

REPORT

The Innovation Mindset Of Leaders

THE DRIVING FORCE OF
ORGANISATIONAL TRANSFORMATION

03/2020

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PREPARED BY:



THE TALENT ENTERPRISE

siapartners



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EXECUTIVE SUMMARY



Organisation lifecycles have never been shorter and faster than they are today. According to a corporate longevity study[1], the average lifespan of a S&P 500 company is under 20 years, down from 60 years in the 1950s. And when looking at the list of Fortune 500 companies that existed in 1955, only 54 – just over 10% – still remain[2]. This is caused by a mix of disruptive technologies, changing business models, burgeoning startups, intensified competition, evolving markets, shifts in world economies and several other factors. The need for change agility and continuous innovation has therefore become critical for businesses to sustain growth and remain profitable. In fact, innovation – a buzz word that is associated by many with new technology in the past – seems to be on a growing number of company and government agendas these days because it is at the crux of their future existence.

The real problem isn't a knowledge gap, it's a mindset one.

Many studies have focused on identifying the role innovations have in giving organisations an edge to either disrupt their markets or provide them with a competitive advantage. But what drives corporate transformation and innovation? Knowledge on what to do and how to do it is of course key, but our collective experience tells us that the real problem isn't a knowledge gap, it's a mindset one.

Independent of The Talent Enterprise's work with clients to assess their human capital for innovation potential, Sia Partners' experience in building innovation strategies and The Global Innovation Management Institute's wealth of knowledge in the sector, we initiated this research paper to gain a deeper understanding on the state of organisational innovation and the role leaders play in creating a mindset that drives it.

[1] Credit Suisse, *Corporate Longevity Index*, https://research-doc.credit-suisse.com/docView?language=ENG&format=PDF&sourceid=em&document_id=1070991801&serialid=TqtAPA%2FTEBUW%2BgCJnJNtlkenIBO4nHilyPL7MuuzOFI%3D, February 2017

[2] Lucinda Shen, *These Companies Have Made the Fortune 500 Every Year Since 1955*, Fortune.com: <https://fortune.com/2018/05/22/fortune-500-companies-list-berkshire-hathaway/>, May 22, 2018

INTRODUCTION

ABOUT THE STUDY

We surveyed +587 managers, senior experts, directors and executive leaders across 20 countries to evaluate the current situation:

- How conscious are managers and leaders when it comes to the transformation of their industry sector?
- How proficient do they see their own organisation when it comes to the different aspects of innovation?
- What are the mindset gaps?
- Who drives innovation?
- What is their stance when faced with risk?
- What parts of the innovation process are they good at?
- What needs work?
- How active are employees when it comes to innovation

In addition to this, we conducted in-depth interviews with 7 senior subject matter experts to add clarity to innovation's critical aspects, address common mistakes and share insight and best practices on how to better innovate in an organisational setting.

KEY FINDINGS

Highlights of the research include the following:

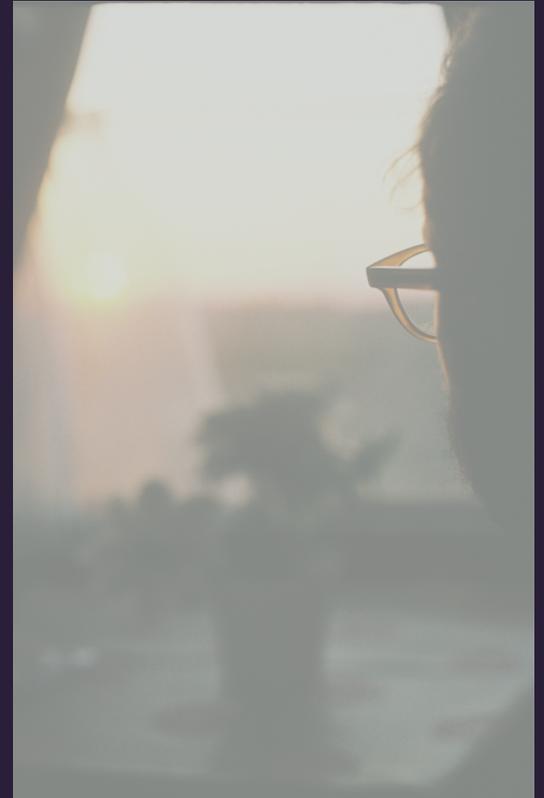
Senior leadership teams may be growing more complacent

75% of Senior executives see their organisations as innovative – only 53% think the same of their competitors. However, this difference in perception between self and others is considerably smaller when looking at lower levels of management. This could indicate a certain level of complacency amongst senior leadership teams.

Innovation is overly dependent on senior leaders

Senior executives and board members are the drivers of innovation across most organisations and the majority of respondents feel they also initiate the most important innovation ideas. While their role is to drive innovation, the experts interviewed agreed that within innovative companies, all hierarchy levels actively participate in idea generation and other steps of the innovation process. This therefore presents a significant growth opportunity for most organisations.

- **587 leaders**
- **7 experts**
- **20 countries**



INTRODUCTION

KEY FINDINGS

Organisations must improve internal processes and corporate culture to foster innovation

Most leaders find their organisations innovative when looking at products (66%), services (62%) and business strategy (69%). However, culture (52%) and processes (42%) rated lower. This is a concern according to experts who insist that innovative companies all have cultures where innovation can flourish and processes in place to support it.

Most organisations are afraid of risk and avoid directly analysing it

3 out of 4 businesses are risk averse when it comes to innovation. Our research indicates that throughout organisational hierarchies, there is a significant fear factor associated with trying new approaches. This aversion is matched by a strong preference to stick to established practices, industry norms and corporate procedures. Interestingly, the organisations who are the most risk averse are not very proficient when it comes to analysing it. When drilling down our data, results also show that risk aversion is associated with a perception of lower innovation levels and lower ratings in key innovation aspects.

**3 out of 4
businesses
are risk averse
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Risk analysis and inter-departmental collaboration: weak links of the innovation process

While most organisations fare well when it comes to the idea generation phase of the innovation process, they are perceived as needing to improve in all other stages, especially the risk analysis and collaboration ones. This suggests that departments may not do enough homework when it comes to assessing risk and when they work on an innovation project, departments and teams tend to work in silos rather than collaborate across organisational structures and hierarchies. This could be due to lack of processes and incentives according to experts.

**Leaders are
committed to
innovation on
paper but do not
fully support it.**

Leaders are committed to innovation on paper, but in reality, do not fully support it

73% of respondents say leaders are committed to supporting innovation. But when it comes to trialing and testing new ideas, the number goes down to 59%. This suggests that while there is commitment on paper, other mindsets that are critical to innovation are falling short and could be compromising overall organisational innovation success.

WHAT IS INNOVATION?



Being heavily involved in helping companies innovate, we know that the meaning of the term innovation goes far beyond product or technology. Here are the important aspects that come to mind when we think of organisational innovation in all its forms.

“The creation AND capture of new values in new ways - through new offerings, experiences, technologies, channels or business models - across the extended enterprise including customers, channels, suppliers and partners.”

- **Ron Jonash, Chairman of the Board, Global Innovation Management Institute**

“Innovation does not just sit with the CEO or R&D or innovation teams, everyone has a role to play in the process. When we work with our clients to assess their innovation readiness, our assessment looks at the different types of innovation mindsets that exist within the organisation: disruptors, strategisers, activators, implementors and influencers. If you are looking to innovate, as a leader, being aware of your organisation’s innovation profile with regards to human capital is critical.”

- **David Jones, CEO and Founder of The Talent Enterprise**

“Innovation is far-reaching and goes far beyond technology. Innovation is a process, not an event. And as such it can be developed and mastered. Many organizations place emphasis on the front-end of innovation, where ideas are generated, but the true value is created on the back-end, where those ideas are evolved into business concepts, assumptions are continuously pressure tested, and eventually prototypes are brought to market. If organizations start putting more emphasis on this back-end, they will experience tremendous progress on their innovation maturity.”

- **Rafael Lemaitre, Partner of Sia Partners**

WHAT IS INNOVATION?

Innovation isn't necessarily ground-breaking.



When interviewing our panel experts[3], they also each had a slightly different view on innovation, but all of them agreed on the following:

- **ADDING VALUE** to the business is the innovation imperative.
- Innovative behavior can and should be initiated **THROUGHOUT THE ORGANISATION**
- Innovation is **NOT NECESSARILY GROUND-BREAKING**. In fact, it is often small enhancements and solutions that improve different aspects of the business
- Innovation must be structured and embedded into **AN ORGANISATION'S PROCESSES** in order for it to be sustainable
- The most innovative companies have innovative leaders who are **NOT SCARED OF RISK** and capable of analysing it.
- Innovative leaders know the power of **TESTING** and continuously pressure test their assumptions
- Innovative leaders are **NEVER OK WITH THE STATUS QUO**, even when the business is doing well.

However, as you will see in the next section, the results from our survey across over 500 senior professionals worldwide demonstrate that many of the above-stated elements are not present in most organisations.

[3] The Talent Enterprise, Sia Partners, The Global Innovation Management Institute, *The Innovation Mindset of Leaders - The Expert View*, February 2020

RESEARCH RESULTS

ORGANISATIONS, INDUSTRY AND COMPETITORS

Introducing new products or reducing costs of products or services seemed to be the objectives that ranked the lowest. These results are substantiated by Sia Partners' research indicating that in today's competitive landscape, organisations cannot increase or even maintain their market share without incorporating innovation in their overall growth strategy.

Size matters

Our findings also showed that the bigger the company size, the more managers and leaders felt innovation was important to their industry. 75% of large organisations (1000+ employees) saw innovation as very important versus 44% to 59% of smaller organisations. This belief was consistent across all hierarchical levels within management and is probably due to the fact that larger companies have bigger opportunities to innovate.

The first thing we wanted to know from all survey respondents was what motivated their innovation efforts, how important innovation was in their industry, and how their organisation and its competitors were positioned when it came to it.

Why companies innovate

When asked what the primary goals of their organisation's innovation effort were, the following top 3 reasons came up for all organisations, regardless their size, geography or the seniority level of respondents.

1. Increasing market share in existing markets
2. Adding new value to current products
3. Disrupting current market by creating new processes or business models

The state of innovation within industries

Close to 88% of respondents across all organisation sizes felt their industry was either likely or very likely to change significantly in the next 5 years. Disruption is evidently a subject many of these organisations acknowledge and most are well aware of the impact that the speed of change has on their respective industry is more significant than ever.

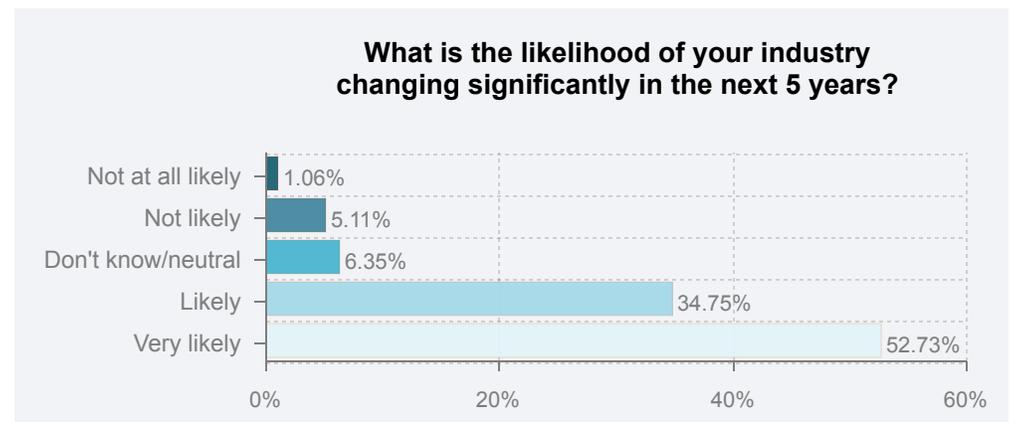


Fig 1: How likely respondents thought their industry was going to change in the next 5 years

RESEARCH RESULTS

ORGANISATIONS, INDUSTRY AND COMPETITORS



**Having partners
(...) with whom
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innovation.**

Larger companies are also using new ways to innovate according to some of the experts we met. Many are increasingly working together to create innovations and even disruption.

Phil Jordan, Group Chief Information Officer at Sainsbury's, a large UK-based retailer, tells us why innovating with other industry players should be on every CEO's agenda, "In today's digital platform economy, it is important to give a lot of thought on how you work with your ecosystem of partners and providers. These relationships can be quite transactional in big companies, but the more connected the ecosystem gets, the more innovation becomes a collective requirement. Having partners with intersecting innovation cultures with whom you can rethink and solve problems as an industry can deliver massive leaps in innovation. Cost, "short-termism", differentiation and competitiveness are issues that typically get in the way of that; but I believe we will see more industries come together to solve shared problems in the years ahead."

Ron Jonash also mentions that building rich partner networks to build compelling win-win value propositions was a hallmark sign of a forward-thinking leader, "Most leaders want to do it themselves or within their company - but the best ones reach out and have key partners who can enable them to think with an open mindset, look at different business models, etc and explore the "what's next"."

Top leadership: uber-aware or complacent?

When zooming in on organisations themselves, there is a disparity between the perception of Executive Leadership and lower levels of management regarding their own organisation's innovation level against that of their industry peers and competitors.

Fig 2: Perception respondents had on the level of innovation of their peers vs their own organisation.



ORGANISATIONS, INDUSTRY AND COMPETITORS

You will never have an innovative organisation with a leadership that is not progressive.



As shown on figure 2 (previous page):

- Only 53% of Executive Leaders considered their competitors as innovative or very innovative while 75% felt this way about their own organisation
- When looking at senior managers, those numbers were 72% vs 81%
- For middle managers, they were 71% vs 78%
- For individual contributors (senior staff who do not manage a team, eg. advisor, subject matter expert, legal counsel, etc) they were 75% and 78%

The high delta between Executive Leaders' perception of competitors' innovation levels and that of their own organisation raises some concerns. Perhaps they are experiencing a "curse of knowledge" effect, which makes them assume facts other levels of management might not be aware of or understand. Although this has its downfalls, it is evidently far less hazardous than the other possibility, which is that they are underestimating their competitors. Or worse, that these top leaders have grown complacent.

What the experts say about it

As Pedro S. Pereira, Director of Innovation and Digital Transformation at SAP points out, "The biggest barrier of innovation in a company can be its own success. Some businesses succeed and just keep doing the same thing over and over, reaping the fruits of their journey thus far without paying attention to what's going on around them. In fact, many leaders avoid looking outside because they might not like what they see; they don't want to go deeper because they know there are existential threats to their current business that could change their status quo. The responsibility of any leader is to drive innovation. If they don't, it means they are only avoiding the inevitable of fate that their lifecycle will end and they will lose the mark."

Dr Hazza Khalfan Alneaimi, who manages the Dubai Government Excellence Program for The Executive Council of Dubai, and who has a vast experience when it comes to seeing innovation come to life in a public sector context, states, "You will never have an innovative organisation with a leadership that is not progressive. Employees will mirror their leaders."

Muhammad Chbib, CEO of Tradeling.com, the first online trading platform in the Middle East and Co-Founder of Tajawal, one of the region's leading online travel portals, gives his view on the role of C-suites in innovation, confirming there should be no space for complacency at the top: "When I look at the most innovative organisations I know - whether it is a football team or high tech company - the most common trait at a leadership level is what I would call restlessness: they always try to change the status quo for something better, even if they are already seen as the best."

Complacency of the top leadership with their organisation's superior positioning within its industry has led to some of the most well-known disruptions in business history. Kodak, Motorola, Nokia and Blockbuster are text-book examples of this.



1 in 5 leaders do not know how innovative their own organisation is.

Lack of interest or naivety?

Perhaps the most intriguing number on figure 2 was that in this age of disruption and change, 16% of all respondents across all levels of the management hierarchy did not know how innovative their competitors were and 12% felt this way about their own organisation.

While this may be a minority of people, it remains a considerable liability for organisations to have this “naivety” or lack of interest within their management teams.

Understanding an organisation's innovation mindset?

The question does pose itself: how can an organisation know whether its leaders are fit for innovation? According to Gaurav Burman, APAC President at 75F, a leader in smart building automation technology, formal assessments and subsequent training are essential, “Where current employees are concerned (...), we use assessments to understand their development areas and identify what they need to gain the mindsets and skills that fit into an innovative ecosystem.”

When The Talent Enterprise team works with companies, the client organisation is assessed as a whole and individually with The Innovation Mindset Index™ to understand everyone’s dominant innovation mindset. This process always starts with the leaders - because as detailed in the following section, they are the driving force of innovation - all the way through to more junior positions. Once clients have data on their hands, they have a better sense of where they stand and can get an appropriate action plan in place with objectives as well as training, development and milestones to achieve them.

RESEARCH RESULTS

ORGANISATIONS, INDUSTRY AND COMPETITORS



56% think front office staff is the last place innovative ideas come from.

An opportunity to seize?

These results inevitably begs the question: why are organisations not seizing this major innovation opportunity? Is it deliberate or is there a flaw in the way they treat innovation? The answer seems to lie in the next section, relating to the various aspects of organisational innovation.

What the expert says

This essential point was shared by all the authorities on innovation interviewed, including Nasser Abu Shehab, CEO, Strategy and Corporate Governance Sector, Roads & Transport Authority Dubai (RTA) in the UAE, who explains, "Sometimes we tend to think of innovation as "big stuff", but I believe innovation is also made up of the thousands of little things we do every day to improve all aspects of the business in a new way. In a large organisation like RTA, we also strongly encourage and support the "small stuff" because all these little ideas add up and have a huge impact on the big picture. If you see your company as a talent pool, you need to tap into it otherwise, you will miss out on a huge innovation opportunity. As Head of Innovation, my role is not to be the creator of all new ideas, but rather to create an environment – including systems and processes – for idea creation across the company."

What the numbers show

However, while experts agreed that innovative ideas can (and should) come from every level of the hierarchy, the reality is different. Our survey results indicate that across all geographies and company sizes, the most important innovations generally come from an organisation's more senior roles:



Fig 4: Where the organisation's most important innovations come from

- 30% of respondents said the most important innovations in their company came from board and top management
- This was followed closely by senior management (29%) and middle management and non-managerial staff (27%)
- 13% said front-office staff generated the most innovative ideas
- 56% of respondents thought front office staff was the last place innovative ideas came from

CRITICAL AREAS OF INNOVATION

Products and services are the aspects where leaders think their company is most innovative.

This section of the research focused on the internal aspects of innovation and examined how respondents rated their organisations when it came to the various facets of innovation, the general leadership attitude towards risk, the proficiency for the different steps of the innovation process as well as their perception of the extent top management supports innovation.

Key innovation aspects: process and culture need work

On average, products and services seem to be where leaders think their company is most innovative across all levels of hierarchy.

- 66% of all respondents qualified their companies as being very good or excellent when it came to service innovation levels
- 63% thought the same of their products
- 60% felt this way about their organisation’s business strategy

However, this number was slightly lower when looking at culture and process:

- 53% qualified their culture as innovative or very innovative
- only 43% described their company’s processes as such

An innovative culture
Our experience tells us an innovative culture is something that needs to be nurtured throughout the organisation. The survey's lower rating on culture is likely an important reason why findings in figure 4 show that less than 14% thought that front-office staff generated innovative ideas and 56% actually found it was the last place they were generated from.

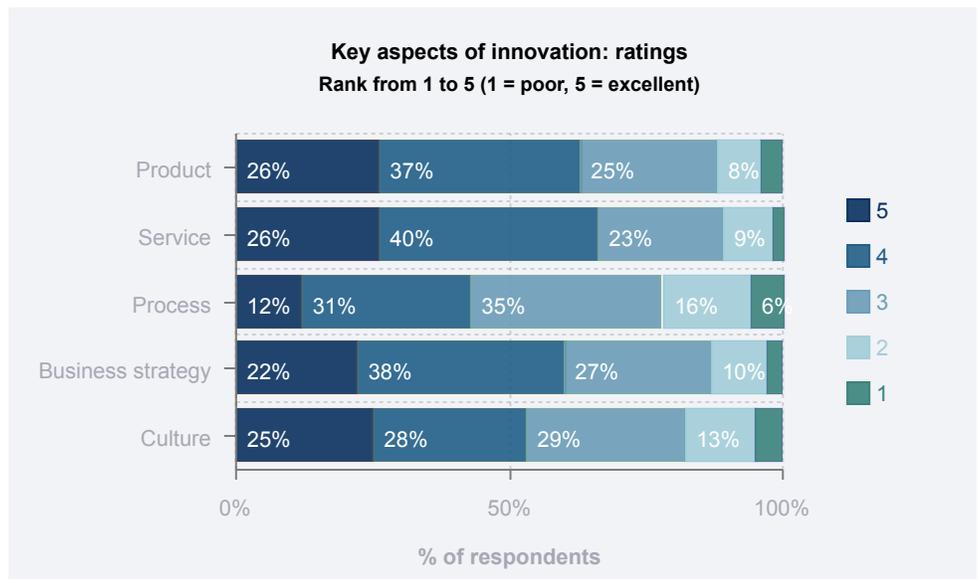


Fig 5: Respondents rating on the level of innovation their organisation demonstrates on key aspects of innovation: Products, Services, Processes, Business strategy and Culture.

RESEARCH RESULTS

ORGANISATIONS, INDUSTRY AND COMPETITORS

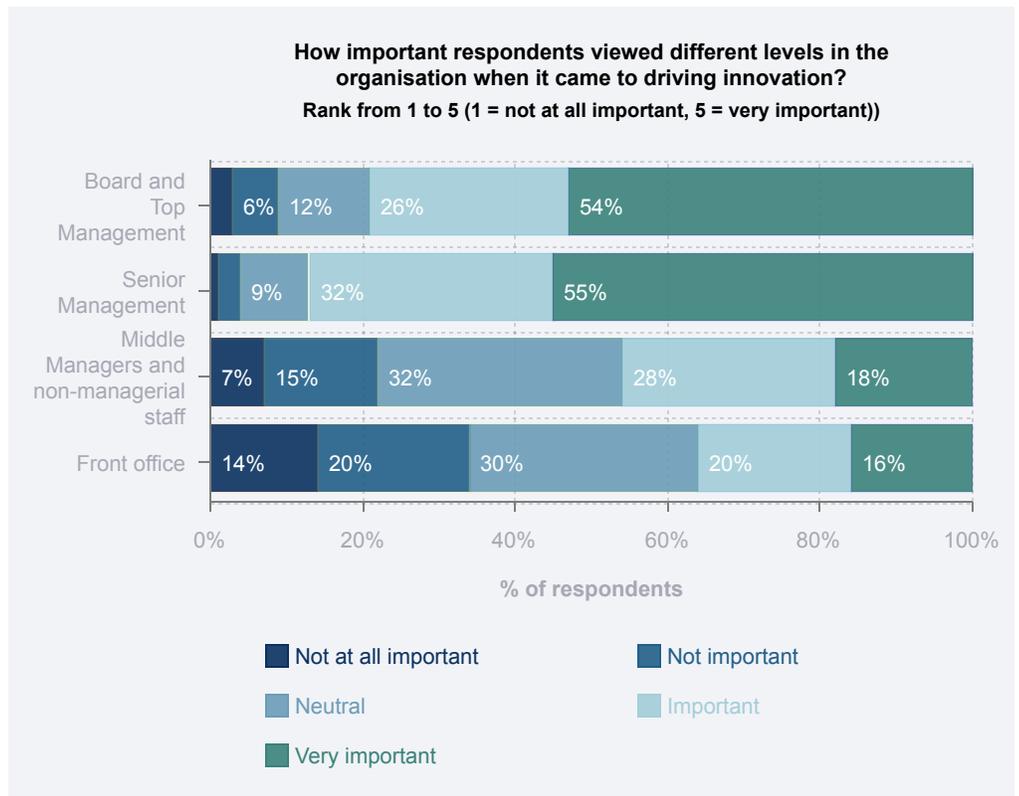
innovative leaders all have one thing in common: they are visionary and committed to continuous improvement.

Fig 3: How important respondents viewed different levels in the organisation when it came to driving innovation.

The role of senior leaders in the innovation process

Senior managers and board members are clearly seen as the driving force of innovation across all sectors and sizes.

54% and 55% of survey respondents saw board/top management and senior management, respectively, as very important drivers of innovation within their company.



Industry experts unanimously agree that top level management have a crucial role to play in innovation and that innovative leaders all have one thing in common: they are visionary and committed to continuous improvement.

Though it comes as no surprise that innovation strategies and objectives are set by senior leaders in the majority of cases, it is also important to highlight that the role of the leadership in innovation is also to support the development of the structures, processes and space, that will allow innovation to flourish across the entire organisation. This component is critical because while innovation should be driven by the higher levels, ideas should originate (and executed) from everywhere.

CRITICAL AREAS OF INNOVATION

The relationship between culture and processes

Worldwide research unanimously shows that culture plays a key role in driving innovation and experts interviewed for this report were no exception. Interestingly, they also agreed that processes – not necessarily groundbreaking ones, but the right ones – not only help build, but actually underpin a culture of innovation.

Nasser Abu Shehab explains, “In order to have an innovative culture that drives value to your organisation, you need to have systems in place such as an ideation process, acceleration labs, etc. which allow people to contribute to innovation. Systems are essential if you want to effectively capture your available innovative data in a structured way, derive value and get results. Just having beautiful big open areas for people to collaborate is not enough. If you want to derive value from these ideas, you need systems. It’s not that you want to curtail creative thinking, but you need to capture, process and follow it through to conclude whether or not it is good for the business.”

Gaurav Burman, VP & APAC President at 75F, also mentions how the innovation process should be weaved through the culture and underlines senior leaders’ role in this: “It is important to instill innovation throughout all the people processes: put in place regular 3/6/12-month innovation clinics at every level, challenge team leaders on what they are doing, reward innovations, make sure teams have a KPI on innovation, hire people who exhibit a healthy disrespect for the status quo, award innovative initiatives, set up a business unit to head and drive innovations for new or improved internal/external processes, products and solutions. Without all that, it is just lip service – you can do an ad-hoc innovation workshop but the ideas that come from it will never see the light of day if you don’t have project owners who can put budgets, resources, timelines and milestones to them. And of course, the CEO needs to fully support these initiatives and drive them.”

Both process and culture seem to be at the crux of innovation, and leaders themselves recognise that these are not where their organisations excel. The ones who do therefore have a distinct competitive advantage.

If you don't instill innovation throughout all the people processes, it is just lip service.

CRITICAL AREAS OF INNOVATION

One’s appetite for risk affects whether or not individuals pursue - or abandon - innovations.

Risk aversion is a problem

The concept of risk is closely interlinked with innovation; risk is present in many stages of an innovation process, from early stages of the ideation phase, through to the implementation phase. Pursuing an innovation means that a certain degree of risk needs to be taken. Sia Partners research [4] has found that pursuing innovation implies a certain degree of risk-taking, which has been identified [5] as a characteristic of efficient innovation managers while risk-averse subjects are less innovative. One’s appetite for risk affects whether or not individuals pursue - or abandon - innovations.

The innovation and risk behavior of organisations (perception of leaders)

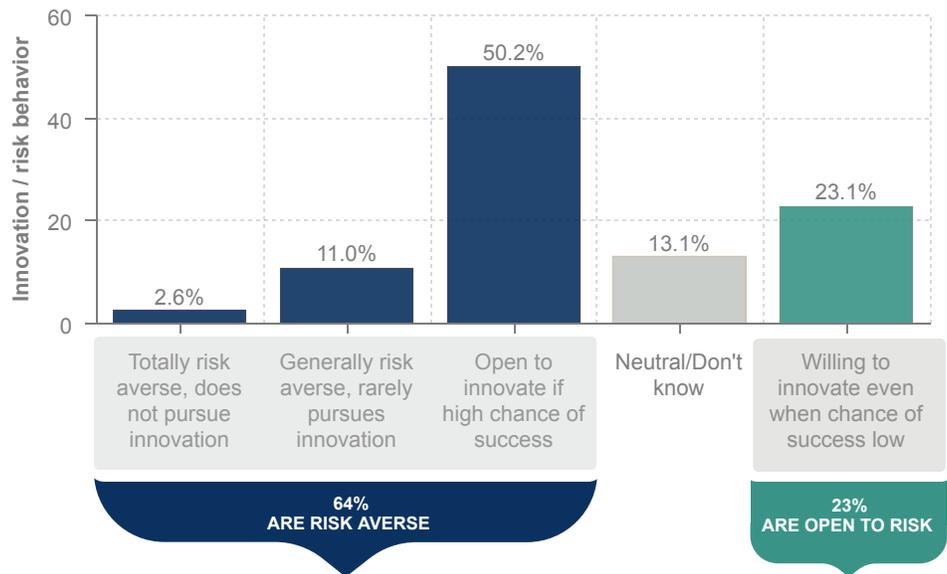


Fig 6: The view respondents had when looking at their organisation's attitude towards innovation and risk.

Yet, despite respondents seeing their organisation as generally being innovative, the majority felt it also tended to be risk averse when it came to pursuing innovation. More specifically, 64% of respondents perceived their company as being totally or generally risk averse and either not pursuing innovation or not wanting to unless likelihood of success was high. 14% did not know. Only 23% - less than one in four - of respondents saw their company as willing to innovate even if the chances of success were unknown.

[4] Lemaitre, *Government Innovation from Within*, 2017

[5] Nakata and Sivakumar, *National Culture and New Product Development: An Integrative Review*, 1996

CRITICAL AREAS OF INNOVATION

Only 3% of respondents found their risk averse organisation to be very innovative.

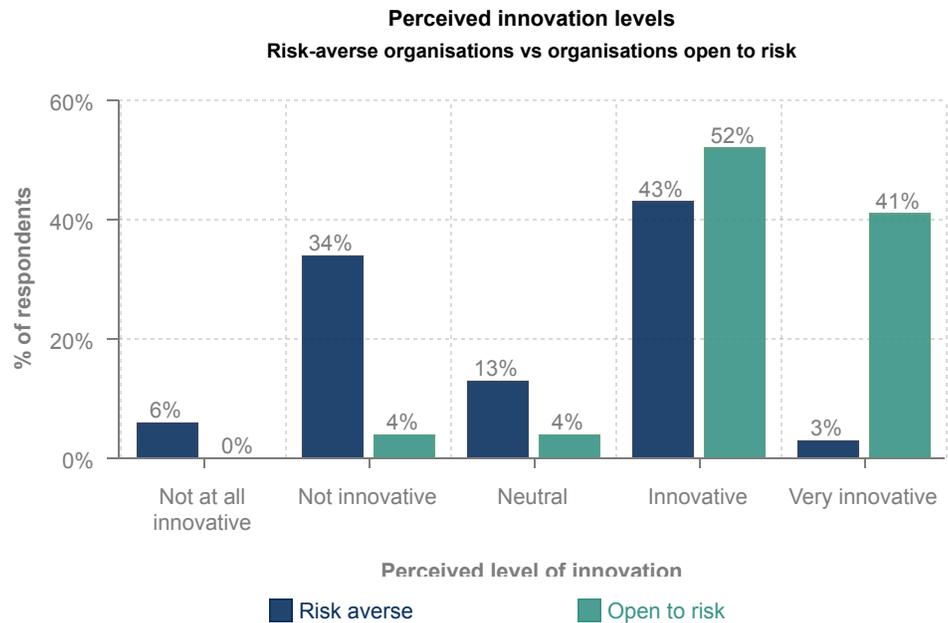
Fig 7 : This takes the two groups of Fig 6 (risk averse vs open to risk) and examines how respondents saw their levels innovation. Are companies going to survive in this age of disruption and technological transformation if they are not willing to take risks to pursue innovation?



What lies beneath risk aversion

When we zoom in on the "open to risk" and "risk averse" organisations (see fig 6) and cross-reference them with a question on innovation levels people had of their organisations (see fig 7), we get further confirmation that risk aversion could very well be an indicator of low innovation within an organisation.

- 93% of organisations qualified as "open to risk" were also described as either innovative (52%) or very innovative (41%)
- When focusing on organisations seen as "risk averse" by respondents, we found that only 46% of the respondents found their company innovative (43%) or very innovative (3%).



The question inevitably poses itself: can a company stay afloat and innovate while being mindful of risk? Amer Zureikat, Head of Digital and Multichannel Marketing at Sanofi Pasteur, shares his thoughts:

“I suspect many would say fear of risk is a barrier to innovation, but I believe fear of change is really what lies underneath it. That being said, we live in ecosystems today where organisations are also faced with external barriers. This is particularly true in the pharmaceutical industry where R&D is very expensive, regulations are strict, government requirements are high, security is crucial, etc It is common for people to grow resistant to change in this setting and naturally, this brings on inefficiencies and dampens innovation efforts.”

Dr. Hazza also adds his insight, “Risk aversion can (...) be a barrier but should not be confused with risk management, which is just a necessary part of any process or project.”

RESEARCH RESULTS

CRITICAL AREAS OF INNOVATION



Risk averse companies who are twice as likely to be poor at analysing risk.

Fig 9 : This graph compares risk averse organisations and organisations who are open to risk, to see how they differ in terms of their proficiency at analysing risk in the innovation process.

Can incentives be the key?

According to experts, one probable issue that underpins the lower scores on the back end of innovation could boil down to the lack of employee incentives.

Phil Jordan comments, "A common barrier to innovation I've seen is the lack of incentives and measurements (...) You need to connect the dots between what you want, where you will get it and create a situation where employees feel like there is value to innovate. Measuring KPIs and offering incentives validates and legitimises people spending time trying to solve problems in a new way."

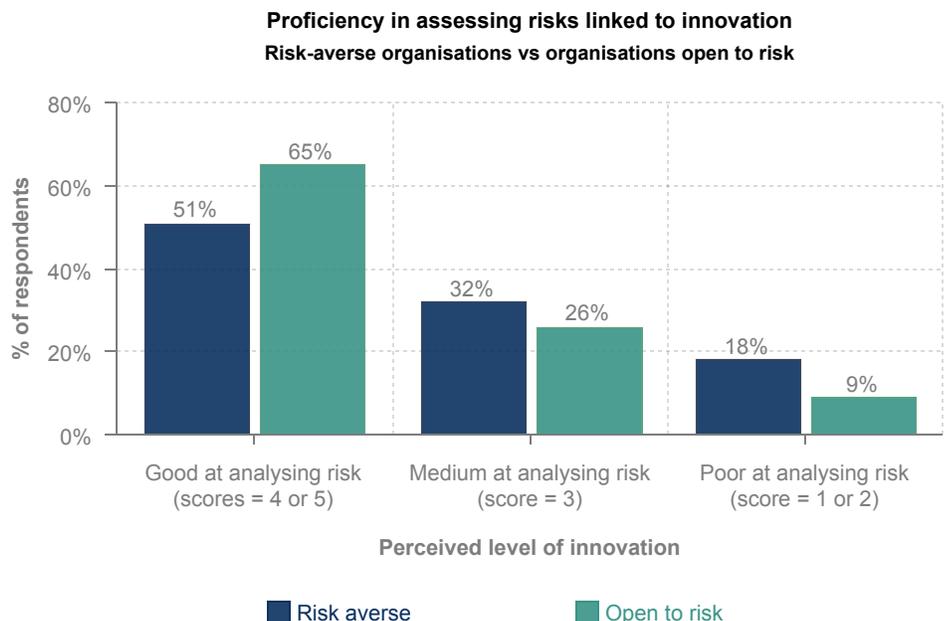
Ron Jonash seconds this, "As a leader, you must make sure metrics, reward and recognition mechanisms are aligned to the kind of innovation results and behaviors you want because it's behavior that will drive culture."

Amer Zureikat also agrees, "Within the workforce, I believe innovative behaviors must be translated into metrics and actionable items that can be embedded in a company's appraisal systems."

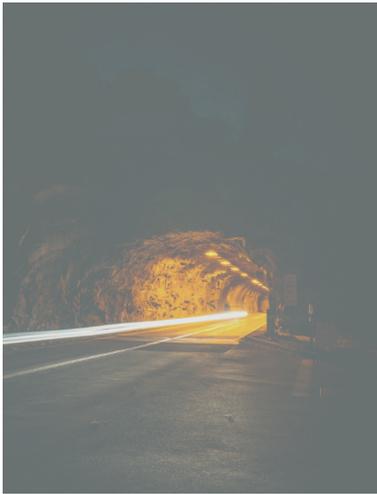
Risk analysis vs risk aversion

To gain a deeper understanding of the lack of risk measurement, we examined risk analysis data from fig 8 and cross-referenced it to data from fig 6, which compared organisations that were open to risk and the ones who were scared of it. We found that risk averse companies were twice as likely to be poor at assessing risk as non-risk averse ones.

On the surface, this data could indicate that companies proficient at calculating risk have a bigger appetite for it, but we suspect they are just more willing to move forward and study feasibility. In fact, they probably have a structured innovation process in place which incorporates this analysis phase.



CRITICAL AREAS OF INNOVATION



Ideas will never see the light of day without project managers who can put budget, resources, time-lines and milestones to them.

The innovation process: strengths and areas of development

More emphasis on the front end of innovation than the back end

Respondents were generally optimistic when it came to how effective they viewed their organisation to be at various stages of the innovation process, from idea generation all the way through to gaining adoption for a new solution. Results shows that respondents place more emphasis on the front end of innovation (i.e. ideation stage) rather than the back end.

- 63% of all respondents rated their organisations as successful or very successful when it came to finding new ideas or ways of doing things
- The numbers goes down at later stages:
 - 58% on the execution of those ideas
 - 54% on their promotion of those innovations
 - 53% on analysing the feasibility of ideas and collaborating across departments to make them come to life (53% for both)

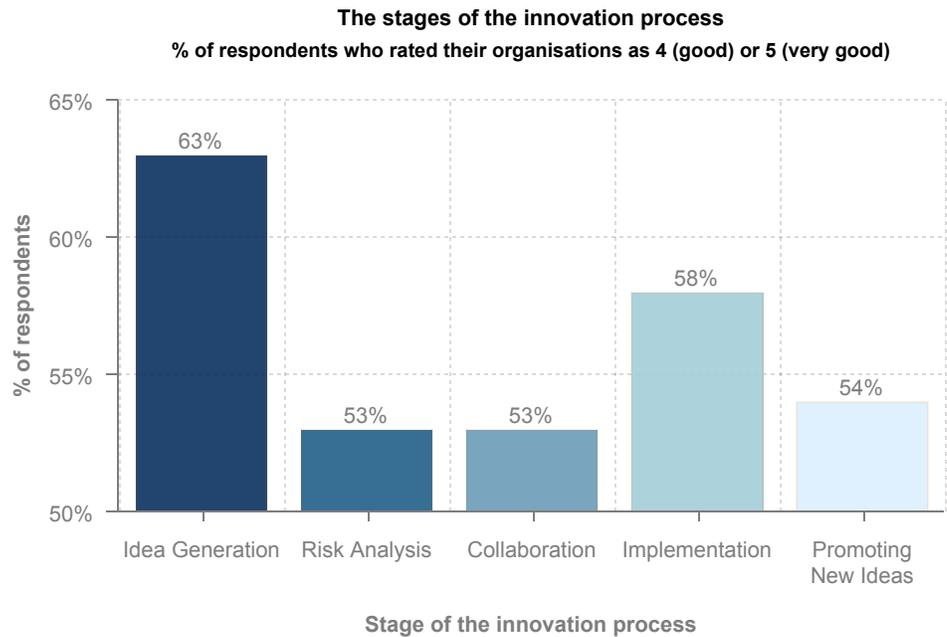


Fig 8 : Proportion of respondents who rated their organisation as 4 (good) or 5 (very good) for each stage of the innovation process, from idea generation to the promotion of the new ideas

Gaurav Burman warns us about the danger of focusing only on idea generation in his interview, “You can do an ad-hoc innovation workshop but the ideas that come from it will never see the light of day if you don’t have project owners who can put budgets, resources, timelines and milestones to them.”

RESEARCH RESULTS

CRITICAL AREAS OF INNOVATION

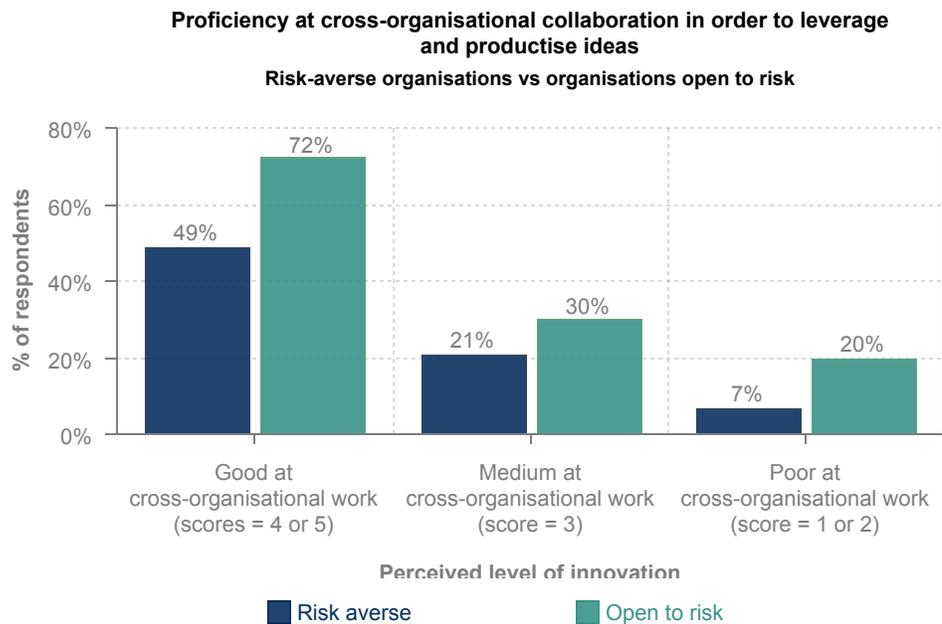


Cross-organisational collaboration is a challenge

Cross-organisational collaboration for innovation projects also scored low (53%) for many organisations. Our collective experience does tell us that departments working in silos is a common problem in most businesses, especially medium and larger structures. It was not a big surprise to learn this was also the case when it comes to productising new ideas.

What was slightly more surprising was the correlation once again between risk aversion and the ability for cross-organisational work when innovating. In fact, we found that respondents who considered their organisation as risk averse also felt it was not as good at collaborating across departments compared to companies that were open to risk (72% vs 49%).

Fig 10 : This graph compares risk averse organisations and organisations who are open to risk, to see how they differ in terms of their ability to collaborate across the organisation to leverage and productise new ideas.



In a nutshell

So while idea generation is important in the innovation process, assessing risk, testing and collaborating are necessary in order to bring ideas to life.

Pedro S. Pereira confirms this: “Validating the assumptions of the different solutions will allow [project teams] to get valuable feedback so they can further experiment and explore areas they weren’t aware of. It is a way of de-risking innovation. Going through this iteration process a few times, will help the hypotheses evolve and give the solution some maturity until it reaches a level where management feels confident enough to allocate more resources – financial, human capital, etc so the solution can grow and roll out. As an innovative company you need to be able to manage this journey.”

RESEARCH RESULTS

CRITICAL AREAS OF INNOVATION

Top management attitude towards innovation: halfway there

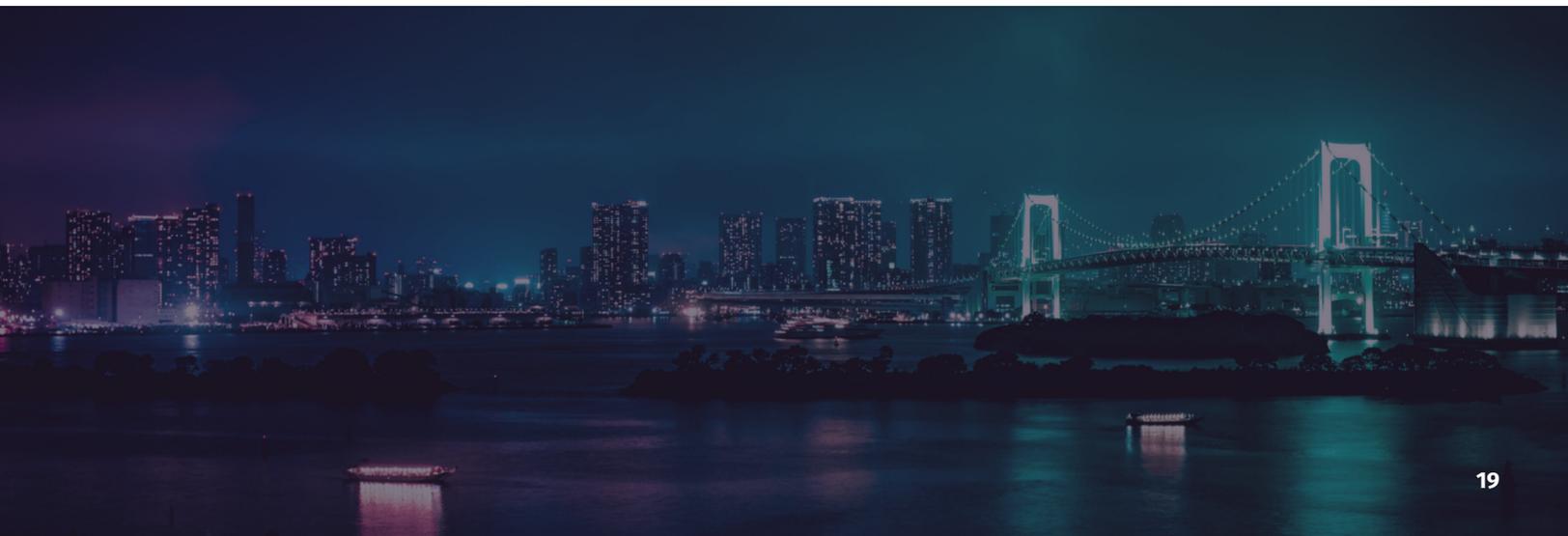
When asked if their company's Top Management had behaviors that were conducive to organisational innovation, the majority of respondents were quite positive across all geographies and company sizes.

Strengths: support for innovation, skills development and idea generation

- 73% think top management support innovation**
C-suite support is a requirement for driving strategic topics, throughout an organisation, an innovation is not the exception, so this is an encouraging finding.
- 72% feel top management focuses skills development inline with innovation**
Having a growth mindset and promoting learning and development within a company is critical for innovation. As mentioned by Pedro S. Pereira, "Innovation can only come about when people are open-minded and have a growth mindset."
- 71% believe top management encourages a culture that fosters idea generation**
This reflects the previous finding that idea generation is the part of the innovation process where most organisations do well.

Areas of development: encouraging trial and error and embracing new ideas

- 68% think top management play an important role in innovation change management**
Change management success relies heavily on the ability to create and adapt to new processes – and process innovation was something most respondents noted as being a weak point for most organisations.
- 64% find top management are receptive to new ideas proposed by staff**
This scored lower than most other behaviors. As noted by Gaurav Burman, "Not finding the time to look ahead and viewing new or younger people's ideas with myopic suspicion are all examples of attitudes that hinder innovation."
- 59% think top management support trial and error testing of innovations**
This behavior had the lowest score of all. Yet, the best way to de-risk an innovation is to analyse, trial and test. When we drilled down the data, we found that only 52% of respondents of risk averse companies felt their organisation supported trial and error in contrast to 85% of respondents who qualified their companies as open to risk.



The intent to innovate is there but some critical factors are slowing it down.

Leaders worldwide recognise the importance of innovation as most industry sectors forecast drastic change in the near future. Their intent to innovate is there and they seem to think their organisation is on the right path. However, we've seen through the research that some critical factors are slowing down or hindering their innovation performance. Where are they falling short?

Innovation is staying at the top

Experts worldwide say that ideas for innovation should originate throughout the entire company and that ideas big and small should be, but in the present research, this is not the case. Ideas are mostly being generated at managerial levels and therefore, organisations are missing out on a huge opportunity.

Culture and process are not priorities

Culture and process work closely together and could be the key to injecting innovation throughout an organisation.

Risk aversion, fear of change are big barriers

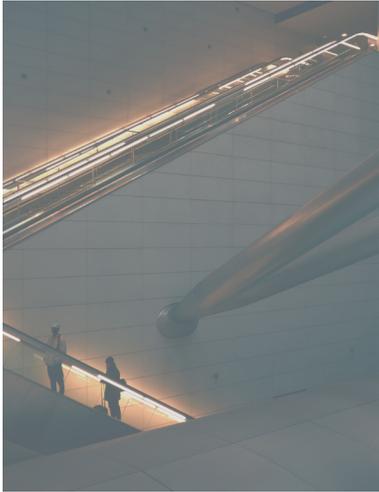
The inherent fearful nature of this behavior seems to diminish these companies' ability to analyse risk and willingness for trial and error, two critical elements of a successful innovation process. This aversion encourages status quo and hinders innovation.

Not enough emphasis on the back end of the innovation process

Many organisations encourage idea generation, but considerably less emphasize more advanced steps in the innovation process, such as experimentation and hypothesis testing. This could be caused by several reasons, including lack of true commitment from leaders which can be the source of a poor innovation process, lack of incentives and resources.

While the above can be improved, future-proofing is a continuous process that requires leaders who know how to lead and embed innovation throughout the entire organisations. Otherwise, their company life cycle will eventually come to an end.

CONCLUSION



You need people on every level involved in innovation - and they can't care about the last 20 years.

This is particularly pressing for traditional sectors that are forecast to change tremendously in the coming years, such as banking or retail. Can the leaders who got them to where they are today capable of transforming themselves to stay in the game tomorrow?

Our expert panel agree that it starts with leadership and people. Muhammad Chbib, has a very clear stance on what companies should do to completely transform: "Injecting innovation into an existing culture is extremely challenging. A traditional company that wants to revamp itself (...) I think it's impossible without making drastic changes in everything it does. In my opinion, the first factor to consider is the leadership - you need to change it and put one in place that is totally convinced it needs to re-invent itself. You also probably need to replace at least 30% of the staff and inject new blood - it's important to get rid of an organisation's old way of thinking. If the old style influences or manages the new one too much it cannot work. Another way for traditional organisations who really want to innovate and transform their business is to build a parallel universe, scale it, enable it and put money behind it, using the "old" business to finance the new one. Because if you don't, the business will slowly die and vanish in 10 years anyway. You can't transform companies from the inside by just changing a few people at the top - you need people on every level involved in innovation - and they can't care about the last 20 years."

Innovation has become a key driver of performance and organisations have no choice but to incorporate it, not only in their high-level strategies but to weave it into every aspect of their existence: products, services, culture and processes. Clearly, understanding where they stand within their changing industry and market, where they need to go and how they will get there is absolutely essential.

This research also clearly indicates that having leaders with the right mindset in place to drive innovation and effectively manage it across the business is key. How does an organisation know it has the leadership mindset required to innovate successfully? In our view, this starts with assessing them, understanding and leveraging their strengths and identifying their blindspots. Only when an organisation knows where it stands on a leadership and human capital level can it then begin to assess their position within their changing industry and market, establish where they need to go and map out how they will get there.

ABOUT THE AUTHORS AND RESEARCH

Research background

We conducted a survey over a 3-month period across 587 senior stakeholders – managers, directors, senior individual contributors, senior leaders and board members – across a variety of industries and over 20 countries. This research was then analysed against interviews made with 7 professionals who have expertise in the innovation sector in Europe, the Middle East, Asia and the Americas. These expert interviews are outlined in the Appendix.

The Talent Enterprise

The Talent Enterprise is a leading-edge human capital ‘think’ and ‘do’ tank answering tomorrow’s questions today. We help accelerate change through our talent assessment, innovation-readiness, youth enablement and capability development solutions, grounded in applied research and powered by technology. Partnering with policy-makers, employers and educators, we enable people and communities to thrive, advancing the application of positive behavioural science.

Our inter-disciplinary team has diverse backgrounds in human resources, psychology, leadership, psychometrics, behavioural economics, education, youth development, machine learning, AI and technology.

Global Innovation Management Institute

Founded in 2009, the Global Innovation Management Institute (GIMI), is the global nonprofit standard certification board for innovation and innovation management. GIMI was initiated by a group of chief innovation officers, innovation executives, academics and consultants from around the world. GIMI’s worldwide advocacy for making innovation a professional business discipline is reinforced by our globally recognized standards and certification program, extensive academic programs, communities of practice, and professional development opportunities.

Sia Partners

Sia Partners is a next-generation consulting firm focused on delivering superior value and tangible results to its clients as they navigate the digital revolution. Sia Partners’ global footprint and expertise in more than 30 sectors and services allow them to enhance clients’ businesses worldwide. Sia Partners has conducted extensive research on the field of Growth and Innovation, for both private and public sector organisations.

Sia Partners works with many organisations helping them to develop their innovation culture, capabilities as well as to establish world-class frameworks and processes.

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