INNOVATION.
THE NEW COMPETITIVE
EQUATION.

Examining Innovation
Strategies and Roadblocks
in Today's Enterprise

Full Report | April 2015

BPI NETWORK

CMO COUNCIL

BRIGHTIDEA
PEOPLE POWERED INNOVATION

CONTENTS

INTRODUCTION

In a world experiencing massive technology transformation and rapid shifts in customer markets and expectations, innovation has become a management imperative no business can afford to ignore. Agile, disruptive business models and nimble competitors worldwide are overhauling markets and challenging less adaptive, customer-centric and cost-efficient incumbents. Embracing new solutions, integrating big data, mobility, social networking, collaboration, cloud delivery and other evolving technologies are redefining customer relationships, product design and success rates, supply chain networks, workforce productivity and more.

The shift toward innovation as a leading success factor for business is increasingly accepted within boardrooms and C-Suites around the world. In today's innovation economy, institutions of all types and sizes are challenged to rethink and redesign the future. To do so, they must embrace innovation-driven business cultures, processes and platforms, break down barriers to change, and empower innovation leaders and thinkers across and beyond corporate boundaries.

As a leading global affinity network for executive change agents and a champion of business transformation, the Business Performance Innovation (BPI) Network believes strongly that innovation must climb to the top of agendas worldwide. To assist businesses and executives in this journey, the BPI Network is committed to identifying, exploring and sharing emerging trends and transformational ideas and practices that are reshaping world markets and competitive landscapes. *Innovation: The New Competitive Equation* represents the BPI Network's first annual state-of-innovation study. It looks at what our members and other leading executives around the world are saying and doing about innovation within their organizations and the roadblocks, accelerants, challenges and opportunities they see in the year ahead. We hope our findings and analysis will be helpful to agents of change around the world.

In undertaking this study, the BPI Network utilized both quantitative survey outcomes and qualitative interviews. We surveyed over 200 top executives across the globe to get a deeper understanding of the state of innovation in the enterprise today. To supplement those findings, we interviewed some of our top board members to paint a full picture of how enterprises can drive hard outcomes from their innovation processes.

EXECUTIVE SUMMARY

INNOVATION IS A KEY DRIVER OF SUCCESS: BUT STILL EXPERIENCING ROADBLOCKS

As executives across industries respond to profound global competition and business realignment, commitment to innovation is at the forefront of the minds of top companies around the world. Jim Stikeleather, Chief Innovation Officer at Dell, says: "In the old model, one became successful by being efficient, and people were rewarded for achieving scale and efficiency within scale. But now the economy has shifted. Efficiency is not the key, innovation is. Future profits are going to come from your ability to consistently innovate. The problem is, policies and procedures are still stuck in that old model."

"In the old model, one became successful by being efficient. But now the economy has shifted. Efficiency is not the key, innovation is. The problem is, policies and procedures are still stuck in that old model."

Jim Stikeleather
Chief Innovation Officer, Dell

Fully 79% of survey respondents now rate their companies' commitment to innovation as very high or growing. But while the intention is there, companies are still experiencing significant roadblocks. Outdated business models and technologies prohibit them from achieving the shift they need to stay competitive in this rapidly changing environment. Responses reveal a significant tension between this rampant aspiration for growth based on new ideas, and a risk-averse, turf-based corporate culture.

Respondents highlight a number of institutional barriers to successful innovation that persist within their industries. These barriers create a lag both in major technology shifts and also in market shifts. Chief among the obstacles for innovation is a fear of failure among individuals across enterprises, with 42% of respondents – the largest percentage – citing "Self-preservation and concerns about failure" as the factor most likely to snuff out potential game changing initiatives. Another significant number view organizational silos and roadblocks as a critical limiting factor for inventive dexterity, with 37% of respondents highlighting the cross-functional and divisional barriers within the enterprise leading to a lack of effective innovation programs. Respondents also find that oftentimes innovation does not succeed because there is no clear definition or strategy behind it; rather, innovation occurs in pockets that are not leveraged effectively to produce real outcomes across the enterprise.

"Innovation must be closely tied to the business strategy and growth agenda; with clear engagement by the business that will ultimately launch these initiatives."

Nancy Quan
Global Head of R&D, Coca-Cola

Executives recognize that clear top-down mandates are required to eliminate barriers to innovation, and allow for bottom-up, technology-enabled inspiration to thrive. And that leadership, they say, must begin from the very top. The survey found that CEOs remain the key catalysts for change, with the highest proportion of respondents (42%) saying that CEO-driven cultural change is fundamental to improving the innovation quotient within organizations. Echoing that theme, Nancy Quan, VP for Global R&D at Coca-Cola, says the buy-in of the C-suite is critical for innovation projects – and that this, in turn, relies on the careful integration of innovation projects into the overall business plan. She says: "Innovation must be closely tied to the business strategy and growth agenda; with clear engagement by the businesses that will ultimately launch these initiatives. Innovation must also be delivered on time and with clear business value."

Stephan Altmann, Head of Innovation Excellence at BASF, says: "It is important that top management is active in promoting organizational culture by initiating general innovation programs or road maps that explicitly state the future contribution of investments in innovation projects to the overall business." For Altmann, the CEO is a crucial enabler of a culture which encourages curiosity among all staff, and gives them the freedom to fail: "Visionary leaders give their middle and lower management the ability and freedom to think in longer time frames and allow for certain levels of failure in the short term."

THE ROLE OF THE CIO AND INNOVATION TEAM

Top companies are looking to create organizations that will enable innovation to flow through the enterprise. In order to do this, there is a push to create roles and teams developed specifically to enable innovation and break down the barriers to successful innovation programs. Stikeleather notes: "As innovation leaders our role is to enable innovation, facilitate it, and accelerate it."

Asked where innovation was most needed, respondents looked towards organizational culture as driving innovation. As such, 34% of respondents say new approaches were needed to reshape "organizational mindset and culture," while 30% suggest companies need to "embrace change and new ideas." When asked about where to apply innovation resources, 33% of respondents say those resources should be also be deployed to revitalizing the DNA and mindset of the business.

Mark Drasutis – Head of Innovation for News Corp – describes his job as "half technology leverage and half culture change." That mindset change, he says, begins

with a focused effort to define innovation, and to integrate it within business planning across the enterprise. Innovation grows within a new framework in which individual employees enjoy the freedom to fail – especially to "fail safe" – and matures with cross-functional collaboration between teams; between the company and external partners; and even between the business and its customers.

Stikeleather agrees: "In order to achieve this mindset change, the first step is to come up with an innovation architecture that will determine how to define and recognize innovation, which is dependent upon the industry, skills, knowledge, and resources available." Survey respondents also highlight the need for innovation initiatives to accord with operational business plans. Fully 34% say innovation resources must go to "Defining innovation strategies, projects, and deliverables." Nancy Quan, VP of Global R&D at Coca Cola, says: "It is important that when innovation programs are identified, it is clear what role it plays and the value it can contribute (or not) to the existing business."

One of the most effective means of integrating an innovation architecture and culture across the business is through the dedicated innovation team. These small, dedicated teams, typically led by an Innovation Executive or Program Manager, act as a corporate Center of Excellence for Innovation, working with business unit leaders across the organization to uncover challenges, then tapping into employees to crowdsource innovative ideas. The effectiveness of these teams is highlighted in a recent IBM Global Business Services report, which found that "Outperforming organizations are 79% more likely to establish and maintain a special or designated innovation team." The report goes on to state "these dedicated groups can fulfill two important roles: provide management and governance for the overall innovation program and support specific innovation activities."

As was echoed in the qualitative interviews, innovation measurement has emerged as a critical focus area for innovation resources. In large part, this is because it provides CEOs and financial managers with a tool with which to transform a change-resistant corporate culture. When innovation leaders are able to properly measure innovation in a way that is meaningful to their specific organization, then innovation outcomes can be measured relative to other business pipelines. Stikeleather and his team have determined very specific definitions of innovation at Dell. Because of these definitions, they have been able to measure the effects of their innovation processes. And these processes are indeed proving worthwhile. Stikeleather notes: "We've tracked that within a year, the people who have gone through the innovation training have about 300% increase in their pipeline, compared to the ones that haven't, and are closing deals

"As innovators, we need to quantify innovation outcomes, provide timelines for those outcomes, and demonstrate how those outcomes align with the overall business strategy."

Stephan Altmann
Head of Innovation Excellence, BASF

that are 8% larger than the deals of their colleagues."

Measuring innovation is also essential in making innovation actionable and accountable. Respondents attach great importance to creating evaluation models (37%), and in developing measures and metrics of innovation programs (36%). Altmann says: "As innovators, we need to quantify innovation outcomes, provide timelines for those outcomes, and demonstrate how those outcomes align with the overall business strategy. We must be explicit and demonstrate long-term returns. Otherwise, innovation will not be executed due to operational day-to-day business requirements."

"One team might be called an innovation group, but successful innovation implementation requires the buy-in and support from cross-functional teams."

Andria Long
VP of Innovation, Johnsonville

Far from the past notion of accidental or blue-sky breakthroughs, executives now say that innovation can not only be measured and tracked, but also developed within the same kind of formal channels that control operations. Indeed, fully 44% of respondents believe innovation would be best encouraged with a "formalized process for evaluating and rewarding innovation up and down the organization," and 40% of respondents believe that fast-tracked but structured programs of "intrapreneurship" for top talents must be implemented.

Respondents also indicate that successful innovation strategies are not really about individual change agents or individual good ideas. Instead, collaboration on ideas has emerged as the true key, with 29% of respondents insisting that cross-functional collaboration is critical in advancing innovation across the enterprise. Andria Long, VP for Innovation at Johnsonville, says: "One team might be called an innovation group, but successful innovation implementation requires the buy-in and support from cross-functional teams-- be it R&D, operations, engineering, or others."

Stikeleather agrees that the key to successful innovation is about ensuring innovation becomes embedded into the cultural DNA. And once that happens, there may no longer be a need for an innovation group to drive all innovation. "Our end game is to disband the innovation group, once we've established the foundations of a culture of innovation, because we believe that the only thing that happens if you keep the innovation group around is they turn into a bureaucracy." His advice– "don't teach innovation, but innovative thinking."

KEEPING PACE WITH TECHNOLOGY AND NEWLY EMPOWERED CUSTOMERS

Inventive approaches are critical for revenue growth in almost every area, from product development to cost reduction and the penetration of new markets. But, strikingly, the BPI survey revealed that the most urgent target for new thinking

in 2015 was in finding new ways of engaging with customers. A whopping 40% cite "New ways of engaging with customers" as the primary target for all new thinking in their companies. And in a closely linked finding, another major group of respondents (32%) cite "keeping pace with digital technologies" as the most needed focus for new innovation. At the same time, only 6% of respondents included "realizing cost reductions" as an urgent focus for innovation – a major target for companies just five years ago– and only 7% said new innovation was most needed to improve existing products.

Digital technologies are driving ways of engaging with customers, and smart companies will take advantage. Drasutis says innovators need to train themselves to forget the stated purpose for new technologies, and to focus instead on how customers actually use those technologies. "Flickr is a great example – it was designed as a computer game, but it became one of the biggest sharing websites of them all because consumers found they could share photos in the game," he says. "And who would have thought that people would be watching TV and tweeting at the same time? So you look to leverage technologies which have the potential to be relevant to consumers in their new world."

Rather than wait for consumers to "tell" companies what they want, or demand that elusive "perfect information," executives are seeking better ways to interpret relevant behavior among customers, and anticipate their future service needs. Asked what would best advance innovation across the enterprise this year, fully 30% off respondents cite "better use of customer feedback systems."

New ideation platforms have emerged as an indispensable tool for identifying both what customers want, and predicting what they will come to rely on. Many companies are still experimenting with new platforms such as crowdsourcing, and the BPI survey found that 50% of executives had experienced "mixed results." But a strong percentage found crowdsourced information to be a unique and effective channel for targeting innovation projects. Barnett notes: "Effectively utilizing the innovative potential of the crowd is the next innovation imperative companies face."

This points to the fact that while companies see the value of crowdsourcing, they are still challenged in execution and getting to results. There is much more to success that any particular platform or tool. It is imperative that companies work with vendors that also provide a proven methodology for engaging the crowd and managing ideas through to implemented projects.

"Effectively utilizing the innovative potential of the crowd is the next innovation imperative companies face."

Brandon Barnett
Innovation Leader, Intel

DEVELOPING CHANGE AGENTS

Businesses badly need more innovative thinkers and change agents to drive new thinking, products and competitive performance in 2015. Executives have a clear picture of what they are looking for in a change agent. Respondents overwhelmingly say they want emboldened staff who are curious and engaged with the world beyond their desks; who collaborate cross functionally; and who challenge traditional thinking. The aforementioned dedicated innovation team is the ideal change agent and catalyst for affecting a culture of innovation across the business. Yet survey respondents say those risk takers and innovators are too often not recognized, rewarded, cultivated or encouraged at either the corporate or university level.

47% of survey respondents declared their ideal change agent to be a person who "challenges the status quo and traditional thinking." But strongly linked to these qualities is a parallel requirement that these innovators channel their ideas within a framework of viability within existing business plans. Roughly one in three respondents qualified this free thinking imperative with these additional qualities: that individuals "Understand where change can deliver business value," and have the "Ability to marry innovation with strategy, process and solutions."

"Employees are by their very nature innovative and inventive. The question is how to create an organization that allows innovation to thrive through people."

Brandon Barnett
Innovation Leader, Intel

The value of emboldened staff across all levels is well illustrated at News Corp. As a new leader, Drasutis has found an environment so agile for change that it is already "where the customers are" after just two years of a five-year innovation strategy. He says this happened partly because staff was already primed to be curious, and questioning the status quo was generating bottom-up ideation. The key to empowering existing staff as change agents, he says, is a policy of open innovation and a "show, don't tell" approach. For journalists, the mindset has rapidly shifted from producing newspapers to "telling great stories," using multiple media and platforms.

However, respondents say that that corporate culture is lagging behind the C-suite aspiration for a collaborative army of change agents. Results suggest that this is fundamentally a human resources problem. HR needs to be pushed to hire, promote and incentivize change agents. A large number of survey respondents (28%) point to finding and empowering change agents in the enterprise as a top priority towards focusing innovation resources. Brandon Barnett notes that among employees, there is no shortage of ideas; what is needed is a formalized structure to harness and develop them: "I firmly believe employees, like all people, are by their very nature innovative and inventive. We are problem solvers. So inventive thinking is already in the DNA of employees. I believe the (bigger) question is how to create an organization that allows innovation to thrive through people."

For many top executives, this process begins with encouraging employees to be curious and interested in the dynamic new world around them: to think about their own interaction with social media; with innovative retail offerings; with the shared economy, and apply those to the needs of their customers. Nancy Quan says: "It is important that associates are well networked, and have curiosity and interest in many things. It's important that they spend time on understanding what is happening externally in the world around them, are risk takers, are passionate and tenacious on what they are working on, and are able to connect things that are not obvious."

"In today's environment there are few apparent blue oceans out there. Innovation is often formed by shifts rather than disruptions."

Stephan Altmann
Head of Innovation Excellence,
BASF

CONVERGENCE & BREAKTHROUGH INNOVATION

For top executives, innovation needs to happen at the intersection of technology and markets. And executives are finding that investments in portfolios of the less glamorous forms of innovation – the incremental and breakthrough varieties – are the most effective for growth and competitiveness. Stephan Altmann says: "In today's environment there are few apparent blue oceans out there. Innovation is often formed by shifts rather than disruptions." Survey respondents agree, and note that multiple, small initiatives not only help foster cultural change across the enterprise, but also create a "fail safe" trial-and-error learning, and the occasional "holy grail" windfall of a disruptive offering to the market.

In other words, companies can't always look for 'disruptive innovation' homeruns. Those expensive and complicated innovation projects contribute to the view that innovation is not doing a good job of driving hard outcomes, especially because most times disruptive innovation fails- and fails big. Indeed, these projects may contribute to the perception of innovation as a non-value driver. Fully 32% of respondents note that "Limited recognition of innovation as a competitive advantage and value builder" remains a key inhibitor to an innovative corporate environment.

Stikeleather sets out the value of the shotgun, rather than the rifle, when it comes to targeting advantage: "Breakthrough innovation means you can either use existing technologies and new business models or take existing business models and new technologies, all to continue creating your existing value proposition and sometimes a new value proposition. And then the Holy Grail that everybody looks for is a disruptive innovation, which is where you apply new technologies and new business models and new processes to create a whole new value proposition. However, it is unlikely to really create disruptive innovations if that's the only focus. A portfolio of incremental and sustaining innovations and your breakthrough innovations provide

the coverage to allow you to try a whole bunch of things that might be disruptive innovations in the future."

Respondents also warn that effective innovation also requires dexterous systems that will quickly identify and "kill off" initiatives that fail to show value or viability. And they need to do so while simultaneously preventing the idea's originators and developers from being discouraged, and also conducting rapid, constructive post mortems to improve the success rate of future innovations. Andria Long says: "Innovators have to be able to kill initiatives, be agile, and shift when necessary. To do so, the fundamental requirement is to give employees the freedom to fail. A company and its leadership team need to understand that, because fear of failure impedes progress. With the plethora of information out there, it is easy to iterate something to death in order to decrease risk, but that iterative process can dilute down what was once a really great idea. Leaders also need the permission to kill something if it's not working."

Stikeleather agrees: "Everybody wants disruptive innovation, but disruptive innovation is a black swan, and has more to do with luck than anything else. If you want to be a successful innovator, you have to maintain a portfolio of innovation. That's because most innovation is the product of failure."

ARE UNIVERSITIES FAILING US?

Given the challenges of outmoded corporate cultures – and the imperative for innovation to be integrated throughout all aspects of the enterprise – there is a greater need than ever before for "new blood" innovators. Executives say they urgently need an infusion of young change agents for whom innovative thinking is automatic, and the speed and dynamism of the real-word marketplace is familiar.

> *"What we've done is create a training program that doesn't teach innovation, but innovative thinking."*
>
> **Jim Stikeleather**
> Chief Innovation Officer, Dell

Yet executives say business schools are lagging far behind successful companies in cultivating innovative mindsets. BPI's respondents gave a startlingly critical verdict in this area, with a massive 79% of executives believing that business schools are doing either a moderate, improving or poor job in equipping students for the new innovation-driven marketplace.

One could argue that these findings suggest that the fear of failure inhibiting innovation within companies is, in part, coming from an educational system where failure is not tolerated. While there does appear to be improvement in this area, with 17% of respondents highlighting an "improving" capacity of university programs, respondents see that there needs to be a fundamental shift in perspective of these schools towards highlighting the significance of harnessing innovators and innovative techniques.

Respondents note that above all, educational institutions need to immerse students in real-world innovative thinking. An overwhelming majority of 64% of executives say that the primary solution for tertiary institutions is not to "teach" innovation as a stand-alone subject, but rather to "Integrate innovation processes and problem-solving into existing classes and studies." This approach is strongly linked to the successful experience of Stikeleather at Dell, where both short term productivity and longer term innovation programs were boosted directly with this approach: "What we've done is create a training program that doesn't teach innovation, but innovative thinking." A quarter of survey respondents also recommend compulsory on-the-job experience for post-graduate admissions at business schools.

DETAILED FINDINGS

Q1. **How do you rate your company's level of commitment to innovation?**

Leading companies recognize innovation as a top priority. Whether in breakthrough, incremental or disruptive form, innovation has become the new currency of competition. Fully 79% of respondents ranked their companies' commitment to new thinking as "very high" or "growing." Yet despite the level of commitment, there still exists a great deal of barriers prohibiting innovation throughout the enterprise. Once companies can begin to define, measure, and integrate innovation throughout the business model, companies will see the competitive advantage they strive for through innovation.

46%	Growing
33%	Very High
15%	Moderate
5%	Poor
2%	Adequate
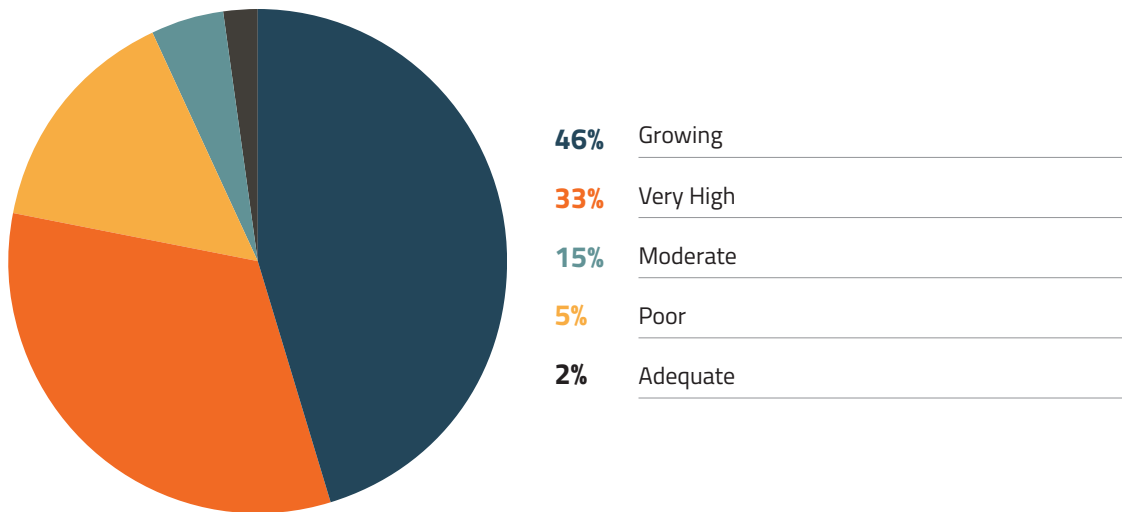
Q2. What could help advance innovation across the enterprise in 2015?

Top-down mandates are required for bottom-up inspiration for new initiatives. Leading executives say that CEOs remain the most effective catalyst for a game-changing mindset. And barriers to ideas simply have to go. The survey reveals that there is no shortage of inventive thinking – and that what's most urgently needed are clear mandates and an emboldening culture which encourages these ideas to be articulated and developed. Ideas also need to come from consumers, with fully 29% of respondents noting that better use of customer feedback loops is the fuel needed to turbo charge innovation in 2015. And, within the enterprise, the same number emphasize cross-functional collaboration between teams, while also calling for the elimination of turf boundaries and siloes. The question also presented an interesting geographical dichotomy, with almost one in five US executives stating that "transparency between divisions" was crucial in 2015, while only 5% of their European counterparts saw this as important.

42%	CEO-driven cultural commitment
31%	Reduction of obstacles, siloes and roadblocks
29%	Better use of customer feedback systems
29%	Cross-functional collaboration and integration
26%	Management receptivity to new ideas
25%	Clear innovation mandate and agenda
20%	Increased R&D spend and productivity
16%	Rewards, incentives and recognition
15%	More transparency between divisions and teams within the enterprise
13%	Better use of technological advancements
10%	More inclusionary business practices
10%	Greater commitment to open innovation
10%	Shift in overall corporate structure
9%	Innovation management platforms for crowdsourcing good ideas
4%	Other

Q3. Where is innovation most needed in your organization?

While companies recognize the importance of internal transformation to foster innovation, fully 40% - the highest percentage - say "New ways of engaging with customers" should be a primary target. And 32% of survey respondents also stress "keeping pace with digital transformation" as an equally urgent area for new thinking. Within the enterprise, respondents note the importance of new approaches that transform the corporate mindset into one which embraces risk – and even failure – and empowers individuals across divisions to get in on the game-changing act. All other kinds of coveted innovation – the breakthrough; efficiency and disruptive varieties – are now seen to flow from that initial shift. But technology and customer expectations are changing too quickly for this to happen in a vacuum.

%	Category
40%	New ways of engaging with customers and sustaining relationships
34%	Organizational mindset and culture
32%	Keeping pace with digital transformation
30%	Willingness to embrace change and new ideas
27%	Operational processes and systems
19%	Go-to-market strategies or approaches
16%	Product differentiation and localization
16%	Corporate strategy and planning
14%	IT responsiveness and agility
9%	Line extension and adaptation for new markets
9%	Business development programs and partnerships
8%	Strategic sourcing and supply chains
8%	Business growth and performance improvements
7%	Realizing cost reductions and efficiencies
7%	Improved interfaces and usability of products
6%	Advertising and communications
5%	Employee compensation and incentives
3%	Other

Q4. Where should companies focus innovation resources?

Survey respondents underline the new belief that companies need to focus their innovation resources on establishing a culture of innovation. While top companies are rightly investing heavily on product development, experimentation and efficiency, only 15% of respondents cited "Building better products and experiences" for new ideation spend. Instead, 33% say resources should be deployed to revitalizing the DNA and mindset of the business, and an even larger proportion (34%) say they should go to "Defining innovation strategies, projects and deliverables". A significant number also believe some of these precious resources would be best spent measuring and quantifying the impact of innovation. As was echoed in the qualitative interviews, innovation measurement has emerged as a critical focus area, partly because it provides CEOs and financial managers with a tool to gauge the success of innovation projects.

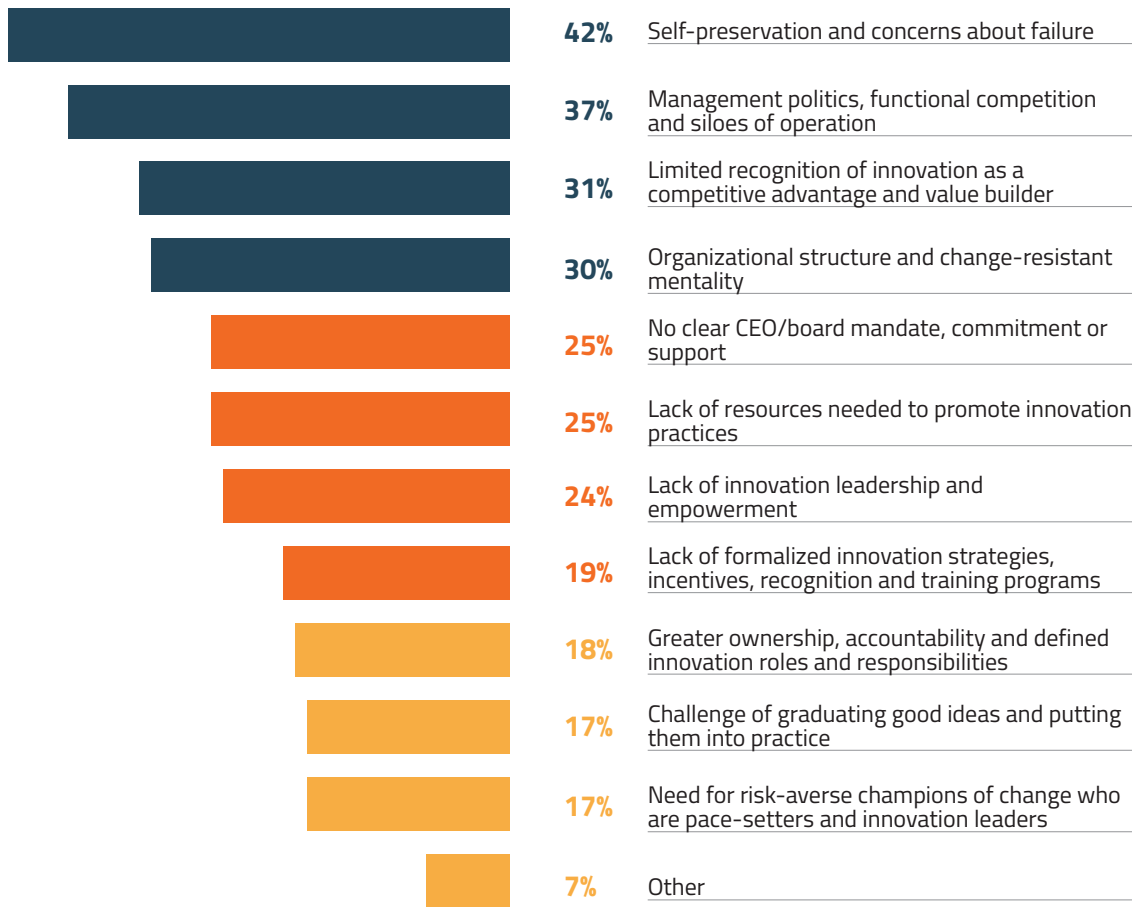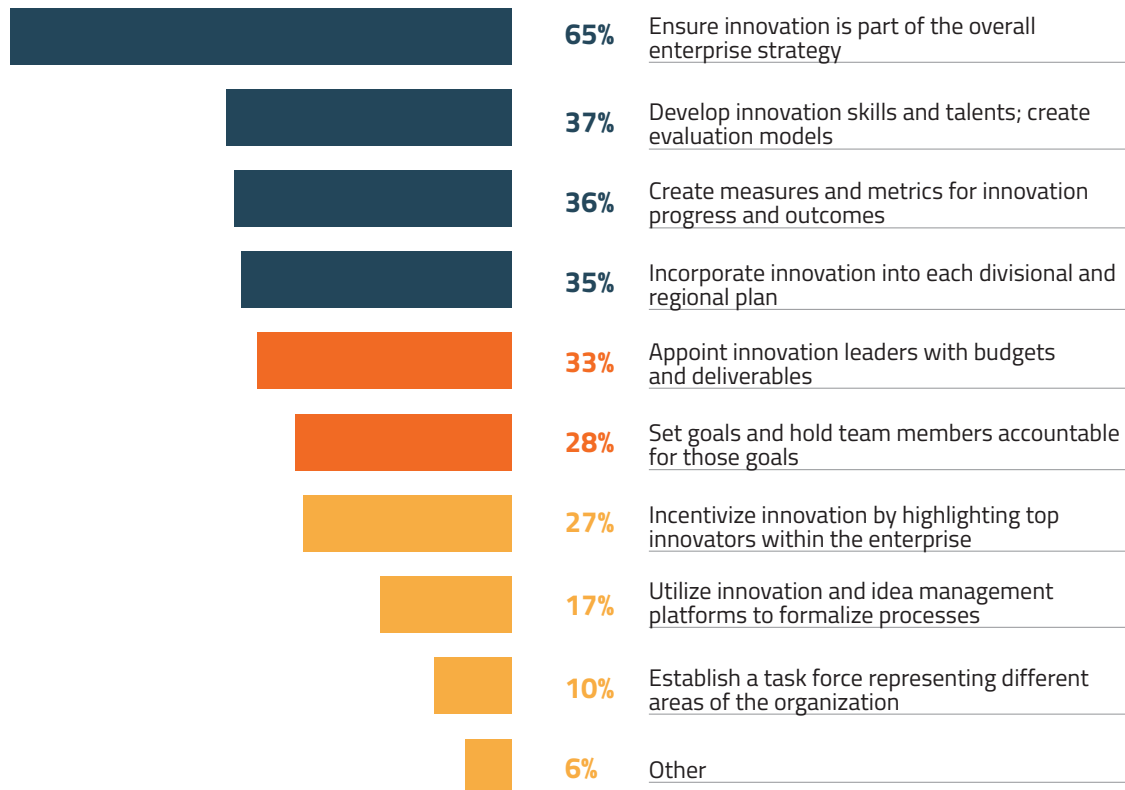| %	Focus area
34%	Defining innovation strategies, projects and deliverables
33%	Revitalizing the DNA and mindset of the organization
31%	Cultivating bottom-up ideation and non-traditional thinking
28%	Finding and empowering change agents in the enterprise
20%	Revitalizing and improving customer-facing experiences
20%	Simplifying business practices, policies and products
18%	Measuring and quantifying the value of innovation
18%	Maximizing customer value and growth
16%	Working with functional leaders to embed innovation in teams
16%	Building better products and experiences
13%	Identifying and deploying transformational technologies
13%	Finding new market opportunities or acquisitions
12%	Reworking business models and operational systems
7%	Embracing connectivity and mobile engagement
7%	Revamping business strategies to pre-empt new threats and contenders
2%	Furthering sustainability and corporate responsibility
2%	Other

Q5. **What is holding back innovation in the enterprise?**

Topping the list for respondents was "Self-preservation and concerns about failure", with 42% citing this as a chief roadblock to achieving innovation within the enterprise. And – in an allied obstacle – a large minority say there are simply too few change agents on staff. And the lack of a clear mandate or commitment to innovation means too often the good ideas that exist are never identified. Meanwhile, too many corporate leaders continue to see innovation as a cost item, or an "extra", rather than as the new driver for value and competitive advantage. It is here that the old risk-averse corporate culture presents an obstacle for growth-oriented companies. In addition to being emboldened to innovate through mandates, HR incentives, and training, leading companies now also need their employees to be curious and engaged in the outside world, beyond their desks.

%	
42%	Self-preservation and concerns about failure
37%	Management politics, functional competition and siloes of operation
31%	Limited recognition of innovation as a competitive advantage and value builder
30%	Organizational structure and change-resistant mentality
25%	No clear CEO/board mandate, commitment or support
25%	Lack of resources needed to promote innovation practices
24%	Lack of innovation leadership and empowerment
19%	Lack of formalized innovation strategies, incentives, recognition and training programs
18%	Greater ownership, accountability and defined innovation roles and responsibilities
17%	Challenge of graduating good ideas and putting them into practice
17%	Need for risk-averse champions of change who are pace-setters and innovation leaders
7%	Other

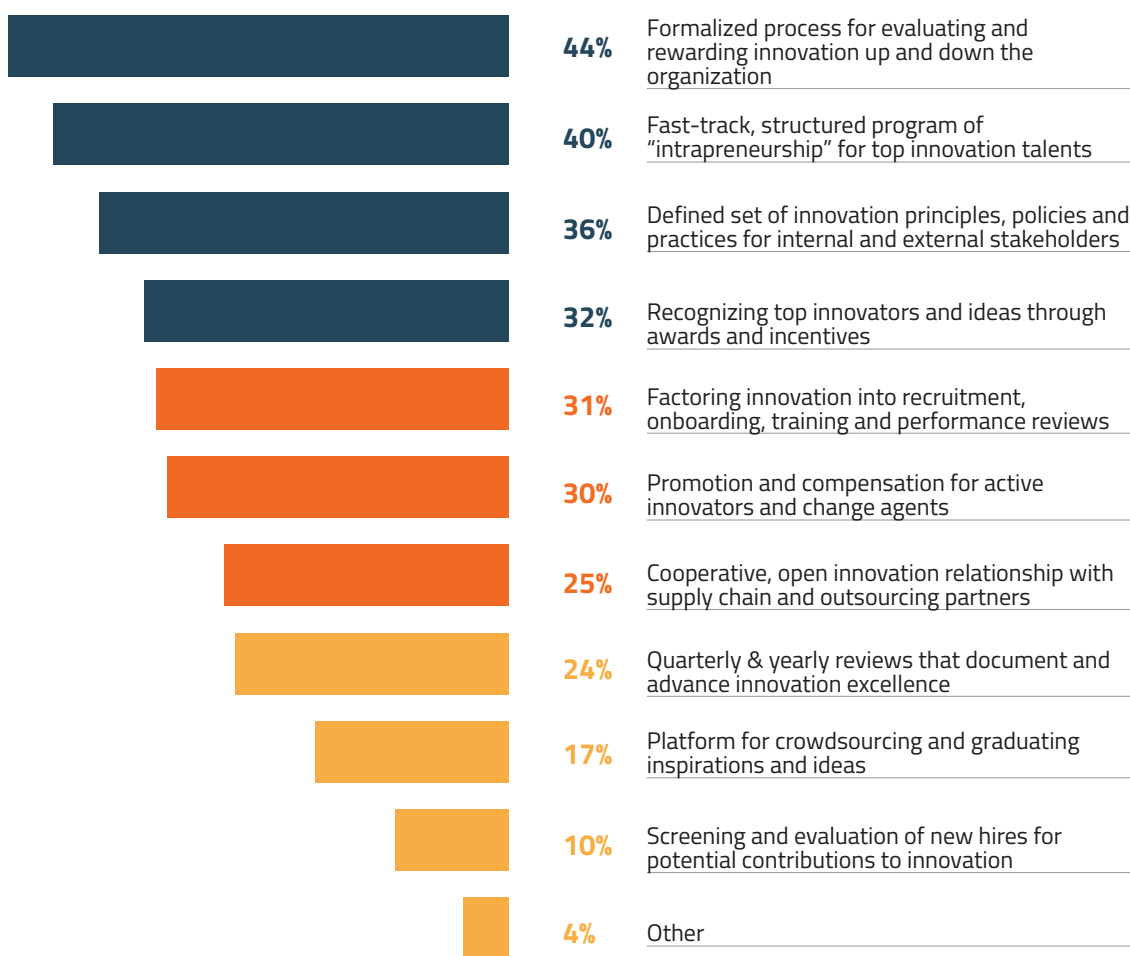**Q6.** **How do you make innovation actionable and accountable?**

65% of executives feel that in order to turn ideas into revenue and growth, companies must "Ensure innovation is part of the overall enterprise strategy." And this new emphasis on formal structures and clear goals – measured in real-world market spaces – is underlined throughout the poll on accountability. More than a third of respondents say their new initiatives blossom as a result of set measures and metrics, and a quarter say that – within a free thinking "fail safe" environment – they hold innovation teams to preset goals. While budgets and staff dedicated to innovation teams tend to be small, they have already proved both critical and effective for leading companies who are harnessing those resources cross-functionally. One in three respondents say their innovations are flourishing as a result of a decision to "Appoint innovation leaders with budgets and deliverables." Overall, C-suite buy-in, innovation-friendly corporate cultures and the enabling role of CIOs are the preferred conditions for cross-functional cooperation.

65% Ensure innovation is part of the overall enterprise strategy

37% Develop innovation skills and talents; create evaluation models

36% Create measures and metrics for innovation progress and outcomes

35% Incorporate innovation into each divisional and regional plan

33% Appoint innovation leaders with budgets and deliverables

28% Set goals and hold team members accountable for those goals

27% Incentivize innovation by highlighting top innovators within the enterprise

17% Utilize innovation and idea management platforms to formalize processes

10% Establish a task force representing different areas of the organization

6% Other

Q7. **How could you better focus and encourage innovation in the organization?**
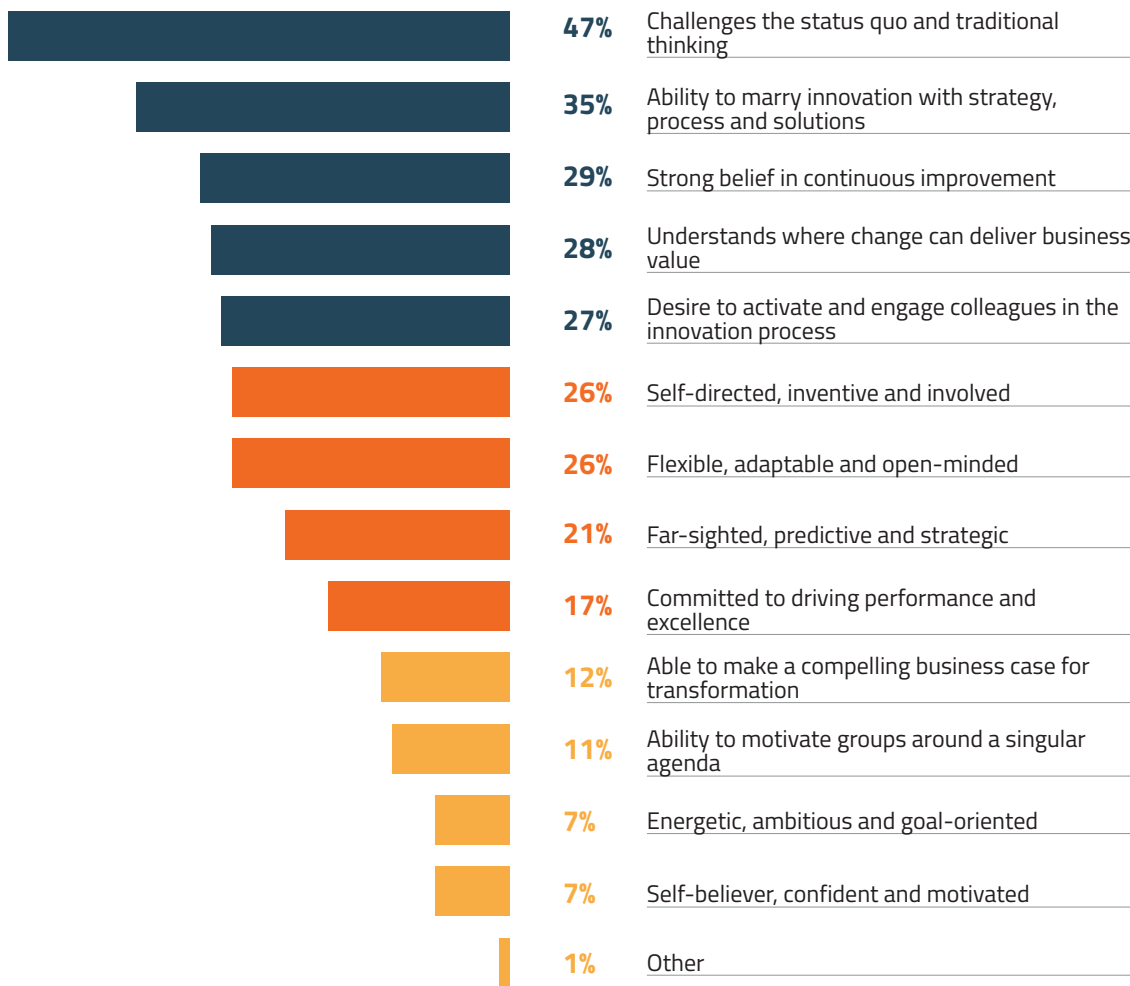
Companies need to overcome concerns about failure by evaluating, recognizing, developing and rewarding burgeoning change agents across enterprises. Fully 44% recommend "Formalized process for evaluating and rewarding innovation up and down the organization," and 36% recommend a "Defined set of innovation principles, policies and practices for internal and external stakeholders." Once that framework is established, companies need to focus their resources on ensuring they develop and foster talent within the organization, with 40% of respondents noting that a "Fast-track, structured program of 'intrapreneurship' for top innovation talents" would advance innovation goals in the enterprise. And HR needs to factor innovation into recruitment, onboarding, training and performance reviews, according to 31% of respondents.

44%	Formalized process for evaluating and rewarding innovation up and down the organization
40%	Fast-track, structured program of "intrapreneurship" for top innovation talents
36%	Defined set of innovation principles, policies and practices for internal and external stakeholders
32%	Recognizing top innovators and ideas through awards and incentives
31%	Factoring innovation into recruitment, onboarding, training and performance reviews
30%	Promotion and compensation for active innovators and change agents
25%	Cooperative, open innovation relationship with supply chain and outsourcing partners
24%	Quarterly & yearly reviews that document and advance innovation excellence
17%	Platform for crowdsourcing and graduating inspirations and ideas
10%	Screening and evaluation of new hires for potential contributions to innovation
4%	Other

**Q8.** **What are the essential qualities of a change agent?**

A massive 46% of respondents say a staffer who "challenges the status quo and traditional thinking" is their ideal change agent, and another 26% cite "flexible, adaptable and open-minded" as being the essential qualities of a change agent. But this disruptive image needs a framework that works within the business. Fully 35% of respondents highlight that a change agent must also have the "Ability to marry innovation with strategy, process and solutions," and 28% qualify this disruptive image by also choosing the quality in which a person "understands where change can deliver business value." As is highlighted throughout the report, innovation must disrupt, but it also must align with business goals and metrics.

%	Quality
47%	Challenges the status quo and traditional thinking
35%	Ability to marry innovation with strategy, process and solutions
29%	Strong belief in continuous improvement
28%	Understands where change can deliver business value
27%	Desire to activate and engage colleagues in the innovation process
26%	Self-directed, inventive and involved
26%	Flexible, adaptable and open-minded
21%	Far-sighted, predictive and strategic
17%	Committed to driving performance and excellence
12%	Able to make a compelling business case for transformation
11%	Ability to motivate groups around a singular agenda
7%	Energetic, ambitious and goal-oriented
7%	Self-believer, confident and motivated
1%	Other

Q9. How do you rate the effectiveness of crowd-sourced innovation programs?

New ideation platforms have emerged as critical to informing the direction of innovation strategies, and none more so than those that give customers a voice. With almost a third of respondents having chosen "Better use of customer feedback systems" as a key innovation driver earlier in the survey, crowd-sourced programs are of central significance for innovation teams. Despite the newness of this platform, 28% of respondents already rate the impact of crowd-sourcing as having been either very effective or good in their innovation programs. Another 51% say they'd experienced mixed outcomes, as they learn how best to leverage this crucial new tool for inspiring initiatives. Brandon Barnett, from Intel, says simply: "Effectively utilizing the innovative potential of the crowd is the next innovation imperative companies face."

51%	Mixed outcomes
23%	Quite good
14%	Still need testing
7%	Not very effective
6%	Very effective
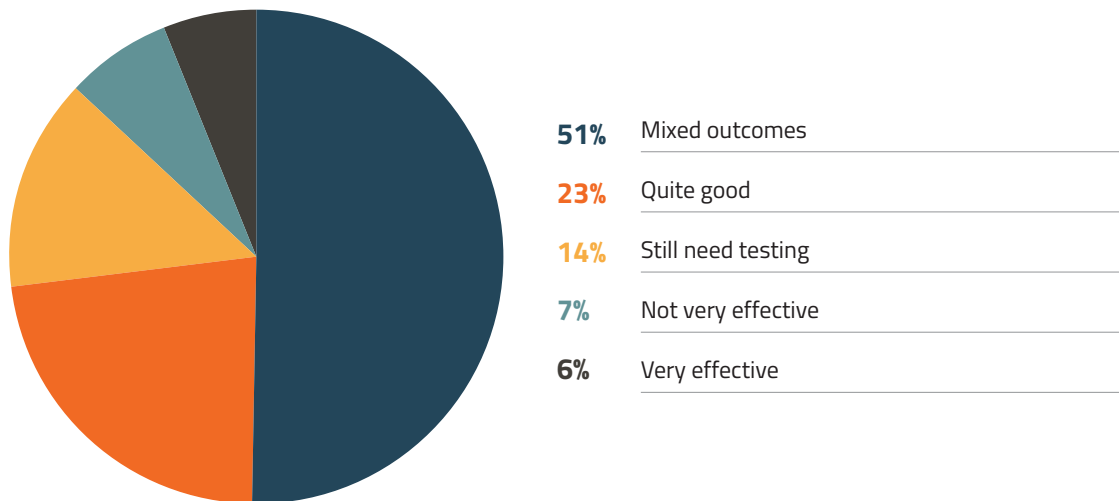
Q10. What technologies will help drive innovation during the next 24 months?

Anticipating the primary technology catalysts for innovation drove by far the greatest diversity of opinions in the survey. Most respondents view Big Data Analytics and the Internet of Things as the technologies most likely to drive successful breakthroughs. But – continuing the survey's strong finding on bottom-up inspiration – one in five respondents reckon online social platforms for customer engagement will spark the brightest ideas, and a similar number predict that customer co-innovation technologies will provide the springboard. Meanwhile, collaborative design tools and cloud service delivery models attracted strong support as likely catalysts.

35%	Big Data analytics
34%	Collaborative design and development tools
30%	Internet of Everyting/Connected things
28%	Cloud and "as-a-service" delivery models
22%	Customer co-innovation platforms
22%	Mobile devices and infrastructure
21%	Online customer engagement channels (social)
20%	Ideation management platforms
14%	Social media analytics and insights
13%	Mobile commerce and business applications
11%	3D printing
8%	Wearable Technology
8%	Machine Intelligence
7%	Consumerization of IT
7%	Mobile Payments
5%	Digital identity management
5%	Other
3%	Web-scale infrastructures
3%	Software-defined infrastructures
3%	Digital Currency

Q11. **How good a job are business schools and universities doing to produce innovative thinkers and change agents?**

In a startlingly critical verdict, respondents expressed widespread disappointment in the capacity of business schools to incubate the kind of innovative minds needed in the new marketplace. Only 3% rate their ability as "excellent," while 14% say their performance in this critical area is poor. An incredible 65% view these programs as improving or moderate, demonstrating that while there is improvement, universities and graduate schools still have a long ways to go. Contrasted with internal company assessments in the survey, executives are clearly stating that — despite the limits of often-outmoded corporate cultures — businesses currently present more enabling environments for innovative thinking than educational institutions.

48%	Moderate
18%	Quite good
17%	Improving
14%	Poor
3%	Excellent
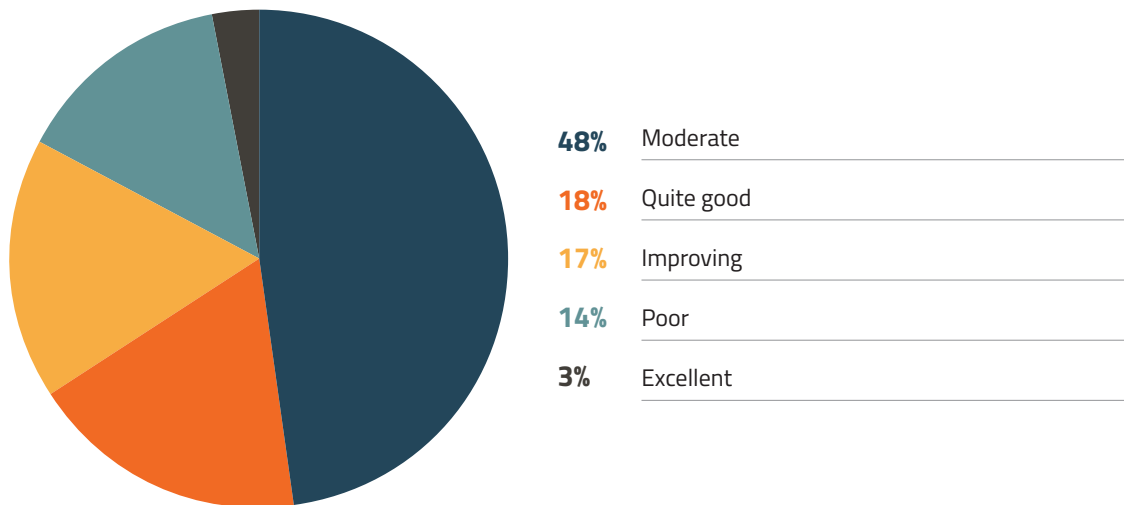
Q12. **How can business schools and universities help develop better innovators?**

Both respondents and interviewees make the same central recommendation: that business students be immersed in innovative thinking, collaboration and problem solving, rather than being "taught" innovation itself as a stand-alone subject. They also argue that real-world experiences, when integrated into school curricula, can be a significant aid to the development of innovators. Fully 63% of respondents recommend that business schools "Integrate innovation processes and problem-solving into existing classes and studies." Given rapid changes in technologies and marketplaces, more than half of respondents agree universities need to "hire more real-world innovators and creative thinkers as teachers." Top innovators believe business schools urgently require the same kind of culture change that leading CEOs and CIOs are seeking to effect within their enterprises – starting with a more positive approach to risk, and a strong focus on cross-functional collaboration. Significantly, one in three respondents say cross-disciplinary majors should be encouraged, and one in four believed team-building and group work need to be emphasized.

%	Recommendation
63%	Integrate innovation processes and problem-solving into existing classes and studies
52%	Hire more real-world innovators and creative thinkers as teachers
42%	Make innovation a specific and required part of the curricula
39%	Emphasize internships and real-world experiences as central to the educational process
34%	Encourage cross-disciplinary majors and post-graduate programs
26%	Make business and on-the-job experience a requirement to post-graduate admissions
21%	Emphasize group work and team-building in educational programs
10%	Ensure greater diversity in student populations
3%	Other

DEMOGRAPHICS

Q13. What is your title?

%	Title
23%	CMO/Head of Marketing
21%	Other
14%	CEO/Managing Director
13%	Director of Marketing
12%	EVP/SVP/VP
3%	Chief Innovation/Insights Officer
3%	Line of Business/Functional Leader
3%	Director of Innovation
2%	COO
2%	CFO
2%	Director of Strategy
1%	Director of Finance
0%	CIO
0%	CTO
0%	Head of R&D
0%	Chief Digital Officer
0%	Director of IT
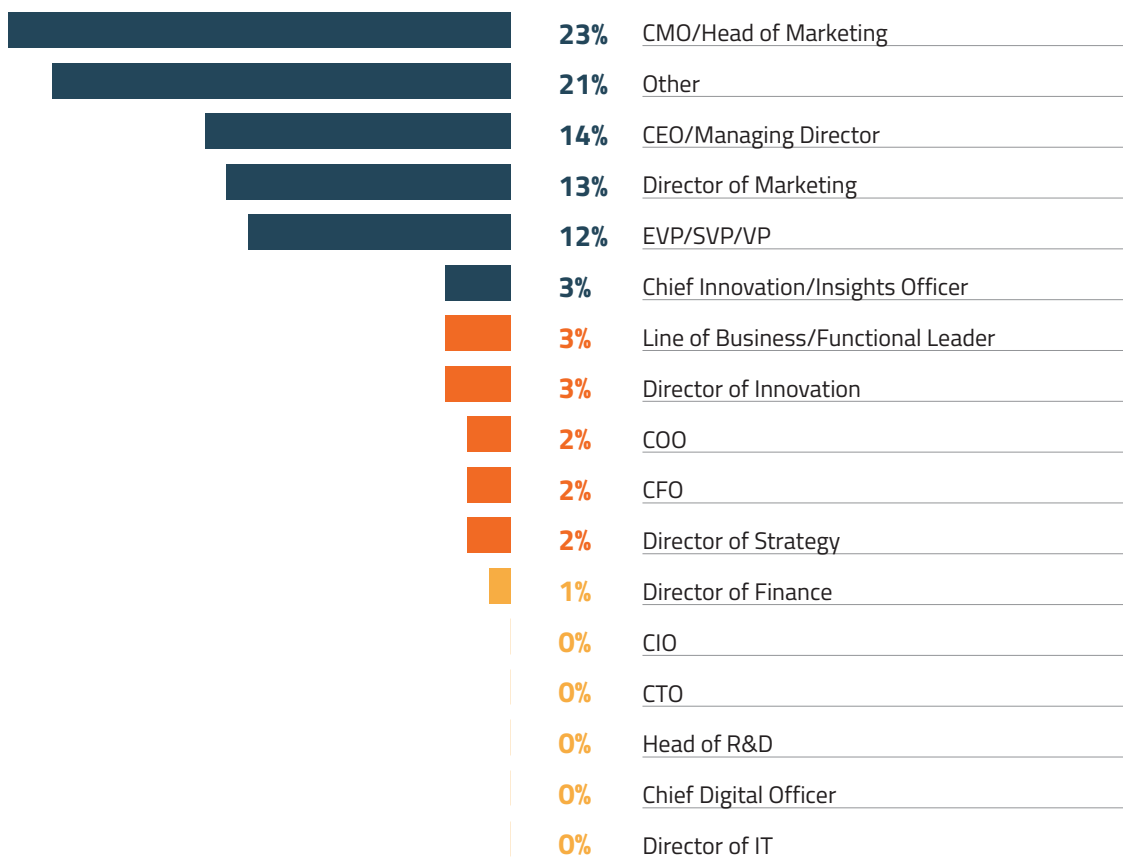
Q14. How large is your company by revenue (USD)?

%	Revenue
34%	$50 million or less
20%	Greater than $5 billion
16%	$1.1 billion to $5 billion
10%	$51 million to $100 million
9%	$101 million to $250 million
7%	$251 million to $500 million
3%	$751 million to $1 billion
2%	$501 million to $750 million
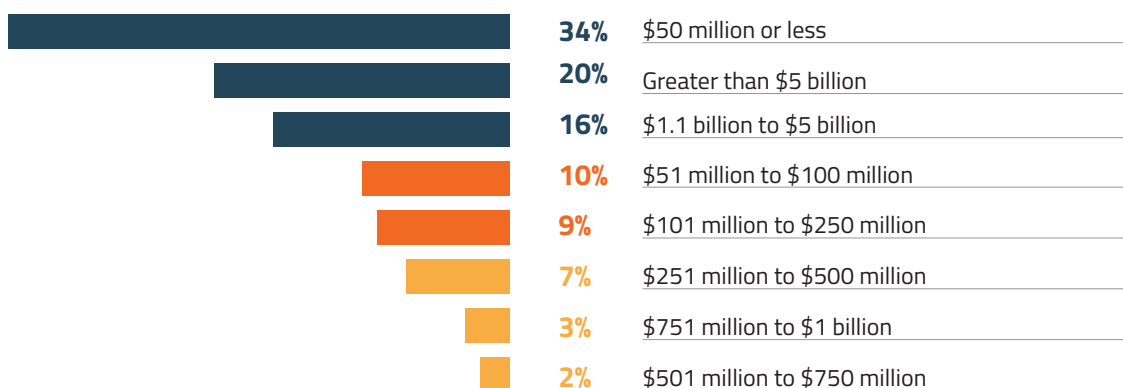
Q15. **What best describes your company's industry sector?**

15%	Information technology
11%	Professional services
9%	Other
6%	Education
6%	Electronics and miscellaneous technology
6%	Healthcare
6%	Media and publishing
5%	Banking
4%	Manufacturing
3%	Insurance
3%	Retail
3%	Telecommunications
3%	Wholesale/distribution
2%	Energy
2%	Food and beverage
2%	Government
2%	Travel and hospitality
1%	Aerospace and defense
1%	Automotive
1%	Construction
1%	Entertainment
1%	Packaged goods
0%	Capital markets
0%	Chemicals
0%	Consumer durables
0%	Health insurance plans
0%	Pharmaceuticals
0%	Transportation
0%	Utilities
0%	Media agency

Q16. In which region is your company headquartered?

%	Region
55%	United States
16%	Europe
8%	Africa
8%	Other Asia-Pacific country
6%	India
3%	Canada
2%	Latin America/Caribbean
2%	Japan
1%	Middle East
1%	China

Q17. Where are you and your team located?

%	Region
47%	United States
14%	Europe
14%	Other Asia-Pacific country
9%	Africa
7%	India
4%	Canada
3%	Latin America/Caribbean
2%	Middle East
1%	China
1%	Japan

CONCLUSION

Successful companies around the globe now view innovation not only as essential to their long term growth, but also to their competitiveness, cost efficiency and consumer relevance in a fast evolving landscape. Brandon Barnett, director of business innovation at Intel, sums up the new equation for leading businesses: "The goal of innovation is to position the company to thrive in a climate of social, economic, and technological change."

There is a rapidly growing commitment to empower all stakeholders with formalized structures for inventive thinking, as a result of fundamental business realignment. This shift requires that competitive companies harness the potential of emerging technologies, the inspiration of empowered consumers, and the creative power of an emboldened workforce.

Using the vehicle of the BPI survey, leading executives have outlined the strategy to achieve this change: to remove ideation barriers, including the fear of failure and turf boundaries, in order to harness the innovative power of all units, staff and customers themselves, within a defined innovation strategy and business plan. Their inputs paint a revolutionary picture of the new competitive landscape, and represent a collective call to develop and integrate many more change agents within companies and at business schools.

EXECUTIVE PERSPECTIVES

Jim Stikeleather
Chief Innovation Officer
Dell

Stephan Altmann
Head of Innovation Excellence
BASF

Andria Long
VP of Innovation
Johnsonville

Brandon Barnett
Innovation Leader
Intel

Nancy Quan
Global Head of R&D
Coca-Cola

EXECUTIVE PERSPECTIVE FROM JIM STIKELEATHER

As an innovation leader, how do you leverage your role at Dell to ensure innovation becomes an integral part of overall business objectives?

As innovation leaders our role is to enable innovation, facilitate it, and accelerate it. To ensure innovation is integrated into the overall business, the company must adopt an overall culture of innovation. In order to achieve this, the first step is to come up with an innovation architecture that will determine how to define and recognize innovation, which is dependent upon the industry, skills, knowledge, and resources available. Using that structure as a guideline, the group must train and educate the rest of the company. What we've done is create a training program that doesn't teach innovation, but innovative thinking. We've tracked that within a year, the people who have gone through the innovation training have about 300% increase in their pipeline, compared to the ones that haven't, and are closing deals that are 8% larger than the deals of their colleagues. Our end game is to disband the innovation group, once we've established the foundations of a culture of innovation, because we believe that the only thing that happens if you keep the innovation group around is they turn into a bureaucracy of process and actually become the impediment to what it is they're actually trying to encourage.

How are innovation roles growing and expanding?

Innovation is increasingly important. Name one annual report that doesn't have innovation plastered in it every third or fourth word. The problem is the vast majority of companies are still in this mode of "Go forth and innovate," and that's the end of the executive imperative. I don't think they understand what all has to go into it. Most people can say, "Oh wow, that was innovative," but nobody can actually define innovation. Before you can do anything, you have to be able to define it, and then you have to be able to measure it. Another area that helps innovation to grow is identifying innovator types that need to be involved in the process. We've identified three different innovation personas. The first are 'idea' innovators. These people are the sources of innovation, but unfortunately, rarely are they able to manifest the innovation. So, you need developers, people who can take that idea and manifest it, either through engineering, business processes, or finance. The third persona is the marketer who can now communicate this new idea in a way that the market, the customer, and the business itself understand the new value proposition. A successfully innovative company will enable these actors and support them through training and education. You can actually come up with the metrics for the three persona types, and you must apply the right metrics to the right personas. I think that's one of the fallacies of existing management models- we're trying to make one set of metrics work against everybody.

JIM STIKELEATHER

Chief Innovation Officer, Dell

Where and how do you see companies gaining competitive advantage from different innovation techniques?

Companies today can only survive if they become consistent, predictable, serial innovators. In the past, companies gained competitive advantage by playing off the traditional economic frictions such as time, distance, and access to capital or information. If you look at why companies grew, it's because they came up with some kind of process to achieve efficiency through scale. But as the Internet provides access to information and websites like Kickstarter provide easy access to capital, we are seeing a disappearance in the traditional frictions. So now, competitive advantage needs to come from somewhere else, and that's where innovation comes in. The only possible form of future profits is going to come from your ability to consistently innovate, because without frictions, someone can replicate your idea fairly quickly. Now, companies need to think about innovation as either being breakthrough innovation or disruptive innovation. Breakthrough innovation means you can either use existing technologies and new business models or take existing business models and new technologies all to continue creating your existing value proposition and sometimes a new value proposition. These allow you to break through the limits of your existing environment. And then the Holy Grail that everybody looks for is a disruptive innovation, which is where you apply new technologies and new business models and new processes to create a whole new value proposition. However, it is unlikely to really create disruptive innovations if that's the only focus. A portfolio of incremental and sustaining innovations and your breakthrough innovations provide the coverage to allow you to try a whole bunch of things that might be disruptive innovations in the future. Finally, companies can come up with new customer metrics that tie back to not only the sustainability of the relationship, but the ability in which the relationship can pick up new offerings and new services and get feedback. One of the things that we see in highly innovative companies is they have a very, very active feedback loop from their customers versus more traditional companies that might limit their engagement to social media. The reality is that those traditional companies aren't getting specific product improvement ideas or ideas for new products. Rather, they are just blindly pushing their product agenda.

What are the obstacles and challenges around creating more innovation-centric cultures?

Everybody wants disruptive innovation, but disruptive innovation is a black swan, and has more to do with luck than anything else. If you want to be a successful innovator, you have to maintain a portfolio of innovation. That's because most innovation is the product of failure. In fact, it's the product of continuous, repeated failure. So, what you want to have is a portfolio of innovative things that you're trying out, and then most importantly, have a mechanism for quickly killing off the

ones that aren't working. Not killing them off and forgetting them. Killing them off, take the learnings, reincorporate them, and try again. So it's fail fast, fail furious, rinse, and repeat. Also, if you go in and you start looking at every one of your innovation projects as a separate project, and you're trying to create a return on each one individually, you're going to fail miserably. Instead, you need to establish your management processes and your return objectives on the portfolio as a whole. You want to treat it like a venture capitalist does: I'm going to launch 100 things, 99 might fail, but the one will pay for everything.

Most organizations are a product of the way the economy used to be. In the old model, one became successful by being efficient, and people were rewarded for achieving scale and efficiency within scale. But now the economy has shifted. Efficiency is not the key, efficacy driven by innovation is. The problem is, all the policies and procedures are still stuck in that old model. The existing model focuses on standards, conformance and predictability. So the company is organized in such a way that prevents innovation, because innovation comes from efficacy in the moment, being able to respond to what's happening right now. It comes from community, diversity, freedom to take action, serendipity, and experimentation. So, the problem is everything that we've put in place has totally optimized for the old model. Now companies need to reinvent themselves: move away from transactional models and move into social models for an ecosystem.

What are the requirements to embed inventive thinking into the cultural DNA of an organization?

This starts with defining innovation, and each company will have to come up with different definitions that work within their context. At Dell we define it in a couple of ways. The first is an overlying definition, which is: innovation is a process that takes new ideas and implements them in a way that creates value by solving on that need. Then we define some attributes of an innovation. The five attributes are: that it is a new idea (either completely new or new in terms of application), that it is forward-thinking, that it is feasible, that it is viable, and that it is valuable. Once you define those innovation attributes, you can apply metrics against each of them to determine whether or not you're dealing with an innovation. Once you have these definitions, you know how to define and evaluate innovation. It becomes imbedded. Then, you need to create an environment in which innovation can thrive. The key to this is having innovation leaders that know how to mentor innovators. Innovation is a behavioral activity, so embedding innovative thinking is about developing the appropriate skills. Part of it is your ability to identify talent, and create an environment where that talent can thrive. The other part is level of availability. Leaders must actively participate in the process. So it is a very different demand on leadership than in traditional models. The other thing is you don't want to manage; what you want to do is you want to shape context. You create the overall

scope and allow them the freedom to operate within that scope. Finally, innovation professionals need to rework the rewards and incentives around the innovation. These are very different than the rewards and incentives that you want to put in place for traditional management activities, which is repeatability, elimination of variability, and efficiency. And it's finding the right rewards that are supportive of both creativity and failure. Also, one does not learn when one is busy working. One learns when one takes time to pause, reflect, renew, recharge. So, if you're going to have innovation, you're going to have to create an environment where it's okay not to be at your desk.

EXECUTIVE PERSPECTIVE FROM STEPHAN ALTMANN

As an innovation leader, how do you leverage your role at BASF to ensure innovation becomes an integral part of overall business objectives? In other words, how do you marry innovation with process and strategy?

Innovation is in general a longer term strategy; it contributes to business growth beyond the immediate operationally relevant timeframe. As innovators, we need to quantify innovation outcomes, provide timelines for those outcomes, and demonstrate how those outcomes align with the overall business strategy. We must be explicit and demonstrate long as well as short and medium term returns. Otherwise, innovation will potentially not be executed due to operational day-to-day business requirements. This is especially true because innovation is an immediate cost but returns show up longer term. When it comes to decision-making, the input criteria are money, people, and R&D. So without a clear return target, as soon as the business experiences troubles, the first thing that tends to gets cut is investment in innovation. In my role I'm not worried about the idea pipeline and generating potential projects, because I believe there are always new ideas out there. Rather, I focus on demonstrating the hard outcomes of innovation by aligning innovation performance indicators with the overall business plan. Just like any other facet to business, innovation requires thought-through scenarios, probability estimations, and weighted expectations. And, of course, an actively managed portfolio of opportunities so that if any of these ideas drop out you still have other options that can fill the pipeline.

How are innovation roles growing and expanding? Are more people getting involved? Is it getting better integrated into the overall company structure?

Companies need to ensure that innovation is part of the overall strategy, and not just something that needs to be done on top of everything else. It is important that top management is active in promoting organizational culture by initiating general innovation programs or road maps that explicitly state the future contribution of investments in innovation projects to the overall business. Successful companies define key performance indicators for each sector of the business. In the same way, innovation must have its own set of performance indicators. While organizations are looking for young people that drive innovation and leaders that have innovative visions, they should remember that in between there is middle management, which especially in large companies means a lot of standardized processes, reporting, and so on. It is necessary to penetrate those processes that drive everyday execution in order to ensure innovation sustainability.

STEPHAN ALTMANN
*Head of Innovation Excellence,
BASF*

◻◾ **BASF**
The Chemical Company

Where and how do you see companies gaining competitive advantage from different innovation techniques? How specifically do those techniques drive competitive advantage?

Innovation is about getting to market quickly with the best possible product. Therefore, a key development that has helped innovation grow and succeed is access to the tools that will help innovators to execute an idea with more quality and higher speed. When I started at BASF ten years ago, one of the biggest challenges for me was access to information. If I had a product idea, it was difficult to discover which other players had a similar product, recent developments within the market, or what people thought about that particular idea. Today, information is not only widely available, but accessible at incredible speeds. IT companies allow you to input project specific information and get back an overview of relevant information in amazingly high quality and very fast. This access to information allows for greater accuracy and confidence in strategic and operative innovation decisions and outcomes.

What are the obstacles and challenges around creating more innovation-centric cultures? What are some challenges of ensuring that cross-functional innovation drives strategic business outcomes?

Success breeds success. If innovation projects succeed, a company can build upon that success and create an overall culture of trust in the innovation process. However, a big part of innovation is failure. For innovation to succeed, management needs to accept failure and understand that it is part of innovation. Visionary leaders give their middle and lower management the ability and freedom to think in longer time frames and allow for certain levels of failure in the short term. When we look cross-functionally, it should be noted that innovation is the sum of many small efforts. It is located in projects, specific tasks, and capability building. It might include new products, a new market, a new business model, a new go-to-market approach, a new customer, or a new supplier. It is key to define project requirements in terms of the capabilities needed in the project team to ensure that the innovation approach will be successful. Because innovation requires shifts in each area of the business, innovation must be everyone's responsibility. There must be a culture and understanding of all of the company members that they can and need to contribute actively to innovation challenges.

What are the requirements to embed inventive thinking into the cultural DNA of an organization?

In today's environment there are few apparent blue oceans out there. Innovation is often formed by shifts rather than disruptions. In order to achieve those shifts, people need to work in parallel. Groups of minds, not individuals, create innovations.

The company culture should not focus on the individual innovator, but rather innovation must be considered a joint effort. Your chance of being successfully innovative is highest with trust, teamwork, and shared praise on the work achieved. Companies need an environment that allows for groups to come together, leverage resources, and have the support needed to act on innovation projects. I hear that Google gives people free time to work on innovative projects. Taking that one step further, I think companies need to make sure that it's not only the individual that has freedom, but group of people are wholly enabled including the necessary the freedom and the incentives to generate innovation.

EXECUTIVE PERSPECTIVE FROM ANDRIA LONG

As an innovation leader, how do you leverage your role at Johnsonville to ensure innovation becomes an integral part of overall business objectives? In other words, how do you marry innovation with process and strategy?

Innovation must be a top priority, not only by those who occupy the roles, but through executive sponsorship and cross-functional leadership support as well. It is essential that each function or business unite within the organization be an integral part to the three-to five-year strategic planning process. One team might be called an innovation group, but successful innovation implementation requires the buy-in and support from cross-functional teams-- be it R&D, operations, engineering, or others. This will ensure that innovation is truly an integral part of the overall business objectives.

How are innovation roles growing and expanding? Are more people getting involved? Is it getting better integrated into the overall company structure?

In recent years we have seen a dramatic increase in innovation-centric roles. This is due to the recognition that companies need dedicated resources, both people and financial, and dedicated leadership to accomplish innovation. In the past, innovation was a part of someone's job, and it is really hard to manage a base business with short-term goals and also try to deliver longer-term innovation goals. Also, not every person who manages a base business is also the right person to do innovation. So it wasn't that innovation didn't exist before, but the shift is in the discovery that it is essential to have those dedicated roles for innovation. The growth in the importance of designated roles has also led to higher visibility of those roles and as such we are seeing higher involvement from the C-Suite—which helps innovation to become better integrated in the overall company structure.

Where and how do you see companies gaining competitive advantage from different innovation techniques? How specifically do those techniques drive competitive advantage?

In the Consumer Packaged Goods industry driving competitive advantage from innovation techniques is all about figuring out and meeting a consumer's unmet need in some new or different way. It is learning how to balance the risk and reward of how much you know with the amount and depth of information and consumer research you need to know in order to make a decision. You're never going to have perfect information, ever. It will never be black and white. You need to achieve that precarious balance of using good business judgment combined with enough consumer research to confidently approach the market. You're not researching things to death to hope that you get to the 100%, but you're leaning in on where and

ANDRIA LONG
VP of Innovation, Johnsonville

what you need to know versus what's nice to know. Companies who do this well will have a competitive advantage over others in their industry and will have greater speed to market.

What are the obstacles and challenges around creating more innovation-centric cultures? What are some challenges of ensuring that cross-functional innovation drives strategic business outcomes?

Innovation is fundamentally contrary to human nature in that it requires willingness to change, willingness to fail, and a willingness to accept the unknown. Innovation is about taking risks, because you will never have all of the information needed to ensure success. Failures are big, frequent, and also very obvious and very public, which means it takes a certain kind of person to occupy that innovation role. The fear of failure impedes innovation because it is easier on an existing business to know what lever to pull versus leaning in on a completely new initiative. Add to those challenges the natural inclination to form attachments to one's own projects. Innovators have to be able to kill initiatives, be agile, and shift when necessary. Innovation needs to be a top priority cross-functionally, but cross-functional teams often have multiple projects and initiatives across different business units, so ensuring that all of the leaders across those business units are working together towards similar goals with similar priorities is a major challenge.

What are the requirements to embed inventive thinking into the cultural DNA of an organization?

The fundamental requirement is giving employees the freedom to fail. A company and its leadership team need to understand that, because fear of failure impedes progress. With the plethora of information out there, it is easy to iterate something to death in order to decrease risk, but that iterative process can dilute down what was once a really great idea. Leaders also need the permission to kill something if it's not working. People are afraid of failure but failure is necessary for success. Through failure you learn, you pivot, and you do better the next time. That's how innovation succeeds. You can teach innovation concepts and best practices, but if an organization or the people within it are not comfortable with a rapid pace of change, and a ton of change, it will be impossible to champion overall change within an organization. As innovation leaders, we have to be champions of change and get our peers and people in the organization to change and go in a different direction, and we have to do that without all the answers.

EXECUTIVE PERSPECTIVE FROM BRANDON BARNETT

As an innovation leader, how do you leverage your role at Intel to ensure innovation becomes an integral part of overall business objectives? In other words, how do you marry innovation with process and strategy?

For me, to tackle this challenge we must get more nuanced with what we mean by 'innovation'. I bet if we asked a room full of people to define 'innovation', we'd get as many answers as people. So innovation is contextual, and successful innovation strategies depend on the relative circumstances of the organization and the environment in which it lives.

My job is to ask questions that characterize this relationship and the organizational goals so that the appropriate innovation framework can be employed. For example, innovation as a means to grow into adjacent markets is very different than innovation as a strategy to probe the dynamics of the complex business ecosystem that determine new roles a company might play. This simple distinction separates innovation strategy into two categories – execution when the business model and market are known, and search when the market and business model are uncertain.

The Lean Startup movement for early-stage companies has embraced this distinction and many startups are creating minimum viable products to test a market rather than going to market with fully formed products. By thinking of themselves as temporary organizations structured to search for new value, startups following a Lean Startup approach employ processes and metrics that are tailored for rapid learning in an uncertain environment.

Innovation leaders increasingly must understand this distinction – and employ more nimble "search" methods - as the uncertainty in our ecosystems increases. The benefit large multinational corporations have is that they, unlike a startup, can place multiple bets across a landscape to map it more thoroughly. The first step in marrying innovation with strategy is to be explicit about the uncertainty of the opportunity and employ appropriate execution or search methods, goals, and metrics.

How are innovation roles growing and expanding? Are more people getting involved? Is it getting better integrated into the overall company structure?

What is more interesting to me is the number of people getting involved in innovation outside the organization. The internet has really transformed the ability of individuals to innovate with resources that historically have been scare and required the strength and organizational capability of a company. Think about the ability for individuals to access commodity parts, manufacturing capabilities,

BRANDON BARNETT
*Innovation Leader,
Intel*

engineers, distribution, customers, connectivity, etc. Therefore the possibility space of new products and services has exploded because the number of people that can explore the space has increased dramatically. And the space can evolve more rapidly. The challenge for 21st century companies in these rapidly changing areas is to embrace this ecosystem innovation and incorporate learnings into their strategies.

As an example, when my team wanted to understand the scope of value and business models that can be created by developers discovering unique insight by combining personal and public data, we partnered with the White House to run the world's largest hackathon in the National Day of Civic Hacking. This mobilized 11,000+ hackers and entrepreneurs around a strategic question we crafted. The intent wasn't to find the next big business for the company. Rather, we wanted to broadly map the landscape of business possibilities to inform strategy. Many companies have formal mechanisms to involve people in various aspects of innovation – ideation platforms and challenges, new business incubators, etc. Effectively utilizing the innovative potential of the crowd is the next innovation imperative companies face.

Where and how do you see companies gaining competitive advantage from different innovation techniques? How specifically do those techniques drive competitive advantage?

It is said that strategy in the 21st century must be driven by experimentation, rather than PowerPoint. Regardless of the innovation technique, the goal of innovation is to position the company to thrive in a climate of social, economic, and technological change. It is only through learning about these changes and testing strategies that innovation is effective in making a company more robust. This requires experimentation.

At Intel, I have the benefit of working with a team of social scientists including ethnographers, anthropologists, futurists, and psychologists whose research defines the fabric upon which the computing industry evolves and from which new markets emerge. They identify when a cultural norm – such as trust, accountability, or ownership - has changed. Or when a new asset class - such as personal data - appears on the landscape. These capabilities give the company great competitive advantage, as they define entire arenas of opportunity and hypotheses to test using market experiments. For example, guided by these insights, my team ran a strategic accelerator that tested the viability of a new (albeit small) ecosystem of companies. The experiment was not to simply grow individual companies (though they are great companies), but also to explore how the group of companies represented a new ecosystem of applications that collectively benefited from the sharing of personal data through the power of analytics. By using a variety of innovation methods to

experiment in the market, we created valuable data about the viability of a non-existent market we wanted to create.

What are the obstacles and challenges around creating more innovation-centric cultures? What are some challenges of ensuring that cross-functional innovation drives strategic business outcomes?

A major challenge is one of perspective. The skills an organization hones to increase its ability to compete in a particular market often prevent it from seeing that those markets are under threat – not from traditional competition, but from disruptive forces that change the bases of competition. Through our traditional market lens (that has made a company successful) these changes can look like insignificant market moves, or that simply don't affect the business. Through another lens that isn't bounded by the history of a company or market, these changes can be foundational.

In my industry, the market-centric perspective very rationally had the company thinking of PCs and tablets as separate and distinct segments, which served the company well – until it didn't. By shifting our perspective to define the competitive landscape as 'devices that compute', we realized that the markets had converged, that our position within the ecosystem had dramatically changed, and that our proximity to the ecosystem's 'center of gravity' had been redefined. The greatest obstacle to developing a culture of innovation is our market-centric experience that limits our ability to see the larger ecosystem dynamics which define the true opportunities and threats.

What are the requirements to embed inventive thinking into the cultural DNA of an organization?

I firmly believe employees, like all people, are by their very nature innovative and inventive. We are problem solvers. So inventive thinking is already in the DNA of employees. I believe the better question is how to create an organization that allows innovation to thrive through people. Again this comes down to the environment in which the organization lives, and the particular complexity of that environment. A key tenant of complexity theory is that a problem can only be solved with a solution that matches it in complexity. As our business ecosystems and challenges become more complex – that is, outcomes emerge that are not predictable from an understanding of the individual components – our organization structures must adapt to be more complex as well. For example, corporate incubators that generate new ventures that align with the company's existing businesses can fit within the corporate hierarchy. If transformational innovation is the goal, the innovation organization is often best structured outside the corporate hierarchy so that it has the autonomy to pivot as it searches the new space while avoiding corporate antibodies.

EXECUTIVE PERSPECTIVE FROM NANCY QUAN

As an innovation leader, how do you leverage your role at Coca-Cola to ensure innovation becomes an integral part of overall business objectives? In other words, how do you marry innovation with process and strategy?

Innovation is most impactful when it is delivered in the market place, and not just an idea that never sees the light of day. As a result, innovation must be closely tied to the business strategy and growth agenda; with clear engagement by the businesses that will ultimately launch these initiatives. Innovation must also be delivered on time and with clear business value. To ensure this is achieved, innovation management and processes are critical to launch effective innovation. In order to ensure we are innovating on relevant things, and things that will make it into the markets, it is important that we gain full business commitment as we progress the activity. This is completed with cross functional stakeholders through gating routines, business model validation, consumer understanding, and business commitment.

How are innovation roles growing and expanding? Are more people getting involved? Is it getting better integrated into the overall company structure?

In the fast evolving world where collaboration and lightning speed connection are becoming the norm, innovation roles continue to grow and expand, with fewer and fewer boundaries. Rather than doing innovation in a box, I believe innovation needs to be achieved through multiple collaborations across many functions, geographies, and connections internally as well as externally. This also enables the company structure to be more dynamic and agile in how it operates.

Where and how do you see companies gaining competitive advantage from different innovation techniques? How specifically do those techniques drive competitive advantage?

Companies are gaining competitive advantage through innovation models and processes, pioneering consumer understanding techniques, internal and external sourcing of ideas and resources, as well as how businesses collectively connect to deliver innovation holistically. Each of these areas provides great opportunities for different businesses to develop strengths leading to competitive advantage.

What are the obstacles and challenges around creating more innovation-centric cultures? What are some challenges of ensuring that cross-functional innovation drives strategic business outcomes?

Some challenges with an innovation-centric culture can be losing sight of the current business realities, leading to too much resource focused on the exciting new things

NANCY QUAN
Global Head of R&D, Coca-Cola

versus the seemingly more mundane, but critically important business of today. Additionally, it is important that innovation actually delivers results that add value versus subtracting value from the business. It is important that when innovation programs are identified, it is clear what role it plays and the value it can contribute (or not) to the existing business. This way the expectations are clear and able to be managed.

What are the requirements to embed inventive thinking into the cultural DNA of an organization?

It's important that associates are well networked, and have curiosity and interest in many things. It's important that they have access to and spend time on understanding what is happening externally in the world around them, are risk takers, are passionate and tenacious on what they are working on, and able to connect things that are not obvious.

BRIGHTIDEA COMMENTARY

BRIGHTIDEA®
PEOPLE POWERED INNOVATION

Winning at Innovation in the 21st Century

To compete in today's fast-moving economy, companies need to find the best ways to create a culture of innovation that flows through the enterprise. One of the most effective means of integrating an innovation culture across the business is through a dedicated innovation team. These dedicated teams act as a corporate Center of Excellence for innovation. The effectiveness of these dedicated teams is highlighted in a recent IBM Global Business Services report, which found that "Outperforming organizations are 79% more likely to establish and maintain a special or designated innovation team."

"Two recent ideas developed using the Brightidea platform will generate tens of millions of dollars for the company."

John Jaddou
Head of Innovation,
Cabot Corporation

To be successful, these innovation teams need more than just technology – they need a proven methodology to drive success and scale their programs. Brightidea is a leading provider of software and services for corporate collaborative innovation programs. Our software platform and proven methodology are designed to help organizations take advantage of the full creative capacity of their people to drive repeatable innovation program success across your business.

Based in San Francisco, Brightidea has worked with over 300 leading global brands, including **Accenture**, **BT**, **Cisco**, **GE**, **MasterCard** and **Roche**, to achieve hundreds of millions of dollars of financial innovation impact.

"For every $1 invested by BT on our innovation program we have returned over $75 to the business."

Steve Healey
Head of BT New Ideas, BT

Learn more about effectively accelerating your innovation process at **www.brightidea.com**

BRIGHTIDEA | CASE STUDY: CISCO

Cisco Systems is a worldwide networking, electronics, voice, and communications technology provider. The company is a pioneer in technology that changes the way companies connect, collaborate and succeed. Cisco continues to lead its industry with their diverse technologies and a commitment to innovation serving global key markets, in particular Europe.

CHALLENGES

Cisco has always focused on the latest technology innovations. Back in 2008, the European arm of Cisco renewed its focus on sustaining competitive advantage through utilizing the fast internal network of knowledge and intellectual capital. Cisco Europe was not starting from scratch. A framework for employee ideation had been in place in other areas at Cisco using Brightidea software. The fundamental challenge however remained how to create real business impact in Europe that was measured and sustainable out of running an innovation program.

Tasked with creating an innovation strategy for Europe, Matt Asman, Cisco's European Innovation Manager, sought to utilize Web 2.0 technology matched with tangible business goals. Clear ownership was needed to build a holistic program for the company that was not limited to broadly based employee ideation. For Asman, the goal was to move beyond innovation as a core value, but rather a strategic goal backed by tools that facilitated opportunities for continuous innovation across multiple business functions. Business goals included better productivity, increased competitive advantage, as well as increasing employee, customer and partner satisfaction.

> *"I really believed we as a company needed to expand our thinking beyond Innovation being all about R&D."*
>
> **Matt Asman**
> Innovation Manager, Cisco

RESULTS

- 400+ Ideas submitted
- Over 5,000 users
- 5,000 + comments/votes
- 10+ Ideas approved for investment
- Several ideas in prototype
- 1 idea with multi-million dollar revenue potential

SOLUTION

Cisco set up its Innovation Europe programme in 2008 as a formal mechanism to capture and share innovation across the company's European markets. Its objectives were to explore all the possible sources of innovation in all areas of the business and to harness the creativity of Cisco employees, in support of future business development throughout the European region. At the heart of this internal programme was the i-Zone, an idea management portal powered by Brightidea that supports focused ideation, feedback and voting in an online community.

Equally important to the process and tools was tackling the perception of what innovation means at Cisco. Asman states, "there was this perception in the

company that innovation was all about Research and Development or New Product Development, and I really believed we as a company needed to expand our thinking beyond Innovation being all about R&D."

The European arm of i-Zone focused on a number of key strategic priorities to improve and sustain Cisco's thought-leadership; create a next generation innovation workforce, build an effective end-to-end innovation process, deploy the right technology and platform to facilitate the process and generate the quantity and quality of ideas to make innovation successful. The creation of a steering committee and leadership teams helped build the right organizational structure to support the program. The enterprise i-Zone platform was expanded and branded for specific campaigns connected to various business units within Cisco. Employees were able to submit ideas in six categories: Partners, Operational Excellence, Technology, Markets, People and Services. Ideas went through three stages of review by category 'owners', by an Evaluation Committee and by an Executive Leadership Team, before the strongest ideas received commitment from the business.

RESULTS

During its first 15 months, i-Zone attracted more than 3,500 registered users and generated hundred's of ideas, comments and community interactions. During the most recent phase of the innovation program Cisco has successfully increased the number of ideas generated through the internal innovation portal by nearly 50% and grown the community to nearly 5,000 users.

"A single new technology idea that was posted to the i-Zone and went through our evaluation process is now about to go to market with multi-million dollar revenue potential in the next 3 years."

Matt Asman
Innovation Manager, Cisco

Cisco's Executive Leadership Team have approved 10 of the ideas submitted, which have progressed through the system to receive support and investment from the business. Three of the ideas are now close to being implemented, with several in prototype and two expected to create significant revenue potential for the company within 3-5 years.

Cisco is always looking for ways to improve participation levels in i-Zone and to stimulate and maintain employees' interest in the innovation process. One of the most recent enhancements is innovation challenges, where people are asked to focus on an industry-wide or customer-specific issue. Each innovation challenge, which involves virtual innovation brainstorming, lasts for three months after which the ideas that are generated go through Cisco's established evaluation process. This approach has successfully generated hundred's of additional ideas for the company to pursue.

The next phase of Cisco's European Innovation Program will see i-Zone rolled out to selected partners within their worldwide channel partner program, a move likely to create greater levels of partner engagement and new opportunities to maintain the company's technology leadership.

BRIGHTIDEA | CASE STUDY: NIELSEN

Nielsen provides market intelligence worldwide in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties with a presence in 100 countries with 36,000 employees. Through the commonly cited Nielsen Ratings, they are the definitive source for measuring popularity and cultural relevance around the world. They provide their clients with the most complete understanding of consumers and markets available.

CHALLENGES

Nielsen knew that innovation is the key to success, in both what a company creates and how its ideas are marketed; however, Nielsen was experiencing difficulty defining "innovation" within the company. They needed a better way to effectively triage ideas, prioritize and roadmap innovations.

Nielsen's internal innovation program had grown organically for three years, despite the lack of an accessible, easy-to-understand software platform. Ann Marie Dumais, Planning & Governance Director at Nielsen, explained, "We weren't there as a company, we were trying to do it on our own [using only Sharepoint], and we learned the hard way."

RESULTS

- 518% increase in number of ideas submitted (500 per quarter)
- 1000% increase in first time employee engagement
- 75%-100% of innovation challenges resulted in implemented idea
- Millions of documented hours saved
- Positive ROI on Brightidea investment in 12-18 months
- Huge improvements to innovation program and helped drive culture of innovation

As Nielsen's innovation program grew more complex within the company, they needed a better way to increase employee motivation and willingness to participate in topic specific Challenges. For those already participating, they needed an easier way to manage and measure participation across programs in terms of which types of programs drove more ideas. These metrics couldn't be put together behind the scenes. They needed to be frontline, accessible and visible whenever senior management needed the information.

"The Brightidea platform has enabled better management and prioritization of ideas for Nielsen."

Stephanie Hegarty
Innovation Program Manager, Nielsen

SOLUTION

Nielsen approached Brightidea to implement a flexible, customizable and autonomous platform that was at the same time intuitive to use. Dumais said, "We actually asked Brightidea not to train anyone to see if people with different background and skills could manipulate and navigate through the system, and we made sure that they could."

Over the course of 2012, Nielsen moved their model to a dedicated innovation group that manages innovation initiatives across the organization. A team of three

innovation program managers provides business unit stakeholders "the highway" to drive innovation best practices, guidelines, tools and direction on how to run an optimal program.

Now the company runs a series of 10-15 "Challenges" at any given time all year in specific identified categories across all business units. Challenges are innovation projects centered on a topic and objective, and can be run in short term sprints or run all year long. One example of a Nielsen innovation Challenge is the Ideation Contest, where employees search for creative ways to go paperless.

Using this model, the business unit stakeholder is able to easily create Challenges through a systemized WebStorm building process. WebStorm allows Nielsen to gather and manage ideas from employees, customers and other resources within the Brightidea platform. Each individual manager is accountable for evaluating all submissions and driving additional participation through incentives. The main objectives are to have employees feel that their voice is heard and ensure open communications with employees participating. Throughout the process, employees are informed with every status change and where their idea is in the process flow.

RESULTS

The Brightidea platform has enabled better management and prioritization of ideas for Nielsen. The program has grown in adoption tremendously over the last few years, and now they are able to produce over 500 highly qualified idea submissions per quarter that are detailed and results-focused.

As a measure of the program's success, one of the key Challenges that Nielsen runs is called "Cycle Time" and is centered on saving time. The ideas cover various functions, groups and individuals throughout the organization. This key Challenge is run quarterly and annually, and measured against business revenue or quality or cost on the backend. Beyond actual time saved, this Challenge pegs time saved directly to the business impact of revenue generated or costs saved. In 2013, Nielsen was able to save four million hours documented across all teams within Nielsen. At the same time, Challenges related to new product development have generated ideas that are now in incubation or proof of concept mode.

ABOUT THE BUSINESS PERFORMANCE INNOVATION NETWORK

The Business Performance Innovation (BPI) Network is a peer-driven thought leadership and professional networking organization dedicated to advancing the emerging roles of the Chief Innovation Officer and Innovation Strategist within today's enterprise. The BPI Network brings together global executives who are champions of change within their organizations through ongoing research, authoritative content and peer-to-peer conversations. We are advocates for Innovation as a fundamental discipline and function within 21st Century organizations and seek to demonstrate where and how new inventive solutions and approaches can advance business value, gratify customers, ensure sustainability and create competitive advantage for companies worldwide.

For more information, visit the BPI Network at **www.bpinetwork.com**

ABOUT THE CHIEF MARKETING OFFICER COUNCIL

The Chief Marketing Officer (CMO) Council a global network of executives specifically dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 8,000+ members control more than $400 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 35,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa.

For more information, visit the CMO Council at **www.cmocouncil.org**

ABOUT BRIGHTIDEA

BRIGHTIDEA

Brightidea is a leading software provider for corporate collaborative innovation programs. We enable organizations to achieve their highest potential by fully harnessing the creative capacity of their people through crowdsourcing, crowdfunding and unique, specialized innovation management software and services. It's what we call People Powered Innovation. Our software enables innovation program leaders to achieve extraordinary success with their innovation programs. At Brightidea, we define success by tangible, measurable innovation program outcomes. This singular focus on helping organizations achieve rapid, recurring results sets us apart in the industry. As a top software innovation company, we've worked with over 300 leading global brands, including **Accenture**, **BT**, **Cisco**, **GE**, **MasterCard** and **Roche**, to achieve hundreds of millions of dollars of financial innovation impact.

For more information, visit BrightIdea at **www.brightidea.com**

AFFILIATE PARTNERS

DEMO

Produced by IDG the DEMO conferences in the United States, China, Brazil, Russia and Vietnam focus on emerging technologies and new product innovations. The DEMO conferences have earned their reputation for consistently identifying tomorrow's cutting-edge technologies, and have served as launchpad events for companies such as Palm, E*Trade, Salesforce, Webex, Tivo, VMware, Fusion-io and thousands of others, helping them to secure venture funding, establish critical business relationships, and influence early adopters. The DEMO Scholarship Partner Program, subsidized by corporate sponsorships, offers multiple scholarship opportunities to ensure that deserving entrepreneurs have the chance to introduce cutting edge technology products at DEMO that might have otherwise gone undiscovered.

INNOVATION LEADERSHIP FORUM

The ILF is a forum designed for like-minded individuals in senior positions who have the responsibility for innovation, the desire to share and develop knowledge on improving innovation performance, and the will to bring this practical knowledge back into their organisations so they can make a real and significant difference. Supported by influential directors of innovation in large and prestigious corporations, the ILF Networking Group is an invaluable resource that gives members a competitive advantage in the pressure cooker life of business today.

INTERNATIONAL SOCIETY FOR PROFESSIONAL INNOVATION MANAGEMENT

ISPIM - International Society for Professional Innovation Management - is a network of researchers, industrialists, consultants and public bodies who share an interest in innovation management. Founded in 1983 by Professor Knut Holt in Norway, ISPIM is the oldest, largest and most active innovation association in Europe, rapidly expanding in the Americas and Asia. ISPIM produces scientific and educational material and events to help people understand and share thinking and experiences on how individuals, organisations and society can be better organised to create and distribute new products, services and processes to make the world a better place.

AFFILIATE PARTNERS

THE INTERNATIONAL ASSOCIATION OF INNOVATION PROFESSIONALS

A professional membership organization, The International Association of Innovation Professionals (IAOIP) will be the world's only innovation certification body, providing members with the knowledge, skills and opportunities to deliver real change in their industry or field. IAOIP certified innovation professionals are equipped with the appropriate tools to make a strategic difference by becoming an active participant in innovation teams at all levels of their organization through knowledge exchange, research, conferences, training and publications. IAOIP is a leading international membership-based organization with individual, corporate, public and non-profit members around the world.

APQC

APQC is a member-based nonprofit and one of the world's leading proponents of business benchmarking, best practices, and knowledge management research. APQC's mission statement is to help organizations around the world improve productivity and quality by discovering effective methods of improvement, broadly disseminating findings, and connecting individuals with one another and with the knowledge they need to improve. APQC's research and expertise covers five core functional areas including Business Excellence, Financial Management, Human Capital Management, Knowledge Management, and Supply Chain Management.

INNOVATION ENTERPRISE

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