

RESEARCH

Benchmarking Innovation Impact

2023

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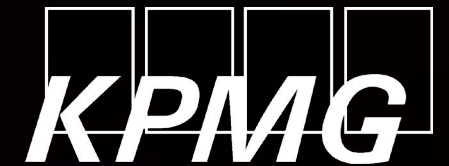


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Welcome

At KPMG LLP, we are pleased to have sponsored – for a third year – InnoLead’s benchmarking research.

This report is designed to provide a definitive innovation benchmarking document for leaders in strategy, R&D, design, and other innovation roles inside large organizations. It includes survey data, interviews with senior executives, and perspectives from KPMG leaders. It provides a variety of ideas and considerations for those seeking answers to key questions every innovation leader and C-Suite executive should be asking, such as:

- How do we help to ensure that our innovation teams are set up for success?
- What can we do to build our innovation capabilities for the future?
- How does our innovation team compare to innovation teams at other companies?

To help meet these challenges, this report provides you with a meaningful understanding of some of the timeliest topics related to innovation: Budget and Resources, Collaboration and Spaces, Focus and Activities, Challenges and Enablers.

To help you assess your own innovation efforts and progress, and consider new ideas, the report provides:

- **Benchmarking data:** Survey results and analysis on what your peers have been doing (or not doing) between 2020 and 2023.
- **Innovation perspectives:** Commentary and points of view from innovation leaders at a wide range of companies.
- **KPMG insights:** Points-of-view based on what KPMG has done, and suggestions you can consider implementing at your organization.

We encourage you to become familiar with this content, use it as a reference, example, or even inspiration. We hope that this information will enable you to make a greater impact at your company and provide you with the confidence you need to invest in the right things, at the right time, to make a meaningful difference in the future of your organization.

– Cliff Justice
U.S. Leader, Enterprise Innovation
KPMG LLP



Executive Summary

How do you set up innovation teams for success? And how can those teams create quantifiable impact for their organization?

Those are the key questions we explore in this report (and in three prior editions.) Our goal is to arm you with data, corporate perspectives, and insights from our sponsor, KPMG LLP, that can help you refine your approach — even one that is already working — to deliver big results. We collected 216 qualified survey responses from professionals working predominantly in innovation, research and development, and strategy roles, and conducted eight interviews with senior leaders at companies across a wide range of industries, including Colgate-Palmolive, Mastercard, NASCAR, and Entergy, the New Orleans-based utility operator. All of the survey data was gathered in Q4 2022, and the interviews were conducted in Q4 2022 and Q1 2023, at a moment when many companies were still navigating decisions related to how they would use physical spaces to support innovation activity; absorbing predictions about a potential recession; and finalizing plans for 2023.

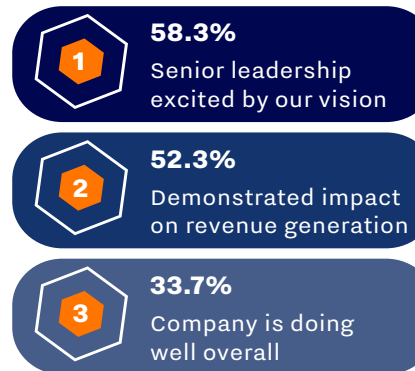
In this report, we used an airplane's cockpit as a visual metaphor. Most big companies operate like airlines: they seek efficiency, reliability, safety, and profitability. Most innovation groups inside them are trying to discover potentially appealing new destinations, find new kinds of customers, design and test different aircraft, and rethink the boarding process. All can potentially create significant value — but in turbulent times, there's always the temptation to throttle back on all that newness and exploration. What we found in our surveys and interviews was that in 2023, innovation survives if there is a clear vision; quantifiable metrics and outcomes; a culture that can make decisions and allot resources without getting embroiled in

politics and turf wars; and strong relationships throughout the organization.

GETTING LEADERSHIP EXCITED ABOUT THE VISION

Perhaps the most useful two questions in our survey were about the factors that help innovation groups attract additional resources (money and people), and the key enablers of innovation success. The two factors that rose to the top of the list are that senior leaders are excited about the vision — likely because it aligns with strategic themes, or paints a picture related to future growth opportunities — and that you've demonstrated the ability to generate new revenues. The third factor to getting additional resources: the company's overall financial health.

Factors That Attract Additional Resources



For several years now, we've asked a question about what underpins successful innovation, and leadership support consistently tops that list, followed by the ability to test, learn, and iterate, and assembling a team with the right mix of talent.

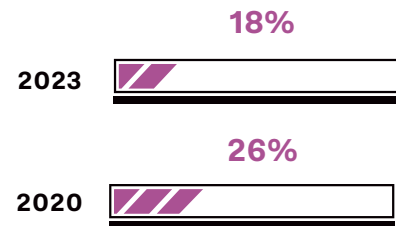
Another consistent response from our survey respondents: the strongest headwinds that innovators face in large organizations are politics, turf wars, and lack of alignment; cultural issues; and the inability to act on market signals crucial to the future of the business.

WHAT IS THE RIGHT MIX FOR YOUR ORGANIZATION?

One of the biggest headlines of this report is that the amount of time and resources being devoted to transformational — or Horizon 3 — activity is dropping, relative to

the two most recent times we've gathered data (in 2019 and 2020). More resources are being applied to incremental work (improvements to existing products and processes) and adjacent work (designing new offerings or enhancements that are 'near neighbors' to today's business). That shift may be the result of a "fire alarm" mentality that has consumed many organizations over the past three years, as they've had to respond to COVID-19, new sustainability goals, supply chain disruptions, war in Ukraine, inflation, tight labor markets, etc. For every organization, it's important to think through the right mix of activities that you should be pursuing to meet overall growth objectives, ensure that the new product pipeline is healthy, and that you are investing sufficiently to understand market changes, emergent customer preferences, and new technologies that could be important to your business in the years ahead.

A Downshift for Transformational Innovation



relative to the pre-pandemic period. Forty-one percent say it is about the same, and 43 percent say their teams are more productive. Those seeing a decrease note that they have less access to senior leadership, fewer opportunities for spontaneous interactions, and a "loss of creativity" from too many structured meetings.

The two activities we found innovation and R&D groups to be most commonly offering to their colleagues were innovation training, and internal idea challenges.

CREATING A NEW CONTEXT FOR INNOVATION

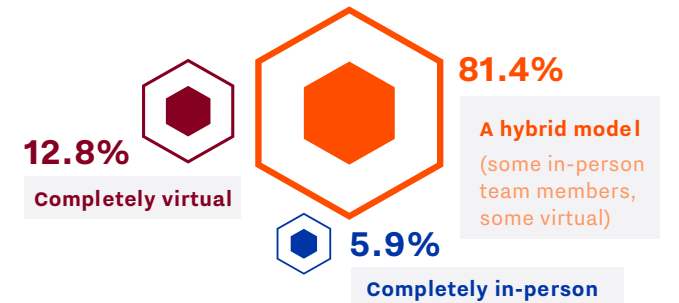
The vast majority of our survey respondents (81 percent) say that they work in hybrid mode with their teams. Not everyone is convinced they are getting better productivity: about 15 percent of respondents say productivity has decreased,

Innovation labs and collaboration spaces are still in flux. Nearly 57 percent of respondents say their company has at least one, and of those, half are being used multiple times a week. But more than one-third of these spaces are being used infrequently: once a month, rarely, or never. An equal number of respondents (9 percent) say that they previously had a dedicated innovation space that has been closed, or that they are now considering setting one up. As with most physical office space in 2023, setting up a cadence of activities and gatherings that can cross functional silos, or bring in outside experts and executive leadership, is key. That can create interactions, sparks, and even prototypes that likely would not emerge from virtual meetings.

HOW TO USE THIS REPORT

As with all surveys, the data you'll encounter in the pages ahead paints a picture of an average respondent. How does your organization and team compare to these averages? Are you confronting the same challenges — or lacking a key component of support? Innovation, R&D, new product development, and related activities should be periodically evaluated with a clear eye, to understand what is delivering value, what is simply consuming time and money, and what opportunities you may be missing. We hope this report will help you continue to build your innovation capabilities and move your organization forward.

Collaboration Model



1. ABOUT THE TEAMS

7 REPORTING STRUCTURE

8 TEAM SIZE

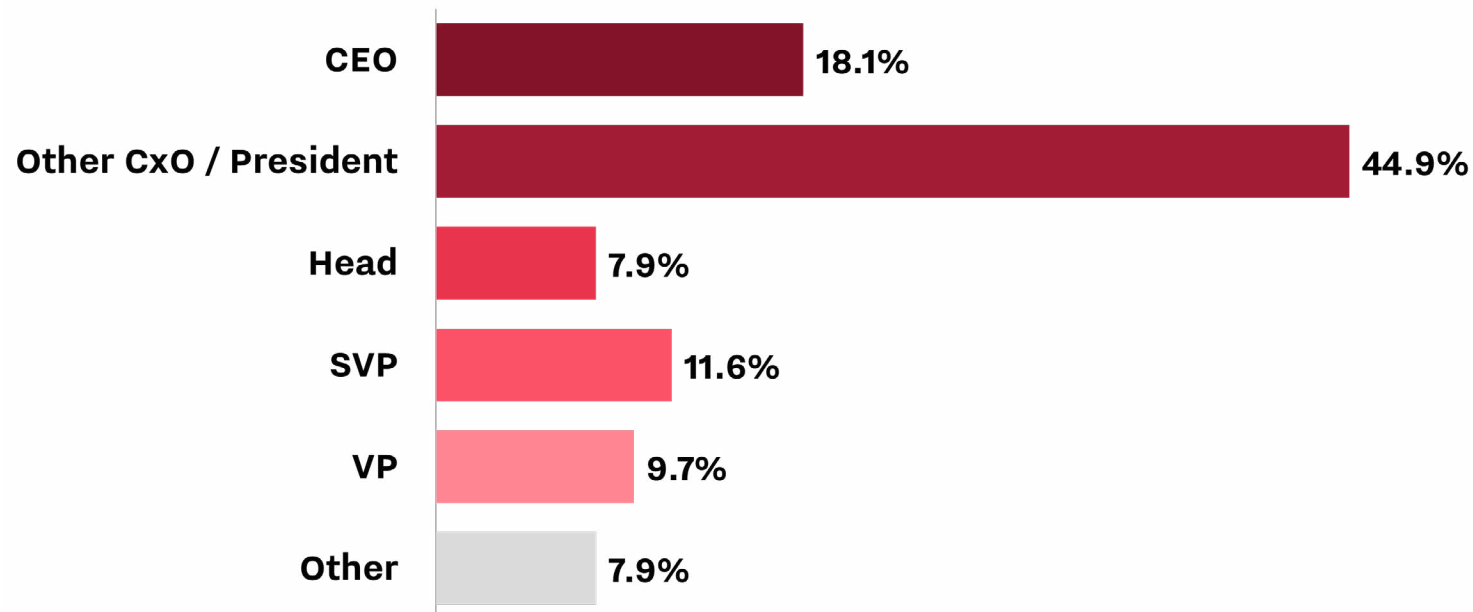
9 HOW LONG TO FILL ROLES

10 EMPLOYEE TURNOVER

11 2023 EXPECTED TEAM GROWTH

12 INNOVATOR PERSPECTIVE: NASCAR

To whom does your team report?



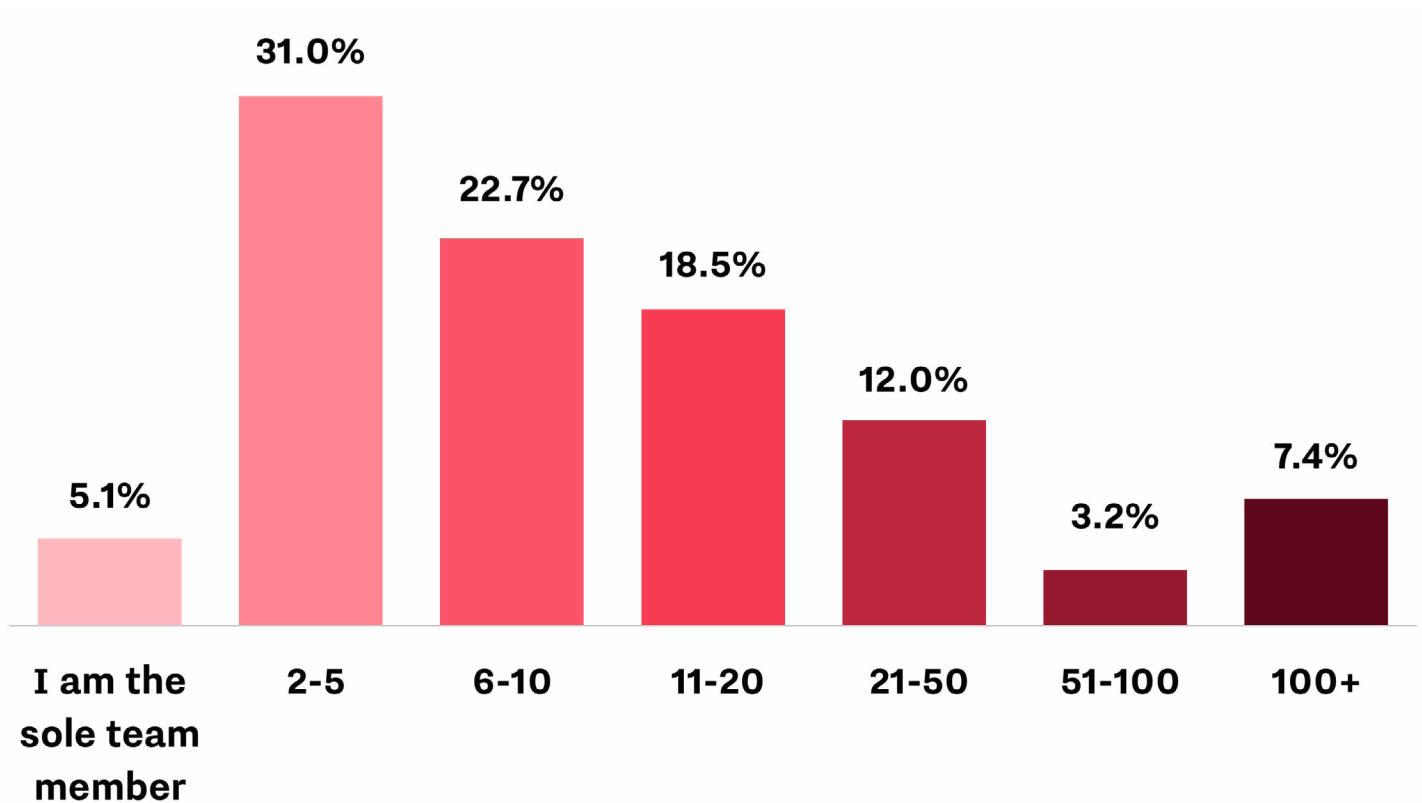
The plurality of our respondents (44.9 percent) are reporting to a C-level leader other than the CEO, or to a President.

The most common C-level leaders mentioned were Chief Technology Officer (11 percent), Chief Innovation Officer (9 percent), Chief Strategy Officer (7 percent), and Chief Operating Officer (6 percent.)

Underneath the Head title, we found teams reporting to the Head of Global R&D, Head of Engineering & Manufacturing Excellence, Head of Digital, and Head of Information & Automation.

How many employees are on your team?

Nearly 60 percent of our respondents are working with a team of 10 or fewer people. Generally, companies that report more than 100 employees devoted to innovation work are including employees in long-established groups like R&D or advanced development. In that 100+ group, respondents represented industries like automotive, pharmaceuticals, and consumer goods and products. Interestingly, those respondents with large teams were more bullish than our average respondent that their teams would grow in 2023 (63 percent versus 43 percent.)

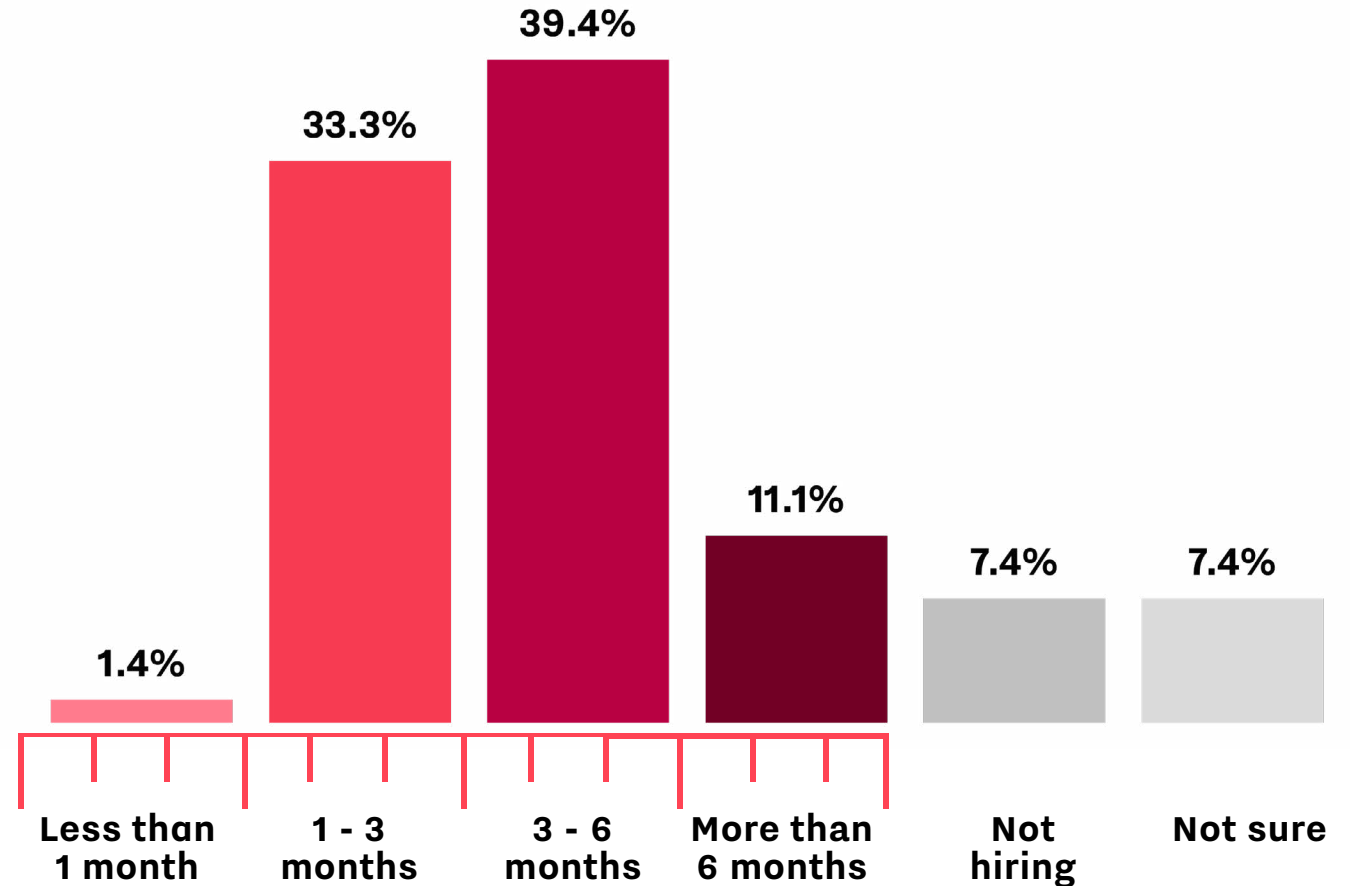


How long does it typically take you to fill a role on your team?



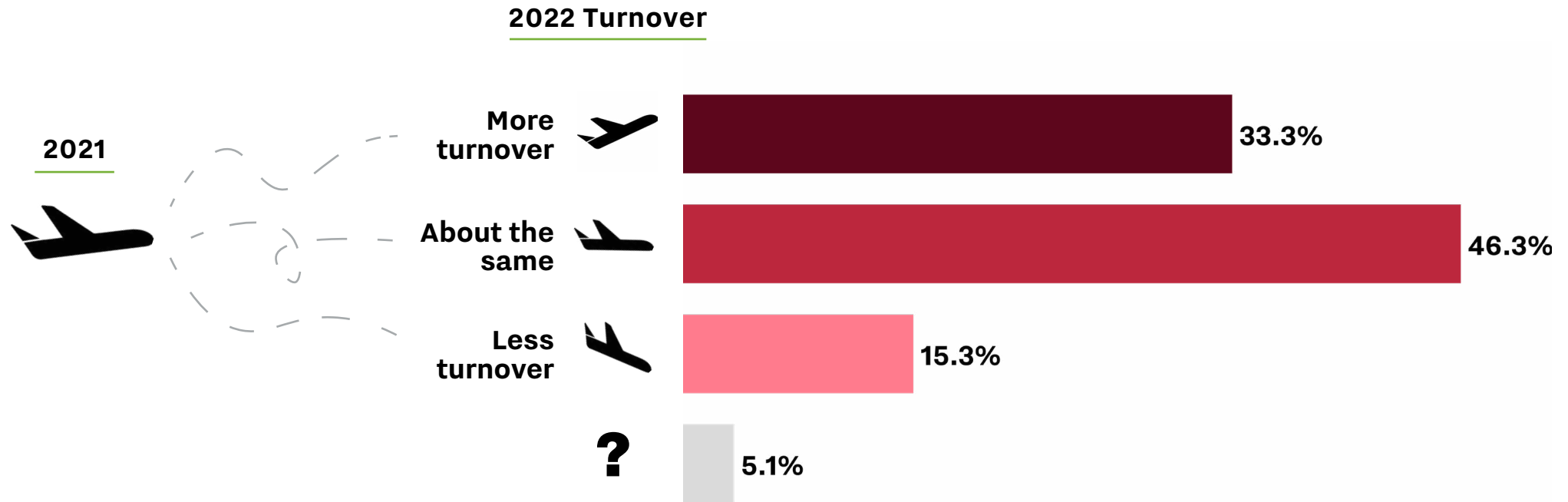
Amidst historically tight labor markets in the US and EU, innovation-oriented groups are finding it a slow process to bring on new team members.

Slightly more than half of our respondents say that it takes three months or more to fill a role. Equal segments of respondents say they didn't have recent hiring experience to refer to, or they weren't sure how long the process takes.

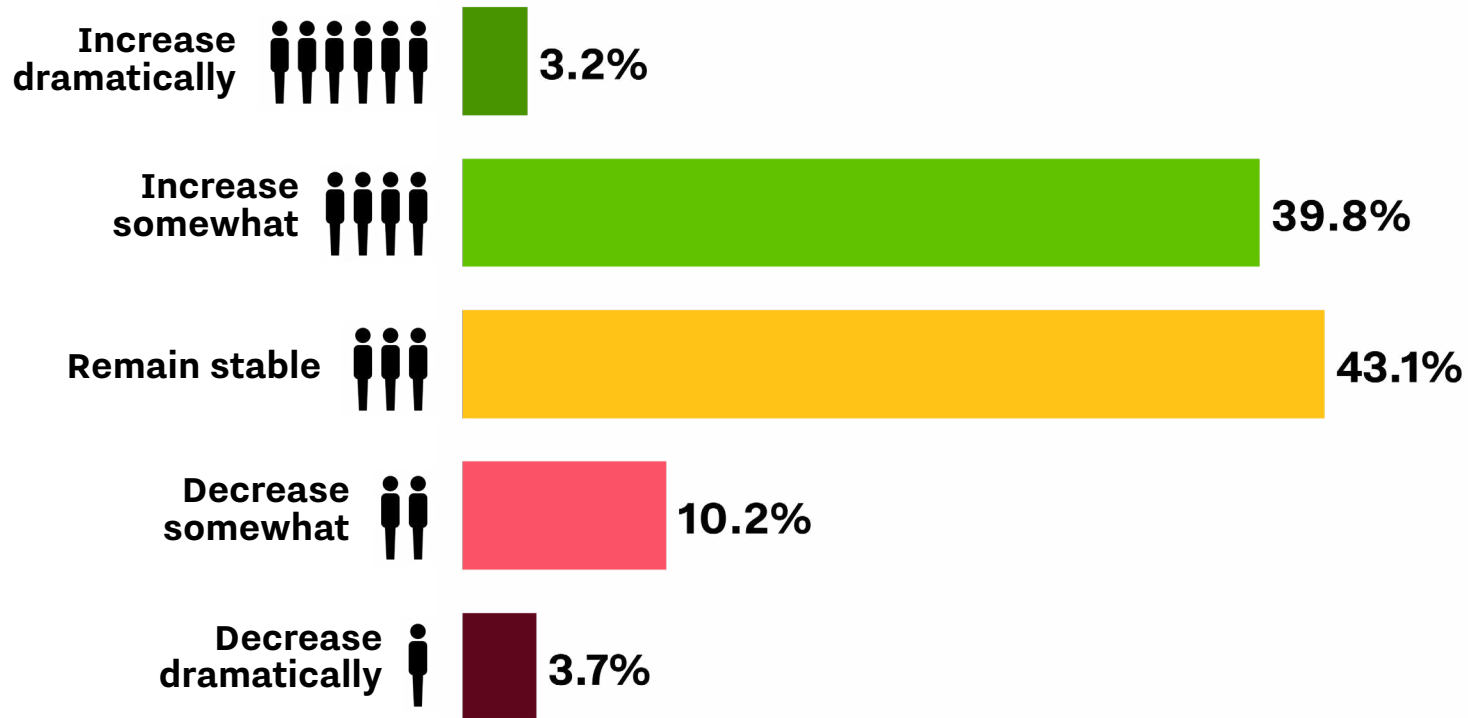


Compared to 2021, what trend did you see in employee turnover in 2022?

Exactly one-third of our respondents reported greater turnover in 2022 compared to the year before, aligning with a job-hopping dynamic that some dubbed “The Great Resignation.” But among our respondent group, the majority (62 percent) told us that turnover was about the same or lower in their organizations.



In 2023, what do you expect will happen to your team size?



Despite rumbles of recession toward the end of 2022, as we were fielding this survey, just 14 percent of respondents expect their team size to shrink this year. Those expecting a dramatic increase in team size were typically building upon a small base of fewer than 10 people, though that group did include manufacturers and automotive companies with larger teams that were expecting to grow them dramatically.

NASCAR: 24/7 Connectivity with Fans



Tim Clark
Senior Vice President and Chief Digital Officer

Tim Clark is the Senior Vice President and Chief Digital Officer at NASCAR, the auto racing operating company, headquartered in Charlotte, North Carolina. Clark oversees NASCAR’s digital business, original content development, social media, NASCAR Productions, and the entertainment division.

MY REMIT

I am the first Chief Digital Officer at NASCAR. I describe my job like this: if there is fan engagement that needs to happen that doesn’t include a trip to the racetrack, more often than not, that’s a big part of my task. I report to Steve Phelps, who is our President.

Whether it’s happening in digital media, in social media, or in evolving technology spaces, our ability to innovate both in platforms that exist, as well as charging out into platforms that are new and emerging — that’s really what my remit is.

MY TEAM

It’s really three main functional areas. There’s the technology and development group. The other one is the platform team — user experience, [and] optimizing the site almost in real-time... The third one is products. It’s critical for us to make sure that we’ve got live products, whether it’s in-car cameras, scanner audio, [or] the live leaderboard. One of the investments that we have made, and we’ll make an even bigger one going into 2023, is around a provider of data science [for] our competition data. This sport is constantly evolving, and constantly innovating...the on-track product. If those teams are innovating from a competition standpoint, then the expectations on what we’re able to [do] from a product standpoint are always being increased.

HOW I THINK ABOUT ROI

Return on that investment can manifest itself in a couple of ways. If it’s driving sponsor revenue, or other sources of income, great. But if I can prove that return on our investment is new fan engagement, there’s value in that as well. And I might argue even more so, because those dollars may come one time, or they may come over the course of a year. But if we can engage a new fan and get them to pay attention to the sport, that’s a much longer tail payoff on that investment.

EMERGING TECHNOLOGIES

Like most, we’re very intrigued by the prospects of Web3 and of the metaverse, and we’ve dipped a toe into those waters over the past 12 to 24 months. But from the beginning, we were cautiously optimistic and looked at this as a long-term play. It was never about seizing the moment. For us, it was more of, “If this is an opportunity that could create fan engagement, both now and in the future, it’s worth exploring.” Whether there was scale in that or revenue in that was not really ever the goal. It was exploratory; it was more understanding where we might be able to fit in.

Another platform that was relatively new to us in 2022 was Discord. We became the first league with an official server on Discord. Scale is not important to us in these areas. Whether it’s five fans

or five million, I think it's our responsibility to engage fans on their terms and in their environments, not where it's selfishly most beneficial to us as a brand or a sport.

FOCUS ON THE UPSIDE, NOT THE POTENTIAL TO FAIL

We hired a director of Web3 [in 2022], which I think will tell you how serious we are about evaluating this space going forward that we put a dedicated resource into helping us navigate and create our path. And I don't think we're afraid to fail necessarily, because failure for us is that we tried something we got out ahead of it. We took some risks, found that for whatever reason, however we're evaluating success, [a problem has been identified] and then we can readjust. I don't think there's a downside to things like that. And I think the upside is tremendous...

“Whether it’s five fans or five million, I think it’s our responsibility to engage fans on their terms and in their environments, not where it’s selfishly most beneficial to us as a brand or a sport.”

A MAKESHIFT KPI

We have historically optimized our digital channels off of fan consumption. And for us that is kind of a makeshift KPI, if you will. It's pageviews and video views per visit.

And the thought is, if you're operating a sports-based digital platform like ours, the demand is going to come and go as the sport does. If we have an exceptional race in Martinsville, where Ross Chastain makes some highlight move for the ages and Christopher Bell wins to clinch a spot in the Championship 4, our digital traffic is going to be through the roof. And that's not for any levers that we pulled on the digital side; it's just a manifestation of the demand around the sport.

And then you look three weeks later, well, now the sport is over, we're in the offseason, and our volume is going to be lower than it was that Sunday in Martinsville. But if we can optimize the user experience against consumption, that means whether there's 100 people on the platform, or 100 million people on the platform, they're having a good experience, because we've surfaced content that's relevant to them. So if we can maintain somewhere between three and five page views or video views per site visit, then we feel like we've created a really good experience...

TRACKING OTHER INNOVATORS IN SPORTS AND MEDIA

I think the the PGA Tour has a phenomenal experience, and some of the things that they've done from a fan engagement and second screen experience have been fantastic. I think the there are some consumer brands, in particular Disney, both in their digital products as well as the physical environments. And then I think there's been a lot of evolution on the sports betting side — they're competing for the same audience, and I think their their innovations [around] how to package content and data and experience has been really interesting to watch.

2. BUDGET & RESOURCES

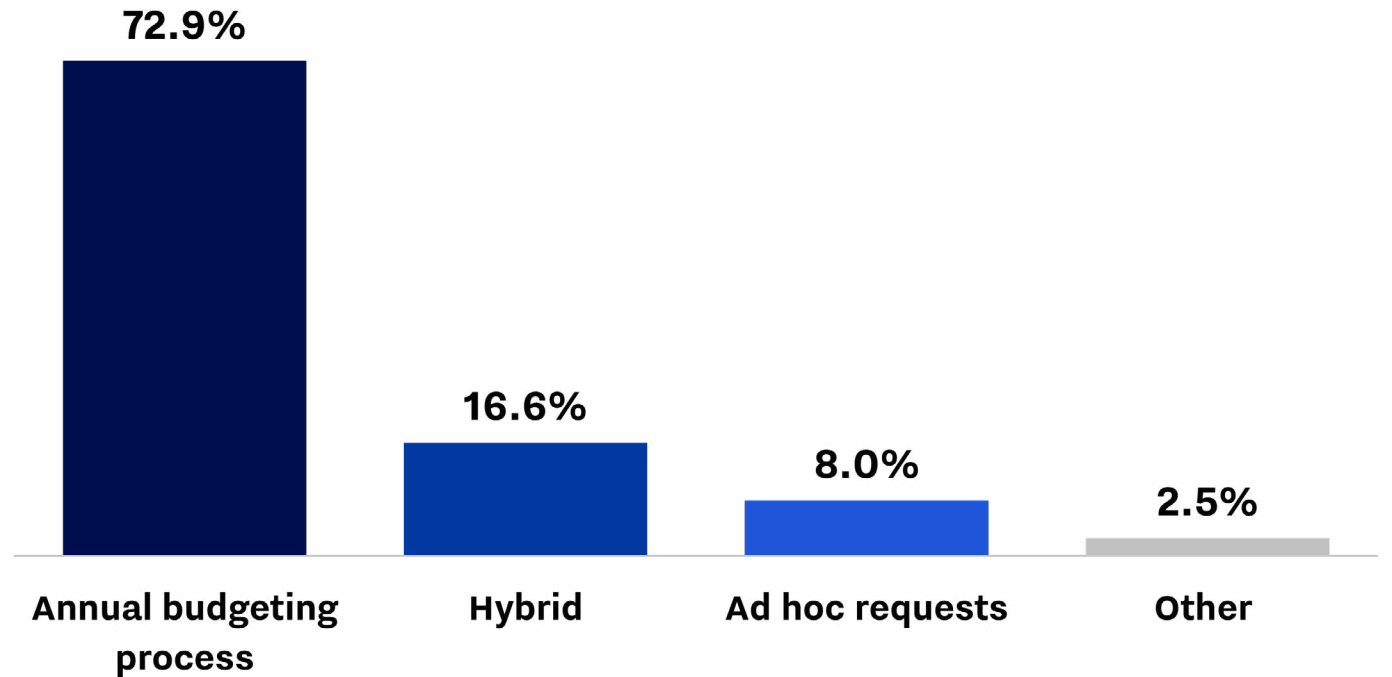
- 15 **SETTING BUDGETS**
- 16 **2023 EXPECTED BUDGET CHANGES**
- 17 **TOP FACTORS IN GETTING RESOURCES**
- 18 **INNOVATOR PERSPECTIVE: ENTERGY**

How is your budget set?

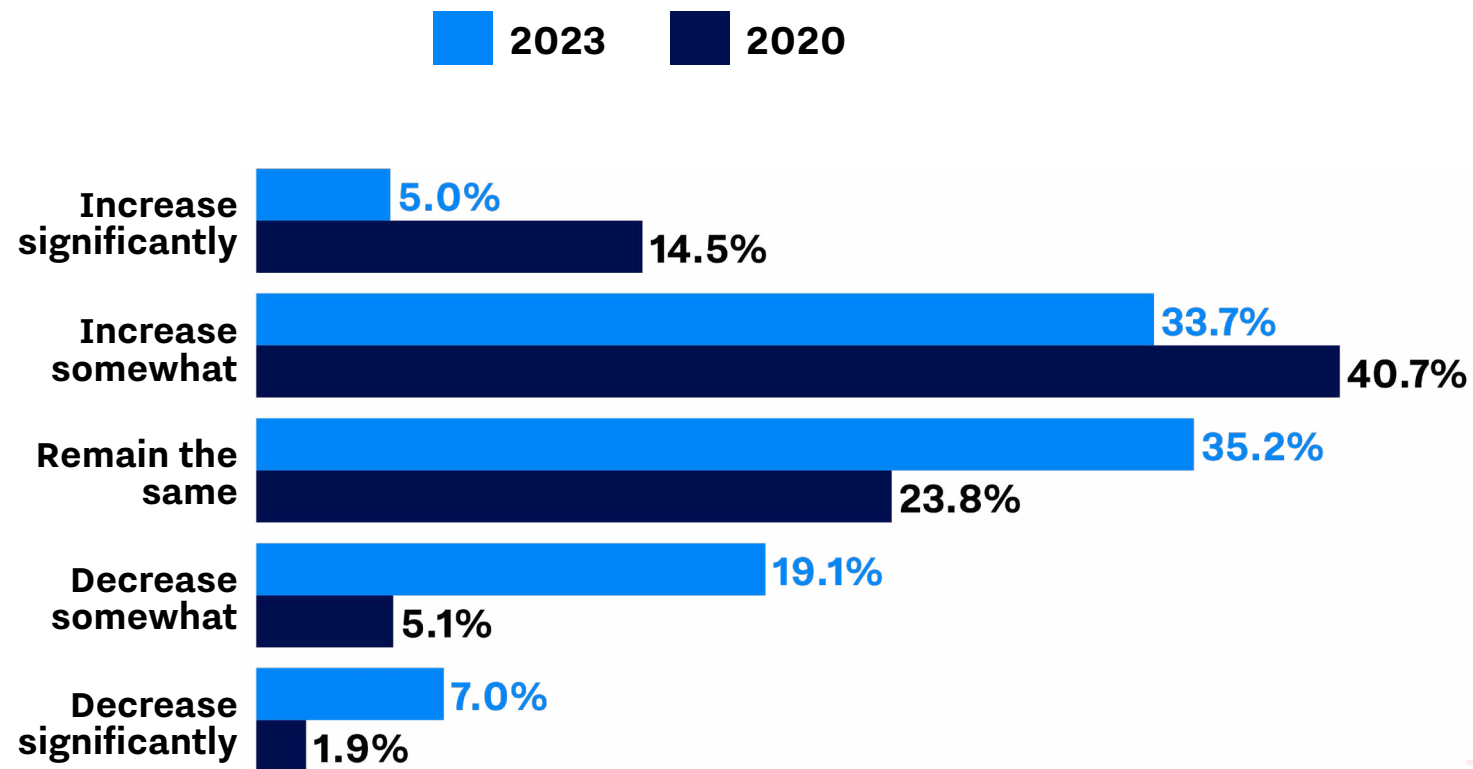


Our 2023 data maps quite closely to the 2020 answers on how innovation and R&D budgets get set: nearly 73 percent of companies this

year (and 71 percent in 2020) tell us they are beholden to the annual budgeting process, though in the “other” category, some respondents said that they do quarterly revisions to that annual process. The hybrid category intends to capture a mix of annual budgeting and project-based funding or ad hoc requests.



In the year ahead, what will (or do you expect will) happen to your team's budget?

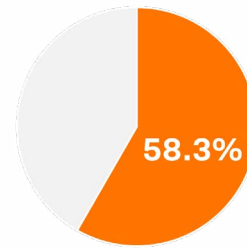


More of our respondents expect that their team size will grow in 2023 (43 percent) than that their budget will grow (39 percent). And compared with our 2020 benchmarking report (data collected in 2019, before the COVID pandemic arrived), budget expectations are gloomier. In that earlier dataset, just seven percent were expecting budget cuts. This year, 26 percent are.

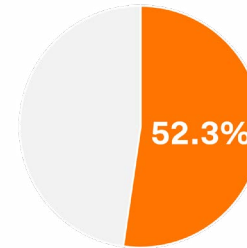


What are the **three most important factors** that impact your ability to get additional human or financial resources to support innovation?

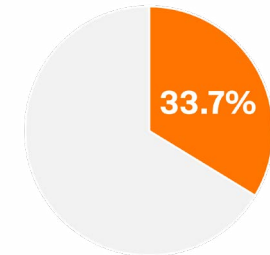
This was a new question for our 2023 survey. Somewhat surprisingly, moves by competitors, or improving loyalty and NPS score, were ranked lower than getting senior leadership excited about the innovation vision, and generating additional revenue. Note the emphasis not only on senior leadership buy-in (#1 on the list), but also strong relationships at other levels of the organization (#4) and employee engagement and capability-building (#6).



1 Senior leadership excited by our vision



2 Demonstrated impact on revenue generation



3 Company is doing well overall

4.	Strong relationships throughout the organization	29.1%
5.	Demonstrated impact on cost savings	26.1%
6.	Employee engagement and capability-building / impact on work culture	19.6%
7.	Our team's ability to make the company look like a leader in the market	18.6%
8.	Competitive pressures / competitor actions	13.6%
9.	Demonstrated impact on customer loyalty / Net Promoter Scores	6.5%
10.	Other (below)	5.5%

- "Driving the execution of strategy."
- "Gaps between resourcing and needs for board-sponsored projects."
- "Impact on conservation."
- "Internal competition with client projects. Those are always more relevant, and so the resources are primarily allocated to that."
- "Leadership perspectives on innovation."
- "Meeting agreed milestones & objectives."
- "Operational improvement to achieve strategic outcomes."
- "Unfortunately, anything having to do with increasing revenue or decreasing expenses. No thought to intangible impacts."
- "We are shutting down our innovation department. New senior leadership doesn't understand it."

Entergy: Measuring Yourself Against the Best



David Ellis
Chief Customer Officer

David Ellis is the Chief Customer Officer at Entergy, a Fortune 500 integrated energy company. Entergy is headquartered in New Orleans, Louisiana, and generated \$11.7 billion of revenues in 2021.

A NEW ROLE FOR OUR INDUSTRY

Many utilities have appointed Chief Customer Officers over the last decade; I don't think before that there were too many Chief Customer Officers in the utility space... It helps to show that we're focused on customers. I'm tasked with delivering extraordinary experiences for all of our customers. And that means residential customers, that means mid-market customers, national chains, and our industrial complex.

TECHNOLOGY EVERYWHERE

From a technology standpoint, we've got technology everywhere. We've got self-healing networks — very important in a region that sees a lot of storms. We've got automated metering infrastructure... where we're able to pull data back from meters on a near real-time basis, and provide customers with insight into their consumption. We have advanced communications systems. Field operations tools that we use to mobilize workforces. We've got advanced distributed management systems and outage management systems, that tell us where the outages are, and where we need to send people... We've got mobile apps. We've got web-based platforms, where customers can pay bills online, and view outage maps. Then, there's KeyString Labs, effectively our R&D presence within the company.

GETTING CUSTOMER INPUT

We do have a way that we approach getting input from customers, but we have to do that from a number of dimensions, because we have so many systems, so much technology...

We have an innovation process that we use when we do customer research. We do research studies; we do studies to gain customers' perceptions on us, on our industry, how their needs are evolving, what they're seeing that they like, what they don't like. We want to hear the good, the bad, and the ugly — and then we want to know what [customers] aspire to have...

Earlier this year, we engaged with more than 2,600 of our commercial and industrial customers, in order to try and ascertain how this march toward more sustainability and carbon reduction was affecting [them], and how fast they were planning to transition away from their existing processes into a cleaner, greener way to operate, and what roles we could play in that. We learned a lot.

[People] think we just show up to talk to customers about bills and preventing outages and storms, but it goes well beyond that... We do quick polls; we do virtual focus groups; we do quantitative surveys; we do a lot of different things with our customers to get input into how we're doing and what we should be doing next.

Then we have a group... we call our marketing, sales, and analytics. They are charged with grabbing industry analytics and best practices, and bringing that information back to us and working with our innovation group to implement those innovations and think about how and where we might be able to use best practices to do new and very innovative things.

RELYING ON NET PROMOTER SCORE

We have made a decision to center on Net Promoter Score [as a metric]. We do that from a couple of different dimensions. Why did we decide to move to NPS, when the more traditional metric is customer satisfaction scores? We've been doing customer sat for a number of years, but that doesn't give us enough visibility into how our customers view us versus others who may not be energy companies, and may not be utilities...

Net Promoter Score sets us up to be able to do a side-by-side comparison — normalizing it for our industry, of course... The good and bad of that is, we don't look as good as some of the really technical, innovative darlings out there that you see in the news — and that's where we aspire to be somewhat. But we don't look as bad as the worst companies who aren't innovative at all; we're somewhere in between...

NPS gives us the ability to look at what we call a benchmark number, where we look at it from the enterprise level. But then we also have what we call "journey scores." We will stand up journeys. For example, we just did a billing and payment journey to improve that customer experience. We have a NPS that we use with that... but we also look for industry feedback; we look for direct customer feedback.

ASPIRATIONS TO BE AMONG THE BIG PLAYERS

We aspire to be as responsive, and as technology-centric and innovative as [the top] companies. That's really why we launched KeyString Labs in 2019. It is intended to survey the land, look at best practices — which companies have the most brand loyalty from their customers? Let's emulate some of those practices as much as we can... We can't, as an institution, be an Amazon, because we're in a different market; we serve a different purpose... so while we try and leverage our innovative capabilities to serve our customers better, very specifically, we're watching all those innovative industries out there, and trying to figure out how we can take the best of what they do and somehow implement it into what we do.

“Why did we decide to move to [Net Promoter Score], when the more traditional metric is customer satisfaction scores? [Customer sat] doesn't give us enough visibility into how our customers view us versus others who may not be energy companies, and may not be utilities.”

3. COLLABORATION & SPACES

21 INNOVATION SPACES

22 FREQUENCY OF USE

23 PRESENT COLLABORATION MODEL

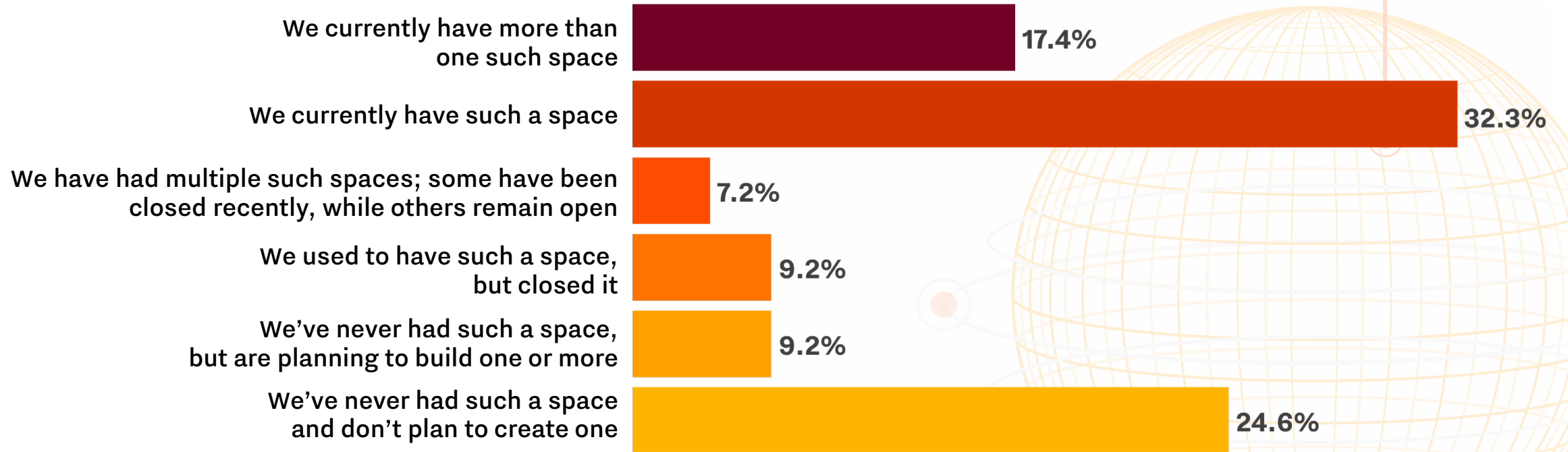
24 PANDEMIC-RELATED CHANGE

25 INNOVATOR PERSPECTIVE: KIMBERLY-CLARK

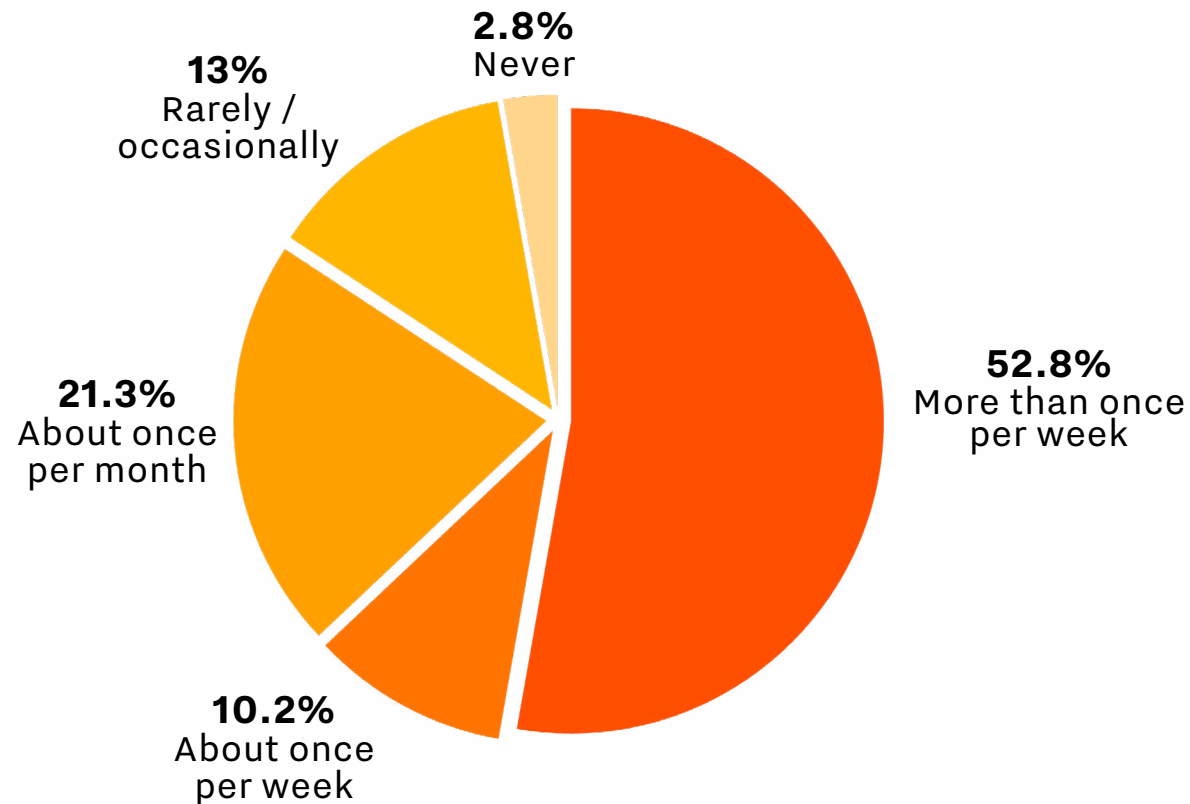
27 PRODUCTIVITY COMPARISON

**29 KPMG INSIGHTS: IN-PERSON INNOVATION
STILL HAS VALUE**

With regard to a physical, prototyping, or collaboration space dedicated to innovation...



How frequently does your organization use its innovation space(s)?



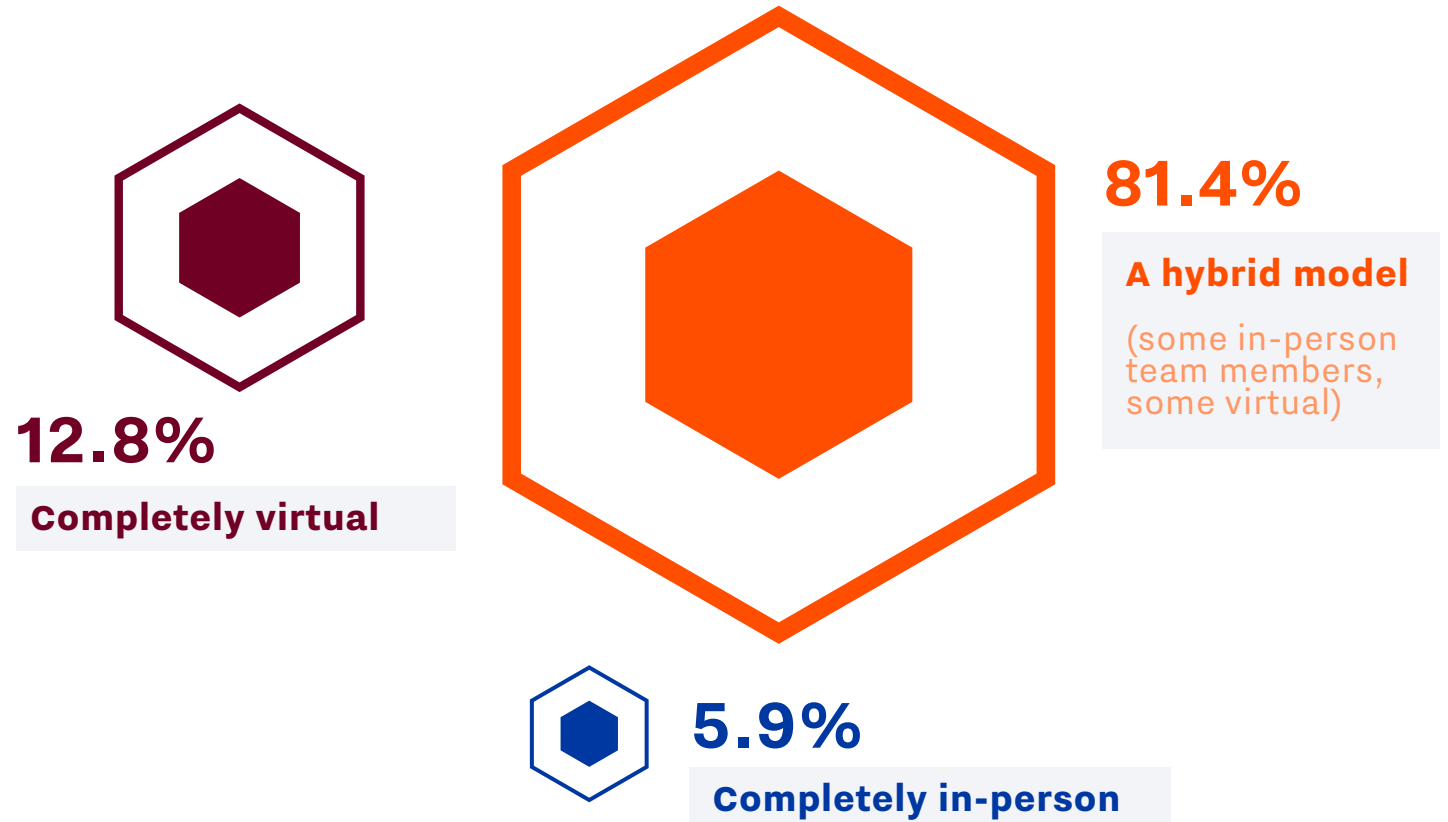
This is the first time we've asked about physical innovation spaces or R&D centers and their usage. Nearly 57 percent of respondents say their company has at least one, and of those, 53 percent are being used multiple times a week. But more than one-third of these spaces are being used infrequently: once a month, rarely, or never. That could be a harbinger of more closures ahead, particularly among the 16 percent of respondents in the "rarely" or "never" categories.

How does your innovation team presently collaborate?



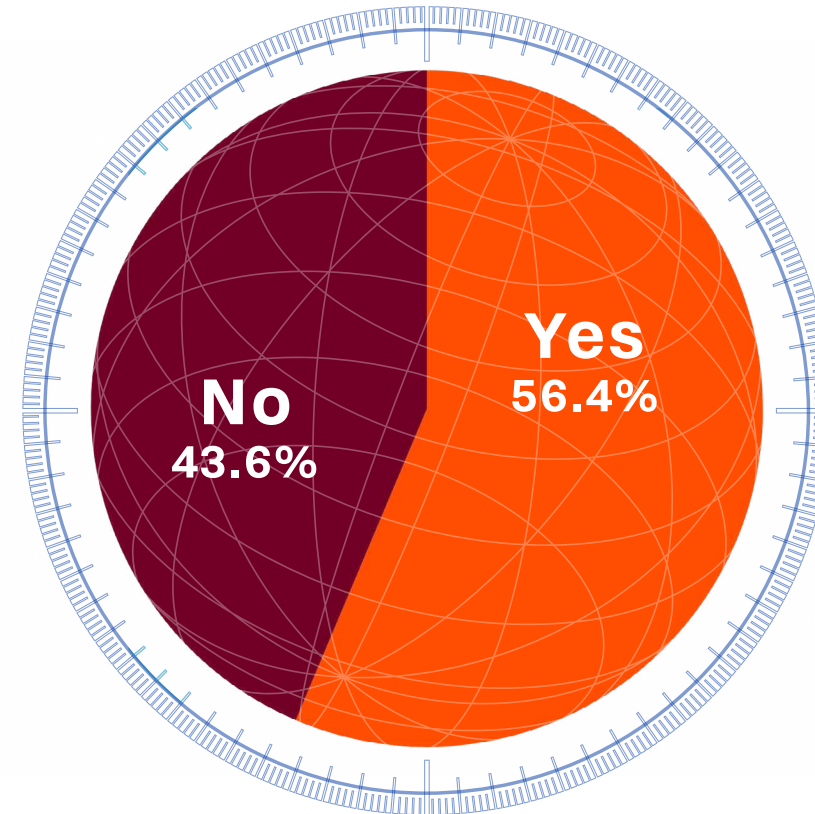
The bulk of R&D and innovation groups tell us they are pursuing a hybrid model for collaboration, with just a handful shifting back to

completely in-person (not surprisingly, in industries like construction, automotive, and industrial manufacturing.)



Is this a new collaboration model due to the pandemic?

More than half our respondents have changed the way they work since March 2020, but a surprisingly large segment have always had hybrid or fully remote collaboration models.



Kimberly-Clark: Innovation that Meets the Consumer



Robert Long
Chief R&D Officer

Robert Long serves as the Chief R&D Officer at Kimberly-Clark, a personal care company heavily focused on manufacturing and selling paper-based products. Kimberly-Clark, headquartered in Irving, Texas, reported over \$19 billion of revenue in 2021.

A HYBRID APPROACH

Like many organizations, our team is currently working in a hybrid environment. Much of our work in the R&D space requires a physical presence in the office, lab, or pilot line in order to make products and prototypes and properly test overall performance. Collaboration is a key pillar of innovation, and we find that being in person unlocks new ideas and fosters overall team building.

At the same time, we accommodate personal schedules and continue to offer the option to work remotely, allowing flexibility for team members so they can thrive in all aspects of their lives. Also, this flexibility gives our teams in different regions an opportunity to share ideas and tackle challenges together on a regular basis when meeting in person isn't feasible.

CHALLENGES FACING R&D

I would say the biggest challenge is to meet the needs of consumers for better products, taking advantage of technical innovations that are coming – but doing that in a way that also reduces our environmental impact, and allows for scaling to the maximum number of consumers we can around the world.

Doing those three things is a real challenge for us, in the context of affordability of some of the solutions that give you better performance, but don't have as big an impact on the environment.

Sometimes those materials are more expensive.

Scaling around the world [can also be a challenge]. Consumers sometimes don't perceive products the same [way we do]. Even though they can get sustainability benefits, they may not accept the format. An example is, we sell diapers and thin diapers – in some markets, consumers haven't really converted to thin diapers, which can often give us some sustainability benefits.

THE IMPORTANCE OF WELCOMING DIVERSE THOUGHT

Diversity of thought is most relevant [because] we have a lot of segmentation among consumers, and you want your technology to meet the needs of the maximum number of consumers possible. To have some sense of all the different segments' needs is important.

We would like our workforce to look like our consumer base, because we believe a workforce that is representing the consumer base is likely to get the maximum appeal within that consumer base. But when it comes to the actual dynamics in the culture, it's really important to create a safe space for everyone to bring their lived experiences. ... These experiences shaped how you look at the world. Gender diversity, age diversity, ethnic diversity brings a collective set of experiences that no individual can bring to the table alone. So, as we're looking to satisfy a broad array of consumers, having those perspectives is very helpful.

“All big companies are trying to figure out how to access that external innovation more effectively. In doing that, you’re probably going to get a low yield of ideas that actually translate into actual projects. But you have to cast a broad net against an area of interest.”

I think most people who work in R&D-type organizations understand the value of diversity of thought. What I would say is the bigger conversation among leadership is, how do we make sure we can access the diversity of thinking that’s out there? That is both inclusive of our employees, but also outside our employee base, to fill gaps that we may have internally.

WORKING OUTSIDE THE ORGANIZATION

We know there are lots of entrepreneurs out there that have their own way of looking at how to solve problems for consumers. Often, big companies miss a lot of that information. But we’re trying our best to understand how external stakeholders are thinking about solving these problems.

We recently took a significant stake in a product called Thinx — that’s reusable underwear for periods and light incontinence. That is something that was nurtured and developed external to our company, and we saw it as a trend and realized it was a good idea, even though it didn’t come from our internal R&D machine.

THE PAIN POINTS OF EXTERNAL INNOVATION

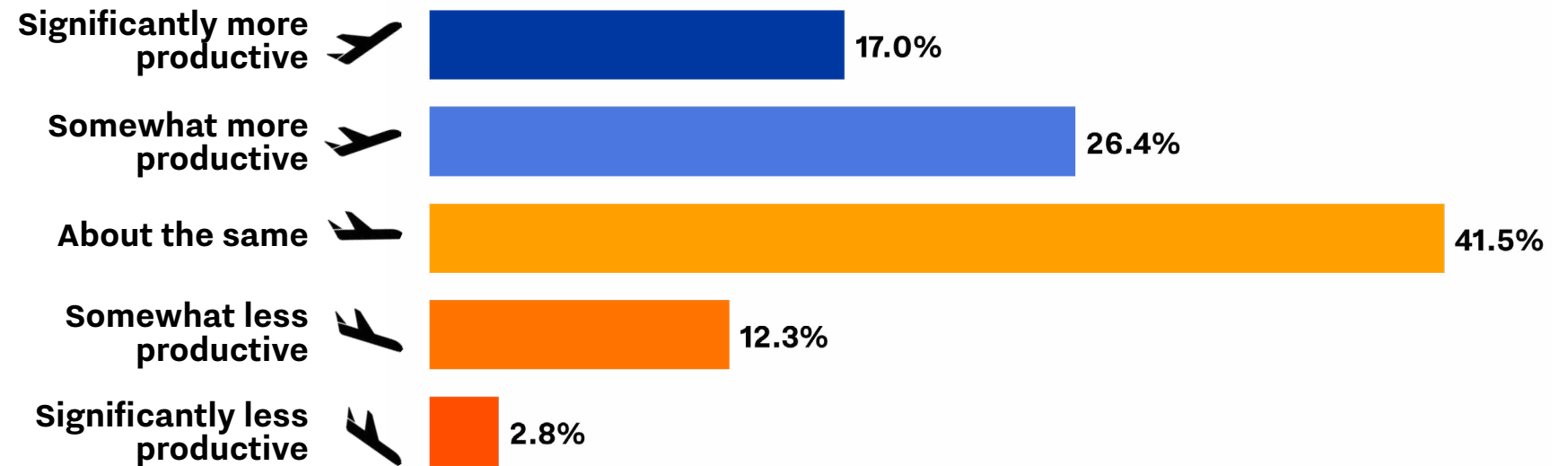
I think it is a trend that all big companies are trying to figure out how to access that external innovation more effectively.

In doing that, you’re probably going to get a low yield of ideas that actually translate into actual projects. But you have to cast a broad net against an area of interest. Otherwise, you might miss things. So, how do you organize to cast the broadest net, provide the right review quickly, and keep people interested in coming back with their ideas?

[Kimberly-Clark has] a place where we funnel most of the ideas, so that we have visibility in one place. Then we have those sent to the right subject matter experts... who can really discern, ‘Is there something here that we should show interest in or not?’ [We] try to give that feedback as quickly as possible, so people feel like we treated them the right way.

When compared to your pre-pandemic collaboration model, how productive is your innovation team today?

We only asked respondents who said their collaboration model had changed whether they were finding teams more or less productive. Of the respondents who report that their teams are less productive, 25 percent of that segment is working completely virtually, with the rest in hybrid mode. See the following page for comments about productivity.



Respondent Comments: Productivity of Teams, Compared to Pre-Pandemic

Significantly Less Productive	Somewhat Less Productive	Somewhat More Productive	Significantly More Productive
<p>“Lack of spontaneous interaction between team members.” — Agriculture</p>	<p>“Digital tools and channels do not support collaboration at the same level of fidelity. Open / unstructured ‘studio’ time was replaced by a meetings [and a] structured cadence of interactions. Loss of creativity.” — Healthcare</p>	<p>“Ease of communication, access to more remote staff members, change in culture from formal presentations to [oversight] boards, to more conversational shaping of ideas.” — Government & Public Sector</p>	<p>“More energy and time available for creation and collaboration. (Less time in traffic and for other frictions.)” — Financial Services</p>
<p>“Remote work [is not as good as] in-person.” — Consumer Goods & Products</p>	<p>“Less access to senior leaders (they no longer see projects not ‘ready’ for exec briefing); without their enthusiasm and expectations, things move slower and more projects fizzle.” — Financial Services</p>	<p>“Having the flexibility to work remote, and also recruit talent from a larger pool... and having a diverse thought process.” — Industrial Manufacturing</p>	<p>“Ability to recruit people from diverse locations.” — Healthcare</p>
<p>“Lack of the many small interactions and observations possible in the shared space. Zoom only allows you to see what people choose to present.” — Technology</p>	<p>“Hybrid environment leaves team somewhat disconnected and siloed. ‘Out of sight, out of mind’ hurts the efforts, because of less visibility to leadership. Even though virtual meetings attempt to take up the slack, they don’t do it well enough.” — Retail</p>	<p>“I like to say that ‘creativity does not run on a clock,’ and now, with folks working from home, they have more freedom to choose time to be creative and innovative when they feel creative and innovative... Since the first few months of the pandemic, I purchased 3D printers for home use. [There are] more corporate changes to come, and personal agility to be mastered.” — Consumer Goods & Products</p>	<p>“Due to geography, development was siloed. During the pandemic, the entire team met virtually, [which] increased cross-site collaboration. Now, two years later, it has become a norm.” — Consumer Goods & Products</p>
	<p>“Reduced effective collaboration due to remote working. Lack of travel to Asia, where we have innovation team members embedded in our factory partners.” — Apparel & Footwear</p>	<p>“Improvement/enhancement of our network through open innovation... Use of virtual/ remote tools to multiply and facilitate the discussions between colleagues from different countries.” — Engineering & Construction</p>	<p>“Remote working has removed limitations in numbers of attendees for workshops, for example. We can deliver activities throughout the whole region, or globally, at no cost.” — Engineering & Construction</p>
	<p>“Some innovation occurs due to the ‘collisions’ that occur when diverse people interact informally. We have fewer opportunities for informal collaboration...” — Aerospace & Defense</p>		

In a Digital World, In-Person Innovation Still Has Value



Nicole Lord
Managing Director
KPMG Ignition

The pandemic permanently altered how business leaders think about the use of in-person locations.

Before 2020, most corporate innovation — and daily business interactions — took place in office buildings and meeting rooms. Now, nearly all innovation teams have ideated, created, researched, designed, tested, and produced in a wide variety and combination of environments.

Going forward, innovators will come together in person for *specific reasons*, not because it is “the only option” or “the way it has always been done.” However, in many organizations, those reasons have yet to be defined. To transform operations for future competitiveness, innovation leaders now want to know:

- Which are the right uses and combinations of different spaces and environments for innovation?
- When in-person interaction is required, how do we make the most of meeting spaces to maximize participants’ time and energy and create desired outcomes?

OUR VIEW: OUT-OF-THE-ORDINARY EXPERIENCES LEAD TO EXCEPTIONAL OUTCOMES

KPMG’s innovation work with clients across markets and sectors shows

that, when decision making is highly complex and requires intense collaboration and connectivity across a diverse array of stakeholders, the best results are driven through in-person engagement.

We have seen first-hand how face-to-face interactions help ideas flow and blossom in a way that is not easily recreated in the digital world. When people step away from their screens, they stop multitasking and achieve a new level of focus and engagement. They exchange thoughts with colleagues they do not talk to on a regular basis. They access experts, leaders, and influencers who might be hard to get time with otherwise. They engage with advanced tools not accessible from home, which help teams see problems and solutions from new perspectives. Participants feel more connected to each other and to the business, creating trust and building closer relationships.

Research supports our experience, showing that solving complex problems takes collaboration among key thinkers and focused time to work through details. According to an IDC survey of innovation center clients,¹ designated areas for collaboration and medium/large meeting rooms with hassle-free conferencing rank as the most critical imperatives for successful innovation work. Three-quarters say they prefer to interact in an innovation center as part of their decision to buy professional services. And most striking, the highest percentage

¹ Innovation Center Client Perception and Satisfaction Study (IDC, March 2021)



Mike DiClaudio
Principal, Talent
Strategy Leader
KPMG Advisory

say they prefer to spend two to three days physically together in an innovation center—a length of time dedicated only to the most difficult problems (and that few would be able to tolerate on a video call).

OUR DEDICATION TO PHYSICAL INNOVATION SPACE

As we move out of the pandemic, our innovation clients are asking for more in-person touchpoints. While virtual continues to thrive for smaller, shorter meetings, more than half of KPMG-facilitated client innovation activities over the past year have been either fully or partially in person. In the fourth quarter alone, we saw a 60 percent increase in in-person or hybrid innovation sessions, indicating a clear shift in how people prefer to collaborate on complex business problems.

As a result, we are investing significantly in engaging, multisensory physical spaces—called Ignition Centers—that offer bespoke in-person interactions that are *strategic and purposeful*. Our growing network of Ignition Centers curate key elements of accelerated, outcome-focused innovation: visionary thinking, advanced technology capabilities, teaming and collaboration, data-driven analysis, opportunities for experimentation, and insight-based decision-making.

Clients and our internal stakeholders say Ignition Center experiences are uniquely energizing. Sessions engage the senses, appealing equally to visual, kinesthetic, auditory, and verbal learners. Distraction-free interactions foster effective collaboration and authentic teaming. Advanced tools and data accessibility deliver relevant insights that would take weeks to achieve in the virtual world. And, most importantly, Ignition sessions yield results.

“We know that in-person innovation interactions are the way to go, but we need to meet with discipline and spend time planning. Co-locating with our clients, like we did pre-pandemic, is no longer sufficient,” said Mike DiClaudio, Principal and Talent Strategy Leader, KPMG Advisory.

STEPS FOR PRODUCTIVE IN-PERSON IDEATION

1. *Meet with purpose:* Define the problem you are trying to solve and determine if in-person collaboration is the best way (or perhaps the only way) to tackle it.
2. *Include the right people:* Consider the diverse knowledge, skills, and experiences you need to make progress towards a desired outcome, what business perspectives will help generate a full picture and ground actions in outcomes, and what level of sponsorship and leadership will accelerate decision-making.
3. *Integrate technology strategically:* Use digitally enabled capabilities to create a stimulating and immersive experience, help participants visualize issues in new ways, and unearth key insights from data.
4. *Leverage the space to create a more meaningful experience:* Our Ignition Centers are designed to create an optimal experience to enable the intended purpose of the meeting, while enhancing networking, team building, and idea exploration.
5. *Extend the value of the physical interaction:* Innovation work is complex and never achieved in one meeting. To drive outcomes before, during, and after the in-person experience, look to create intentional touchpoints that spur further ideation, such as through the sharing of information, assets, insights, and memories.

To read an expanded version of this piece, visit innolead.com/benchmarking2023.

4. FOCUS & ACTIVITIES

32 INNOVATION FOCUS

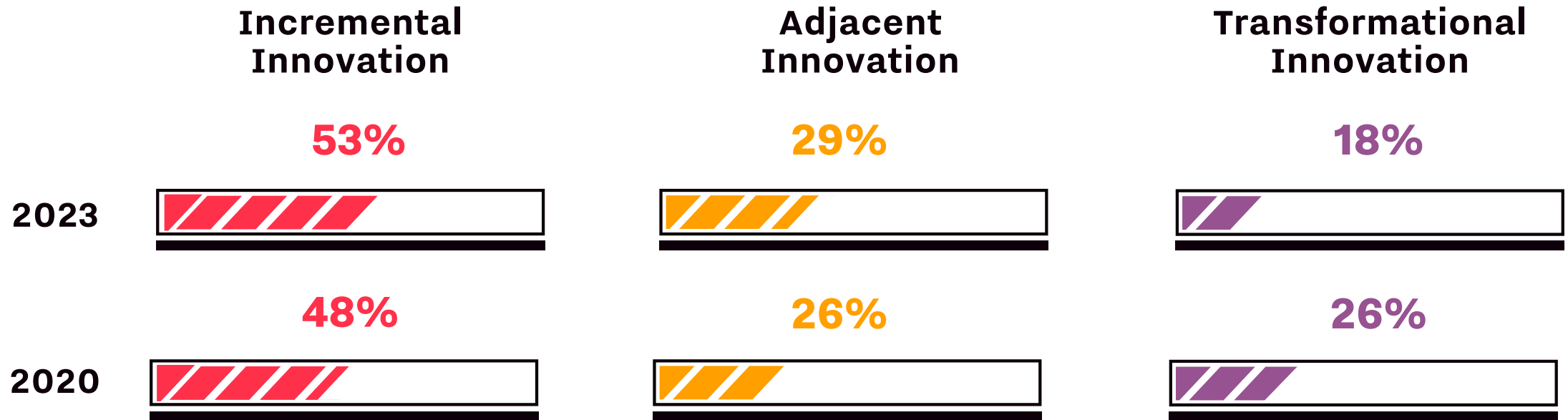
33 CHANGE IN FOCUS

34 INNOVATOR PERSPECTIVE: PTC

35 MOST COMMON ACTIVITIES

36 INNOVATOR PERSPECTIVE: COLGATE-PALMOLIVE

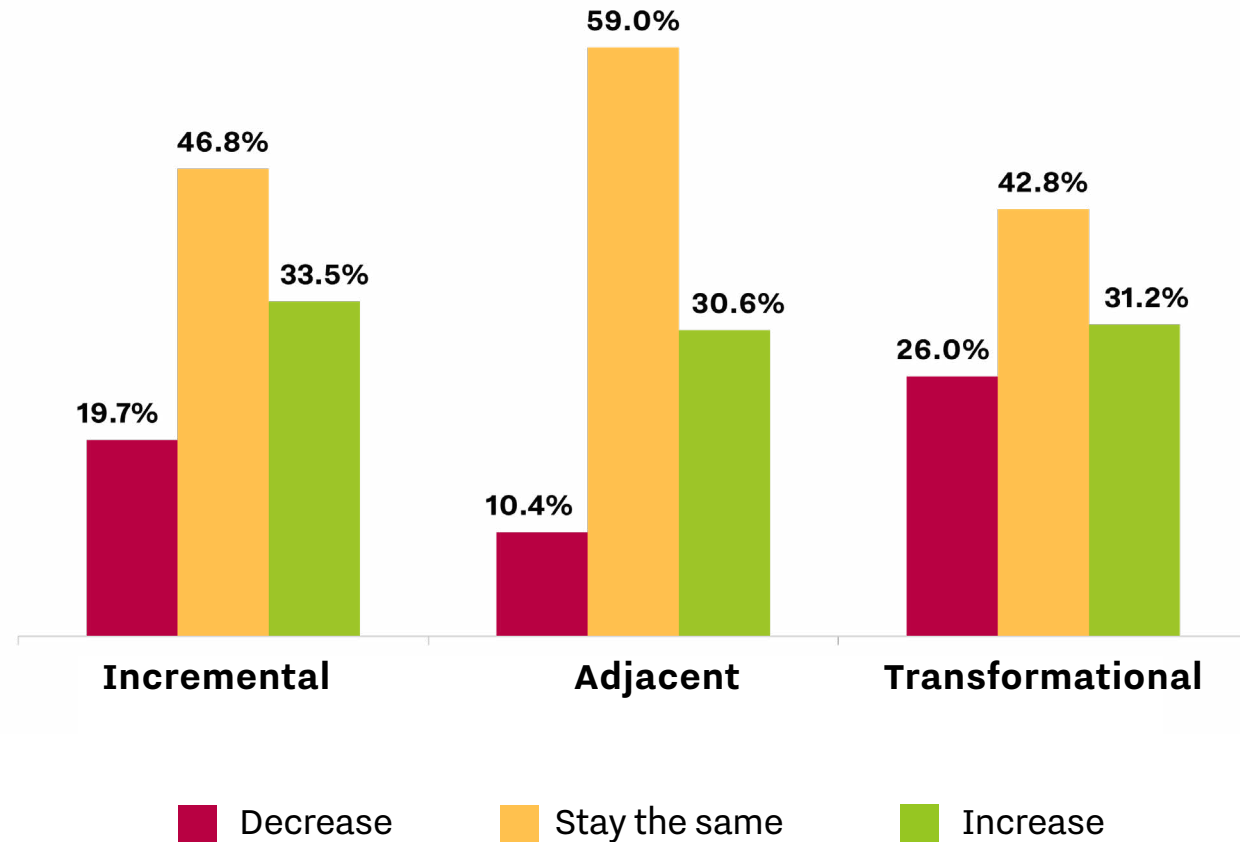
If you think about your organization’s mix of activities related to innovation, how would you say it breaks down across **incremental** innovation, **adjacent** innovation, and **transformational** innovation?



What has changed about this mix in 2022, relative to the past few years?

In general, over three recent surveys, we've seen a decrease in focus on transformational – or Horizon 3 – work. In our 2020 report (for which data was collected in 2019), respondents told us they were devoting about 26 percent of their time and resources to transformational work; a September 2020 survey saw that number drop to 21 percent; this most recent survey, fielded in Q4 2022, found transformational activities had shrunk to 18 percent, with increases in incremental and adjacent work. (But it's important to note that this is not tracking data from the same companies and survey respondents over time.)

At individual companies, however, nearly one-third of respondents tell us they've been increasing their work around transformational projects.



PTC: A Balanced Innovation Model



Steve Dertien
Chief Technology Officer

Steve Dertien is the Chief Technology Officer at PTC, a publicly-traded maker of design, augmented reality, and Internet of Things software. The Boston-based company had \$1.9 billion of revenue in 2022.

INNOVATING ACROSS THE HORIZONS

Within every product team here, we have architects and innovators. I get to look at the technology strategy of how all those products work together, and what customer challenges are out there. And there is Horizon 2 and 3 stuff that my team works on, separate from the product teams.

When we talk about Horizon 2 and 3, it is things in that three-to-five year horizon. We'll look at acquisitions, and blue sky things like the industrial metaverse.

MY TEAM

On my team, I have about 130 people in three categories. One is Atlas, which is the backbone for our software-as-a-service products – the user experience and identity management across our portfolio, as well as how our infrastructure supports SaaS. Another chunk of the team is really [focused] on innovation delivery in the two-year window –things like analytics or augmented reality. They also look at how acquisitions fit into the strategy. The third group is the Reality Lab, which is not associated to any product. They're off testing future technologies. There are eight people... Many are MIT Media Lab graduates. They're visionary researchers.

BALANCING ACQUISITIONS AND ORGANIC INNOVATION

In terms of the balance [between acquisition and organic

innovation], our CEO would say the recipe for success is pretty clear. When you're looking to get into a new line of business, acquire your way in – and then invest like mad.

We use the Geoffrey Moore model, “zone to win.” There's an incubation zone, where you're working on moonshots and investing in the future. You expect nothing in return, and you don't worry about the profitability. Once you get to a certain threshold, it graduates into the transformation zone, where you are trying to turn it into a profitable, grown-up business, but the margins are allowed to be different. The core, for us, is products like CREO and Windchill. Those are in the performance zone. The last one is the productivity zone. We have some acquisitions we've made over time – sometimes it's the closet that has some misfit toys in it – and you're investing to keep customers happy and keep them profitable. They just want to keep using the product. So you put leadership and organizational structure around those four boxes.

'A HAPPY BALANCING ACT'

To call my team an innovation department would be a mistake. I think we have a happy balancing act of net-new stuff that my team does, versus stuff that happens within the product portfolio. I don't know that it could be successful any other way.

Which of these activities have been taking place within your organization in the past year?

Innovation training	53.8%
Internal idea challenges	53.2%
External idea challenges / sourcing	45.1%
Partnering with universities (on tech development / research, rather than hiring)	45.1%
Investing directly in startups / corporate venture capital	39.9%
Hackathons / idea prototyping	38.2%
Operating an innovation lab or center	35.3%
Partnering with or sponsoring accelerators	34.7%
Other*	11.0%

* Other Responses

- “Corporate consortiums/cross-company partnerships.”
- “Innovation around sustainability.”
- “Collaborating with Department of Energy National Labs.”
- “Piloting new technology.”
- “Partnering with startups/co-creation.”
- “Establishing our own accelerator program.”
- “Investing in internal startups with strong leaders.”
- “We are in the process of establishing a new innovation practice, and plan future activities around several of these areas.”
- “Not much of this is happening.”

Colgate-Palmolive: A Roadmap to Sustainability



Ann Tracy
Chief Sustainability Officer

Ann Tracy is the Chief Sustainability Officer for Colgate-Palmolive, which makes personal care products, home products, and healthcare products. Colgate-Palmolive reported over \$17 billion in revenue in 2021, and is headquartered in New York City.

DEVELOPING A STRATEGIC PLAN

I’ve been with Colgate for almost 32 years. I grew up in the supply chain...across all of our business units, geographical divisions, and categories.

If you look at the whole ESG space, and how quickly it is evolving and growing in the eyes of many stakeholders — including investors —it was apparent that I needed to focus on sustainability. I became the first Chief Sustainability Officer for Colgate. I’ve been in this role since the beginning of 2020.

The best place to start with sustainability is to go through a very comprehensive materiality assessment. When we developed our 2025 strategy, Colgate had actually not done one properly before... We ended up doing it on our own, but we’re going to repeat it in 2023, and we probably are going to get some outside help. I think that’s the right starting point, so that you understand what is in that upper right hand corner — what is most important.

For us, right now we’re focused on plastic, and bringing oral health and hygiene to underserved kids around the world. And we’re leaning into climate now, as well... Those are our top areas of focus — including diversity, equity, and inclusion.

‘SWORDS AND SHIELDS’

We like to use the analogy of swords and shields... Our strategy has 11 big actions with over 50 targets, ranging from environmental actions to social actions to product-specific actions. By “sword,” we mean, what are the actions where we want to really lead and be known for it? The actions which are the “shields” are what we have to do, because there’s barrier to entry or reputational risk if we don’t do it. Those areas where we want to lead... we believe can be communicated in the right way to our brands to help them grow.

“My team works closely with R&D. I think we’re at a juncture where we need to take the R&D element of designing more sustainable products to the next level.”

PUTTING IT INTO PRACTICE

One of our key actions is eliminating plastic waste. We consider plastic an existential issue for Colgate as a consumer goods

company, because all of our products are packaged in plastic today... We set targets consistent with that commitment, and one of them is to have our plastics be recyclable, compostable, or reusable by 2025. So we've been on a journey. We developed the first recognized recyclable toothpaste tube. We started working on the technology behind that in 2015... and we didn't do it in a vacuum. We were transparent, and worked alongside the Association of Plastic Recyclers in the US to make sure we were complying with...what is or isn't recyclable. Once we got it to pass our standards in terms of quality and durability, we shared the technology with other companies, with over 50 different companies, because we wanted this tube to be recyclable in practice and at scale. We knew if only Colgate was moving forward, it would never get there.

DEFINING THE MOST PRESSING GOALS

We've developed what I would call a roadmap for each of those 11 actions. So we have a roadmap to get us to 100 percent recyclable packaging by 2025; we have a roadmap to get us to our production targets; we have a roadmap to reach two billion kids in underserved communities with oral health.

Some goals are very quantitative, and depending on what it is, it could be more qualitative in nature. Some of the social areas are probably more qualitative. The well-being of our employees is one of our social targets, and it has to do with ensuring that our own employees have not only good physical health, but mental and financial health as well... So it varies by action, but overall, we've developed roadmaps.

USING EXTERNAL PARTNERSHIPS TO BOLSTER DEVELOPMENT

External partnerships are absolutely critical in the sustainability space, be they consortiums, trade associations, or even our peers — even our competitors. We are

active with a group called Plug and Play, which is a startup consortium, and they have different work streams. One is focused on sustainability and startups. Another group that we're part of is called the 100+ Accelerator, which was started by AB InBev, and they invited several other companies to join them in this journey. So Coca-Cola, Unilever, Colgate, and ABInBev are all part of the accelerator, and we're on our fourth cohort of startups. We're always looking for startup technology. It's a bit of a needle in a haystack, but we do consider that an important part of the journey.

My team works closely with R&D. I think we're at a juncture where we need to take the R&D element of designing more sustainable products to the next level, so I'm very excited. We have a brand-new Head of Technology, so I'm co-locating my office with his now so that we can work even more closely together.

5. CHALLENGES & ENABLERS

39 TOP CHALLENGES

40 INNOVATOR PERSPECTIVE: MASTERCARD

42 TOP ENABLERS

43 KPMG INSIGHTS: SIX QUESTIONS FOR YOUR CEO

45 INNOVATOR PERSPECTIVE: GOODYEAR

When considering the state of innovation within your organization, what are your **top three challenges** or concerns?

	2020	2023
1. Politics / Turf wars / No alignment	51.9%	35.8%
2. Cultural issues	47.2%	32.9%
3. Inability to act on signals or developments critical to the future of the business	42.1%	32.9%
4. Lack of budget	40.2%	32.4%
5. Lack of strategy, vision	37.9%	25.4%
6. Lack of executive support ▲	19.7%	24.3%
7. Not adopting emerging technologies	21.0%	21.4%
8. Recruiting / Not enough of high-demand skillsets ▼	24.8%	19.1%
9. Other*	16.4%	17.3%
10. Inability to pick up on signals or developments critical to the future of the business	14.8%	12.7%
11. Lack of CEO support	7.9%	4.0%

▲ Up arrow indicates this response moved up in the list since the 2020 benchmarking report.

▼ Down arrow indicates this response moved down in the list since the 2020 benchmarking report.

* Other Responses (2023)

- “The business’ engagement in innovation due to competing priorities (daily operations; other initiatives, over-commitment of subject matter experts, etc.)”
- “Concerns about the economy weighing on spend.”
- “Different agendas held by certain leadership as to how to measure innovation and therefore how we go after innovation. Also, the time it takes to ‘sell’ an innovative idea or opportunity into the business; corporate bureaucracy.”
- “Innovations are stalling after piloting due to lack of funding and executive support in order to shift to scaling. Many are just happy with PR innovation.”
- “Lack of actual strategy. Often, goals or visions are treated as strategy, which results in frustration with the organization’s ability to advance viable work and creates an unnecessary churn, resulting in confused decision-making.”
- “Risk-averse culture and inability to decide and commit. Ability to scale solutions.”
- “Supply chain slow-downs and staffing challenges in the program execution areas of the business (where we generate our primary sales and revenue) have drawn talent from our innovation team. One philosophy which has been stated is, ‘If I can’t staff my programs, why would I staff growth-oriented R&D projects?’”

Mastercard: De-Risking New Offerings



Ken Moore
Chief Innovation Officer

Ken Moore is the Chief Innovation Officer of Mastercard, the financial services and payments giant. While the company is headquartered in Purchase, New York, Moore primarily works from Dublin. Mastercard reported nearly \$19 billion in revenue in 2021.

UNDERSTANDING THE CUSTOMER

The customer is at the center of everything we do, but the customer can mean different things. It can mean the middle ‘B’ in our B2B2C (business to business to consumer) equation — so it could be the issuer; it could be the acquirer, the bank, the merchant, the government; but it could also be the end customer — the consumer on the street, the small business in a particular economy. For us to be truly customer-centric, we have to serve both [the middlemen and the end customer]. To do it, we need a collection and a variety of approaches and tools... We’ve invested heavily in customer experience, design, customer research, customer analysis, and we’ve embedded that through the full lifecycle in which we build a product and service.

ADVICE FOR MITIGATING TURF WARS AND INFIGHTING

There’s no easy answer for this, but there are pieces of the puzzle which make it easier. One is setting out the [rationale] for why innovation matters in the company overall. For us, that’s back to mission, purpose, and values — right from the top of the house, defining a mission statement that forces you, as a company, to want to be more tomorrow than you were yesterday.

I think the second piece is that innovation needs to be embedded in your culture, and it can’t just be in a soft way. I think you have

to measure it at some level, because what you don’t measure, you don’t care about. [At Mastercard], we specifically call out things like customer-centricity, partnerships, working together, helping each other be great. There’s a lot more to it than that, but those are some of the tenets that we specifically call out. And that’s what we expect of our people — we measure them against that; it’s part of their job descriptions; it’s part of their performance assessments on a yearly basis.

The third [key piece] is how do you [structure your organization]? For us, we don’t try to take revenues from other groups; we are a service to the company. We are there to be used. We are a safe place for failure... We’ve created the right conditions in the structure of our R&D organization to allow for partnership, because we are a service provider, versus a cost center or revenue center.

FAILING FAST AND FAILING SMART

We celebrate [failure]. We publish that as part of our role. [My team] has a specific role around de-risking the introduction of new products and services. When I say de-risking, risk comes in three ways: it can be client-market fit; it can be solution uncertainty; or it can be commercial uncertainty. We will keep a new product or service within my organization, Foundry, until we’ve taken risk out of each of those three categories. We will fail a huge percentage of initiatives. It varies, depending on whether you’re adjacent or

disruptive — but we fail a very, very significant number [of times] every single year. We are designed to tolerate that failure, perhaps in a way that a product group isn't. They have to place safer bets, so we're deliberately a partner to them, to help them take those bets that may pay off.

“Innovation needs to be embedded in your culture, and it can't just be in a soft way. I think you have to measure it at some level, because what you don't measure, you don't care about.”

TECHNOLOGIES COMING DOWN THE PIPELINE

I think that physical-digital convergence is going to continue to be thematically important over the next couple of years. I don't think crypto or Web3 are dead. I think it's a bit of a winter at the moment... so we'll continue to be very active in that space, but in a thoughtful and measured way. Cloud, IoT, and 5G are very much [in] now. Beyond that, I think quantum — particularly on the annealing side — [will be] important... As you look beyond that, I think privacy-enhancing technologies and zero-trust-based architectures probably round out the picture.

What would you cite as the **top three key enablers** to your team’s innovation accomplishments and successes?

	2020	2023
1. Leadership support	74.9%	52.6%
2. Ability to test, learn, and iterate	53.5%	45.1%
3. Right team, types of employees	52.1%	45.1%
4. Right strategy, vision	52.1%	41.6%
5. Right approach, tactics	29.8%	29.5%
6. Right level of funding	28.8%	23.7%
7. Organization accepts failure well ▲	18.1%	21.4%
8. Correct technology / Infrastructure ▼	18.6%	8.7%
9. Other*	5.1%	6.9%

▲ Up arrow indicates this response moved up in the list since the 2020 benchmarking report.

▼ Down arrow indicates this response moved down in the list since the 2020 benchmarking report.

* Other Responses (2023)

- “A separate process and technology setup (legal, security, procurement) that allows for faster innovation / prototyping.”
- “Finding internal stakeholders who are ‘future focused’; creating an internal ‘league of the willing’ to affect change.”
- “Focus on linking and integrating innovations, so they add up to better decision-making on the enterprise level.”
- “Persistence”
- “Team courage”

Six Questions to Get on the Same Page with Your CEO



Martin Sokalski
Principal, Advisory
KPMG LLP

Our latest research with InnoLead highlights that the key to successful innovation is alignment between senior leaders and innovation teams. Yet earlier research by KPMG shows a clear disconnect between what most CEOs expect from innovation and how the company's innovation strategy is executed.¹ We found that gaps are prevalent in how CEOs versus other innovation decision-makers view everything from innovation goals and drivers to approaches, owners, and outcomes.

Improving alignment around innovation is an urgent priority. It may sound like a lengthy, complex undertaking, but it starts with a conversation. Asking the following six questions of your CEO can be a great starting point.

1. What does innovation mean to you?

Disruption? Transformation? Digitalization? Invention? Novelty? Each CEO may have a different perspective on what innovation is and what drives it. One CEO could see innovation as a reaction to external forces, such as technology advancements and emerging use cases from VCs, startups, think tanks, and other industries. Another CEO may have more of an inside-out philosophy, investing in organic growth and building an environment that cultivates

¹ Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)



Lou Trebino
Audit Chief
Technology Officer
KPMG LLP

bold ideas from all corners of the organization. A third may believe that impactful innovation consists of a confluence of inside-out and outside-in efforts.

Why ask the question? If your team's definition of innovation differs from your CEO's, the opportunity to create tangible value or impact will be limited.

2. Why do you want to innovate?

Most CEOs say they want to innovate: to drive efficiency and profitability; make a difference; meet customers where they are; gain competitive advantage; and capitalize on disruption created by new technologies, among other factors. Tying innovation to strategic priorities is critical. However, it isn't always easy to do, since most corporate innovation programs are decentralized in individual business units. This barrier is supported by recent research from KPMG: Thirty-seven percent of innovators we recently surveyed say innovation comes from skunkworks, and 69 percent say that functional silos cause operational dysfunction that stands in the way of innovation.²

Why ask the question? If you pursue innovation initiatives that are closely tied to strategic imperatives, it will help accelerate your organization's progress toward its larger objectives, driving greater value sooner.

3. What do your customers expect and demand?

Understanding trends in your customers' behavior and needs is essential for creating an innovation strategy and action plan that drive toward a better future. This insight

² Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)

is like a guiding light toward the best opportunities for innovation. The *2022 KPMG Global Customer Experience Excellence Report*³ shows that leading brands invest considerable time and effort in anticipating customers' future concerns, needs, and pain points and seeking to be present in their customers' lives when these changes occur.

Why ask the question? The most successful and impactful products, services, and experience are based on unmet customer desires and requirements.

4. Does your organizational culture cultivate or stifle innovation?

Innovation should be integrated into everything an organization does and be supported by a culture that consistently enables it. It is not an activity, but a mindset. Not an event, but a consistent theme behind how you run your business. Not a way to get from point A to B, but an ongoing journey of advancement and improvement. Not one-off, but pervasive.

Why ask the question? Analyzing your company's innovation philosophy will help you understand where current innovation structures, practices, and capabilities may be falling short.

5. How expansive is your innovation ecosystem?

Innovating with impact requires an ecosystem of diverse tools, people, capabilities, partners, and insights — not a group of technologists operating in a bubble. It requires a network that is both global and local, macro and micro, internal and external. A network that comprises stakeholders and collaborators, with input from industry and functional players, innovation champions, startup communities,

³ Orchestrating the connected customer experience (2022 KPMG Global Customer Experience Excellence Report)

academia, customers, and investors, among others. New ideas and solutions, inside and out, must be incubated and accelerated, while the organization provides incentives and opportunities to bring innovative concepts to fruition.

Why ask the question? Integrating a wide variety of external and internal signals will guide your organization in the direction of real transformative opportunity.

6. How do you measure innovation success?

Plotting the right innovation program and staying on track require a shared understanding of what it means to succeed. But metrics used to evaluate innovation outputs do not consistently tie back to innovation goals. Forty-three percent of CEOs say they measure the return on innovation investment by looking at profits, despite 50 percent having a vision for transformational (versus incremental) innovation.⁴ To make sure your innovation metrics match your innovation strategy, consider what is being measured, qualitatively and quantitatively, as an innovation output (e.g., profit versus customer satisfaction score).

Why ask the question? Metrics that are not aligned with top-line innovation goals may create friction along the journey toward long-term innovation.

FINAL THOUGHTS

When you understand your organization's broad innovation vision, you can map the internal innovation work to match it, making your efforts more valued, meaningful, and ultimately successful. Set your innovation program transformation journey off on the right foot with these six questions for your CEO.

⁴ Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)

Goodyear: Fast Lane to the Future of Mobility



Erin Spring
Senior Director of Material Science

Erin Spring serves as the Senior Director of Material Science at The Goodyear Tire & Rubber Company, which is one of the largest tire manufacturers in the world. Goodyear is headquartered in Akron, Ohio, and has about 72,000 employees.

IMPLEMENTING NEW TECH

New Ventures is part of what we call our Global Technology Organization, which includes research, and a lot of product development. The majority of that organization is focused on building leading tire products, across a lot of different industries and applications. If you look at our research and development organization, about four or five years ago, we had a concerted reorganization around [making] sure that we continue to maintain our leading products, around R&D for tires, and then we carved out what we called our Beyond Tires group, with the recognition that... the automotive industry is changing, and based on how the tech is coming into automotive – very similar to how you see it impacting a lot of different industries – we see our customer changing. We see requirements for new solutions, and new different types of technologies.

We said, “Hey, we need different capabilities to deliver new solutions in the future.” And then we said, “How are we going to do that?” Of course, there’s some new technologies that we need, but at the same time, you’re getting into an area where the future isn’t as clear as what you’ve been doing in your business for the past 100 plus years.

STRUCTURE AND STRATEGY

When you dig into New Ventures, I look at it as one portfolio. We’ve

set the strategy with respect to what we call the future of mobility – future connected, autonomous, electric vehicles. Some of those things are already here – a shift toward shared transportation, for example. Behind each of those trends, is [what] I call a market map or value chain... which then helps us dig into, “Where is potentially some white space that we think Goodyear should play?” And then we say, “Okay, how should Goodyear play?” Is this an area where we’re really looking to make a bet, or learn strategically with others? We might make that bet through our corporate venture fund, Goodyear Ventures. Or is this a place where we think this is something unique that Goodyear needs to own? And we make that with an internal team, where we identify the opportunity, we incubate the idea, and then we launch it, and nurture that new business. So we have some new businesses in that nurturing phase or accelerating phase – early revenue.

LEADERSHIP BUY-IN

We’re really fortunate that I think our senior leaders might be more excited about [our goals] than I am. I think they see the importance that Goodyear is going to play in the future. Basically, the real question is, “How are we going to get there faster?” Our CEO, for example, he has been a driving force in our future of mobility strategy.

One thing we implemented that I think is really important – maybe

because we've already gone through the buy-in piece — is, early on, for example, when we were [forming and launching] our corporate venture capital [group], I brought [leadership] along on the journey. We did quite a bit of benchmarking with other CVCs. We would meet... with some peer companies to really understand, “Why are they in [CVC]? What's the benefit that they're getting?” That's extremely helpful, to do some of that benchmarking so that [leaders] are not only hearing it from you. I think a second piece is the opportunity... [to talk] to the people who are going to be our next customers. That's what gets leadership excited... the needs that they have, and where Goodyear can fit in. If you can spend time with examples of who those future customers are going to be, that's very important. When we set everything up, we do meet at least monthly with our senior leadership — CEO, CFO, CTO — to go through our investment portfolio, both internal and external.

CHALLENGES TO COME

Number one, we're going to go into a more economically challenging time. Fortunately, I don't foresee a challenge with our funding going down. I think what we might see is our business plans not coming to fruition as quickly, because of the slowing of the market dynamics... So I think that will be somewhat of a challenge — some of the plans may be slowing down. That's more high level. I think, on a day-to-day [basis], we continue to figure out what are the best ways to operate like a startup within a big corporate. It's a balance — you can't operate completely like a startup, and you have to recognize that. But you can't operate [completely] like a \$20 billion business, either... So we kind of continue to move the needle, as we run into challenges with how do you turn around a term sheet [quickly]? How do you set up your procurement processes? How do you set up a more agile financial system? And those are the things that we continue to work through, but also have a lot of buy-in around, and support from the corporation.

“We're going to go into a more economically challenging time. Fortunately, I don't foresee a challenge with our funding going down. I think what we might see is our business plans not coming to fruition as quickly because of the slowing of the market dynamics.”

As we think about what is Goodyear's role in the future transportation ecosystem, we're going to continue to see tire products, but I think what you're going to see more of [is] connectivity in our tire products, and integration with in-vehicle systems. A big piece of it is, how do we start to execute on adding this digital layer to our traditional rubber product?

6.

ABOUT THE DATA & RESPONDENTS

48 PRIMARY INDUSTRY

49 NUMBER OF EMPLOYEES

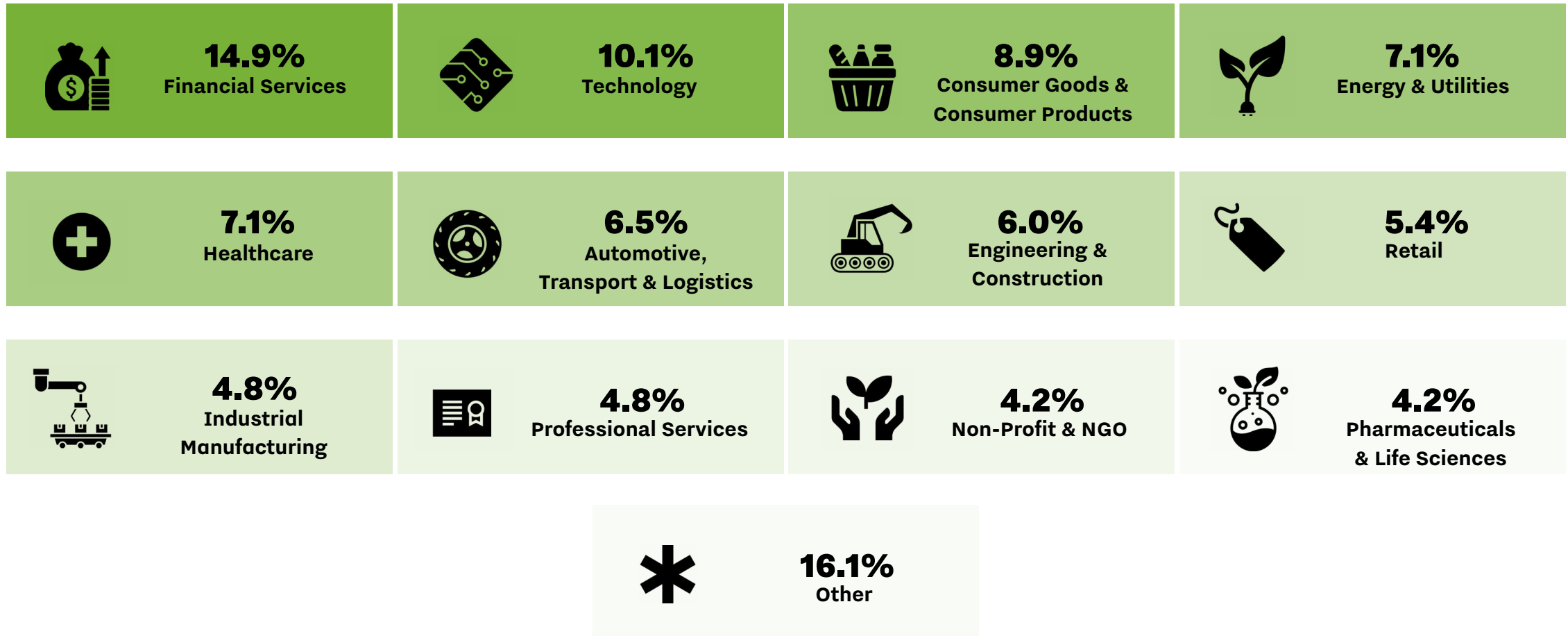
50 INNOVATOR PERSPECTIVE: ILLUMINA

51 GEOGRAPHY

52 SENIORITY LEVEL

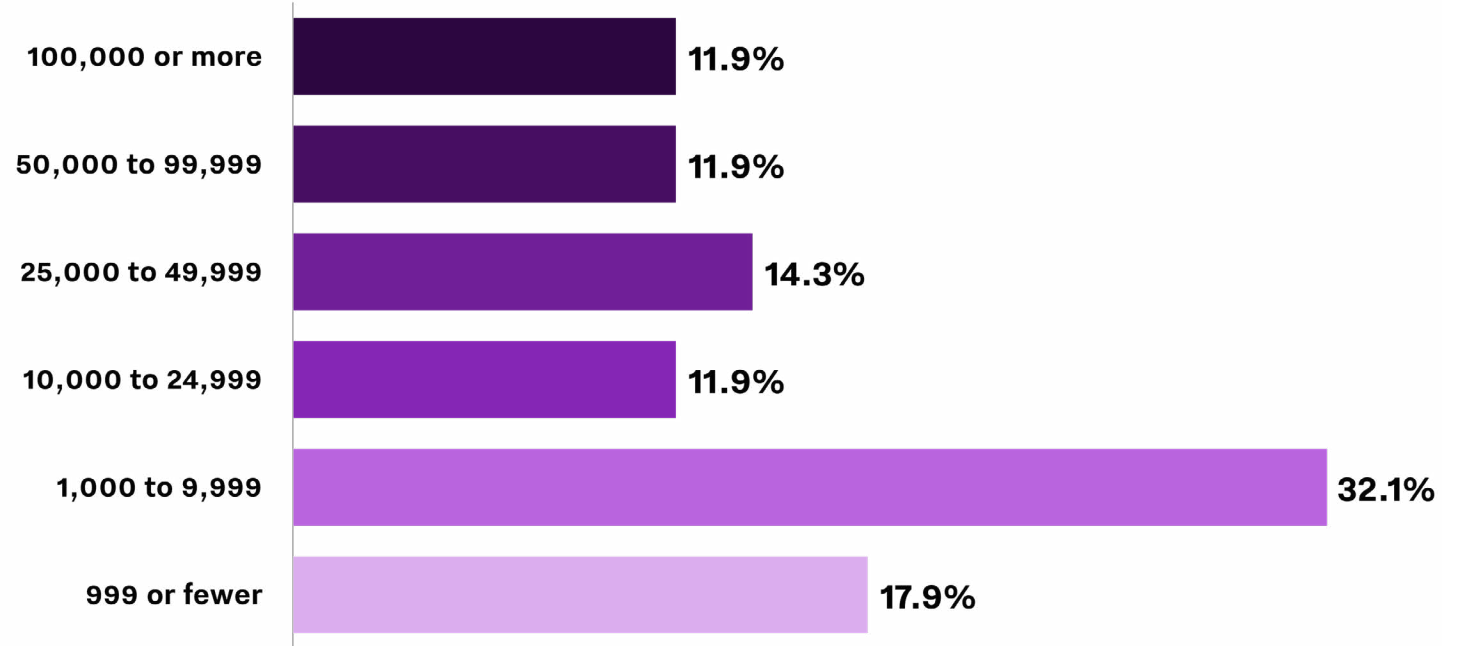
53 AREA / DISCIPLINE

What is your organization's primary industry?



How many employees are in your organization?

Exactly half of our survey respondents work in an organization with 10,000 or more employees. Compared with our 2020 report, this year's data included more respondents in that segment.



Illumina: Building Support for Startup Engagement



Amanda Cashin

Co-Founder and Global Head of Illumina for Startups

San Diego, Calif.-based Illumina sells genetic sequencing equipment and accessories; 2021 revenues were \$4.5 billion. The Illumina for Startups initiative, founded in 2014, uses grants, seed investments, lab space, and other mechanisms to encourage startups to use Illumina's newest technologies as they build their products.

COMMUNICATING VALUE

To me, it's understanding your goals as a corporate: What are you trying to achieve when you're working with startups? [Then, it's] mapping those goals back to the corporate strategy of the company, and to key divisions and leaders within the company, and what they care about.

The big thing is being clear and simple with the metrics we use and the value we create. Creating new customers in new markets, and expanding the utility of our technology — that might be what our CEO cares about. We report to our CTO. Our CTO cares about new insights — how we learn what our customers need to do, as we look to bring out next-gen products. Commercial colleagues love having a different conversation with our customers that is not just transactional. What about our CFO? Because we're a big company, it's hard to move the needle when you're talking about super early-stage startup creation. But the CFO can support it if you stay lean, and also demonstrate that you're not losing money.

BE A GOOD PARTNER

We have to be in the mindset of creating really high-growth and high-value startups. By definition, our focus is strategic, because we only work with companies that use our technology. We're not trying to fill the acquisition pipeline; we're trying to grow the market and grow new customers. We're not trying to pick and choose the winners of who we're going to acquire.

“With both entrepreneurship and corporate innovation, if it was comfortable, you're probably not pushing it far enough.”

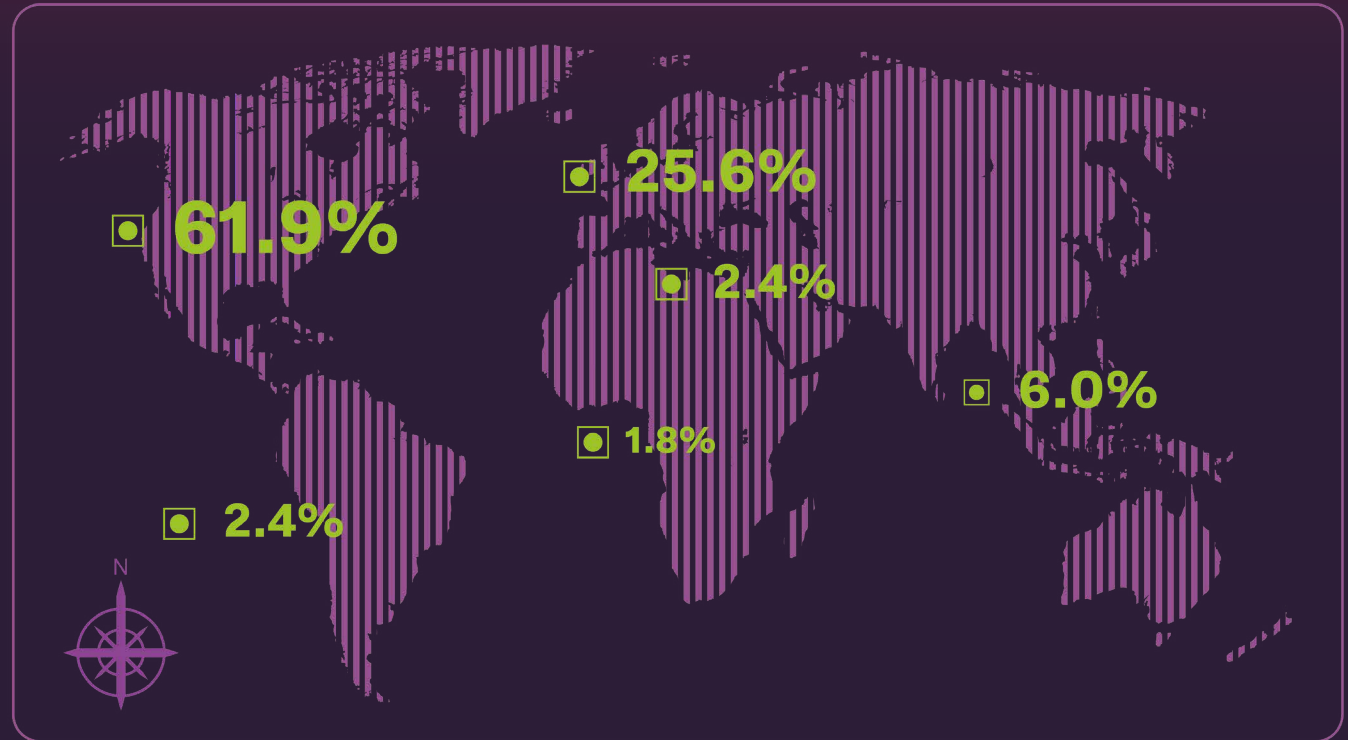
PUSHING THE BOUNDARIES

When you are a corporate, and you get to work with these startups, they remind you why you want to work with them in the first place. They're so passionate. They're pushing the boundaries. As with corporate innovation, they're pushing people past their comfort zone. With both entrepreneurship and corporate innovation, if it was comfortable, you're probably not pushing it far enough.

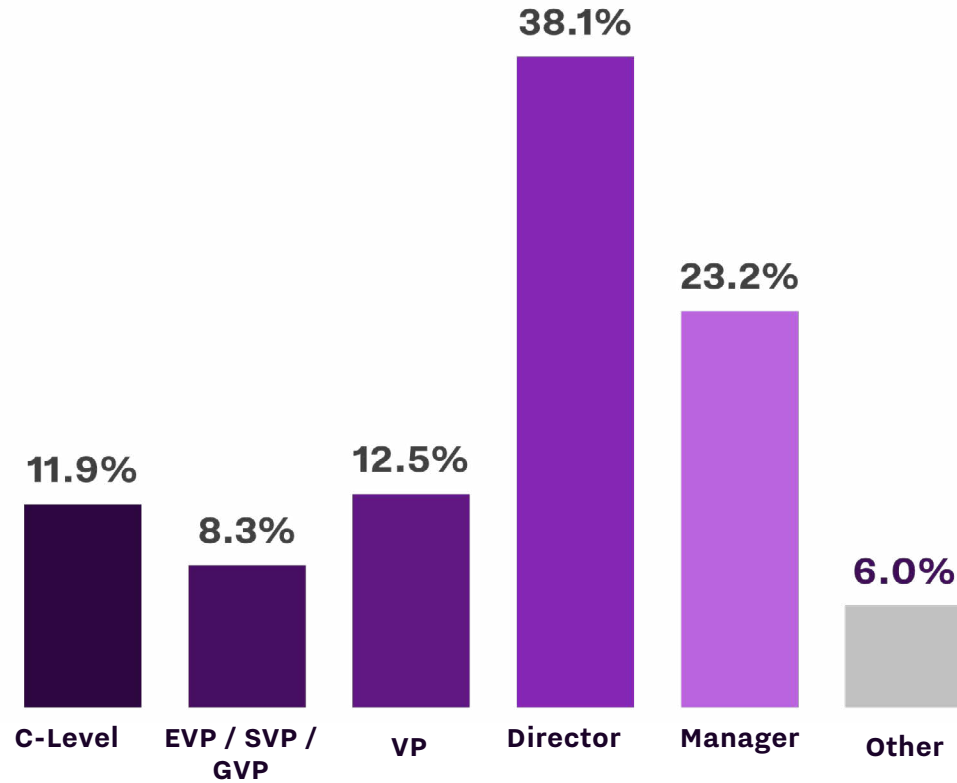
For folks who are thinking about doing a corporate-startup engine, you need that support and engagement from the top. That's a reason we've been around for eight years.

Where is your organization headquartered?

We heard largely from companies headquartered in the US, with about one-quarter of respondents based in the UK and Europe, and another six percent in Asia-Pacific.



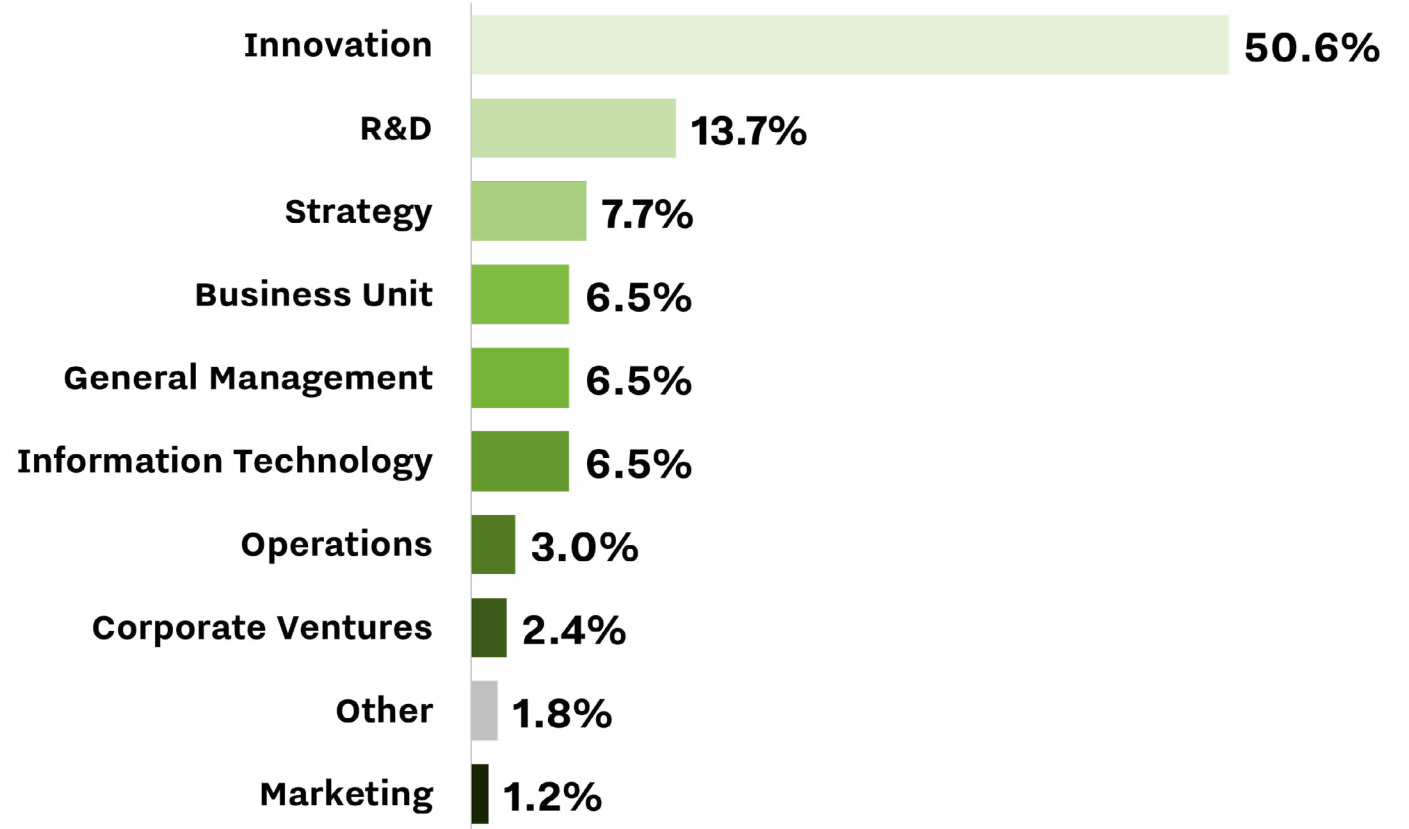
What is your level of seniority?



About one-third of our respondents said they work at the VP level or above. Nearly 40 percent work at the Director level. In the Other category, we heard from architects, specialists, strategists, consultants, leads, leaders, and senior directors.

What is your functional area or discipline?

We heard from a broader range of people working inside large organizations this year; in our 2020 report, 63.5 percent of respondents identified innovation as their functional area.



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Icons by The Noun Project.

About KPMG LLP

HOW KPMG CAN HELP

KPMG Enterprise Innovation group incubates and accelerates new ideas and solutions, inside and outside of KPMG, that can help businesses find innovative ways to drive growth, manage risk, and improve operational efficiency. Our diverse team of strategic thinkers, scientists, technologists, designers, and analysts uses a combination of powerful firm assets to problem-solve ways to help unlock new value, make ideas actionable, and achieve measurable outcomes for the firm and our clients.

- KPMG Illuminate is our global innovation platform, which uses AI-driven market insights and crowd sourcing to spark, develop, and manage innovations in a way that consistently creates real impact.
- The Innovation Network is a national, cross-functional network of internal innovation champions who enable the KPMG innovation strategy, functional initiatives, and sector priorities.
- KPMG Studio is a fast-to-market incubator with an immersive entrepreneur program that helps ultra-determined pioneers transform a big dream into an even bigger reality.
- KPMG ventures cultivates a network of founders, venture capital firms, incubators, and accelerators to drive collaborations with and investments in startup companies. Our goal is to enhance KPMG's future competitive positioning while driving near term results for the business.

KPMG

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