

Research

The Changing Role of the Innovation Leader

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CxOs & Innovation



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About This Project

2 020 has been a trying year for anyone working to thread their way through its many challenges: staying healthy, turning the living room into a one-room schoolhouse, making strategic forays to the grocery store, keeping teams productive, dealing with disruptions to sales channels and supply chains, and exploring (and adopting) an array of new digital tools.

It has been an especially trying year for corporate innovators: the strategy, R&D, transformation, and digital professionals responsible for driving the organization in new directions and delivering new growth. The opportunities in 2020 to introduce big changes and new offerings are immense. But so is the scrutiny. When everyone in your company is working to manage the pressures of next week or this quarter, they may question why we are making plans for six months from now—or two years from now? Why not just stick to the core things we know our company can do well?

In April 2020, we began planning this research initiative, CxOs & Innovation. It will consist of two mini-reports (of which this is the first), interviews with corporate leaders, and thought leadership essays by our sponsor, KPMG LLP. The objective: to be helpful to C-Suite leaders and those professionals responsible for driving innovation inside large organizations.

Executive Summary

This mini-report includes data from a survey fielded in July 2020. Our 165 respondents were largely from North America (55 percent), from companies with more than \$1 billion a year in revenue (52 percent), and at the director-level or above (67 percent). We found that 59 percent of respondents said that their team’s mandate had changed this year to include new activities or objectives—including things like fostering diversity and inclusion, redesigning the supply chain, innovating for “the new low-touch reality post-COVID-19,” and making workplace modifications. The top five priorities for innovation teams were:

- 1. Continuing to deliver value to the organization**
- 2. Defending budget/resources**
- 3. Reassessing the project portfolio/strategy**
- 4. Embracing or adopting new digital tools**
- 5. Adapting to new ways of working/remote work.**

When we asked whether respondents’ organizations had developed a response to the COVID-19 pandemic that will enable it to remain competitive, they gave their employers, on average, a solid score: 7.6 on a scale of 0-10.



Executive Summary (continued)

On the topic of metrics, respondents told us that the two most important metrics or outcomes in the view of their senior leadership are revenue generated from new products and offerings, and new efficiencies or cost reductions. That was exactly in line with the top two metrics we found large organizations using in 2019, when we conducted our most recent *Benchmarking Innovation Impact* survey. But the third outcome that is important in large organizations in 2020 is brand building/market perception, which suggests that getting the customer’s attention, and differentiating your company from competitors, is more important than ever in these noisy times.

Our data found that in the majority of large organizations, the role of the innovation leader is changing and evolving in 2020. But it is also being clarified: Innovation, transformation, and digital initiatives must generate revenue, help reduce costs, or elevate the brand—or their days may be numbered.

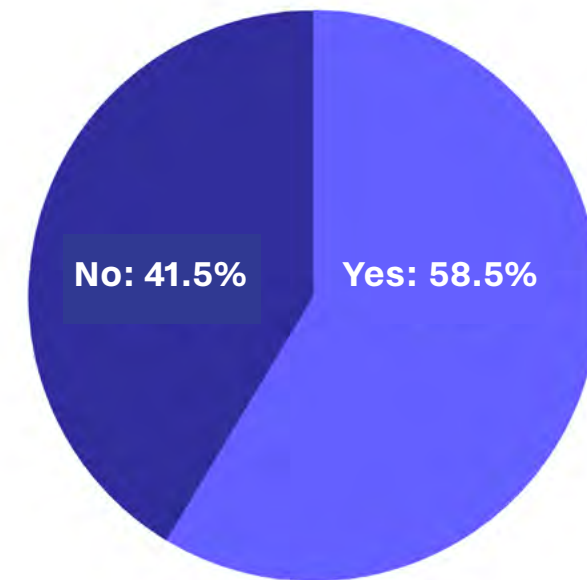
“Innovation, transformation, and digital initiatives must generate revenue, help reduce costs, or elevate the brand—or their days may be numbered.”

For Most Innovators, the Mandate is Changing

The majority of respondents told us that their mandate has changed or expanded in 2020. Among the most common new activities or responsibilities were:

- Diversity and inclusion
- Workplace redesign/modifications
- Effective remote work and collaboration
- Digital distribution/digitization of products and services
- Redesigning the supply chain
- Expanding innovation activities to engage a broader community of colleagues
- Social/environmental impact
- Innovating for the new “low-touch” reality post-COVID-19
- Scenario planning
- Customer-focused research.

Has your team’s innovation mandate changed or expanded in 2020 to include new activities or objectives?



KPMG Insight: Diversity at the Forefront



Fiona Grandi

Partner, Innovation at KPMG Ignition
Growth & Strategy



It's not surprising that innovation leaders have been asked to take on new or incremental responsibilities with the onset of COVID-19. Innovators are adept at responding to changing business needs and pivoting priorities. That's what they do. But, we're in an unprecedented period in time—the economic and social effects of COVID-19 have turned our world upside-down and the effects will be lasting.

There have been many research studies which have shown that diverse and inclusive teams are more innovative and creative. Today, more than ever before, companies need to disrupt themselves. They need to ensure that they are bringing together diverse and innovative thinkers to identify new partners, create new solutions, and build ecosystems that can withstand immense external pressures.

COVID-19, financial turbulence, and social unrest have thrust diversity and inclusion into the forefront of most organization's business strategies. KPMG is no different. We've doubled-down on our commitment and formed a chairman-led task force dedicated to increasing diverse representation and eliminating systemic barriers to advancement. Our diversity and inclusion strategy focuses on the pillars of workforce, workplace, and marketplace diversity to drive the type of disruption that is necessary for innovation and growth.

As part of our recently launched Accelerate 2025 initiative, we plan to jumpstart our efforts with a five-year plan, solidifying formal goals and key milestones aimed at creating a more diverse workforce. I am proud to be a part of this plan to drive meaningful change. We realize this is not only the right thing to do, but it is critical to driving a more innovative, inclusive, and diverse organization that will thrive in the future.

Innovator Perspective: Johnson & Johnson



Michal Preminger

Head of Innovation

East North America,
Johnson & Johnson

“When the COVID crisis started, we defined for our team [several] new areas of focus. One was super-acceleration of COVID-related innovation. We support [a COVID-19 vaccine development project in collaboration with Beth Israel Deaconess Medical Center in Boston]. And we’ve deployed a lot of effort to help screen through opportunities and ideas presented to us related to all areas of COVID—not just vaccines, but diagnostics and other areas.”

“We searched for opportunities to [apply] actual physical capabilities within J&J to expedite and help with innovation. One was with our 3D printing center. When ventilators were a top priority, we reached out to every group developing ventilators and accessories to offer our capabilities in quick design and manufacturing. Prisma Health in Florida had invented a ventilator splitter, but didn’t have the resources to manufacture it. So we made splitters based on their blueprint, and took it through [the] regulatory and quality [process]. It was an amazing experience.”

“The additional pillar is what I call ‘learning from COVID.’ We committed to ourselves that we’re going to leverage the situation for what it can teach us at the team level, at the company level, at the ecosystem level, and at the humanity level...to use COVID as an inspiration to develop new approaches that are now validated and proven.”

A Moment to Reassess, Defend, and Deliver Value

Respondents were asked to rank the top three issues or challenges they were grappling with in July 2020. In North America, the top three were continuing to deliver value, defending budget, and reassessing the project portfolio.

But in the rest of the world, that shifted a bit: The top two priorities remained the same, but embracing new digital tools was in third place. Adapting to new ways of remote work was also a slightly higher priority outside of North America. Perhaps not surprisingly, in larger companies (\$5 billion revenue and above), ensuring that innovation efforts have the support of key leaders was a higher priority (#4) than it was in the smallest companies (less than \$1 billion in revenue), where it ranked sixth.

Interestingly, two of the lowest priorities for all companies were engaging with startups or other external partnerships, and mergers and acquisitions activity. Much of the focus in 2020 seems to be on internal relationships, politics, and operational needs—not tapping into innovation happening outside the organization.

What are your top issues or challenges right now?

| Top Issues/Challenges | Weighting |
|---|-----------|
| Continuing to deliver value to the organization | 8.2 |
| Defunding budget/resources | 7.94 |
| Reassessing our project portfolio or strategy | 7.55 |
| Embracing or adopting new digital tools | 7.19 |
| Adapting to new ways of working/remote work | 7.01 |
| Ensuring we have support from key senior leaders | 6.36 |
| Returning to the office/restarting operations/reopening | 5.25 |
| Engaging with startups/open innovation/new partnerships | 5.25 |
| M&A/strategic acquisitions | 3.38 |

Innovator Perspective: Dow Jones



Edward Roussel

Chief Innovation Officer

**Dow Jones &
The Wall Street Journal**

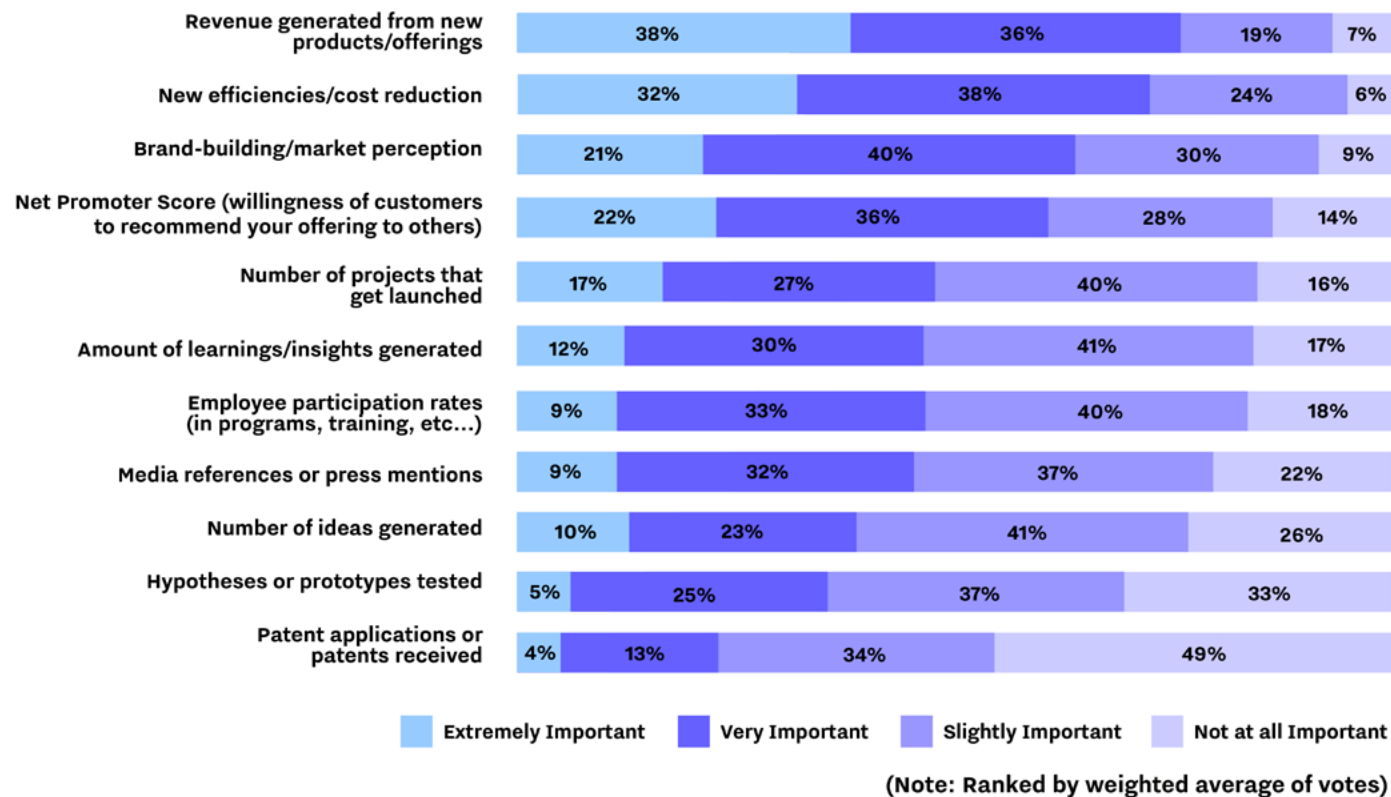
“[The pandemic] has forced us to be less speculative in the kinds of innovation work that we do, and focus far more on here-and-now innovation where there’s a more direct connection to revenue. ... The expectations of return on the work that we do is far more immediate than some of the work we did, let’s say, a year ago, where we had more the luxury of thinking about consumer habits, and looking two, three, four years out.”

“The second thing to say is that consumer habits are changing really fast, and in ways that we may not completely understand just yet. ... We have significant businesses that are impacted by shifts in the way that people are communicating. We had an \$80 million events/conferences business. That’s now obviously shifted to digital, but that has huge implications with just one business line.”

“The third part is thinking about how to innovate around cost and cost reduction. Because every company, or almost all companies, apart from a handful of technology companies, are seeing a reduction in their total revenues. Being able to think about how one can do the same job as well—or better—with fewer resources is a form of innovation.”

Senior Leaders are Most Focused on New Revenue & Reduced Costs

How important are the metrics/outcomes below to your senior leadership team right now?



In our most recent benchmarking report, *Benchmarking Innovation Impact 2020*, we found that the top metrics that innovation teams use to track their progress were revenue generated and costs reduced. In this survey, we asked a slightly different question: What metrics or outcomes are most important to your senior leaders right now? But the answer lined up perfectly with our results from last year: Revenues and cost savings were the top two. Improving brand or market perception was in third place—perhaps because amidst the pandemic, economic disruption, supply chain snafus, and debates around racial equity and police brutality in the US, companies want to be seen as forces for good.



Insights Into Metrics

We invited respondents to share additional detail about how metrics and expectations are changing in their organizations this year. A selection of their responses follow, along with the industry they represent:

“At this moment, the most important thing for the company is to generate earnings and to survive these hard times. ... Our decision-makers are extremely conservative and unable to see how important innovation is to generate value. I was not able to convince them that a crisis is a moment we can’t waste. Metrics are performing beyond expectations, but our president does not care about that. Very skeptical that our team can survive without losing some of our key members.” —Chemicals

“One challenge the innovation office faces is that everyone believes that any and every change they have had to make/are making because of the pandemic-induced pivot should be considered ‘innovation.’” —Higher Education

“In the last few months, we’ve been able to take the pressure off of ourselves, in terms of being primarily validated by ROI or revenue potential. We’ve also stepped away from our focus on idea generation. Instead, we’ve moved toward quick market validations through accelerator pilots and proofs-of-concepts (quick wins, fail fast, minimum viable product, test glide assumptions, etc.), as well as a focus on organizational transformation. We are now in a position to be more forward-thinking, by setting the pace and vision of the future state of the organization, and as a result have shifted more toward telling that story and setting strategy than we have been around creating ‘product’ or ‘revenue.’” —Pharmaceuticals & Life Sciences

Insights Into Metrics (continued)

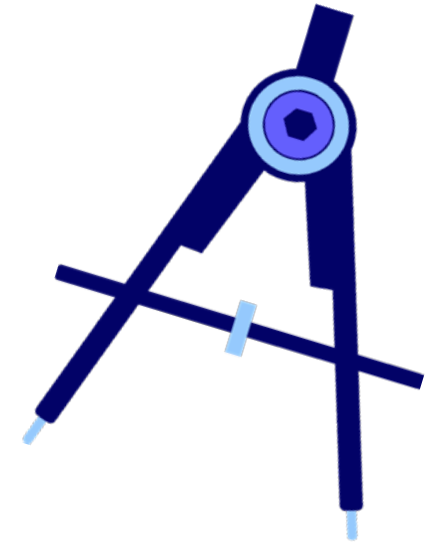
We invited respondents to share additional detail about how metrics and expectations are changing in their organizations this year. A selection of their responses follow, along with the industry they represent:

“The first two factors, revenue and efficiencies, have always been important, but are now critical with the project portfolio being reduced and re-scoped to mirror this new focus. Learnings and insights are considered valuable, as they inform not only the project they were collected in, but other projects operationally or strategically.” —Elder Care

“There is a mad scramble to make it through this crisis, and that is understandable. If the metric becomes ‘throwing spaghetti against the wall to see what sticks,’ then we have a problem.”
—Higher Education

“Cost savings or revenue generated is all-important. Any new ideas need to be quickly assessed and prioritized against more stringent business case criteria.” —Automotive, Transport & Logistics

“Foundational metrics seem to be declining in importance; superficial/short-term metrics seem to be increasing in importance. Feels like we are missing out on the foundational change, as we are anxiously trying to look for short-term success.” —Chemicals



Innovator Perspective: John Hancock



Peter DeFrancesco

Head of the Digital & Direct to
Consumer Business

John Hancock

“[Metrics] have shifted, more because we’ve shifted from being the team that’s just getting off the ground and just developing its strategy, to a team that is now executing and launching initiatives and digital products into the marketplace. In 2019, we had very milestone-driven metrics. Do we have the right org in place? Do we have the right functional areas and team members? Do we have the strategy developed and articulated?”

“Now, we’ve shifted our key performance indicators to true business metrics. And they are the metrics that you would find in any digital business, in terms of traffic to our digital properties and how we convert that traffic into business. And then how we serve our customers, whether that’s through Net Promoter Scores or measures of engagement, like pageviews per visit. Are we meeting the needs of our customers? So the KPIs are now mirroring what a normal sort of internet business would look like.”

“The great thing about the world that I’m in...is that senior management sees the importance of [digital capabilities]. There’s actually been an increased focus in resources, dollars, and people on this in the short time period since March 13, when quarantine started. So we’ve actually benefited from that laser-like focus on improving our digital capabilities.”

A Surprising Degree of Confidence

How confident are you that your organization's pandemic-response strategy will enable your organization to remain competitive?



(0 = not confident at all; 10 = completely confident)

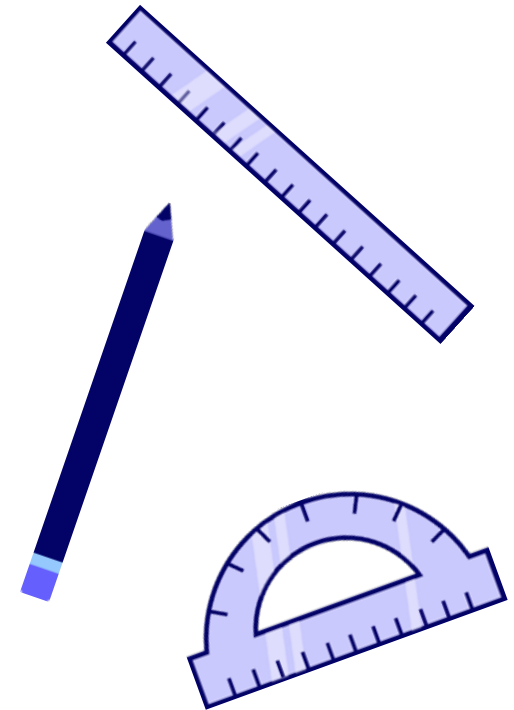
Our respondents, irrespective of their seniority level, were feeling good about their organizations' response to the challenges brought by the global pandemic. Those who had less confidence were asked why, or what their organizations should be doing differently. Among the responses:

- “Simplify our offerings.” —Financial Services
- “Lean in and take advantage of the situation.” —Consumer Goods & Products
- “During the pandemic, I would like to see my organization spend more on R&D, not less.” —Aerospace & Defense
- “We need to move faster. We mostly know what we need to be doing, but lack the urgency and conviction to fund and resource it appropriately.” —Consumer Goods & Products
- “Actively reassess business models.” —Hospitality & Leisure

What is Behind High Confidence?

We invited respondents who gave their organizations the highest marks (9s and 10s) to share what was behind those scores. A sample of their comments, along with the industry they represent:

- “Rapid pivot to explore digital collaboration tools.” —Aerospace & Defense
- “[We instituted] over 250 measures to get colleagues back on site, and support for remote working where roles don’t need to come on site. New product launched today, most dealers open globally.” —Automotive Industry
- “Mobilizing resources to redesign [our] space and operations, and adapting processes to operate under COVID-19.” —Higher Education
- “Our finance function are always thinking ahead.” —Telecommunications
- “We are in an essential business, and the pandemic has made the way we work more efficient.” —Energy & Utilities
- “Relentlessly focusing on service to our customers, and a great deal of effort on business continuity...” —Medical Devices
- “Acknowledging the need for change and future planning for an undetermined new normal.” —Healthcare
- “Leadership has a long-term perspective and doesn’t sacrifice long-term success for quarterly improvements.” —Healthcare



Innovator Perspective: Carhartt



Colleen Hau

Director of Global Product
Innovation

Carhartt

“I’m very fortunate to work for a privately-held company—the fifth generation works here, the fourth generation runs it, and the third generation is still alive. ... We don’t have those same shareholder pressures if we were publicly-traded. The CEO understands innovation.”

“But what is different is that we’ve really had to be scrappy on how we innovate, because there really is no funding available for bringing someone from the outside in or adding head-count or doing big projects. ... I like to be scrappy that way. [And] I’ve been in that place before... I lived through the 2008 recession, and budgets went down. So I understand how that works. And I think innovation can really come from that place.”

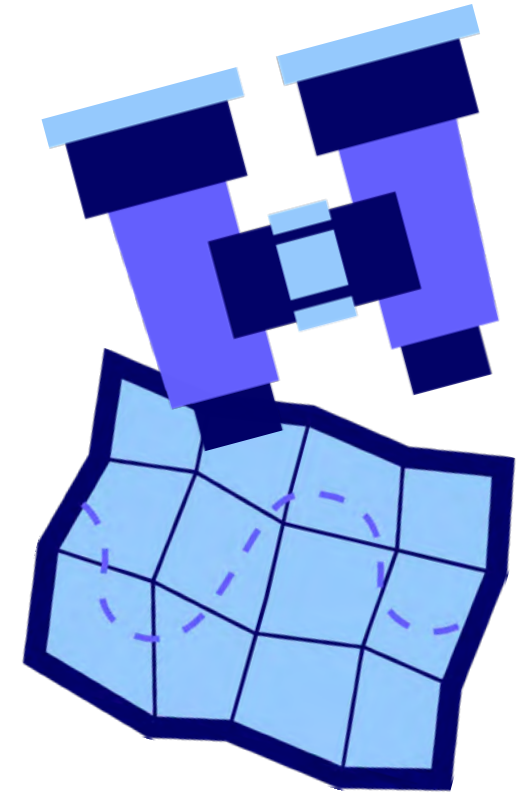
“[Bringing to market a new line of] face masks was a big [accomplishment] for us. ... There are companies who did it way faster than us, but then there are also companies who have gotten in trouble, because they used materials that weren’t tested for being used as a face mask. Our mission is to serve and protect, so we had to make sure we were protecting and not putting something out that was harmful. ... It was the fastest we’ve ever brought something out. Because of the pandemic, cross-functionally, people were just really on board.”

What It Means: For C-Level Leaders

- **Use the crisis as an opportunity to support your innovation teams in becoming highly-disciplined—effective at running experiments and delivering results to the organization.**
- **Innovation objectives, even if they are being adjusted in 2020, should be clearly communicated and not overly broad.**
- **As a result of COVID-19, many organizations are now removing miles of red tape to get things done quickly; make that speed and agility a central element of the corporate culture going forward.**
- **Virtual/digital-centric collaboration is working well to support innovation in many organizations. Even as employees start returning to offices, labs, and production plants, question whether the organization is adopting new digital tools regularly (and smoothly) enough.**
- **Innovation groups may be tapped in 2020 to help business units or functional areas with near-term operational needs. Seek ways to ensure that when innovation groups have new concepts to test or roll out, the same support is provided by business units and functional areas.**

What It Means: For Innovators

- **No one wins by playing defense alone. Defending your team and resources is vital—but so is finding ways to deliver concrete results in 2020.**
- **Key areas for focus: generating revenue, reducing costs, improving market perception, delivering compelling customer experiences that yield positive Net Promoter Scores, getting new concepts in market.**
- **Seek opportunities to pare back how many things you're measuring; focus on the metrics that matter most to senior leaders.**
- **Monitoring external innovation, startup activity, and M&A opportunities may be more important in the near-term than actively pursuing external collaborations or deals.**
- **As many corporate functions remain distributed/remote, look for ways to knit people together, support collaboration, give colleagues a way to participate in innovation activities, and perhaps most importantly, share success stories.**



Innovator Perspective: Stanley Black & Decker



Michael Keogh

President, Stanley X

Stanley Black & Decker

“Top-line revenue has been impacted by the pandemic—there’s been no doubt about that. ... We’ve had to do belt-tightening. We’ve absolutely had to reduce costs across the company. But in the ‘crisis breeds opportunity’ mindset, we’ve actually made a strong case within the company...that this is absolutely the right time for us to go even deeper in innovation. ... We’re growing the team. We’re in an area of investment right now. It’s really under the idea of focusing on innovation efforts as an insurance policy for the future.”

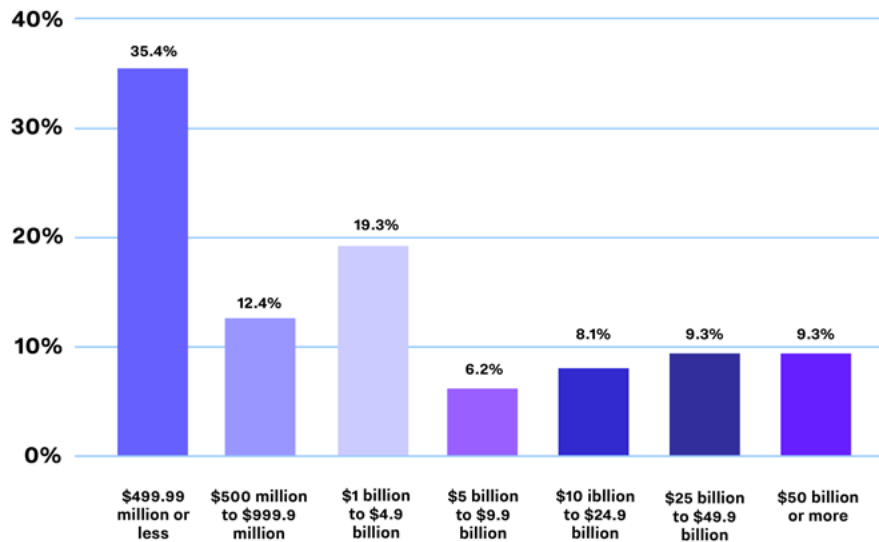
“When the future is so uncertain, when we see traditional businesses being impacted and consumer behaviors changing so quickly, we really need to be investing in some of these areas now, so that there’s some time to incubate these ideas and really get some traction. If we stopped doing those things now, three or four years down the road, we’re not going to be developing those new growth opportunities that we need to be.”

“In roles like mine leading innovation teams at companies, there is absolutely a need to be clear and consistent in the messaging about what the innovation agenda is for the company and why it matters. In times like this, people need to believe in the vision and they need to feel good about where they’re being led to the future. ... There’s absolutely the need for this role to be very thoughtful, and very visible.”

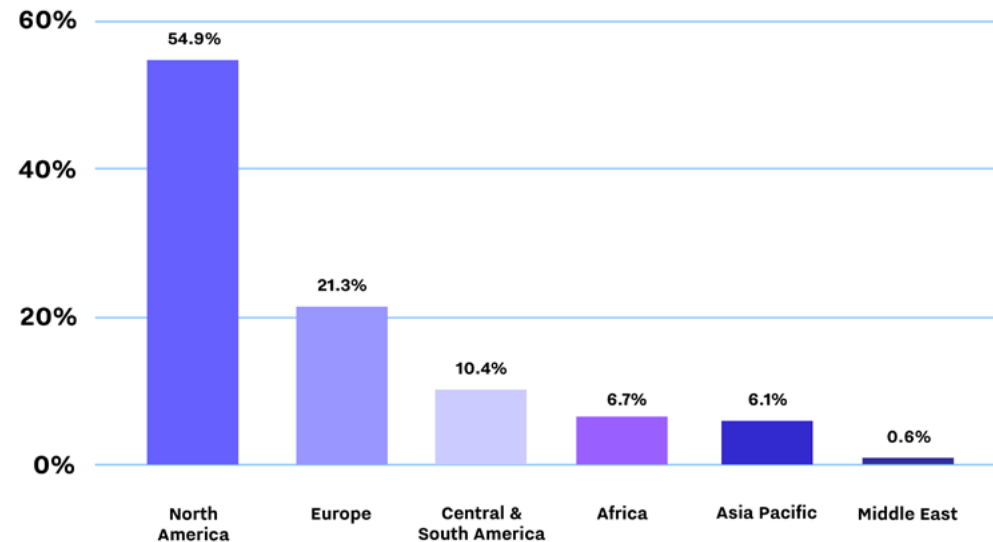
About the Respondents

This report is based on data collected in July 2020. We received 165 qualified responses. The top five industries represented in the survey data set were: financial services, professional services, technology, healthcare, and pharmaceuticals/life sciences.

What is your organization's latest level of annual revenue?

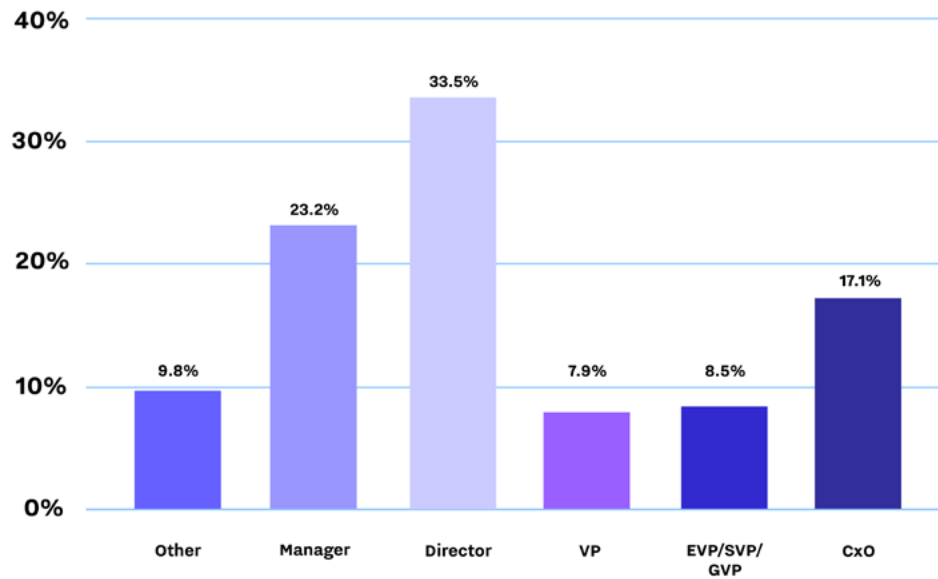


Where is your organization headquartered?

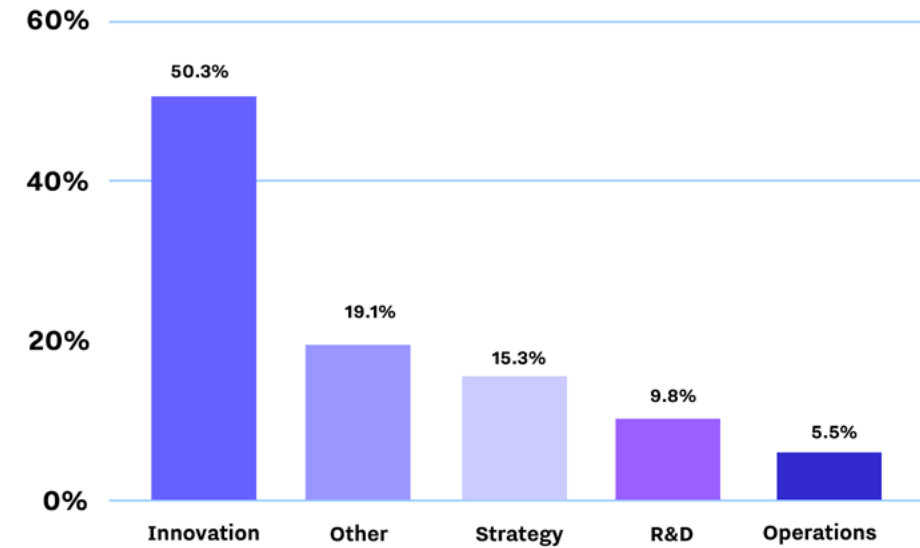


About the Respondents (continued)

What is your level of seniority?



What is your functional area or discipline?



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