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The Innovation Codex

Board and Executive Sponsor Briefing

Governing innovation from initial evidence to adopted value

FOR

Board directors, executive committees, innovation portfolio committees, and senior sponsors.

PURPOSE

A concise governance framework for capital, evidence, risk, adoption, and decision accountability.

EXECUTIVE SUMMARY

Make Uncertainty Governable

Corporate innovation often fails because organizations apply the governance model for predictable execution to work whose outcomes are not yet known.

> **THE CENTRAL PRINCIPLE**
>
> Boards should govern the conditions, capital, boundaries, and reporting standards for innovation without attempting to manage individual experiments.

Two Governance Failures Commonly Follow

Premature certainty

- Management is asked for a multiyear business case before the problem or solution has been tested.
- Forecasts appear precise, but rest on assumptions presented as facts.

Insufficient discipline

- Teams experiment without evidence thresholds, capital limits, stop rules, or adoption measures.
- Pilots continue without a clear decision or postlaunch accountability.

The Codex Provides a Third Approach

1. **Staged capital**
   Capital is released in stages rather than committed entirely at the beginning.

2. **Evidence purchases**
   Each funding stage buys evidence against a defined uncertainty.

3. **Predefined decisions**
   Teams agree on the scale, hold, and stop conditions before results are known.

4. **Transparent reporting**
   Board papers distinguish evidence from assumption, forecast, and advocacy.

5. **Adopted value**
   Adoption and sustained value matter more than launch activity.

6. **Red Lines**
   Ethical, legal, safety, and reputational boundaries retain authority over momentum.

GOVERNANCE MODEL

Govern the System, Not Every Experiment

The board sets the rules of the game. Management operates within those rules and returns with evidence, risks, and decisions.

Five Matters for Board Oversight

1. **Strategic alignment**
   Connect every material initiative to a priority, customer need, operating constraint, emerging opportunity, or capability gap.

2. **Capital exposure**
   Make committed capital, the next tranche, the question being purchased, and the release threshold visible.

3. **Decision integrity**
   Define the success, hold, and stop conditions before results are interpreted.

4. **Enterprise risk**
   Set legal, safety, privacy, security, ethical, environmental, and reputational boundaries.

5. **Adoption and value**
   Require proof that the capability is used, changes behavior, and produces the intended outcome.

Roles and Decision Rights

The board

- Approves risk appetite and strategic alignment.
- Oversees aggregate capital exposure and material exceptions.
- Requires transparent evidence, risk, and adoption reporting.

Executive management

- Sets portfolio priorities and appoints accountable sponsors.
- Allocates resources, resolves barriers, and approves material tranches.
- Ensures stopped work releases people and capital.

The executive sponsor

- Protects the integrity of the learning process.
- Secures staged resources and early cross-functional engagement.
- Acts as steward of the decision, not merely advocate for the project.

The innovation team

- Frames the problem and identifies critical assumptions.
- Runs tests, records limitations, and recommends a decision.
- Measures adoption, value, and Red Line status.

Ask for the Portfolio View

The board should receive one concise portfolio view rather than a collection of promotional project updates. The Codex already provides the instrument. Do not commission a separate board template.

> The Portfolio View (appendix A6 of *The Innovation Codex*) gives one legible row for each initiative. It is the same artifact management already maintains, which means the board reads what the portfolio runs on rather than a document prepared for the board.

What the Portfolio View Captures

Reporting Field	Information Required
Initiative	Short name and accountable business area
Stage	Discovery, test, pilot, rollout, adoption, or sustainment
Latest evidence	The most decision-relevant result, including its date and source
Last decision	The previous scale, hold, or stop call, and the date it was made
Funding tranche	The amount, duration, and purpose of the current or requested tranche
Owner	The person accountable for the initiative
Top risk	The most material operating, financial, ethical, or reputational exposure
Status	Current condition against the agreed threshold
Next checkpoint	The date on which continuation must be reconsidered

Three Additions for Board Use

Ask management to add three fields to each row. These are the fields a director needs and an operating team does not.

Board Addition	Information Required
Executive sponsor	The person accountable for enterprise support and escalation
Red Line status	Clear, approaching threshold, breached, or under review
Recommendation	Scale, hold, or stop

For a small portfolio the report may fit on one page. For a larger portfolio, use one concise row per initiative and provide separate papers only where a material decision, a Red Line breach, or a threshold exception requires attention.

CAPITAL STEWARDSHIP

Fund the Next Uncertainty, Not the Final Ambition

Large initial budgets increase the political cost of responding honestly when evidence weakens. Staged funding keeps exposure proportionate to evidence maturity.

Each Tranche Should Specify

- The amount and duration.
- The work it permits.
- The uncertainty it is intended to reduce.
- The evidence required at completion.
- The condition that releases further funding.
- The condition that requires a hold or a stop.
- The individual authorized to make the decision.

> **DECISION RULE**
>
> The first tranche should be sized to the first important unknown, not to the final ambition. A missed criterion should normally result in a hold and review. Continuation requires a new rationale, not an automatic extension based on optimism, momentum, or sunk cost.

A Practical Evidence Sequence

1. **Problem**
   Is the problem material enough to solve?
2. **Behavior**
   Does the intervention change user behavior?
3. **Reliability**
   Can it operate safely and consistently?
4. **Adoption**
   Will intended users continue using it?
5. **Economics**
   Do costs and benefits justify expansion?
6. **Scale**
   Can it grow without breaching risk or ethical boundaries?

Capital Questions for Directors

- What uncertainty does this tranche purchase?
- Could the same answer be obtained with less capital or exposure?
- What evidence releases the next tranche?
- What happens if the threshold is missed?
- Has management released people and capital from stopped initiatives?

PORTFOLIO REVIEW

The Board's Eight Questions

Use the same questions across initiatives. Consistency reduces the influence of presentation style, seniority, political sponsorship, and enthusiasm for fashionable technologies.

1. **What problem are we attempting to solve?**
   What customer, operational, strategic, or societal outcome makes the initiative worth pursuing?
2. **What must be true?**
   Which assumptions must hold for the initiative to create value?
3. **What do we actually know?**
   Which claims are supported by observed behavior, operating data, experiments, or credible external evidence?
4. **What remains an assumption?**
   Which important claims are still forecasts, judgments, or hypotheses?
5. **What are we buying with the next investment?**
   What question will the requested capital answer, and why is it the next priority?
6. **What will cause us to stop?**
   Which predefined result, risk threshold, or Red Line will trigger a hold or a stop?
7. **What changed after launch?**
   What evidence shows that people adopted the capability and that its use created measurable value?
8. **When is the next decision?**
   Who has authority to make it, and what information will be available?

> **A USEFUL DISCIPLINE**
>
> Require management to state its current recommendation: scale, hold, or stop. A portfolio update without a recommendation is usually a status report rather than a governance paper.

RESPONSIBILITY AND VALUE

Risk, Red Lines, Adoption, and Value

Not every risk is the same kind of risk, and not every launch is an outcome.

Three Risk Categories

Testable risk

- Can be examined through a small, reversible, controlled experiment.
- May proceed within delegated guardrails.

Managed operating risk

- Is understood and controlled through ownership, monitoring, and escalation.
- Requires continuing evidence that controls remain effective.

Red Line risk

- The potential harm is unacceptable regardless of expected return.
- A breach requires an immediate stop or escalation.

ONE-WAY DECISIONS

Material capital, production deployment, regulated activity, or irreversible exposure require a formal Go/No-Go Gate (appendix A9).

Make Red Lines Operational

"Act ethically" is an aspiration. "Do not deploy if the error rate exceeds the approved threshold for a protected or safety-critical group" is a decision rule. The Ethical Risk Canvas (appendix A14) is where teams make these boundaries testable.

Adoption and Value: What to Require

A successful build is not a successful innovation. The Codex measures adoption in three stages (chapter 13). Ask for all three, in order, and treat the first as the weakest.

1. **Activation**
   Did the intended users begin? Report the share of target users who completed the task at least once.
2. **Engagement**
   Did they continue the meaningful behavior, rather than trying it once and reverting?
3. **Realized value**
   Did the use produce the intended customer, operational, strategic, or financial outcome?

For material initiatives, require a review that compares the original problem, actual adoption, realized benefit, continuing cost, residual risk, unintended consequences, and whether continued investment remains justified.

INSTALLATION

The 90-Day Executive Sponsor Mandate

The first Codex installation should be bounded. It should test whether the organization can generate evidence, make a timely decision, and act without reverting to either uncontrolled experimentation or bureaucratic delay.

Authorize One First Domino With

- A real and measurable problem.
- A willing cross-functional team.
- An accountable executive sponsor.
- Access to relevant operating data.
- Authority to run small tests within agreed guardrails.
- A limited initial capital commitment.
- A decision deadline within 90 days.

Required Outputs at Day 90

1. **A clearly framed problem**
   What is happening, for whom, and why it matters.
2. **Ranked critical assumptions**
   The uncertainties that most threaten value, feasibility, adoption, or responsibility.
3. **Completed evidence-producing test**
   At least one test with a predefined metric and stop rule.
4. **Decision Brief**
   A scale, hold, or stop recommendation (appendix A3).
5. **Capital account**
   Capital used, and further capital avoided or justified.
6. **Risk and Red Line status**
   Material risks, mitigations, and any threshold exception.
7. **Adoption and value indicators**
   Where relevant, initial behavioral and outcome evidence.
8. **Repeatability recommendation**
   Whether and how the Codex should be extended.

> **WHAT COUNTS AS SUCCESS?**
>
> Success does not require a positive launch decision. A well-supported stop may be the most valuable outcome when it prevents a larger commitment to an invalid, uneconomic, or harmful proposition.

BOARD PRACTICE

Suggested Agenda and Warning Signs

Quarterly Innovation Portfolio Agenda

Agenda Item	The Question It Answers
Portfolio movement	Which initiatives entered, advanced, paused, changed direction, or stopped?
Capital movement	What capital was committed, released, avoided, returned, or reallocated?
Evidence movement	Which important assumptions became better supported or were invalidated?
Adoption movement	Which launched initiatives gained or lost meaningful use?
Value movement	Which initiatives produced measurable customer, operating, strategic, or financial outcomes?
Risk movement	Which risks increased, decreased, or crossed an escalation threshold?
Decisions required	Which matters require approval, acknowledgement, challenge, or escalation?
System health	Is the organization drifting back toward advocacy, delay, hidden bad news, or indefinite continuation?

Warning Signs for Directors

Reporting and capital

- Every initiative is reported as green.
- Funding continues although evidence thresholds were missed.
- The same approval meeting recurs without new evidence.
- Management reports delivery but not adoption.
- Executive sponsors act primarily as advocates.
- Capital remains attached to stopped work.

Decisions and behavior

- No initiative has been stopped.
- Early forecasts are presented with unjustified precision.
- Pilots remain active without a defined decision date.
- Ethical review occurs only immediately before launch.
- Teams are penalized for producing inconvenient evidence.
- Activity measures substitute for decision measures.

> **SYSTEM-HEALTH TEST**
>
> A portfolio with no stops, no threshold misses, and no uncomfortable evidence is unlikely to be unusually successful. It is more likely that the system is filtering bad news before it reaches governance.

BOARD ACTION

Sample Board Resolution

Adapt the following wording to the organization's governance structure, delegations, and legal requirements.

The board supports the introduction of the Innovation Codex through one bounded 90-day pilot.

Management is authorized to select one material but contained business problem, appoint an accountable executive sponsor, establish a cross-functional team, and run reversible experiments within existing legal, safety, privacy, financial, and ethical delegations.

Management will report to the board or relevant board committee at the end of the 90-day period using a Portfolio View and Decision Brief that set out: the problem addressed; the assumptions tested; the evidence produced; the strength and limitations of that evidence; the capital used; the risks identified and Red Line status; the adoption or value indicators available; the decision to scale, hold, or stop; and the implications for wider adoption of the Codex.

No organization-wide deployment is authorized by this resolution.

Any proposal for broader implementation will be supported by evidence from the initial pilot, a defined governance model, required financial and human resources, an assessment of organizational readiness, clear ownership, a staged implementation plan, and measures of adoption and realized value.

Closing Principle

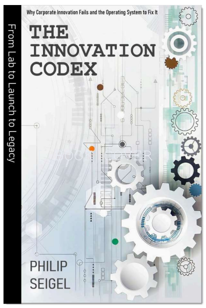
The purpose of innovation governance is not to make uncertain work appear certain. It is to ensure that uncertainty is visible, capital exposure remains proportionate, evidence improves over time, responsibility is not traded for speed, and management acts when the evidence says stop as readily as when it says go.

> *The governing question is not: "Can management guarantee that this initiative will succeed?" It is: "Has management built a system that will reach the right decision before the organization commits more than the evidence justifies?"*

ABOUT THE BOOK

Where This Briefing Comes From

This briefing is a summary. The reasoning, the evidence, and the tools it refers to are set out in full in the book.



The Innovation Codex

Why Corporate Innovation Fails and the Operating System to Fix It

From Lab to Launch to Legacy

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What the Board Reads

Where to Look	What It Does
Appendix D	The Board's Role in Governing Innovation. The governance translation of the Codex, written for directors.
Appendix A6	Portfolio View. The single-row portfolio instrument this briefing asks management to bring.
Appendix A9	Go/No-Go Gate. Records launch criteria before the results arrive.
Appendix A3	Decision Brief. Records one recommendation: scale, hold, or stop.
Appendix A14	Ethical Risk Canvas. Where Red Lines are made testable.

What the Sponsor Reads

Where to Look	What It Does
Chapter 9	Governance and Funding. The tranche and evidence-gate mechanics behind this briefing.
Chapter 13	Adoption Engineering. The activation, engagement, and realized-value measures.
Chapter 16	Installing the Innovation Codex. The 90-day sequence and the First Domino.

THE COMPLETE TOOLKIT IS FREE

Every tool referred to in this briefing can be downloaded, printed, or filled in online at innovationcodex.com. No purchase or sign-up is required to use them.