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Video Transcript: Setting the Stage for Innovation

Mike Esser: Governance has always been part of the board's purview. However, risk aversion in traditional corporate governance structures can really quash innovation so it's incumbent on boards to establish a structure that considers the risks and benefits of innovating versus the threat of not innovating.

Innovation governance considers innovation along three dimensions: strategy review, audit and risk; performance evaluation, talent, leadership, and culture; and pay.

Including innovation as an agenda item for every board meeting creates an ongoing discussion and messages the importance of innovation to senior leadership so that there's always a report out and there's always discussion around it. Another tool for innovation governance is to include innovation and the potential to be disrupted in the annual risk assessment for the board.

The final metric that's often used in employee engagement and turnover measures a variety of things but it can include innovation initiatives and whether we're retaining our best and brightest.

The role of the compensation committee is evolving as well. From making sure the compensation program doesn't get in the way of innovation to ensuring that the program aligns with the overall strategy in innovation initiatives of the company. And ultimately, the committee is responsible for connecting the dots between company strategy, performance, and pay outcomes, and then disclosing that in the CD&A.