today's CEO's scorecard typically looks at four indicators: financial, market share, operational efficiency and people development. Innovation is seldom tracked directly, if at all, and most of the time is hidden deep within the general indicators like market growth, market share and so on. There should be a standalone indicator for innovation.

The board can then drill down into areas such as product innovation, process innovation, marketing innovation, organisational innovation and strategic innovation.

Many companies fail to innovate as they do not take enough risk. In this respect, boards can steer management to take calculated risks to drive innovation. Without the board's push, management may just focus efforts on incremental, non-risky projects and completely ignore the real needle movers.

When the right innovation strategies are in place, the board's role then turns into that of championing excellence: to continue questioning the existing strategy that the company has adopted, and how it fits into or is relevant to the business. More importantly, the board

needs to be the one continually asking senior management if the company's current business strategy still works.

Directors with the ability to see the world through different lenses, anticipate and then try to fill the gaps are invaluable contributors to their boards. The ability to see what others cannot see and do what others will not do is the cornerstone of innovation.

The writer is a member of the governing council of the Singapore Institute of Directors. This article first appeared in BTInvest,
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