Stop Giving Innovation Preferential Treatment (Part 1)

It’s time to tighten the reins on your company’s innovation function

by Amber Lyons and Sean Klein

Corporations are incredibly efficient at managing traditional business functions and scouring them for any remaining signs of waste. Manufacturing lines are expected to be statistically free of defective parts. Supply chain logistics and tracking are tighter than ever before with data-driven forecasting and inventory management. Sales forces are expected to close 40 percent of the time and deliver 115 percent of revenue goals each period. Call centers are optimized to complete 400 calls per hour with 90 percent of issues resolved within the first 20 seconds. Finance managers scrutinize profit and loss statements, and you better believe that Human Resources tracks sick days.

With such clear expectations and accountabilities around the performance and optimization of other business functions, how is it that we do not set the same standard for investment in innovation? The truth is, in Fortune 500 companies innovation is largely unmanaged and mostly unmeasured. For us to hold core business functions accountable for their performance and not expect the same from the innovation engine is unacceptable. Innovation is the last big unmanaged business function, and those that refuse to move beyond the impromptu approach to innovation will find it increasingly difficult to compete. If large companies are to remain relevant, they need clear accountabilities and performance metrics for innovation.

Establish formal accountability for innovation results

Often the most visible differentiator between innovation and other business functions is the absence of a formal leader responsible for performance. Research shows that having a leader who is formally accountable for innovation dramatically improves a company’s innovation success rate. Unfortunately, according to a recent innovation leadership survey conducted by Capgemini Consulting, only 43 percent of companies surveyed had such a position. Worse over, only 16 percent of those companies had a formal organizational structure for innovation. While we’re not saying that all companies need someone with the title of Chief Innovation Officer, due to the cross-functional nature of innovation, it is important that you hold a single individual accountable for results from innovation. These individuals should likely report directly to the CEO.

By establishing a leadership role that is accountable for innovation results, you send a strong message to shareholders that you are serious about driving growth from innovation. Show your investors that innovation means more to you than annual report rhetoric, by treating innovation as its own business function with accountability for its results.

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