

POWERING YOUR INNOVATION ENGINE

HLB SURVEY OF BUSINESS LEADERS 2022



TOGETHER WE
MAKE IT HAPPEN

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FOREWORD FROM THE CEO

The global pandemic, paired with accelerated digitisation and technology adoption, has shown just how innovative every industry can become within a span of several months. From actors adapting century-old plays to be presented over Zoom to research centres pioneering vaccines and rapid testing capabilities in record-time – the degree of transformation we collectively managed to pull off is truly astounding.

Nevertheless, to achieve this growth, many organisations will have to replace the “scaffolding” they installed to continue business as usual with more permanent, yet innovative operational structures. How do we implement new ways of doing things on a larger scale? Will technology alone suffice to reinvent corporate operations? How could we ensure that our people are empowered to produce their best work?

In last year’s survey, business leaders told us that their focus for 2021 was a strategy of “defence”, which assumed assertive cost containment, paired with a strong commitment to improving operational effectiveness across the value chain. However, prolonged concentration on a single stressor – albeit a grave and complex one such as the global pandemic – can diminish the leaders’ ability to prepare their businesses for the next chapter.

The decisions leaders will make within the next 12 months are crucial for determining which organisations emerge as leaders within the new economic cycle. New ideas are now operationalised in less time thanks to more agile operational models and digital technologies. But value-enhancing innovation strategies still require time and both financial and human resources for execution - the major impediments brought up in this year’s conversations.

This year in our global Survey of Business Leaders, we explore how C-suite executives are rising to the challenge of speeding up innovation amidst ongoing fluctuations in market conditions, shifts in consumer sentiments, and disruptions to the supply chain. We surveyed 586 business leaders from 46 countries during 2021 to understand how they plan to propel themselves forward in a future where innovation must be executed at warp speed and across multiple vectors – talent, technology, operational processes, and sustainability.

In addition to our quantitative research, we invited external contributors from academia and the private sector to provide their interpretation of innovation as a core driver for business success.

What we found is that business leaders are expressing higher levels of confidence in their ability to innovate as compared to the pre-pandemic levels, which also spill into their ability to grow in the next 12 months, even in the wake of persisting economic uncertainty. However, the levels of optimism are more moderate when it comes to the leaders’ assessment of their talent capabilities, as well as financial means to fund innovative projects. The global risk radar for leaders this year has also shifted from addressing the direct implications of the pandemic to improving access to talent and addressing macro-issues such as rising rates of inflation, regulatory changes, and climate risks.

I would like to thank all the business leaders who gave their time to respond to our survey. We hope this report brings you the insight to formalise your strategy for innovation and collect dividends from it. If you would like to discuss any of the findings or issues raised in our report, we welcome the opportunity to do so.



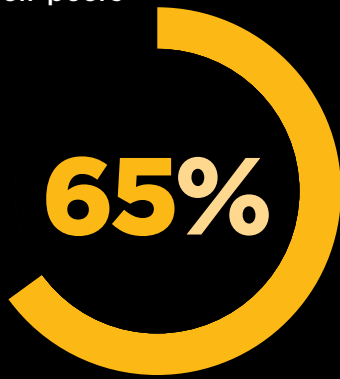
Marco Donzelli
Global CEO

Marco Donzelli

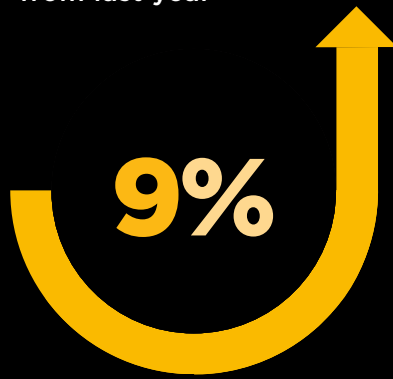
KEY FINDINGS

Leaders want to innovate at speed, driven by technology

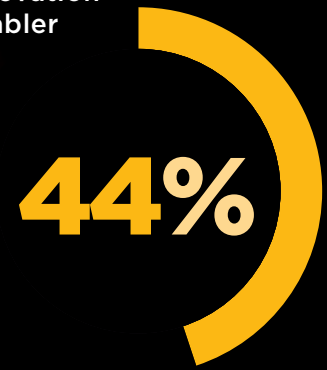
Leaders believe they are more innovative than their peers



Confidence in own ability to grow is up from last year



Access to emerging technologies main innovation enabler



Pandemic underlines need for innovation

More rapid and effective innovation is critical to future growth



You feel confident to challenge the way things get done in your organisation



Market disruption motivates you to innovate



A more diverse workforce improves your ability to innovate



■ Somewhat agree ■ Agree ■ Strongly agree

Yet, economic and organisational barriers persist

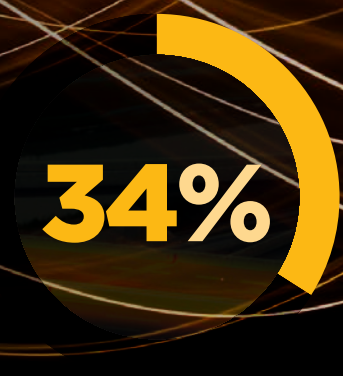
Business leader with allocated innovation budget



Economic uncertainty top concern on risk radar



Capabilities of people a top barrier to innovation



“WHAT SURPRISED A LOT OF BUSINESS LEADERS DURING THE PANDEMIC WAS THEIR ORGANISATION’S ABILITY TO INNOVATE, UNDER PRESSURE AND UNDER DURESS,”

David Sales, Head of Training, St John’s Innovation Centre, Cambridge.



THE INNOVATION IMPERATIVE

Businesses have fared pretty well through another precarious year, emerging more resilient and sporting higher levels of digital maturity. Yet, the next growth cycle will require global leaders to become more purposeful about their ability to innovate if they wish to advance their businesses further.

It has been said that surviving a crisis makes you stronger. This certainly applies to the challenges businesses have faced through the pandemic. Over the past two years, business leaders are making the most of new opportunities which present themselves at points of disruption and change. We have witnessed a reduction of the time to market for vaccines by a factor of ten, the rapid adoption of digital technologies to streamline how we work, buy, collaborate and socialise, paired with an accelerated transition towards net-zero targets. With markets still in flux, 83% of business leaders we surveyed agree that more rapid and effective innovation is critical to future growth.

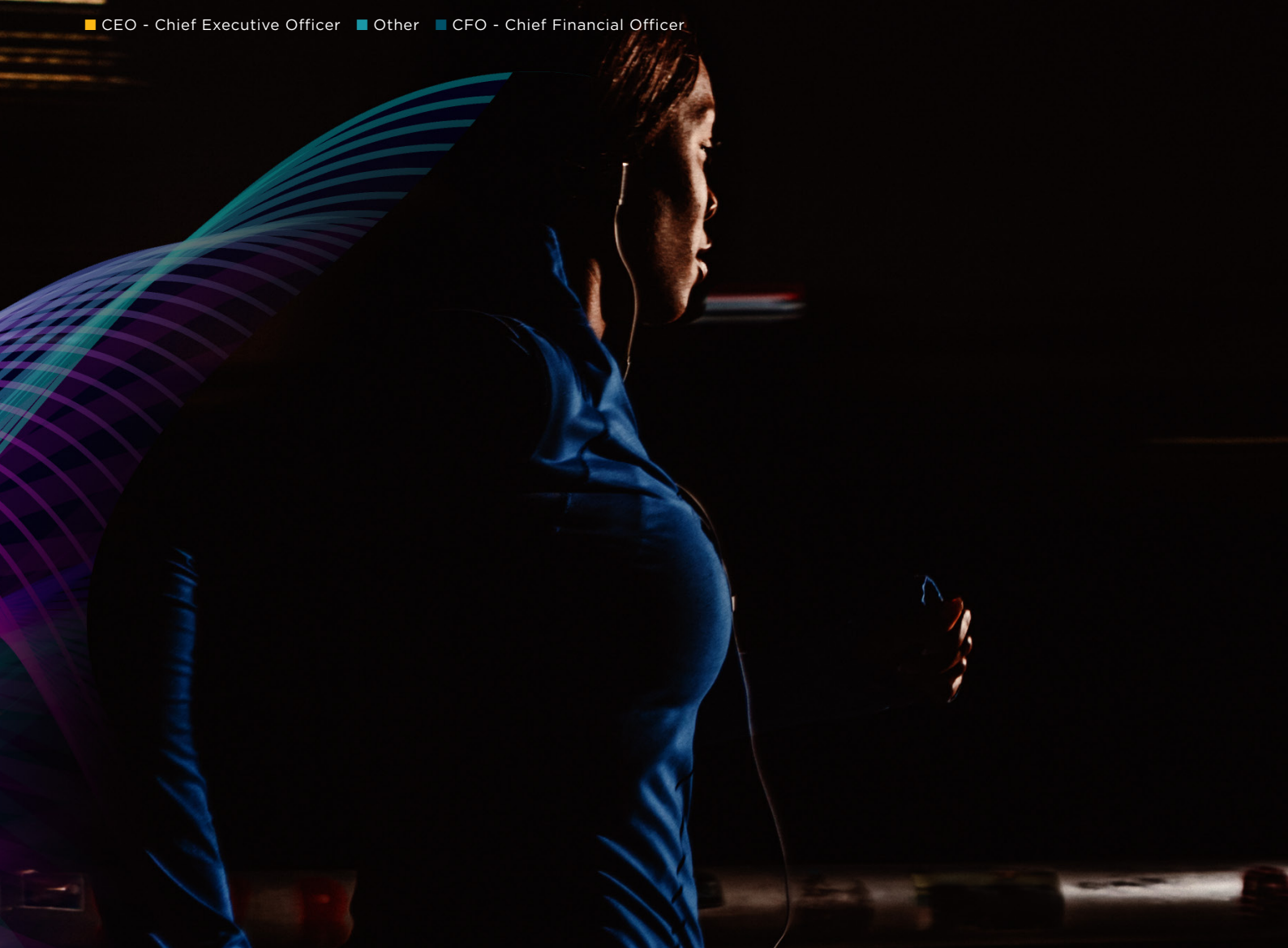
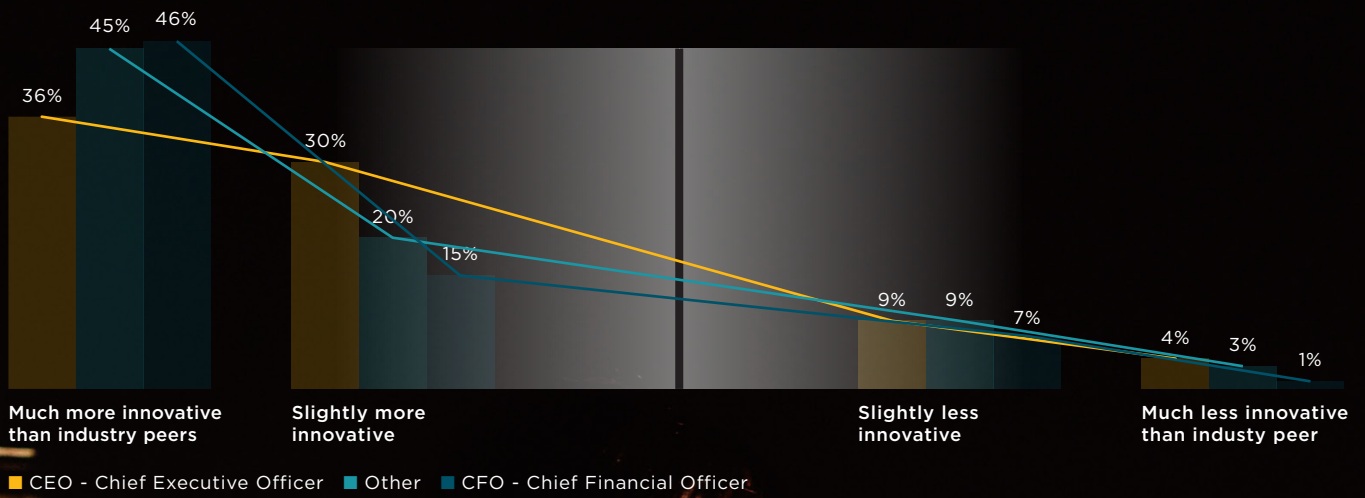
However, as the turmoil of the pandemic shifts to business as usual, leaders will need more permanent strategies for value creation, which match new market imperatives and changes in consumer behaviour. While 69% of leaders agree that market disruption motivated them to innovate, just 55% have budgets set aside for innovative activity in 2022.

The speed, scope, and success rates of innovation also remain uneven across sectors. Almost two-thirds of respondents see themselves as more innovative compared to other organisations in their sector, which is admirable. The rates of confidence vary by industry and title, however. Across the board, CEOs are more optimistic about their own companies' ability to innovate, compared to other C-suite members.

Overall, almost 60% of leaders feel more confident in their ability to innovate as compared with pre-pandemic. "What surprised a lot of business leaders during the pandemic was their organisation's ability to innovate, under pressure and under duress," says David Sales, Head of Training, St John's Innovation Centre, Cambridge. "[...] almost every organisation had to innovate in some way, just to survive. They might not have launched new products and services, but they had to innovate in how they worked, even if it was as simple as people had to work from home rather than the office. That was very innovative to them."

Figure 1: Business leaders believe they are more innovative than their peers and CEOs are the most bullish

Q. How innovative do you think your company is compared to other organisations in your industry sector?



In 2022, leaders feel compelled to maintain the set innovation streak, but on their own terms. Although, improving operational effectiveness remains the top action business leaders are taking in 2022, selected by over two-thirds of respondents we polled, their second priority, as they seek out fresh growth opportunities, is launching new products and services.

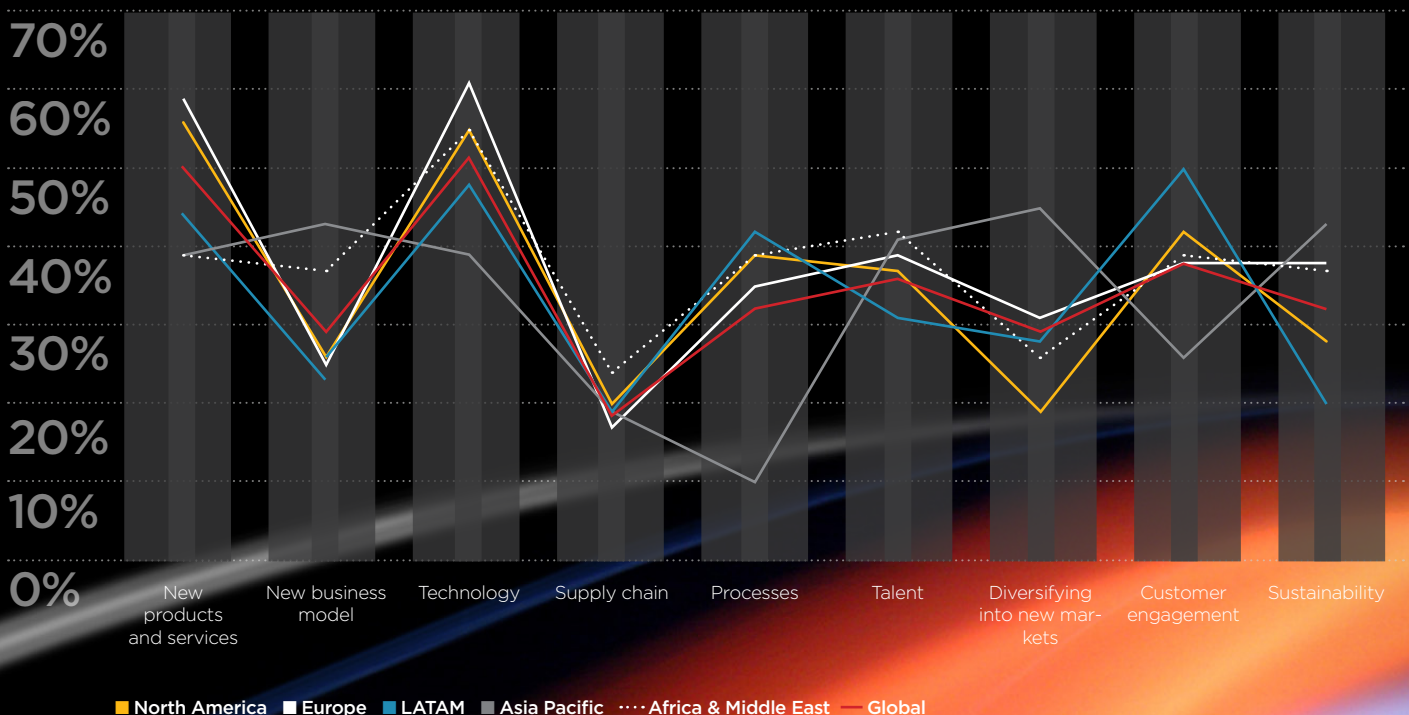
Over half of businesses are focusing their innovation around tech and new products/services. Re-engaging the returning customer base (39%) and elevating talent management (37%) are the other two major targets for innovation, followed by activities around sustainability (33%). Most of our respondents also agree that access to emerging technologies is one of the main enablers for improving innovation capabilities — an idea which we will explore in part four. Yet, European and North American leaders also rank bold leadership nearly as high as access to new technologies, followed by access to customer feedback, new operational knowledge, and big data analytics amongst others. In Asia Pacific, Africa, and the Middle East “diversity of talent” is seen as a more important enabler than leadership or customer knowledge.

The fact that we see many different vectors of innovation is a reflection of how we collectively interpret the essence of being innovative. “Innovation is creativity transformed into something that is valuable for the organisation. So it is the stage of creativity that actually leads to the creation of value for the organisation”, says Dr. Allègre Hadida, Associate Professor of Strategy at Cambridge Judge Business School and Magdalene College, University of Cambridge. Trisha Daho, CEO and founder of Empowered Leadership Cultivation, also highlights that early-stage innovation doesn’t have much to do with technology, rather it is “anything that you can contemplate being better than it is right now”.

Globally, leaders feel confident in their ability to steer their businesses into new directions and their subsequent ability to grow revenue over the next 12 months. Yet, they need to resolve some significant challenges to make their vision a reality. Limited funding, lack of vision, rigid operational structure, and poor quality of data, are named among shortstops to transformative actions.

Figure 2: Technology and new product & service development are top areas of focus for innovation

Q. Where are you focussing your innovation?



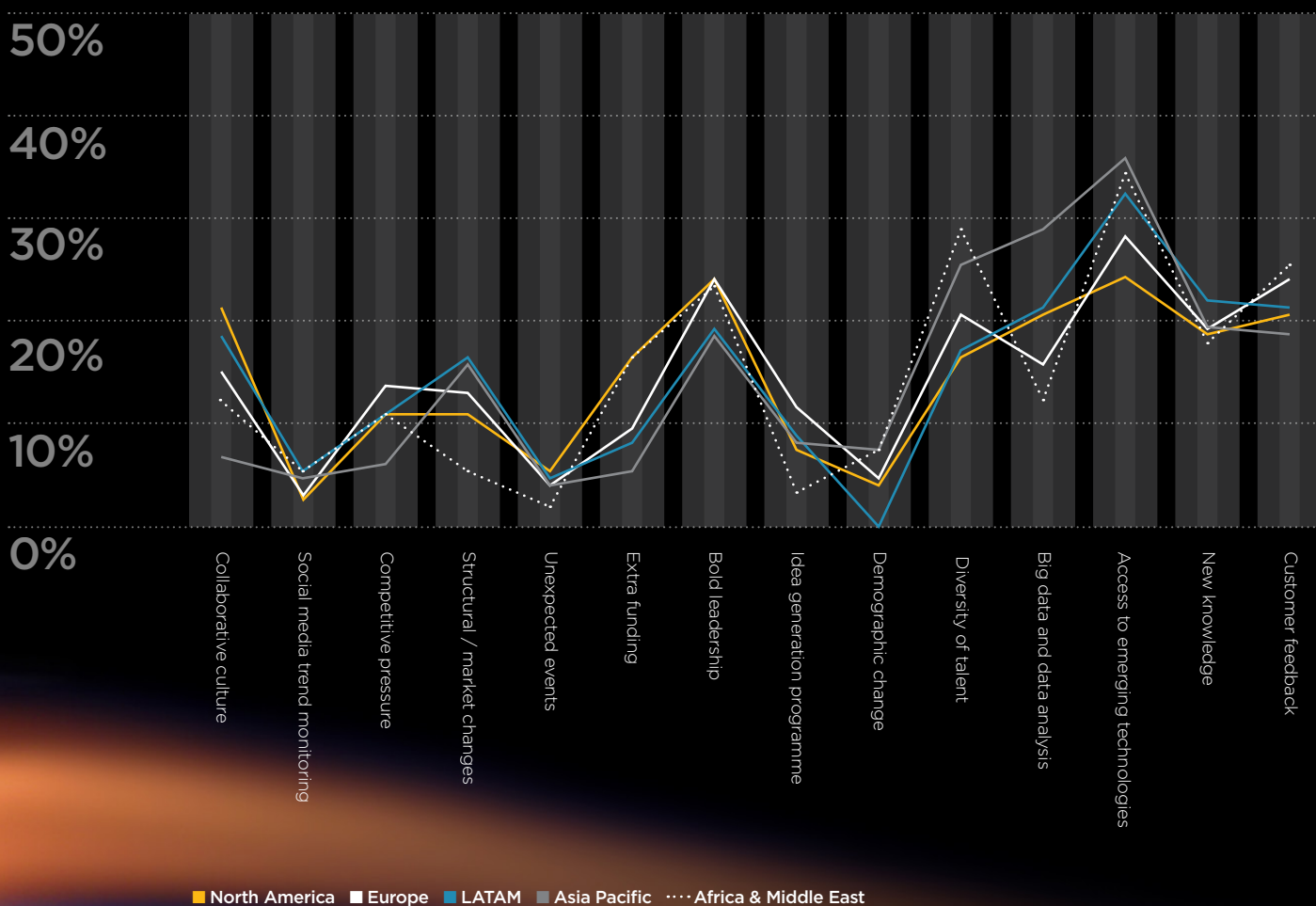
Talent management appears to be a particularly acute issue as organisations already recognise gaps in employees' capabilities and 42% also rank constrained talent acquisition as a risk to their business. This is worrisome as corporate ambitions alone cannot foster people to be innovative on command. "A culture is something that develops from the inside of an organisation. It of course can be influenced by the leadership of an organisation, but it can never be implemented from top down.", notes David Scholz, MBA, an International Business Development and Diversity Consultant, Scholz BDD.

The corporate innovation engine can only run if leaders cultivate a receptive culture, which is a combination of many elements — from structural organisational changes to more diverse hiring practices. "You can bring in great talented people with lots of skillsets, but if you don't have the culture to allow them to innovate, then there's not going to be innovation", says Trisha Daho.

Before businesses can start to leverage their innovation capabilities with an expressed zeal, they will have to overcome three formidable challenges to successful innovation: funding, talent, and culture, which we explore in this year's report.

Figure 3: Access to emerging technologies is key enabler for improved innovation capacity

Q. Please select the top three factors which you think aid your organisation in improving your innovation capacity.



FINDING FUNDS TO FUEL INNOVATION

What prevents wider-reaching business models innovations? Insufficient funding is one of the top-3 barriers cited by our survey respondents. Only a slim majority of 55% have a budget set aside for innovation.

Many industries are on shaky ground as a result of ongoing disruption. Sectors like hospitality, travel, and transportation are behind on the recovery curve as compared to technology, finance, and healthcare among others. Since the global economic prospects remain uncertain, some business leaders understandably feel reluctant to allocate more funds to research & development (R&D) activities.

Among those who do have a dedicated budget, the majority (77%) plan to fund innovation through cash flow. Also, 28% consider debt refinancing and 25% plan to raise equity funding.

But is it a sound idea? Economic uncertainty and inflation are considered top risks to growth this year. These macro-risks could impact both cash flow and the funding costs of debt financing which could prove a challenging inflationary environment for the business leaders who are looking to fund innovation through debt, as well as those who are seeking to raise equity funding.

Yet, only a minority of our survey respondents are exploring creative funding solutions such as government loans (12%), NGO grants (17%), or crowdfunding (11%) to fund their innovation. All of these alternative solutions can help leaders ensure that innovation activities will remain properly funded (and thus completed) despite the changing market conditions and fluctuating cash flow reserves.

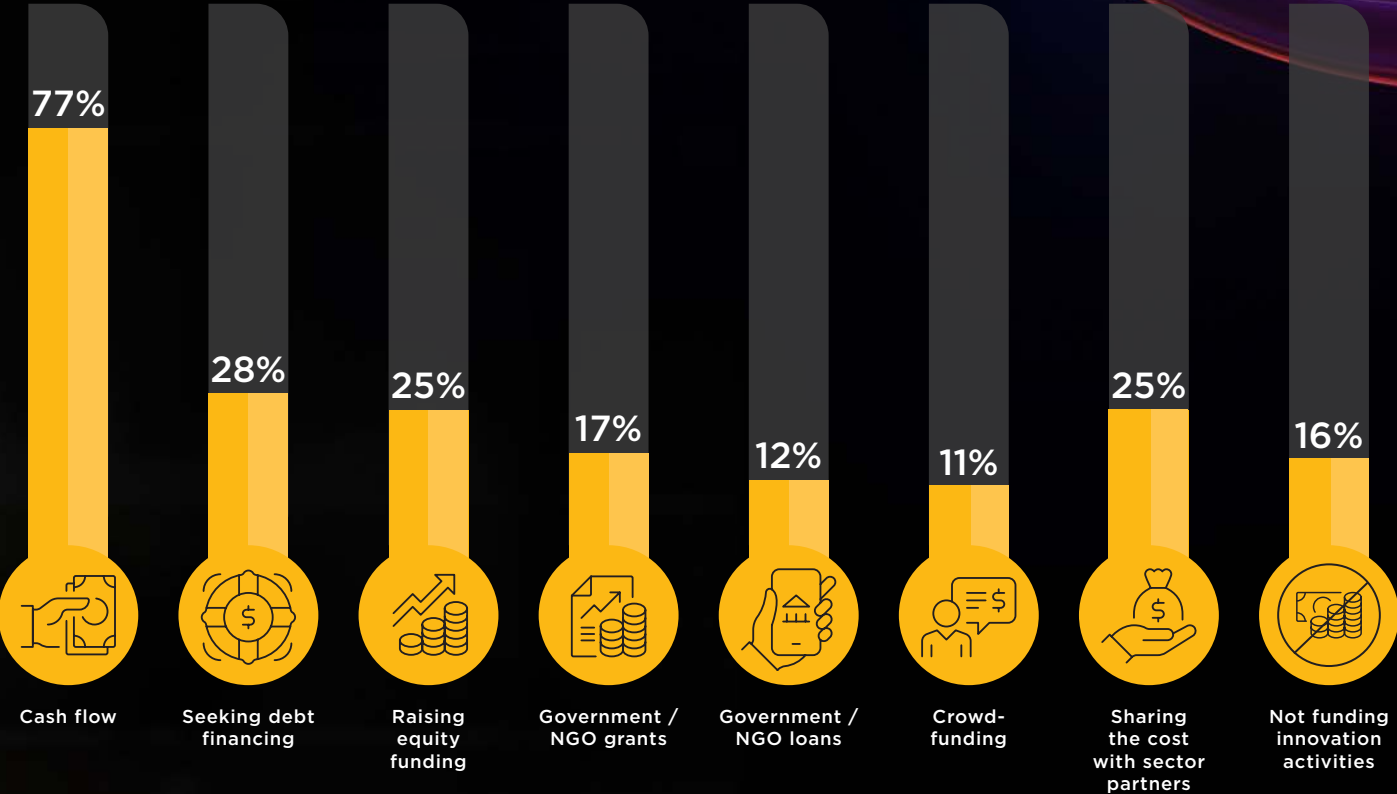
Almost every global government offers support to innovation-minded businesses whether in the form of tax credits or grants. Innovate UK is looking to fund projects related to quantum computing commercialisation (up to £6 million) and industrialisation of the electrified automotive supply chain (up to £1billion).¹ Horizon Europe programme has a total budget of €95.5 billion to be distributed among applicants between 2021-2027. The government of Australia runs an Innovation Connections programme, offering local businesses both operational and monetary support for their projects.

“IF YOU HAVE INSUFFICIENT FUNDING, IT’S PROBABLY BECAUSE YOU DON’T KNOW WHERE TO FIND IT,”

Trisha Daho, CEO & Founder of Empowered Leadership Cultivation

Figure 4: Business leaders are predominantly using cash flow to fund their innovation strategies

Q. How are you funding your innovation strategy?



STRATEGY FIRST — FUNDING SECOND

Whilst funding is indeed a barrier for many businesses, true innovation cannot just be bought. In fact, a lack of funding might actually lead to more imaginative propositions given that teams are forced to think and be creative in different ways. “There are so many amazing examples across sectors and around the world of frugal innovation, doing more with less”, according to Dr. Allègre Hadida who asserts that lack of funding may perhaps sometimes be used as an excuse for business leaders who are struggling to innovate.

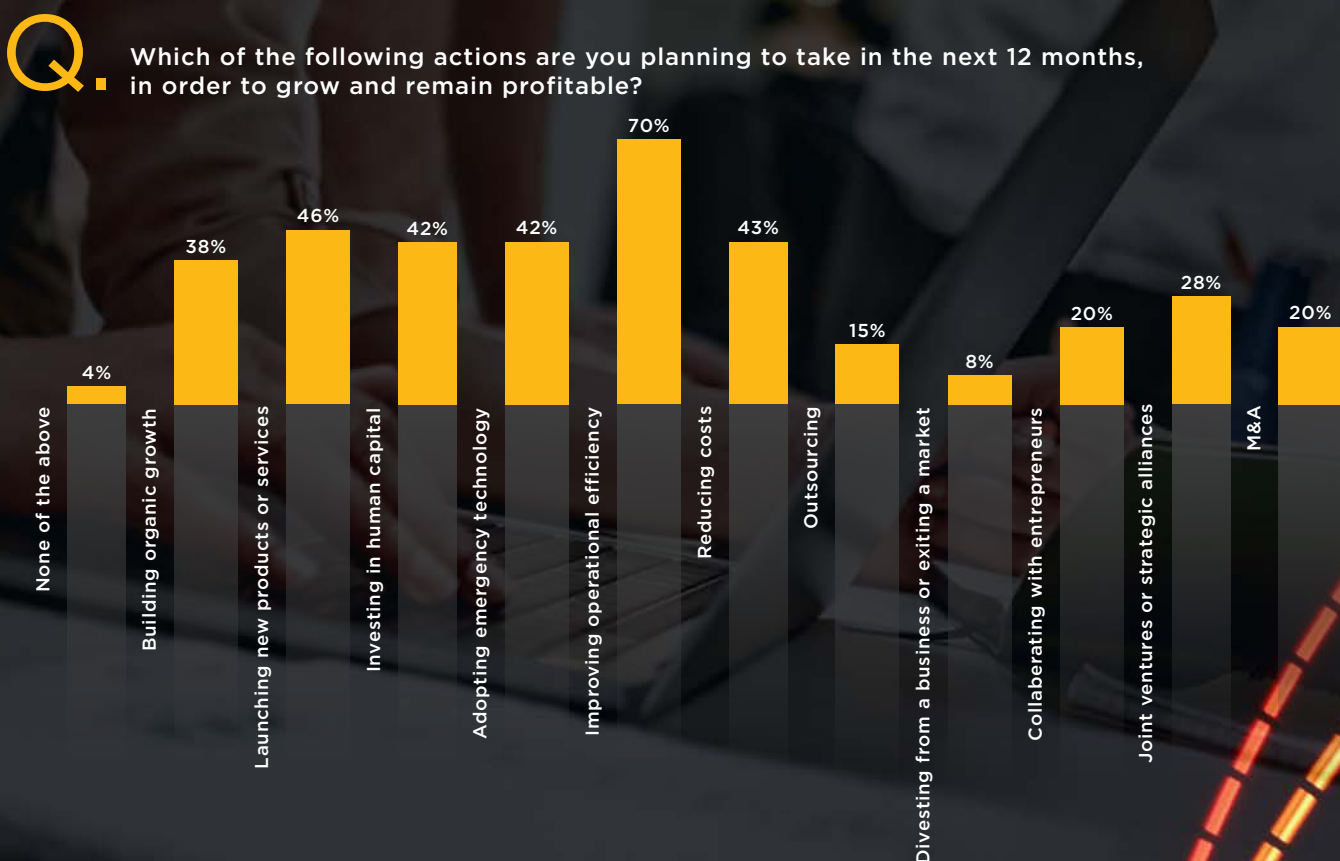
Take the much-affected restaurants as an example. Smaller and larger establishments alike came up with an array of ingenious low-cost practices to fund their operations — temporary outdoor pop-ups, grocery/retailer partnerships, meal kits, jointly-run deliveries, online cooking courses, to-go drinks, pre-sold meal vouchers for post-reopening dining. All these pivots have helped the sector stay afloat during the harshest months then re-enter the markets with more innovative services and some additional revenue streams.

David Sales also agrees that “A lot of innovation can be around the processes of how an organisation works, and driven by the conversations it has with its customers. This does not necessarily cost a huge amount of money. Even for some really technical innovations, it’s the thought process making connections between different disciplines that can often create breakthrough innovation”.

Within the next 12 months new product launches, emerging technology adoption, and human capital investment are among the top-5 planned priorities for growth among business leaders we surveyed. All of these actions require a high degree of innovative thinking.

At the same time, leaders seek to improve operational efficiencies — a strategic priority for 70% of respondents. And 43% are looking at further cost reduction. We are wondering if businesses will be able to simultaneously transition to leaner ways of working and pursue more complex (and cash-intensive) transformations. Given that budgets are mostly controlled by the CEOs and CFOs, how will leaders ensure that the teams on the edge of the enterprise have both resources and “headspace” to perform the core functions and be creative in their work?

Figure 5: Launching new products and services is on the agenda, but leaders prioritise operational efficiency



“DISRUPTION NEVER IS ANYTHING PLANNED FOR, BUT IT CAN CAUSE A CERTAIN FORMAT OF INNOVATION, AND NOW WE’RE AT A STAGE WHERE WE HAVE A UNIQUE CHANCE TO LOOK AT INNOVATION AS A MANAGEMENT PROGRAMME OR FUTURE STRATEGY PROGRAMME.”

David Scholz, MBA, International Business Development and Diversity Consultant, Scholz BDD



QUESTIONS TO ASK YOURSELF ABOUT **FUNDING INNOVATION:**

- Are you considering alternative financing options for innovation such as R&D tax credits, private and public grants, or crowdfunding?
- Do you create opportunities for your team to come up and propose creative ideas for consideration (without directly tying their proposition to costs)?
- How can you avoid rejecting innovative ideas, on the premise that they will “cost money”, rather than “save money”?
- How does your organisation view innovation — as a documented strategy or haphazard evaluation of suggestions, mainly pitched by the leadership?

FINDING INNOVATORS AND RETAINING THEM

People are the second pillar of innovative “capital”. But similar to traditional funding, many leaders struggle to attract and foster the right talent in their organisation. Over a third of business leaders name “capabilities of their people” among the biggest barriers to corporate innovation.

To some extent, this can be explained by limited success in talent acquisition — a top-2 weakness leaders plan to rectify in the next 12 months. Furthermore, the availability of talent is partly a macroeconomic issue that is unlikely to be resolved soon. Demographically, the Boomer generation is retiring, whereas the scale of Gen Y and Gen Z workforce is not enough to replace them. It follows that 57% of our survey respondents cited access to talent as a significant risk to future growth. A more pessimistic prognosis² suggests that by 2030, there may be a global human talent shortage of over 85 million people. Leaders will need to re-assess and refresh their approaches to talent acquisition and workforce management.

Only 53% of business leaders agree that their workforce have the skills they need to support successful innovation, perhaps hinting at some capability gaps in today’s workforce. Indeed, the rapid pace of digitisation placed a greater emphasis on hiring employees who feel comfortable working in hybrid environments and have a proactive attitude when it comes to embracing change and innovation. Identifying and recruiting such candidates is difficult for many sectors.

On the other hand, people struggle to fully realise their potential without a receptive environment. When most of their work is driven by billable hours or other finance-driven KPIs, finding the time to innovate can be hard. Similarly, high levels of inertia, rigid operational structures, and lack of vision are cited as barriers to innovation by a quarter of respondents. Addressing these factors is as important as improving hiring practices.

BUILDING BETTER TALENT SYSTEMS

Talent itself is seen as a focal point of innovation for 37% of global leaders we spoke to. But where do you find it? Oddly enough, remote working through the global pandemic has revealed new hiring opportunities. “[The pandemic] has opened our eyes to the existence of this hidden pool of amazing talent, that due to obliviousness or ignorance, we didn’t know even existed”, notes Dr. Allègre Hadida.

However, it looks like business leaders are not fully grasping the opportunities that remote work is creating. Compared to last year, the level of concerns regarding talent acquisition has almost doubled. In 2021, 26% of leaders identified talent acquisition as a business weakness, worth addressing. This year, 42% share the same sentiment.

Why are we seeing such a mismatch in demand and supply? It may be that leaders aren’t doing enough to attract the right type of people and then provide them with an optimal work environment. Before the pandemic began, many professionals had already felt discontent with their working conditions. Low pay, ongoing stress, lack of proper work/life balance magnified by times ten during the lockdowns is embodied in “the Great Resignation” of talent across sectors.

Great Resignation is a term Anthony Klotz, a psychologist and professor at Texas A&M University, coined to describe the rush of ‘job quitting’ industries have experienced over the past year. Interestingly, the greatest increase in resignation rates of 20% on average³ is among mid-career employees (aged 30-45) — a demographic most employers are after.

“SENIOR PEOPLE OFTEN SAY “MY PEOPLE AREN’T INNOVATIVE ENOUGH”. WE SPEND A LOT OF OUR TIME TRAINING PEOPLE, TEAMS AND ORGANISATIONS TO BE MORE INNOVATIVE, AND TO UNDERSTAND WHAT IT TAKES TO BE INNOVATIVE. IT’S OFTEN THE SYSTEM THAT PEOPLE WORK WITHIN THAT STOPS THEM BEING INNOVATIVE, RATHER THAN THEIR CAPABILITIES PER SE.”

David Sales, Head of Training, St John’s Innovation Centre, Cambridge



As a result, leaders are now facing pressure on two ends – attracting the next generation of talent to join their organisations and retaining current employees, whose morale and engagement levels are on the decline. If your people are leaving, “take a good long look at what your culture is,” recommends Trisha Daho. “[Analyse] how you actually perform the work that you do, the services you provide, your brand in the marketplace. This is the time to really do it and do it for the future firm you want”.

Competitive pay and benefits are no longer the main criteria on which employers will be judged. You may need to ask whether the next generation even wants to represent your brand. Company culture and its manifestations including your purpose, vision, market positioning, and workplace environment amongst other factors, will draw or deter the best minds. Leaders must aim to excel on all of the above in order to attract talent capable of driving innovation.

“If you think of recruiting people – and let’s assume your organisation really wants to recruit and retain talent for enabling innovation – first thing I really want to create or should be wanting to achieve is diversity in my talent,” says David Scholz, MBA. “The more diverse people you bring together are, the more innovative you can be.” Among our survey respondents, 73% agree or agree strongly that diversity of talent is key to improving the organisation’s ability to innovate.

In last year’s survey, 81% of business leaders agreed that a more diverse and inclusive workforce would ultimately improve financial performance. In fact, diverse work groups have proven to be more creative when it comes to problem-solving and strategic thinking – the two qualities necessary for establishing a strong cultural base for innovation. But to attract highly skilled, diverse, and adaptive employees and retain them you will need to ensure that your ways of working are a “fit” for them.

Figure 6: Despite resourcing challenges, leaders believe they can drive more successful innovation



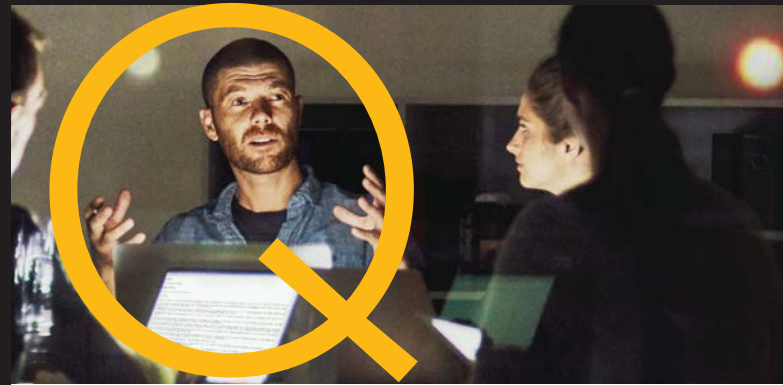
To what extent do you agree with the following statements regarding innovation?



■ Agree ■ Disagree

'YOU CAN BRING IN GREAT TALENTED PEOPLE WITH LOTS OF SKILL SETS, BUT IF YOU DON'T HAVE THE CULTURE TO ALLOW THEM TO INNOVATE, IF YOU KIND OF KEEP THEM IN THEIR LITTLE BOX AND SAY, JUST DO THIS, THEN, THERE'S NOT GOING TO BE INNOVATION.'

Trisha Daho, CEO & Founder of Empowered Leadership Cultivation



QUESTIONS TO ASK YOURSELF ABOUT **WORKFORCE FOR INNOVATION:**

- Does your organisation make the most of new opportunities to recruit talented people enabled by the global transition to remote work?
- Do you have enough resources allocated to strategic Learning & Development opportunities for current employees?
- Is your employer brand and employee experience attracting the right people you need to innovate?
- Does your current work environment and operational structure promote diversity in terms of thought, expression, and recruitment practices?
- What position does talent management occupy in your innovation strategy? How do you ensure that your people are empowered to generate and pursue creative ideas?

ORGANISATIONAL BARRIERS TO SUCCESSFUL INNOVATION

Innovation isn't a one-off pivot or temporary transition to an alternative path during rough times. To bear results, it requires continual, mindful and deliberate action by leaders and employees.

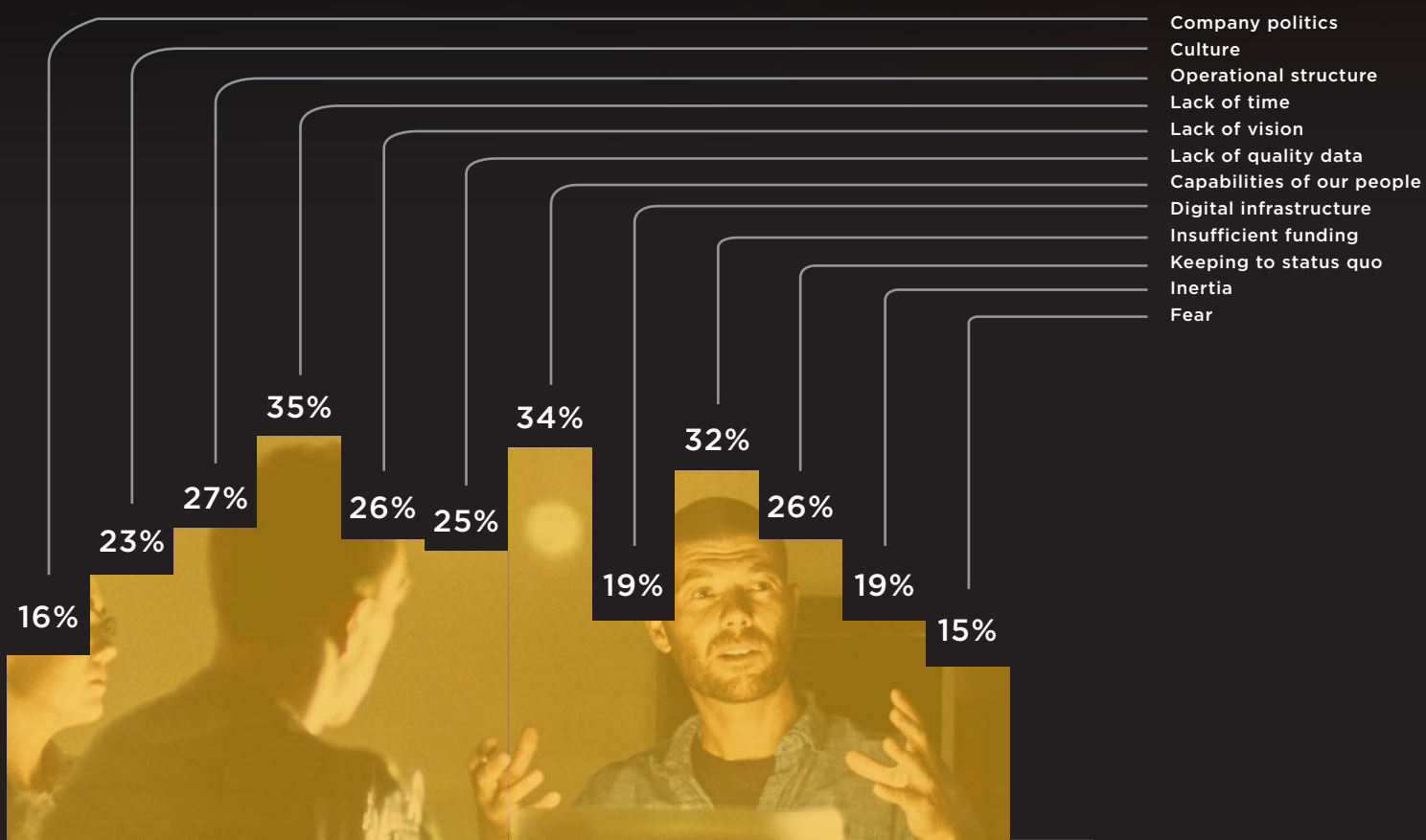
But as industries remain in "fire-fighting" mode, "lack of time" was cited as the third major barrier to innovation by global business leaders. Followed by a range of cultural factors such as lack of vision, desire to keep the status quo, lack of quality data, corporate politics, unsuitable culture, and plain fear of change.

Time is a scarce commodity. But considering that 62% of business leaders agree that they can now innovate with greater speed than in the past, it is curious to see that innovation activities get stalled by timing above all else. According to David Sales "[creating] time is a skill. It's prioritisation. So, I don't think that it is a very different factor from people capabilities and insufficient funding. There's never enough money to do everything you want to do - so prioritise innovation".

Figure 7: Business leaders face several cultural barriers to successful innovation



Select the top three barriers that hinder innovation in your organisation?



“IT’S VERY NATURAL AND HUMAN TO BASICALLY GET BACK TO OUR ROUTINES AND WHAT WE KNOW HOW TO DO BEST, AND ROUTINES USUALLY DO NOT GO WELL WITH INNOVATION. ROUTINES ARE A FORCE OF INERTIA WITHIN THE ORGANISATION. THEY GIVE WAY TO ‘NORMALIES’, TO BAD ORGANISATIONAL HABITS THAT ARE VERY HARD TO BREAK.”

Dr. Allègre Hadida, Associate Professor of Strategy, Cambridge Judge Business School and Magdalene College, University of Cambridge

Understandably, the tendency for leaders and their teams to put things off has been exacerbated by the ongoing challenges of the pandemic. For 55% of business leaders, the consequences of COVID-19 are still a risk to growth, as well as ongoing international trade flow disruptions, cited by 51% of respondents, and changing regulatory landscape, mentioned by 58%. The recruiting difficulties most sectors are experiencing also leave current employees with longer to-do lists and less time for innovative thinking.

With so many stressors, it’s easy to see why leaders fall short on available hours. Still, prioritising the time and conditions for innovation is crucial for performing well on other aspirations leaders have such as improving operational efficiency, launching new products, adopting new technologies and building organic growth.

FINDING TIME AND SPACE FOR CREATIVITY

Creative thinking can happen in open spaces, boardrooms, or during remote meetings. However, to translate to innovation, ideas require support and follow-up action — both from the top and bottom of your organisation. “I do totally agree that we need bold leadership, but in my opinion, innovation can and must work in both directions, top down and bottom up. Innovation channelled in the right way can perfectly work from bottom up,” noted David Scholz, MBA.

Creating those micro-opportunities for innovation is crucial for addressing the persisting cultural and operational barriers. From building better feedback loops between teams for knowledge sharing to providing individuals with more autonomy to challenge the existing processes, company leaders have ample mechanisms to make innovation part of the corporate DNA. “Innovation comes from within organisations, in the sense that you need to create this culture of serendipity, this culture of openness to allow innovation to happen within the organisation”, says Dr. Allègre Hadida.

Anne Boden, CEO of mobile-only Starling Bank, which reached a \$1.9 billion (£1.42 billion) valuation in under 8 years, also believes that innovation strongly correlates with cross-functional collaboration. Often compared to Steve Jobs of Apple for her innovative thinking and demanding leadership style, Boden favours the principles of functional organisations with no standard departments. Instead, she cultivates innovation by having bankers, engineers, and artists work side-by-side on different aspects of the product as cross-functional teams. Then schedule regular internal and customer-facing demos to collect feedback and iterate on findings.

"I think most people don't understand how much of an impact their culture has on their great success or their struggle," notes Trisha Daho. That's an issue leaders will need to address to benefit from other major enablers for innovation – customer feedback, selected by 32% of respondents, big data analytics (29%), and new knowledge (28%). Without proper incentives and encouragement, your people will be reluctant to utilise these mediums or act on their findings. Through small, yet targeted tweaks in organisational practices, leaders can create a cascading effect of cultural changes and unlock the floodgate of innovative thinking.

SPEEDING UP THE INNOVATION CYCLE

As we enter the new growth cycle, the time to innovate is not expanding, it is contracting. Given that 73% of leaders feel confident in their ability to challenge the way things get done in their organisation, the next 12 months will be crucial for exercising this power.

To drive successful innovation, organisations will need to get more agile in how they develop new ideas, implement business model changes, and get new offerings to the market faster than ever before - because your competition also considers themselves to be well-primed for innovation: 65% of survey respondents believe their organisation is significantly more innovative than other companies in their sector.

Despite citing time as a key constraint, 62% of our respondents actually agree or strongly agree that they are able to innovate with greater speed than in the past and 69% agree or strongly agree that market disruption motivates them to innovate.

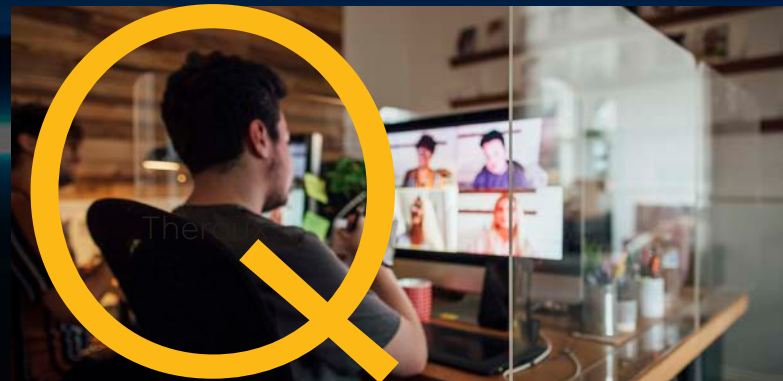
So how can businesses keep up with innovation when they have limited funding, talent, and time? "A lot of innovation can be around the processes of how an organisation works, and driven by the conversations it has with its customers. This does not necessarily cost a huge amount of money. Even for some really technical innovations, it's the thought process making connections between different disciplines that can often create breakthrough innovation" says David Sales. Innovation is backed by softer factors as well, such as openness to experimentation, physiological safety, diversity of thought, and listening attentively to your customers.

Dr. Allègre Hadida also suggests that leaders can battle inertia, resistance to change, and reluctance to pursue novel ideas by "creating a fully embedded temporary organisation, like a project group, that is separate from the rest of the organisation and works on this particular aspect." Then give them the autonomy and resources to explore ideas "outside of the normal remit of your organisation". Such units can operate as internal consulting groups or new product development teams and be motivated through low-powered incentives such as promotions and non-monetary rewards⁴.

Validated learning is another method for enabling lean interaction. This approach assumes measuring your progress in smaller units to rapidly verify if the chosen direction is correct. Originally used as part of Scrum methodology for software development, the practice can be adapted to any type of new product or services creation. The central idea of this method is to launch “beta” or minimal viable products (MVPs) to collect market feedback. Then use the obtained knowledge to refine the development vector and change direction before sinking too much time and effort into an innovative solution.

Sure, emerging technologies that most leaders identified as a core enabler of innovation, are also a significant booster to improving the cadence of experimentation and innovation. Nevertheless, to obtain high returns on tech investments, “you need to be able to incorporate that technology into your company, into your processes, into your strategy, and then develop new stuff”, David Scholz, MBA notes.

To gain the desired warp speed for innovation, business leaders will have to re-assess outmoded processes and collaborative structures. Then re-introduce fit-for-innovation frameworks, backed by cultural and tech transformations.



QUESTIONS TO ASK YOURSELF ABOUT ORGANISATIONAL BARRIERS TO INNOVATION:

- Do your current organisational structures support cross-functional collaboration and provide opportunities for knowledge sharing?
- How do you plan on ensuring that your innovative vision and strategy is disseminated across your organisation?
- What mechanisms do you have in place to stave off inertia, diminish cultural barriers, and encourage employees to challenge the status quo?
- How are you helping your people to find the time and space for pursuing innovation-driven, but non-billable activities?
- What practices do you have in place to promote rapid ideation and testing of innovative propositions?

INNOVATION AND TECHNOLOGY: CONNECTED AT THE HIP

Over the past 18 months, technology has proven to be a transformative force, pushing the boundaries of what organisations had previously thought possible. It follows that 53% of leaders name “technology” and 52% name “new product and services launches” as top focus areas for innovation.

Joint top responses indicate how mutually dependent technology and product development have become. At the same time, 42% of global leaders seek to adopt more emerging technologies to achieve growth in the next 12 months and 44% believes that tech is the main enabler for their innovation. This unanimous focus on technology naturally begs the question about the leaders’ perception of technology. Are they viewing technology as a stepping stone towards more innovative operations or as an endgame of its own?

After all, businesses are still working to establish the optimum mortar for their innovation capabilities. For roughly a quarter of respondents, operational structures and culture remain barriers to innovation. David Scholz, MBA agrees, “[To me innovation is when] you do something that you have been doing before in a completely different and new way”. Dr. Allègre Hadida also views innovation as something that is “not just confined to marketable products and services. It can be innovation in manufacturing or organisational processes. Within the organisation, innovation can also take place in the way we manage people”. In this context, technology is not critical to a truly “Blue Ocean” innovation strategy, according to Allègre, which involves coming up with an “innovation that can completely disrupt and completely change the nature of an industry without necessarily being linked to technology and technological advancement”.

Innovators tend to pay less attention to standard industry practices. Instead of attempting to catch-up with leaders, be it by investing in the same technologies or launching similar products, they seek alternative growth scenarios. Cirque du Soleil is one great example of an industry disruptor, achieving tremendous growth in a seemingly unprofitable industry, without investing in technologies. Trisha Daho also believes that early-stage innovation doesn’t have to do everything with technology, rather it is “anything that you can contemplate being better than it is right now”. So perhaps it’s time to think about how different technologies you already have can be put to better service for innovation.

LINKING TECHNOLOGY TO INNOVATION STRATEGY

The global pandemic has massively changed people’s lifestyles and habits, putting many products and services to the stress test. For savvy leaders, this event presents a great opportunity to reassess their perception of the industry. Then refocus their innovation strategies using technology as a means for value creation across other vectors such as customer engagement (39%), talent (37%), sustainability (33%), and new business models (30%).



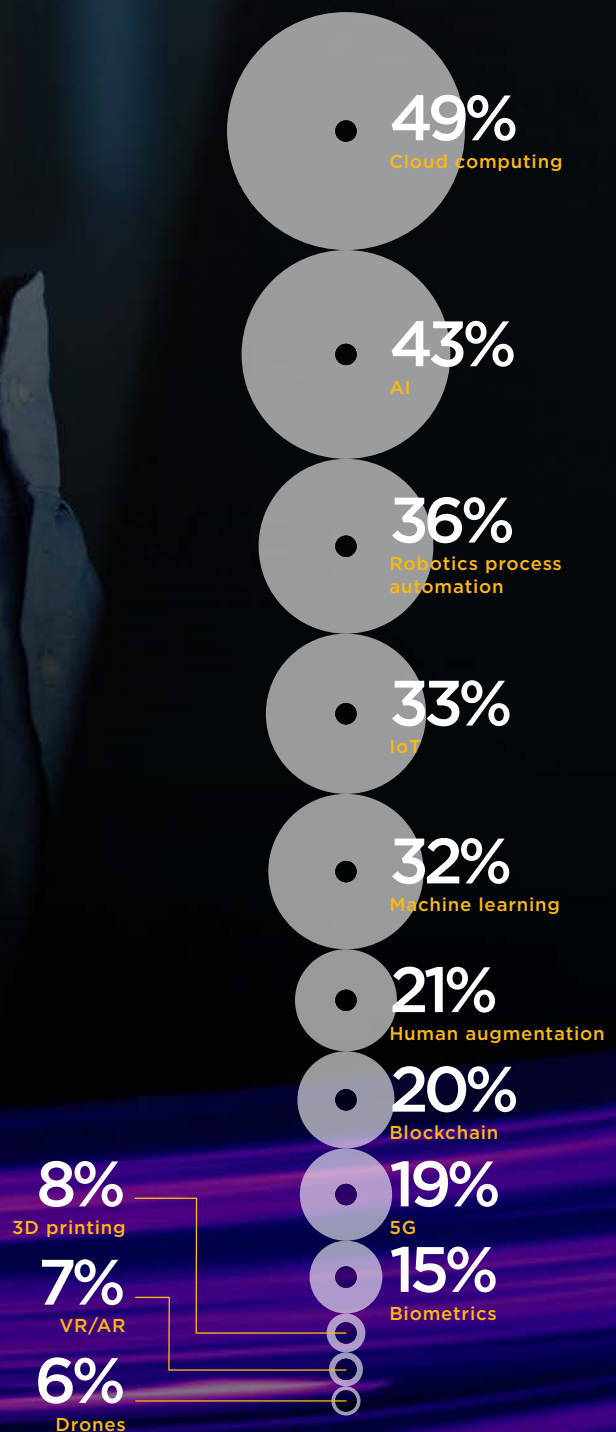
Figure 8: Cloud and AI are the key digital technologies for successful innovation

Q. Which three digital technologies will be the most important in helping you to innovate successfully to contribute to your business’s future success?

Leaders are assessing a wide range of innovation opportunities. As Dr. Allègre Hadida highlights, “there’re so many different nodes in the value chain where we can innovate, without this being immediately visible to the final consumer”. From reinventing the company culture to optimising back-office processes to experimenting with novel materials such as graphene, leaders today have an array of levers to innovate both in the digital and physical realms.

When it comes to digital, 49% of leaders ranked cloud computing as the most important one for achieving future successes. The prioritisation is even higher among respondents who are very confident in their ability to grow revenue in the next 12 months.

That’s understandable given that cloud technologies are powering a bigger bulk of corporate operations compared to pre-pandemic. At the same time, investment rates in emerging technologies traditionally associated with innovation are high as well. Business leaders ranked both AI (43%) and machine learning (32%) as of high strategic importance. That’s a 12% increase compared to last year. The interest in robotic process automation (RPA), the Internet of Things (IoT), and human augmentation also surged significantly.



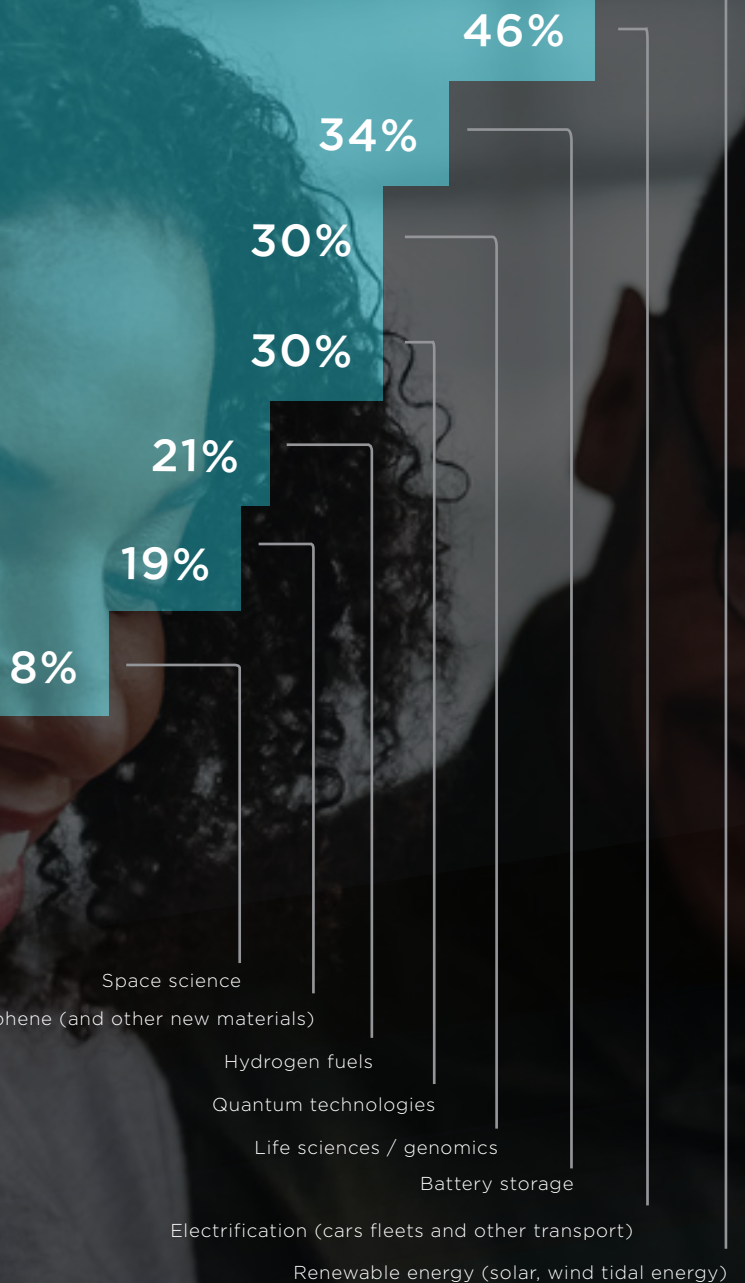


Figure 9: Breakthrough ideas are also popping up in other technological realms

Q. Which three other technological advancements do you think might be most important in helping you to innovate successfully to contribute to your business's future success?

Perhaps business leaders are using these technologies to remove some of the friction which often bogs down ambition plans for innovation? Given the technology selection, that may be the case. The majority of viable-cross industry AI and machine learning use cases are aimed at process optimisation and automation. For example, the insurance sector successfully employs intelligent automation to streamline medical claims processing and underwriting. The two tasks are labour intensive and error-prone. Therefore, freeing human resources from similar chores could help leaders deliver on the two other ambitions — cost reduction and improvement of operational efficiency. Ideally, deploying these technologies will also free employees up for more creative and inventive pursuits.

NON-DIGITAL TRANSFORMATIONS

Digital technologies are a critical component for successful innovation. Yet, businesses are equally vested in non-digital technology advancements since many new break-through ideas, methodologies, services, and products are emerging in other realms of invention

Renewable energy, cited by 61% of leaders, and electrification, named by 46% of respondents, are the two core areas of strategic interest. Battery storage (named by 35%) and hydrogen fuels, mentioned by 21% of respondents are also connected to the bigger theme of investing in more sustainable operations. In our 2021 survey, 77% of leaders saw opportunities to profit in the low carbon economy of the future. It appears that this year leaders are making tentative steps in this direction.

Unsurprisingly, leaders in the energy sector, transportation, and real estate have the highest interest rates in sustainability-related technologies. Though adjacent industries such as food & beverages, agriculture, the financial and technologies sectors are also looking to make their operations more "green" as part of their innovation strategy. Perhaps this is due to the fact that 43% of leaders view environmental factors as a greater risk to their businesses compared to disruptive technologies (36%) this year.

“WE NEED TO BE WILLING TO BE INNOVATIVE. WE CAN'T BE SAFE ALL THE TIME. WE NEED TO TAKE CHANCES, TAKE BETS, TAKE RISKS, BUT WE NEED TO BE MAKING SURE WE'RE DOING THE ANALYSIS BEHIND THE SCENES AS TO WHICH IS THE BEST BET.”

David Sales, Head of Training,
St John's Innovation Centre,
Cambridge

Business leaders today have several avenues for innovation — across technology, product development, talent management, and operational axes — as well as means to implement their ambitions. The imperative now is to ensure that new technology investments become a sustainable base for facilitating a wider range of micro- and macro-transformations within your organisation, which can improve your position on the market.



QUESTIONS TO ASK YOURSELF ABOUT **TECHNOLOGY AS AN INNOVATION ENABLER:**

- How are you deploying new technology investments to support new innovations which lead to continuous value creation?
- Have you considered exploring potential innovation opportunities which are arising from emerging non-digital technologies (such as renewables, electrification, advanced material etc.)?
- Are your competitors (and their technology capabilities) a benchmark for deciding on areas of investment or a counter reference point for exploring different ways of working?
- Do you factor in your operational readiness and operating model when deciding on the new tech investments?
- How do you measure the viability of emerging technologies in relation to your digital and operational maturity?

CONCLUSION: REFINING YOUR RISK RADAR

Having weathered the crisis, business leaders enter the year in high spirits. 73% feel more confident in their ability to innovate compared to pre-pandemic levels. The overall confidence level in future business growth prospects is higher as well — 84% compared to 76% in 2021, despite the challenges around time, talent, or finances.

The combined response to the pandemic of biotech and governments around the globe has shown us just how quickly some enterprises can respond in a crisis. The ability of some businesses and whole sectors to pull off massive and universal programmes of innovation within an extra-short time (from Peloton to Pfizer), has also reinforced their beliefs in their own resilience and innovative potential.

Now it's time to decide which of the emergency measures should become permanent elements of the corporate innovation strategy. "Let's make sure we understand what went on to make us innovative during the pandemic, because in a few months' time, we may have forgotten it," says David Sales.

Even though the initial risks presented by COVID-19 have dissipated, the landscape is still uncertain and other risks can easily derail the companies' tentative progress towards innovation. Economic uncertainty (65%), inflation (61%), cybersecurity issues (57%), and regulatory change (58%) precede the worry about the consequences of the global pandemic.

Given the expanded risk radar, it follows that only 54% of business leaders believe that global growth is likely to increase. Others remain in a more cautionary mindset, which reflects in the actions leaders plan to take in the next 12 months. Cost reduction and increasing operational efficiency are still the two priority areas for 2022.

However, efficiency alone doesn't drive future competitiveness. As societies and economies adapt to living with the coronavirus, attention is now turning to the creation of new market opportunities to drive sustainable long-term growth. To deliver on the set growth ambitions, businesses will need to move away from a focus on preservation and towards more growth-focused activities — be it cultural transformations, improvements in talent acquisition, or further enhancements in digital and non-digital capabilities.

At the same time, leaders will have to keep an eye on external factors, driving the changes in the markets — from macro-factors like inflation, climate, and tax risks to more granular changes in target audience perception of your brand positioning, product pricing, or service quality.

To deliver on the bold target of achieving rapid and effective innovation, which 83% of businesses view crucial for growth, leaders will need to reconcile their inward vision of innovation with outward outputs.

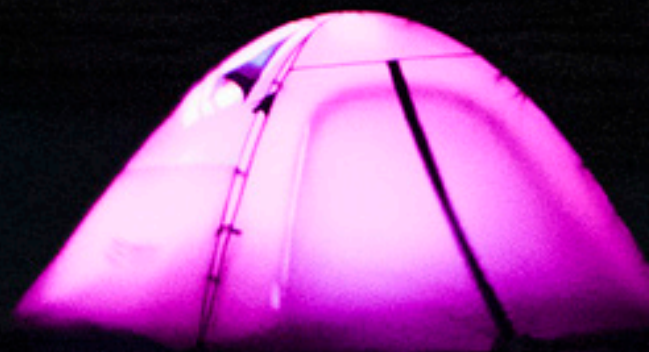


Figure 10: Business leaders remain confident, but new risks are on the rise

Q ■ To what extent do the following risks to your business concern you?

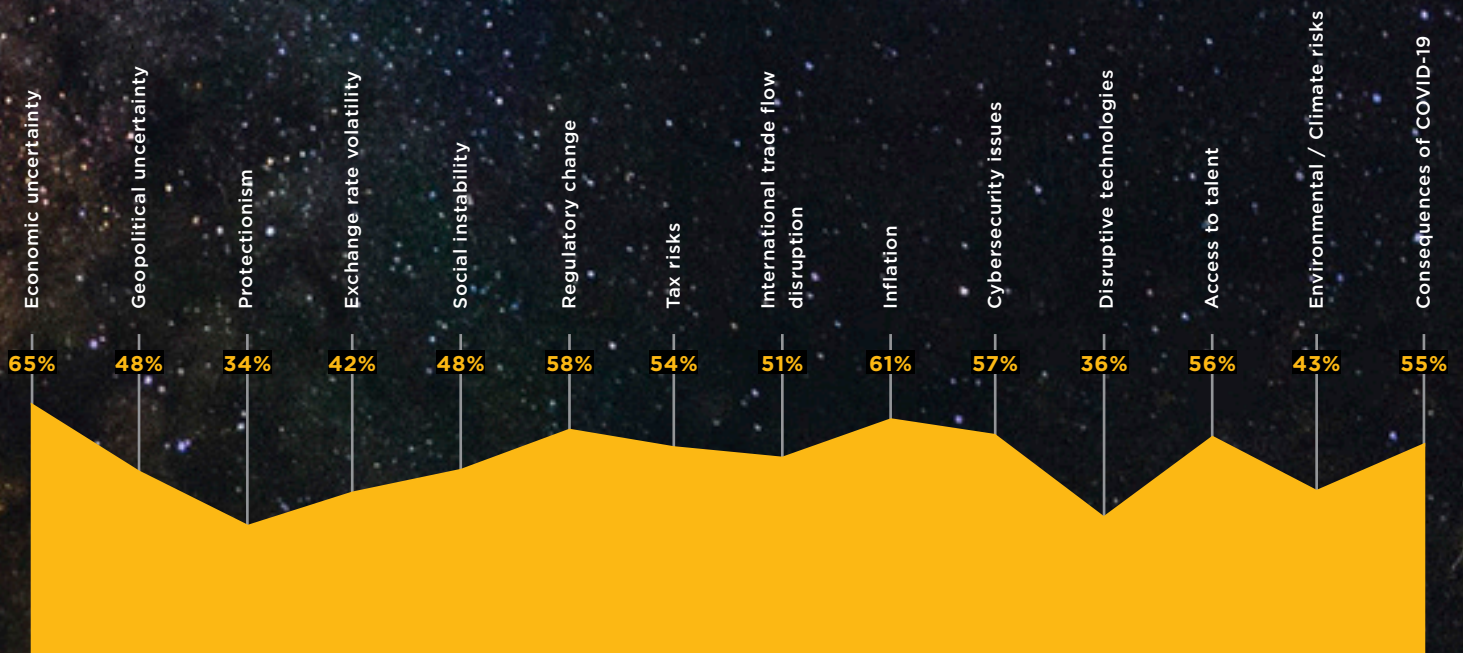
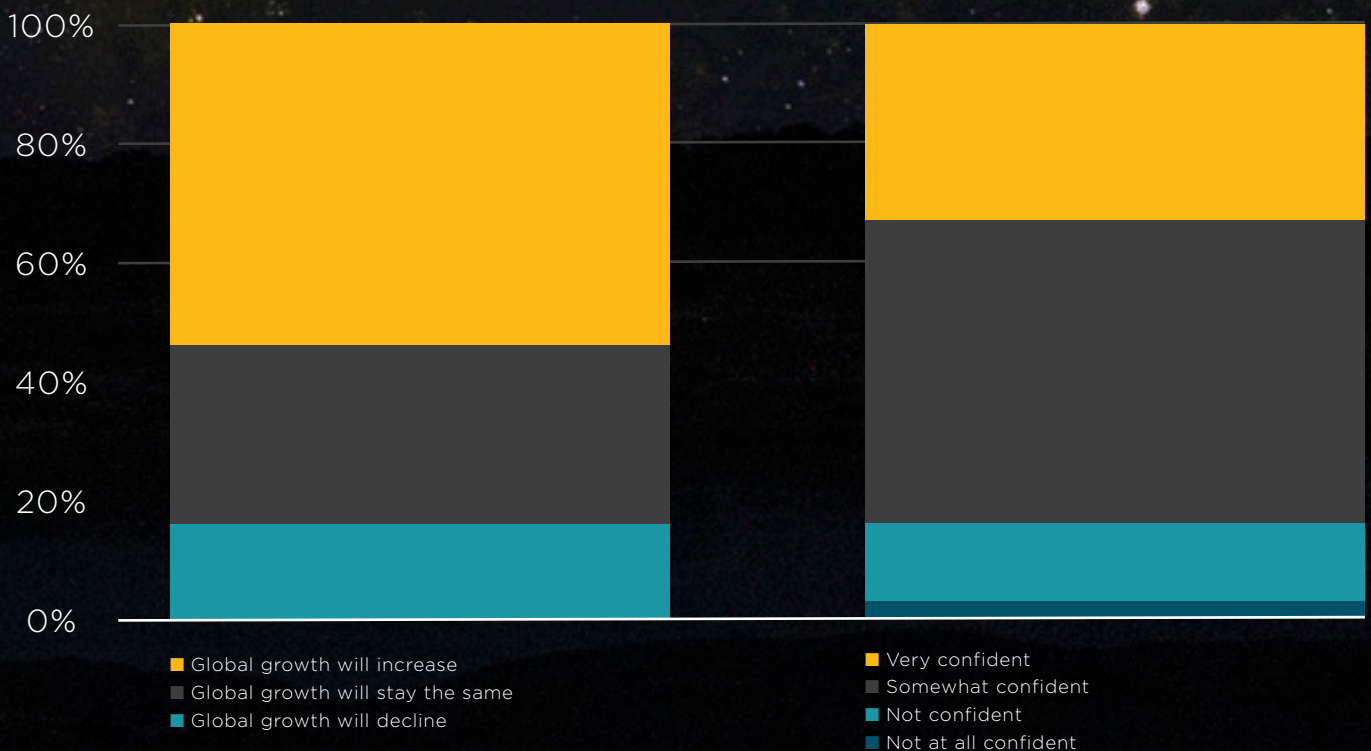


Figure 11: 85% of business leaders are confident in growth in 2022

Q ■ a) Do you believe the rate of global economic growth will change in the next 12 months?
 b) How confident are you about your company's ability to grow revenue over the next 12 months?



RESEARCH METHODOLOGY

Between September and November 2021, HLB has collected 586 survey responses from business leaders across 46 countries and a range of industry backgrounds. Responses were collected via an online survey tool or telephone interview. The research sample was selected and controlled via HLB firms from their CRM data and supplemented with external market responses. In addition to the quantitative data, four in-depth interviews were conducted via video calls with innovation and talent subject matter experts. The base for all figures is 586 unless otherwise indicated.

Note that not all figures in this report sum up to 100% as a result of rounding percentages, excluding neutral responses or when respondents could choose more than one answer.

More data and information about this survey is available upon request. Please contact:

LESLEY HORNUNG

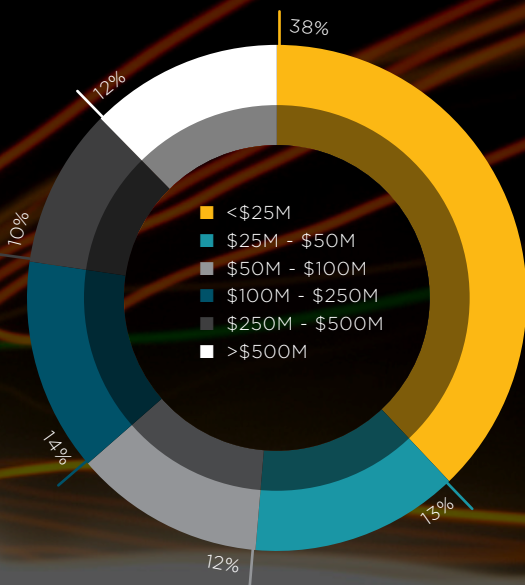
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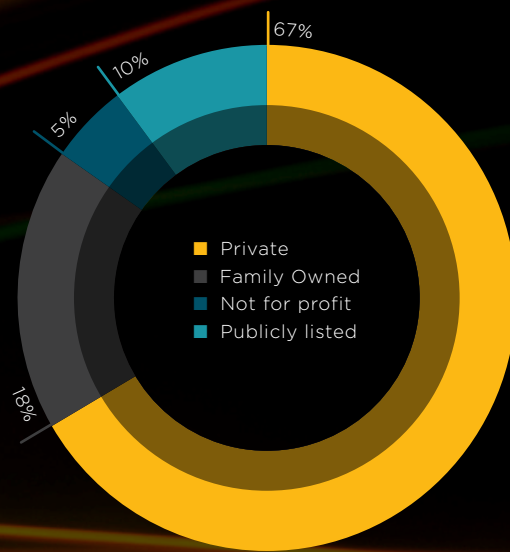
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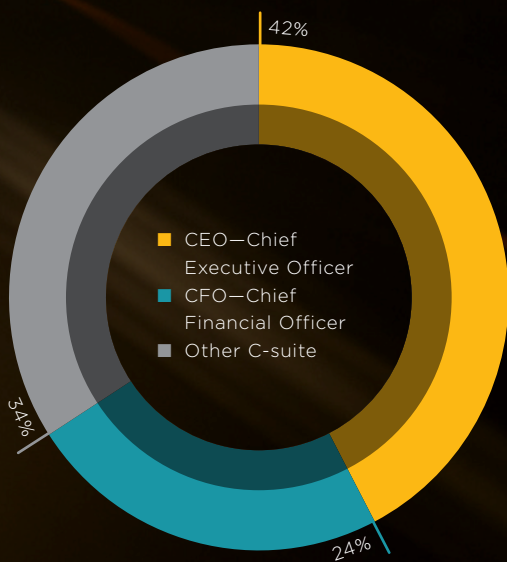
Company size by annual revenue in US\$



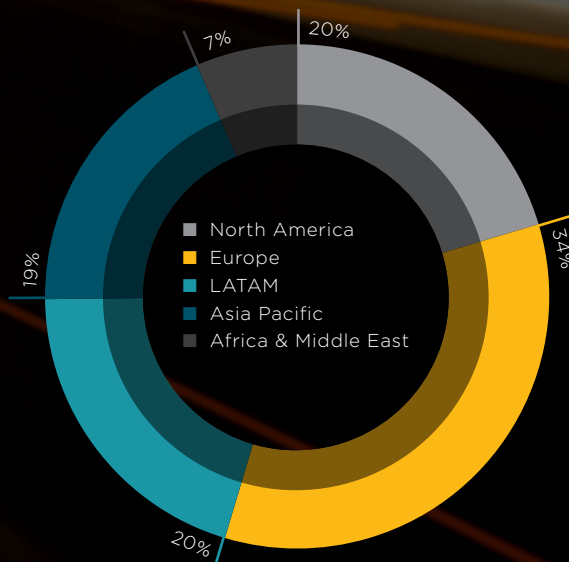
Respondents by type of company



Respondents by title



Company headquarters



IN-DEPTH INTERVIEWS

In addition to the quantitative research, this year we interviewed four subject matter experts on the topic of innovation in business. Each 45-minute interview was conducted in late November, and the final data from the survey was shared with the interviewees for their feedback and perspective on the survey findings.



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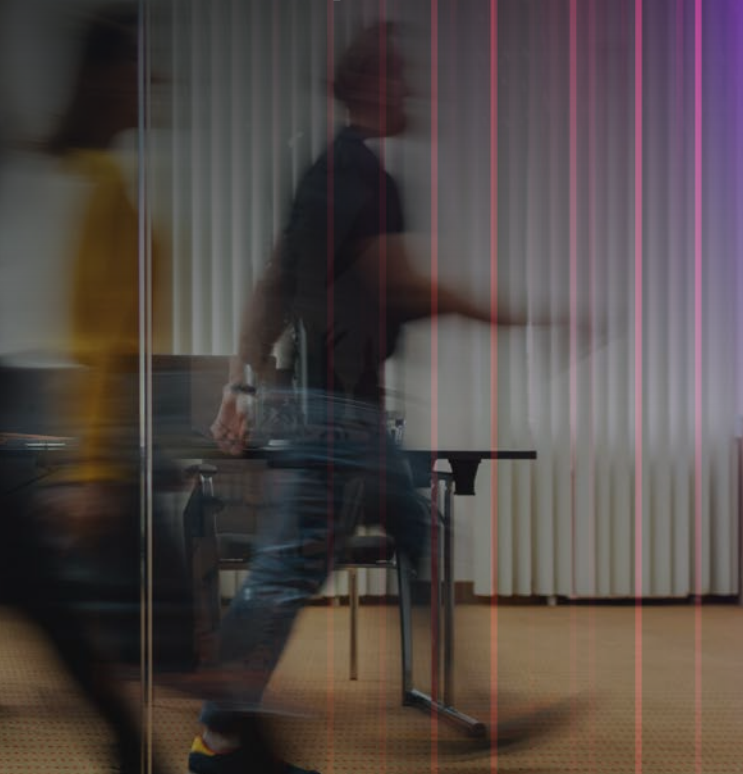
Susanna Spada

Trisha Daho



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