

Venture Boards for Strategic Innovation

A model for enterprise strategic innovation management

For many organizations, structuring, managing and measuring innovation can be one of the firm's greatest challenges. Establishing governing processes for conventional functions is straightforward when compared to organizing for innovation and growth.

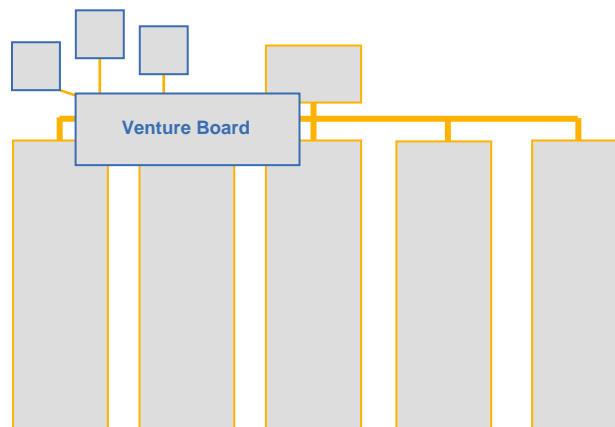
With the movement toward "open innovation", many senior leaders now recognize that in order to drive innovation and growth, entirely new strategies and approaches are required – not just market-driven strategies but organizational strategies. Even with such an appreciation for innovation however, a big question often remains: how do you formalize an organizational capability for identifying, evaluating, selecting and commercializing the most promising opportunities for the company?

Organizations such as Procter & Gamble, Johnson & Johnson, Nokia, and Kimberly-Clark have established formal advisory boards focused on bringing external perspectives inside, which ultimately drive innovation and guide strategic investments. Unlike a traditional advisory panel that provides industry and market-related advice, Venture Boards pull together the best thinking from both inside and outside the firm, all within a flexible structure that focuses on a single goal – to discover, evaluate and drive enterprise growth opportunities.

Venture board membership typically includes the CEO and executive leadership from the company's business units, as well as 3-4 external thought leaders. The internal members define selection criteria for choosing the external members, define the portfolio of opportunities to review, and make final go/no-go decisions on strategic investments.

External board members are selected based on their market or technical knowledge, and network of industry relationships that can support potential opportunities. Former CEO's, retired executives, leaders of non-competing companies, venture capitalists, and consultants can all make ideal members. External members infuse outside perspective into the board by suggesting additional opportunity areas to explore, providing opinions and advice about the portfolio and proposed investments, and by making introductions to outside contacts to advance specific opportunities.

The following figure illustrates a common venture board model.



To establish a venture board, executive leadership must define a charter and goals specific to the organization. External members are then recruited and oriented to the company, portfolio, and venture board process. Meetings are usually held quarterly, with defined activities that support specific projects or opportunities occurring between meetings. External board members commit to one-year terms, which allow for rotations of seats based on the evolving focus and needs of the business.

Case in point

Kimberly-Clark formed a venture board to drive portfolio investments to support the company's desired future direction. The venture board provides a vehicle for informed exploration of emerging opportunities areas and a format for collectively managing the risk associated with investments in new categories and "white space" opportunities.

About InnovationPoint

InnovationPoint is a non-traditional consulting firm that helps its Fortune 1000 clients take a strategic approach to innovation. InnovationPoint blends traditional and unconventional methodologies to identify breakthrough opportunities, develop growth strategies and consumer-inspired new products, and to align organizational strategy and design in a way that supports sustainable innovation. InnovationPoint's clients include: PepsiCo, Frito-Lay, Dean Foods, Kimberly-Clark, Cisco, Agilent, Hewlett-Packard, Colgate-Palmolive, Hill's Pet Nutrition, Schwab, Visa, JP Morgan/Chase, Mayo Clinic, Alegant Health, Kaiser, Medtronic, Tekes (Finland), Hoffmann-LaRoche (Switzerland), Philips (Netherlands).