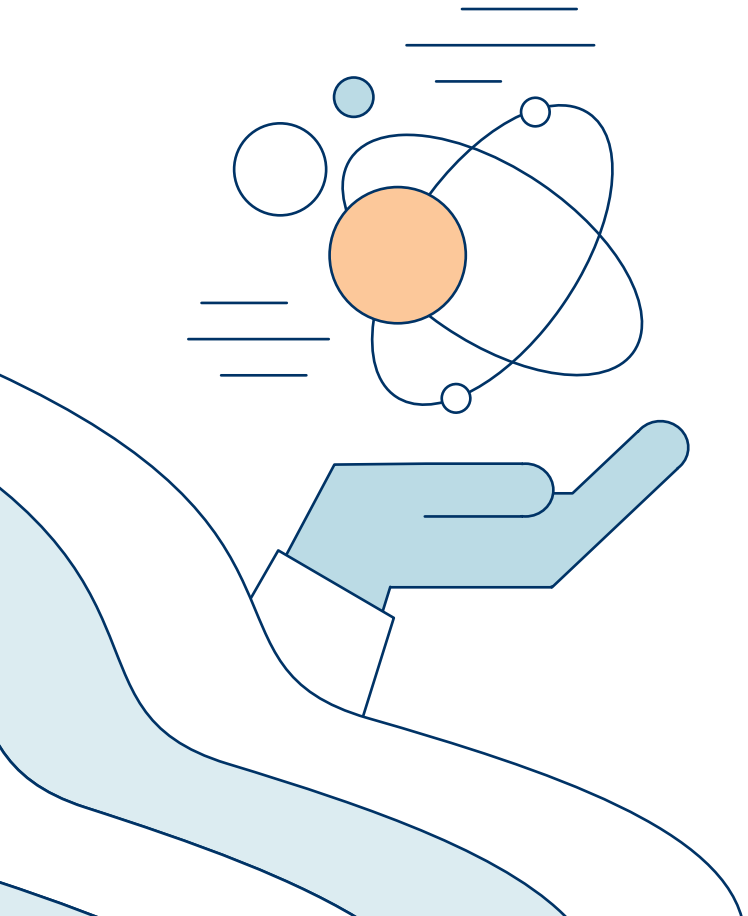


State of Innovation

CB INSIGHTS

Survey of 677 Corporate Strategy Executives

ABOUT CB INSIGHTS

To make the right decisions, you need to know the facts — and where and how to find them.

At CB Insights, we believe that using facts over feelings is key to answering your most complex, strategic business questions.

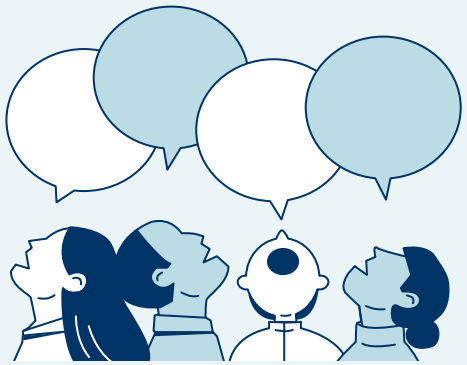
So we use machine intelligence to synthesize, analyze, and visualize millions of documents and give you fast, fact-based insights. We give companies the power to take control, make better decisions, and capitalize on change.

KEY FINDINGS

Corporate strategists talk the talk but don't walk the walk.

84.9% said innovation is very important, but 78% of respondents focus on incremental changes.

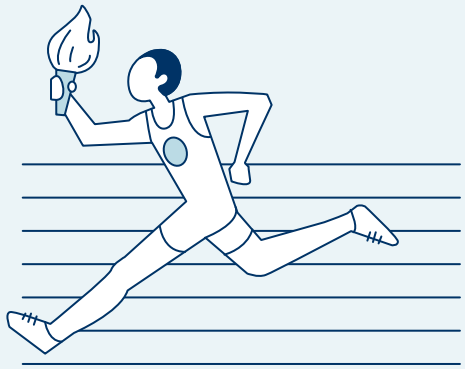
PAGE 9



High performing companies are more likely to be first movers.

35% of high-performing respondents were first movers and 2x as likely to be risk-seeking.

PAGE 15



Corporate innovation is slow.

60% of companies said it takes a year or longer to create new products. Corporate propensity for building over partnering or buying slows down innovation.

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METHODOLOGY NOTE

Throughout this report, high-performing companies are defined as those in the top 15% of financial performance relative to primary competitors in the last 12 months.

Moderate-performing companies are in the middle 45% of financial performance. Low-performing companies are in the bottom 40% of financial performance.

★★★★★

HIGH PERFORMERS

★★★

MODERATE PERFORMERS

★

LOW PERFORMERS

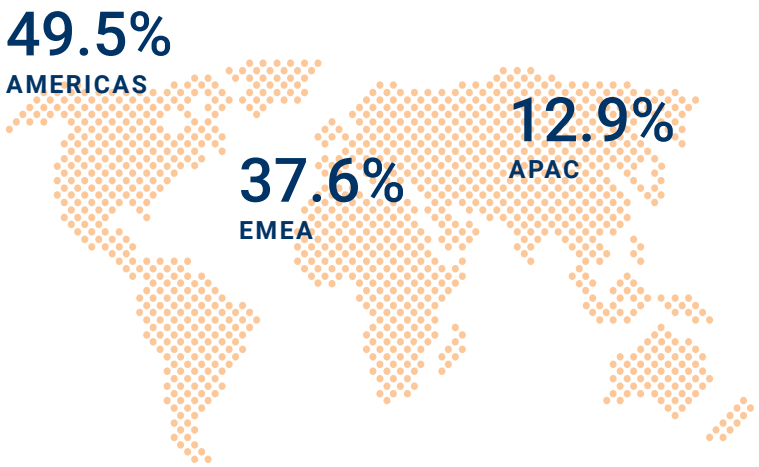
BUT FIRST, WHO DID WE TALK TO?

We surveyed 677 strategy leaders.

WHO WE SURVEYED

REACH

Global

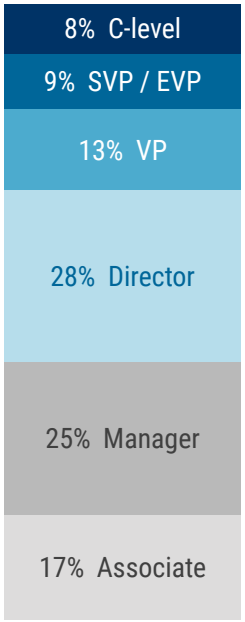


SIZE

66% are $1B in revenue or greater

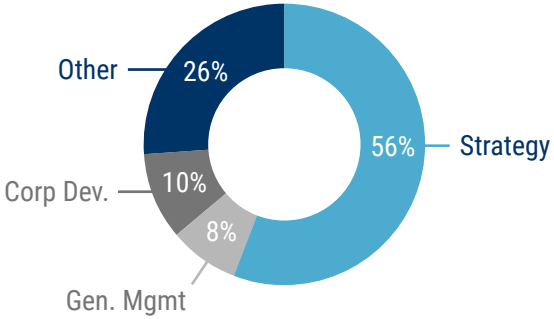
WHO WE SURVEYED

SENIORITY



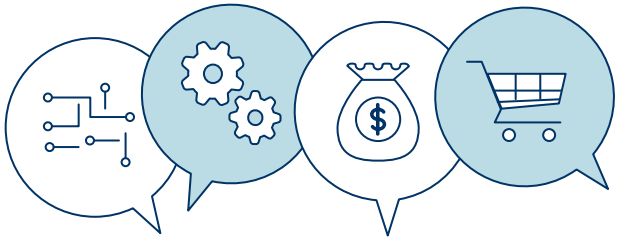
Due to rounding, not all percentage totals in this report are equal to 100%. All comparison calculations are made from total numbers, not rounded numbers.

FUNCTION



INDUSTRY

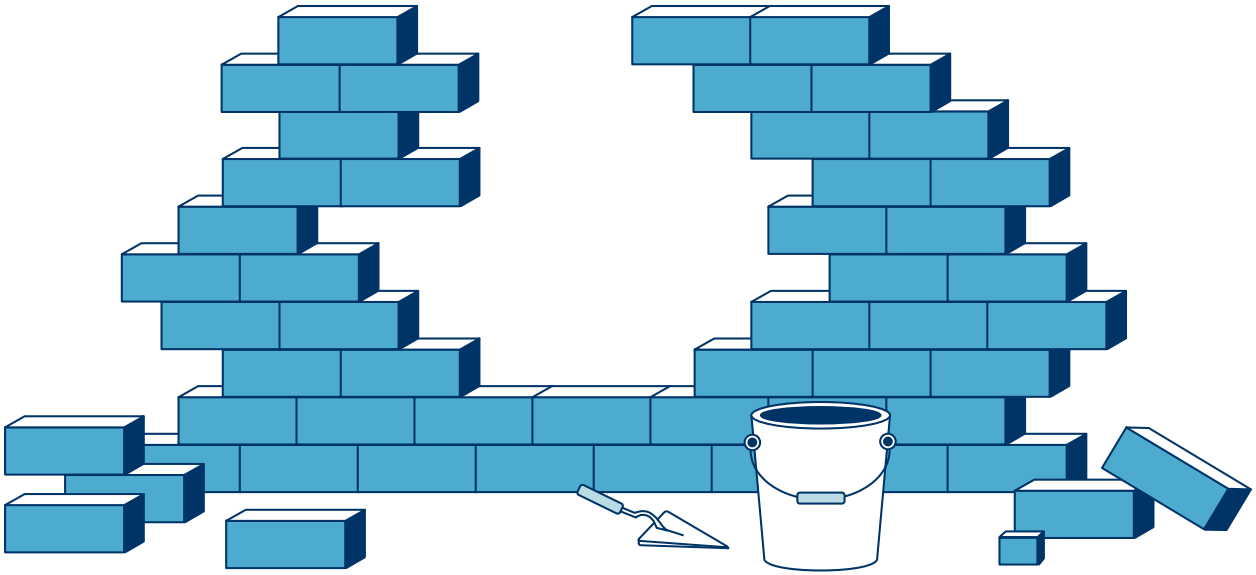
All major industries covered



Financial Services
Business Services
Information Technology
Life Sciences
Insurance
Industrial
Manufacturing
CPG
Energy & Utilities
Retail
Telecommunications
Media
Education
Transportation
Materials
Consumer Services
Other

While corporations worry about disruption, do they actually invest in preventing it?

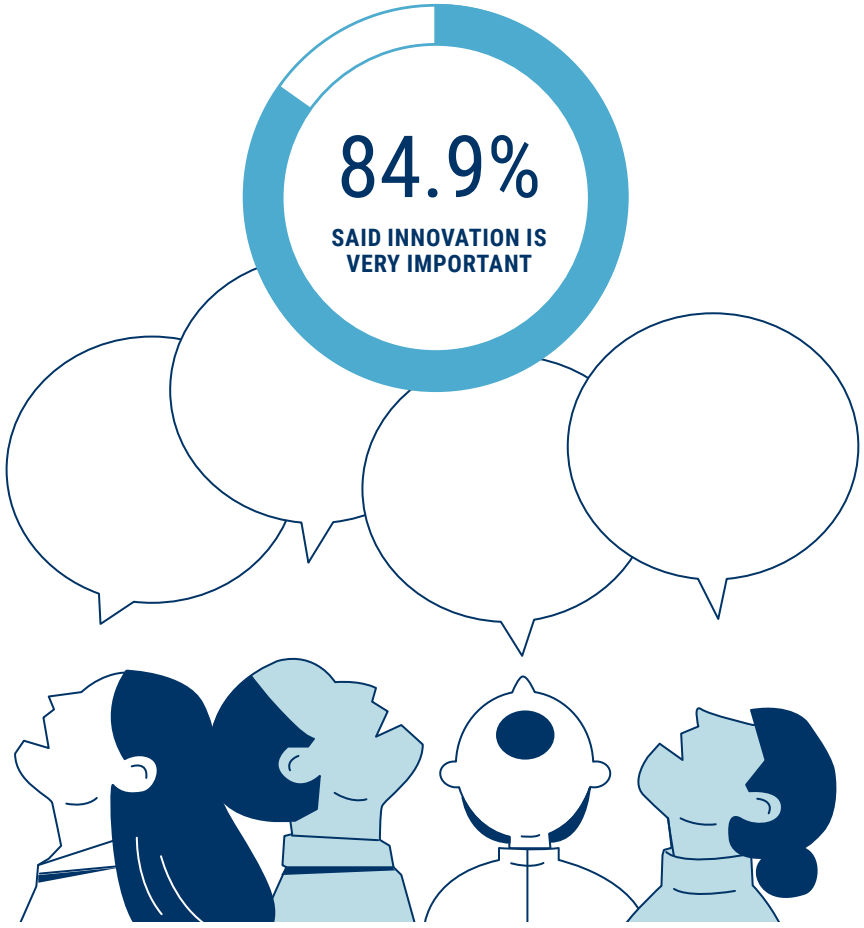
ANSWER = NO



Companies care about innovation.

There was broad agreement among the respondents. The more senior the survey respondent, the more importance they placed on innovation.

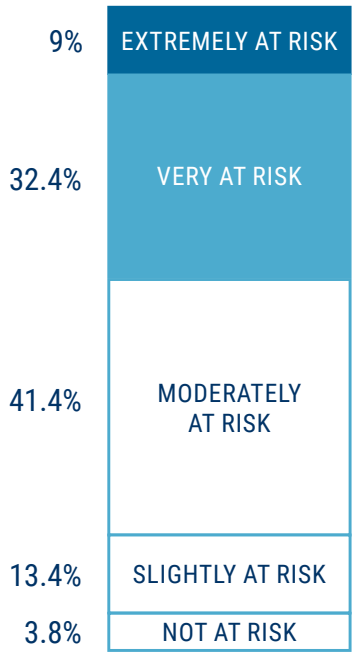
Larger companies, especially those generating more than $10B in revenue, placed the highest importance on innovation.



41% of executives said their companies are extremely at risk or very at risk of disruption.

When asked, “How at risk is your company of disruption by emerging technologies and companies?” less than 4% said they were not at risk.

How at risk is your company of disruption by emerging technologies and companies?



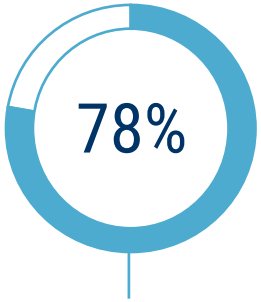
Top 5 industries at risk of disruption

1. **MEDIA & ENTERTAINMENT**
2. **TRANSPORTATION**
3. **FINANCIAL SERVICES**
4. **EDUCATION**
5. **INSURANCE**

Despite deep fear
and talk of disruption,
companies invest
in the small stuff.

Companies focus on incremental innovation.

Continuous innovation — iterating on the status quo rather than on disruptive risks — is the primary type of innovation companies pursue. This includes enhancing existing products/services, cutting costs, and efforts focused on productivity.



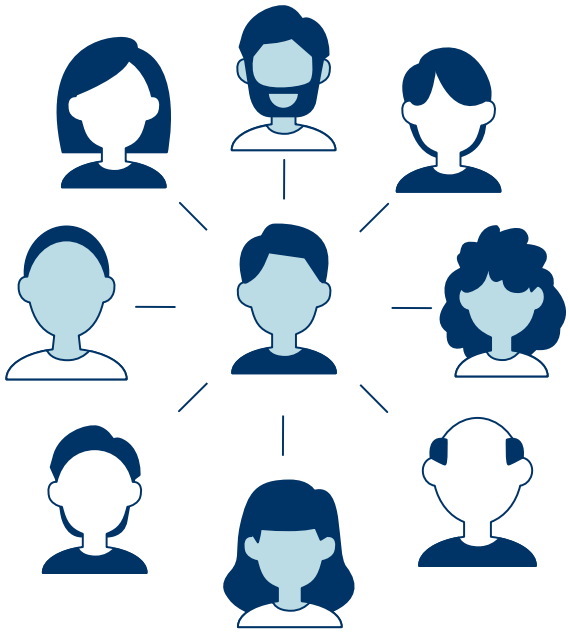
of innovation portfolios are allocated to continuous innovation instead of disruptive risks.

Innovation goals reflect the incremental nature of innovation efforts, with only 1 out of 5 goals focusing on new products and services.

RANK	COMPANY INNOVATION GOALS
1	Generate revenue by enhancing existing products & services
2	Generate revenue by launching new products & services
3	Improve customer satisfaction
4	Improve operational effectiveness / productivity
5	Reduce costs for existing products and services

Customers and employees are driving innovation.

Part of the reason for the incremental nature of innovation is that the primary sources for innovation are existing customers and employees.



Top 10 Sources of Innovation

1. Customers
2. Employees
3. Competitive intelligence
4. Suppliers / vendors
5. Academic partners and/or scientific literature
6. Industry analysts
7. Accelerators & incubators
8. Corporate venture capital
9. External ideation consultants
10. Bankers & VCs

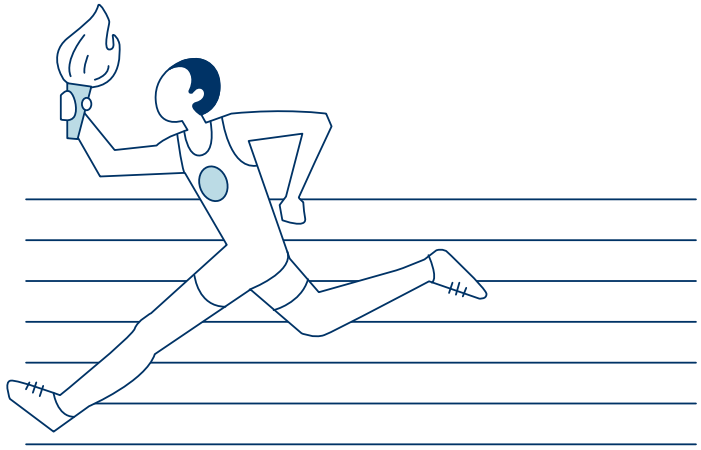
What are characteristics of highly innovative companies?

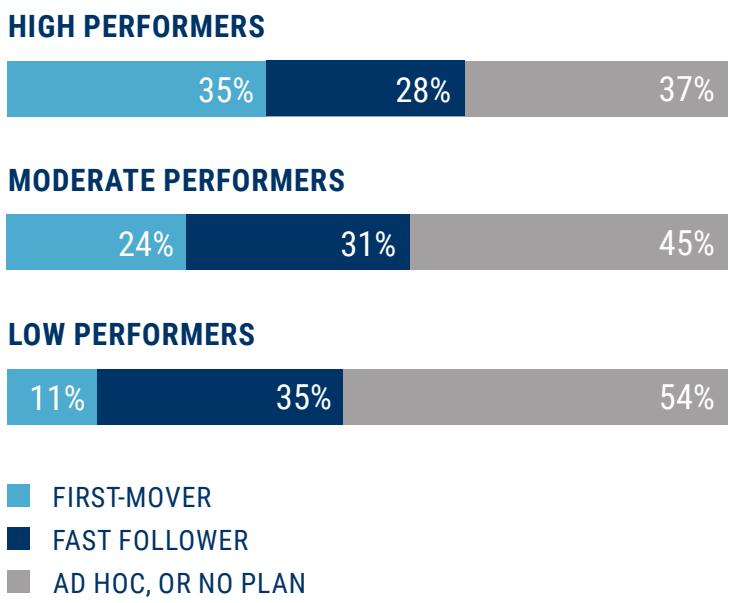
ANSWER = FIRST-MOVERS, RISK-SEEKING, CEO OWNERSHIP

High-performing companies are more likely to be first-movers.

High-performing companies were 3x more likely to strive for first-mover advantage (35% of high-performing respondents were first-movers versus 11% among low performers).

Meanwhile, the majority of low performers describe their innovation philosophy as "ad hoc," or not having an innovation philosophy or plan.



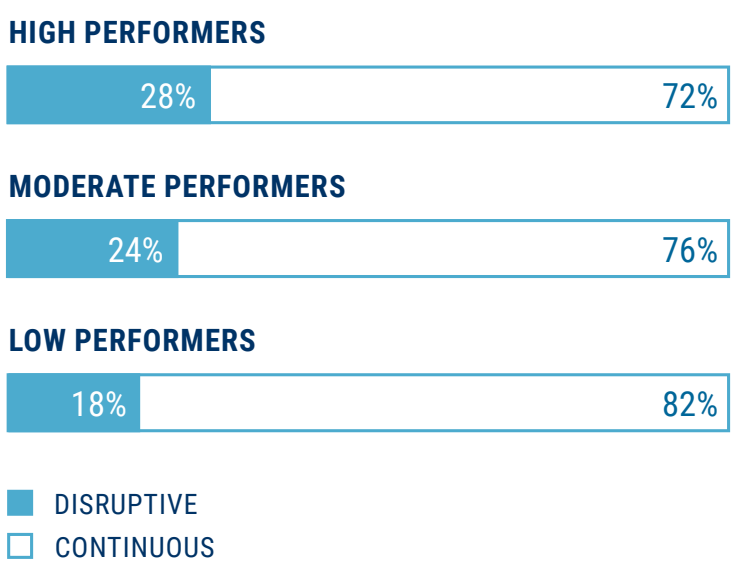


High-performing companies invest in disruptive projects.

On average, companies invest 78% of their innovation budget in continuous improvements to existing processes and products.

But high-performing companies tend to invest more in disruptive innovation. This propensity for high-performing companies to place bigger bets on uncertain projects is consistent with other findings in this study: high performers have a greater appetite for risk.

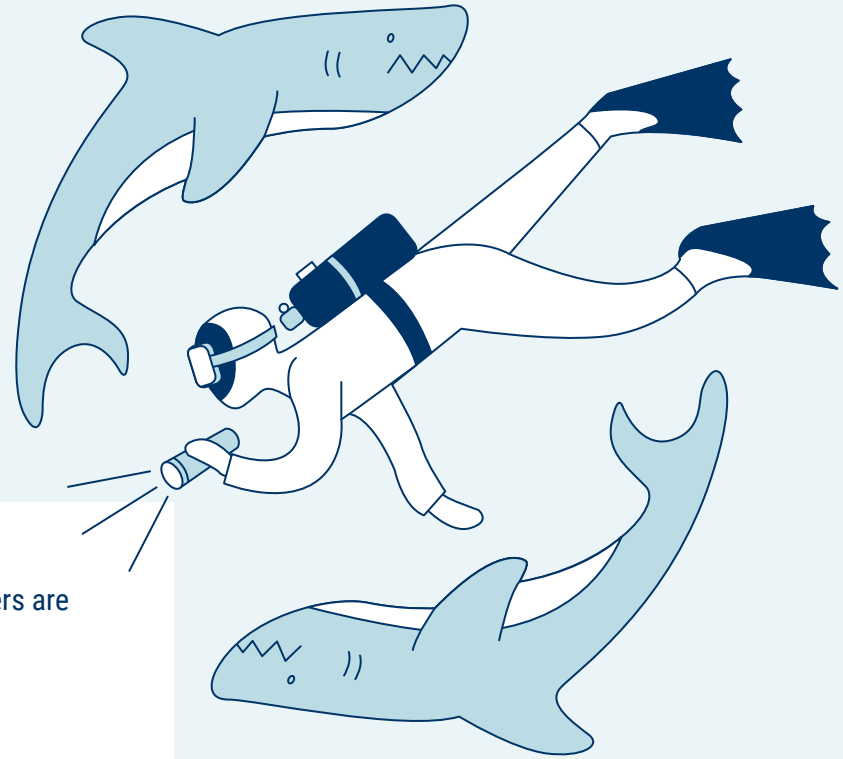
Innovation investment allocation



Innovation-driven financial performance requires a high appetite for risk.

High-performing companies are 2x as likely to report being risk-seeking when pursuing innovation.

When asked to describe their company's appetite for risk, respondents from high-performing companies were twice as likely to answer either "risk-seeking" or "very risk-seeking" compared to low-performers.



High performers are

2X

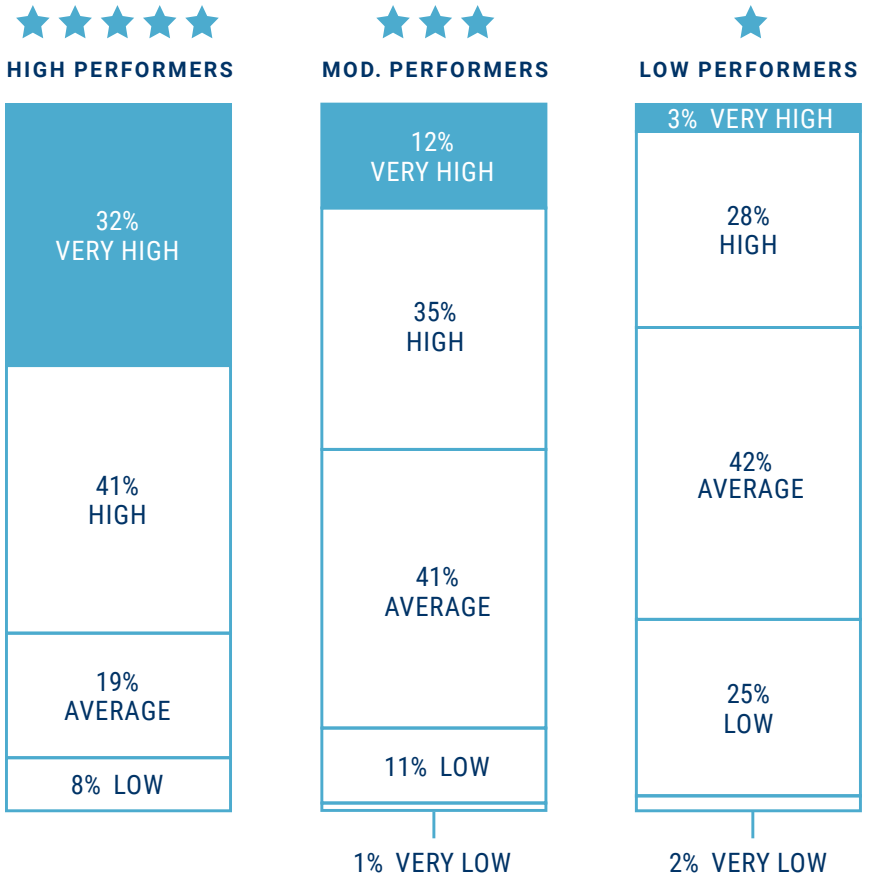
more likely to report being risk-seeking compared to low performers.

The most innovative companies feel they are far ahead of their competition.

What is the link between innovation and financial performance?

In our survey of 677 strategy executives at major corporations, we found respondents from high-performing companies were 10.7x more likely than low performers to report very high levels of innovation in the last 12 months.

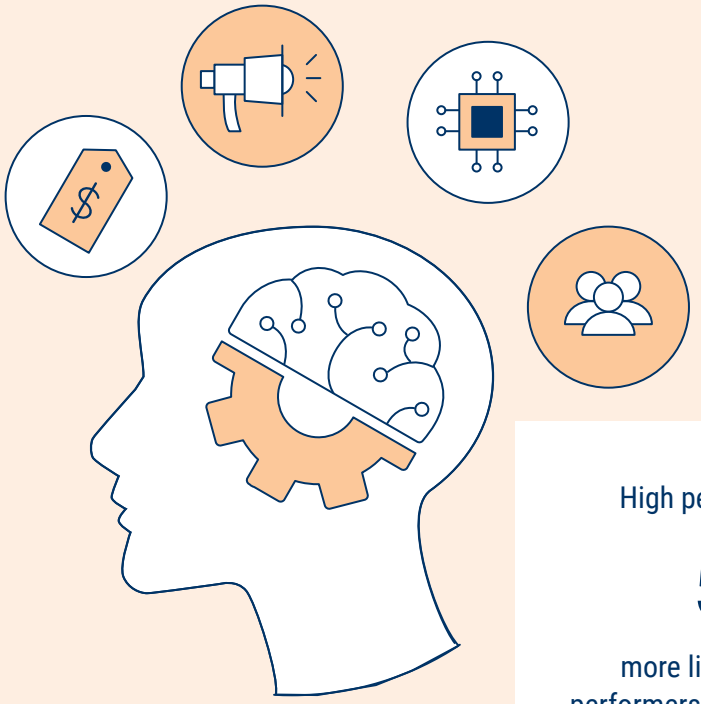
Relative to your primary competitor(s), how would you rate your organization's level of innovation in the last 12 months?



High-performing companies build cultures of innovation across functions.

A culture of innovation needs to be felt across every major function.

Survey respondents from high-performing companies were more likely to report nurturing a culture of innovation across every business function, including HR, finance, sales, product, marketing, and more.



High performers are

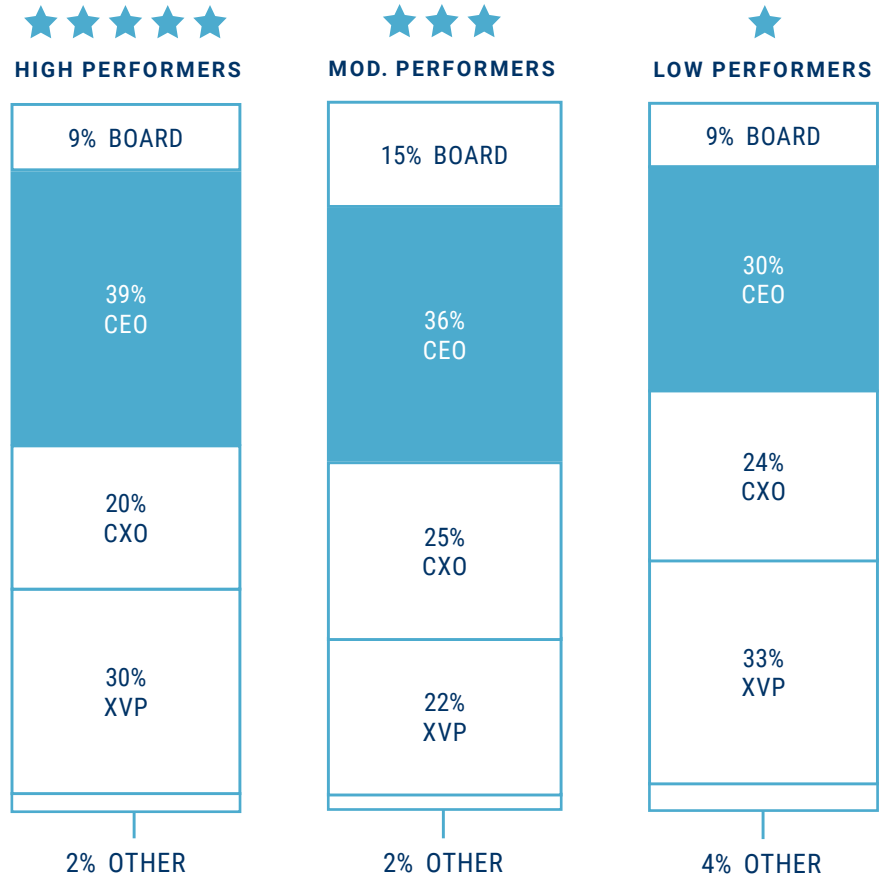
5X

more likely than low performers to build a culture of innovation across every business function.

High-performing CEOs do not delegate innovation strategy.

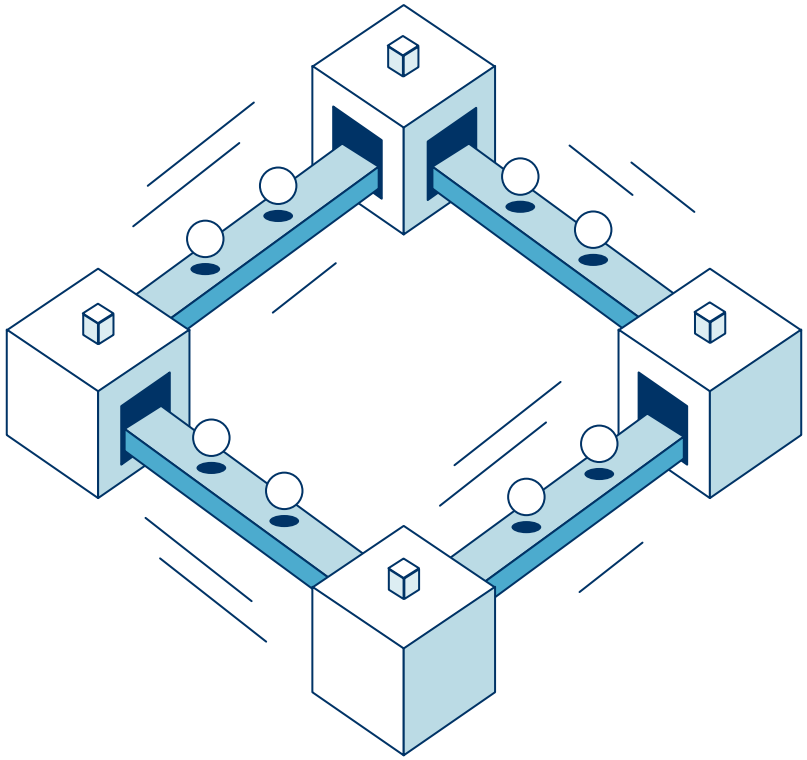
When asked, respondents from high performing companies were far more likely to respond that innovation was centralized in upper management — particularly with the CEO.

"At what level does the innovation function primarily report at your company?"



What did we learn about corporate innovation processes?

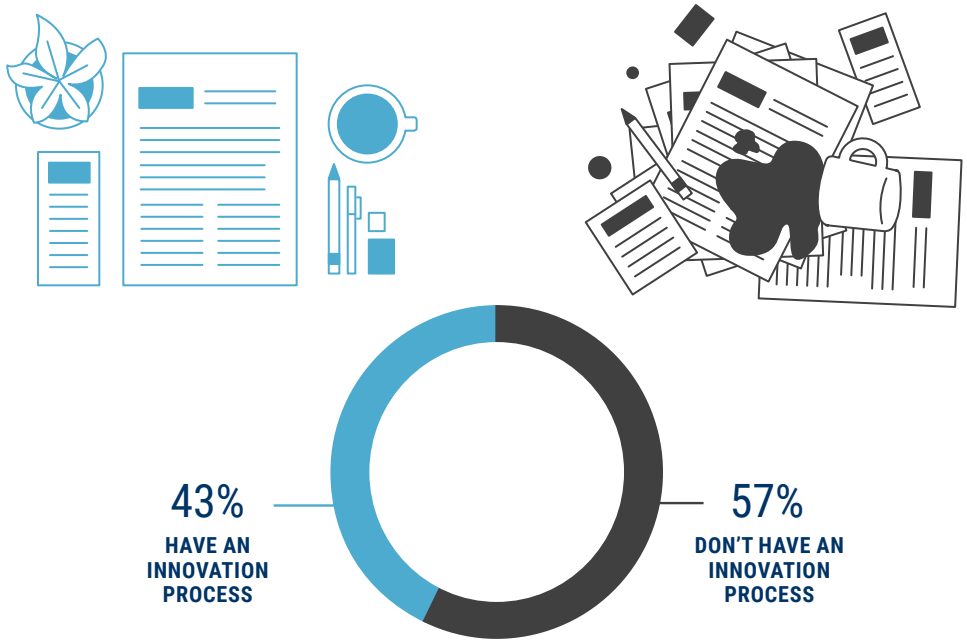
ANSWER = AD HOC, SLOW, SHORT-TERM, INSULAR



57% of respondents said their companies do not follow formal innovation processes.

Executing on corporate innovation remains mostly ad hoc and unstructured.

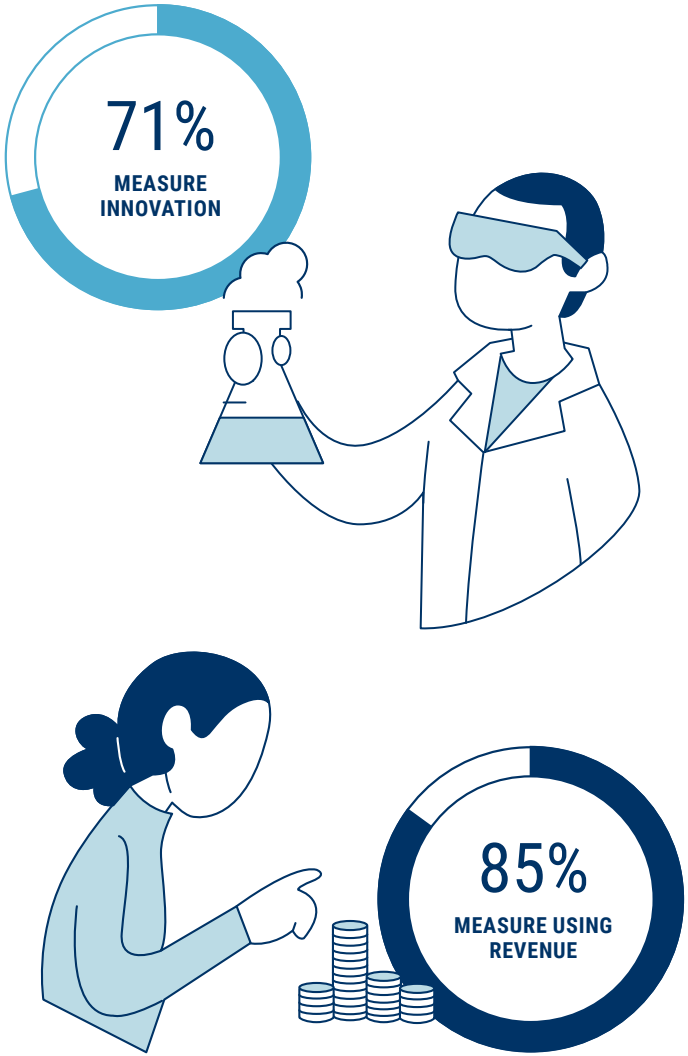
The majority don't have processes for ideation and development phases.



Though most companies don't have a process for innovation, they are focused on measuring it.

71% of companies assess innovation quantitatively, using primarily short-term metrics.

Among those who measure innovation, 85% track revenue generated as at least one of their metrics for success. About half look at the number of projects completed and customer satisfaction. We found that those who assess innovation quantitatively track 2.9 metrics on average.



Companies lack confidence in their ability to innovate.

We found evidence that innovation becomes progressively more difficult as ideas move into development and then into commercialization.

Overall, respondents lacked confidence in their ability to innovate when asked, “How effective is your company at each of the following phases of innovation?”

Would you describe your company as effective at each of the following phases of innovation?

High performers are

2.7X

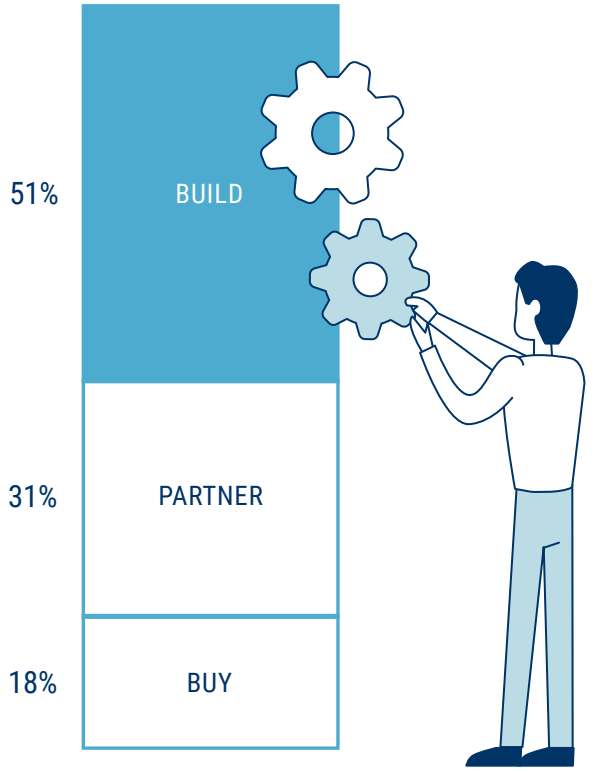
more effective at idea generation than low performers.

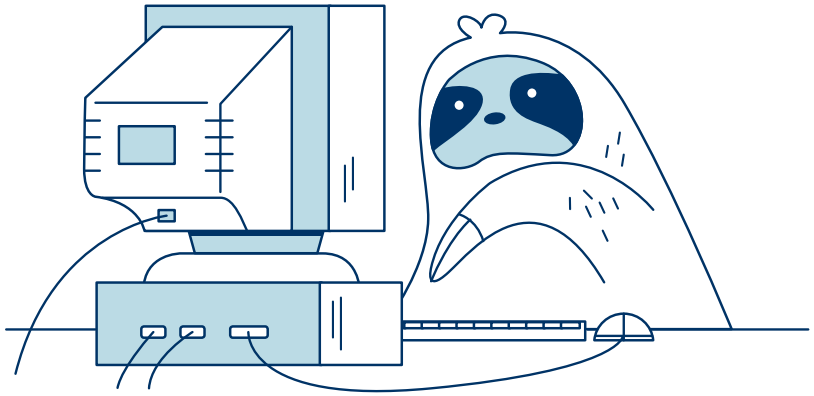
HIGH PERFORMERS
MODERATE PERFORMERS
LOW PERFORMERS

Companies take an insular view on how they will attack innovation.

Overall, respondents said their companies are 2.8x more likely to build than to buy when asked, “Please rank your company’s orientation toward creating innovation.”

How do you prefer to make innovation happen?

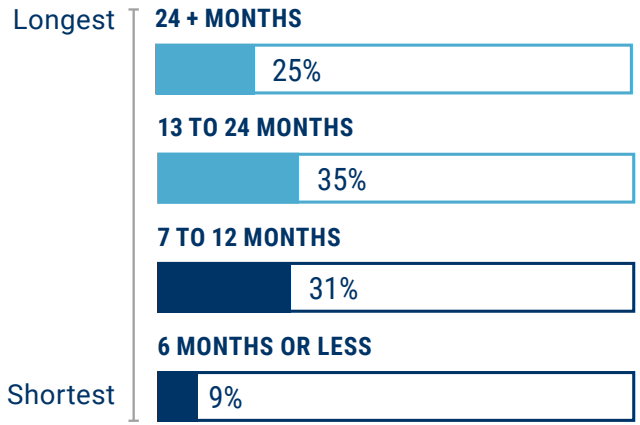




Because they prefer to build, corporate innovation is slow.

60% of companies say it takes a year or longer to create new products, with almost one-fourth saying it takes over two years from ideation to launch.

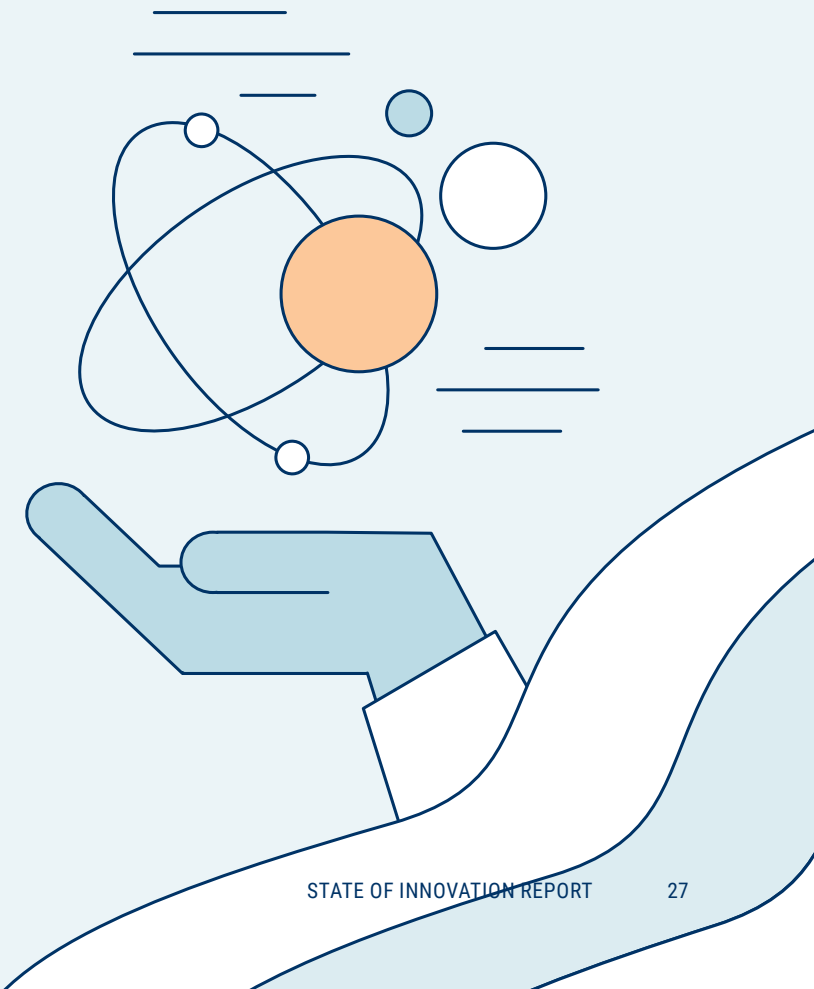
Average time from ideation to launch



FIRST, THANK YOU

To everyone who participated, thank you for your candor and willingness to share the state of innovation at your organization.

CBINSIGHTS



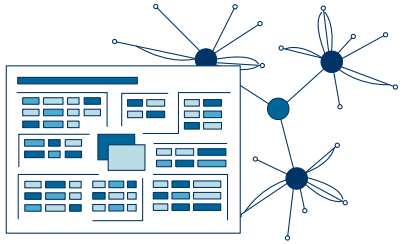
WHAT'S NEXT?

If innovation-driven growth is an imperative for your organization, CB Insights has communities, case studies, and content to help you make growth and innovation happen in your organization.

We'd love to talk.

CASE STUDIES

From how USAA has built a culture of innovation to how Deutsche Telekom partners with startups in adjacent businesses to how GE unlocked value in its patent portfolio, CB Insights has case studies on how organizations have successfully navigated the challenges of innovation to build new businesses.



CONTENT

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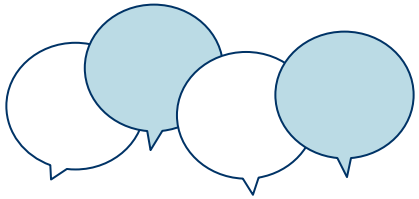

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Beti Cung,

CORPORATE STRATEGY, MICROSOFT

Microsoft

State of Innovation

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Survey of 677
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Executives

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