



Excellence, Innovation and the Board

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Excellence and innovation can mean different things to different people, but they are generally regarded as desirable. They are often championed as essential for business survival in fashion industries and dynamic and competitive markets. Queues can form on the day of release of a latest offering, while consumers with yesterday's model may suffer a loss of face. In other contexts and for other customers a new version might be seen as unnecessary and a ploy to make more money.

Companies that failed to achieve what customers consider are minimum standards of excellence may no longer be competitive. But how far should one go beyond what is necessary to remain in a game and be perceived by priority sales and marketing targets as superior to available alternatives?

While an executive conference speech may not be regarded as complete without some reference to innovation, what ultimately matters is what represents value to customers.

Directors should endeavour to be objective and dispassionate. They should ensure that excellence and innovation are affordable, appropriate and relevant. There may be vested interests in favour of change for the sake of change. Some changes may be different rather than better. If they are not perceived as relevant, customers may be reluctant to pay for them. Not every innovation is visible, a differentiator and a source of competitive advantage.

Important and Difficult Choices

Both excellence and innovation can present challenges for companies and their boards. Being "excellent at everything" can lead to gold plating and offerings that become unaffordable. Change can also be unsettling. What some might regard as beneficial could be unwelcome to others. Loyal customers with a strong attachment to previous features may be alienated by additional options that make an offering more difficult to use.

In certain contexts, innovation may be difficult and expensive to achieve. It might impose costs as well as deliver benefits. Both may be uncertain. Giving a red or green light, or postponing a decision to

change, might all incur risks. A board may need to take a hard look at its capacity to make judgements on proposed changes, whether these are incremental improvements or innovative transformations. New screening criteria may need to be introduced, along with new ways of mitigating risks associated with innovation.

Boards can face difficult choices in relation to whether or not further development is required, prioritising proposed changes and their timing. No-one likes to miss the boat when a technological breakthrough or paradigm shift occurs, but at the same time premature exposure and resulting failure may be feared. On occasion, the stakes may be very high and missing the wave and/or an opportunity to secure first mover advantage might lead to the demise of a business.

Visionary Boardroom Leadership and Responsible Innovation

One is sometimes tempted to associate visionary business leadership with change, and especially change of a radical and transformational variety. Simplifying and making an existing offering available more quickly and cheaper does not seem as exciting as introducing a new technology, but such steps might lead to rapid sales growth. The governance challenge may be to sift an expanding range of possibilities and determine what role to play in an era of disruptive technologies, emerging markets and new business models.

Maybe the vision required relates to the organisation, operations, relationships and governance that best ensure an entity and its offerings remain relevant, vital and competitive. How innovation is handled and how to determine the areas in which a company needs to excel could form significant elements of a governance vision. Established criteria for excellence and innovation may need to be regularly reviewed in response to disruptions, changing expectations and sustainability and other requirements. Thought might need to be given to how a more diverse board and independent directors could contribute to decision making.

A board's approach to innovation should not be unnecessarily gung-ho or overly defensive. Disruptive innovation should be neither feared

nor necessarily embraced without due diligence and consideration of implications and consequences. Directors should contribute the balanced, strategic and holistic perspective which enthusiasts putting forward a proposal may lack. They should provide oversight and ensure that stakeholders have been engaged and properly consulted and ethical and sustainability issues are addressed.

Business Excellence and the Boardroom

Some companies put a higher priority upon business excellence and excellence models than others. Whether or not they are viewed as a passing or passed fad, or as still relevant can depend upon how they have been applied and have evolved. If a board is being asked to devote effort to driving business excellence through an organisation, directors should ask themselves why this is the case. People in the front-line often quickly adopt whatever makes it easier for them to excel in their roles. They may also resist initiatives that distract, are burdensome, or are perceived as not adding value.

An approach should not be retained because it provides work for middle managers, compliance officers and producers of management reports. Are sustainability considerations taken into account? Top down approaches may need to be replaced by greater emphasis upon supporting people, enabling them to be creative and to excel at what is important, and helping them to responsibly innovate and be entrepreneurial. Unnecessary initiatives should be cut out.

The focus should be upon high performance and value creation from a strategic and customer perspective. Those closest to customers may be in the best position to judge what new developments might be welcomed by them. How might the perspectives of customers, suppliers, employees and business partners be best represented around a boardroom table? What about consultation exercises, advisory panels, particular directors taking special responsibility for their interests or nominee directors?

Innovation Governance

Responsible delegation and greater freedom may release energy and creativity. Governance considerations could include rules of engagement for discussion with stakeholders that address issues of commercial confidentiality. Where there are various possibilities, outcomes are unknown, innovation can have a significant impact and vulnerable people may be affected, boards need to ensure that corporate values and ethical guidance are up-to-date, applicable and observed. A board's moral compass may need to be realigned in the light of particular options and breakthroughs.

Thought may also need to be given to how best to evaluate possible applications of disruptive and digital technologies, assess their implications and generate new options. Who needs to be involved, whether from different functions, customers and partner organisations? Innovation governance and how such activities and questions are handled could become a source of differentiation and a route to competitive advantage. Cross-functional and inter-organisational collaboration may be needed to exploit the full potential of discoveries and new possibilities.

Governance Challenges

Digital developments are transforming the nature and structure of organisations, enabling new business models and supporting new

forms of exchange such as the sharing economy. Businesses can grow rapidly and expand globally, while employing relatively few people and needing far fewer assets and less capital than a traditional business of equivalent reach. Governance arrangements may struggle to keep up with the pace of expansion as a business spreads rather like a virus as people share their experiences and alert each other by social media and through their mobile devices. A business model and strategy set out in last year's Annual Report may no longer apply.

Care needs to be taken to ensure that a traditional approach to corporate governance, compliance and risk management does not stifle creativity and innovation. Legislation and regulation can also create barriers, especially when those responsible for them do not have the resources and inclination to stay up to date. Some risk averse boards and those who advise them are reluctant to move into new areas that are unregulated. By the time the legislative and regulatory framework has caught up with the activities of pioneers, the market may have moved on and there may be slim pickings for those who follow. Risk appetites may need to be reviewed.

A fundamental question for many boards is whether to only adopt innovations that match existing policies, strategies, values, cultures and capabilities, or whether to review these in the light of opportunities created by disruptive innovations. Returning to the issue of visionary leadership, should it be innovation led or values led? Should one squeeze out as much as is technically possible when innovating and adapt ones positioning to suit, or hold back because of inclusiveness issues, ethical questions or sustainability concerns? Might the governance challenge sometimes be when to say "no" to innovation? What are the consequences of such decisions for economic growth?

Excellence and Innovation

What represents excellence or a world class organisation may need to be seen through an innovation lens. It should also take account of customer requirements and market conditions which can vary greatly in different circumstances and locations. In some places customers may not be able to pay for output to be of the highest international standard. Offering it at an affordable price as a result of cross-subsidies could give rise to allegations of dumping and protectionism. Where affordability is an issue and talent is in short supply might excellence in innovation be about openness and speed of development and adoption of new insights and ideas from various sources with the people one has?

Excellence in innovation can require creativity, flexibility and a degree of ruthless pragmatism. Exit routes, being able to pull out and move on, a willingness to quickly trash, change direction and replace with something better may be more important than past concerns such as putting down deep roots and building upon firm foundations. Excellence is sometimes too concerned with improving, enhancing or developing an existing approach rather than searching for and adopting better alternatives. Can those who are continually learning, exploring and on the move with a mutating business model ever have time to be as excellent as one could be at a particular operation?

Should innovation be a distinct process or should it be a feature of all processes? How does one ensure that developments in different areas are compatible and aligned? Some aspects of a corporate culture may be more conducive of innovation than others. Was this considered

when a culture change programme was introduced? Should all corporate initiatives and major projects be reviewed to assess the extent to which they foster or inhibit creativity and might help or hinder innovation? Should various groups be allowed to operate differently according to the innovations they pursue?

Wider Implications

When disruptive innovations occur, public bodies and policies may also struggle to keep pace with developments. There might be new winners and losers. Unregulated activities and ways of creating, exchanging and sharing value that are not taxed may grow at the expense of traditional activities that are both regulated and taxed. Innovations can create new opportunities for criminals who may be quicker to exploit them than less flexible and more constrained law and order agencies. While some developments might increase the power of the state, others could redistribute power and allow people, organisations, know-how and money to be more mobile.

In the wider economy, innovation can be a key to productivity improvement and economic growth. It can create new jobs and destroy existing ones. Some developments open up new arenas for widespread entrepreneurship and disperse power, while others have allowed early adopters to quickly establish a large degree of control of new areas of opportunity and enabled massive concentration of new wealth in a few hands. Individuals have been empowered and new opportunities for co-creation with customers have been created. Education systems and industrial strategies have struggled to keep pace with new requirements.

Telecommunications developments have enabled concentration, clustering and dispersal. They have increased the appeal of cities, while at the same time enabling people to work in rural areas and offshore and in multiple locations and on the move. Some find it easier to handle contending forces and manage contradictions than others. Investors and family business owners may differ in their views on priorities and how to proceed. New alliances and collaborations may be required between those who can create ideas and those who are better able to deploy them. Traditional sources of finance face competition from crowd-funding and other sources.

Sharing Insights on How Best to Proceed

Many of these issues will be explored at the 2017 Dubai Global Convention on Business Excellence and Innovation. Business leaders

will have an opportunity to discuss the contemporary relevance and role of excellence and innovation in an era of disruptive technologies. Excellence and being seen to excel remains as aspiration for many. Innovation is happening around us, whether or not it is instigated by us. Many directors have opportunities to simultaneously react to the innovations of others while also unleashing and channeling creativity and initiating and/or managing innovation.

How valid are concepts such as vision, mission, values, goals, objectives and strategy and practices such as monthly board meetings and annual reporting in uncertain contexts where change is relentless and intervals between period reinventions are dramatically shortening? Will we need different forms of them for different sectors, segments and opportunities? Will there be a continuing requirement for many established companies and institutions in their current form? What new forms of market, business model, organisation, ownership, governance, patterns of work, control, collaboration, co-creation of value and conflict resolution might emerge?

Many directors, companies and family businesses will face new challenges. Established strengths may become weaknesses. Within boards, old alliances may dissolve and new divisions may emerge. The number of options, choices and issues to be faced may require new ways of operating as a director. The nature of the directorial role, performance criteria, how disagreements are handled and what is reasonable to expect may have to change. New mechanisms may require new people, new forms of ad hoc relationship and a different division of responsibilities. When so much is uncertain, planning and succession become problematic. Many solutions may turn out to be a temporary fix.

Such challenges represent but one side of what will be discussed in Dubai. The other is the many opportunities that innovation can create. Innovation is required to address many of the most pressing problems facing mankind. The decisions of directors, boards and entrepreneurs will determine whether or not they are successfully tackled, whether innovations help us or harm us, and the nature of our future. In this sense, every director is in the front line. Individually and collectively directors will be judged by where they choose to excel and how they handle innovation. ■

Quotes

Internet of things (IoT)

- We are at a cusp of technology revolution. IoT is a world, where things are connected and are able to share data. The invaluable insights enabled by harnessing and analysing the data from these connected devices.
- When you breakdown the IoT stack, the 4 components are:
 1. Devices – windows 10
 2. Connectivity
 3. Data storage – cloud
 4. Analytics and visualisation.