Insights from Highly Innovative Companies

RESULTS FROM THE CONFERENCE BOARD AND INNOVATIONONE
GLOBAL STATE OF INNOVATION SURVEY 2017
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Global State of Innovation Survey 2017

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by Victor Assad; C. Brooke Dobni, PhD; Ed Colby; and Ataman Ozyildirim, PhD

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Executive Summary

Innovation is a Strategic Imperative

The Conference Board and InnovationOne Global State of Innovation Survey 2017 was distributed to a global audience of organizational leaders in the spring of 2017. The analysis began with a system of 19 questions whose answers as a whole can identify which companies in the sample of respondents were high innovators, and which ones were not. A statistical cluster analysis was used to determine this. The survey responses were divided into two statistically distinct groups: “high innovators” and “lagging or low innovators” based on the features of the responses. High innovators scored higher on all 19 predictive factors than the lagging or low innovators (see Methodology on page 8 for details).

Five Insights from The Conference Board and InnovationOne Global State of Innovation Survey 2017

1. High innovators think of innovation as a strategic imperative for the whole enterprise—not just belonging in the R&D department
   These companies have leaders which are dedicated to innovation. They have articulated and communicated innovation strategies and have developed inclusive and collaborative cultures. They have deployed innovation goals throughout their organizations, from R&D to human resources, and throughout their value chain (including external technical partners and suppliers). These leaders have changed their strategic planning processes from an annual, industry-focused process with multi-year plans to be opportunity-orientated. They have learned to conduct searches for the early signals of future disruption. They have invested in organizational learning, and the space, processes, technology, analytics, measures, and operational and performance management systems to quickly adapt and commercialize the best of their innovative ideas. They encourage their employees to always push boundaries and to make innovation the DNA of the company.

   When asked to identify the “one item for advice for the executive team at their organization to improve innovation,” employees working for high innovators said they would encourage executive leaders to remember that innovation is not an option, “it is an imperative for survival.”

2. High innovators report more use of all the available innovative methodologies and technologies than lagging innovators
   High innovators also report their companies use such methodologies with more success. The high innovators report the most use and success with the following methodologies and technologies in rank order:

   1. Culture management
   2. Design thinking
   3. Customer analytics (big data)
   4. Open innovation
5. Metrics to measure innovation success.
6. Stage gate or phase gate
7. Scientific discovery
8. Innovation management software
9. Crowdsourcing

Low innovators tend to see innovation as tactical. Lagging innovators rank more strategic techniques, like culture management and open innovation lower than tactical ones like stage gate or phase gate and customer analytics (big data). High innovators, in contrast, rank strategic techniques like culture management and design thinking more highly. While lagging innovators may invest in innovation methodologies such as design thinking with their R&D departments and report some success with it, they are reluctant to articulate innovation strategies to their whole organization and value chain or develop innovative cultures.

3 High innovators use culture management to promote internal collaborative cultures—and this is one of the biggest factors distinguishing them from low innovators by a margin of nearly 2 to 1 (Chart 1) Developing a culture of innovation is critical for ongoing innovation success, the creation of value, and improved financial performance. The comments from the employees of low innovators on the survey are revealing. They advocate for the basics of culture development, tools, processes, and measures. They urge their leaders to be less “risk averse,” “build innovation cultures,” and “end the stifling top-down culture.” They urge their leaders to explain the importance of innovation and what it means for the whole workforce.

4 High innovators use metrics to measure innovation This is another factor that separates high innovators from low innovators, again by a margin of almost 2 to 1 (Chart 1) The value of using metrics to measure innovation (which include using predictive, culture, and outcome measures) cannot be overlooked. Although they’re not the “sexy” part of innovation, metrics are necessary for analytics, assessing learning and progress, and decision making. Without metrics, companies are leaving their innovation to gut feel and chance.

5 Highly innovative companies report the most advantage from understanding the customer experience and developing a strong culture of innovation Next on the list are identifying the next big thing for innovation, using new digital platforms (such as crowdsourcing or analytics), and managing global innovation projects across national cultures (Chart 3). Low innovators report that understanding the customer experience and new digital technology platforms for innovation purposes (such as crowdsourcing or analytics) provide the highest advantage.

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1 For guidelines on developing an innovation measurement framework see: Bart van Ark, Janet Hao, and Ataman Ozyildirim, Signposts of Innovation: Toward Better Innovation Metrics for Business—A Primer, The Conference Board, May 2017
Introduction

Businesses have come to recognize that innovation is no longer an option. Rather, innovation is imperative for survival. In 2017, The Conference Board and InnovationOne partnered to launch the Global State of Innovation Survey 2017 to uncover what methodologies, technologies, and practices successful innovators are currently using to innovate—and which ones provide the most advantage in today’s business climate.

Is culture still critical during a time of labor shortages, accelerating global change, disruption, and digital transformation? What are companies doing to drive innovation? To find out, The Conference Board and InnovationOne Global State of Innovation Survey 2017 was distributed to a global audience of organizational leaders in the spring of 2017. The survey was designed to uncover what methodologies, technologies, and practices are used and which ones provide the most advantage for innovation.

Previous research from both The Conference Board and InnovationOne has shown that an inclusive, collaborative culture is critical for innovation. The Conference Board Signposts of Innovation Project, released in May 2017, identified “internal innovation networks” as one of six signposts critical for organizational innovation (see box). Because of the importance of internal innovation networks (i.e. innovation culture) and the perceived overlaps with many other dimensions of innovation identified with the Signposts framework, understanding innovative cultures, what makes them successful, and how to measure them was prioritized for more in-depth research. Similarly, InnovationOne’s research has found that the most determinant factor for innovation success is to have executive teams that embrace innovation as a strategic imperative; intimately understand the customer experience; and develop inclusive, transparent, and collaborative cultures of innovation.

DEFINITIONS FOR THE SURVEY

Culture

Based on InnovationOne’s previous research, culture is defined broadly to include the systems, processes, technologies, and measures that are the fabric of how an organization works in addition to the shared values, beliefs, assumptions, and artifacts of an organization. This definition was used in the Global State of Innovation Survey 2017.

Innovation

There is no single definition of innovation, just as there is no magic innovation formula. Definitions of innovation abound. For the purposes of this report, we adopt a relatively simple but broad one developed by The Conference Board.

Innovation is broadly defined as a process that results in the creation and use of a new or significantly improved product or service; production or operating process; way of attracting customers by enhancing their experience; and organizational practice, work design, human capital competency, or use of resources that creates value.a,b

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The Conference Board Signposts Project—Identifying Ways to Measure Innovation

Since 2015, The Conference Board has been developing research around its Signposts of Innovation project to identify measurement approaches currently used and/or needed to evaluate innovation capabilities and performance. This research culminated in a framework of innovation measurement for use by companies. The proposed framework provides a reference for assessing a business’s innovation performance and it can serve as a basis for creating metrics.

Top insights about high innovators

- Treat innovation as a strategic imperative
- Build collaborative cultures of innovation
- Develop metrics and measure progress
- Intimately understand the customer experience
Innovation is a Strategic Imperative

Businesses interested in their organization’s innovation should treat innovation as a strategic imperative, one that is as important to the company as its financial strategies, investor relations, market brand, and sales strategy. According to the survey, executive teams who make this commitment to high-performing innovation often re-engage with their customers to ensure they intimately understand their experience. They use big data and design thinking to gain new, previously unknown insights on their customers and future markets. They develop inclusive, collaborative cultures of innovation, and communicate their strategies to employees and their value chain. They make their strategic planning processes action-orientated—and reduce bureaucracy and “silo-ed” thinking. They make smart use of digital technology to accelerate their innovation processes; empower information sharing, collaboration, and decision making; and to improve the management of their innovation projects. They align their operational systems to adjust to new innovations and business models. They adjust their performance management and reward systems to motivate, reward, and reinforce innovation.

Finally, innovative firms reach out beyond their traditional industry boundaries and value chain to develop strong external ecosystems to help them identify the emerging technologies, ideas, and social, generational, and economic trends that may signal future disruption.

Methodology of The Conference Board and InnovationOne

Global State of Innovation Survey 2017

The Conference Board and InnovationOne jointly developed the survey based on InnovationOne’s earlier research. The survey was fielded from March to May of 2017. The comparability of survey questions was maintained as much as possible to enable comparisons with previous results. The survey was sent to organizational leaders at the manager level and above. 407 individuals from over 33 countries completed the survey, surpassing the thresholds for statistical significance for a population of this size at a .95 confidence level (+/- 5 percent margin of error). 203 of the of the respondents were from the United States. 94 were from Europe. 70 were from Asia, and 10 were from the rest of the Americas. The country of the other respondents was not clear. (The sample size was not large enough to generate valid and reliable data on innovation strengths and trends by country and region. Regional differences will be the topic of upcoming research.)

How we identified “high innovators” and “low innovators”

InnovationOne’s researchers used a K Means Cluster Analysis to assign each respondent to a high innovator cluster or a low innovator cluster, based upon each participant’s responses to 19 predictive factors of innovation, asked on the survey. These predictive factors were developed through years of active research, and they strongly correlate with financial success.

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**Methodology** (continued)

Compared to the usual methods of identifying a group with the answer to a single question, the 19 questions provide a comprehensive and balanced assessment and prediction of innovation success.b

These 19 predictor factors were used to broadly assess a company’s innovation culture:

- How broadly innovation strategies and goals are disseminated and understood throughout the organization;
- The investments a company makes to support innovation;
- The organizational dexterity to quickly change directions and try something totally new and think outside the box; and
- The involvement of external stakeholders in the organization’s value chain.

Execution is important for innovative cultures. The 19 predictive factors also assess the robustness of an organization’s innovation capability, systems, and processes to commercialize innovative ideas. They assess the level of organizational learning, employee engagement, delegation and empowerment, and teamwork. The results between the high innovators and the low innovators had a statistically significant difference at a .95 (+/- 5 percent) confidence level.

b The questions used in the 2017 Survey are a subset of questions that explain the highest variation on InnovationOne’s 72-question organizational innovation assessment, the InnovationOne Health Index. Further details on the InnovationOne Health Index and the 19 predictive factors are available upon request.

**High Innovators Treat Innovation as a Strategic Imperative**

The 2017 survey shows that high innovators think of innovation as a strategic imperative. They view innovation as important as their financial strategies, marketing brands, investor relations strategies, and sales strategies. Innovation is not treated as a tactic for an R&D innovation project. Respondents at innovative companies agreed that “Innovation is part of the ‘DNA’ of their company,” “A coherent set of innovation goals and objectives have been communicated in our organization, and “Employees in this organization act as a team as it concerns pursuing innovation goals and objectives.”

**High Innovators Develop Collaborative Cultures**

Leading the list of techniques and methodologies that support innovation for high innovators is culture management, defined in the survey as steps taken to create inclusive, collaborative cultures of innovation. Innovative cultures provide high innovators with the biggest advantage over low innovators. High innovators give culture management an average score of 7.09, while low innovators give it an average score of 3.93, a difference of 3.16 (Charts 1 and 2). This is a statistically significant difference and the biggest difference between high innovators and low innovators among the questions asked.
When asked whether a methodology or technology was an obstacle or an advantage to innovation in one’s organization, high innovators give *developing a strong culture of innovation* an average score of 7.46 (second to understanding customer experience). Low innovators, on the other hand, give it an average score of 4.33, a difference of 3.13, tipping it toward being an obstacle for them. These results again underscore the importance of developing collaborative cultures for success with innovation.

This finding confirms previous surveys and interviews conducted by InnovationOne which found that strong cultures of innovation provide the biggest differentiator and highest advantage over low innovators. This finding also echoes the views of CEOs captured by *The Conference Board CEO Challenge* 2017: successful innovation depends on an inclusive, collaborative, and internally and externally networked culture to capture ideas and ward off more nimble competitors.

Organizations that are able to adapt from rigid, top-down autocratic organizational structures to team-based ones tend to be high innovators. They allow horizontal networking and collaboration within the organization and with the value chain and external partners. At the same time, all organizations, especially large ones, need structure, controls, and some hierarchical decision making. But highly innovative organizations also open their organizations up to allow the teamwork, networking, and collaboration that enables rapid innovation.

### High Innovators Use Metrics

Average scores for *metrics to measure innovation* reveal the second biggest difference between high innovators and low innovators. High innovators give *metrics* a score of 6.35; low innovators give it just 3.24, a statistically significant mean difference of 3.11. High innovators successfully use metrics with their innovation. And as you will see from our content analysis further on, it is an ongoing area of improvement for high innovators.

Metrics received the third lowest score among low innovators, suggesting how difficult it is for them to use metrics successfully. Metrics are the “road work” of innovation. This includes metrics of use and for prediction, analytics, project management, cultural, and end use. If metrics are not used optimally—you won’t be continually innovative. (For more see box above and *Signposts of Innovation: Toward Better Innovation Metrics for Business—A Primer*.)

### What Innovation Methodologies and Technologies Support Innovation?

Survey participants were asked “Has your organization used one of the following technologies or methodologies to support innovation?” Since “use” is a binary question (“Yes, we use” or “no we don’t”), the question was expanded to give respondents a 10-point scale, with 1 for “have not used” and 10 for “used with excellent success.” The responses given by high and low innovators to this question are graphed in Chart 1.

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Definitions of the Methodologies and Technologies in the Survey

**Crowd sourcing** The word crowdsourcing is now a part of our lexicon and is defined by Merriam Webster’s as “the practice of obtaining needed services, information, or content by soliciting contributions from a large group of people, especially from the online community rather than from traditional employers and suppliers.”

**The Stage-Gate® process** is a conceptual and operational map for moving new product projects from idea to launch and beyond—a blueprint for managing the new product development process to improve effectiveness and efficiency.¹

**Design thinking** Ideo defines design thinking as: “A human-centered approach to innovation that draws from a designer’s toolkit to integrate the needs of people, the possibilities of technology, and the requirements of business success.”

**Culture management** The steps taken by management to create inclusive, collaborative cultures of innovation with the use of clearly understood values, strategies, assumptions, artifacts, and systems, processes, technologies, and metrics.

**Open innovation** Henry Chesbrough, executive director at the Center for Open Innovation at University of California, Berkeley says “Open innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas and internal and external paths to market, as the firms look to advance technology.”

**Big Data customer analytics** The site TechTarget defines it as “the process of examining large and varied data sets—i.e., big data—to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more-informed business decisions.”

**Metrics to measure innovation success** include the measurement of long-term innovation success (along with the completion of short-term goals and milestones), predictive steps for long-term success, and finally innovation results measures. (For more on measurement, see *Signposts of Innovation: Toward Better Innovation Metrics for Business—A Primer*.)

**Scientific discovery** Basic scientific research to discover the next “big thing.”

**Innovation management software** According to TechTarget, “innovation management software enables the digital management of enterprise innovation, starting from the generation of ideas developed by internal and external sources through multiple stages of evaluation to the selection of top ideas destined for implementation.”

For every methodology or technology used to support innovation reported in Chart 1 below, the high innovators report more instances of used with success than the low innovators. These differences have a statistical significance at .95 or .99. These results also suggest that high innovators treat innovation as a strategic imperative. Highly innovative companies report the most use and success with the following in rank order:

1. Culture management
2. Design thinking
3. Customer analytics (big data)
4. Open innovation
5. Metrics to measure innovation success
6. Stage gate or phase gate
7. Scientific discovery
8. Innovation management software
9. Crowd sourcing

Among the low innovators, the most frequently used innovation methodology is design thinking followed by customer analytics (big data), stage gate or phase gate, and culture management. This is in sharp contrast to high innovators who rank culture management first. High innovators understand that without inclusive and collaborative innovation cultures, ideas generated by design thinking or big data will die in a slow-to-change, often top-down and risk-averse culture.

Chart 1

Using culture management and metrics to measure innovation success are the biggest differentiators between the high and low innovators

Has your organization used one of the following technologies or methodologies to support innovation?

<table>
<thead>
<tr>
<th>Methodology</th>
<th>High innovators</th>
<th>Low innovators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture management</td>
<td>7.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Design thinking</td>
<td>7.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Customer analytics (big data)</td>
<td>6.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Open innovation</td>
<td>6.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Metrics to measure innovation success</td>
<td>6.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Stage gate or phase gate</td>
<td>6.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Scientific discovery</td>
<td>5.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Innovation management software</td>
<td>4.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Crowd sourcing</td>
<td>4.3</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source: The Conference Board and InnovationOne Global State of Innovation Survey 2017
Low innovators report the least use of crowdsourcing, innovation management software, and metrics to measure innovation success. These results suggest that too often, low innovators don’t perform the more difficult work of tracking initiatives with innovation management software or measuring success with metrics. They may invest in design thinking and big data analytics/crowdsourcing, but without concrete processes in place, the potentially innovative ideas have nowhere to go. Why? Because they have not put in place processes to move ideas forward, experiment with them, and further develop and commercialize them.

What Do High and Low Innovators Consider as Obstacles or Advantages for Innovation?

Survey respondents were asked this question, “Using the scale provided, for each of the statements listed below please indicate whether it has been an obstacle or an advantage to innovation in your organization.”

Again, a ten-point scale was used, with 10 for major advantage and 1 for major obstacle. The question asked about seven innovation methodologies and technologies. High innovators ranked these methodologies and technologies as providing the biggest advantage:

1. Understanding the customer experience
2. Developing a strong culture of innovation
3. Identifying the next big thing for innovation
4. New digital technology platforms for innovation purposes (such as crowdsourcing or analytics)
5. Managing global innovation projects across national cultures
6. Establishing a strong external ecosystem
7. Establishing insightful innovation measures
Chart 3 shows the results by high innovators and low innovators. Note that we see the same pattern that we saw with the question about use of innovation methodologies and technologies (Chart 1). For every methodology or technology, the high innovators rank them more highly than the low innovators. Low innovators trail the high innovators in gaining advantage from the methodologies and technologies listed above. As before, these differences are statistically significant.

Not surprising, understanding the customer experience is number one with both high and low innovators. High innovators gave it an average score of 8.04, showing its strong advantage. Low innovators also gave it a strong but lower average score of 6.36. Researchers have long emphasized the importance of intimately understanding the customer experience. The survey results show that executive teams are augmenting their long-standing surveying, observing, and focus groups of customers with new digital analytics platforms to gain previously undiscovered correlations and relationships.

The biggest difference in average mean scores between high and low innovators is for developing a strong culture of innovation. High innovators give it an average score of 7.46 (second to understanding customer experience) and low innovators give it an average score of 4.33, a difference of 3.13. These results again underscore the importance of developing collaborative cultures to be successful with innovation.

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Low innovators scored methodologies and technologies around or below five, tilting them away from advantage to obstacle, except for understanding the customer experience. For low innovators, developing a strong culture of innovation, managing global innovation projects across national cultures, establishing a strong external ecosystem, and establishing insightful innovation measures and metrics are more likely to be obstacles. And, when it comes to identifying next big thing for innovation, and new digital technology platforms for innovation purposes (such as crowdsourcing or analytics), they rank these methodologies on the border between advantage and obstacle.

Comparing the frequency of use and advantage

A comparison of Charts 1 and 3 reveals that the techniques respondents rank as most frequently used may not be what they view as providing the most advantage for innovation. For example, let’s look at the numbers for crowdsourcing. When asked to respond on a scale of 1 to 10 to the following question “Has your organization used one of the following technologies or methodologies to support innovation?” all respondents rank crowdsourcing last on a list of 10 items (see Chart 1).

However, when asked to indicate whether certain methodologies were “an obstacle or an advantage to innovation in your organization,” high innovators ranked the larger category of new digital technology platforms for innovation purposes (including crowdsourcing or analytics) at number four. So, high innovators report seeing crowdsourcing as an advantage, even though they don’t report that they have used it frequently.

Self-assessments of Innovation: Consider the Source Carefully

Survey participants identified their industry and then rated the innovation success of their companies within their industry. The ratings vary by industries and by job titles, implying that the cluster analysis of the answers to 19 questions is a more reliable way to identify “high innovators.” The self-assessment provides insights that are discussed in this section. (The samples size of 407 required us to broaden industry categories for reliable results.) Based on the results of the survey, the innovative industry with the highest average score is the healthcare and pharmaceutical industry, followed by the technology, engineering, and biotech industry. Banking and finance and the government sector (which includes transportation, education, and construction) score the lowest. These industry scores are comparable to the results from the 2013 Innovation Nation? survey, when the category high tech ranked highest. More data and more research are needed to understand better the variation in the results by industry.

Assessments of innovation success vary by industry The health care/pharmaceuticals industry category and the tech/engineer/biotech industry category rate their industries as the most innovative. These industries share a few things in common. They look for scientific discovery that can disrupt their product and service offerings and their business models. They understand the importance of the internet of everything (IoE) for disruption and the need to be on the lookout for early signals of technological, social, generational, and economic disruption at large (Chart 4). They are thinking through not only how to harness the early signals of disruptive innovation, but also what competitors may emerge and use the next big thing in innovation to disrupt them.
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INVISIONS FROM HIGHLY INNOVATIVE COMPANIES

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Survey respondents were asked to identify the organizational department they worked in and to rate the innovation of the whole company. Innovation mean scores for the whole company are highest from the functions of innovation and strategy, sales and marketing, and finance and legal. Organization innovation scores are the lowest, in descending order, from engineering/R&D, operations, and human resources.

Departments that tend to work directly with innovation, such as the innovation, strategy, or R&D departments, rate the innovation of their companies the highest.

Source: The Conference Board and InnovationOne Global State of Innovation Survey 2017
When assessing the innovative capability of companies, do not rely solely on the judgement of part of the organization

The finding also warns against the traditional focus of innovation having a “silo-ed” focus, of considering innovation as only something that departments directly building or delivering a product or service must worry about. Our research shows that highly innovative organizations view innovation as a corporate, enterprise-wide strategic focus across all functional areas. As a corollary, innovation assessments need to be provided by the whole organization or a statistically representative sample of the broad workforce.

Many research studies show that departments will rate the success of their departments much higher than those outside of their departments. To get a reliable and valid assessment of an organization’s innovation, it is important to get broad feedback across the organization, from the top to the bottom—and from external stakeholders.

Accurate assessments of innovation success require broadly used evaluations and measures Perhaps as expected, departments with the highest opinion of the organization’s innovation are the innovation and strategy departments. The second highest opinion is from the sales and marketing departments. On the other hand, HR and operations have a lower opinion of innovation success.

Why is this? The research of InnovationOne and others has shown that results are higher when only executives are surveyed, or when only those responsible for a function or initiative are surveyed. The survey results corroborate our experience and previous research. Involving more employees, customers, and those in the supply chain in assessments of innovation, executive teams will receive more accurate and candid feedback to make improvements and drive financial success. There is an added benefit. More widespread involvement will better align the organization to innovation strategies and create more awareness, opportunities for innovation, and informed judgements about innovation and its success (Chart 5).

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Advice to the Executive Team from Survey Respondents

The last question on the survey was: “Finally, if you had one item of advice for the executive team at your organization to improve innovation, what would it be?” Respondents made 176 comments. Our analysis of the comments from participants was grouped by high innovators and low innovators into seven categories. Most of the comments fell into the first four categories:

1. Process and tools
2. Innovation culture
3. Strategy transparency
4. Leadership
5. More financial resources
6. More risk tolerance
7. Ecosystem

In Table 1, “advice to the executive team” appears in two columns. The column on the left are comments from the high innovators, those on the right are from the low innovators. While the seven themes break out from both groups, the tone of the advice differs between the high and low innovators. Each box shows the percentage of comments in that category (out of the total number of comments).

Improving processes and tools, technologies, and metrics are important to both high and low innovators. The high innovators emphasized improving the speed of their innovative processes. The low innovators urged their leaders to be more systematic in their approach to innovation and to implement more innovative processes and measures.

**Culture** The need to develop collaborative cultures of innovation is the number one comment made by low innovators. The comments from high innovators are about improving the inclusiveness of their cultures.

**Leadership** Comments from high innovators advocate that their leaders accelerate innovation and focus on more disruptive innovation. Comments from low innovators, on the other hand, advocate that their leaders visibly endorse innovation.

**Transparent strategy** Low innovators write about the need for transparent innovation strategies much more than high innovators. This may be because high innovators already have transparent and well-understood innovation strategies in place. The low innovators, on the other hand, appear to still be waiting for strategy clarity and transparency.

Overall, the comments from survey participants illustrate that high innovators approach innovation as a strategic imperative, while low innovators approach innovation at a tactical/operational level.

**Divergence over the perceptions of ecosystems** There are over 30 comments from high innovators advocating the importance of developing ecosystems and reducing “not-invented-here” thinking (that is, rejecting ideas from outside of the organization). However, there is only one comment from a low innovator regarding ecosystems. This suggests that low innovators have not yet come to understand the importance of ecosystems for innovation success.
### Table 1

**Themes from high and low innovators**

From highest to lowest with sample quotes from respondents

<table>
<thead>
<tr>
<th>High Innovators</th>
<th>Low Innovators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Process and Tools:</strong> Improve and accelerate innovation process execution with tools, technology and metrics (25 percent)</td>
<td><strong>Innovative Cultures:</strong> Put in place or continue to develop strong innovation cultures (22 percent)</td>
</tr>
<tr>
<td>“We need to benchmark best practices throughout the world for improvement as management systems and technologies change progressively.”</td>
<td>“Build innovation in the company culture now or be disrupted.”</td>
</tr>
<tr>
<td>“Establish Lead and Lag measures of Growth Driving Innovation.”</td>
<td>“End the stifling top-down culture and create a culture focused on employee input and innovation.”</td>
</tr>
<tr>
<td><strong>Innovative Cultures:</strong> Continue to develop strong, collaborative innovation cultures with the processes, systems, and tools to systematically innovative (21 percent)</td>
<td><strong>Strategy Transparency:</strong> Develop and communicate innovation strategy (22 percent)</td>
</tr>
<tr>
<td>“Continue to foster a culture and environment that drives innovation and growth, so that all employees can contribute to their fullest potential.”</td>
<td>“Have a coherent message about what innovation means for our company. Coherent because we have several divisions and they are at different stages in the journey. We are operating in a ‘silo-ed’ manner.”</td>
</tr>
<tr>
<td><strong>Leadership:</strong> Leadership support to accelerate innovation and focus more on disruptive innovation (14 percent)</td>
<td><strong>Process and Tools:</strong> Improve innovation process execution with tools, platforms, technology and metrics (21 percent)</td>
</tr>
<tr>
<td>“In the Digital age, innovation is not an option. It is an imperative for survival.”</td>
<td>“[Implement] process, measures, outcomes and stop just throwing money around — FOCUS.”</td>
</tr>
<tr>
<td>“Figure out a way to accelerate innovation. System limitations often get in the way of what we want to or can do.”</td>
<td><strong>Leadership:</strong> Visible executive leadership support for innovation (17 percent)</td>
</tr>
<tr>
<td><strong>Ecosystem:</strong> Build stronger ecosystems to augment our awareness, thinking and competencies (14 percent)</td>
<td>“Leaders need to explain the role, importance and impact of innovation across the whole organization, all geographies and functions included. Publish comprehensive and “user-friendly” measures. Open innovation to all employees, create forums to listen to innovation ideas internally and externally. Take more risk in experimenting, launching innovations before they are ‘perfect’.”</td>
</tr>
<tr>
<td>“We are working hard at transforming our internal innovation processes. However, we are just beginning the journey on leveraging external capabilities to transform and breakthrough on innovation. We must leverage the external community vs. the not invented here mindset.”</td>
<td><strong>More Risk Tolerance:</strong> (9 percent)</td>
</tr>
<tr>
<td>“Tolerance of failure is required to foster a culture of innovation.”</td>
<td><strong>More Financial Resources:</strong> (7 percent)</td>
</tr>
<tr>
<td><strong>More Financial Resources:</strong> (11 percent)</td>
<td>“[Direct more] resources and incentives towards innovation, [and be] willing to remove obstacles and paperwork.”</td>
</tr>
<tr>
<td>“Set aside a designated budget purely for innovation, research and development. Don’t force innovation to be ‘cost justified’.”</td>
<td><strong>Ecosystem:</strong> (1 percent)</td>
</tr>
<tr>
<td><strong>Strategy Transparency:</strong> Drive innovation strategy with the same energy as our finance strategies (8 percent)</td>
<td>“Open innovation to all employees, create forums to listen to new innovative ideas internally and externally.”</td>
</tr>
<tr>
<td>“Drive the demand for innovation to the same extent we drive quarterly and annual earnings performance.”</td>
<td><strong>More Risk Tolerance:</strong> (8 percent)</td>
</tr>
<tr>
<td>“Avoid too much analysis upfront. Instead, set the direction and learn quickly and make course corrections.”</td>
<td>“Don’t look for the best approach to start. Pilot first and then make adjustment down the road. Speed and flexibility are keys.”</td>
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Business Implications

Today, companies are under extraordinary pressure to be disruptive innovators. This survey, The Conference Board CEO Challenge® 2017, and other research shows an urgency for innovation that we have not seen before.

In 2013, the Innovation Nation? Survey, revealed that about 70 percent of the respondents had executive leadership that did not endorse innovation. These executives did not articulate strategies for innovation, develop collaborative cultures of innovation, and invest in innovation. If these companies stumbled upon innovation, it was usually a one-time event. Four years later, the Global State of Innovation 2017 survey shows that more companies recognize the urgency of innovation for their growth—and in many cases for their survival.

Executives among both high innovators and low innovators seek to understand the customer experience. Both groups use design thinking, crowdsourcing, and big data. But it is the high innovators that think of innovation as a strategic imperative.

Innovation is not for the meek at heart. It takes courage, risk taking, persistence, and dedication. High innovators understand this. If it is not a strategic imperative, executives and the organizational culture will give up on innovation when the going gets tough—and the going is only going to get tougher and tougher.

However, two methodologies provided a higher advantage for high innovators over low innovators. The two methodologies are to first develop collaborative, open, and inclusive cultures of innovation, and second to put in place insightful metrics to measure innovation.

Strong and adaptive organizational cultures are critical for building ongoing innovative capability and superior financial performance. The research on organizational culture is clear. For executives who believe innovation is a strategic imperative, the continual development of their innovation cultures is essential. Without a collaborative culture of innovation, their innovative ideas from design thinking and crowdsourcing won’t advance because their organizational cultures are too risk adverse, their structures too “siloi-ed,” and their processes and systems too disjointed.

The use of metrics and measurement is the “road work” of innovation. Without a strategy, organizations don’t know where they are going. And, without metrics and a measurement framework, they will have no idea about their innovation capacity, innovation progress, what to change, and how to proceed.

For the low innovators, the lessons are clear. Embrace innovation and treat it as a strategic imperative. Develop an inclusive, transparent, collaborative culture of innovation. Put in place measures and metrics to track your progress. Know that highly innovative companies are willing to disrupt themselves because they have created adaptive cultures they can move and change rapidly. Persist with innovation and be willing to significantly change your operations every two years to remain competitive and be innovative.

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6 Dobni, “Measuring Innovation Culture in Organizations.”
Questions for senior executives who are considering how to improve their organizations’ innovation:

• Do you know the context of innovation in the eyes of your customer, and for your industry?
• Do you know what could disrupt your company? How you could become a disruptor?
• Can you objectively measure the strengths and weaknesses of your innovation culture and capability? Do you have an action plan for improvement?
• Do you know which technologies will effectively accelerate your innovation and how to effectively use them?
• Does your organization have the measures and metrics in place to track your progress and adjust?
• Is your organization an innovation leader with superior financial performance in your domain?
About InnovationOne

InnovationOne conducts research and provides advice and hands-on support to assist organizations with improving their current culture and capability for innovation, and to maximize the company’s ability to create value, and improve financial success.

Based on over 15 years of research and the publishing of 13 peer-reviewed academic articles, and surveys on the state of innovation, InnovationOne has created the InnovationOne Health Index and The Six Traits of Highly Innovative Companies (page 23).

The InnovationOne Health Index is a scientifically developed model to assess, benchmark, and identify areas of innovation strength and areas for improvement. It is benchmarked with over 11,000 leaders and employees in over 3,000 organizations across a variety of industries and nations. It solves this guess work of how to begin, and what to focus on while improving your organization’s innovation.

InnovationOne also leads executive strategy sessions with clients to help them understand the results of the InnovationOne Health Index and establish quarter-by-quarter action plans. Additionally, InnovationOne provides support with pulse surveys to measure progress and adjust plans and training for teams and leaders.

To learn more about InnovationOne’s research, the InnovationOne Health Index, blueprint planning process, workshops and training, customer testimonials and case studies, or to receive free copies of The Six Traits of Highly Innovative Companies go to:

www.innovationone.io

InnovationOne, LLC
250 Baldwin Avenue, Suite 211
San Mateo, CA 94401
707 331 6740
innovate@innovationone.io
Six Traits of Highly Innovative Companies

Previous research, including The InnovationOne Health Index (a diagnostic assessment tool to benchmark innovation), a previous survey entitled the Innovation Nation? and the current Global State of Innovation Survey 2017 highlight the following six traits of highly innovative companies.

1. Executives embrace innovation, create an innovation strategy, and relentlessly communicate it. They develop, measure and manage inclusive and collaborative innovative cultures. They transitioned their strategic planning to be action-orientated and reduce bureaucracy and "silo-ed" thinking. They take great care in aligning their teams to their innovation strategies and empower the teams to make immediate improvements to products and services. They enable their employees and ecosystems to identify the next “big thing” with innovation and create disruption in their markets (and adjacent markets). They encourage their employees to push to the limits on everything they do.

2. Employee creativity is unleashed. To do this, these executives promote participative and inclusive leadership styles among middle managers, and invite employee questions and ideas. They delegate decision-making that is aligned to their values and strategies.

3. A clear process, with supportive technology and measures, exists to move ideas forward. The process is simple, well defined and agile, and provides immediate and ongoing feedback. It enables employees to build upon each other’s ideas, experiment, conduct analytics, make decisions, and rapidly commercialize new ideas.

4. An innovation knowledge management system is in place for innovation. The system shares information from customers, the value chain, stakeholders, comparative organizations, and about new technological and socio-economic trends. It fuels the innovation process and stimulates ideation, building upon each other’s ideas, and decision making. The system is accelerated with the use of collaborative digital technologies, and by analytics and project management software.

5. Investment are made in resources, skills, time, space, and organizational learning to support innovation. The most important of these is organizational learning.

6. Performance management systems encourage, align, empower, measure, and incent innovation. This goes beyond human resource’s performance management and rewards systems and includes the alignment of the organization’s operations to quickly adapt to new innovations and commercialize them.

To learn more about InnovationOne’s research and ways InnovationOne assists companies, go to www.innovationone.io
About the Signposts of Innovation

The Conference Board project on Signposts of Innovation provides a high-level overview of various models of innovation and measurement of innovation activities and dives more deeply into the key characteristics of innovation metrics which can help business to track, monitor, and assess innovation performance to improve management and decision making. The Signpost of Innovation Framework identifies six key areas (technology, digitization, customer experience and branding, environmental and social sustainability, internal innovation network, and external innovation ecosystem) and provides guidance on the kind of innovation metrics that may be developed to populate each of those signposts. Please visit https://www.conference-board.org/future-of-innovation/ for regular updates on this project.

Innovation-related Research at The Conference Board

Over the past two decades, The Conference Board has researched multiple aspects of innovation at the company and country levels. Areas of research have spanned from intangible assets to technology, digital transformation, productivity, branding and marketing, sustainability, the culture of innovation, diversity and inclusion, and profits and revenues. The Signposts of Innovation project draws insights from experts in those research fields.

Upcoming Research

Which methodologies provide the most insights for innovation?
More objective, scientific research on which innovation technologies provide true value and advice on how to smartly apply insights that would provide significant value to executive leadership.

How does innovation vary by nation and geographic regions?
InnovationOne and The Conference Board are completing an analysis of the innovation strengths and weaknesses of ten countries and regions by combining the results of the 2017 survey with an earlier nearly identical version of the survey, which was conducted by InnovationOne in January 2017. The combined results of the two surveys will provide a broader global sample of over 1,400 participants, and a more reliable basis with which to analyze the results for the ten countries.

About This Report

This report is part of a series on the Signposts of Innovation. The first report describes the framework developed by The Conference Board and provides guidelines for companies on using innovation metrics. The next report will show businesses how to rethink the way they measure innovation investment. Future reports will take a more in-depth look at spending on an innovative workforce, by presenting the Innovative Labor Index. Next, we will look at the connection between innovation investment and financial outcomes.

For more, please visit https://www.conference-board.org/future-of-innovation
About the Authors

Victor Assad is the CEO of Victor Assad Strategic Human Resources Consulting and a Managing Partner of InnovationOne. With over 25 years of experience, Victor has been an active member of executive business teams and leader of human resources organizations in fast-growth, high-technology, global businesses.

C. Brooke Dobni, PhD, is the founder and a Managing Partner of InnovationOne. He is also a Professor of Strategy and has served as the Dean and Associate Dean at the Edwards School of Business, University of Saskatchewan. Through his own research, he has developed InnovationOne Health Index, an innovation culture assessment metric.

Ed Colby is a Managing Partner of InnovationOne and is a workforce and operational effectiveness leader with a focus on innovation management, human capital management, and workforce management. His professional passion is helping build higher-performing organizations by optimizing the full alignment, utilization, and productive effectiveness of people, process, systems, technology, and information.

Ataman Ozyildirim, PhD, is a director of economic research at The Conference Board specializing in business cycles, growth, productivity, and innovation research. His research interests span applied macroeconomics, forecasting, forecast evaluation, and international and development economics.

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