SUMMARY OF KEY FINDINGS
June 2014
Overview

Now in its fourth edition and spanning across 26 countries, the GE Global Innovation Barometer is an international opinion survey of 3,200 senior business executives, all actively engaged in the management of their firm’s innovation strategy.

The largest global survey of business executives dedicated to innovation, it explores how business leaders around the world view innovation and how those perceptions are influencing business strategies in an increasingly complex and globalized environment.
Methodology

The research was commissioned by GE and conducted by Edelman Berland between April 14, 2014 and May 30, 2014. Interviews with the 3,200 senior business executives were conducted by telephone across 26 countries. All respondents are VP level or above and directly involved in their company’s innovation processes. Thirty one percent of those surveyed are at the C-suite level.
2014 Key Findings

This year’s Global Innovation Barometer explored the actions that senior business executives are taking to pursue innovation and shows a majority of leaders are embracing the need to make their business “disruption ready,” adapting to new trends, putting in place new processes and expecting policymakers to support their effort to stay ahead in the globalized innovation race.

1. Disruption Ready: Executives are in search of the new kind of talents, technologies and partners they need for innovation success. Two-thirds believe they need to encourage creative behaviors and must disrupt their internal processes in order to do so.

2. Collaboration: Last year, due to concerns about IP, only 38% were looking to collaborate more. Today, 77% report that the risk associated with collaboration is worth taking, and most are looking to start-ups and entrepreneurs when choosing partners.

3. Big Data: 70% of executives believe that big data is critical to optimize business efficiency, but only one in four feel their company is prepared for it. For those who use big data, 69% see added value to the innovation process.

4. Future Talent: Talent jumps in priority for executives: 79% now say it is critical for innovation success – six points higher than last year. Data scientists are rising in importance as big data becomes more mainstream.

5. External Framework: Executives consistently expect a stable and conducive policy framework for innovating (IP protection, minimum red tape, incentives for innovative companies). They are urging governments to ease the access to key talents and align student curricula with the future needs of business.
Two-thirds of executives surveyed for the GE Global Innovation Barometer believe businesses have to encourage creative behaviors and must disrupt their internal processes in order to do so. They are taking action, embracing the need to transform and adapt to an unprecedented – and at times undefined – reality.

Though many this year confess they have yet to find the perfect business model, most are embracing the adaption to new innovation trends – as well as searching for the new kinds of talent, technology and partners they need to become disruption ready.
The Innovator’s dilemma: foster disruption and protect profitability

64% of executives agree that to be successful when innovating, companies must encourage creative behaviors and disruptive processes.

72% of executives not ready to develop truly innovative solutions that could harm the profitability of their core business in the short term.
Of top three priorities identified for innovation success, businesses report moderate performance

- To understand customers and anticipate market evolutions: Identify as Critical Priority - 84%, Report Company Performs Extremely Well - 38%
- To attract and retain the most talented and skilled individuals: Identify as Critical Priority - 77%, Report Company Performs Extremely Well - 32%
- To quickly adapt and implement emerging technologies: Identify as Critical Priority - 66%, Report Company Performs Extremely Well - 39%
To address performance gap, majority of executives embrace the need to disrupt old models.

64% are convinced that businesses have to encourage creative behaviors and disrupt their processes more.

Emerging markets more open to disrupting their business models:
- Mexico: 87%
- Turkey: 87%
- Brazil: 86%

While some more established markets are not:
- Germany: 54%
- Japan: 49%
- South Korea: 41%
Several forces are shaping how executives approach innovation, creating opportunities for both internal and external disruption.

These forces are:

- Collaboration
- Big Data
- Industrial Internet

Though they are at different stages of acceptance, businesses that have made early moves in each are already seeing positive returns in value to the innovation process.
Collaboration: gaining traction and providing value to the innovation process

Collaboration is now seen as a revenue-driver and risk worth taking – with start-ups and entrepreneurs the most desired partners.

- **2013 Barometer**
  - 38% of executives wanted to strongly increase their collaboration with others to innovate
  - 64% said that IP protection was a major concern

- **2014 Barometer**
  - 77% of executives see collaboration as a risk worth taking
  - 64% have seen revenue increase as a result of collaboration
  - 85% say that collaboration with start-ups and entrepreneurs will drive innovation success
Collaboration: some markets seeing big return on efforts taken

Turkey, Canada and Japan have seen significant jumps in revenue generated from collaborative activities compared to last year. Meanwhile, South Korea has seen revenue slow down.
Big Data: companies that move from interest to implementation see positive ROI

- 70% believe big data is critical to optimize business efficiency.
- 47% of companies increased their big data and analytics capabilities over the last year.
- 69% of those that increased their analytics capabilities report increased value in the innovation process.
- But only 1 in 4 is prepared for it.
- 94% say big data is more than a buzz word.
Industrial Internet: still emerging as a concept, but those who are aware believe it will drive innovation

Most who are aware of the Industrial Internet believe it drives innovation

56% have heard of the Industrial Internet

50% believe the Industrial Internet will drive innovation

88% of those who are familiar with the Industrial Internet expect it will have a positive or neutral impact on employment in their countries
Talent becomes even more of a priority for executives but few believe they are excelling at attracting and retaining it.

Forces such as collaboration, big data and the Industrial Internet are shaping the future of work. Individuals who can understand both their industry and the associated analytics – and can reorganize the business to take full advantage of emerging trends – will be in high demand.
Talent top of mind for executives, but posing real challenge to business

79% of global respondents believe talent is a crucial asset for successful innovation
...6 points higher than last year

32% of executives who see talent as crucial believe they excel at attracting and retaining it

57% of businesses report that the lack of talent and skills is harming their ability to innovate
Executives seeing new talent needs emerging, specifically around analytics

Business are looking for those who can harness the power of analytics to guide strategic business decisions.

84% of executives believe it is critical to understand customers and anticipate market evolutions.

72% of those who implement analytics driven models report that data scientists have a very strong influence and authority in their company.
Most are spreading innovation talent throughout the business rather than in specialized, external teams.

In terms of organizational design, it is best to position innovation teams and activities:

- **Global**
  - 68% inside existing lines of businesses and structured teams
  - 32% outside in a specialized and dedicated innovation/research centers

- **Japan**
  - 65% outside

- **South Korea**
  - 46% outside

- **High-tech/IT**
  - 38% outside

High-tech and IT industries, as well as some Asian markets, more open to an outside model.
Executives are increasingly looking to governments to create an innovation-conducive environment. Yet many feel that the hurdles to take advantage of existing opportunities are excessively high.

Especially in emerging markets, a nation-agnostic approach is arising, as businesses expect public procurement to favor the most innovative solutions, even if they come from foreign-based companies.
**High expectations exist for governments to support innovation activities**

Executives expect governments to provide a framework to support top drivers of innovation.

<table>
<thead>
<tr>
<th>Critical Business Priorities to Drive Innovation</th>
<th>Top Business Expectations for Government Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Agility</td>
<td>87%</td>
</tr>
<tr>
<td>Fight bureaucracy and cut red tape</td>
<td></td>
</tr>
<tr>
<td>Collaboration</td>
<td>86%</td>
</tr>
<tr>
<td>Ensure business confidentiality and trade secrets are adequately protected</td>
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<tr>
<td>Talent</td>
<td>85%</td>
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<td>Better align student curricula with the needs of business</td>
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Expectations on policy makers particularly high in emerging markets

Innovation executives identify 4.1 priorities out of 12 as critical to address on average

Average number of critical priorities per country out of 12 priorities

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Critical Priorities</th>
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<tbody>
<tr>
<td>Algeria</td>
<td>6.0</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.5</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>5.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.2</td>
</tr>
<tr>
<td>Poland</td>
<td>5.1</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.1</td>
</tr>
<tr>
<td>Russia</td>
<td>5.0</td>
</tr>
<tr>
<td>Nigeria</td>
<td>4.9</td>
</tr>
<tr>
<td>China</td>
<td>4.8</td>
</tr>
<tr>
<td>KSA</td>
<td>4.6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.5</td>
</tr>
<tr>
<td>Italy</td>
<td>4.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4.1</td>
</tr>
<tr>
<td>India</td>
<td>4.0</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.8</td>
</tr>
<tr>
<td>Germany</td>
<td>3.5</td>
</tr>
<tr>
<td>USA</td>
<td>3.4</td>
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<tr>
<td>UK</td>
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<tr>
<td>Australia</td>
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<tr>
<td>UAE</td>
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<tr>
<td>Canada</td>
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</tr>
<tr>
<td>Israel</td>
<td>2.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.6</td>
</tr>
<tr>
<td>Japan</td>
<td>2.5</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.4</td>
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</table>
SMEs and start-ups most likely to be seen as innovation champions, with multinationals a close third

When asked who is driving innovation most in their country, executives say SMEs first.
But government support to SMEs largely seen as insufficient

When asked if public authorities do NOT support SMEs in their innovation efforts enough, 61% say no – but with clear country stand-outs.
U.S., Germany and Japan considered top global innovators

U.S. in clear lead when it comes to perception around innovation leadership.

Exit: Netherlands, Canada
Top ranked countries are also seen as having most innovation-conducive environments.

- **USA**: 88% leading innovation champion, 35% possess innovation-conducive environment
- **Germany**: 84% leading innovation champion, 16% possess innovation-conducive environment
- **Japan**: 82% leading innovation champion, 12% possess innovation-conducive environment

Comparing to other markets, the USA is the leading innovation champion, followed by Germany and Japan.
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