Create an Innovation Charter That Provides Purpose and Clarity

Innovation initiatives should know what success looks like and how to achieve it. Executive leaders responsible for innovation can create clarity with an innovation charter that defines the purpose and scope of the innovation effort, including structure, governance and metrics.

Overview

Key Findings

- Many innovation initiatives suffer because business and innovation leaders have not clearly articulated their expectations for the program — or even made clear what they mean by innovation.

- Without clear expectations, innovation teams struggle to understand their own role and their relations to the wider enterprise.

- Innovation initiatives without clear goals have a high risk of being deemed failures, since success was never defined at the start.

Recommendations

Executive leaders designing innovation programs and prioritizing innovation efforts should create and ratify an innovation charter that provides purpose and clarity for the innovation program and team:

- Set clear expectations for the innovation program by defining the goals and principles that will guide the initiative.

- Establish the roles and responsibilities for the innovation team by designing the organizational structure and governance model for the team.
Introduction

A key purpose of an innovation charter is to provide clarity. One of the first things a team or individual must do when taking on innovation is to clarify what “innovation” means. A broad definition is generally best at the outset to accommodate future changes in scope or direction. Gartner’s definition:

Innovation is the execution of new ideas that create value. This definition emphasizes:

- Novelty (“new ideas”)
- A useful outcome that generates business value or, for governments and not-for-profits, mission value
- The importance of implementing (“execution”), not just exploring, the new ideas

The innovation charter supplements the broad definition with scoping and focus specific to each organization or initiative. The charter defines the scope, objectives, organizational structure, governance and success metrics for the innovation initiative.

In addition to adding clarity, the innovation charter is used to gain agreement from the executive leadership team on the mandate of the innovation initiative, and to officially empower the innovation team to work within that mandate. It can also be a valuable communication tool for sharing with employees. Therefore, a comprehensive innovation charter describes what will be done, when, how and by whom.

An innovation initiative that operates without a charter risks being deemed a failure by some portion of the enterprise, since success was never defined and communicated at the outset.

For an innovation charter (and any business document) to be useful, it must be concise and should use clear business language. The innovation charter should be no longer than three to nine pages, and should contain no technical jargon or acronyms. It should be vendor neutral and readable by a business audience with little to no knowledge of IT innovations or emerging technologies.
This research contains the critical sections that should be included in an innovation charter. It is aimed at individuals or teams leading IT or business innovation initiatives. Figure 1 shows the key elements of a world-class innovation charter.

**Figure 1: Key Elements of a World-Class Innovation Charter**

### Key Elements of an Innovation Charter

- **Executive Summary and Endorsement**
  - **Goals and Principles**
    - Vision
    - Business goals
    - Innovation goals
    - Dimensions of focus
    - Principles
  - **Structure and Governance**
    - Team structure and interdependencies
    - Governance and funding
    - Risks and assumptions
  - **Metrics and Reporting**
    - Innovation metrics
    - Reporting

Source: Gartner

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**Analysis**

**Executive Summary and Endorsement**

**Executive Summary**

This section highlights the most critical aspects of the innovation initiative. The executive summary should capture the essence of the innovation initiative and should be written for a senior business audience. Any critical decisions binding the effort should be mentioned here. The summary should be no longer than one page.

**Endorsement**

This section allows for the explicit support and ratification of the charter contents by the most senior body or stakeholder, in the form of a signature indicating that they have read and support the contents of the charter. This is often a formal innovation council or innovation steering committee.
Goals and Principles

Vision

This section describes the vision of the innovation effort. It may also include the drivers and context that led to the innovation initiative. To what forces is the innovation effort intended to respond? Why was it born? What is the primary goal?

The section should be limited to one paragraph that describes the main reasons to undertake the innovation initiative.

For example: “The intent of the corporate innovation program is to help foster a culture of innovation across the organization as well as to help the organization identify and implement both incremental and game-changing innovations in support of our strategic growth objectives.”

Business Goals

To accompany the vision of the innovation effort, this section should specify the business objectives and goals that you are innovating for. Business objectives state qualitatively what you want to achieve as an end state, an outcome or a result, aligning with the broad strategic choices of the enterprise. Objectives can range from incremental improvements aimed at optimization within your existing business model to radical innovation that transforms your business model or even creates entirely new business models (see Figure 2).
Figure 2: Business Objectives

The business objectives should be translated into business goals, which are quantified, time-bound descriptions of one or more aspects of the desired state. Meeting the business goals will ultimately determine the success of your innovation initiative.

Innovation Goals

A challenge with measuring business goals in innovation is that results are often observed too late for timely action to adjust the scope of the innovation program. The inherent uncertainty in innovation also makes it harder to know if the organization is on track to meeting its business goal.

To address this, it is useful to accompany the business goals with innovation goals that are aimed at the innovation program and set targets for the innovation capabilities that need to be improved in order to achieve the business goals.

For example, if an organization's business goals are related to better customer experiences, they may set an innovation goal to improve customer involvement in ideation. Progress toward such innovation goals can typically be observed much earlier and allow for more timely action where adjustments to the innovation program are needed.

The innovation goals are typically related to impact, pipeline, pace or involvement and are expressed at the level of the overall innovation program (as opposed to at the individual idea level) — see Figure 3 for examples.

### Dimensions of Focus

Goals set the direction for innovation, but other context factors in the enterprise also determine where the innovation initiative will — and will not — focus its resources. The context or scope of an innovation initiative is different for every enterprise and may change over time. In this section, assess your context to define the key dimensions of focus for your initiative. Is the scale of your innovation effort enterprisewide or limited to a specific department, such as IT? Is your timing focused on short-term gains or are you in for the long run?

Your goals will influence your focus dimensions. If, for example, you are pursuing radical innovation in new products, you have to anticipate a long time to value. But goals alone cannot define your focus. Cultural aspects, your enterprise’s appetite for risk, your level of executive support for innovation, the experience of your innovation team and access to funding all shape the boundaries for innovation.

Figure 4 illustrates Gartner’s dimensions of innovation focus showing dimensions at company as well as program level. See also Use 7 Dimensions of Innovation to Create Your Innovation Perimeter and Portfolio.
These dimensions can be used as a valuable frame for discussion and agreement with stakeholders, such as innovation council members, prior to firming up the innovation charter.

Positions on the dimensions of focus are not necessarily specific points, but rather should represent a balanced innovation portfolio. On timing, for example, the innovation effort should ideally include a mix of short-term (less than six months), medium-term (less than 18 months) and long-term (more than 18 months) initiatives. Since all ideas are not created equal, and some require more germination time than others, it is a best practice to explicitly invest in a portfolio of ideas that represents all three time horizons. If the innovation effort is just starting, it is wise to concentrate on ideas that will yield results quickly, because the credibility of the innovation effort is never more at risk than when there are no concrete results (yet). The discussion with stakeholders about the dimensions is at least as important as the agreed focus since the discussions can be used to reveal misaligned expectations early in the program.
The dimensions can be revised on a regular basis as the innovation initiative matures. This allows organizations to adjust their scope in terms of staffing, scale, target, time frame, trigger and technology focus over time.

Depending on the nature of the innovation initiative, other dimensions may be relevant for the discussion. For example:

- Balance between external and internal sources of ideas
- Balance between technology-driven vs. problem-driven innovation
- The appetite for emerging vs. mature technologies in a technology innovation program

**Principles**

Include a set of innovation principles: a short set of imperatives that can be used to drive staff behaviors and to guide decisions in the right direction. These principles should be one of the central mechanisms to help people know which way to go, or which option to choose at critical moments in the innovation initiative.

Principles are guidelines that help people know how to behave at key decision points. They are most useful when a reasonable person could argue the opposite (for example, a principle like “We strive for innovation excellence” is not particularly helpful, as nobody would deliberately strive for innovation mediocrity).

Gartner experience suggests that between three and seven innovation principles are ideal (see Table 1). Great principles fit three criteria:

- They are clearly connected to business success.
- They are detailed enough to drive trade-offs and change day-to-day decision making.
- They are specific to the enterprise (not just generically good).
Table 1: Examples of Innovation Principles
(Enlarged table in Appendix)

<table>
<thead>
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<td>Investment prioritization</td>
<td>All innovations should be high value and low cost.</td>
<td>We will only focus on innovation initiatives that have a business sponsor and show a positive financial business case within one year.</td>
<td>We are patient. We are willing to explore big innovation ideas, even if a concrete business case is not apparent for the first six months of the project.</td>
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<td>We pursue valuable innovation while managing risk.</td>
<td>We minimize risk in our innovation portfolio by only accepting projects deemed low to moderate risk.</td>
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<td>Security</td>
<td>We create new, but secure, innovations.</td>
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<td>Benefits realization</td>
<td>We innovate in a customer-centric way.</td>
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<td>We always define value from the viewpoint of the external customer. We are not incremental. We aim to change the game in our sector by providing never-before seen solutions to big customer problems.</td>
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<td>Sourcing</td>
<td>We embrace open innovation.</td>
<td>We work with our external service providers to progress near-term ideas and opportunities.</td>
<td>We embrace open ideation and innovation with external partners (suppliers, customers, universities), and consider intellectual property rights a solvable, technical problem.</td>
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Source: Gartner

Structure and Governance

Team Structure

Those in charge of the innovation initiative are generically referred to as “the innovation team,” although the charter may refer to a single individual responsible for the initiative. The size and composition of the team will depend heavily on whether the team will be driving innovation efforts within the team, or whether the core team is enabling others to innovate.
This section should describe the planned organizational structure for the innovation team including to whom they report. Include both the core, full-time team as well as the extended, part-time team of volunteers who may be located across the organization. A high-level description of each team member position and their role and responsibility should be included as well as to whom they report.

The opening for this section should also explain why this particular organizational structure was chosen and the benefits of the approach.

Core Team

For the core team, you might create and describe innovation roles and job descriptions that cover business, technology, design and management responsibilities (see Key Roles and Job Descriptions for Staffing Innovation). The core innovation team might include an innovation lead, a campaign manager, a storyteller, customer/user experience or design thinking specialist, as well as a technology innovation lead or architect.

Extended Team

The extended team might include innovation champions, innovation workshop facilitators and innovation SMEs located in each business unit. In this manner, the extended team helps to amplify the reach of the innovation program and ensure it is accepted and embraced by various lines of business. If business unit leaders are on the innovation council or steering committee, this will create additional buy-in and motivation for the cross-business unit ownership and participation.

Interdependencies

The organization section should also discuss any interdependencies upon which the innovation team relies upon to successfully complete its mission. This may include working with other innovation groups and/or other parts of the organization such as other business units or other functional areas. It may also include dependencies to innovation partners outside the organization if the innovation initiative leverages a wider ecosystem (see Reimagine Innovation With an Adaptive Innovation Ecosystem Framework). A critical part of this section is to define how far along the innovation process the innovation team has ownership of an idea, and what the handoffs might be.

Governance and Funding

Innovation governance is a set of mechanisms that aligns goals, assigns decision authority and allocates resources to innovation activities with the aim of creating maximum value potential at acceptable risk.
This section should describe who owns decision rights and input rights for each step of the innovation process. Governance models and innovation process models vary widely. Each should be contextualized for its environment. It is critical for there to be a recognized innovation process, to take ideas from concept to value, and that the governance of each step in the process is clear and accepted by all key stakeholders.

As the governance model assigns authority for allocation of resources, this section should also include details about the agreed funding model, such as size of allocated budget as well as rules for how the innovation team can release funds. Typically, a venture-capital-like approach is used by adopting an adaptive funding model that is aligned with iterative methodologies and innovation experiment cycles (see Disrupting Traditional Approaches to Create a Resilient Innovation Funding Model).

In general, strive for an adaptive governance system to accelerate ideas through the innovation process. Ensure that people know where to go with new ideas and who owns which steps of the innovation process. See Adapting Governance to Your Innovation Journey for more on innovation governance.

Risks and Assumptions

Closely related to governance, the innovation charter should contain a set of risks and assumptions that the team believes are critical to point out to executive sponsors and stakeholders. These are strategic items that, should they occur or be broken, may lead to the innovation initiative significantly missing its innovation goals and associated metrics. They should be a bulleted list of risks and assumptions with each section separate from the other and with the most critical three to six risks or assumptions per section.

Some of the common risks may relate to strategy-, process- and culture-related barriers and pitfalls as ideas move from promising concept to value within the innovation pipeline (see Navigate the 9 Common Pitfalls to Scaling Innovation). Internal politics, part of the culture-related barriers, can manifest themselves not only at the idea level, but also at the innovation-program level (see Navigate the Politics of Innovation).

A Note on Activities

The innovation charter provides purpose and clarity for why the innovation initiative exists and what it is expected to deliver. It should not describe in detail how this is done. Hence, it is usually not necessary to get into operational specifics about specific activities or timing of these activities.
In some cases, however, it may be necessary to include some key activities to foster alignment between stakeholders. In such cases, the charter can describe examples of activities, but make clear that the innovation team will experiment with various techniques and activities, and that the activities may, therefore, change.

**Metrics and Reporting**

**Metrics**

Metrics are an essential part of an innovation charter because they address how the enterprise and the innovation team should define success or failure. It is critical that metrics be set out *a priori*, since innovation is particularly prone to foggy or unclear measurement.

Metrics must reflect the quality of the ideas and resulting innovations as well as the quality of the process underpinning them. There should be a mix of quantitative and qualitative measures, as well as a mix of operational and financial metrics, that the team monitors.

A small number of critical metrics (between five and 10) that demonstrate the value and impact of the innovation effort, as well as the innovation team’s commitment to improve the development and delivery of innovation, are better than a long list of quantitative metrics.

To achieve good balance across the innovation pipeline, from ideas to outcomes, it is a best practice to define metrics that relate to innovation input, innovation process and innovation outputs (see Figure 5). In addition, metrics should be defined specifically to measure cultural metrics, which can help gauge the measure of awareness and adoption of the innovation program across all constituents. For examples of metrics, see *Use Innovation Metrics to Bring Clarity and Demonstrate Business Value*. 
Reporting

A final step in the charter is to document how the innovation initiative will report its progress and results. This should include agreed reporting content, target audience and cadence for reporting.

Evidence

This research was developed through conversations, inquiries, interviews and visits with experienced innovators within our client base.

Document Revision History

What a World-Class IT Innovation Charter Should Contain and Why You Need One - 4 June 2010

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

Leverage a Customizable Innovation Framework to Design Effective Innovation Roadmaps

Successful Innovation Begins With the Business Strategy: Use Business Objectives and Goals to Start Your Innovation Journey

Your Context and Principles Are Key When Starting an Innovation Journey
Use 7 Dimensions of Innovation to Create Your Innovation Perimeter and Portfolio

Key Roles and Job Descriptions for Staffing Innovation

Use Innovation Metrics to Bring Clarity and Demonstrate Business Value

Navigate the 9 Common Pitfalls to Scaling Innovation

Navigate the Politics of Innovation
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