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Getting Innovation on Board
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Innovation is all around us. Much of the rise in global living standards stems from innovation. We take much of it for granted: from air travel, browsing on the Internet, cancer treatment, digital media, e-government, to the wellness lifestyle brand Zumba.

Moving forward, innovation is key to addressing global challenges such as climate change and sustainable development.

Historically, innovation has been crucial in shaping economic growth and national progress. Economists estimate that 60-80 per cent of economic growth comes from innovation and new knowledge. They have consistently found that more innovative countries grow faster than less innovative ones.

As it is for national competitiveness, innovation is also key to business performance. Leading global corporations such as 3M, Google, and Proctor & Gamble owe their business success to a sustained record of innovation. More than 80 per cent of the global executives in a recent survey conducted by McKinsey said that innovation is extremely important to their growth strategies.

But if we ask board directors, "Is innovation a key part of the agenda of your board?", I believe most would respond "no". Given the limited number and duration of board meetings, boards have concentrated mostly on their monitoring, oversight and risk management roles, instead of their role in ensuring company performance and value creation.

Focusing on value creation means a company's strategy, growth and business models need to be examined. And we will likely find that innovation will be a critical part of that strategy, which requires attention.

The board can promote innovation and ensure that it is sufficiently addressed by embedding innovation issues into the existing board's duties in three areas:

- Leadership
- Strategy and performance review
- Risk management

Leadership

It is people who innovate – not technologies, not systems, not organisations. Inspired people, curious people, creative people and committed people innovate. Innovation originates from individuals who understand and believe that their sustained effort is what is required to change the status quo. Innovation begins with people and it is always a boon to have innovative people at the top.

The selection and recruitment of the CEO and top management is undoubtedly one of the board's most crucial as well as difficult responsibilities. The board should bear in mind the need to put in place leaders who will promote, develop and sustain a culture of innovation. Getting this right has consistently distinguished an innovative organisation from a mediocre one.

Once the right leadership is in place, the next step is to engage management to frame an innovation strategy for the business.

Strategy and performance review

Boards generally rate themselves highly for their role in strategy development. The board is informed by the CEO of the strategic issues faced by the company, the proposed options and the preferred strategy. In some companies, boards are invited to attend offsite strategy retreats to discuss strategic issues and strategy formulation.

For all of this, boards seldom engage management on innovation issues and strategies in a structured and regular manner. Boards could consider requesting that management facilitate innovation ideas to be surfaced, discussed, prioritised and categorised as follows:

- Incrementally improved and new products, services or processes;
- Radically new products, services or processes;
- Radically disruptive business models.

These may be developed internally, or with external partners. It is useful for boards to work with and challenge management in pursuing and executing initiatives across the above categories. Doing so enables an innovation culture and discipline.

Risk management

To be innovative, companies have to be risk takers. Boards often see their fiduciary duty to their stakeholders primarily as protecting companies from financial, operational and regulatory risks. Unfortunately, this narrow perspective could overshadow an even more strategic and critical risk: the risk of not innovating.

This latter risk could, in certain situations, bring a company down. Consider the downfall of the Borders Group, which filed for bankruptcy in 2011 and began liquidating its bookstores. Yet, when it opened its first bookstore in 1971, Borders had an innovative system to track sales, understand demand, and manage inventory which was considered revolutionary at the time. However, Borders failed to see how disruptive the Internet could be as it

outsourced its online sales to Amazon and invested heavily in CDs and DVDs just as music and movies were going digital.

Not wanting to be made similar examples, the Fortune 500s of today who are at the forefront of adopting emerging technologies are not resting on their laurels. For example, Procter & Gamble has joined the ranks of L'Oreal and other pharmaceutical giants to explore 3D bioprinting to create human tissue, which infinitely speeds up and lowers the cost of product development and testing.

With abundant evidence pointing to the merits of innovation, whether to a company's bottom line, brand equity or employee morale, the time draws nigh that boards get serious about 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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