Great Ideas Are Not Enough
Championing Innovation Governance

It is commonly believed that the most innovative companies hire the brightest minds and invest in fancy workplace environments where out-of-the-box thinking leads to successful new products and services. While there may be places where this is true, few companies are able to consistently execute on this strategy and lead their industry with sustainable innovation.

Sure, great ideas may kickoff the innovation process, but great ideas alone don’t guarantee innovation. What really makes companies sustain success in innovation is their ability to trigger and maintain a cycle of innovation by:

1. identifying good ideas
2. investing in the most promising projects and supporting them through launch and beyond
3. incorporating learnings – from successes and failures – back into the innovation process to get better at identifying the right projects and allocating investment

This cycle of innovation is only possible if a consistent innovation governance structure is in place, including an overall strategy, accountability, decision-making processes and good communication practices, all designed for effective management of the innovation project portfolio. Without good innovation governance in place, many companies lose valuable time, money and energy because efforts and resources are directed towards the wrong projects, creating an ever-widening gap between innovation goals and financial performance.

Here are some practices that can help ensure the right people, behaviors, processes and tools are in place to make smarter innovation project portfolio decisions.

Four Components of Successful Governance Rules and Habits

A few key practices can help any company lay the foundation of a simple and actionable innovation governance structure or improve the one they already have. The first and most important step is to make sure the innovation project portfolio is aligned with the overall business strategy. Once this step is complete, focus must be put on setting ownership for action with clear roles and responsibilities for managing the change, putting in place the right decision-making processes and broadly communicating the new ways of working within the governance model.
Innovation strategy: set a direction

Identify any issues or gaps between the innovation project portfolio objectives and the business strategy. If necessary, redefine an innovation strategy that better aligns with business goals. Through gate and portfolio decisions, recalibrate business and innovation goals to ensure that resources and capabilities are directed towards building the ideal innovation portfolio and pipeline. Any decision relating to the innovation strategy must be made with executive support and must then be communicated at all levels of the organization, particularly to development teams. Clear innovation strategy sets the direction for the organization and creates guidelines for innovation management as well as project and portfolio decisions.

Ownership, roles & responsibilities: set accountability

Appoint owners of innovation governance (an innovation ‘government’) to set accountability for change and ultimately improve the success of innovation initiatives. Critical roles and responsibilities include identification of new opportunities, promotion of new tools and ways of working, safeguarding of independent funding for innovation initiatives, and definition of clear gate (i.e., project-level) and portfolio decision-making rights and rules. Although there may be one leader (for instance the Chief Innovation Officer), ownership of this governance effort needs to be broad, cross-functional, and must involve the highest level of management to be successful.
Decision-making processes: set the rules of the game

The power to make decisions on projects and portfolios can be delegated to functional leaders as long as a mechanism is in place that enforces the use of facts and decreases the influence of subjective views or emotions. Invite a third-party to key decision meetings if the decision-making process is broken because of personalities and egos. (Read more about this in Adam Elboim’s Viewpoint on You May Need a Stranger on Your Portfolio Review Committee). Additionally, because the base of all good decisions is high quality and easily accessible data, the right processes and tools must be established to provide decision-makers with the best information available. For instance, Portfolio and Pipeline Management processes and tools help gather project-level data, analyze it and convert it into portfolio-level data that is tremendously helpful when making decisions about which idea, concept or project to select.

Communication: spread the news

Broadly communicate project gate and portfolio decisions along with explanations, as well as results from recently launched products or services. Report to the project team first, then to the innovation team. Improving the ratio of good vs. bad decisions is a learning process – it is possible to improve this ratio over time, but it is a journey. Consider sharing successes and failures with the entire organization – learning from both can foster and nurture an innovative culture.

Better Decision-making Leads to a More Innovative Culture over Time

Companies that are the most successful at innovation have reached the equilibrium between unimpeded creativity and pragmatic dedication. Most of them do this by constraining themselves to a set of rigorous innovation governance mechanisms that help them make the right choices and follow-through, while identifying the wrong choices as early as possible. By implementing these governance tools which help them focus on enabling objective decisions and making them as transparent to the organization as possible, companies learn from their mistakes and eventually get better at making the ‘right’ choices.

Improving innovation governance is a practical step that facilitates the birth of a more innovative culture in an organization, improving employees’ motivation and making them less risk-averse. With more open-minded managers who welcome unsolicited new ideas and encourage them, ideas will proliferate and future decisions will be easier to make. Governance is the discipline the most innovative companies use to ‘farm’ innovation. Starting with a mindset that encourages the birth of plenty of great ideas, apply a rigorous approach to identify, improve and nurture those ideas for sustainable success.