Business excellence and innovation usually have positive connotations. They are generally regarded as desirable. However, they can take many forms. They may involve costs as well as benefits and can mean different things to different people. Innovation could mean the end of an existing business or the creation of a new one (Christensen, 1997). Directors have to decide how far to go with each. Is there a point at which excellence become unaffordable and an innovation becomes a step too far?

Does how excellence is viewed and the importance, urgency and nature of innovation depend upon the context in which a business operates and its appetite to risk? In fashion industries and dynamic and competitive markets they are often championed as essential for business survival. People may queue to acquire the latest offering and avoid association with yesterday's model. In other contexts, some customers may regard a new version as unnecessary and a ploy to make more money.

One may need to achieve certain minimum standards to remain in a game and be competitive. More of some aspects may be required to be perceived by sales and marketing targets as superior to available alternatives. Innovation may also be a route to breaking free, wrong footing competitors and becoming the first player in a new game. How does one establish excellence and innovation policies and ensure that intended changes will represent value to customers?

Innovation and disruptive technologies can be a challenge for some and an opportunity for others (Stuchtey et al, 2016). Directors should aspire to be open-minded, objective and dispassionate. They may also be expected to be both entrepreneurial and prudent. How can they best ensure that excellence and innovation are affordable, appropriate and relevant? There may be vested interests in favour of change for the sake of change. How does one recognise and address them?

Who needs to be involved in the discussion, prioritisation and timing of possible changes? Some of them may be different rather than better. When does a change become an innovation? Does the latter require a different treatment by the board? If changes and innovations are not perceived as relevant and significant, customers may be reluctant to pay for them. Not every change or innovation is visible, a differentiator and a source of competitive advantage.
Boardroom Leadership and Difficult Choices

In disruptive times, do we need to review what we mean by business excellence and how we set out to achieve it? Is what represents excellence in a changing situation a question for negotiation with customers and co-creation in the time available? How do boards ensure that innovation is not pursued for its own sake, but that developments are relevant to customer requirements and aspirations, and contribute to ethical, responsible, inclusive and sustainable growth? Is innovation driven by the jobs customers want done and what a company could do to help them (Christensen et al, 2016)? How should stakeholders be involved when there are choices to be made?

Excellence and innovation can present challenges for corporate boards. A balance has to be struck between diversity and focus. Being “excellent at everything” can lead to gold plating and unaffordable offerings. Change can also often be unsettling. What some regard as beneficial might be unwelcome to others. Loyal customers may be alienated by additional features that make an offering more difficult to use. The redesign of a hotel room may make them feel strangers.

Openness to new ideas and a willingness to explore opportunities to improve, can be essential for remaining relevant and competitive (Catmull and Wallace, 2014). However, reactions to innovations and whether or not they are purchased and/or recommended are not always easy to predict. How does one assess the likely take up of something that does not exist? What eventually emerges may be very different from the hypothetical offering considered by focus groups. Many people like to experience the reality of an offering before deciding to adopt it.

Innovation is more difficult and expensive to achieve, and takes longer to implement, in some contexts than others. It can involve and impose significant costs as well as deliver benefits. Costs, benefits, impacts, implications, dependencies, reactions and risks can all be difficult to determine. What steps can boards take to ensure that the decisions they take are reasonable and responsible in the circumstances? Given the uncertainty how should such decisions be reported? Should greater use be made of confidence accounting to portray a range of possible outcomes and convey risk?

Many directors are really on the hook when faced with particular decisions of whether or not to innovate. 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 innovatory step changes. Are new screening criteria required, along with new ways of mitigating the risks associated with innovation?

After a green light has been given, when and how should a board be subsequently be involved? How does one report and monitor progress in relation to creativity and activities in an area in which there may be limited experience and few if any precedents, and analogies might be misleading? Should more attention be paid to the placement of review points for “stop”, “reassess”, “proceed” or “proceed with caution” decisions in the implementation phase? How should these be undertaken?

Visionary Boardroom Leadership and Responsible Innovation

What do we mean by visionary leadership? Is it more than having a vision, however limited and mundane that vision might be? Should one 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 a rapid expansion of adoption. Could such a vision also be regarded as visionary, for example if others adopt a different approach? Is leadership also about encouraging others to question, challenge and break free of traditional assumptions in order to explore alternative possibilities and develop new options and choices (Coulson-Thomas, 2001)?
The governance challenge for some board is how best to sift a growing range of possibilities and determine the role or roles a business should play in an era of uncertainty, insecurity, disruptive technologies, emerging and new markets, and alternative business models. Whether or not one has a vision, is the courage to have a go and start scoping possible ways of deciding how to move forward rather than wait or sit on the fence, another important leadership quality? Is knowing when to stand back and reflect and where to look for insight and inspiration a further valuable leadership quality?

Should the vision required relate to the form of organisation, operation, relationships and governance that would best ensure an entity and its offerings remain relevant, vital and competitive? How innovation is handled by a board and how best to determine the areas in which a company needs to excel could form a significant element of a governance vision. Do established criteria for excellence and innovation need to be regularly reviewed in response to disruptions, changing expectations and sustainability and other requirements?

Does the membership of a board and leadership team need to be reviewed in the light of pressures, requirements and/or opportunities for innovation? Are existing directors still learning and open to new ideas, or are they constrained by their past experience in a world that no longer exists? How might a more diverse membership and independent directors contribute to decision making?

How should a board approach the question of innovation? Are directors unnecessarily gung-ho or overly defensive? Disruptive innovation should be neither feared nor necessarily embraced without a degree of diligence and consideration of implications and consequences. A board should be able to contribute the balanced, strategic and holistic perspective which enthusiasts putting forward a proposal may lack. A board can provide oversight. It can ensure that stakeholders have been engaged and properly consulted and that ethical and sustainability issues are addressed.

Business Excellence and the Boardroom

Some companies and countries put a higher priority upon “business excellence” and business excellence models than others. How essential are they and in what form in relation to other considerations and priorities? Is excellence just a label that is attached to whatever is thought to be important at the time? Is it an attitude or a belief that individuals, groups and organisations should do as well as they can? Whether or not business excellence is viewed as a passing or passed fad, or as still relevant can depend upon how it has been applied and how it has evolved.

Resources should not be committed without good reason, and not all initiatives that originate from head offices add value. 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 frontline 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 not perceived as helpful.

An approach should not be retained because it provides work for middle managers, compliance officers and producers of management reports. Unnecessary initiatives should be cut out. Should a companies approach to business excellence be reviewed and then either revitalised or canned? Does it give enough attention to sustainability considerations and to innovation and how to achieve it? Are top down single model corporate approaches inhibiting the diversity, discretion and freedoms needed to unleash creativity and active exploration (Coulson-Thomas, 1997)?

The focus of business excellence is sometimes upon perfecting the delivery of an existing business model, at a time when it faces challenge and there are those within an organisation who advocate alternatives. Is there a requirement for ‘new leadership’? Do top down approaches that seek to
enforce conformity need to be replaced by greater emphasis upon supporting people and enabling them to be creative in exploring different options and to excel at what is important to particular targets? It is possible to help people to be or to become responsibly innovative and entrepreneurial while at the same time ensuring compliance (Coulson-Thomas, 2013)?

In some companies, does there need to be a greater focus upon high performance and value creation from a strategic and customer perspective? Those closest to customers may be in the best position to judge which and what new developments might be most welcomed by them. Thought may need to be given to how the perspectives of customers, suppliers, employees and business partners can be best represented around a boardroom table. Should this be done through advisory panels, particular directors taking special responsibility for their interests, or nominee directors (DBEIS, 2016)?

Driving Excellence and Innovation through the Boardroom

Does the role of the board need to be reviewed in relation to the changing nature of business excellence and innovation? What are the implications for what constitutes 'high performance' and desirable behaviours and corporate conduct? Does the membership of the board and how it engages with stakeholders need to be reviewed? Do the independent directors contribute an understanding of the requirements for creativity, the innovation process and how innovation can contribute to the achievement of corporate objectives? Are directors prepared to allow people the freedom to work, learn and create in ways that best enable them to harness their potential (Coulson-Thomas, 1997).

Boards should consider whether governance changes might increase the prospects of responsible innovation. Would responsible delegation and greater freedom release energy and creativity? Governance considerations could include the rules of engagement for discussion with stakeholders when their views might be valuable, but there are also issues of commercial confidentiality. Where there are a range of possibilities and outcomes are unknown, innovation can have a significant impact and vulnerable people may be affected. A board needs to ensure that corporate values and ethical guidance are still applicable and observed. The nature of a particular breakthrough may be sufficient to trigger their review. The moral compass of a board may need to be realigned.

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 itself become a source of differentiation and a route to competitive advantage. Cross-functional and inter-organisational collaboration may be needed to fully exploit the potential of discoveries and explore new possibilities.

When a change is fundamental and an innovation represents a paradigm shift, it can challenge prevailing views and conventional wisdom. It may face initial scepticism and some hostility. It might represent or be seen as a threat to existing capabilities and those in positions of power. It might also trigger self-interested reactions. Many scientific revolutions have been initiated by relative outsiders and for a time opposed by an existing establishment (Kuhn, 1962). It sometimes takes commitment, persistence and time to overcome the status-quo, but securing competitive advantage while an opportunity exists may require a quick response.

Care needs to be taken to ensure that too many board members and other innovation decision makers are not excessively risk averse, resistant to new ideas and generally set in their ways and beliefs. If new or replacement board members are not immediately available, should decisions relating to innovation be delegated to a more open-minded and better informed group? To whom should a board turn to obtain independent advice? How does one distinguish the innovator - or the advocate of an innovation - who is on to something from the one who is deluded? How might the
perspective of future beneficiaries be brought within the decision making process?

Disruptive Innovation in a Digital Economy

Digital developments are transforming the nature and structure of organisations. They are enabling new business models and supporting new forms of exchange such as the sharing economy (Sundararajan, 2016). Do businesses that 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, represent a particular governance challenge? Alternatives to equity finance and stock exchanges are also emerging. Are new governance models required?

Disruptive innovation involving changing technologies is driving the development of new business models, creating new markets and changing the business environment. Coping with change, helping customers to adapt and fostering creativity and disruptive innovation has become a strategic imperative. Many people and organisations still view disruption as unwelcome and as a challenge or threat rather than an opportunity. Does passive acceptance need to be replaced by an active search for advantage and benefit? What mechanisms, processes and ways of operating can best leverage disruptive technologies?

As already mentioned, boards can face difficult choices in relation to prioritising proposed changes, their timing and whether or not further development of an idea or resulting offering is required. No-one likes to miss the boat in relation to a technological breakthrough or paradigm shift, but at the same time directors may fear premature exposure and failure. When the stakes are very high, missing an opportunity to secure first mover advantage might lead to the demise of a business.

When disruptive innovations occur, public bodies and policies can also struggle to keep pace with developments? There may be new winners and losers, a growth of unregulated activities and new ways of sharing, exchanging and generating value that are not taxed. The latter may grow at the expense of traditional activities which are both regulated and taxed. Divisions can be introduced into communities and societies. Migration flows can result. The initial stages of some innovations that eventually prove mainly beneficial can be disruptive for those who pay the price.

Innovation can create new opportunities for criminals and the unscrupulous who may be quicker to exploit them than less flexible and more constrained law and order agencies who struggle to react with counter measures (Coulson-Thomas, 2017). 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. We don't always know where an innovation might lead to. The biggest risks may be borne by those who are complacent, asleep or distracted.

Principled or Compliance Driven Corporate Governance

What does good governance mean in relation to business excellence and innovation? What are the implications of innovation and disruption for risk management, transparency and ethical conduct? How flexible and innovative is an organisation's governance arrangements and the thinking of its directors and board? How does one compete against as yet unrecognised competitors or best engage with creative people and more innovative business partners? Are new models of operating and different contractual arrangements required? Should there be more focus on governance principles to ensure heavy handed compliance does not inhibit innovation?

Governance arrangements can sometimes struggle to keep up with the pace of expansion of a business. Some enterprises spread 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. A new stage of development and model of operation may be reached before new board members can be recruited for the last one. In periods of rapid transition, will some boards resemble a game of musical chairs or the plot of a crime novel?

Care needs to be taken to ensure that corporate practices, government regulation and a traditional approach to corporate governance, compliance and risk management do not stifle creativity and innovation (Erixon and Weigel, 2016). Legislation and regulation can inhibit change and 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. Will we see a revival of diversification as a boards try to spread risk by initiating a portfolio of innovations?

A fundamental question for many boards is whether to only adopt innovations that match existing policies, strategies, values, culture and capability, or whether these should be reviewed and a new set adopted in order to maximise the 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 profit as is technically possible when exploiting an innovation and adapt ones positioning to suit, or hold back because of inclusiveness issues, ethical questions or sustainability concerns?

The costs and benefits of an innovation might be unevenly shared between stakeholder groups and between generations. Must the current influence of those with power prevail, or should a board adopt a longer-term view and take wider and future interests into account? Might the governance challenge sometimes be when to say “no” to a potentially lucrative innovation, and on other occasions say “yes” to an innovation that may only come to fruition and generate a positive return at some point in the future? What are the consequences of such decisions for quantity, quality and the distribution of economic growth?

Excellence, Innovation and Creating World Class Organizations

When business models are changing, disruptive changes are occurring and very different strategies are being pursued to achieve similar ends, how does one decide what a world class organisation is? Does the notion of transformational leadership to move from an existing situation to a world class state need to be replaced by adaptive leadership concerned with optimisation at each moment of time on an unfolding journey while success criteria are being re-written?

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. What exists may fall far short of what is feasible, but customers in some places may not be able to pay for an offering 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 trigger protectionism.

Excellence in innovation can require creativity, flexibility and ruthless pragmatism (Pfeffer, 2015). Will exit routes, being able to pull out and move on, a willingness to trash or change direction and replace with something better, become more important than past concerns such as putting down deep roots and building upon firm foundations? Is excellence sometimes too concerned with improving, enhancing or perfecting an existing approach, rather than the search for and adoption of 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 there be a distinct innovation process, or should innovation be a feature of all processes? Does how innovation can be best undertaken depend upon the context, discipline and people concerned? Could there be many paths to an innovative outcome in some circumstances? Where does one go for advice on what approach to innovation to adopt in a particular situation, or to achieve a certain outcome or degree of change? How does one decide that enough of an improvement has been achieved in relation to expectations, possibilities, cost and time?

How does one ensure that developments in different areas, or across a supply chain, are compatible, and that various innovations which occur are 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? Where the implementation of an innovation might clash with an existing culture, which takes precedence and which gives ground? How should one handle particular forms of opposition to an innovation or innovation strategy, whether from employees, a key business partner, or an important customer or category of investor?

Where does innovation in general, or a particular innovation, rank in relation to other corporate priorities? Should all corporate initiatives and policies and major projects be reviewed to assess the extent to which they foster or inhibit creativity and might help or hinder innovation? Should similar questions be asked about the people of an organisation? Who does one want on an innovation journey and who might look elsewhere? Should various business units, groups and entities be allowed to operate quite differently and according to the particular innovations they are pursuing?

Excellence, Innovation and the Family Owned Business

Innovation, disruptive developments and difficult choices can present particular problems for family owned businesses. Within a family views may differ on how to react, for example, whether or not to move to a new business model. Some family members may view developments negatively and seek to preserve existing operations, while others may be more positive about areas of opportunity and the prospects for reinvention. Can continuing family control be reconciled with an imperative for more collaboration and strategic partnering?

The financial implications of change, particularly if assets may need to be written off or new investment is required can cause divisions. New means of conflict resolution may be required. Where differences cannot be resolved, or resolutions take so much time as to inhibit responses within available windows of opportunity, an ambitious and professional executive team may come to view family ownership as a constraint. In such a case, how should one review the relevant governance arrangements and who should be involved?

Governance arrangements that encourage creative multi-actor collaborations can encourage innovation (Torfing and Triantafillou, 2016). Do governance arrangements allow the contending interests of family owners and other stakeholders to be accommodated and differences resolved? The extent to which certain stakeholders view family ownership as positive or negative can have a significant impact upon their loyalty and commitment. In an era of collaboration and co-creation, customers and business partners want to deal with those who can make commitments and deliver on them. Do the relative roles and responsibilities of a board and a family council need to be reviewed?

Does a board of a family company have the freedom and trust it needs to operate? Is there a succession issue? As a family business moves into new areas, embraces new technologies and develops a new business model, does the membership of a board and the question of who represents family interests need to be reviewed? Is succession planning prepared for the need for a new generation of leadership as experience of past operations becomes less important than understanding of success criteria in a changing world? To what extent is a family prepared to share
ownership with non-family board members and an executive team? What governance arrangements would allow greater executive freedom to operate while safeguarding family interests?

Innovation, Economic Growth and Wider Implications

Should the vision, objectives and strategy of an organisation embrace innovation as a possible enabler of more inclusive and sustainable economic growth? Innovation and change can sometimes best be handled by focusing upon how one can help customers and clients to benefit from them. Do certain developments create opportunities to do more with less, or to extend reach and improve relevance? Are there obstacles to overcome, or contradictions to resolve if promising ideas are to become commercial realities? Could and should one work differently with customers and business partners through co-creation or others ways of collaborating?

In the wider economy, innovation can be a key to productivity improvement and economic growth. It can create new jobs, but it can also destroy existing ones (Ford, 2015). Some developments have allowed early adopters to quickly establish a large degree of control of new arenas of opportunity and enabled massive concentration of new wealth in a few hands, while others create opportunities for widespread entrepreneurship and disperse market and political power. Many 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 both concentration and clustering, but also dispersal, re-location and off-shoring. They have increased the appeal of cities, while at the same time they have enabled people to work in rural areas, multiple locations and on the move. Some find it easier to handle contending forces and manage contradictions than others. Investors and relations owning a family business may differ in their views on priorities and how to proceed. New alliances and collaborations may be required between those who create ideas and those better able to develop them. Crowd-funding is challenging traditional sources of finance.

Where affordability is an issue and relevant talent is in short supply, might excellence in innovation be about openness and speed of absorption and development of new insights and ideas from various sources with the human capital that one has? Might certain innovations transform what can be delivered at an affordable price? Could other innovations tackle the talent issue through automation? On occasion, do complementary innovations need to be introduced together? More, worryingly, do innovations sometimes shift problems and re-distribute costs and benefits? Do some solutions create new problems? Should boards take responsibility for such consequences? How might they be held accountable for externalities and the wider implications of innovations?

Challenges and Opportunities for Directors and Boards

There are many issues to explore. Excellence and being seen to excel remains as aspiration for many people and boards. Innovation is happening around us, whether or not it is instigated by us. Many directors have opportunities to both simultaneously react to the innovations of others, while at the same time instigating innovation themselves. They can seek to unleash and channel creativity. They can determine how much innovation of what type and in what areas is required, possible and affordable. They can discuss, initiate, monitor, manage, assess and report it. At the same time, they must be practical as well as inspired. They need to ensure that arrangements are in place to enable the full potential of an innovation to be realised (Levy, 2016).

Are concepts such as vision, mission, values, goals, objectives and strategy, and practices such as monthly board meetings and annual reporting, still valid in uncertain contexts where change is relentless and the intervals between period reinventions are dramatically shortening? Will we need
differing 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, relationship, patterns of work, control, collaboration, co-creation of value, decision making and conflict resolution might emerge?

Many directors, companies and family businesses face new challenges. Established strengths can become weaknesses. Within boards, old alliances may disolve and new divisions might 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 it 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 can be considered. 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.

Further Information


The convention is organised by the Institute of Directors: http://www.ioglobal.com/

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