



2023 Survey of Innovation Excellence

Deloitte Summary Report



Introduction

In an era where innovation is the cornerstone of success, we're thrilled to announce a collaboration between Fast Company and Deloitte to explore the forefront of business transformation. Fast Company surveyed more than 200 companies globally, selected from its Most Innovative Companies portfolio. This study, aimed at understanding modern business acumen, has revealed key insights into how organizations are successfully navigating the ever-shifting market landscape. These observations are not just data points, but insights that could bolster your business strategies and provide access to a wealth of knowledge on industry trends, success benchmarks, and innovative approaches that are setting the pace across various sectors.

Innovation, once a strategic differentiator, is now a business imperative. The findings in this Fast Company and Deloitte survey are critical to understanding the impact of innovation on the shifting paradigms that come with the industry convergence and technological advancement that are taking shape today and will likely only accelerate during the foreseeable future. These insights can

provide a nuanced view into not only products and services, but also operational models and strategic outlooks pivotal for organizations seeking to harness the power of innovation and differentiate themselves in a crowded market. Innovation is contributing to the fusion of once-distinct industries, creating new opportunities and challenges. Understanding this shift is imperative because it's redefining the boundaries and expectations, reshaping markets, and reimagining potential growth areas.

By leveraging actionable intelligence from these insights, your organization can gain a clearer perspective on the transformative power of innovation and its ability to be a catalyst for growth. You can tap into industry leaders' collective wisdom, applying their innovation practices to your context, and setting a new standard of excellence in your field. Consider embracing these insights as your guide to navigating the complexities of today's business environment, and propel your organization to new heights of innovation.

Best, 



Deborah Golden
US Chief Innovation Officer
Deloitte US

Despite recent economic uncertainty, organizations surveyed are **elevating the role of innovation, and the underlying organization culture to enable their missions and build upon strategic initiatives.** Many, though, lack the talent, resources, and board expertise required for proactive and sustained innovation efforts.

Innovation has emerged as a business imperative, with **two-thirds of surveyed organizations including “innovation language” in their mission, vision, or value statements.** Innovation’s elevated role is further demonstrated through **direct investment**, typically ranging between 3% and 15% of revenue. Nearly half of companies surveyed are planning to **increase innovation investment in 2024** making clear the importance of innovating through disruption and uncertainty throughout the macroeconomic slowdown.

In an era of convergence, the fusion of different sectors powered by technological advancements often presents unique opportunities and challenges, underscoring the importance of establishing a **proactive innovation approach as a leadership philosophy.** Organizations surveyed employ a variety of **strategies to foster innovation**, including enhancing AI capabilities, organizing hackathons and pitch contests, and establishing internal venture and “skunk works” units (i.e., alternate teams to main R&D/innovation units). However, **persistent challenges related to talent and resources** are prevalent in nearly half of the organizations surveyed.

69%

believe the economic slowdown will not impact existing innovation budget and/or would increase their future innovation budget and efforts in the future



23%

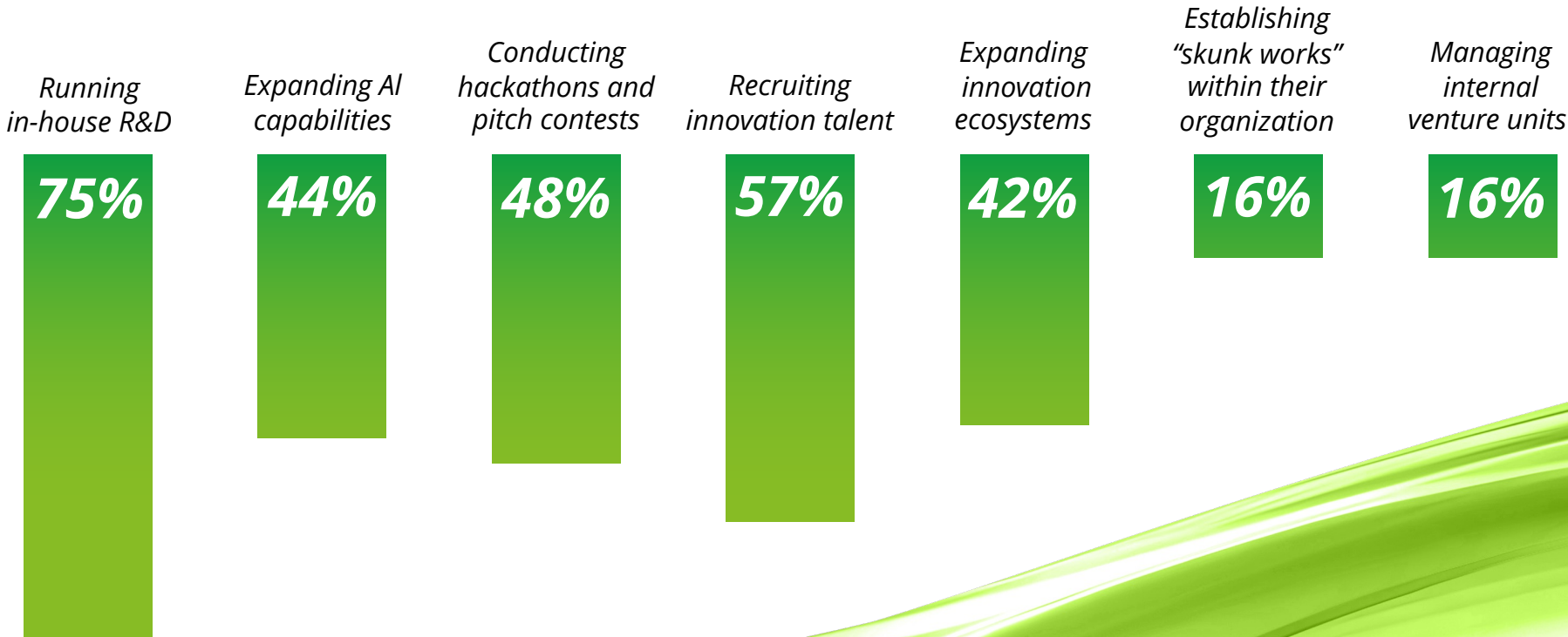
estimate 15%+ of their annual revenue spent for R&D/innovation investment



Despite **top-down executive support** for an ambitious innovation agenda (with half of organizations citing the CEO as the primary driver of innovation), there's a significant gap in innovation expertise at the board of directors level. **Only a quarter of boards have an innovation expert** to offer strategic insight into innovation outcomes and risks. This could indicate an opportunity to educate board members and ensure innovation is not only on the board agenda but further **ingrained in the fabric of the organization's DNA**.



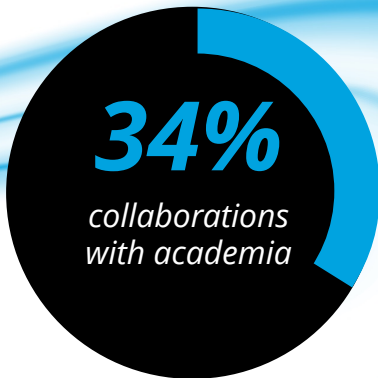
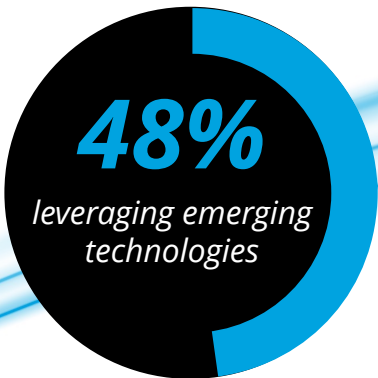
To advance their innovation agenda, organizations are:



Collaboration through broad, diverse ecosystems is recognized as a key driver of innovation, **but intellectual property (IP) considerations can hinder agility and marketplace effectiveness in leveraging broader ecosystems.**

Nearly half of organizations are **expanding their innovation ecosystem** and collaborating with partners that **provide diversity of thought and break down silos**, such as cross-industry coalitions, venture capital, private equity firms, industry associations, and consultants. **Academia** was highlighted by one-third of companies as an important ecosystem player. Academic institutions often provide insights on market trends, joint R&D, and access to diverse and innovative talent recruiting pipelines. Innovative organizations could extend their success by considering **open innovation and collaboration and harnessing diverse perspectives** through cooperation with ecosystem partnerships, **especially those beyond their immediate organizational boundaries.**

Some of the lead tools and tactics organizations use to inspire ideas and innovation from employees include:



42%

expanded their innovation ecosystem to advance their innovation agenda



To overcome impediments

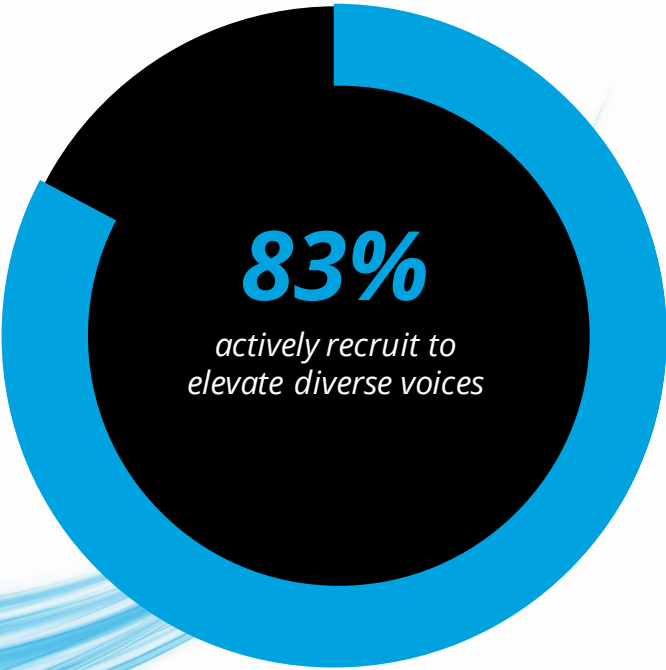
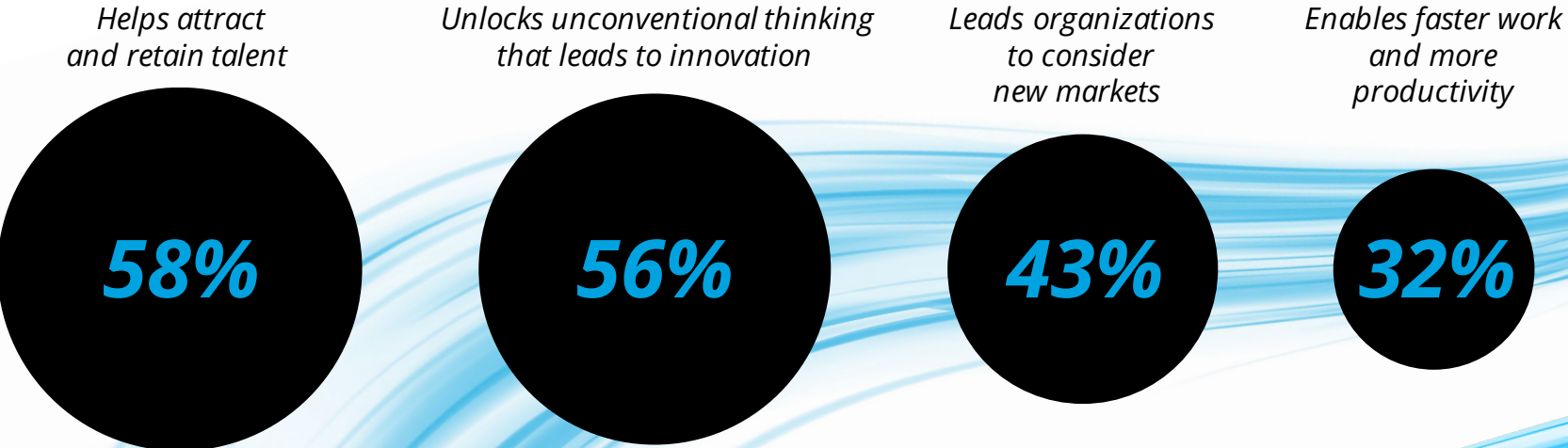
34%

of organizations are increasing innovation partnerships or ecosystems



Across ecosystem partnerships, **desire to protect IP remains a key challenge for 40% of companies surveyed.** Joint collaboration on initiatives between parties often raises questions such as ownership of IP in complex ecosystem collaboration models, legal and compliance processes, and, in general, a risk-averse mindset, which inhibits fast-paced innovation and experimentation. As IP-driven business models evolve in a multifaceted world with complex technologies, innovative organizations should consider **more flexible, hybrid approaches to IP management, monitoring, and compliance** as well as a broad understanding of global legal jurisdictions. This can better enable or accelerate breakthrough opportunities and marketplace strategies through cross-industry partnerships.

Companies surveyed actively recruit to elevate diverse voices due to these benefits:



With growing economic shifts and increasing industry convergence, **organizations surveyed are embracing emerging technologies that can serve as catalysts for competitiveness and strategic positioning** by unlocking new marketplaces, untapped opportunities, and fundamentally different business models.

The **majority of organizations surveyed are enthusiastic about experimenting with new technologies** as they look to drive industry disruption and differentiate themselves through integration of technology into their business models, products, services, and capabilities. However, **one-third of companies remain cautious or lack the scale, awareness, budget, or risk aptitude** to adopt emerging technologies.

After a transformative year of technological progress, **AI is topping innovation agendas**, with 72% of respondents incorporating Generative AI tools into their business processes or finalized products. While embracing AI and machine learning isn't differentiating enough on its own, the combination of these technologies with others, such as blockchain and quantum, will likely accelerate convergence and can offer organizations an opportunity to **rethink their overall marketplace strategies**. In some instances, it can open up entirely new business opportunities altogether.

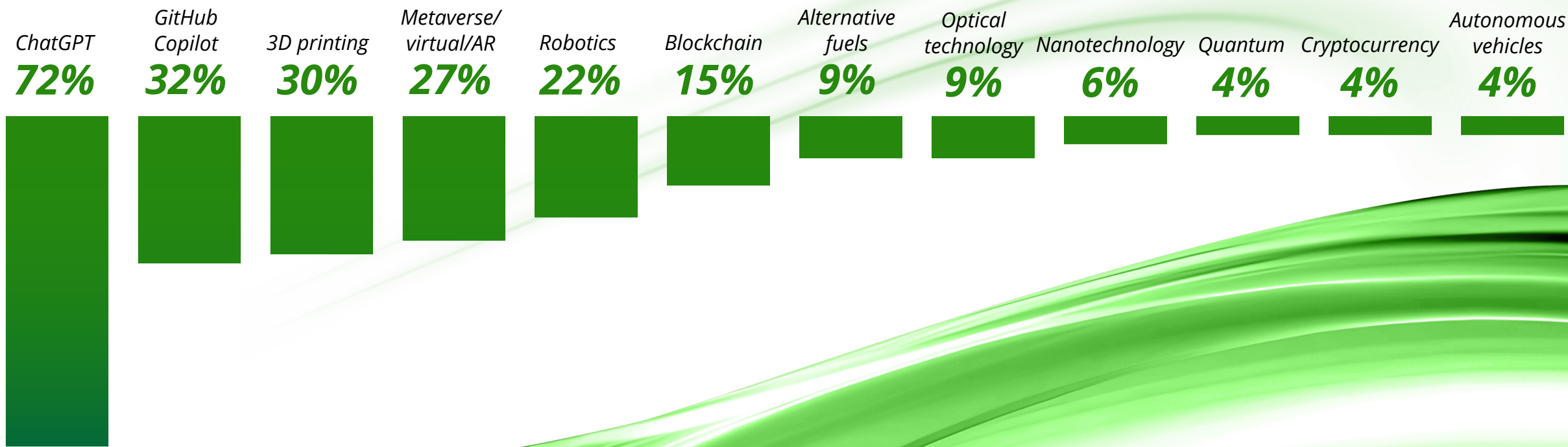
71%

are enthusiastic or at least willing to experiment with new technologies



When taking a broader view of **innovation readiness as an ecosystem-enabled, multidimensional, integrated process** (instead of as a siloed traditional business function), organizations will unlock a greater potential of these emerging technologies. Organizations looking to be early adopters should also maintain a lens for trust in technology so their teams and users can increase responsible and ethical use of technology. This can mitigate risks earlier, leveraging the collective intelligence and diverse capabilities of a broader environment to foster innovation readiness and adaptability, and ultimately drive growth and advancement.

Eagerness to adopt:

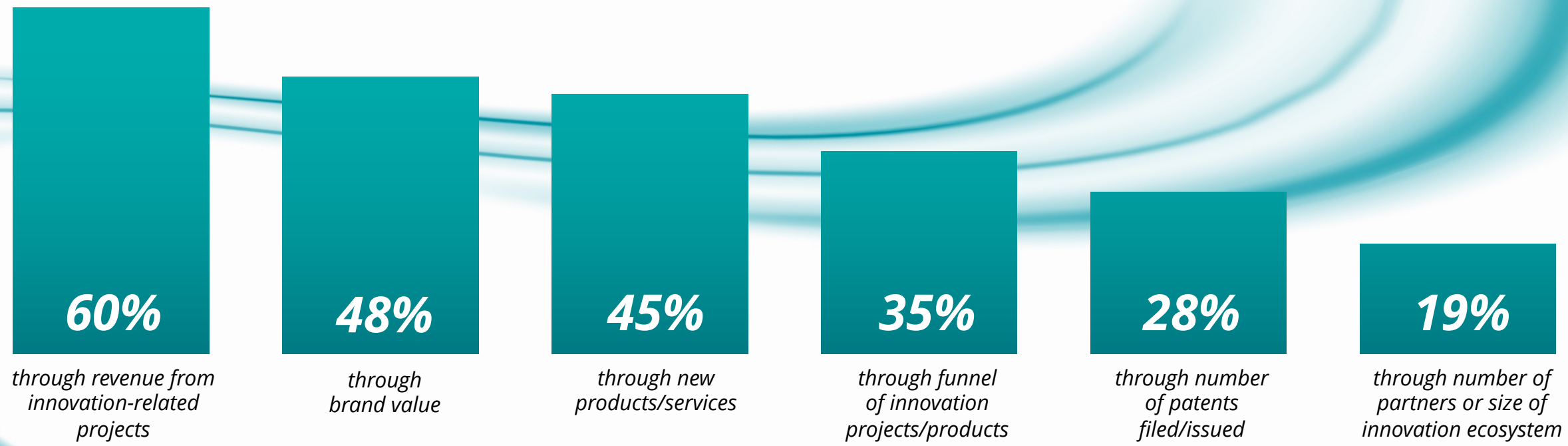


While **most organizations surveyed consider revenue a main factor for tracking innovation success, additional non-financial or “pre-monetary” investment measures** should be considered to best enable a balanced portfolio of innovation investments.

As the pace of market change accelerates, leaders are often pushed by shareholder capitalism to prioritize immediate technological breakthroughs and rapid monetization of ideas. This often comes at the expense of long-term innovation strategies. The majority of organizations surveyed measure innovation through **revenue associated with innovation-related products**. Nearly half of respondents also measure innovation through **brand value and new products and services**. Only one-third measure innovation earlier in development, tracking a funnel of innovation projects. While revenue-based measures may work for some smaller organizations looking for immediate product-market fit, this metric alone is often shorter term with a very narrow view of innovation. It can lead to stagnation in innovation, decline in competitive advantage, and an inability to address market shifts or technological advancements.

Some organizations are recognizing the limitations in this approach and are championing a **multifaceted approach to measure innovation success**. It's one that emphasizes long-term innovation philosophies into their performance evaluation, including additional **non-financial measures** such as innovation pipeline, brand value, breadth and depth of new product/service portfolio, and customer-centric engagement/adoption. The incorporation of non-financial metrics can serve as a barometer of an organization's future readiness, competitive advantage, and potential to capitalize on emerging opportunities, as well as its ability to **adapt swiftly to changing market demands**.

How organizations measure innovation:



Research methodology

To ensure a cross-industry, size-agnostic, and globally relevant understanding of innovation excellence, Fast Company, in collaboration with Deloitte, sent a survey to organizations in Fast Company's Most Innovative Companies portfolio, with up to 248 responding to the survey, depending on the question.

Leaders from companies across geographies were surveyed, with the majority of respondents from the United States (69%) and Europe (13%), and additional respondents from Asia Pacific, Canada, Africa, Latin America, and the Middle East. Respondents represented businesses and public-sector companies across industries.

The survey asked CEOs, presidents, chief innovation officers, chief strategist/chief strategy officers, and other C-suite roles related to innovation (e.g., product, growth, technology, operations) about a variety of topics related to innovation and innovation functions. The majority of respondents were CEOs (59%), highlighting the elevated role these leaders play in driving the innovation agenda.



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