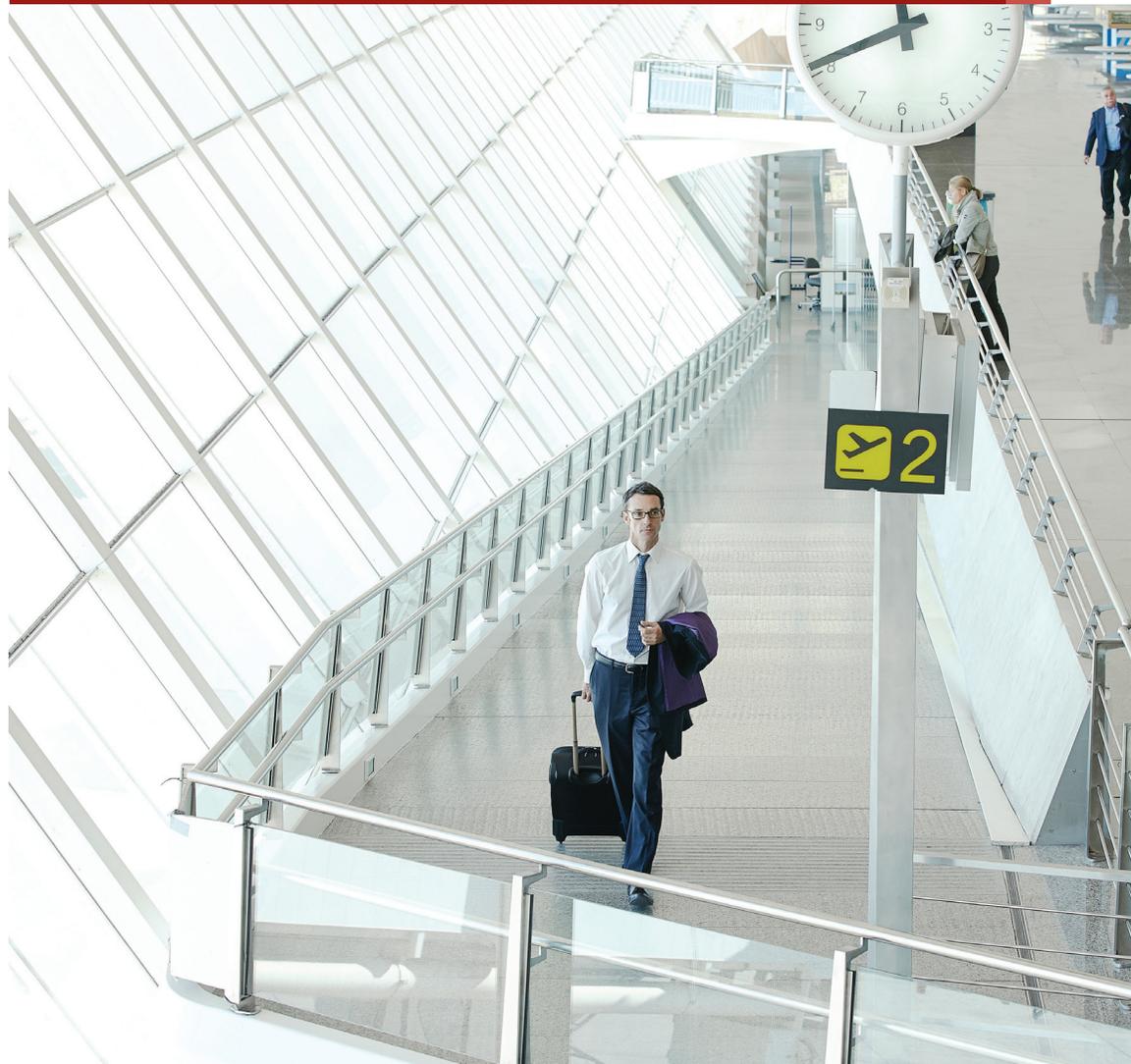


# *Clearing the innovation hurdles*

How leading TMT businesses  
overcome barriers to make  
innovation happen

April 2014



**How do leading innovators ensure innovation delivers tangible results?**

To answer this question, PwC surveyed 374 C-suite executives from Technology, Media and Telecoms (TMT) companies across 20 countries globally. The companies that innovate most successfully are focused on the specific differentiators that lead to big gains. These areas of differentiation include visionary leadership, open culture, genuine collaboration and partnerships, hiring the best talent, measuring innovation metrics, and a proactive approach to saving cash through innovation subsidies and tax incentives.

In the first two reports in our series exploring innovation within TMT companies, we introduced the concept of an “Innovation Decathlete,” a company at the forefront of innovation, which achieves fast growth by excelling at multiple innovation disciplines.<sup>1</sup> In this final paper, we focus attention on the practical ways that “Innovation Decathletes” anticipate and overcome hurdles to innovation, and in doing so enjoy greater agility and faster growth.

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<sup>1</sup> PwC, *Seizing the innovation edge* (November 2013) and *Learning from innovation leaders* (January 2014), available at <https://www.pwc.com/TMTinnovators>.

***Anticipating the innovation hurdles***

While 97% of PwC’s *17th Annual CEO Survey*<sup>2</sup> respondents see innovation as a priority for growth, only 10% see their companies as “Innovation Leaders.” “Innovation Decathletes” are set apart in that they more fully understand that successful innovation involves first anticipating and then overcoming numerous hurdles. With a focus on the size of the prize—sustainable, long-term revenue growth and competitive advantage—the additional effort becomes worthwhile. “The pressure on TMT companies to innovate is more intense because their product lifecycles are often shorter and the speed of technological change is faster,” says Dan DiFilippo, PwC Global TMT Leader. “TMT companies have to strive to overcome innovation hurdles, and that requires effort: more intense pressure requires a more relentless focus to succeed.”

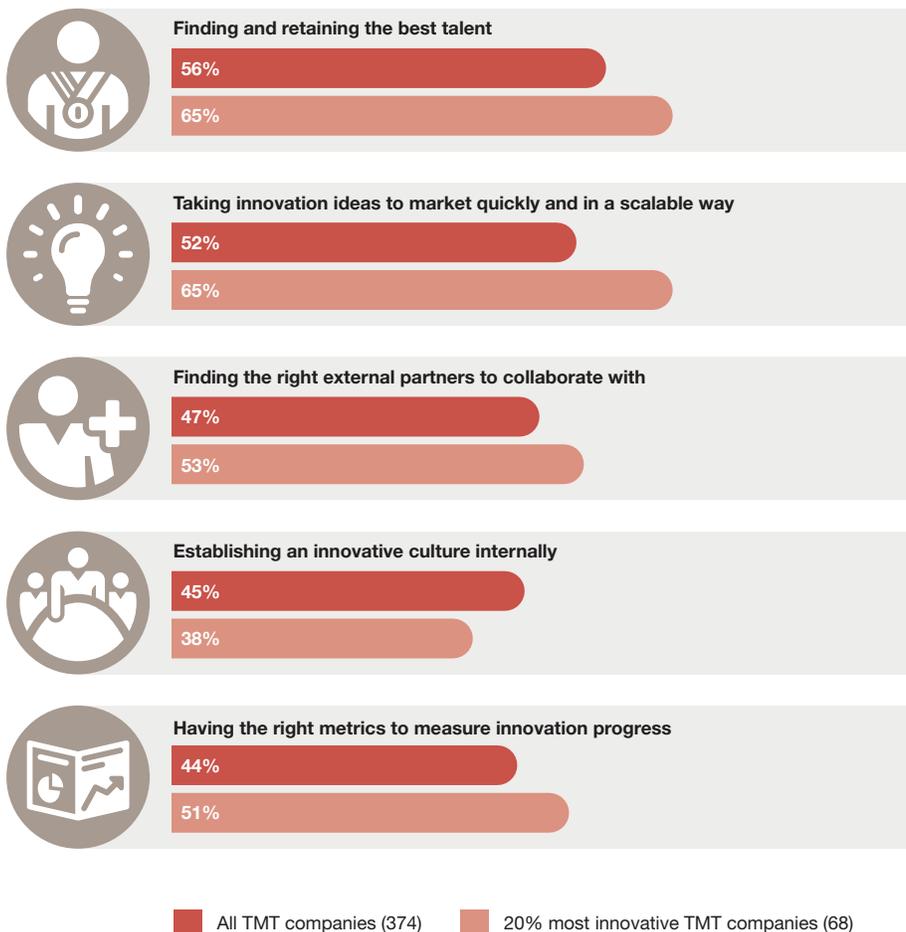
By understanding what other TMT companies find challenging, it is possible to anticipate and proactively address innovation hurdles before they become significant blockers. So, what is of greatest concern to the TMT executives we surveyed? They cite finding and retaining the best talent to be the most challenging, closely followed by speed-to-market, and finding the right external partners to collaborate with, as shown in Figure 1.

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<sup>2</sup> PwC, *17th Annual CEO Survey: Fit for the Future* (2014): <http://www.pwc.com/gx/en/ceo-survey/>.

**Figure 1. TMT companies responded that each of these areas are “challenging” to making innovation happen.**

**How challenging do you find the following aspects of making innovation happen within your company?**



The degree of difficulty varies by sector. For example, talent is viewed as a more significant challenge for telecoms companies, with approximately two-thirds (63%) agreeing that finding and retaining the best talent is a hurdle. Technology executives, on the other hand, cite speed-to-market as the most difficult aspect of innovation. This reflects the more rapid pace of innovation for technology companies, where product offerings need to be frequently refreshed to meet customer expectations.

Surprisingly, when we isolate the responses of the 20% most innovative TMT companies we find that leading innovators are more — rather than less — likely to identify these various aspects as challenging, see Figure 1.<sup>3</sup> This suggests that those leading the innovation race are more realistic in their assessment of the hurdles they must overcome to make innovation deliver results. The lesson is clear: do not underestimate the challenges involved in boosting innovation capability.

Yet leading TMT innovators don’t just identify challenges, they actively implement strategies that position their organisation to successfully overcome innovation hurdles. Over the following pages, we showcase how leading TMT innovators do this in six key areas: talent, culture, leadership, collaboration, metrics and funding.

<sup>3</sup> See appendix for full details of how the 20% most innovative companies were identified from the 374 TMT companies interviewed.

## **Talent: making best use of your innovation skill-set**

The competition for talent is intense in TMT, particularly as the dividing lines between TMT companies, and those in adjacent industries, start to blur. So how should a TMT company identify the most innovative talent to enhance its workforce? One way is to spot individuals who think differently, who can frame problems in new ways that draw the best ideas from colleagues, customers or other partners. During the recruitment process, leaders screen for specific indicators of these traits, asking questions about encounters with complex problems, and how they went about solving the issues. The way they describe their problem-solving approach says a lot about their innovation potential.

Second, some innovation leaders have found success bringing in executives from adjacent, or completely different, industries as a way of tapping into the thinking of senior leaders who can shape problems and provide innovative thinking based on solutions proven to work elsewhere.

Thirdly, don't overlook talent already with the organisation. Identify the people who, through the course of their day job, find creative yet practical alternatives to processes that otherwise go unchallenged. Most organisations have individuals with extensive commercial experience not currently involved in innovation processes. It is crucial to ensure the right people with the right experience are empowered to make decisions about which innovative ideas have commercial potential.

## **Case study: Verizon reaching out to innovative talent in new locations**

### *Keys to success:*

- Searching out the best talent in key locations in the US
- Investing in innovation centres to support talent pool

Many TMT companies are experimenting with setting up innovation labs in new locations across the globe as a way to compete for, and get close to, the best innovation talent. Though headquartered in New York, US telecom company Verizon has established innovation centres in San Francisco and Boston for this purpose. These centres create an environment where small, innovative companies can test their solutions on Verizon's development network, and collaborate with Verizon's engineers and business development staff to bring their big ideas to market quickly.

For Tony Melone, Verizon CTO and Executive Vice President, searching out the best talent is critical to boosting the company's innovation capabilities. "It should be no surprise why San Francisco is one of our two showcase centres: this is the innovation capital of the world for hardware and software," he says. "And for our internal work, we have also created a software development centre in Palo Alto. That's two areas of significant investments we have made in the Bay Area to tap into the smarts embedded here."<sup>4</sup>

<sup>4</sup> PCMag, 'Verizon expands San Fran innovation center', (October 2013): <http://www.pcmag.com/article2/0,2817,2425378,00.asp>

Companies also need to consider how the performance of talent is tracked and measured. If the way an individual's performance is assessed runs counter to innovation, there is no incentive to experiment with new concepts and ideas. TMT companies should therefore aim to reward and recognise behaviours that are more likely to lead to breakthrough and radical innovation. For example, professionals in the digital space typically have more aggressive compensation models with bonuses tied to the success of their innovation unit. This encourages individuals to pursue big ideas rather than stick to the status quo.

Tapping into the staff contribution to the innovation process becomes even more important following a merger or acquisition. How best to nurture talent in this instance? "It is common for legacy organisations to drown out the innovative qualities of their people," says Nico Borges, PwC Spain Telecoms Advisory Partner. "One solution to this problem is to establish a separate unit that deals with innovation, and ensure that the talent metrics that are applied to the new unit are different from the legacy organisation." But even this route is unlikely to be completely successful unless there is a broader focus on transforming the innovation culture across the organisation.

## Culture: fostering innovative behaviours

How does company culture promote innovation? Having a clear response to that question enables executives to understand how innovation can yield commercial value within their own organisation. “In all of the most successful companies I have come across, there is a well-understood model of what innovation is, what role it plays in the culture of the organisation, and how this impacts individual employees,” says Aritomo Shinozaki, Principal in PwC’s US Technology Product and Innovation practice.

For the 374 TMT executives we surveyed, of most importance to fostering an innovative culture is offering employees the opportunity to participate in high-profile innovation initiatives. This is closely followed by recognising and rewarding innovation initiatives and “fostering an environment where failure and risk are reasonably tolerated,” see Figure 2.

An innovative culture manifests itself in how people work, how they spend their time and what they value and prioritise. We found leading TMT innovators are exploring new ways to encourage employees to adopt innovative behaviours, and just like innovation itself, iterating this process. One successful path has been the use of physical space to create a more

open way of working impacts on how people engage with each other. It has been found to signal openness to new ideas, and gives a signal that multi-disciplinary working is not only encouraged but expected.

Innovation project rooms, for example, bring together cross-functional teams and break down internal siloes to consider ‘big picture’ questions. For a media company this may be an opportunity to bring diverse perspective to bear on the question: “How do we more successfully penetrate the Latino market in the United States?” This allows concepts to move through rapid ideation, prototyping and development into commercial proposition more quickly.

Innovation implies experimentation. “My clients tend to use a proof of concept approach that quickly assesses the feasibility of a new product, platform, or strategy. While that sometimes results in failure,” says Russ Sapienza, PwC US TMT Advisory Principal, “a lot of companies would see that as bad practice. But what is important to understand is that the next generation of TMT businesses need a culture where failure – especially fast failure – can be tolerated, so long as one learns from it. I find that my clients who approach their business seeking to understand what doesn’t work – as much as what does – are better suited to make confident and grounded decisions that aren’t second guessed.” In some organisations, innovation needs to be ring-fenced from the rest of the business, protected from continual criticism and freed up to move at a faster pace. Having a regular governance process for evaluating ideas and engaging with wider stakeholders provides structure to this more open approach.

**Figure 2. Widespread employee participation in innovation initiatives is seen as most important for fostering innovation culture by TMT companies.**

**In your organisation, how important are each of the following to creating and fostering an innovative culture?—all answering important**

Offering employees the opportunity to lead or participate in high-profile innovation initiatives

79%

Recognising and rewarding innovation initiatives

74%

Fostering an environment where failure and risk are reasonably tolerated

73%

Senior executive participation in innovation projects

73%

Having well-defined and accepted processes for innovation

68%

Giving the innovation function equal status to other functional areas

63%

Setting up internal communities of interest

61%

## Case study: freeing up time to innovate through a 'zero email initiative'

### Keys to success:

- Bold vision and leadership from company CEO
- Freeing up time in individuals' day to focus on innovation
- Creating a more open culture

A European IT services company found that almost three-quarters of employees (73%) spent more than a quarter of their time at work managing email. The company estimated that only 10% of email received was useful. The result was a productivity deficit: employees were spending time on tasks that didn't add value, at the expense of focusing on genuine added-value tasks such as innovation.

In 2011 the CEO launched a 'zero email initiative' whereby employees were discouraged from sending or receiving internal emails. The CEO believed email was an outmoded and cumbersome form of communication.

Now employees are encouraged to use social platforms or instant messaging for internal communications which are more targeted and real-time. Collaborative working is encouraged through the use of cloud-based apps for sharing ideas and documents. Employees now have more control over their time, which boosts the scope for innovative thinking, creativity and collaborative working.

So where next for the initiative? The company is reportedly considering removing other innovation hurdles through initiatives such as 'zero PowerPoint' or 'zero meetings'. Whatever happens next, the 'zero email initiative' seems to be gaining traction with other business leaders. For example, Volkswagen, the German carmaker, has stopped its email servers from sending messages to employees outside working hours.

## Leadership: setting the tone for innovation excellence

If TMT executives want their businesses to grow through innovation, then they have to take the lead: they cannot just delegate innovation responsibility to bright individuals within R&D. Not every leader needs to be a Steve Jobs or Bill Gates to successfully manage a TMT business, but they do need to ensure innovation remains a corporate priority, viewed as complementary to, not in conflict with, operational excellence. Innovation should be inseparable from the growth agenda, and this needs to be owned at the highest level within the organisation.

In PwC's 17th Annual CEO Survey, 58% of TMT CEOs said developing an innovation ecosystem which supports growth is among their corporate priorities over the next three years. This compares favourably to just 44% across the whole population of CEOs in the survey. Similarly, 73% of TMT executives acknowledged that senior executive participation in innovation projects is important for fostering an innovative culture, see Figure 2. That proportion rises to 88% among the leading 20% of TMT innovators. It comes as no surprise that across the industry CEOs are prioritising product and service innovation, with 56% of entertainment & media CEOs rating it as the main opportunity for growth, compared to 47% of technology CEOs and 41% of telecoms CEOs.

But how should senior executive involvement play out in practice? A key role for TMT executives is to set both goals and parameters for innovation, creating an environment where innovation is valued and good ideas nurtured. This means leading the development and roll-out of innovation strategy, giving clarity on which areas are priorities and setting expectations about the desired impact of innovation on the top and bottom line. Once this thinking is in place, responsibility for execution should be devolved to appropriate teams, and performance against the strategy monitored at C-suite level.

A crucial aspect of getting the strategy and tone at the top right is taking a longer-term view of innovation opportunities. “When it comes to true innovation, some TMT companies can be quite reactionary or short-term in their thinking,” says Huw Thomas, PwC UK Media Transformation Partner. “New market entrants are driving the innovation and uptake of technology. To better compete, established players need to be looking five years out in the market, stretching their thinking to envision what may be possible, and then reining this back to a three-year commercial horizon, for services and product development.” Doing so gives a clearer view of how innovation supports tangible growth.

### ***Case study: innovating the customer service ecosystem at a Fortune 100 software company***

#### *Keys to success:*

- Using an “Enterprise Co-Creation” approach to foster internal and external collaboration
- Put the customer at the centre of the strategy to ensure they remain a priority for innovation

A leading Fortune 100 software company realised that its customer service experience was falling short, and that this was a barrier to increasing market share and customer loyalty. Because the company’s products are services are delivered in collaboration with a range of partners, this sometimes left customers confused or exposed to inconsistent quality of service.

To drive genuine innovation the company decided to take an “Enterprise Co-creation” approach. This involved bringing together all stakeholders—internal staff, as well as external vendors and partners—to candidly share pain points, formulate hypotheses for improved interactions, and ultimately conceptualize new operating models to deliver exceptional customer service.

The company used the insight derived from a series of co-creation workshops to create a three-year strategy and roadmap for improving customer experience. The strategy encompassed the total customer lifecycle. A core element of the strategy was to create a framework for ecosystem governance supported by a new online marketplace where customers can access multiple support channels and select support agents based on skill, other customers’ feedback and language preference.

Within 18 months the company had moved from concept to launch. By placing customer at the centre of the strategy, they have ensured customer experience remains a key priority for innovation. In fact, customer satisfaction scores immediately increased following the launch, and continue to rise. And although thousands of support staff had to be re-trained and redeployed, the company has saved several million dollars in overall support costs during the first six month since launch.

## **Collaboration: genuine partnering yields genuine results**

The second paper in our TMT innovation series, *Learning from innovation leaders*, found that not only do leading TMT innovators collaborate more often and with a wider range of partners, but their collaborations have greater impact. The 20% most innovative TMT companies co-create, on average, 36.5% of their products and services with external partners, whereas the least innovative 20% co-create, on average, just 8.1%.

“There have been many missed opportunities for collaboration within TMT,” says Dan Hays, Principal in PwC’s US Technology, Media, and Telecoms Advisory Group. “This is largely because most larger companies are cautious and bureaucratic – two qualities which make it hard to be truly collaborative – and so tend to fall back on creating supplier-provider relationships instead, or jump straight to acquisition. A more mature, flexible attitude to collaboration takes time to develop, but can pay off significantly in the long-term,” he says.

So, how do leaders create high-octane collaboration? First, they make innovation a core competency. Inside the company, innovation teams are cross-functional and interdisciplinary. This maximises the effectiveness of the resident talent. In addition, they use the right technologies to foster effective exchange. This includes enterprise social networking solutions for internal collaboration and public social media platforms for connecting with consumers and developing powerful insights.

Innovation leaders go a step further. “Leaders don’t assume that all of the right people will be found in-house. They know the people they hire today might not be right for the innovation challenges of tomorrow, so they encourage external collaboration to capture the lion’s share of the billion IQ points that exist outside of their company,” notes Roman Friedrich, Strategy& Global TMT Leader. And this happens across a broad spectrum of partnerships. Our findings show that innovation leaders collaborate significantly more with an ecosystem of strategic partners, customers, suppliers and academics. In new business environments, they may even collaborate with competitors from other arenas.

## **Case study: overcoming collaborative hurdles to deliver digital and 3-D film**

### *Keys to success:*

- Taking a long-term view of collaborative partnerships
- Focusing on the value for each member of the supply chain can define the business model

Sometimes innovations that provide obvious customer benefits are slow to be adopted in the marketplace. One such example is digital cinema. Over a decade ago, one of the leading suppliers of film and projection equipment to cinemas had developed the technology required to create digital cinema, offering higher quality resolution, enabling new functionality, and delivering a better customer experience for moviegoers.

Despite this, it struggled to make much impact on the market, given the investment needed to make the switch. Theatre owners were used to buying projectors that cost less than \$20,000 and were easy to operate. To introduce digital projection, they were being asked to upgrade to projectors costing upwards of \$100,000 that required highly-trained, technically-skilled resources to operate.

Despite the lower cost of digital distribution versus the traditional distribution of film canisters, no party in the value chain – film producer, on-screen talent, distributor, cinema operator – was willing to compromise on margin. Likewise, customers had little appetite to pay significantly more for their movie tickets.

Another wave of innovation — the advent of 3-D digital cinema — broke the stalemate. Without digital projection, the new wave of 3-D was not possible, and growing customer demand for 3-D films meant cinemas were under increasing pressure to invest in technology to meet customer need. To make this happen in a sustainable way, production companies had to change their business model, setting up financing vehicles to lend money to cinema operators for upgrades to 3-D projection. In the end, a new business model that encouraged collaboration along the supply chain ultimately benefited all parties.

In many cases, TMT companies have the means to facilitate greater collaboration but aren't using them to full effect. Insights from our survey about the use of mobile devices and social media illustrate this point well. Although TMT companies are generally more aggressive than companies in other sectors in their use of social media — and are well-suited to embrace new technologies and digital innovations — they are less likely to do this in structured ways. More than half of TMT companies use social media to orchestrate unstructured forums, campaigns, or open communities. However, TMT companies are significantly less likely to use the same tools as part of a structured innovation processes to collect and evaluate new ideas, see Figure 3, next page.

Figure 3. TMT companies are more likely to use social media to facilitate open innovation than in more structured or disciplined ways.

Does your company leverage social media to support innovation efforts in any of the following ways?

Open and unstructured forums (creating internal social communities to share ideas and insights)

69%

Conducting campaigns around specific problems to create innovative solutions

63%

Creating open innovation communities with people outside our organisation

55%

Structured and disciplined processes for collecting and evaluating new ideas

41%

### **Metrics: using data to create positive feedback loops**

“Most companies across the TMT ecosystem lack a mature set of metrics to use on an ongoing basis to measure their innovation performance,” says PwC’s Dan Hays. This is particularly true in the telecoms industry where products and services tend to be heavily bundled and so measuring the impact of individual components becomes more complex.

Innovation metrics are frequently tied to revenue; they need to also consider future contributions. “All too often companies cut investment in innovations because what they are developing is either ahead of the market or needs to be iterated further. Metrics measuring contribution to revenue growth aren’t sufficient. Instead it is important to measure potential impact in the long run,” said Roman Friedrich, Strategy & Global TMT Leader.

To better assess the long-term potential of their innovation portfolio, companies can have more in-depth conversations with their customers to understand at a qualitative level how they value different service offerings. Having a strong voice of the customer, supported by quantitative and qualitative analysis, drives deeper understanding of customer segmentation and behaviour, and leads to better-informed decisions about in which innovations to invest.

## **Case study: Collaborative ideation— revenue-boosting innovation in China**

*Keys to success:*

- Collaborative approach to ideation
- Openness to innovating product portfolios
- Framework for prioritising successful concepts

The Chinese team of a large multinational electronics business had aggressive growth targets set by its headquarters: triple revenue over four years. Meeting this goal required the company to generate innovative ideas totalling more than \$2 billion of revenue.

The EVP responsible for managing the innovation portfolio realised the only way to achieve targets was to aim for breakthrough innovation by reshaping the product portfolio. In practice this meant a radical departure from business as usual.

To kick-start the ideation process, the company developed a strategic ideation framework, at the heart of which was the concept of collaboration. This was achieved through workshops that brought together teams from different parts of the business, with external innovation experts and input from customer.

The collaborative approach generated more than 100 ideas. These were rated against metrics such as potential revenue opportunity and time to impact. Ten of the most commercially-viable ideas were presented to the executive team. As a result seven ideas were taken forward as workable options for achieving the \$2 billion target.

Through this process they expanded beyond their global product portfolio to create a China specific product portfolio, catering to the specific needs and price point of the local market. Most importantly of all, the approach helped shift their product innovation culture from “perfect execution” to “innovation and execution.”

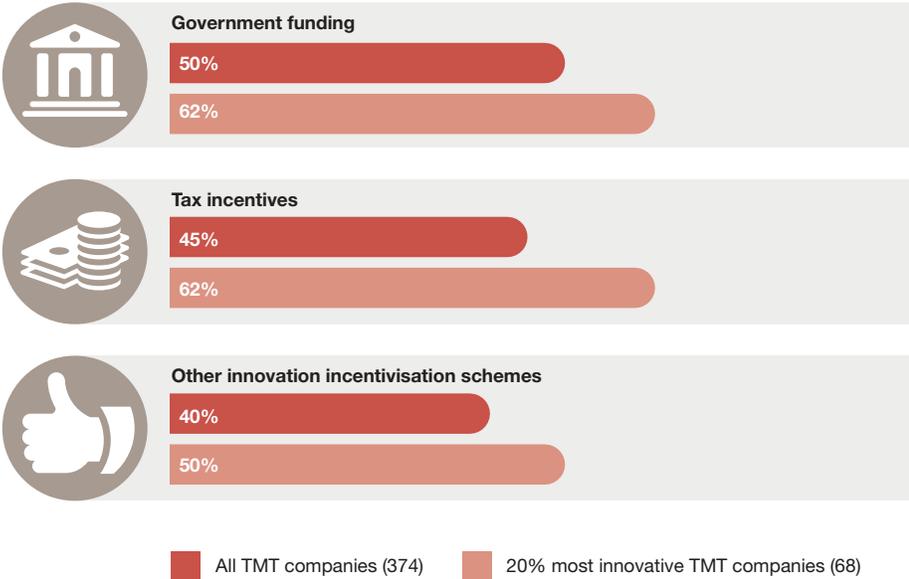
## **Funding: freeing up cash for innovation investments**

The first paper in this series revealed that the most innovative 20% of TMT companies invest over 1.5 times more in innovation than the norm. Success comes when investments are made wisely, with a coherent innovation strategy in place, and with a focus on long-term goals. Yet with finite resources available, it is not just how much companies can afford to invest that matters, but how efficiently that investment is put to use, and when in the innovation cycle the investment is made.

Taking advantage of financial incentives for innovation such as tax holidays, R&D tax relief, holding company regimes or direct subsidies is one way of making sure that existing budgets go much further. It is surprising, therefore, that only 45% of TMT executives say their company takes advantage of tax incentives, Figure 4. This suggests many executives are unaware of the support available. What is clear is that leading innovators understand the benefits of utilising incentives because their take-up rates are noticeably higher.

**Figure 4. Leading TMT innovators are more likely to take advantage of subsidies and tax incentives to support their innovations.**

**Does your organisation take advantage of any of the following to support your innovations?**



Multinational TMT organisations are operating in one of the most complex tax environments in history. Managing a global innovation portfolio requires executives, now more than ever before, to consider the tax implications of their innovation decisions at an earlier stage of business planning. According to Christ Economos, PwC Global TMT Tax Leader, “With governments around the world competing for investment in innovation, my recent experience with TMT multinationals has shown there are opportunities for tax efficiencies across almost all aspects of the innovation portfolio where value is created: from new products and services to supply chain and business model innovation. There are also increased tax risks if investments are not structured carefully that can lead to unnecessary or prolonged disputes with taxing authorities.”

Failure to consider tax implications of these innovation decisions, may lead to lost benefits, including potential cash savings, as well as unintended consequences, which divert resources away from creating game-changing innovation for the multinational. “Because the stakes are high, incorporating tax considerations into the design and implementation of innovation initiatives has become a critical imperative for leading TMT organisations,” says Economos. “When implemented effectively, informed tax planning may potentially free up cash to put to more productive uses,” he says.

## ***Case study: maximising innovation returns at a global telecoms operator***

*Keys to success:*

- Aligning innovation investment with corporate strategy
- Eliminating resource bottlenecks to enhance impact of existing spending

A leading telecoms operator was investing \$500m each year to support innovation initiatives and its global R&D function. Despite this significant level of funding, the desired level of returns was not being achieved.

The root cause of this underperformance was poor decision-making about how to allocate innovation funding. Innovation investments were not well-aligned with corporate strategy, and there was a lack of guidance about market priorities and appropriate levels of risk tolerance. As a result the company struggled to bring new services to market quickly enough.

In response, the company defined a comprehensive portfolio management process for innovation investment linked to its annual budgeting cycle. Simultaneously, a stronger governance structure was put in place to provide a clearer framework for investment decisions. This process involved identifying historical resource bottleneck to understand where hurdles had arisen previously, and to eliminate the bottlenecks for future resource allocation. These changes mean future innovation investment – both financial resources and human capital – better support the company's growth strategy, and deliver a greater return for the business.

## ***Overcoming the hurdles: putting innovation into practice in your business***

There is no single right way to innovate, but executives have to make choices about how their company will approach innovation and put their weight behind making this happen. Innovation isn't a one-off exercise; continual innovation is critical to securing long-term growth. Companies that lack innovation discipline and ambition find it more difficult to make innovation happen in an effective and scalable way.

Leading innovators put mechanisms in place to orchestrate innovation: a well-defined innovation strategy with the appropriate supporting infrastructure. It is not enough to have the most innovative people or ideas if the organisation works against them. An honest appraisal of the organisational antibodies that kill off good ideas is a useful first step for any company to become more innovative.

Ask yourself the following:

- **Talent.** Do your policies encourage and reward behaviours that result in better innovation outcomes or do your policies provide incentives to people to guard the status quo? How do you assess the innovation potential of new recruits? Do you take full advantage of the innovation experiences of new hires?
- **Culture.** How does your working environment support innovation and the fertilisation of new ideas? What small changes could you make to allow people to interact in new ways and spend more of their time productively on innovation projects?
- **Leadership.** Do you personally make time to prioritise innovation, or do you delegate this important responsibility to others? Have you defined your company's innovation objective and parameters to clearly articulate the innovation strategy across the business?
- **Collaboration.** Are you sharing information across your supply chain to find innovative solutions for the market? What small changes would allow you to deepen your joint business relationships to jointly find new growth opportunities?
- **Metrics.** Do you have the right metrics in place to track and assess your innovation performance? How could you use data more effectively to inform decisions about future innovation investment?
- **Funding.** To what extent is your innovation spending aligned with corporate goals? Are you taking advantage of tax considerations that would allow you to free up cash to invest in innovation initiatives?

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# Appendix: a note on methodology

We would like to thank the 374 TMT executives who took part in our Global Innovation Study. Our quantitative and qualitative research was conducted among board-level executives responsible for innovation within their company across 20 different countries globally. In this context innovation was taken to encompass products, services, business model and customer experience. Eighteen percent of interviews were from companies that generate more than US \$1bn+ revenue. Interviews were conducted by PwC and Meridian West.

For the purpose of our analysis, from the companies interviewed we have identified the top 20% innovators (68 companies), and the bottom 20% innovators (77 companies) to compare and contrast their relative characteristics and experiences. These companies were identified based on a balanced scorecard comprising their responses to the following six areas explored in our study:

- How important the interviewee said innovation is to their company;
- Their appetite for innovation (on a scale from ‘innovation laggard’ to ‘innovation pioneer’);
- The proportion of annual revenue derived from major products or services launched in the previous year;
- The proportion of annual revenue spent on innovation;
- The proportion of products and services co-developed with external partners;
- Their projected revenue growth over the next five years.

For each of the six attributes every company was given a score between 1 and 5. The most innovative 20% of companies scored a total of 24 or more out of 30, whilst the least innovative 20% of companies scored a total of between 8 and 15 out of 30.

# Want to find out more?

For help and advice with your innovation strategy and process, please contact one of our innovation leaders.

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