Thai Institute of Directors

Guideline on Board's Role in Innovation Governance

Content

Introduction

Businesses nowadays have to deal with everchanging business environment in various dimensions. Rapid changes in technological, economic, regulatory, social, and cultural aspects affected daily life and led to fast-changing consumer behaviors. Such environment brought about new forms of goods and services that are diverse in nature and beyond anticipation.

The aforementioned factor has become “new challenges” for companies to adjust their ways of doing business in order to tackle these changes. The adjustments could be in the form of operation improvement to enhance efficiency or regularly launching new products to create value for consumers as well as stakeholders with ultimate goals to generate robust financial performance and sustainable growth.

To cope with the new challenges, companies need “innovation” or a process to seize “business opportunities” arising from changing environment which can be built on to generate new initiatives that can add corporate value and eventually benefit the economy, the society, and the environment.

Therefore, innovation has played greater roles in all industries and become “key variable” that many companies used to respond to consumers’ demand, enhance business agility, and create competitive advantage. This concept has been widely recognized and included as one of the United Nations’ 17 Sustainable Development Goals.

This guideline has been developed to reflect the significance of such matter and the necessity for companies to have clear and concrete direction in promoting innovation. We sincerely hope that contents of this guideline will help Boards gain a better understanding of their roles in innovation governance. Meanwhile, they can also be used as guidelines for companies to review and evaluate their internal processes, structure, culture, and resource allocation whether they are appropriate and accommodative for innovation development which will pave ways for further improvement.

• Thai Institute of Directors (IOD) •

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Section 1

Key Principles

Key Principles

1. The Board should have knowledge, understand, and recognize the significance of "innovation", a key mechanism to enhance business competitiveness which will affect the success and sustainable growth of the company. *(See guideline 1)*

2. The Board should review its composition to ensure appropriateness and promote diversity to accommodate the oversight role in innovation. *(See guideline 3.1)*

3. The Board should emphasize on promoting and ensuring that innovation has been developed in ways that fit with the company's context, taking into account both internal and external factors. *(See guideline 2)*

4. The Board has a role in guiding and encouraging the company to develop or utilize innovation by assigning the management to drive and be responsible for effective implementation. *(See guideline 3)*

5. The Board should discuss with the management in terms of both "concept" and "process" in promoting / developing innovation to ensure common understanding and perspectives. *(See guideline 2)*

6. The Board should ensure the company has appropriate "organization structure" that accommodate innovation development. This might be done through restructurings of operation, task design, chain of command, roles and responsibilities to make them more flexible while emphasizing on communication and proper degree of decentralization. *(See guideline 3.2)*

7. The Board should ensure that CEO and senior management have knowledge, expertise, and innovative leadership potential. Innovative leadership should be among criteria for recruitment, remuneration setting, and performance evaluation of CEO and senior management. *(See guideline 3.3)*

8. The Board should have a role in setting corporate-level strategy, ensuring that innovation-related aspects are recognized and integrated in the strategy so that the management can use as a direction for concrete execution. *(See guideline 3.4)*

9. The Board should conduct risk governance in parallel with innovation governance by reviewing risk appetite together with the management on a regular basis to ensure it stays at reasonable level and does not obstruct innovation development. *(See guideline 3.5)*

10. The Board should promote culture of innovation by establishing a workplace environment that accommodates employees to think creatively, think out of the box, and keen to learn continueously. *(See guideline 3.6)*

11. The Board should regularly monitor progresses of innovation strategy / plan through management reports and offer useful guidance to the management for further development / improvement. *(See guideline 3.7)*

12. The Board should ensure that innovation developed by the company does not only add business value which can be exploited commercially but also benefits stakeholders and makes positive social or environmental impacts. *(See guideline 1)*

Section 2

Guidelines

Guideline 1 | Innovation in Board's Perspective

1.1 The Board should have knowledge, understand, and recognize the significance of "innovation", a key mechanism that affects the company's success and sustainable growth. The Board should also promote innovation that will enhance the company's competitiveness in accordance with everchanging environment. *(See Appendix 3)*

1.2 Innovation does not necessary derive from "new invention" (which nobody has done before) but can also be "built on" existing idea or things through development, improvement, or modification. The outcome of innovation does not have to be in the forms of "technology" or sizable project but can also be in other forms, such as concept, operating process, or technique.

1.3 The Board should emphasize innovation objective on creating positive changes, either for the company itself (e.g. better corporate image, lower cost, more efficiency, higher quality of products vs peers, or opportunity to enter new markets) or stakeholders (e.g. services that responded better to consumers' demand).

1.4 The Board should "inspire" innovation initiatives by asking the management challenging questions (both in the company's and stakeholders' perspectives) that stimulate forward-looking mindset and new paradigms.

Examples of Questions the Board May Ask Management	
1	Will new / upcoming regulations affect our products and how should we improve / develop them to comply with (or excel) those regulations?
2	"Who" do we heavily rely on in the supply chain and "how" can we carry on business operations should we lose them one day?
3	Does our production process utilize "resource" effectively? How can we reduce usage volume? and what will we use as substitute should the resource run out in the future?
4	Which of our products that are not considered social / environmental-friendly or started being opposed by new generation consumers and what should we do to make better products and launch them to the market before our competitors?
5	Do our products deliver similar "value" to consumers as those of our competitors? If so, what must be done to deliver novel and unique value?
6	How do emerging risks (e.g. outbreak, cyber-attack, etc.) and other unknown risks affect our business process and can we still rely on "same old methods"?

1.5 The Board should aware of changing business environment, based on continuous improvement mindset and attitude. It should recommend management to regularly seek opportunities or new methods to eliminate weaknesses or enhance strengths of the company.

1.6 The Board should not be nonchalant or wait until the company face difficulties to recognize the significance of innovation. It should regularly discuss with the management, even in normal time, by setting clear agenda on such matter.

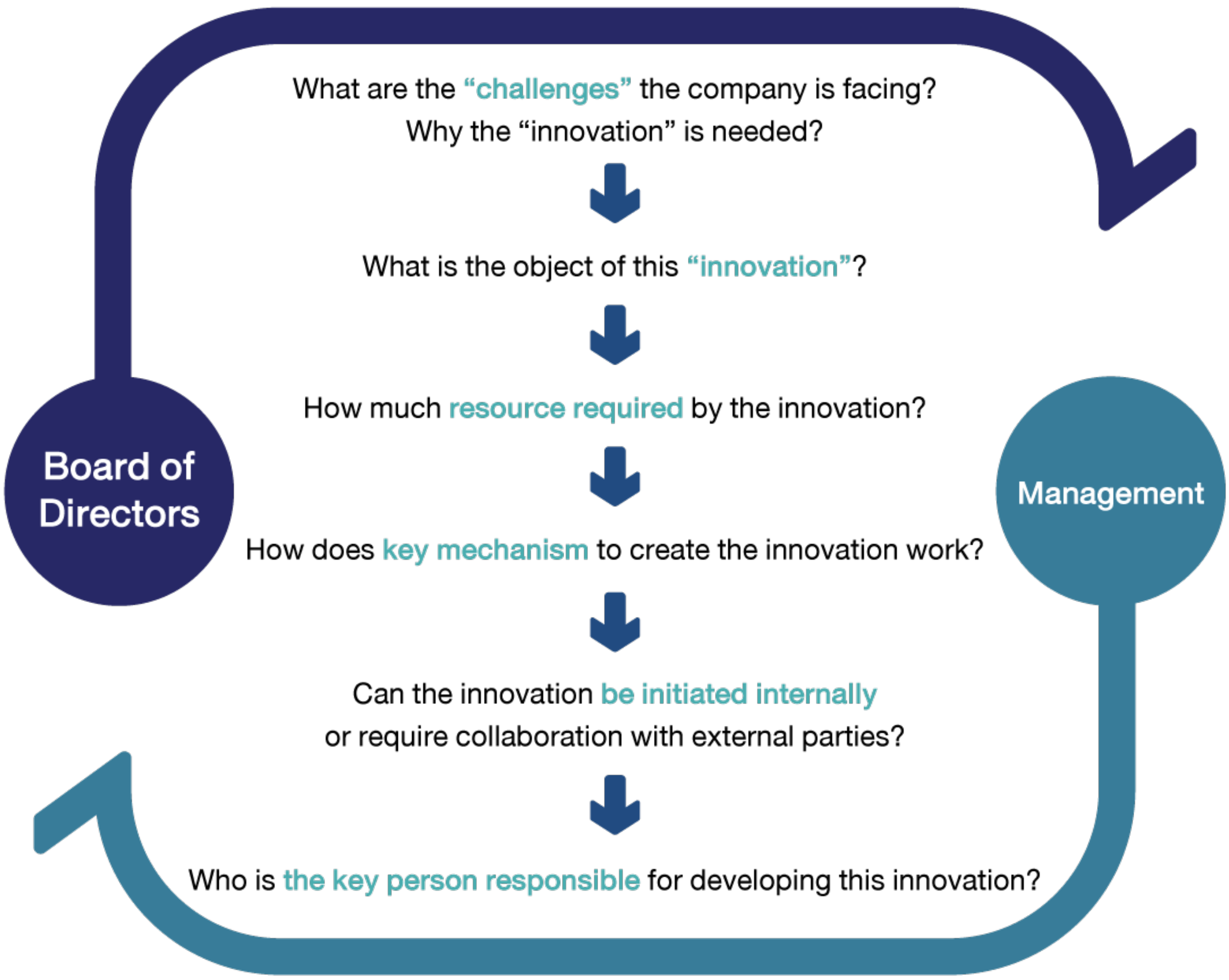
1.7 Apart from its ability to create business value and commercial potential, the Board should also consider innovation in "sustainability" aspect whether how it can benefit stakeholders and make positive social and environmental impact. The Board may ask questions concerning issues, such as:

- Will the innovation help reduce waste?
- Will the innovation help reduce emission that adversely affected natural ecosystem?
- Will the innovation help address global warming?
- Will the innovation help reduce energy consumption or use renewable energy?
- Will the innovation enhance well-being, safety, and living standard of consumers?
- Will the innovation uplift production standard or capability of suppliers?
- Will the innovation help create new body of knowledge / skills of employees or the general public?
- Had the innovation been developed ethically?

Guideline 2 Fundamentals of Innovation Governance

The Board should always adhere to governance principles toward company's sustainable growth. This concept urges the Board to review and question "things that the company currently do or apply" (e.g. product, process, or business model) whether they are at competitive levels and respond to stakeholders' interest. This incident encourages "rethink-redo" pattern which subsequently originates "innovation".

To ensure effective innovation governance, the Board needs to comprehend with internal and external environment enough to set innovation development framework and push for appropriate application of such innovations in accordance with the company's context. The Board should take into account the following issues:



2.1 Determination of Innovation Purpose

2.1.1 The Board should discuss and seek common understanding with the management to form aligned views toward the necessity of innovation or the reason "why innovate?"

2.1.2 Reason or necessity to develop innovation of each company could derive from different factors which potentially affect its business longevity, such as:

2.1.2.1 Some companies faced stakeholders' resistances because their products generated negative social and environmental impacts. They therefore needed innovation to mitigate such effects.

2.1.2.2 Some companies faced "disruption" due to entrance of new competitors that responded better to consumers' demand. They therefore needed innovation to enhance competitiveness and preserve market share.

2.1.2.3 Some companies faced rapid "technological" change that started to make their products obsolete. They therefore needed innovation to keep their products in demand.

2.1.3 The Board should ensure that innovation development purpose has been communicated throughout the organization so that employees at all levels have common understanding and "shared vision". This is the key factor that will drive successful "innovative organization".

2.2 Identify Objects that Require Innovation

2.2.1 The Board should ensure that management can prioritize and clearly identify "what to innovate?", which could be either product, process, or business model.

2.3 Set Desired Degree of Innovation

2.3.1 The Board should ensure the management properly sets innovation development "scope" that is flexible and in alignment with the company's context.

2.3.2 The Board should make remarks and consider if the innovation being developed is feasible and in alignment with the company's infrastructure, financial capabilities, and resource constraints. These will mitigate risks for the development being disrupted or incomplete.

2.4 Specify Innovation Development Process

2.4.1 The Board should ensure management has considered "systemic mechanism" (e.g. procedures, methods, tools, remuneration structure, work processes) that will drive cost-effective innovation and clearly specifies "indicators" to gauge efficiency / effectiveness of such innovation.

2.5 Seek Collaboration for Innovation Development

2.5.1 The Board should consider together with the management if the innovation being developed is "closed innovation" or "open innovation". The latter requires knowledge exchange with other external parties, such as research institutions, universities, suppliers, and business partners, etc.

2.6 Identify Persons Responsible for Innovation Development

To concretely drive innovation strategy, the Board should ensure that personnel at all levels take parts in developing such innovation. The scope of roles and responsibilities can be set broadly as follow:

2.6.1 Board

2.6.1.1 Set purpose, vision, mission that promote development or utilization of innovation in business operations.

2.6.1.2 Formulate policy to drive / promote innovation and consider screening, reviewing, and approving the management's innovation development plan.

2.6.1.3 Oversee implementation of innovation policy / plan and regularly monitor management performance.

2.6.2 Management

2.6.2.1 Drive implementation of innovation policy / plan approved by the Board.

2.6.2.2 Design, set, and establish systematic innovation development process. *(See Appendix 3)*

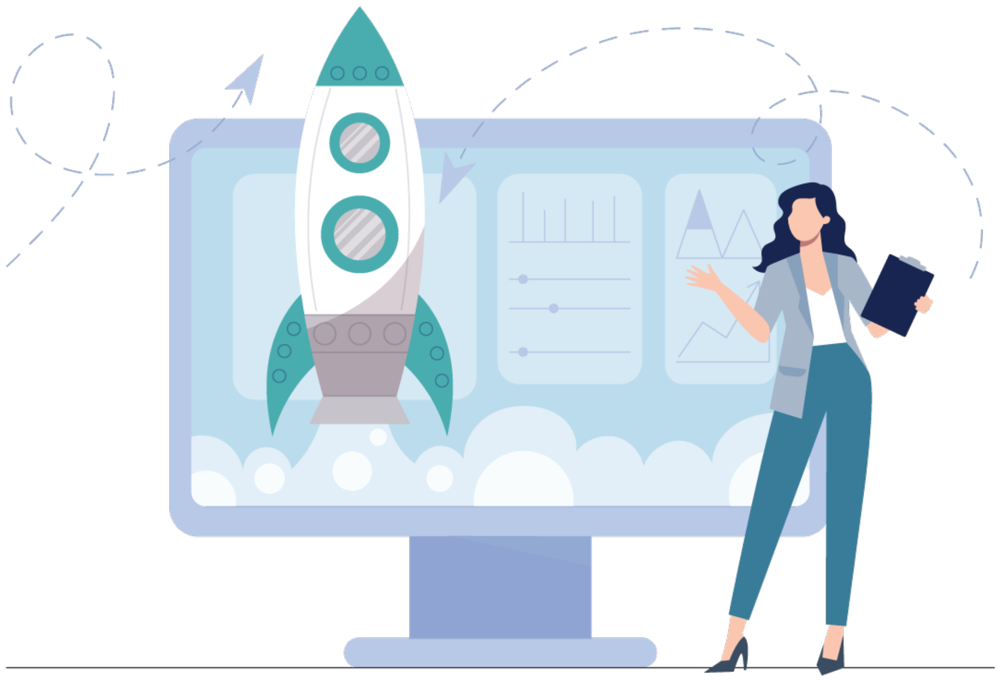
2.6.2.3 Communicate innovation policy / plan with employees at all levels as well as key stakeholders.

2.6.2.4 Monitor implementation of innovation policy / plan and report progress to the Board on a regular basis.

2.6.3 Employee

2.6.3.1 Comply with innovation policy / plan.

2.6.3.2 Report innovation policy / plan implementation result to the management on a regular basis.



Guideline 3 | Guidance for the Board in Promoting Innovation

The Board has a role in guiding and supporting the company to develop or utilize innovation by assigning the management, led by CEO, to drive and be responsible for concrete implementation. The Board has oversight roles in certain areas that are accommodative "factors" for innovation including:

3.1 Board Structure and Qualifications

3.1.1 The Board should ensure that (overall) qualifications of its members are appropriate, diverse, and accommodative for innovation governance roles. It should emphasize on gap analysis of necessary knowledge, skills, or expertise (that the Board still lacks) and seek ways to fulfill those qualifications to the (current) Board.

3.1.2 The Board may not necessarily need to nominate "direct expert on innovation" to join as Board member. For companies that the Board lacks experience or expertise in innovation development, the Board may optionally consider hiring "external independent expert" as advisor to provide useful guidance, where appropriate.

3.1.3 For companies that are ready (and emphasize mainly on driving innovation), the Board may consider appointing "Innovation Committee" as a subcommittee to support and assist the Board in governing and setting innovation development framework. However, such subcommittee appointment depends mainly on necessity, availability of resources, level of Board's expertise, as well as industry-specific conditions. *(See Appendix 5)*

The Board should recognize that key principle of innovation governance is not about "setting up" the subcommittee but about ensuring the company has a system or mechanism effective enough to manage innovations.

3.2 Organization Structure

3.2.1 The Board should encourage the management to consider and set up appropriate organization structure that accommodates innovation. This can be done through restructurings of operation, task design, chain of command, roles and responsibilities to make them more flexible. It should also emphasize on communication and proper degree of decentralization while open for new creative idea from employees and stimulate effective exchange of information and resources.

3.2.2 Some companies may establish a working group or research & development department. They usually consist of personnel with expertise in various areas who get together for brainstorming, resolving existing issues, or introducing new process / products to the market.

3.2.3 The Board should recognize that even if the company has established the research and development department, innovation creation is not sole responsibility of such department. Innovation derives from cooperation of personnel of all levels to continuously take parts in developing concept, technique, process, or products. This is meant to prevent "silo" work pattern that will be key obstacle to successful innovation development.

3.3 Recruitment, Development, Remuneration Setting, and Performance Evaluation of Management

3.3.1 As the Board assigned the management to be responsible for concrete innovation development, the Board should ensure that CEO and senior management have sufficient knowledge, expertise, and potential to perform such roles.

3.3.2 The Board should consider using innovative leadership characteristics as one of "key criteria" in recruiting and selecting CEO and should be included in the succession plan.

Innovative Leadership Characteristics
- Be receptive, willing to learn, and open to diverse views.
- Possess strategic thinking, understand and build on strengths-weaknesses.
- Have persuasion / negotiation skills to make all functions work in harmony.
- Ready to provide support in various fronts, such as IT system, tools, equipment, etc.

3.3.3 The Board should encourage the CEO, senior management, and high-potential employees to continuously develop innovation-related knowledge in order to enhance skills necessary to drive further innovation which delivers value added to the company. Such development practices should be clearly specified in the company's human resource management plan.

3.3.4 The Board should ensure that the "achievement" in innovation development, assessed by various performance indicators (See guideline 3.7.4), is integrated in the determination of both short- and long-term remuneration for CEO and senior management.

3.4 Strategic Oversight and Resource Allocation

3.4.1 The Board should have a role in setting corporate-level strategy which determines the company's direction and goals. The Board should ensure that innovation development is recognized and integrated in the strategy so that the management can use as a roadmap for concrete execution through determination of business-level strategy, which then cascaded into day-to-day operations / activities of employees at functional-level.

3.4.2 The Board should emphasize on the development of innovation strategy / plan together with the management. It should allocate sufficient time in the board meetings to discuss the matter regularly (not just annual review) and clearly insert such matter into Board agenda.

3.4.3 The Board has a role to consider approving innovation strategy / plan proposed by the management and determine "performance indicators" that include both leading and lagging indicators. *(See Appendix 4)*

3.4.4 While considering innovation strategy / plan, the Board should ensure the management has the right balance in innovation development practice that does not gear solely toward "technology" but also takes into account "approach" in delivering new, distinctive value driven by the intention to solve existing pain points of consumers / stakeholders.

3.4.5 The Board should ensure the management communicates innovation strategy / plan throughout the organization so that personnel at all levels have common understanding, shared vision, and ready to put strategy / plan into implementation.

3.4.6 The Board should allocate adequate budget and resources for management to put the strategy or plan into effective implementation. Key resources include people, time, technical know-how, finances, and infrastructures.

3.5 Oversight of Risks / Opportunities from Innovation

3.5.1 The Board should ensure that innovation management is developed in parallel with risk management, a process involving identification, assessment, and control of risks arisen from such activities that affect the success of innovation initiatives.

3.5.2 The Board should review risk appetite and risk tolerance together with the management on a regular basis to ensure they stay at reasonable levels and accommodate concrete innovation investment.

3.5.3 The Board should ensure the management considers comprehensive risks, including those emerged from innovation development (e.g. financial, strategy, operation, reputation, etc.) and risks arisen from choosing not to develop such innovation.

3.5.4 While company tends to invest in innovation with chance of success, it should also recognize the "chance of failure", depending on degree of risk tolerance of each company. The Board should support the management to conduct risk-opportunity analysis to assess whether there is better chance to gain than loss, and use them as an input for decision-making.

3.5.5 One key risk that usually arises with new innovation is the risk of being repilcated, duplicated, adjusted, modified, etc. which shorten life cycle of that innovation. Therefore, the Board should ensure the company has clear policy / guideline to prevent such risk. This may be done by entering registration process or taking property right protection measures to protect utmost benefit of the company, such as registration of copyrights, patent, trade confidentiality, etc.

3.6 Culture of Innovation

3.6.1 Culture of innovation is initiated from "Boardroom Culture". The Board should act as role model, inspire, and regularly scrutinize itself whether its current behavior / practices accommodate innovation in several aspects such as:

3.6.1.1 Does the Board regularly discuss innovation development, technological advancement, or changing trend in the industry, etc.?

3.6.1.2 Do directors have different and diverse opinions at each Board meeting?

3.6.1.3 Do most Board members have risk aversion attitudes and excessively low risk appetites that obstruct innovation development projects?

3.6.1.4 In Board meetings, does Board spend more time talking about "past successes" than "current and future challenges"?

3.6.2 The Board should drive for "culture of innovation" by supporting the management to create accommodative environment for creative thinking, help employees think out of the box, dare to try new things, eager to learn all the time, and promote bottom-up approach. These will allow operational-level staff to take parts in offering useful recommendation to superiors on how to improve their work.

3.7 Strategy Implementation Monitoring

3.7.1 The Board should ensure that innovation strategy / plan proposed by the management indicates clear expected targets, process, and timeframe that make it easy to assess and monitor.

3.7.2 The Board should get reports on key issues that occurred during innovation development phase, such as division of authorities, property right management, collaboration with partner organizations, etc. Although the Board has no direct responsibility in managing these issues, it should comprehend and able to provide useful guidance to the management.

3.7.3 When developed innovation fails to generate growth for the company or yields return that does not meet objectives, the Board should encourage the management to analyze lesson learnt to identify problems, obstacles, or flaws and then seek ways for further improvement.

3.7.4 The Board should encourage the management to conduct gap analysis of the company's existing capabilities in promoting innovation / creativity against best practices or other benchmarking organizations, then use such result to develop action plans to close the gap identified.

Appendix 1 : Evaluation Form of Board Performance in Innovation Governance

Evaluation Form of Board Performance in Innovation Governance			
List	Issues	Yes	No
1	The Board sets clear directon / objectives to promote the development or utilization of innovation in business operations.		
2	The board includes discussion over innovation development practices as an agenda of the Board's meeting.		
3	The Board regularly reviews its composition, aiming to nominate directors with diverse knowledge, expertise, and experience to accommodate innovation governance.		
4	The Board has integrated innovation-related aspects into the company's strategic plan.		
5	The Board regularly reviews "risk appetite" to ensure it stays at appropriate level and does not obstruct innovation development.		
6	The board has allocated adequate resources (e.g. people, finances, equipments, technology, knowledge, etc.) to achieve concrete result in innovation development.		
7	The Board emphasizes on boardroom culture that promotes innovation by acting as role model with open mind, risk daring, and willingness to learn.		
8	The Board regularly monitors progress / outcome of innovation development activities from the management.		
9	The Board sets "innovation skills and characteristics" as one key criteria in recruitment, development, remuneration setting, and performance evaluation of the CEO and senior management.		
10	The Board regularly encourages each director to develop new skills / knowledges through participation of training, seminar, or site visit to stay current with latest innovation and changing business environment.		

Appendix 2 : Checklist on Characteristics of Innovative Organization

Checklist on Characteristics of Innovative Organization			
No.	**Issues**	**Yes**	**No**
1	Company has purpose / vision to promote innovation that are clear, feasible, and integrated into strategies at all levels.		
2	Company has a process to communicate / cascade innovation development strategies and targets to make all employees throughout the organization acknowledge and comply.		
3	Company has organization structure that is appropriatly decentralized, promotes team work, provides operation flexibility, accommodates innovation development and does not limit creativity of employees.		
4	Company has clear remuneration / incentive scheme (both financial and non-financial) linked with outcomes or efforts contributed to innovation in order to motivate and encourage employees to continuously create innovations for the company.		
5	Company has a practice of promoting employee learning and development, such as staff training, experiment, or challenging assignment, etc.		
6	Company sufficiently allocates resources (such as time, personnel, information, system, and budget, etc.) to develop and promote concrete innovation.		
7	Company has culture of innovation that encourages employees to take risk of trying new things without punishing for failure.		
8	Company has clear mechanism / process of innovation management, starting from collecting, selecting, then building on creative ideas until they become new innovation that can be exploited commercially.		
9	Company has leaders / executives who believe in innovation and support its development. (For examples, listen to employees' opinions and create shared value among employees to emphasize on the significance of innovation.)		

Appendix 3 : Basic Concepts of Innovation

Definition and Significance of Innovation

- Innovation, as defined by National Innovation Agency (Public Organization), refers to "new thing that derived from utilization of knowledge and creativity that benefits the economy and society." In this sense, innovation is a process that company combines knowledge and creativity with management capability to initiate "new thing" that adds commercial value and enhances the company's competitiveness.

- "New thing" does not necessary derive from "new invention" (nobody has done before) but can also be "built on" existing thing / idea through development, improvement, or modification to make it better and actually usable.

- Innovation output does not have to be in the forms of "technology" (developed by applying and making use of scientific knowledge) but can also be in other forms, such as concept, operating process, or technique.

- Key objective of innovation is to create "positive change" either for the company itself (e.g. better corporate image, lower cost, increased efficiency, higher product quality vs peers, or opportunity to enter new markets) or stakeholders (e.g. services that responded better to consumers' demand, products that are more social and environmental-friendly, etc.)

- Innovations are usually developed from two main sources including "Closed Innovation" stemming from internal resources, such as researchers or staff, etc. and "Open Innovation" through knowledge exchange with other external parties, such as research institutions, universities, suppliers, and business partners, etc. The collaboration with external parties could be in different forms such as subcontracting, outsourcing, licensing, strategic alliances, joint venture, etc.

Types of Innovation

Innovation can be categorized into many different types, depending on objectives. This guideline will categorize innovation into three types including:

- Product Innovation - The development and presentation of new products, including modification of existing products to make it more efficient. This type of innovation is usually driven by “technology-push” such as modern tools, systems, and equipments and “market-pull” such as new demand and purchasing power of consumers, etc.

  Examples : Financial transactions on mobile application, electric vehicle, e-book, etc.

- Process Innovation - The application of new concepts, tools, or methods to create change in organization that leads to more efficient organization structure, production process, quality control, distribution, and/or lower operational cost.

  Examples : Just In Time process, Total Quality Management, Lean Manufacturing, etc.

- Business Model Innovation - The modification of business model to make it more flexible, more efficient, and respond better to market demand. It could also refer to the transformation of new business model that is totally different from existing one which delivers new values to consumers as well as stakeholders.

  Examples : Platform business / company that acts as intermediary between producers and consumers without owning any significant fixed assets.

Determining What is (and is not) Innovation

To define what is (and is not) considered innovation, the company should see if it completely captures the following attributes:

- Novelty - The thing must newly derive from knowledge and creativity, not from copying or duplication.

  Examples : Optimization of internal work process may enhance efficiency of the company but is not considered creating new thing.

- Solution - The thing must be useful, or helps improve, eliminate weakness, or solve certain issue / problem.

  Example : Art creation may be new thing but it is not designed to solve any problem.

- **Value** - The thing must be able to build on, develop to add value, and create economic value to the company.

  Examples : Some inventions or prototypes cannot be developed into valuable and marketable products or not suitable for target customers.

Innovation Development Framework / Process

The Board should ensure the management has a clear "process" to execute innovation strategy / plan until the goal is achieved. The Board may broadly suggest the management "an operating framework" as follows:

1. Idea Generation
2. Idea Collection
3. Idea Prioritization
4. Implementation
5. IP Management
6. Commercialization

Appendix 4 : Determination of Innovation Performance Indicator

Performance Indicators used to evaluate efficiency and effectiveness of innovation development initiatives can be categorized as follow:

- Leading Indicator - Indicator that measures performance during the innovation development phase which reflects process efficiency, such as budget devoted to new technology investment, number of projects approved, etc. Leading indicator can also be used to predict trend of lagging indicator.

- Lagging Indicator - Indicator that demonstrates the outcome of innovation development which reflects the effectiveness, such as increased market share, return on investment (ROI), number of patent registration in that year, employee satisfaction rate, increased number of new customers, New Product Vitality Index, etc.

Since certain indicators (such as ROI) reflect only short-term efficiency, the Board should then be careful and consider using alternative indicators as appropriate, given that some innovations take time to develop and aim for longer term impact.

The Board may communicate its expectations to the management for the latter to present result / progress by grouping aforementioned indicators into four key perspectives including:

- Financial Perspective such as increased revenue generated from innovation / new product, decreased expenses from innovation / new work process, proportion of budget spent on innovation, etc.

- Customer / Stakeholder Perspective such as customer or stakeholder satisfaction toward innovation / new product, employee satisfaction toward innovation / new work process, etc.

- Internal Process Perspective such as project completion against plan, time period of innovation management, number of patent registered in that year, etc.

- Learning and Growth Perspective such as number of employees' ideas that turned into innovation, number of employees engaging in innovation training, etc.

Appendix 5 : Innovaton Committee

Although the establishment of "Innovation Committee" as another sub-committee is not necessary, it is an "option" for companies that emphasize specially on driving innovation. The Innovation Committee is usually set up to support the Board in governing and setting innovation management framework. However, such establishment depends mainly on necessity, adequacy of resources, Board's expertise, and industry conditions.

Composition and Qualifications of Innovation Committee

There is no universal standard for the Innovation Committee's composition and qualifications. However, companies that establish Innovation Committee usually nominate at least three committee members which may all be directors, or directors and CEO. It is also commonly found that most of committee members are Non-Executive Directors.

Roles and Responsibilities of Innovation Committee

Should the Board decide to set up "Innovation Committee" as a subcommittee, the Innovation Committee is usually assigned by the Board to have the following roles and responsibilities:

- Lay overall policy framework that cultivates a space for creativity and innovation for the company.
- Review company's existing innovation / technology capabilities to evaluate the need to improve / develop.
- Provide guidance and useful recommendation to the management in formulating short-, medium-, and long-term innovation strategy.
- Review budget planning for research and development (R&D) activities.
- Support the Board's governance roles concerning investment progress relevant to innovation development.
- Assess emerging technological trends / new innovations that could affect and apply in the company.
- Other roles and responsibilities, as deem appropriate.

Appendix 6 : Culture of Innovation

The Board should drive "Culture of Innovation" by supporting the management to proceed with the following issues:

- Create atmosphere and workplace environment that accommodate creative thinking, allowing employees to think out of the box, dare to take risks and try new things, and learn continueously.
- Emphasize on teamwork, support diversity of thought, accept differences and build on existing knowledges to make improvements to existing product, concept, or process.
- Encourage employees to share accountability of the company's innovation target, which can be added as one of employees' performance indicators.
- Encourage employees to learn from mistakes without punishment, and offer compliment / reward for successful achievements.
- Promote bottom-up approach, allowing operational level employees to suggest their superiors on how can business process / practice be improved.
- Eliminate passive attitude while promote active, dynamic, and adaptive attitude towards work.

The guideline above is in alignment with modern business concept of embedding "Intrapreneurship" into employees' mindset. This revolving concept makes employees alert and willing to work as if they are "entrepreneur" that keen to take on projects, express opinions, and willing to take risks to drive new innovation for the company.

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