

RESEARCH

THE NEW IMPERATIVES

# Innovation, Agility, and Openness

JUNE 2021

Sponsored By KPMG LLP



# TABLE OF CONTENTS

4	About this Project	24	Comments: How We Decide on Internal vs. External Innovation
5	Executive Summary	27	Innovator Perspective: Wayfair
6	The Continuing Impact of COVID-19 on Innovation	28	Innovator Perspective: Comcast NBCUniversal
7	Comments: The Continuing Impact of COVID-19	29	Innovation Focus: Today vs. 'In an Ideal World'
10	Innovator Perspective: Edgewell Personal Care	30	Key Questions: Emerging from the Pandemic Era
11	Innovator Perspective: Capital One	31	Key Questions: Where Should Innovation Come From?
12	How Agile is Your Organization?	32	Key Questions: Organizational Agility
13	Comments: What Fosters Agility	33	KPMG Insight: Democratizing Data
15	Comments: What Blocks Agility	35	Innovator Perspective: HCA Healthcare
18	Innovator Perspective: W.L. Gore	36	Innovator Perspective: Shell
19	Innovator Perspective: Intel	37	About the Respondents
20	Openness to Outside Ideas and Trends	39	About KPMG
21	KPMG Insight: The Innovation Equation	40	About Innovation Leader
23	Investment in Internal vs. External Innovation		

**As more countries begin to bring the COVID-19 pandemic under control, rolling out vaccines that were developed in record time, companies are increasingly approaching the post-pandemic era...**

---

## ABOUT THIS PROJECT

**F**or some, the period between March 2020 and March 2021 may have been a time in which innovation accelerated, as they enhanced digital offerings or sought new partnerships or tools to address the challenges of working (and selling) remotely.

But for other companies, there have been challenges with the supply chain and last-mile delivery; increased competition with newer entrants like Airbnb in lodging and Robinhood in financial services; and a shifting emphasis on more immediate incremental improvements, versus longer-range projects with less certain payoffs. Spending a year or more in “fast twitch” responsive mode, versus planning for future growth, may have created an innovation deficit for these companies.

In January 2021, we began planning this research initiative, a continuation of our CxOs & Innovation series from 2020. It will consist of two mini-reports (of which this is the first), longer interviews with corporate leaders, and insights written by our sponsor, KPMG LLP.

The objective: to be helpful to C-suite leaders and professionals responsible for driving innovation in large organizations as we enter a new era.

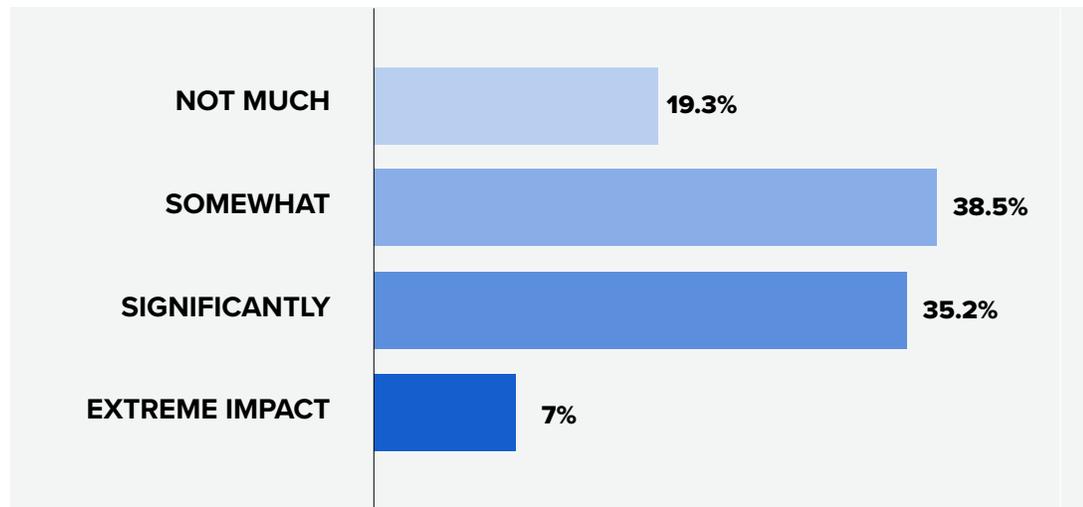
## EXECUTIVE SUMMARY

**T**his mini-report includes data from a survey fielded in March and April 2021, which received 244 qualified responses. We also conducted eight qualitative interviews with innovation, product development, R&D, and technology leaders in a range of industries, from media to e-commerce to energy. Some of our key findings included:

- ◆ When asked about organizational agility, the majority of our respondents—63 percent—likened their organizations to a cruise ship or supertanker. The larger the organization, the harder it is to maneuver and respond quickly. Creating micro-cultures or processes where projects can attract funding, assemble teams, and move quickly is key in larger organizations. We found that consensus-driven decision-making, legacy systems, a culture that punishes people for taking risks and failing, and annualized processes all tend to prevent organizations from being more agile.
- ◆ Organizations are somewhat biased toward developing new concepts internally, versus investing in or acquiring startups to get a “seat at the table” as new markets or technologies emerge.
- ◆ Open innovation, and the ability to collaborate with outside partners or integrate intellectual property from outside the organization, is still not a standard operating practice for most companies. Some do it when they realize they are lacking a core competency; others view it as a “last resort” when no one inside the company can provide a solution.
- ◆ The amount of time and effort devoted to Horizon 1 or incremental innovations has grown over the course of 2020 and into 2021, while Horizon 3, or transformational work, has decreased.
- ◆ The COVID-19 pandemic continues to impact innovation strategy and investment. In our respondent set, 42 percent describe the impact as “significant” or “extreme”—a segment that grows to 55 percent outside of the US and Europe.

# THE CONTINUING IMPACT OF COVID-19 ON INNOVATION

**To what extent is the COVID-19 pandemic affecting your innovation strategy, or your organization's investment in innovation?**



Not surprisingly, the business challenges created by the pandemic continue to create ripple effects throughout large organizations. In data we gathered in July 2020, 59 percent of corporate innovators told us that their team's mandate was changing or expanding to include new activities and objectives. In this data from the spring of 2021, we see that 81 percent of corporate innovators say the pandemic is still impacting their innovation strategy or investment, with 42 percent describing the impact as "significant" or "extreme." Outside of the US and Europe, the impact is being felt even more, with 55 percent of respondents falling into those two most severe categories.

The industry most likely to be feeling an extreme impact? **Engineering and construction.** Least likely? **Financial services.** Notably, some respondents said that the effects were not always negative. "We have never been so busy," wrote one respondent in consumer goods and products. "With company spending down due to the quarantine, that money is being put into new product development. Innovation is alive and doing very well here!"

# COMMENTS: THE CONTINUING IMPACT OF COVID-19

We invited respondents to share additional detail about the impact of COVID-19 on their innovation strategy and investment.

LEVEL	CHALLENGE	INDUSTRY
1 (Not much impact)	“Our innovation is driven by a desire to change and evolve, not by extraneous unforeseen circumstances. Waiting for a calamity to change and being forced to change is a gambler’s folly.”	Media & Telecom
1	“There is no official budget, so the only investment is time and resources; the commitment of time/resources has held steady despite the pandemic.”	Professional Services
1	“We have been able to more or less run the pipeline we expected, including new product launches targeting new segments—not just a new flavor variant. It is more the commercial side that has been through a roller coaster.”	Consumer Goods/ Consumer Products
2 (Some impact)	“We’ve had to concentrate on automating more areas of the business and access to data and systems from outside the network, but have had to curtail some customer innovations.”	Energy & Utilities

## THE CONTINUING IMPACT OF COVID-19 (CONTINUED)

LEVEL	CHALLENGE	INDUSTRY
2	“Impact is mixed: New spaces have been identified, funding has been consistent, but customer acceptance has been negatively impacted, as customers prioritize shelf space to core products.”	Consumer Goods/ Consumer Products
2	“We’ve shown that we can innovate rapidly, but [some of the impact has been] negative, because we have a very near-term and tactical mindset at the moment.”	Healthcare
3 (Significant impact)	“In a positive way, part of what we are working on is shifting from being resilient to anti-fragile—building confidence to not return to ‘the way things were’ as we shift into a post-COVID world.”	Non-profit/NGO
3	“[We’re developing fewer] ideas, but [operating in a] more cross-functional and democratic manner, due to video meetings replacing physical meetings.”	Consumer Goods/ Consumer Products
3	“Our response to COVID-19 displaced the innovation-centered activities and projects that we were planning. While we are still pursuing innovative development projects, we have had to cut back on things like an innovation advisory group and an innovation accelerator program.”	Healthcare

## THE CONTINUING IMPACT OF COVID-19 (CONTINUED)

LEVEL	CHALLENGE	INDUSTRY
3	“The impact has been positive. Our company has exceeded our forecast by 40 percent. We have never been so busy. With company spending down due to the quarantine, that money is being put into new product development. Innovation is alive and doing very well here!”	Consumer Goods/ Consumer Products
4 (Extreme impact)	“All long-term projects have been stopped, and innovation teams have been dismantled.”	Financial Services
4	“Has been negative. All initiatives placed on hold until some sense of normalcy returns.”	Engineering & Construction
4	“Significant positive investment, since we are in the healthcare industry and demand has surged.”	Healthcare
4	“We are doing things in two months that would have previously taken two (or more) years.”	Higher Education



**William Salvatore**  
Senior Director of R&D,  
Shave and Grooming  
Edgewell Personal Care

**Agility under pressure.** “COVID tested our ability to be agile. We had to scale up our e-commerce capabilities as quickly as possible. We needed to scale up our ability to make hygiene products—wipes and hand sanitizer, for example—as quickly as possible. Over the last year, we made both of those things happen.”

**Giving teams autonomy.** “As a mid-sized company in the personal care market, we’re in a pretty unique position. We’ve got significantly greater resources and capabilities than a startup—without some of the inflexibilities that come with being really big. When our leadership decides that it makes sense to pursue an opportunity, they give the execution teams the autonomy to do what it takes to get it done.”

**An analytical approach.** “In the end, it’s about risk management. Is it risky to make the decision? Is it risky to not make the decision? If we think pursuing an innovation opportunity—either by ourselves or with partners—is generally good for business and we have confidence in the underlying analysis based upon the information we have at the time, we’ll move forward.”

## INNOVATOR PERSPECTIVE: CAPITAL ONE



### Jennifer Lopez

Vice President of Product  
Development and Head  
of the Innovation Lab

Capital One

**Getting out of firefighting mode.** “Capital One is a very strategic company, and we react in a moment of crisis. We've done that throughout our history. But we look at these moments and also say, ‘You can't maintain a reactive nature as your default in moments of difficulties... Towards the end of summer [2020]... I don't think we were in the firefighting mode.’”

**Transparency supports innovation.** “[In our] Slack channel, your voice equally is heard. It also, frankly, forced all different associate levels to get into that channel...and you can see the information that's being shared. It's transparent. Literally everyone can see it. That has been a massive boost to innovation.”

“We have taken away big presentations, we turn a lot of things into ‘Slack Ups’ now... I don't know if that's a word outside of Capital One... It is a presentation in Slack that gives all the information you'd need with demos, [on specific] topics. You can easily tag all the people that worked on something so you give recognition really easily. We encourage people to give their feedback in the thread.”

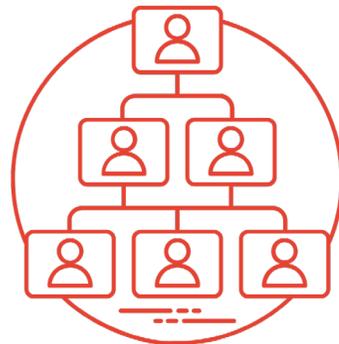
**Don't seek to be the center of the universe.** “I always like to say we're not the center of the Capital One innovation universe. We have 60,000 innovators... I don't want to be the center of that. No bottlenecks here. I'm always surprised at the new work that comes out of different teams that falls into that category of looking into the future. Our risk organizations have hack days. ... Finance has innovation days. ... We have the spirit of that future-facing innovation everywhere, and everyone does it to different degrees.”

# HOW AGILE IS YOUR ORGANIZATION?

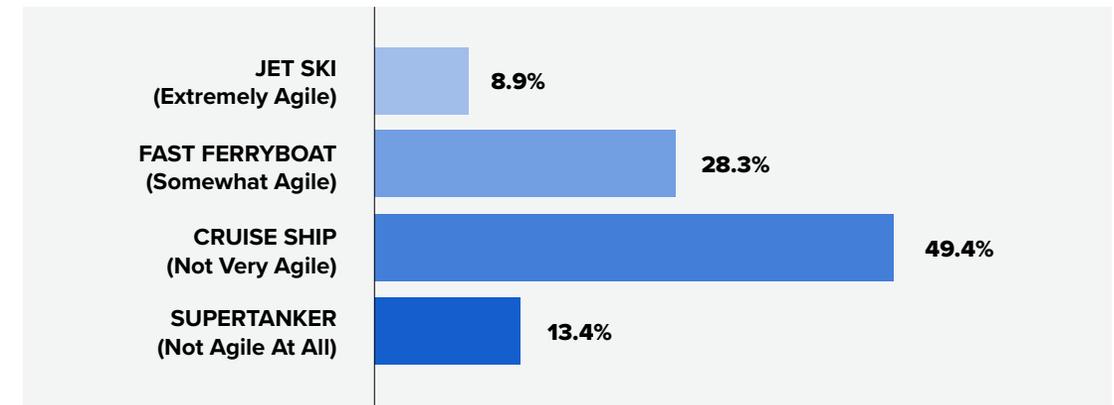
The majority of our respondents—63 percent—likened their organizations to a cruise ship or supertanker. And the preponderance of our “jet ski” riding respondents—86 percent—work inside an organization with fewer than 1,000 employees.

We found respondents in North America more inclined to describe their organization’s agility to a small watercraft, and those in Europe more likely to feel like passengers on a megaship.

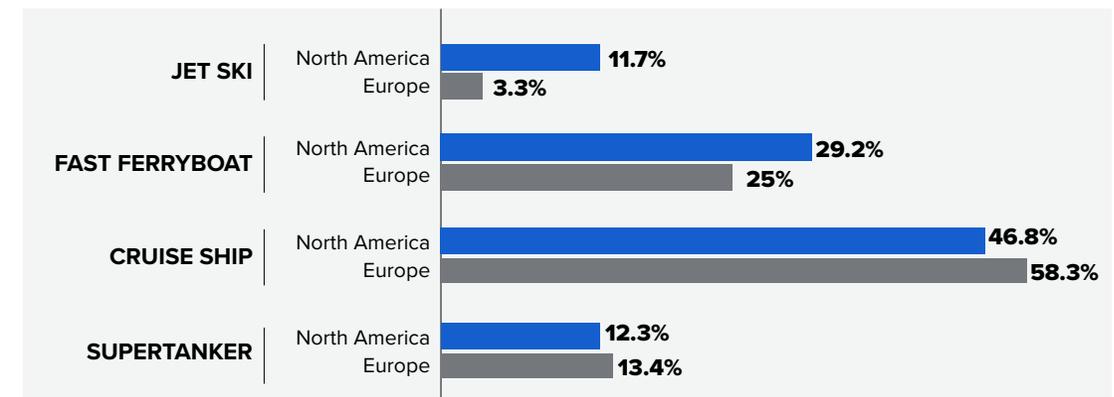
Interestingly, people in more senior positions tend to describe their organization as being much more agile than those lower on the org chart. Of C-level, EVP, and SVP respondents, 61 percent said they worked within a jet ski or fast ferryboat organization; at the director or manager level, just 29 percent said they agreed (though it’s worth noting that the more senior respondents in our survey tended to work at smaller organizations).



## How agile is your organization?



## Agility by geography



## COMMENTS: WHAT FOSTERS AGILITY

We invited respondents to share details on the behaviors and processes that foster agility in their organizations—or at least in small pockets of their organization.

HOW AGILE IS YOUR ORGANIZATION?	WHAT FOSTERS AGILITY?	INDUSTRY
Jet Ski (Extremely agile)	“At the board and CEO level, there is an urge to transform into a digital bank. That filters down in every communication, and reflects in many changes we do.”	Financial Services
Jet Ski	“Being a relatively nascent organization has enabled us to build a team using agile from the beginning. We did not have to break through traditional ways of thinking and processes, since they didn’t exist!”	Fitness & Health
Jet Ski	“Frequent assessments of the changing landscape related to our industry, and strategy foresight on how to adapt to changing dynamics.”	Agriculture
Jet Ski	“Leadership is open to quick evaluation and change. We test new ideas before fully designing and launching.”	Non-profit/NGO
Jet Ski	“We let people try things and praise experimentation.”	Industrial Manufacturing

## WHAT FOSTERS AGILITY (CONTINUED)

Fast Ferryboat (Somewhat agile)	“[There is] leadership intent to be open to innovation and actively participate in innovation activities. [And we provide people with] tools like an internal ideation platform (for ideas, suggestions), with down-selection and seed funding.”	Aerospace & Defense
Fast Ferryboat	“CEO is an engineer. CTO is organizationally savvy, persistent, fearless. Innovation center has a lot of leeway to explore and propose. Board is tech savvy and concerned, so wants to see things happen.”	Automotive, Transport & Logistics
Fast Ferryboat	“Clarity on vision, mission, goals, and priorities. Empowering people. Leaders who can create energy and passion while driving impact.”	Technology
Fast Ferryboat	“Direct access to leadership when we have a viable opportunity. We respect C-suite time, so we keep them succinctly informed [about our] 3-5 year plan as it is developed, and clearly ask for specific support.”	Financial Services
Fast Ferryboat	“Lean team with a lot of autonomy. Far away from headquarters.”	Industrial Manufacturing

## COMMENTS: WHAT BLOCKS AGILITY

We invited respondents to share details on the behaviors and processes that block agility in their organizations—or at least in small pockets of their organization.

HOW AGILE IS YOUR ORGANIZATION?	WHAT BLOCKS AGILITY?	INDUSTRY
Cruise Ship (Not very agile)	“Agility is blocked by falling into ‘last-year-itis,’ always doing what we did before, as opposed to being open to change. Healthcare is very driven by compliance, so we need to change our thinking in order to embrace risk and agility.”	Healthcare
Cruise Ship	“Consensus decision-making; no authority or accountability; fiscal frugality; need detailed proof of future success before we’re allowed to try new things.”	Technology
Cruise Ship	“Dated processes, such as how to buy software-as-a-service from a vendor. [We don’t have] a strategy that is translated into make-or-break incentives for business unit executives, meaning that the CEO wants one thing, but doesn’t measure his/her direct reports on it.”	Financial Services
Cruise Ship	“Fear of change; poor communication; too much focus on ‘me’ versus ‘us.’”	Financial Services
Cruise Ship	“Feeling unchallenged; satisfaction with and comfort in the status quo; power insecurity (unwilling to be wrong and therefore learn or fail, or acknowledge the potential benefits of doing things differently).”	Non-profit/NGO

## WHAT BLOCKS AGILITY (CONTINUED)

Cruise Ship

“Lack of top-level leadership focus and investment in innovation and agility; too much ‘large’ rather than ‘bite-size’ [projects] to eventually get to large delivery; levels of decision making/red tape/bureaucracy; silos within the organization not knowing about or working with others on same/similar goals/initiatives.”

Financial Services

Cruise Ship

“Risk averse. Reticent to make change. ‘We don’t do that here.’”

Higher Education

Cruise Ship

“Hierarchical ladder-climbing, or looking for next job after an 18-month quick win. No one owns a project for longer than one year.”

Pharmaceuticals  
& Life Sciences

Supertanker  
(Not agile at all)

“Lack of buy-in at the top. Incentives do not favor risk-taking behavior. Lack of balance of inside and outside thought: Average tenure at executive level is 20+ years.”

Automotive,  
Transport & Logistics

Supertanker

“[Senior leadership acts] as gatekeepers vs. enablers. They don’t think of their jobs as enabling and fostering innovation, but rather only allowing stuff when it’s 100 percent de-risked. Too much reporting out. Lack of trust in employees and innovation functions.”

Forest, Paper &  
Packaging

## WHAT BLOCKS AGILITY (CONTINUED)

Supertanker	“Bureaucracy; infinite meetings; ‘we’ve done that before’; inability to think of innovation outside of core technology.”	Technology
Supertanker	“Legal considerations; long government decisions cycles; no culture or budget for quick adoption of software tools; security clearance needs.”	Technology
Supertanker	“Over-booked backlog of work, with tight deadlines. Sole focus on profitability in the current quarter/year. ‘Senior’ leadership without a good understanding of technology.”	Technology





**Linda Elkins**

Head of the Gore Innovation  
Center

W. L. Gore

**What we do.** “We are a group looking at what we call whitespace opportunities for Gore to go into—new areas that we’re not currently in, and new growth areas that are not aligned with our current divisions. We created an innovation center that opened in 2017, with the goal of bringing new opportunities into Gore through external collaboration, and really becoming an active part of the Silicon Valley ecosystem...”

**Exploring ideas in quick sprints.** “What we use is the lean cohort approach, where we take teams that range from two to three people. We run them through an eight-week sprint to understand a new business opportunity, a new idea. We run two sessions of that formally throughout a calendar year, where we typically will have maybe around 10 teams. So we’re essentially running a number of projects through this process where the teams would come in with an idea, it would have to get approval from their division or their group supporting group, and if there is support and we have the resources, we’ll run an idea through. At the end of that process, we hope to have learned what is the potential opportunity for Gore.”

**100 percent Horizon 3.** “Within our innovation group...everything starts as a Horizon 3 project, because that is the intensive focus. We do have a portfolio management enterprise group that looks at how we are spending time and resources across the board within H1, H2, and H3.”



**Jonathan Lee**  
Director of Olympic  
Technologies

Intel

**What we do.** “The Olympic Technology Group sits within Intel’s Sales and Marketing function. Two things we’re working on are sports performance and broadcast enhancements for the Summer Olympics. As an example, we’ve created technology around 3D athlete tracking, which uses cameras to track athletes without sensors. We capture the information about the athlete’s speed and skeletal information. On the broadcast, you’ll see cool graphics and heat maps that indicate velocity, and when they hit their top speed.”

**An MVP mindset.** “We really try to operate with an MVP [Minimum Viable Product] mindset. Let’s start with the MVP, and once we get that, we’ll feel a lot better. We can iterate on top of that. The most important thing is to get this done on time, versus to make it perfect—and that’s difficult for some engineers to be able to do.”

**Which phase are we in?** “We start developing ideas and technologies one-and-a-half years out, or more. I tell people there are three different modes we can be in: exploration mode, the development phase, or the delivery phase. With the Tokyo Games, it’s now the delivery phase, so we’re going to focus and take away things that are not priorities. It’s just like an athlete would perhaps start their training by trying some new regimens, but then they start to reduce the number of new things they’re trying, and gear up to get into better competition shape.”

“I have a guy on my team right now, Ashton Eaton, who won the last two gold medals in the decathlon. So we have people who are used to thinking, ‘We need to deliver on the biggest stage, on this date.’”

# OPENNESS TO OUTSIDE IDEAS AND TRENDS

## How open is your organization to outside ideas, trends, IP licensing, and collaborations?



### OPENESS TO OUTSIDE IDEAS BY INDUSTRY

Professional Services	6.3
Healthcare	6.3
Pharmaceuticals & Life Sciences	6
Consumer Goods/Consumer Products	6
Energy & Utilities	5.9
Technology	5.5
Industrial Manufacturing	5.1
Engineering & Construction	5
Financial Services	4.9
Automotive, Transportation & Logistics	4.2

Most organizations are somewhere in the middle when it comes to being dominated by “not invented here” syndrome and effectively integrating outside ideas, trends, intellectual property, and collaborations into their innovation activity. Nudging the organization more to the right of the scale, toward evaluating and bringing in outside ideas, is a constructive goal for most companies. It puts more arrows in the competitive quiver, versus just relying on internal capabilities and expertise. Some industries, like professional services and healthcare, were slightly more open than average (6.3 on our spectrum), and others, like government agencies and public sector entities, were less (2.8, toward the insular side of the spectrum).



**Healthcare: More open to outside ideas than average.**



**Jonathan Walker**  
Director of Strategy  
and Business  
Development  
**KPMG Spark**

**Stephanie Kim**  
Senior Director  
of Enterprise  
Innovation  
**KPMG LLP**



**Zach Olson**  
Managing Director  
**KPMG Spark**

How should your company decide where it falls on the spectrum outlined on the previous page? Although most companies would say they are not at the right place on the spectrum, the reality is that the best mix of inside-out and outside-in activity will be different for every enterprise. Finding the sweet spot should reflect the current and future business outlook for your sector, how much disruption your corporate culture will embrace, and whether there are enough folks in your organization with an entrepreneurial mindset to make the pursuit of innovation a reality.

### Shift Your Mindset

At KPMG, one approach we take is bringing a targeted group of startups into our network that are complementary to our vision and business priorities. We do this in a variety of ways—outright acquisition, minority investments, joint ventures, alliances, and, most recently, sponsorship of innovator networks like MassChallenge. Regarding the latter, our sponsorship has allowed us to expose our client base to emerging companies in areas such as dynamic risk management, as well as next-generation supply chain transparency, predictive analytics, and artificial intelligence.

Although the way we choose to engage with innovators may vary, there are some imperatives that we recommend all companies keep in mind as they seek to find the disruptors of tomorrow:

## KPMG INSIGHT (CONTINUED)

- Assign an innovation business sponsor or visionary and seek input from department and/or sector leaders to define a firm-wide strategy and business innovation themes.
- Establish an analytics team that can identify signals of disruption, undertake competitive analyses of companies pursuing innovation, and feed this intelligence back into the organization to inform decision-making.
- Embed yourself in the innovation ecosystem by undertaking grassroots networking with startups and supporting innovator networks.
- Think like venture capitalists by building an investment portfolio that can be continually adapted to changing needs and viewed through the lens of future earnings, potential vulnerabilities, and, of course, the risk of not innovating.
- Understand the risks of outside-in innovation, such as the potential for conflict when new business models are perceived to be cannibalizing existing businesses, or when post-deal integration requires so much time that internal innovation is stifled.
- And finally, don't be afraid to pivot. Organizations embarking on their innovation journeys shouldn't pigeonhole themselves into one approach over the other.

**Remember: Innovation isn't a zero-sum game. Pursuing external innovation doesn't mean internal innovation will or should be neglected.**

### Take the First Steps

In order to determine where your company should fall on the spectrum between inside-out and outside-in innovation, ask yourself the following questions:

- How do you move the organization and make the case for innovation?
- Should you benchmark against your own industry or should you aspire to be more like industries (e.g., pharma and tech) that are good at anticipating trends and disruption?
- How do you deal with pushback, e.g., fear of disrupting the existing business and/or having jobs replaced by innovation?
- What are your “super-powers” internally, and how can you enhance them with external innovation?

This is an excerpt from a longer article. To read the complete piece, visit [innovationleader.com/balancing](https://innovationleader.com/balancing)

# INVESTMENT IN INTERNAL VS. EXTERNAL INNOVATION

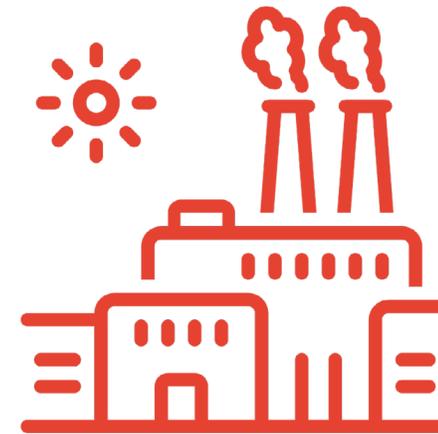
**How much does your organization invest in organic/internal innovation or development activities, versus acquiring new companies or investing in startups to access innovation?**



## BALANCE OF INTERNAL VS. EXTERNAL INNOVATION ACTIVITIES BY INDUSTRY

Industrial Manufacturing	6.1
Pharmaceuticals & Life Sciences	5.5
Consumer Goods/Consumer Products	4.4
Technology	3.8
Healthcare	3.7
Automotive, Transportation & Logistics	3.6
Professional Services	3.5
Financial Services	3.1
Engineering & Construction	2.5
Energy & Utilities	2.3

We wanted to ask where dollars get spent in large companies: on internal, organic creation of new and improved offerings, or on acquisitions and startup investments. Most organizations tilt toward organic activity—even in industries like tech, which struck almost the exact balance as our average of all industries (3.8 for tech, compared with 3.7 for all industries). Surprisingly, industrial manufacturing respondents in this survey were most likely to be engaging in acquisitions or startup investments as a way to tap into innovation. The energy and construction sectors were most likely to be relying on internal resources.



**Industrial Manufacturing: More investment in external innovation than average.**

## COMMENTS: HOW WE DECIDE ON INTERNAL VS. EXTERNAL INNOVATION

We invited respondents to share insight into how their organizations determine when to seek outside partners, make investments, or engineer acquisitions—versus building something internally.

<b>“Internal versus external is dependent upon the importance of the IP to the future of the organization. The more important it is, the more it is likely to stay in-house.”</b>	<b>Aerospace &amp; Defense</b>
<b>“Our strategy team works with the business unit leaders; our innovation happens in engineering for our products, but they aren’t aligned with the actual R&amp;D team, and it is very hard to make strategic investments across platforms.”</b>	<b>Agriculture</b>
<b>“In a slow-moving industry, partnerships are the safest and cheapest way to access new technology... Ironically, in the hyper-digital world, partnerships are actually the best way to go, since trying to build internally often doesn’t work well. (How much money was wasted on proprietary OEM tech that got wiped out by Android Auto and Apple CarPlay?)”</b>	<b>Automotive, Transport &amp; Logistics</b>
<b>“We are in [the midst of a] change of culture to find more partnerships, but majority’s mindset is still ‘we can build it better ourselves.’”</b>	<b>Consumer Goods/ Consumer Products</b>
<b>“We’re in highly-competitive industry/market, so there is a high sensitivity to working with vendors/ partners who are working with our competitors. In many cases, we can develop internally and get the majority of the value.”</b>	<b>Energy &amp; Utilities</b>

## DECIDING INTERNAL VS. EXTERNAL INNOVATION (CONTINUED)

“Much more of a fast-follower culture. Tend to neither look outside for innovation acquisition or unique products/ideas. Most comfortable with proven strategies and then utilizing our scale as advantage.”

Engineering &  
Construction

“We lean towards internal development, because we have plenty of cash or profit to reinvest, and we want to be able to have control on the outcome.”

Financial Services

“High technical hurdles, such as building new digital platforms, will push us toward investment/acquisition. If we have the internal expertise to design, test, and scale, then we will likely keep the project internal.”

Healthcare

“Innovating organically in higher education looks more like moving ‘in response’ when the winds of change have made the required action obvious. In my role, I attempt to accelerate that posture and sponsor more proactive opportunities that might begin to look like responding to insights.”

Higher Education

“External for equipment and process. Internal for product development.”

Industrial  
Manufacturing

“We’re getting better. We’ve initiated a number of external innovation initiatives to bring in more of an external orientation, and a partnership process, and we are carving out investment for that area.”

Pharmaceuticals  
& Life Sciences

## **DECIDING INTERNAL VS. EXTERNAL INNOVATION (CONTINUED)**

**“Anyone can identify and suggest an idea/opportunity. Channeling and synthesizing the ideas/opportunities can be a bit fragmented, but if a leader champions an idea, a rapid business case is developed. Depending on the size of the ask associated with the idea/opportunity, leaders can either act on it or work for broader approval and investment/support.”**

**Professional  
Services**

**“Our manufacturing is all performed by third parties, so innovation must be driven or adopted there. Marketing is performed by agencies and third parties who perform segmentation, journey building, etc. We have a small internal innovation team that doesn’t drive material change, due to their size.”**

**Retail**

**“Some business areas align closely with labs to make these decisions and invest early in promising areas, to ensure we get first dibs on acquisitions. That is a positive. I do feel we leave a lot of innovations untapped, because of the lack of attention to the internal innovation role.”**

**Technology**



**Fiona Tan**

Global Head of Customer  
and Supplier Technology

Wayfair

**Experimentation requires good data capture.** “With experimentation, a lot [importance is placed on] making sure that we have the right data hooks into our systems, to allow us to capture all that data around experimentation, and being open to failure... Not everything you do will work out the first time around, and being able to very quickly pivot as the data comes in, continuing on, and doing something a little bit different [allows for innovation]. It's really built into the Wayfair culture—being very data-driven.”

**Differentiation drives decisions.** “In general, we've certainly been very much into innovating in-house... We want to definitely lean in on anything that will allow us to really differentiate, because [home furnishings] is a category that we feel like is ours to own. ... Anything that involves a lot of use of our data, we want to make sure that we keep in-house. But there are other areas where it may not be in our core competence, and...we may look to either acquire [outside solutions], or use open source technology, or buy it off the shelf. We try to make sure that we're being purposeful, in terms of optimizing for time to market.”

**Innovation can be about solving small problems.** “The business leaders may come and talk about, ‘These are some of the problems that we're trying to solve, or these are other things that we want to go after.’ ... That's when the innovation comes in. You always have an opportunity to innovate. It's not just coming up with the big ideas. It's also innovating on [solving] some of the small problems that will make a big difference for our customer base.”



**Danielle Cohn**

Vice President of Startup  
Engagement

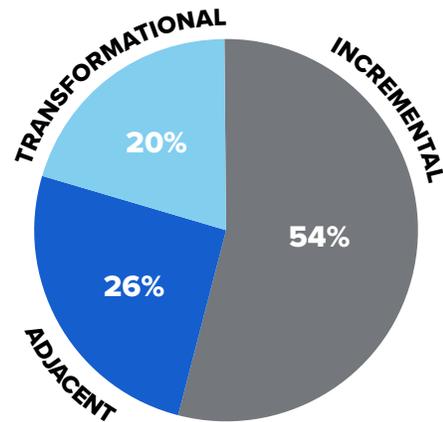
**Comcast NBCUniversal**

**What we do.** “I speak a little startup and corporate. That was probably why I was hired. Our team is the startup engagement team... We run programming for early-stage startups, and that includes boot camps that get startups at the earliest stage to be enterprise-ready so that they are ready to do business with a big company. We work with startups in accelerators, and we have two accelerators [one focused on media, entertainment, and connectivity, and one focused on sports technology].”

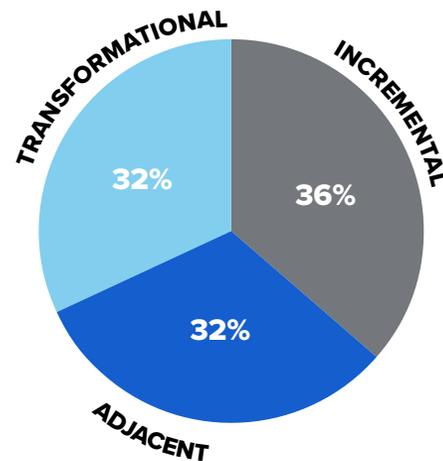
**Helping startups scale.** “Many of the business leaders inside our company are so open to new partnerships, new ideas. They want to learn just like they want to help and teach. ... The place where there's always a rub is that startups move very fast, and think that what they're doing should be done today. So in order to scale and be able to provide whatever it is that they do to hundreds of thousands of employees, or externally to millions of subscribers, there's a gap there. Oftentimes, our team's job is to be the translator and to be the reality check. There's gating that should happen, because the last thing you want is something new to create the negative effect, [like if you] try something new and it lowers your customer experience because it didn't work. ... Getting past milestones and proving yourself—it takes time. The one challenge that we all face is startups want to move really fast. Innovators want to move really fast, and there are really important core components that have to work in order for something to scale.”

# INNOVATION FOCUS: TODAY VS. 'IN AN IDEAL WORLD'

**Approximately what percentage of your various innovation efforts are focused on the following strategies?**



**In an ideal world, approximately what percentage of your various innovation efforts would you like to see focused on the following strategies?**



It's worth noting that our survey asks innovators (rather than operators) about how their time and efforts are spent, so this question about innovation focus elicits answers about what types of projects their team is working on, rather than the organization as a whole. But in comparing this data from 2021 to three data sets gathered before the pandemic, we found a slight decrease in transformational projects (26 percent in our 2019 survey versus 20 percent in this year's survey) and an increase in incremental projects (48 percent in 2019 versus 54 percent in this year's survey). That likely reflects the fact that during the 2020-2021 crisis, many innovation groups have been asked to assist various functions and business units with near-term needs.

When we asked how innovation groups would be dividing their time in an ideal world, they told us they would increase the time they spend on adjacent and transformational projects, and downshift their incremental activity to just over one-third of the innovation portfolio.

## KEY QUESTIONS: EMERGING FROM THE PANDEMIC ERA

**How has the past year-and-a-half impacted innovation within your organization? Is there now an “innovation deficit” and ground to make up? Or have you remained on track, or even accelerated activity?**

- Deficit**—Seek to describe and quantify if possible
  - ◆ How did strategy shift? How were capabilities reduced? How did execution suffer? Are there specific opportunities you missed or are unable to capitalize upon today or in the future (e.g. due to changes in customer behavior and preferences)? Are there specific threats you are ill-equipped to address? Are there things that your competitors did differently?
  - ◆ Describe new short-, medium-, and long-term innovation objectives aligned with current organizational strategic priorities. Describe the capabilities that you will need to achieve those objectives. Make sure to align the “ask” with those larger organizational

strategic priorities and also with individual decision-maker priorities. Explore how partnering beyond your organization’s walls might accelerate progress by bringing in new capabilities more quickly and inexpensively than if they were to be built in-house.

- Sustained or accelerated**—Seek to describe what was accomplished and why
  - ◆ How were priorities maintained or positively shifted? Why? What decisions were made? Did the pandemic prove that your organization could be more agile than previously thought? Are there things you were able to do that your competition was not? Are there opportunities that you were able to capitalize on, or that you will be able to capitalize on, as a result?
  - ◆ How can you capture lessons learned about practices that should be maintained as things return to normal?

# KEY QUESTIONS: WHERE SHOULD INNOVATION COME FROM?

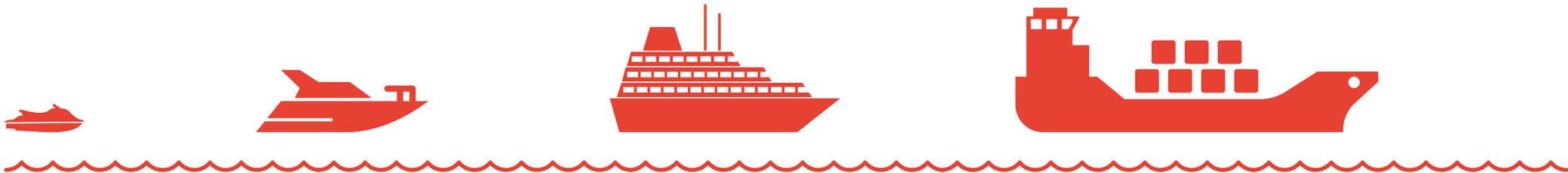
- ◆ In a world where great ideas can come from anywhere, organizations able to lean on both organic and inorganic innovation have a competitive edge. Where would you place your company on these two spectrums? (The first is about openness to outside trends and collaborations, the second about investment in internal organic innovation versus investments and acquisitions in external sources of innovation.)
- ◆ Where would it ideally be positioned?
- ◆ Where would you say others in your industry sit on these two spectrum? What about innovation “role models” in other industries?
- ◆ Do you and your C-suite agree?
- ◆ What is the downside that might occur if you stay where you are—or what upside are you missing out on?
- ◆ How can you spur discussions that might make the case for change?



## KEY QUESTIONS: ORGANIZATIONAL AGILITY

### Which of these watercraft is your organization most like?

- ◆ Would people at different levels describe it differently? Why?
- ◆ Are there ways to test out more agile approaches or processes in pockets of the organization? Who in senior leadership has the will and mindset to support that?
- ◆ To what extent do legacy systems or rigid infrastructure block agility? Who can help make the case to upgrade these, or create sandboxes for new types of experimentation?



## KPMG INSIGHT

# DEMOCRATIZING DATA: HOW ORGANIZATIONS CAN ELIMINATE THE SILOS THAT HINDER GROWTH



**David Jarczyk**  
Principal, Innovation  
KPMG LLP

**Martin Sokalski**  
Principal, Advisory  
KPMG LLP



It is no revelation to say that the pandemic has disrupted most organizations. From sales and supply chains to finance and tax, even the best-managed organizations have scrambled to become more agile and collaborative. Despite some temporary fixes, it's clear that taking decisive action in a constantly-changing environment is hindered by data that remains heavily siloed by function and department.

When we ask why these silos exist, responses vary. In our view, many professionals have been hyper-focused on the job at hand and have, therefore, become accustomed to creating their own systems and tools for acquiring and utilizing data. Challenging times serve to further fuel this mindset, with many organizations espousing the idea that employees should do what they need to do to get the information they need to keep the company moving forward. These dynamics serve to reinforce and perpetuate data silos.

### Getting to a Post-Silo Environment

When systems are built, they are rigid and governed by much-needed rules and procedures. Companies typically don't have the luxury of making operating model changes overnight. On the other hand, the pandemic amplified the urgency of acquiring and sharing information rapidly between customers, partners, suppliers, and regulators. And it inspired companies to employ transformative analytics technologies that might have remained aspirational under less

## KPMG INSIGHT (CONTINUED)

daunting circumstances. As companies continue to rebuild or transform themselves post pandemic, they are on a perpetual quest for ways to work faster, more efficiently, and more cost effectively. Those who have done relatively well during the pandemic recognize that a large part of their success comes from aligning their stakeholders and giving them access to the same data trail, so all parties have a line of sight into whether corporate initiatives are moving the company toward its objectives.

### Taking the First Steps

So, how do you start? Before embarking upon a data-driven digital transformation, ask yourself, and other leaders within your organization, these questions:

- Do we have an integrated data strategy?
- What kind of data do we need across the organization and across stakeholders, and are we converting such data into meaningful insights?
- Are we missing data that our competitors have? If so, how can we acquire it?

- Where is our data stored, validated, and indexed—and is it readily accessible and trusted?
- What are the consequences of not getting data in a timely manner?
- Are we overburdened with the number of tools needed to address important data-related challenges?
- Have we vetted third-party suppliers for their data-sharing and interoperability capabilities and policies?
- Are existing tools addressing systemic issues with the data, or are they serving as narrow point solutions that require significant work to maintain and/or sustain the capabilities?

Perhaps the biggest thing to keep in mind is that you're asking people to change the way they think about information. Getting the organization to adopt a data-centric mindset and understand data management isn't easy. But it's how you'll move beyond COVID "survival mode" and reorient your business, to once again concentrate on competitive growth.

This is an excerpt from a longer article. To read the complete piece, visit [innovationleader.com/datasilos](https://www.innovationleader.com/datasilos)



**Chip Blaufuss**

Vice President of Strategy  
and Innovation

**HCA Healthcare**

**Innovation needs to be celebrated.** “No structure can make an organization more agile. It’s about making innovation more visible and more transparent. It’s about celebrating, recognizing, and profiling successful innovation activities to get others engaged.”

**Putting the patient first.** “For us, openness comes from charging everyone to come up with the best solution for the patient, regardless of where it comes from. This might mean doing different things in different markets, and requiring partnerships in some markets and not in others.”

**Let opportunity, not mentality, guide you.** “When we prove that something is working well in a particular market, we see if we can elevate it across our markets. While we may have developed that thing in-house, we might need to source scaling capabilities from outside. In the end, we try to let cost-benefit analysis—rather than a ‘not invented here’ mentality—guide our path forward.”



**Julie Ferland**

General Manager of Shell  
TechWorks

Shell

**(Internal) customer-centricity.** “The fact that Shell was willing to create TechWorks in the first place said a lot about leadership’s commitment to fostering an entrepreneurial mindset in the company. TechWorks is also not centrally funded—its funding comes from working on line-of-business projects. We therefore must be highly relevant to our line-of-business customers and that, by definition, makes agility crucial.”

**Doing what’s hard.** “It’s our job to ‘fail fast,’ and that’s a valuable capability we provide to our business units. When we demonstrate that we’ve kept a business unit from going too far down the wrong path, that’s valuable to them, and they’ll come back quite quickly for that support.”

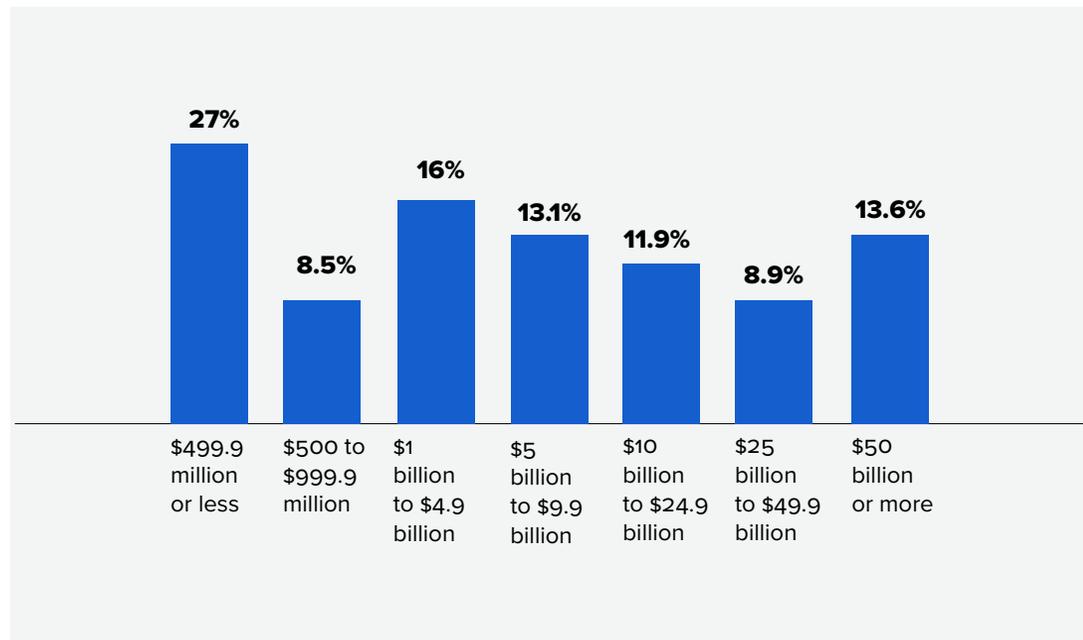
**Staying customer-centric.** “We keep a close eye on what the lines-of-business are doing today and are likely to do in the future, and we continuously tune our capabilities so we’re relevant and ready to deploy when needed. If we’re not aligned to the changing needs of our businesses, we’re not going to be successful.”

**Knowing what (not) to do.** “When it comes to openness, we fall back on our careful definition of what we are and of what we are not. Shell is an energy company that sells molecules. That’s the stuff we do in-house. If it’s a technology that will help our downstream customers, we’ll look for external ways to collaborate. If we’re trying to create a new energy supply chain, for example, we might initially develop an important enabling technology in-house just to get the market moving, but we’ll plan to hand it off.”

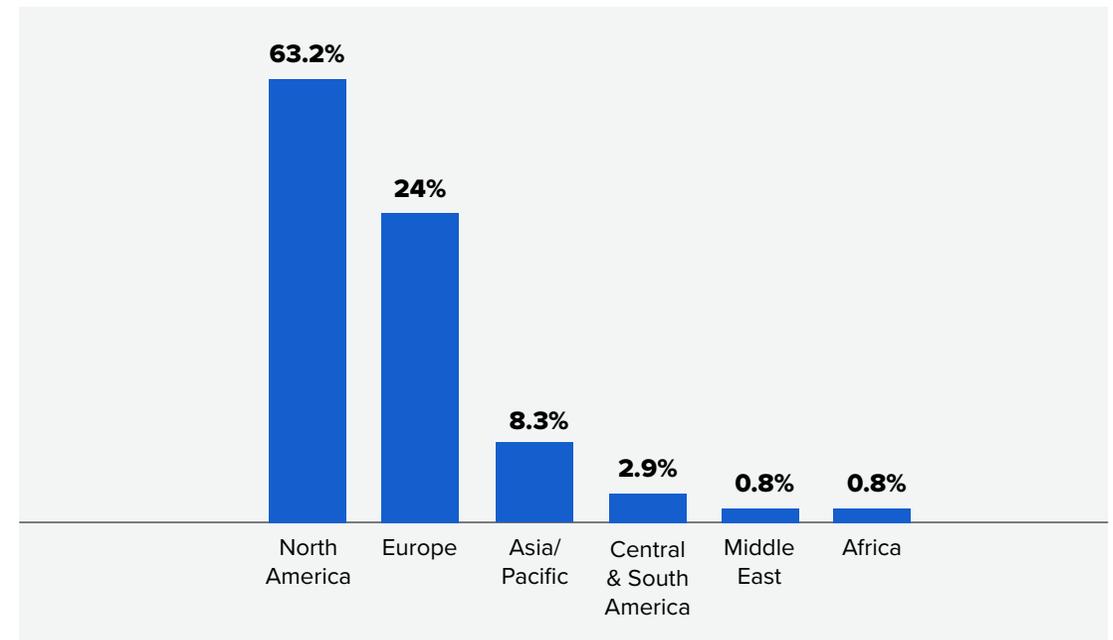
# ABOUT THE RESPONDENTS

This report is based on data collected from March-April 2021. We received 244 qualified responses. The top five industries represented in the survey data set were financial services; consumer goods & products; technology; healthcare; and pharmaceuticals & life sciences.

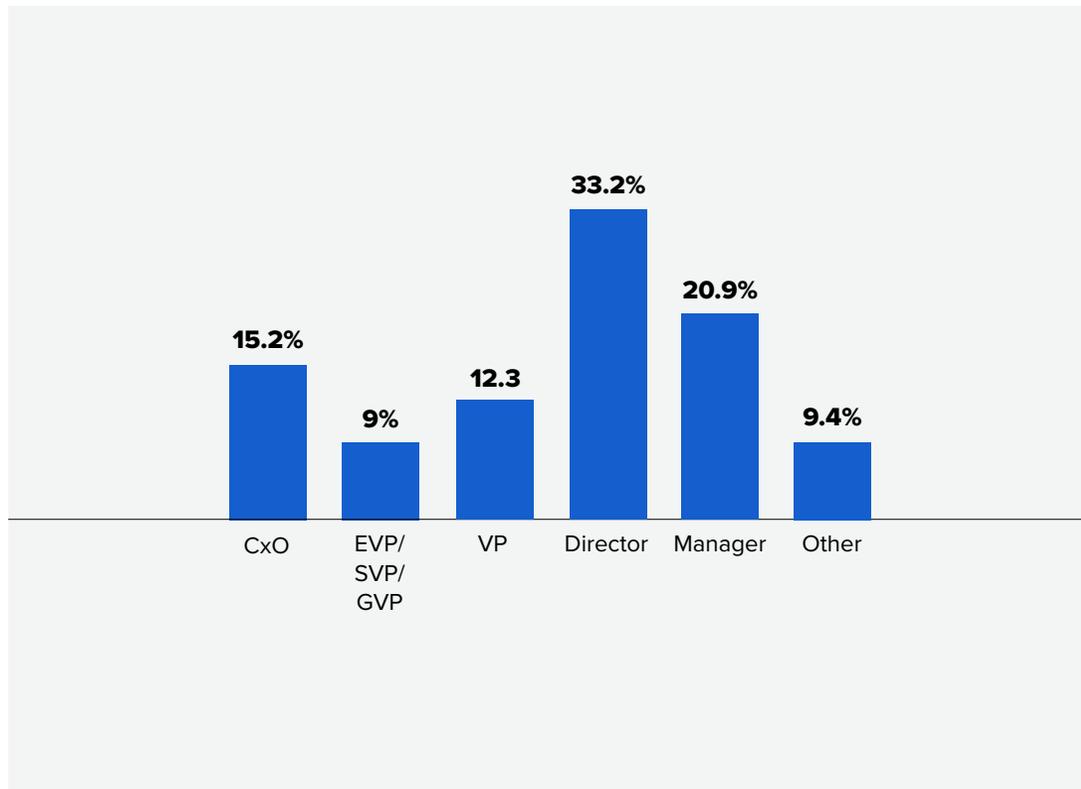
## Respondent Companies by Revenue



## Respondent Companies by Geography



## Respondents' Seniority



## RESPONDENTS BY FUNCTIONAL AREA OR DISCIPLINE

Innovation	45.1%
R&D	11.9%
Strategy	8.7%
General Mangement	7.8%
Other	7.4%
Information Technology	6.6%
Business Unit	5.4%
Corporate Ventures	2.9%
Marketing	2.5%
Operations	1.7%

## THANKS TO OUR RESEARCH SPONSOR



KPMG is one of the world’s leading professional services firms, providing innovative business solutions and audit, tax, and advisory services to many of the world’s largest and most prestigious organizations. KPMG is widely recognized for being a great place to work and build a career. Our people share a sense of purpose in the work we do, and a strong commitment to community service, inclusion and diversity, and eradicating childhood illiteracy. KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms. The KPMG global organization operates in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

Learn more at [www.kpmg.com/us](http://www.kpmg.com/us) or follow us @KPMG\_US and @KPMGUS\_News.

### CONTACT

Cliff Justice, National Leader, Enterprise Innovation, KPMG LLP  
[cjustice@kpmg.com](mailto:cjustice@kpmg.com)

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

The views and opinions expressed herein are those of the authors and do not necessarily represent the views and opinions of KPMG LLP. The information contained herein is of a general nature and is not intended to address the specific circumstances of any particular individual or entity.

## ABOUT INNOVATION LEADER RESEARCH

Innovation Leader is the world's largest network of executives responsible for strategy, R&D, new product development, design, and innovation in established organizations. We connect those executives through online and in-person events, and we supply information and guidance on our website—all focused on helping them to build competitive advantage.

Innovation Leader's research reports are written by Innovation Leader staff; whenever there's input from outside entities, we make that clear. We ask that you not republish or post this report in its entirety; if you quote from it or reference it, kindly credit Innovation Leader. To access prior Innovation Leader research reports, visit [innovationleader.com/research](https://innovationleader.com/research).

If you received this deck as a pass-along copy, you can learn more about Innovation Leader's offerings, or sign up for our free email, at [innovationleader.com](https://innovationleader.com).

For more from Innovation Leader, follow us on Twitter @Innolead, LinkedIn, Facebook, and download our podcast, Innovation Answered.