



Board Practices on Innovation Governance

Survey Results Launch

22 Oct 2019, Eteläranta 10

Agenda



- 8:00-8:30 *Registration and Breakfast*
- 8:30-8:40 Welcome and introduction, **Jaakko Hirvola**, CEO Technology Industries of Finland
- 8:40-9:00 Survey findings, **Pekka Koponen**, Chairman Spinverse Oy
- 9:00-9:50 Panel discussion
Kirsi Komi, Chair Directors' Institute Finland, Metsä Board Oyj, Docrates Oy, Lindström Invest Oy
Marjo Miettinen, Chair Ensto Group Oy, Technology Industries of Finland, Member Solidium Oy
Tero Ojanperä, Chair Silo.AI, Member DNA Oyj
Heikki Westerlund, Chair Orion Oyj, Member Tikkurila Oyj, Kemppi Oy
- 9:50-10:00 Next Steps, **Jaakko Hirvola**, CEO Technology Industries of Finland



Board Practices on Innovation Governance

21/10/2019
Pekka Koponen
Spinverse Oy

Board Practices on Innovation Governance Survey

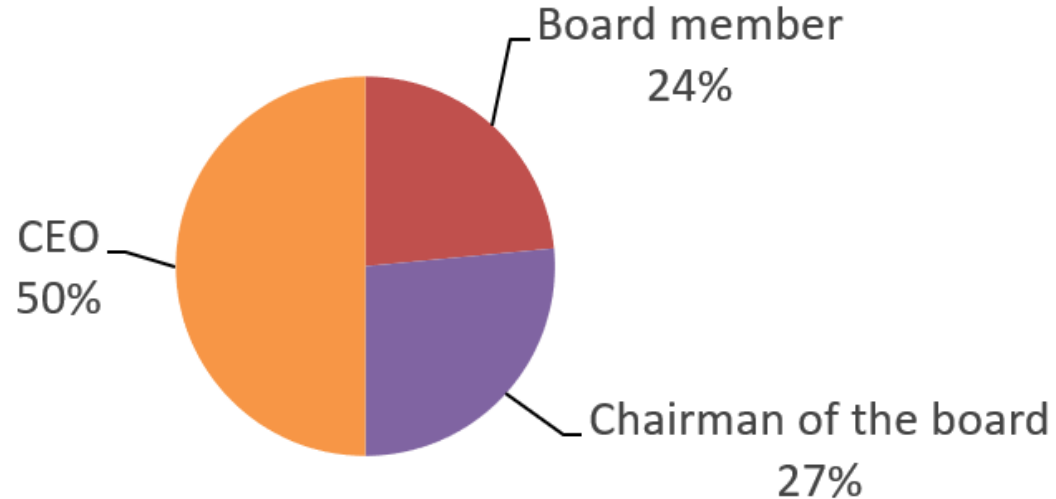
- Background

- Goal: The survey aims to understand the state of innovation governance in corporate boards - *How are boards steering, promoting and sustaining innovation?*
- Target group: Chairmen, Board members, CEOs
- Carried out by Spinverse for Technology Industries of Finland
- Survey was distributed through Technology Industries of Finland, marketing also by DIF and Boardman
- Survey open in June 2019
- 70 responses, most from the metal and mechanical engineering industry
 - SMEs and large companies equally represented
 - CEOs and board members equally represented

Response overview

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- Survey invitation was sent through Technology Industries of Finland mailing list
- Marketing of the survey also through Directors' Institute Finland and Boardman
- 70 responses

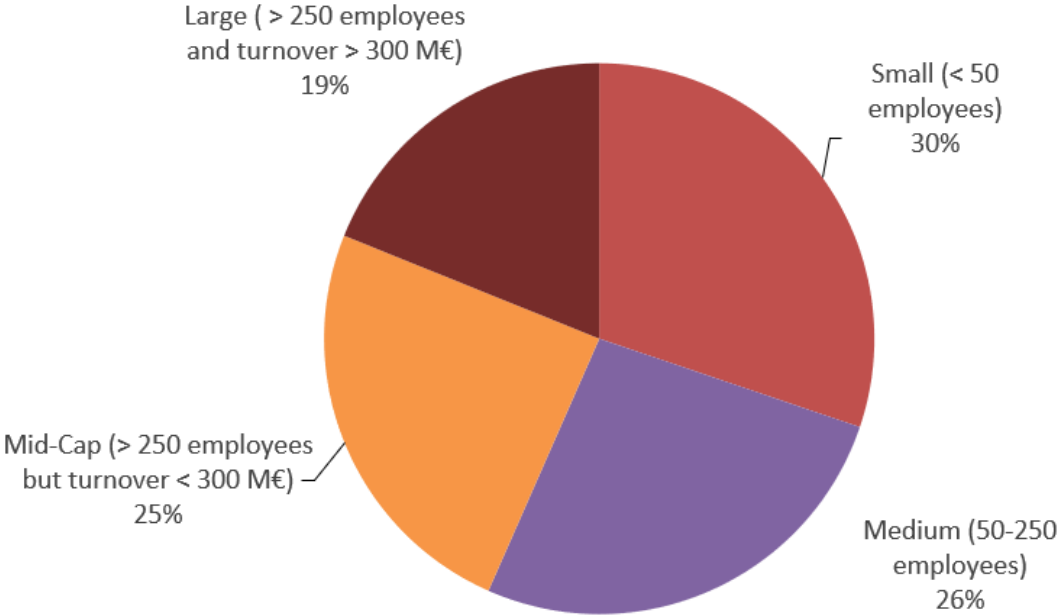


- Members of
 - Technology Industries of Finland: 91%
 - Directors' Institute Finland 21%

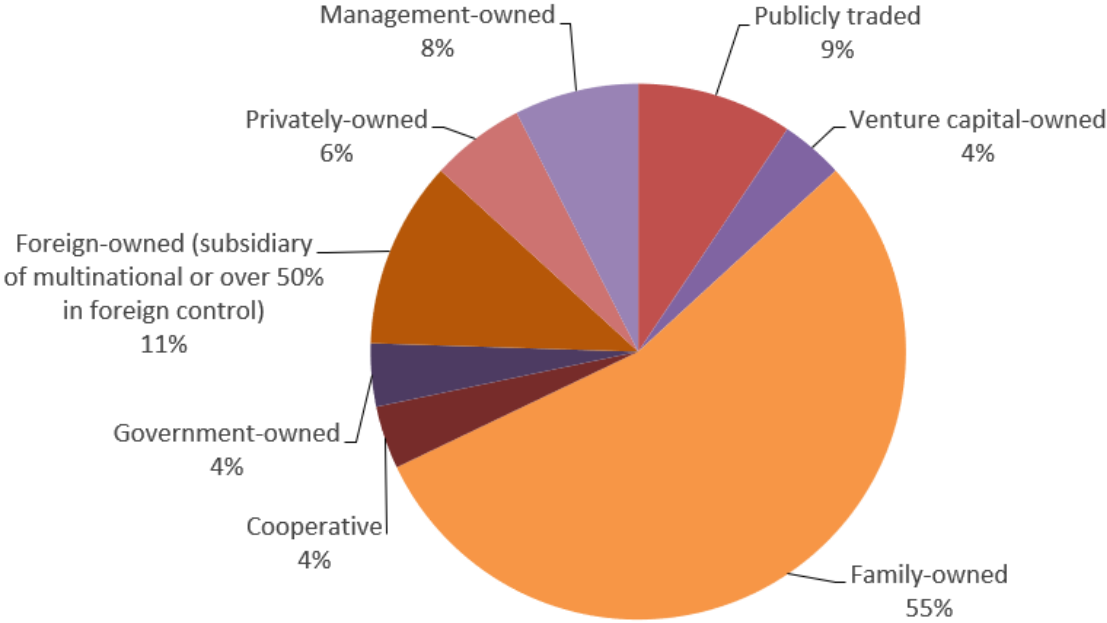
Company representation

SMEs and large companies are equally represented

Respondent company size

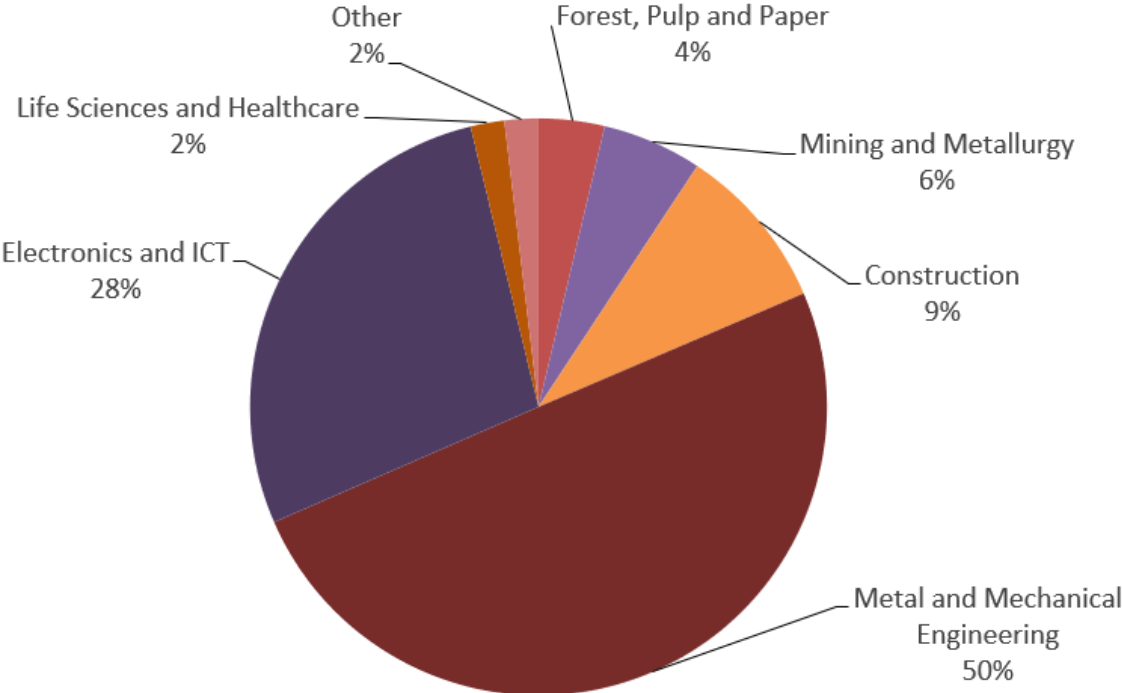


Respondent company ownership

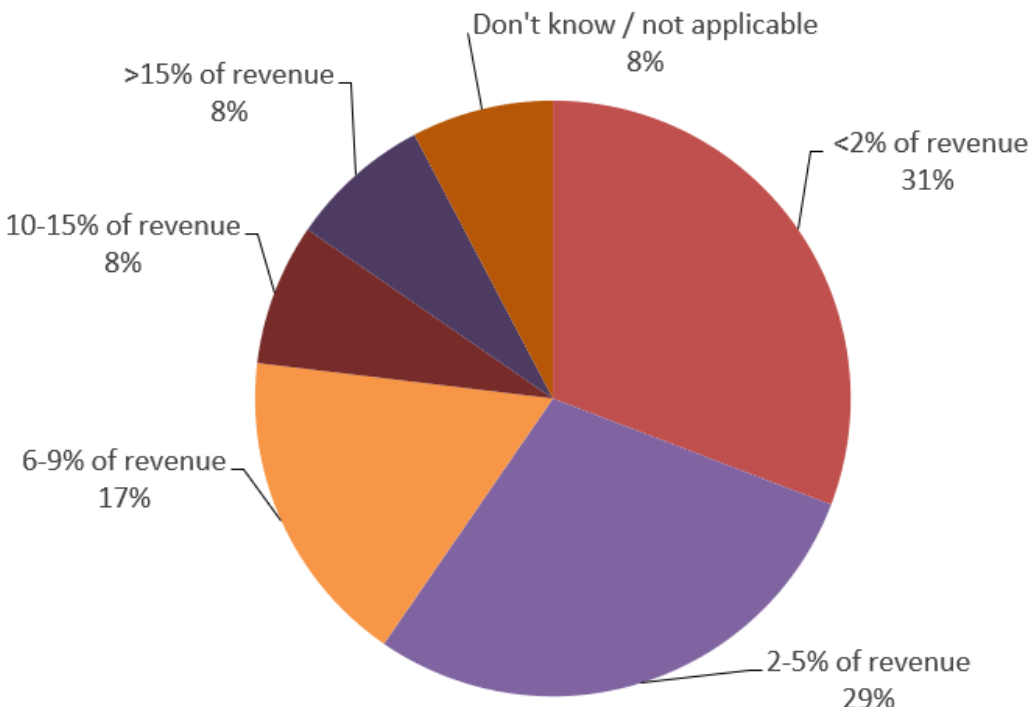


Largest representation from the metal and mechanical engineering industry

Respondent company by industry



The size of the annual R&D budget

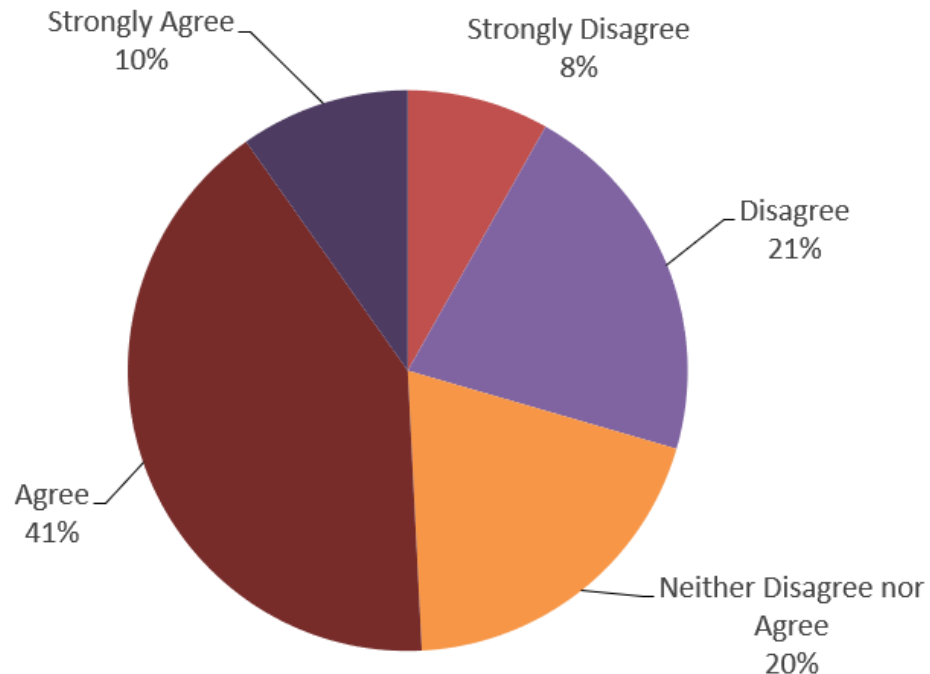


Findings

Most boards discuss innovation, but third think innovation is not given enough priority on the board's agenda

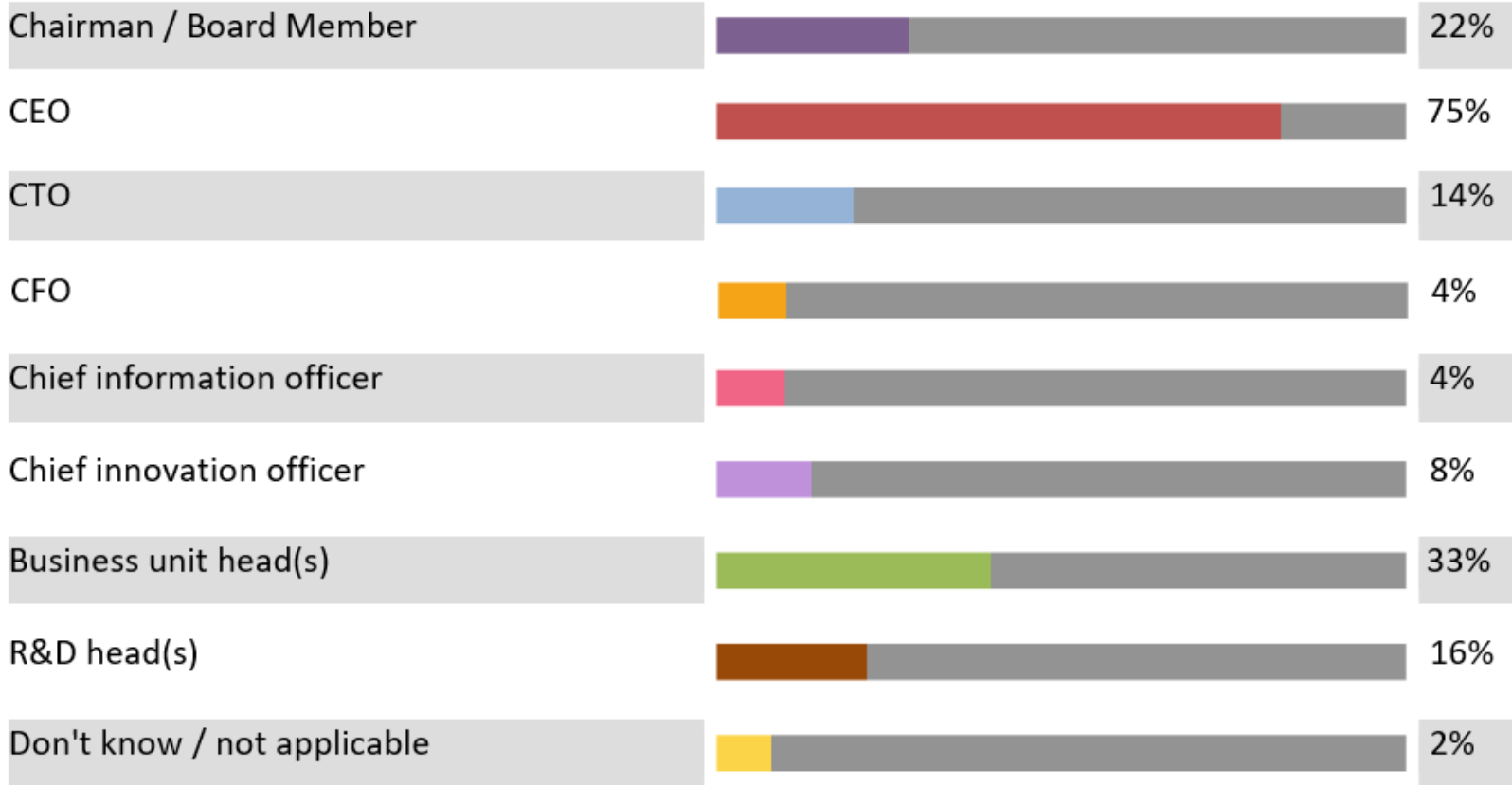
- In 85% of companies, innovation was included on the board's agenda at least once a year, most often four times (23%) or twice (16%) a year

Innovation is given enough priority on our board's agenda



CEO has a central role in presenting innovation on the board's agenda

Who presents innovation on the board's agenda?

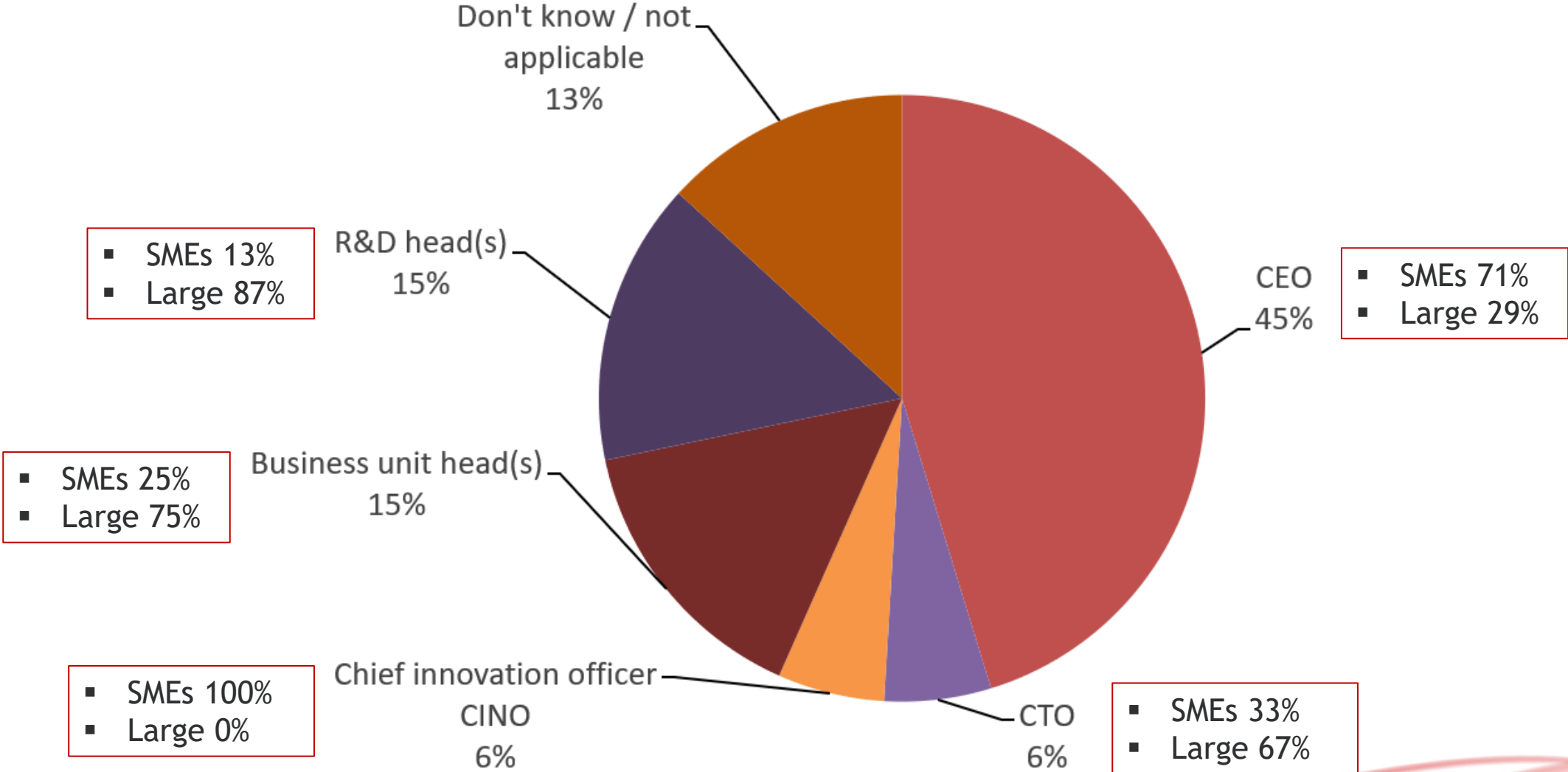


▪ CEO 46%, CoB 27%, MoB 27%

▪ CEO 55%, CoB 15%, MoB 30%

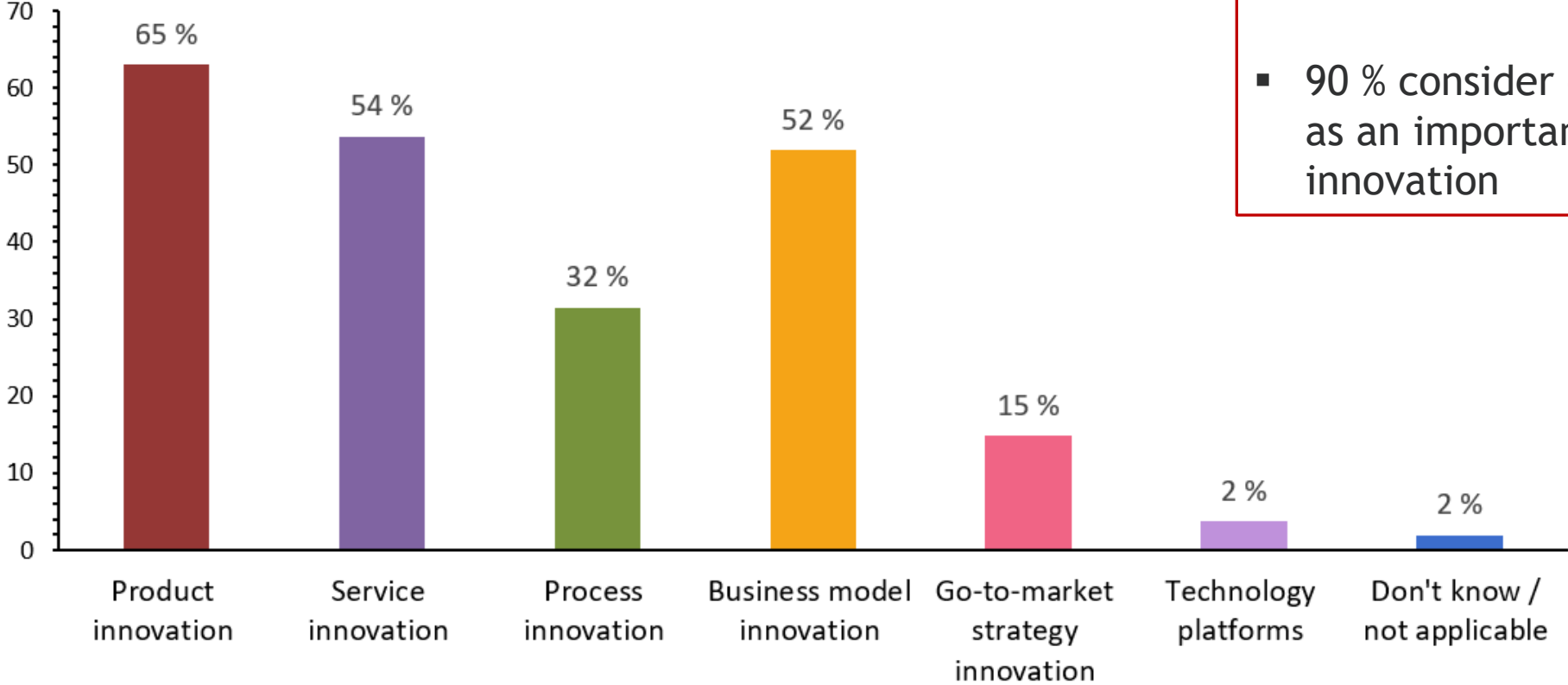
CEO also holds the budget for innovation most often

Who in your company has the budget for innovation?



Boards have learned to discuss business model innovation, although product and service innovation dominate

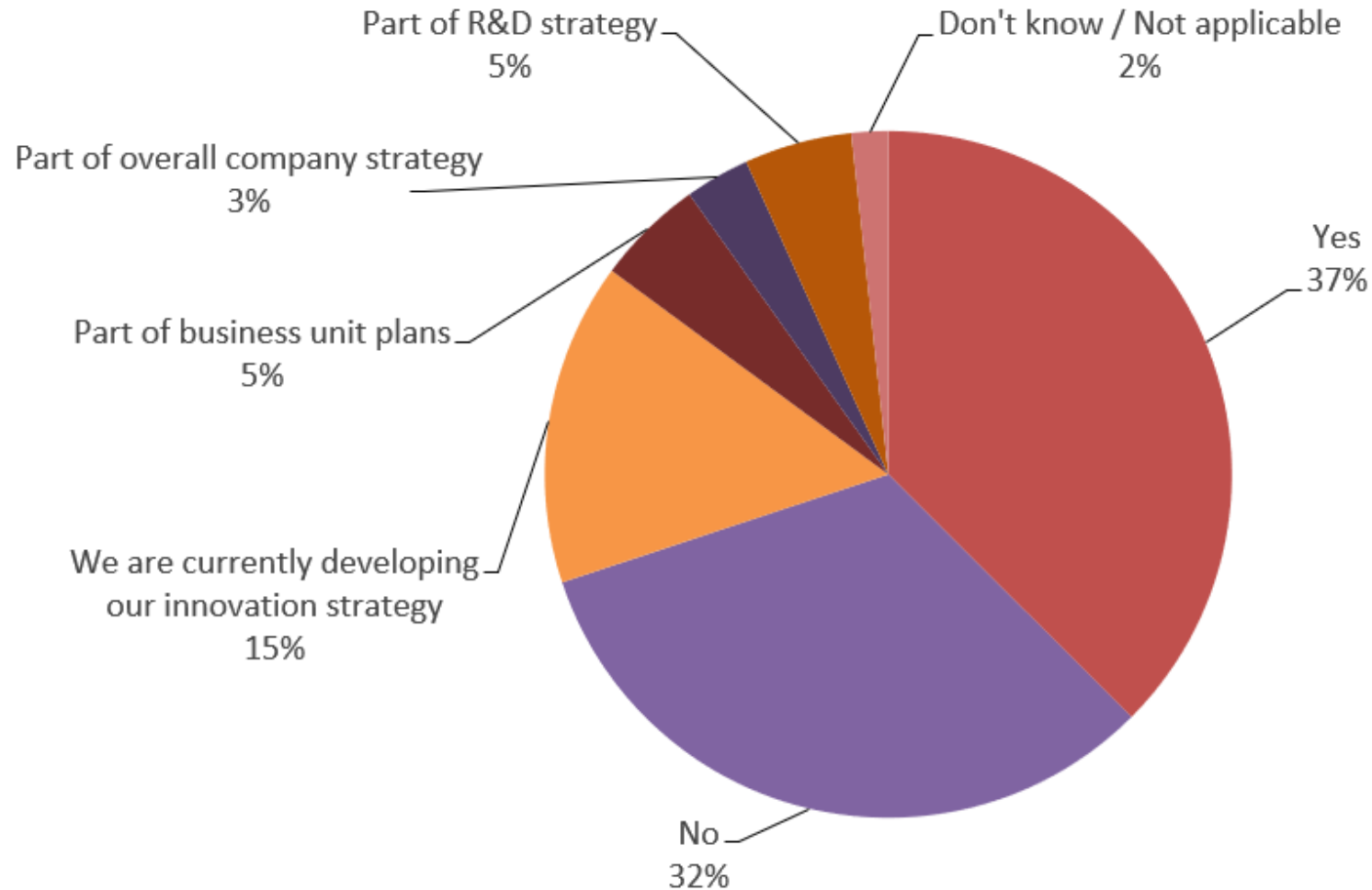
What types of innovation are discussed in your board meetings?
(max 3 most relevant)



- 81 % discuss **incremental** and 40 % **radical** innovation
- 90 % consider **digitalization** as an important driver of innovation

Half of the companies have an innovation strategy or have integrated innovation into other key strategies

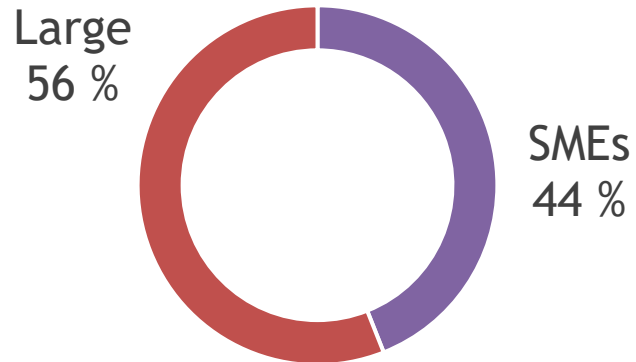
Currently, our company has an innovation strategy



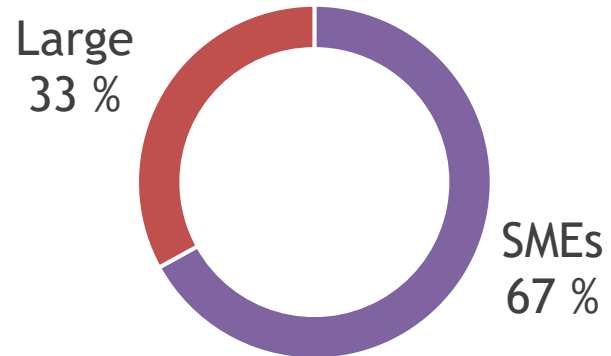
Third of respondents that have an innovation strategy (or other plan) consider the plan is not defined clearly

Status of innovation strategy vs. company size

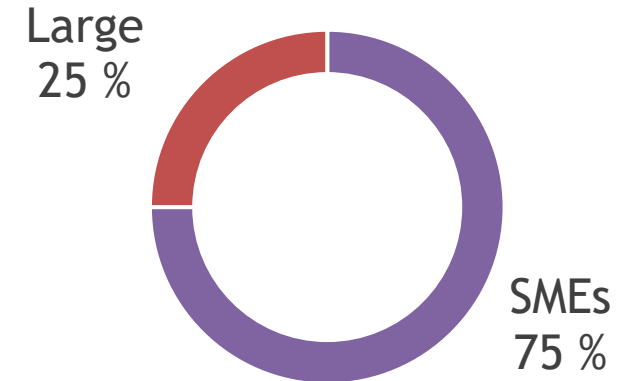
We have an innovation strategy or other plan



We don't have an innovation strategy

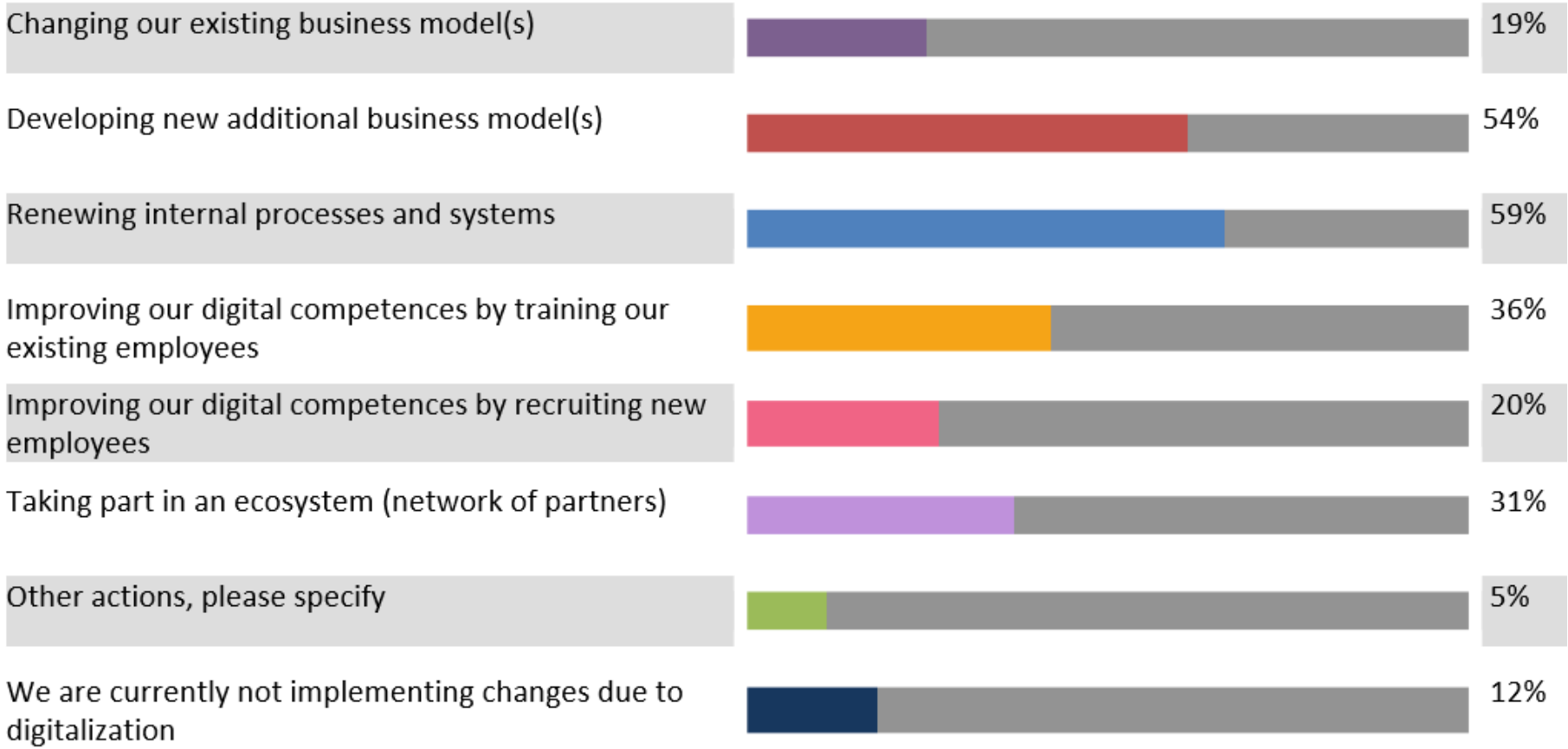


We are currently developing our innovation strategy



Digitalization drives the renewal of internal processes and development of new business models

Because of digitalization, our company is currently... (max 3 most relevant)



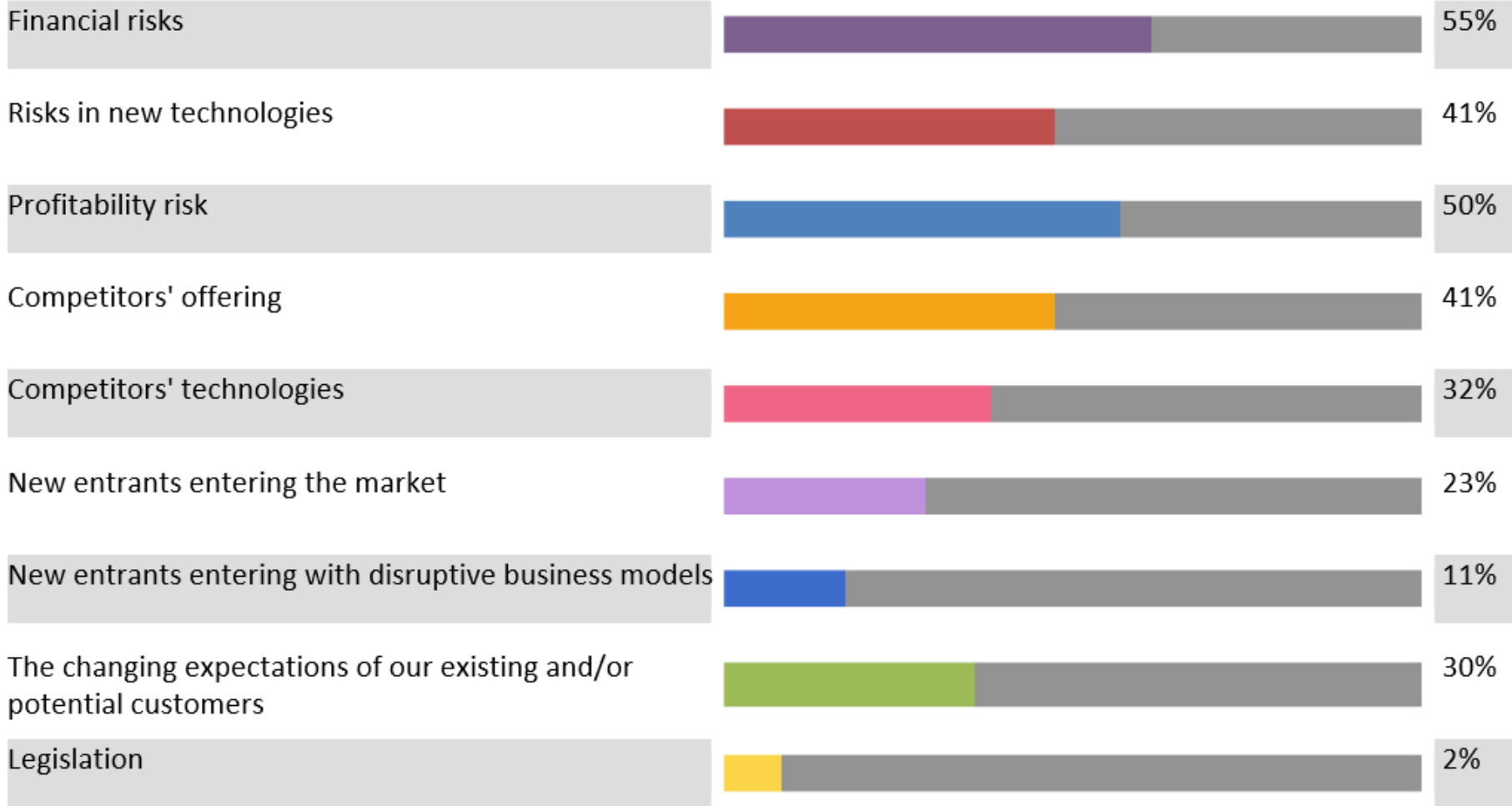
Other actions:

- “Focusing our business more”*
- “Disrupting the segment”*
- “We are digitalization company. It is in our DNA by default”*



Current competition concerns boards more than new entrants

Which innovation risks does your board discuss? (max 3 most relevant)



80% of boards discuss the risks related to innovation at least once a year

Innovation does not play a major role in management incentive plans

- Only 12 % of boards have set criteria related to innovation in their management incentive plans
- Criteria in use (emphasis on specific innovation project or new business area):



Other criteria:

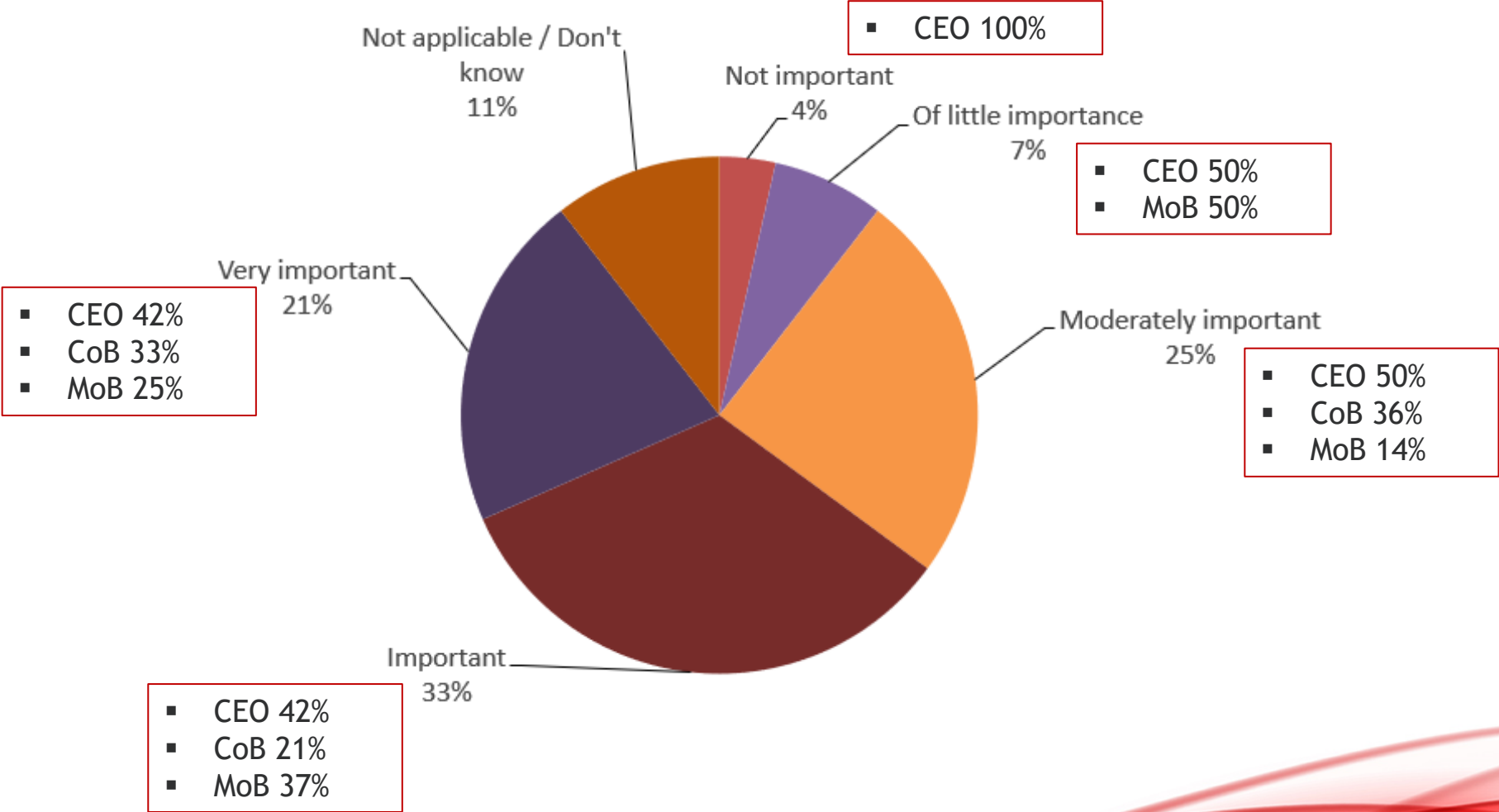
“Workflow”

“Achievement of R&D targets”

“The level of automation in manufacturing processes”

Over half of respondents think the innovation track record is important when appointing a new CEO

When appointing a new CEO, how important is her/his innovation track record compared to other criteria?



Recent survey on board time management and involvement in strategic decision making

- Survey ordered by Directors' Institute Finland in Spring 2019
- Strategy work or discussion takes 32% of time in board meetings

Suomalaisten suuryritysten hallituksissa
Tärkeys 1-7 (1 = ei lainkaan, 7 = merkittävästi)


LÄHDE: HALLITUSTYÖTUTKIMUS 2018-2019

Transformaatiot ja disruptiot	5,8	IPR-kysymykset	2,8
Asiakas-kohderyhmät, asiakas-suhteet ja asiakasymmärrys	5,2	Rahoitusinstrumentit, rahoitusjärjestelyt ja pääomarakenne	3,7
Henkilöstö ja organisaation kyvykkyydet	5,0	Yksittäiset tuotteet ja teknologiat	4,0
Tuote- ja palvelutarjooma tai -portfolio	4,9	Kansainvälistyminen ja maantieteelliset markkina-alueet	4,1
Vastuullisuus ja kestävä kehitys	4,8	Kumppanuudet	4,3

Source: [Kauppalehti](#) 26.6.2019 (Nordic Institute of Business & Society)

Conclusions

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- Business model innovation was found to be one of the key innovation themes discussed by boards
 - Companies have a strategy for innovation or are developing one, but clarifying the strategy still needs work
 - Boards need to also discuss radical innovation, as management is involved with incremental innovation
 - Boards need to consider including criteria related to innovation in management incentive plans
 - While innovation issues are most often presented to the board by the CEO, a wider representation of presenters can provide a more comprehensive outlook on relevant innovation themes
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Pekka Koponen
pekka.koponen@spinverse.com

WWW.SPINVERSE.COM

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