Innovation Allies: The CFO

by Bill Poston

Successfully transforming the way a company delivers results from innovation is a complex undertaking that requires a coalition of executives. The Chief Innovation Officer needs allies, and the Chief Financial Officer is key. The office of the CFO might be the first one you should visit in your early effort at building commitment to the task.

The CFO is responsible for the allocation of corporate capital to those investments that produce the highest returns for shareholders. Deciding to invest in innovation means making a decision not to invest in something else, like production capacity, acquisitions, and geographic expansion. It is the Chief Innovation Officer’s job to generate superior returns on the capital invested in innovation and they should be willing to accept the accountability to do just that.

Speaking the CFO’s language will help make the case for increased investment in innovation capability, capacity and development programs. Too many people in R&D take their budget for granted. I met with an innovation executive last week who was quite proud of the fact that his annual budget had just recently crossed the billion dollar mark. He was taken aback when I asked how he knew that was the proper amount for the company to be spending on the function. Maybe cutting his budget in half would produce superior corporate returns. Maybe doubling it would be the best thing for the company.

The Chief Innovation Officer should be able to make the case that there are initiatives beyond the organization’s capacity and current budget that will produce risk-adjusted returns that are higher than alternatives. Corporate budget requests are often double the available capital. The CFO’s job is to maximize returns. Managed properly, innovation can be a lucrative place to invest capital. Getting the CFO on board with that idea will make the Chief Innovation Officer’s job a lot easier.

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Originally published on www.thechiefinnovationofficer.com

Originally published on May 18th, 2015

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For the past 30 years, Bill has helped executives in technology-driven industries transform their competencies to deliver results. He is a highly regarded consultant, speaker, and writer on the topics of innovation strategy, product development, portfolio management, technology commercialization, and the software systems that enable innovation. Keep up with Bill's latest research and thoughts on innovation and the rising role of the Chief Innovation Officer at www.TheChiefInnovationOfficer.com.