

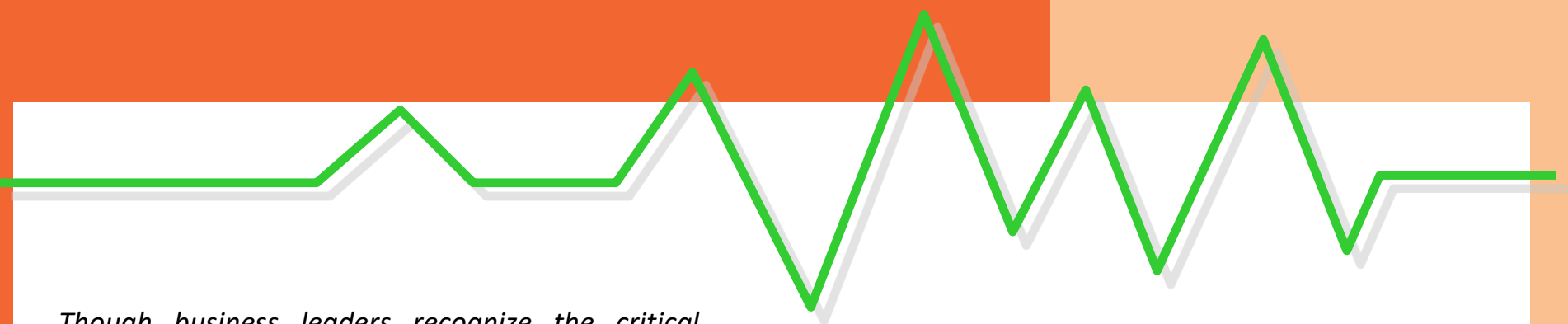
Innovation

Industry Pulse Survey



June 2018

For more information, contact Innovationedge at ie@innovationedge.com or (920) 967-0470



Though business leaders recognize the critical importance of innovation for growth, many are struggling to implement it effectively.

Background

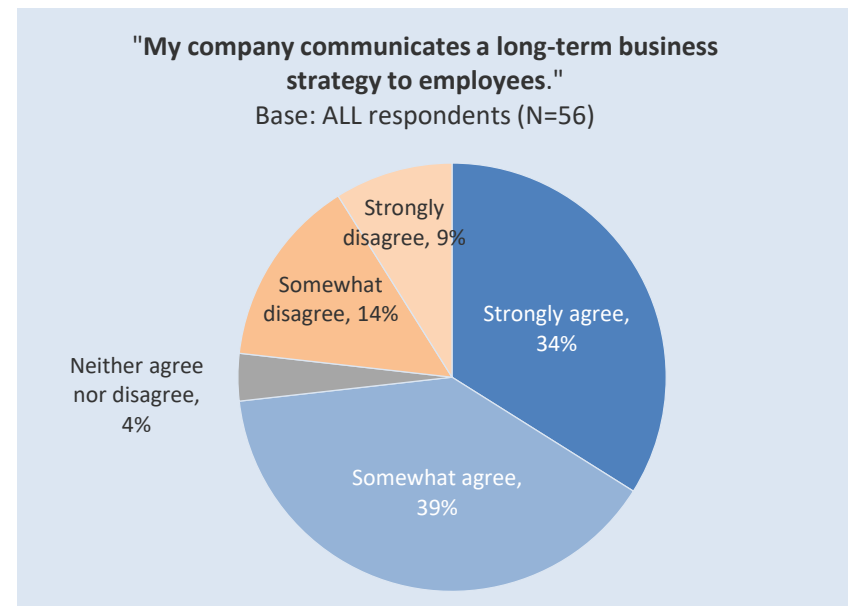
In December, 2017, Innovationedge conducted a survey among our readers to gain an understanding of current innovation trends from the perspective of leading executive and management-level professionals. The survey yielded a total of 56 responses, mostly based in North America, with a few from Europe and Asia.

Results reveal that a key challenge many organizations face is how to effectively link innovation to their long-term growth strategy, and how to improve execution of innovation in the market. In addition, while many organizations desire to drive “disruptive innovation” that changes the game, in practice, most are struggling to do this.

Our exclusive report outlines the complete survey results and offers insights for further digestion and action.

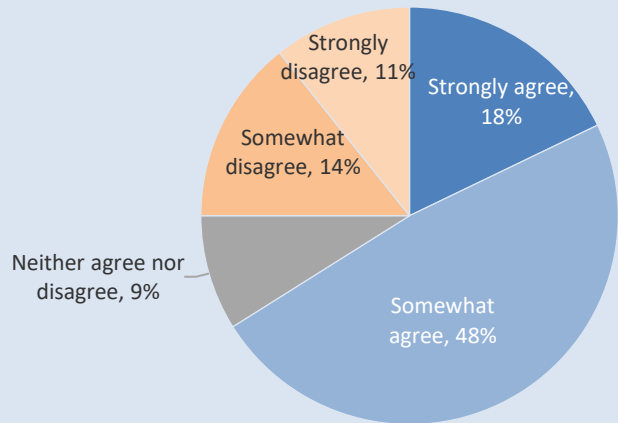
Innovation needs to be better linked with strategy

Although **34%** of respondents “strongly agree” that companies communicate long-term business strategies, and 39% “somewhat agree,” only **18%** “strongly agree” that this strategy includes clear linkages to innovation:



"My company's business strategy includes a set of clearly defined, market-focused innovation strategies."

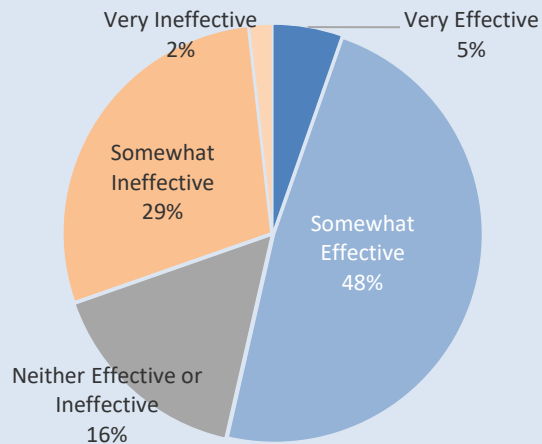
Base: ALL respondents (N=56)



There is "room for improvement" in delivering innovation effectively

Only **5%** of respondents believe their company is very effective at delivering strategy. **Almost half** say it is either ineffective (31%), or can't decide (16%).

"How effective is your company at delivering innovation to the market?" (N=53)



Reasons cited for being ineffective include trouble selecting which projects to fund and lacking expertise in delivering new products.

Even respondents who chose "somewhat effective" see room for improvement:

- "We could do far better"
- "Too many hiccups lately"
- "Bold, successful innovation has turned into a series of conservative incremental, not so successful changes."

"Our company is better at improving the value and premiumization of existing products in existing categories versus developing new products or categories."

Survey Respondent

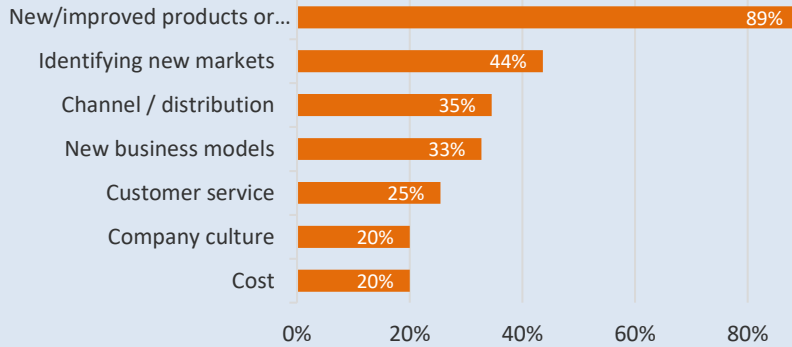
Most innovation is focused on incrementally improving products and services

89% of respondents say products and services are a primary focus of innovation. Among this set, **nearly half** (47%) are focused on incremental changes only, rather than bringing something new to market.

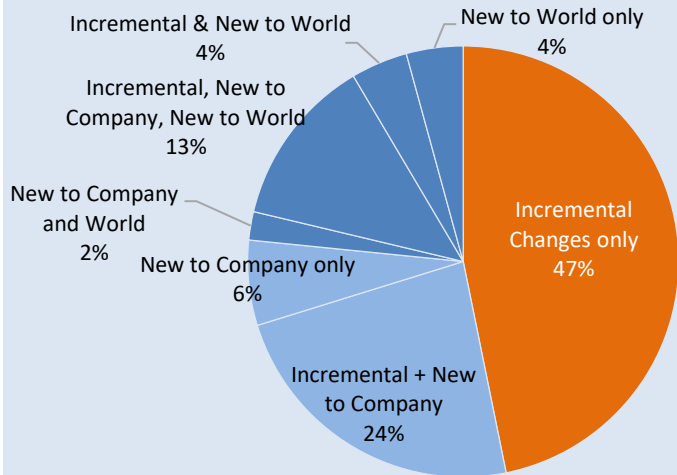
"[B]old, successful innovation has turned into a series of conservative, incremental, not-so-successful changes. For every big idea, we probably execute 75 tiny ones."

Survey Respondent

What areas of your business are the primary targets for innovation efforts? (N=55)



"Which of the following types of innovation does your company focus on today?" (N= 47)



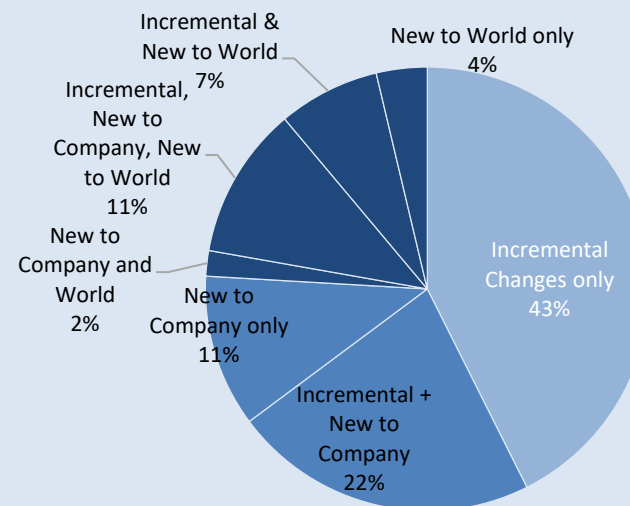
Bigger innovations that require longer-term planning, such as identifying new markets and starting new business models, do get focus from some companies (44% and 33% respectively).

25% of companies are setting their sights on disruptive innovation

A focus on “disruptive innovation” can be seen in **25%** of respondents who say their company’s innovation includes “new to the world” ideas, rather than just incremental changes to existing ideas (in or outside their company). A term coined by Clay Christensen of Harvard Business School, disruptive innovation tends to be future-focused and offers new business models for delivering value to customers in a brand new way. For many, “new to the world” is lower priority than nearer-term innovation. As one respondent comments: “Our company is focused about 70% on incremental changes or renovation, 20% on new to our company, and 10% new to the world.”

Despite the interest of some companies in “new to the world” ideas, an even larger group is focused on incremental changes alone (**43%**).

"Which of the following types of innovation does your company focus on today?" (N=54)



Changing the game is easier said than done

A full **44%** of respondents say that their companies desire to be in a leadership position – where they are changing the rules of the game.



The desire may be there, but -- as responses about incremental vs. disruptive innovation have already shown -- real appetite often falters behind ambitions. One respondent comments:

"The intent is there but implementation, resource/budget allocation and mindset are not."

Survey Respondent

Risk seems to be a primary deterrent. As another respondent observes:

"To lead you would have to be a full out pioneer willing to take big risks."

Survey Respondent

Everyone is Responsible for Innovation

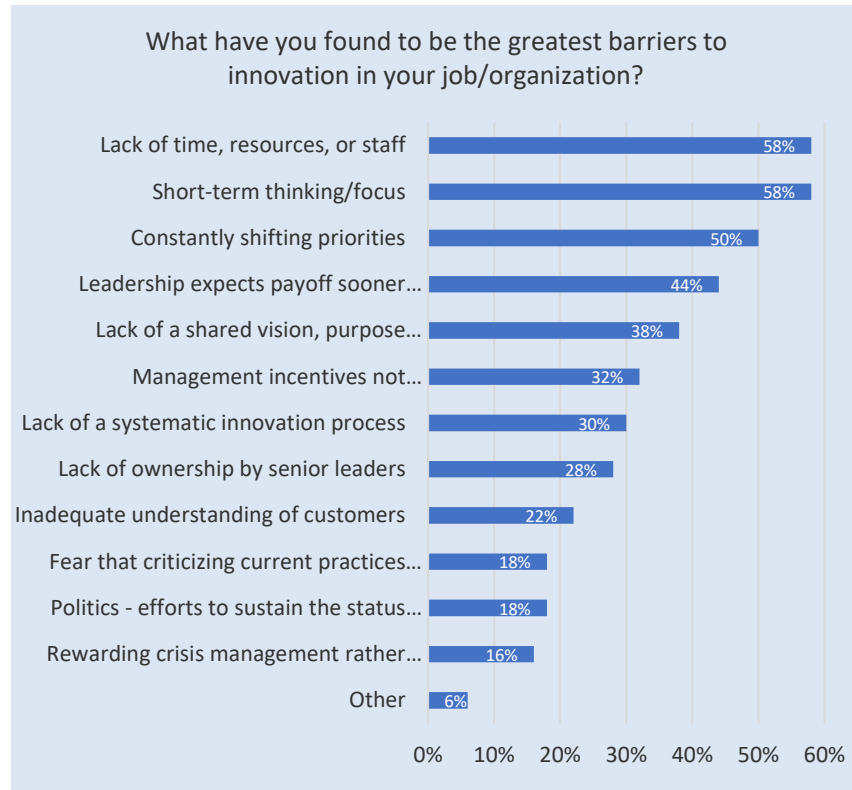
The respondents we surveyed are in line with a national trend toward democratizing innovation. For **56%** of companies, everyone in the firm is responsible for innovation. Democratizing innovation can help make innovation central to a company's identity and taps into the knowledge of every worker. However, in our experience, the most successful companies also make sure they have at least a few innovation experts that are somewhat insulated from pressures of daily business. Otherwise, short-term emergencies can beat out long-term strategies.



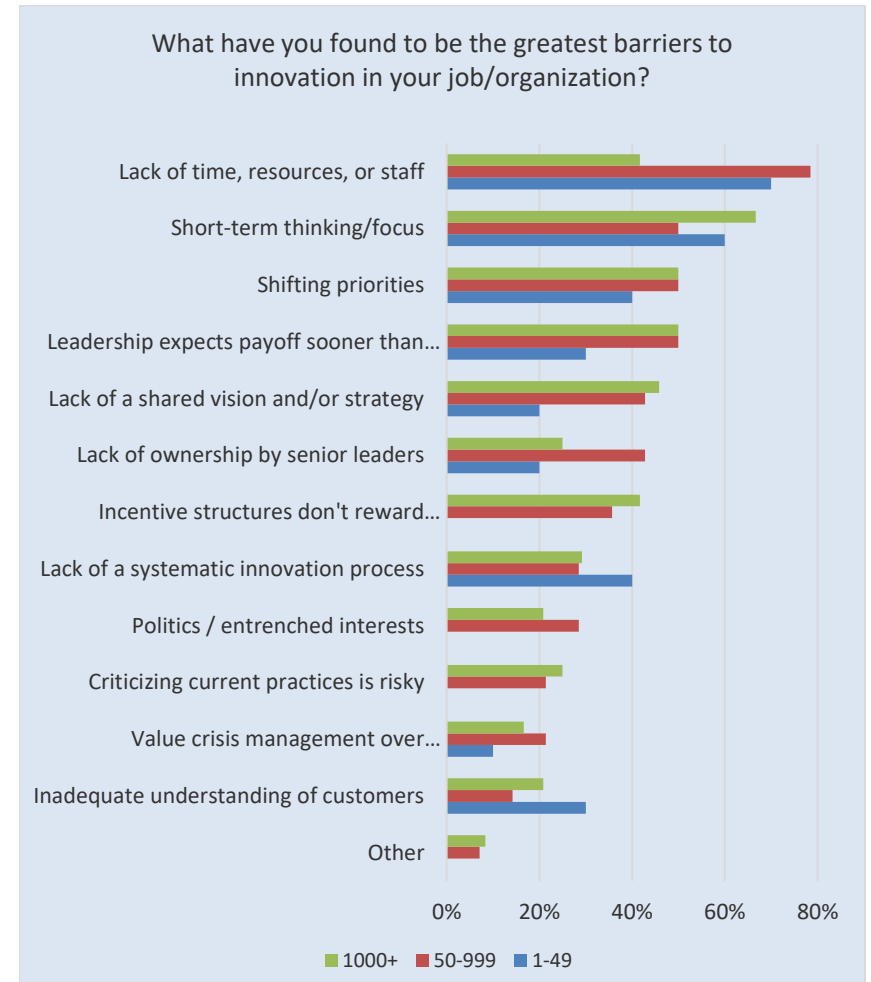
Resource constraints and short-termism are key barriers for Innovation

58% of respondents cite resource constraints as a key barrier to innovation. Others also cite short-termism, with **58%** complaining about short-term thinking and **44%** claiming leadership expects payoffs sooner than is realistic. These barriers reflect challenges we see every

day at Innovationedge. Clients struggle to make time to establish a shared innovation strategy. Even once that has been created, short-term urgencies can quickly eat-up time and energy that otherwise be devoted to the development innovative ideas.



Delving deeper into the data reveals that the resource constraints barrier is driven by smaller companies (less than 1000 employees) where over **70%** list this challenge, followed by the challenge of short term thinking. For larger firms (1000+ employees) however, limited resources are not the issue. Instead, short term thinking is the primary challenge, mentioned by **67%** of respondents. **50%** of respondents also cite shifting priorities and unrealistic leadership expectations (expecting pay-offs sooner than realistic) as primary deterrents.



Concluding Thoughts

The need for out-of-the box innovation has never been greater than it is in 2018. Companies face growing threats from competitive giants like Amazon, who are rewriting the rules of the game at ever increasing rates. Yet, as our respondents illustrate, delivering innovation that drives growth remains as challenging as ever for most organizations. What can leaders do to improve their chances of success in the critical

area of innovation?

At IE, we have found three ingredients are key to ensuring success:

- 1) **Know yourself.** Take time to diagnose your business as it is today before deciding where you want to go and who you want to become. What are your core strengths? What makes you different from competitors? What are your non-negotiable values? What are your weaknesses? Where do you have opportunities to grow and improve?
- 2) **Know your customer.** Once you have a strong sense of your own competencies, focus on your customer and his/her untapped needs. Innovative companies are relentlessly customer-centric, evaluating every decision against a key criterion – will this help my customer? Does it exceed expectations? If not, what can I change?
- 3) **Stretch beyond your comfort zone.** Perhaps the most difficult step is to increase your organization's appetite for change, even when this challenges the status quo. Shift from a focus on today's emergencies to an emphasis on tomorrow's dreams and visions. The realm of the "possible" must include partnerships, new business models, outside-in-thinking, trend-watching, organizational changes – basically, whatever it takes to win.

Doing these three things well is far from simple, but critical to ensuring long term leadership. Our team works with companies of all sizes to tackle their particular challenges in defining innovation strategies and leading implementation, and would love an opportunity to meet with you to learn how we can help you drive effective innovation.



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