INNOVATION RESEARCH INTERCHANGE

*Accelerating Value Creation*

# What's the right/best innovation organizational structure for our business?

Questions you'll need to answer

Author: Jeffrey Phillips

Contributors: Mike Blackburn (Cargill), Michael Blades (National Gypsum), Tim Dennison (Sealed Air), RTI Innovation Advisors

November, 2019

The purpose of this short white paper is to examine key considerations that will shape how your company defines its innovation structure(s) and governance necessary to help shape and manage innovation activities within those structures.

Ultimately, the questions we want to provide answers to are:

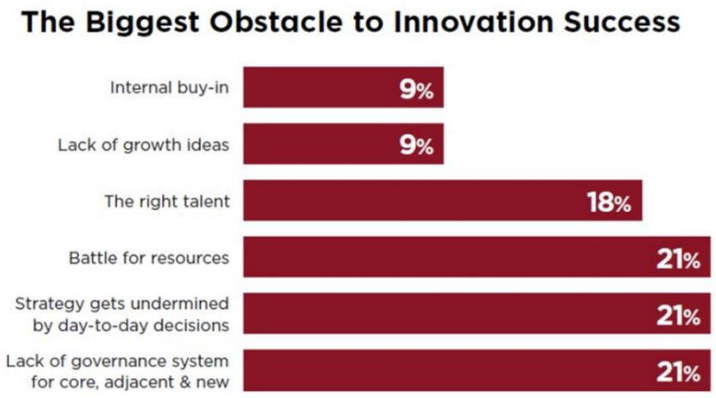
1. What are the appropriate organizational structures (teams, activities and programs) for the innovation we need to accomplish?
2. For each organizational structure that is deployed, what is the best governance model to ensure successful innovation?

Our experience suggests that far too little consideration is given to determining the best innovation structures. Further, while temporary and permanent innovation structures exist, people and teams often lack good information about roles, scope, expected outcomes, and other factors of governance. Defining the best structure for the purpose, and providing good governance, will lead to better innovation outcomes.

Since budgets for innovation activities are often limited, conducting approved innovation programs and projects effectively is critical. Innovation investments in people, time and money are simply too important to waste. Therefore, a focus on innovation structures and governance is very important.

## Do corporations lack good innovation structure and governance?

Before we explore the idea that good structure and governance models are valuable to innovation, we must first provide some evidence that a problem or challenge exists. Fortunately, Innosight has done some of this work for us. At a 2018 conference for client executives they asked the attendees to rank the biggest obstacles to innovation success. The graphic below illustrates the outcomes. Note that "obtaining the right talent", "battle for resources", and "lack of governance" are, to a great extent, reinforcing the same issue – lack of structures and governance.




DATA: CEO Summit Delegates Surveyed, Summer 2018, Innosight

Further research conducted in conjunction with IRI and its members reinforces the point that innovation structures (how corporations innovate) and governance (resources, scope, metrics, funding) are not well defined. We'll examine some of the research and findings throughout the paper.

Innovation structures and governance issues remain some of the most significant obstacles to innovation success. Let's examine why this is the case and what to do to improve the situation.

**Why Structures is plural**

There may be some concern on your part that we've described innovation structures (plural). Many companies have multiple, concurrent innovation activities underway, from temporary incremental product innovation teams to more permanent incubators or open innovation teams. These teams and activities differ based on goals and expected outcomes, roles and responsibilities, and other criteria, as we'll review in the next section. It's important to realize that innovation is not isolated to one team or one function in your business. Instead, it can and should be conducted simultaneously in multiple locations within your company, with different goals or scope, and often with different types of internal and external interaction.

Once you understand that innovation is happening concurrently in many functions, teams and locations in your business, and that the goals and expectations of these teams are different, you'll see that identifying the best structures and governance for each of these activities is exceptionally important. Since funding for innovation is often limited, especially for horizon 2 and horizon 3 activities, you'll want to achieve as much success as possible in the innovation work your teams conduct. Defining the best innovation structures and aligning governance to those structures improves your odds for success.

In research conducted in 2012, McKinsey found that many corporations have multiple, simultaneous innovation activities underway. To quote their research:

> two-thirds of executives report broad innovation portfolios that include ***more than one type of organizational model***, and nearly half say their companies use separate innovation functions that focus on developing new business opportunities, sit at company headquarters, and are less than three years old.

As we can see from their findings, at least two thirds of companies indicated that there were multiple innovation activities or structures in place, and the structures have different purposes or expected outcomes. This should suggest that different team structures are in place, and different governance models are necessary. Few innovation teams or activities stop to contemplate innovation structure or governance questions until it's too late.

## Defining our terms

In this paper we're going to be addressing some critical structural and governance requirements that can create the conditions for innovation success. But we need to define a common language and expectations about a number of these concepts. Let's first focus on "structure".

*Structure*
Structure in our parlance refers to the organization or team that is responsible for innovation or an innovation activity. The most common innovation structure is an innovation project team. These teams are formed to create ideas or solutions for a specific opportunity. These teams are temporary and will be disbanded after an innovation project or activity ends. However, while many innovation structures are temporary, some are permanent. Long lasting or permanent innovation structures include: open innovation teams, accelerators, incubators, corporate venture teams and others. Permanent structures have different requirements than temporary teams and need different governance models.

*Governance*
When we refer to innovation governance, we are referring to all the oversight, scope definition, inputs and outputs of an innovation activity. Inputs can include people, resources, ideas, technology and other factors. Outputs can include successful products and services, experiments, pilots, failures and learning. How the activity is defined, scoped, resourced, funded and measured within the context of business needs and strategy is what we call "governance".

Other terms matter in this definition as well. ***Resources*** refers to the people who are involved in the innovation activity, the amount of ***time*** they can commit to innovation activities, the ***funds or budgets*** they need to do their work effectively and the other ***physical and service resources*** they will require to do a good job. As a component of good governance, any innovation team or activity should have a clearly defined ***scope*** and a stated set of outcomes, aligned to a general timeline with milestones and easily measurable results. Establishing innovation ***measures and metrics*** is also part of good project governance.

When these factors (appropriate resourcing and funding, well defined scope, ample time, relevant measures and metrics) are considered and fully implemented, innovation can be

conducted in a much simpler, more transparent way based on good practices and deep skills. Defining the right structures and providing the best governance in each situation or circumstance improves the chances of innovation success.

**What are some of the alternative structures?**

As we've described previously, innovation leverages permanent teams and temporary teams. Permanent teams often include activities and structures such as:

- Corporate or central innovation team
- Open Innovation
- Accelerators or incubators
- Corporate venture teams
- "Business Development" teams that test or pilot third party solutions or technologies
- The R&D team often plays a role as a permanent team

Meanwhile, companies may also have temporary, impermanent project teams, which can include:

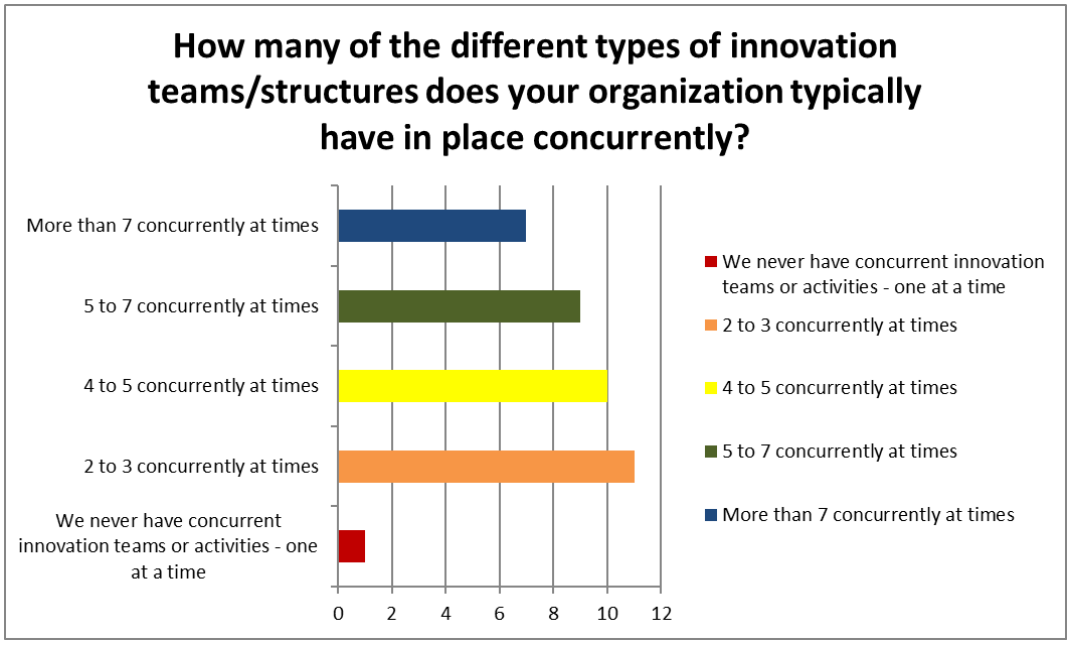
- Skunkworks – a remote, often offsite location to assist with the generation and development of radical or disruptive ideas that would conflict with existing products or business models
- Innovation project teams – just about any innovation activity or project that is organized around a single project and will disband at the end of the project

**Concurrent Innovation Activities**

From the list above, it's easy to see that a corporation could have several innovation programs and structures underway concurrently. A large corporation could easily have:

- A centralized innovation function under a corporate chief innovation officer
- An active open innovation function under the chief innovation officer or the chief technology officer
- An accelerator, incubator or corporate venture team reporting to a C level officer
- Innovation project teams scattered throughout the company, reporting to business unit, product, or function heads

In a survey conducted with the IRI membership, we found that most organizations have several concurrent innovation activities underway, ranging from permanent teams like a central innovation team, R&D, accelerators, incubators, open innovation teams and more, and temporary teams like skunkworks or innovation project teams. In fact, when we asked about how many concurrent activities are typical, over 66% of the respondents indicated that more than four and as many as eight concurrent innovation activities are typically underway in their organizations at any given time.




Each of these concurrent activities has different innovation goals and responsibilities, requires its own structures, risk profiles, governance, funding, staffing and metrics to complete its task effectively.

**Implications**

The financial implications of multiple, concurrent innovation projects are obvious. If there are multiple, concurrent innovation activities underway, then the investment (and associated risks of failure) for these activities increases. If the planning and governance is inadequate or incomplete for any one of the activities, or worse simply inadequate for all the innovation activities, corporations are wasting precious innovation dollars. When we add to this analysis the fact that most corporations don't do a good job budgeting or allocating funds for innovation, it's easy to draw the conclusion that innovation funds are at risk of being wasted or misallocated. Good structures and governance don't simply improve innovation outcomes, they help improve innovation investments and ensure that whatever funds are set aside for innovation are used as effectively as possible.

After all, when we look closely at corporate innovation, we can see two truths emerge. In comparison to entrepreneurs or startups, which have one big idea and limited resources, corporations would seem to have it easy. Corporations often have dozens of good ideas and a wealth of resources. But in the "wealth" of ideas and resources lies big challenges – which ideas should be selected, and what resources should be allocated to which ideas? Innovation issues in big corporations boil down to two important concepts: **resource allocation** (what resources to allocate to interesting ideas and why) and **project prioritization** (which ideas or

projects seem the most interesting or valuable). If we can resolve the questions of project prioritization and resource allocation, corporations should accelerate more ideas to market more quickly and with less risk and less cost.

## The Best Use of Innovation Structures

Each of these structures or teams have a best purpose or use:

| Team Type | Best use | Risk |
|---|---|---|
| Corporate Innovation Team | Standardizing innovation methods and tools, providing skill development, acting as internal consultants | Centralizing all innovation at the corporate level –creates an ivory tower effect |
| Incubator | Incubating good solutions to build critical depth and product viability before releasing as a new product or service | Using an incubator as an idea generation engine |
| Accelerator | Identifying and funding good internal and/or external companies for access to emerging products, technology or IP | Investing in too many external companies without the experience or knowledge of a venture capitalist |
| Corporate Business development | Enabling third party solutions or technologies to pilot solutions on your platform to test new ideas | Transferring all innovation to third parties |
| R&D | Discovering new technologies or solutions using primary research | Assuming that all innovation originates from R&D |
| Open Innovation | Scanning the environment for viable technologies or products to license or acquire | Conducting open innovation without participation from your IP team and/or legal team |
| Skunkworks | The creation of a disruptive technology or business model that may cannibalize existing products | Thinking that all innovation must be run in a skunkworks model or environment |

## Governance

In our experience, not nearly enough thought goes into the definition and implementation of most innovation structures and activities. Compounding this issue is a clear lack of innovation governance, described above as appropriate oversight, scope, resource allocation, measures and metrics. There are several reasons why innovation governance is so inadequate.

First, most innovation activities are short term projects, formed to respond to a near term market opportunity or competitive threat. It's common to think that these short-term activities don't require a significant amount of governance. Second, while the remaining innovation activities may be longer term or permanent, and thus more deserving of planning and governance, the

**The Governance Activities and Processes Boards Are Good At**

Technology and innovation rank low on the list.

**% of board members who rated rated each activity "above average" or "excellent"**

| | |
|---|---|
| Staying current on company | 70% |
| Compliance | 69 |
| Board composition | 67 |
| Financial planning | 66 |
| Staying current on industry | 64 |
| Executive sessions | 60 |
| Overall board performance | 59 |
| Monitoring strategic decisions | 59 |
| Investor/shareholder relations | 58 |
| Strategic planning | 56 |
| Risk management | 55 |
| Creating effective board structure | 55 |
| Time management | 52 |
| Evaluation of CEO | 51 |
| M&A | 45 |
| Compensation | 45 |
| **Technology** | **42** |
| **Innovation** | **42** |
| Global expansion | 40 |
| CEO succession planning | 36 |
| HR/talent management | 35 |
| Evaluation of individual directors | 34 |
| Cybersecurity | 24 |

Source: Survey of more than 5,000 board members by Boris Groysberg and J. Yo-Jud Cheng, HBS; Women Corporate Directors Foundation; Spencer Stuart; and Deborah Bell, independent researcher

HBR

work they represent is so new or so unusual compared with traditional day to day activities that many existing governance models don't seem to apply. Few executives or managers understand how to provide good governance to these activities. Third, innovation activities rarely coincide with budgeting cycles. Innovation opportunities arise after budgets are developed, and some opportunities or structures will extend beyond a traditional annual planning and budgeting cycle. In some cases, no funds were planned for innovation in an annual budgeting cycle. In other instances, even though funds were set aside, they were allocated for different purposes.

What this means is that most innovation teams and structures aren't carefully planned, don't have good budgeting or funding mechanisms, lack clear measures and metrics and suffer from inadequate staffing. Inadequate governance or the lack of governance may not seem to create challenges for innovation, but that's certainly not the case. In any activity, executives expect a defined scope, clear commitments about investments and return, and insights into measurements and metrics. When these factors are unclear or missing, most teams struggle to do any work at all, consumed by trying to define their own governance, measures and metrics. Further, as we've described above, just as there are several potential innovation structures, there is no "one size fits all" governance model.

## Infrequent and unusual

The lack of structure and governance is compounded by several facts:

- innovation relies on unfamiliar tools,
- introduces risk and uncertainty,
- requires exploration and discovery and
- often explores opportunities in adjacencies or spaces beyond the "core" capabilities or markets of the corporation.

Without definitive approval and scope, and insights into acceptable disruption and potential cannibalization of existing products and services, it can be difficult for innovation teams to determine where to focus and how much disruption or change to create. This is a major reason why so many innovation programs and activities return rather incremental ideas – these ideas

fit within the acceptable tolerance for change as evaluated by the existing structures, governance models and culture.

Recent research from Harvard's business school suggests that innovation governance is a significant issue across the management team, even reaching to the board of directors. This research found that most boards don't place much emphasis on innovation governance, instead focusing their attention on other topics.

Good governance cascades down from the top, so if the board isn't emphasizing innovation governance – and the research indicates that most boards aren't – then we can safely assume that senior management probably isn't focusing on innovation governance either, leaving most innovation activities with little governance or worse, using governance models that apply to day to day, efficient operations rather than to the more disruptive, exploratory approaches needed for good innovation.

**Important governance criteria**

We've defined governance as scope, resources, funding, measures and oversight. It is helpful to determine which criteria are most important to successful governance. As you might expect, the answer is: it depends. For innovation activities that address more disruptive or longer-term innovation (disruptive innovation, horizon three, business model change) the most important resource is people. Identifying and recruiting energetic, creative people who will take the time to conduct research, investigate options and explore emerging opportunities, and who aren't afraid of working in ambiguous context or outside of the company's core competencies. Another important factor in more disruptive innovation activities is risk tolerance, because the teams will explore new ideas and opportunities that are outside of the company's core capabilities. Finally, funding is often a major concern in more disruptive activities, because the team may need to conduct research or gain understanding of technologies and markets that it cannot conduct on its own.

For innovation tasks that rely on spotting external ideas or technologies (open innovation), longevity in the marketplace and trust is important. This means that open innovation teams must actively participate in the innovation ecosystem over time, building trust, establishing relationships and exchanging ideas. They must gain experience in identifying and valuing third party intellectual property and establish credibility as an acquirer of intellectual property. Central innovation teams, on the other hand, must establish shared language, processes and methods and act as trainers, facilitators and catalysts for innovation throughout the organization. The roles and responsibilities of the three structures we've defined here call for very different staffing models, different kinds of people with different traits, different evaluation models and metrics.

One area of governance that varies between the different structures relates to risk. Generating ideas internally exposes the company to relatively low financial risk, reputational risk, development risk or other types of risk. Other innovation structures, such as open innovation,

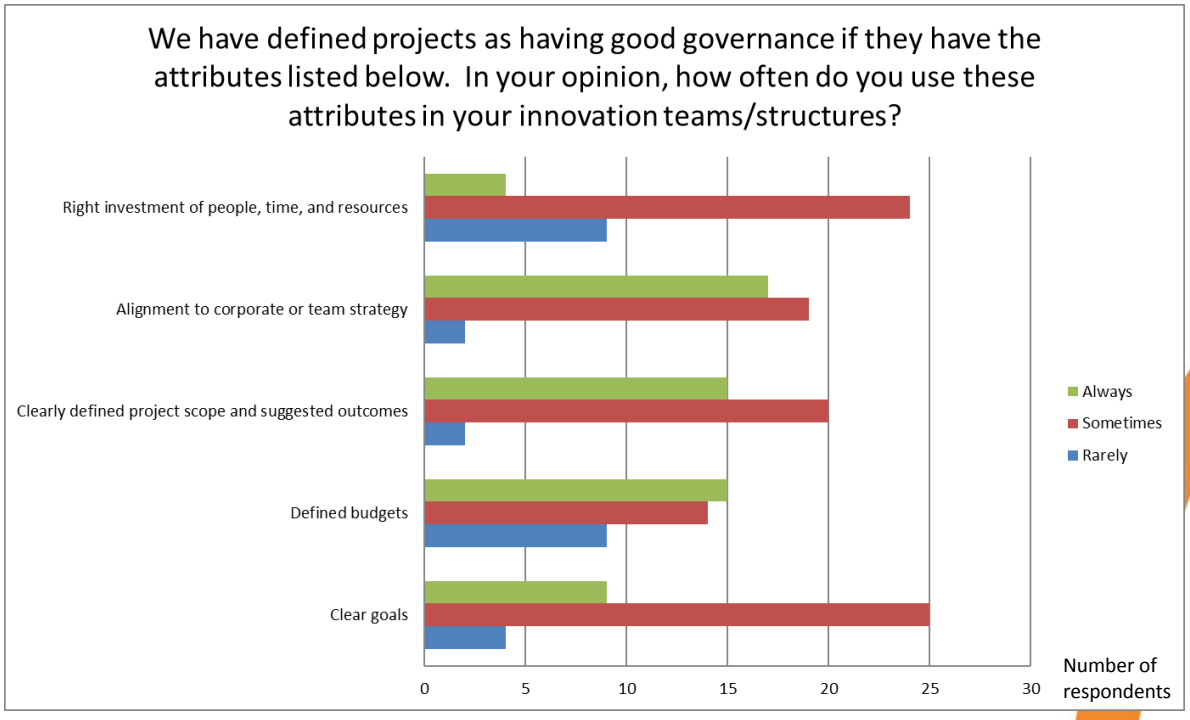
business development innovation, and accelerators create significant intellectual property, business and financial risk. For these reasons the governance models must be much more well-defined and constantly evaluated than governance models for internal innovation structures such as innovation teams and skunkworks.

Consider the risk associated with open innovation – evaluating third party technologies, defining intellectual property rights, vetting third party organizations, negotiating the value of technology or intellectual property. Each of these activities carries with it substantial economic, financial, and intellectual property risk. A failure in any of these steps could lead to dramatic costs or exposure of valuable intellectual property, strategic direction or trade secrets. We can easily understand why governance must become more defined and consistently applied the more the focus is on either disruptive ideas or involve external third parties in the innovation activity.

**Research on governance and its attributes**

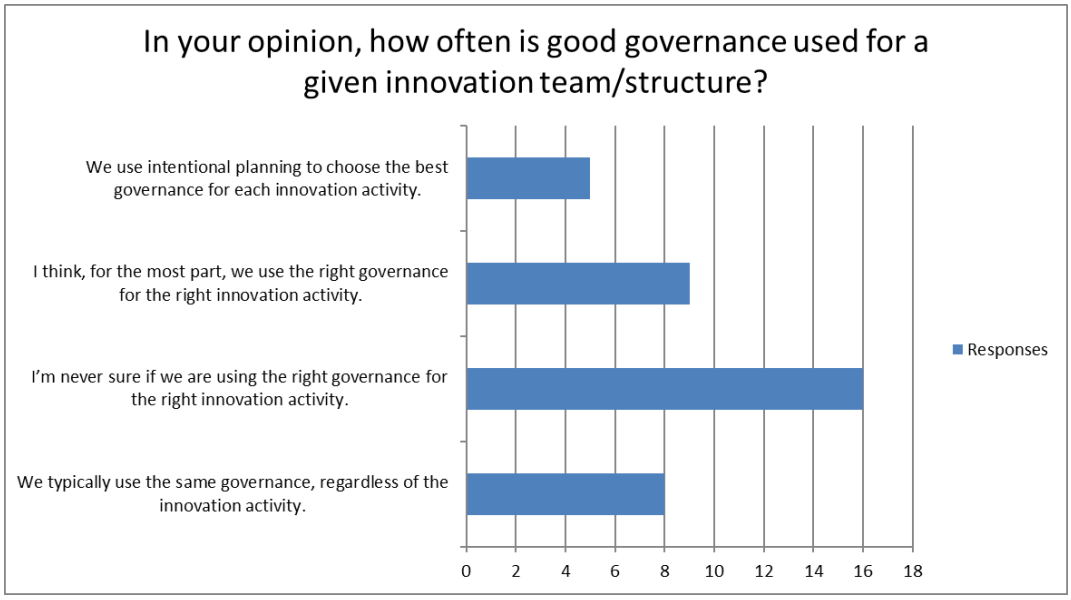
In our research we defined good governance as having the following attributes: clear innovation goals, defined budgets, clearly defined project scope and outcomes, alignment to corporate or team strategy and right investment of people, time, and resources.

We asked a representative sample of innovators in companies across industries to describe how effectively and how frequently each of the attributes we've defined as components of innovation governance are implemented in their organizations.



As you can see from the research, most respondents believe that none of these attributes is consistently applied, and several – defined budgets and right investment of resources as example – seem to signal a lack of careful governance. After all, if you rarely or only occasionally get the budgets and other resources right, how can you expect a project to succeed, especially one as risky as innovation?

In our research we asked a follow up question – how often is "good governance" used for a given innovation activity or team?



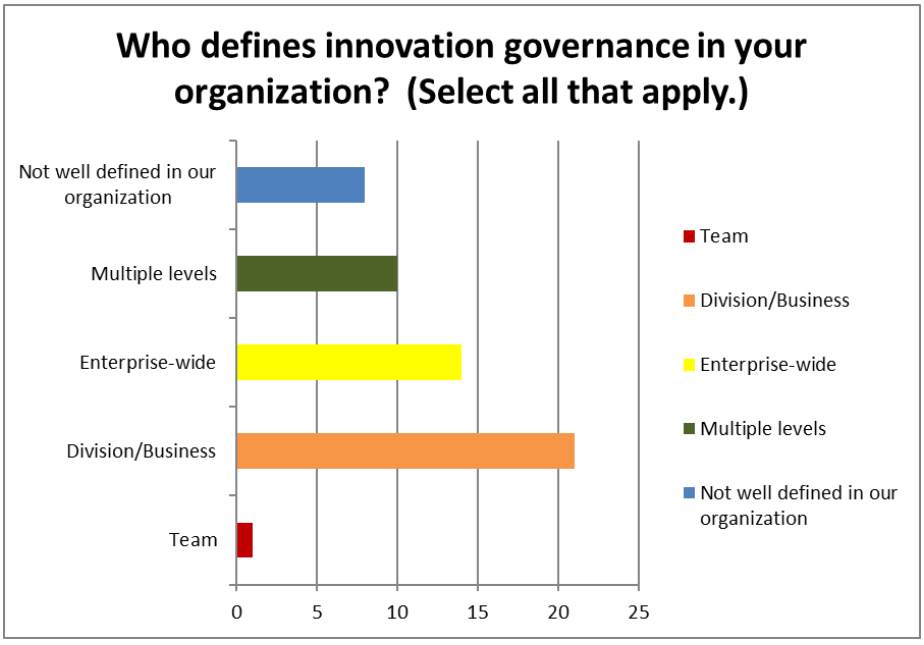

Over 20% of the respondents said their innovation activities use the same governance model, regardless of the scope or type of innovation. Close to 40% responded that they weren't sure if they ever used the correct governance models or approaches. Just over a third of respondents felt that they used the correct governance most or all the time.

**Who is responsible for innovation governance?**

What would seem to be a simple question is often difficult: who defines innovation governance? This question becomes more complicated when there are multiple, simultaneous innovation activities and teams underway. You might think that innovation governance belongs to the Chief Innovation Officer, and in some instances the responsibility may belong there. But what if a Chief Innovation Officer doesn't exist? There are several potential suspects who could own all or part of the responsibility for innovation governance:

- Corporate boards are responsible for helping establish important direction and governance for corporations but are currently spending little time on innovation governance, based on the research above.
- The CEO and the executive team own the responsibility for clearly defining strategy and communicating strategy effectively. Once a strategy with growth and differentiation targets is understood, innovation teams and programs can place the overall strategy into context.
- The Chief Innovation Officer (if there is one) is responsible for establishing a common, consistent way of working, a common language, and hopefully, common visibility and reporting.
- Leaders of permanent innovation activities or teams (accelerator, central innovation team, R&D, etc.) who have responsibility for defining the activities, obtaining budgets, adopting corporate innovation processes or methods or defining the team's approach, obtaining appropriate staffing and developing key measures or metrics.
- Leaders of temporary innovation teams (skunkworks, innovation project teams) have the responsibility to work with their executive sponsor to define the objectives, staffing, budgeting and to establish the correct outcomes and metrics.

When we asked a question in our survey about who is responsible for establishing and conveying innovation governance, the responses we received were as diverse as the list above:



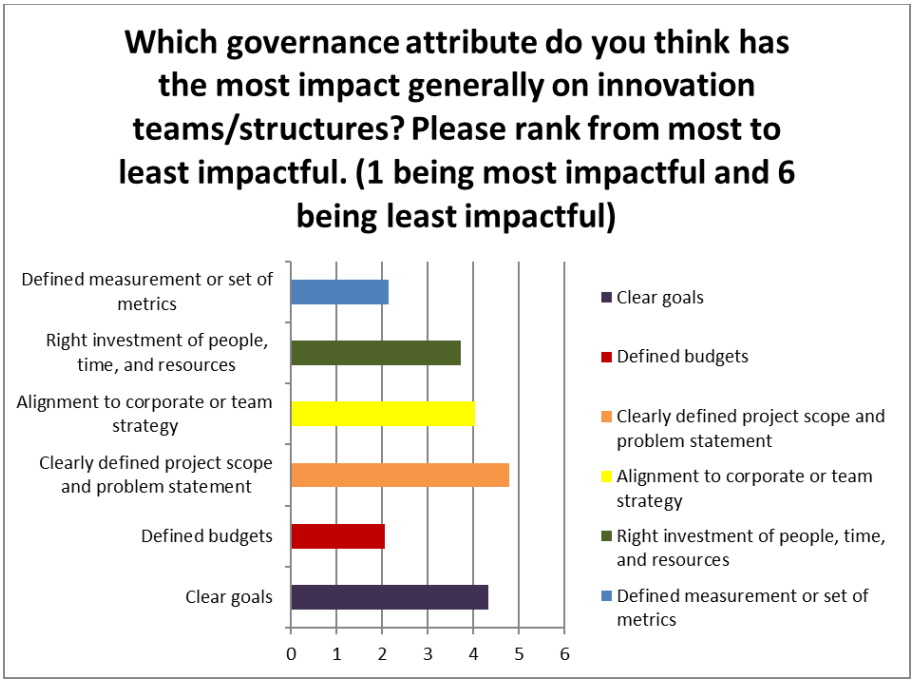

You'll note that the most common response is that governance is dictated at the division or business unit level. The next most frequent response is that governance is set at the enterprise level. Over 20% of respondents indicated that innovation governance is "not well defined in our

organization". The evidence suggests that innovation governance, while important, is highly diffused. Few organizations provide clarity about what innovation governance is, and worse, where governance models should be established.

As you can see, innovation governance is difficult because the teams and their activities are diverse and highly distributed. Some teams and activities are permanent and work in a defined function for an executive. Other teams work on short term projects sponsored by a business unit lead. These teams and activities can be underway, simultaneously, in different sections of the business, and focused on very different challenges with varied anticipated outcomes. It would be difficult if not impossible for any individual to control the methods, investments, staffing and metrics across all these likely concurrent activities. Yet each activity must have good governance, otherwise the work or outcomes will suffer.

**Which attributes have the most impact?**

Based on our definition of innovation governance attributes, we felt it would be interesting to understand which attributes the respondents felt provide the most impact to innovation. The respondents were encouraged to rank the list of attributes from 1 – most impact to 6 – least impact.
The results were interesting:

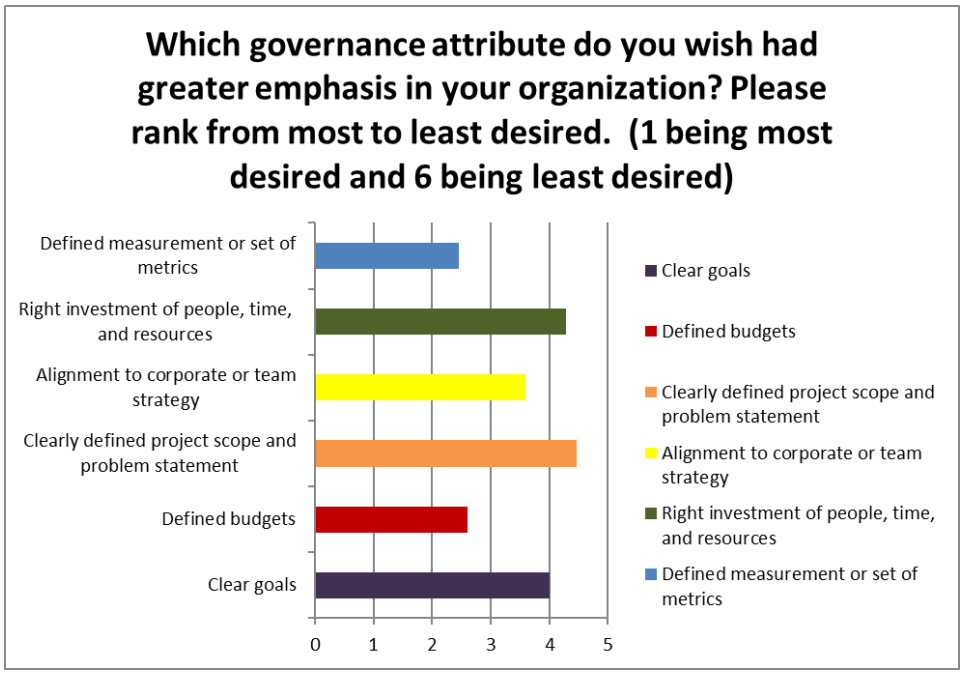



The two governance attributes that respondents felt had the most impact on innovation are clearly defined measures or metrics and defined budgets. In other words, how well a project is

measured and how funds or budgets are provided seem to have the biggest impact. Conversely, the attributes ranked lowest in impact were clearly defined project scope and clear goals. Somewhere in the middle are alignment to corporate or team strategy and the right investment of people and resources.

From a governance perspective, the research indicates that carefully considering the way innovation projects will be measured and tracking metrics and defining the necessary budgets beforehand will have the most impact on innovation success. This indicates that careful planning and reasonable funding before beginning an innovation activity are what most people believe will have the most impact.

When we asked the survey respondents which attribute they wish received greater emphasis in their company (again ranking on a 1 to 6 scale), the results were similar.




Again, it appears from this research that defining how projects are measured or the important metrics associated with an innovation activity, and carefully thinking through funding and budgets is vital to success. These two items are probably ranked most important because 1) many innovation projects have unrealistic metrics for success or no metrics at all, making them hard to evaluate after the fact and 2) many innovation projects lack good budgeting and funding at the outset, and the scope of work often increases during the innovation activity.

INNOVATION RESEARCH INTERCHANGE

*Accelerating Value Creation*

## Simplifying complexity

Innovation structure and governance can seem exceptionally complex. After all, there's likely several concurrent innovation teams or activities, and each may require different structures, management and governance. When executive attention is valuable and very limited, trying to effectively govern all these structures and teams may seem daunting. It doesn't have to be.

When you stop and realize that the differences between these structures and teams can be clarified using seven or eight questions, and those questions are easily answered, what was potentially complex can become much simpler. Now, we aren't going to suggest that finding the right person or team to lead or conduct a disruptive innovation activity in a skunkworks project is easy but understanding the key questions to frame the discussions and definition of the activity is a huge step forward.

## Improving innovation structure and governance

First, corporations and executives must admit that multiple, concurrent innovation activities and teams will exist simultaneously. Corporations need more innovation, more regularly, across all their product lines and should be actively engaged in creating new products or services as well. Once we accept that hypothesis, then the idea of establishing the best structures and governance to improve the opportunity for success becomes a no-brainer. Developing better structures and governance should be a no-brainer because more innovation is vital, but the resources and investment, as well as management attention, will remain limited. Thus, structure and governance are mechanisms to ensure that every dollar is spent in the best possible way. Each innovation activity is a bet on the future of the business, and each requires the right oversight, scope and funding to provide the best chance for success.

Executives and innovation leaders can do a much better job defining the appropriate innovation teams and structures through the questions we've posed below. Asked and answered, the questions provide information about the type of structure, the nature of the people and staffing required, and some sense of timeline and outcomes. This data provides insight into necessary budgets, and whether those budgets are one time or recurring. Further, understanding the goals, timeline and expected outcomes can also help define the team's measures and metrics, making it easier to determine if the structure or team fulfilled their responsibilities effectively.

## Defining the best structures and governance

From our experience, working with companies, governments, national research labs and universities for over 50 years, we've identified eight key questions to ask to help define the nature and structure of innovation organizations or teams. Answering these questions in context of a specific need, opportunity or external relationship will help dictate the kind of governance, staffing, budgets, and metrics that are important for each type of structure.

*Questions*

1. ***What is the desired goal of innovation in each instance?*** Some innovation structures or teams have very incremental goals. Project teams are often formed to introduce small changes (incremental innovation) to existing products. Other teams may be formed to conduct more radical or disruptive innovation, seeking to introduce completely new products into an existing market or to introduce "new to the world" products and services. In this definition we are using the three horizons model (incremental, breakthrough and disruptive) to define the desired goals.

   Most teams and structures formed to conduct innovation work will be focused on incremental change to existing products, because the preponderance of innovation work is focused on incremental innovation. Other teams will focus on disruptive innovation, exploring potential futures and conceiving products and services that aren't currently being delivered today. Typically, there are fewer disruptive projects than incremental projects but disruptive projects require more robust governance because the risks are much larger. Teams focused on incremental change and teams focused on disruptive change have very different goals, timelines, risk profiles, staffing and funding needs.

2. ***What "type" of outcome do you desire from the innovation work?*** Here we are relying on Doblin's Ten Types model, defining innovation outcomes that range from products to services to channel innovation, service innovation, experience innovation and business model innovation. Teams and structures that are responsible for product innovation are more easily defined and governed, because the work is familiar and addresses existing customers and needs, while teams that seek new ideas to change or introduce new business models are more disruptive to existing business models and operations. As the nature of the intended innovation outcome changes, governance and staffing needs, risk profiles and other factors may change. Better structures and governance become more important as the "type" of innovation outcome shifts from product to something else (service, channel, business model, experience).

3. ***For each innovation activity, how much central oversight or control should be provided?*** Many companies have a central innovation function, but the roles and responsibilities differ based on a centralized or decentralized model. Innovation is centralized in some companies and controlled in a small group – often R&D – and closely monitored. In other organizations innovation is very decentralized, conducted in a wide range of product groups and business functions. Clearly the structures and governance will differ based on how centralized or decentralized the innovation activity is.

4. ***Does a specific innovation team or function own or facilitate innovation?*** Some innovation teams exist to provide training, tools, methods and a common innovation

process to other innovation teams or functions. These centralized teams reinforce a common methodology, approach and language, but don't necessarily lead innovation tasks. They serve as a central clearing house for other innovation teams. Defining the role of each team as innovation owner or facilitator helps define structure, governance, responsibilities and measures.

5. ***Should the innovation team consider internal and/or external ideas, technologies or partners?*** Innovation activities or teams that are solely internally focused, generating ideas and leveraging internal intellectual property have different structures and governance than teams that have some or most of their activity engaged with external ideas, technologies or partners. The governance models are very different and consider a different range of factors as you introduce external or open innovation into your innovation program.

6. ***Is the team or activity permanent or temporary?*** Most innovation activities are project-based. Teams form around an idea or a problem and generate solutions, eventually recommending a course of action to a senior leader. Often these innovation project teams will disband after completing their innovation task. Other innovation teams have longevity or are permanent teams. Those include many teams focused on developing third party partnerships (open innovation) and centralized innovation functions. Governance, staffing and budgeting concerns are very different if the team is a permanent team or one built for just one activity or project.

7. ***What is the "role" of the team?*** Different innovation activities call for different roles and responsibilities. Teams working on new or disruptive innovation may conduct a significant amount of research and idea generation, while corporate venturing teams may examine and vet external or internal intellectual property or teams. Other innovation teams may vet third party technologies to test or pilot. Teams focused on generating and validating ideas internally will have different structures and responsibilities than teams focused on piloting third party technologies.

8. ***What innovation role does R&D have?*** The R&D team often plays a substantial role in innovation, developing or identifying new technologies that can add more value or create greater differentiation to existing products or create entirely new products. Depending on how innovation is defined and how the responsibilities are allocated, R&D may play an important role in innovation, but we typically find that the innovation need is broader than this role. Innovation can occur in services, experiences and business models, which are typically outside the domain of R&D. So, while R&D may play an important role in innovation, they cannot be the only innovation team or structure in a business.

Once these questions are asked and answered about each innovation team or activity, you can begin to define the appropriate structure and turn your attention to governance.

## Governance questions

As with structure, we've generated a short set of questions to help define and frame the appropriate governance for any innovation activity.

1. Strategic Alignment – how well does the innovation activity align to strategic or business unit strategies and goals? Is the team pursuing ideas that align to the strategic goals of the business?
2. Scope and goals – are activities scoped effectively so the team understands the opportunity space and any constraints? Are the expected outcomes clear?
3. Budgets and funding – Where do the funds come from to support innovation activities? Does the team have adequate funding to complete the tasks associated with innovation? Who controls those funds? Are they dependent on milestones or deliverables?
4. Resources – people, time commitments, physical assets – does the team have the right people to do the work, do they have enough time, and do they have access to the necessary equipment, data, etc?
5. Measures and metrics – does the team have measures and metrics that are appropriate for innovation work?
6. Reporting and oversight – who does the innovation team or activity report to? How often do they report their progress and results? Who has oversight of their work?

## Conclusion

If we accept that important existing products should be continually improved (incremental innovation) and some innovation work should be conducted to discover new products and services (disruptive innovation) and to find or scout for new technologies or products (open innovation), while other functions within the business sponsor nascent internal or external teams (incubators/accelerators) while the research and development team conducts its own internal research, and executives responsible for customer experience and channels experiment with new solutions, you can see that it is almost inevitable that larger companies will have multiple concurrent innovation activities underway.

These activities will have different operating structures, expected outcomes, and governance models. The diversity and disparity of the innovation activities makes it difficult to create a common innovation framework or to determine who is responsible for defining and improving innovation structures and governance models. It's likely that there isn't one answer, but a series of answers based on the type of work, expected outcomes, relationship with external organizations, and other factors.

What's most important to understand is 1) there are and should be multiple innovation activities underway 2) they should operate differently and have different organizational structures that align with their tasks and goals 3) they should have a well-defined governance model that 4)

provides context and scope for their work, assures appropriate funding and staffing and ensures the work can be measured quantitatively.

Since funding for innovation (in terms of time, resources and investments) is often limited, doing the best work possible under these constraints is paramount. This means that companies need to consider how to get the most benefit for their limited investments, and they can do so through good planning, building the right teams and structures, and carefully considering the oversight and governance of each team or activity.

*For further information, please contact Lee Green, IRI at green@iriweb.org or Jeffrey Phillips at innovateonpurpose@gmail.com.*