




Executive summary

A clear correlation between innovation and growth

Innovation is a driver for rapid and profitable revenue growth and is recognised by the executives we interviewed as being integral to sustaining the long-term future of their business. For almost half of the 1,757 executives we interviewed (43%), innovation is a 'competitive necessity' for their organisation. In five years' time, that figure increases to 51%.

93%



Ninety three percent of executives indicate that organic growth through innovation will drive the greater proportion of their revenue growth

Executives are looking for growth: 35.4% on average, over the next five years. Twenty six percent of executives say they are aiming for 'aggressive growth' over the same period.

Five years ago, globalisation would have been the most powerful lever for growth and every business would have been talking about China. But now, the growth lever that has the greatest impact is innovation. Ninety three percent of executives tell us that organic growth through innovation will drive the greater proportion of their revenue growth. Only 2% of companies expect their growth to be mainly inorganic (i.e. M&A-driven).

Leading innovators can expect significant rewards both financially and in terms of competitive positioning. Over the last three years, the most innovative companies in our study delivered growth at a rate of 16% above that of the least innovative and they are more bullish about their growth prospects.

In five years' time, the leading innovators in our study forecast that their rate of growth will further increase to almost double the global average, and over three times higher than the least innovative. For the average company, this equates to \$0.5bn more revenue than their less innovative peers. Companies who are less innovative need to think about the additional revenue that they are forsaking and the impact this will have on their share price and shareholder returns.

Innovation is transforming business

Leading innovators are taking a more sophisticated approach to innovation:

- Seventy nine percent of the most innovative companies in our study have well-defined innovation strategies, compared with only 47% of the least innovative companies.
- Top innovators treat innovation just like any other business or management process that can be disciplined and successfully scaled. Only a fifth of the most innovative manage innovation informally, compared with a third of the least innovative companies.
- They are targeting a higher proportion of breakthrough and radical innovations, particularly around products, services, technology and business models. In some areas the proportion is around twice that of the less innovative companies.
- They are planning a wider range of innovation operating models. For example, the top 20% of innovators in our study are twice as likely to consider corporate venturing as a means to drive growth.

- They collaborate more than their less innovative peers. When it comes to new products and services that are collaboratively developed with external partners, the most innovative companies collaborate over three times more often (34%) than the least innovative (10%).

The competitive challenge

Business leaders need to realise that innovation pioneers already exist within their own industry and across all parts of the world and that if they are not among those pioneers, they need to be ready to step up to that competitive challenge, to avoid being marginalised.

Innovation is not limited to a small number of industries or countries. There are numerous lessons that can be borrowed, tailored and made to work for any business. Our study starts to lay the ground for this learning.