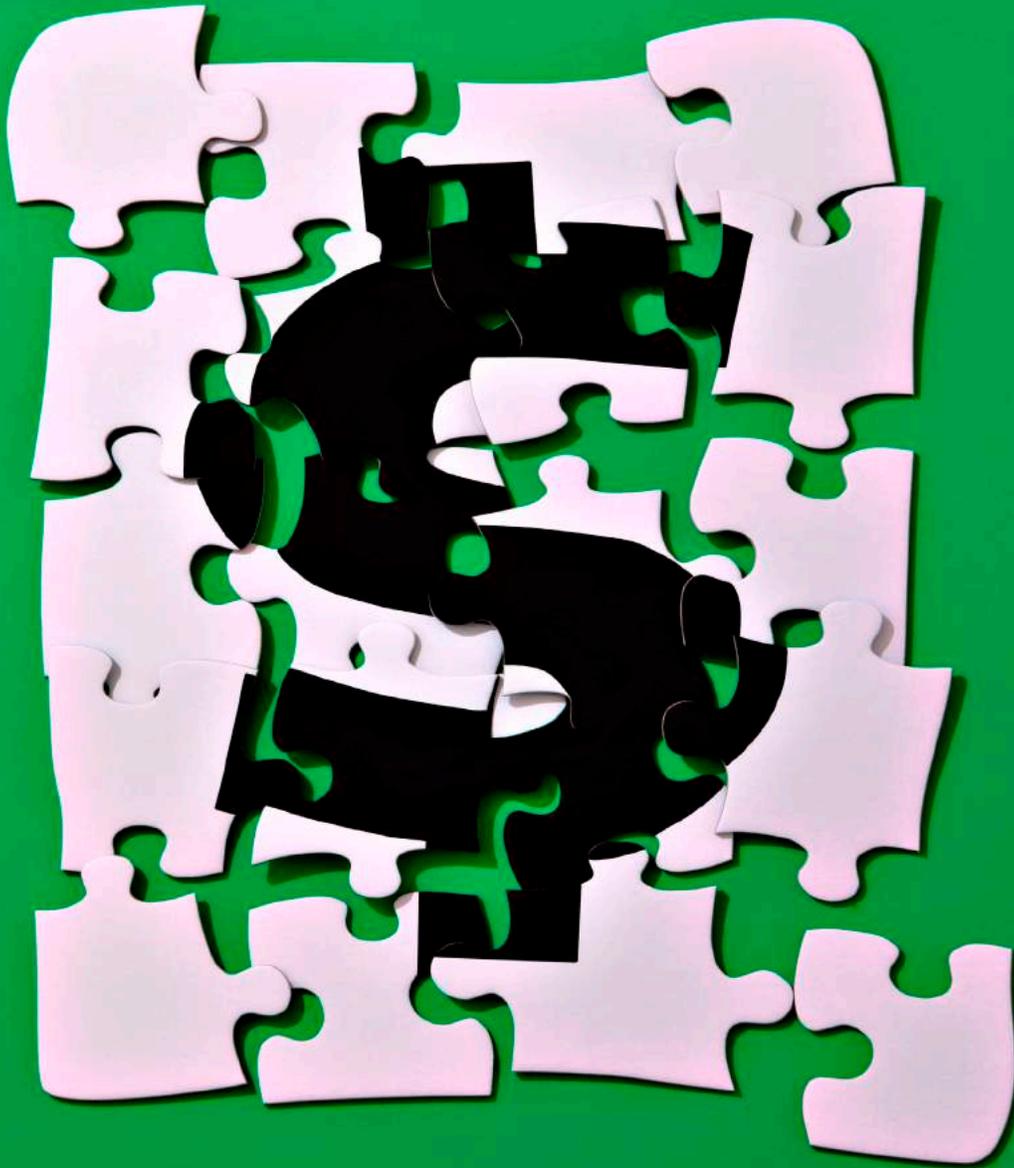




Research



2016 Compensation Survey

INSIGHT INTO SALARIES AND BONUSES FOR INNOVATION, R&D, AND STRATEGY EXECUTIVES

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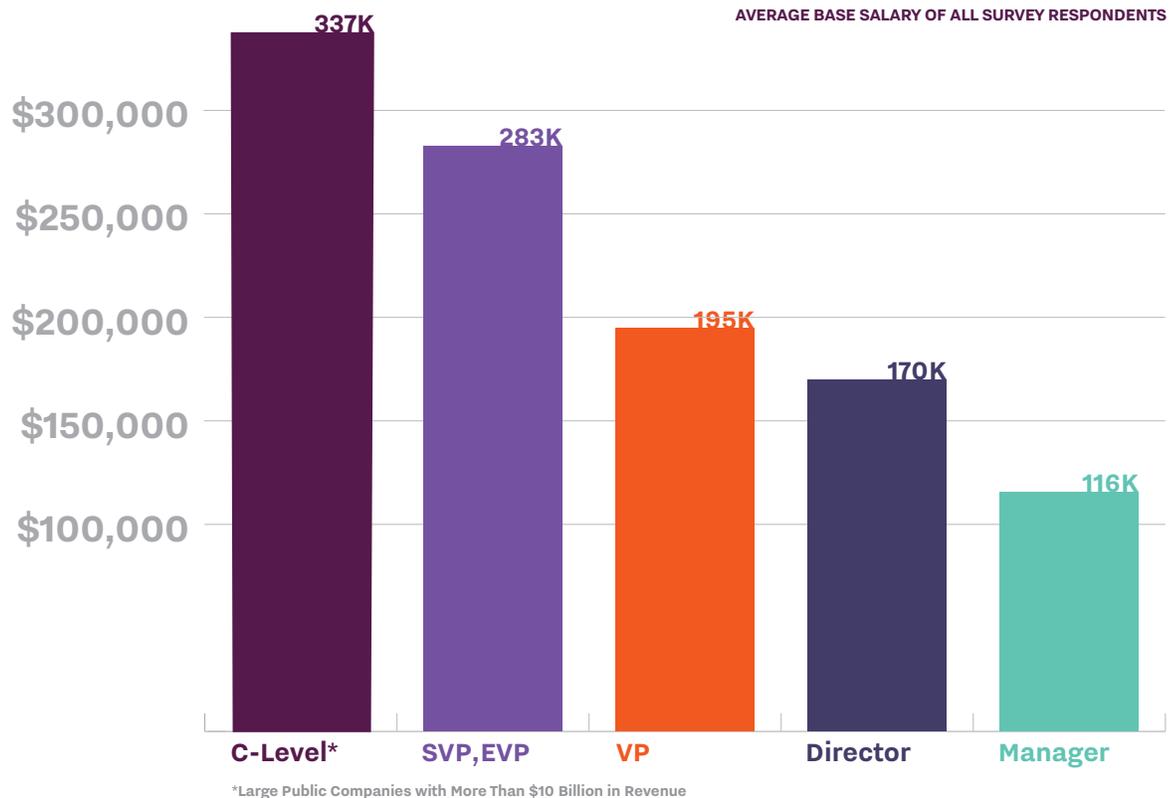
APPENDIX: ABOUT THE DATA

IF YOU WANT BETTER PAY,

YOU MAY WANT TO KEEP “**INNOVATION**” OUT OF YOUR TITLE. AND AVOID ASSUMING THE MANTLE OF “**CHIEF INNOVATION OFFICER**” ENTIRELY.

That was one of the findings of the compensation survey we fielded from July 1, 2016 to Sept. 30, 2016, which analyzed the base pay and bonuses of nearly 250 executives responsible for innovation at large corporations.

The survey aimed to provide insight into how innovation executives at large companies are compensated. It included responses from a diverse group of people responsible for innovation within their companies.



That included individuals running – and working on – innovation programs, R&D teams, strategy, accelerators, and a diverse range of programs aimed at generating next-generation product and service offerings.

Since the survey included data from executives with disparate titles and reporting structures, we’ve tried to provide insight on how those individuals are compensated based on their seniority, departments, and even bosses.

For context, the average base salary of all respondents was \$174,898. That includes individuals from the C-Suite down to the manager level. The average bonus comprised 30.1 percent of base salary, or \$61,465.

Innovation executives who had SVP or EVP in their title had an average base salary of \$282,733; VPs averaged \$194,759.

This report details our 2016 Innovation Compensation Survey, with highlights on how pay relates to titles, position, reporting structure, and more. Further detail on the respondents we heard from can be found in the section titled “About the Data.”

Salaries by Function

For executives who specifically had the term “Innovation” in their titles (i.e., “VP Innovation”), the average base salary was \$172,566. That’s 1.3 percent less than the average for the entire group of respondents, and more than 7 percent less than the highest paid group, R&D executives. The average bonus stayed about the same for individuals with innovation in their titles, at 30.6 percent of salary.

Innovation executives who had the term “Strategy” in their title had average base salaries that were 2.3 percent higher than the average, or \$178,940. Bonuses for this group were moderately higher as well, averaging 32.2 percent of salary (\$66,030). According to some, that may reflect the relative importance of each function in the organization. “Strategy is definitely perceived as more, dare I say, ‘strategic’ than Innovation at our company,” said one respondent at a retail company who asked to remain anonymous. “Innovation is still a pretty nascent function for us, and it just doesn’t have the same board mindshare as strategy,” he added. “I think that may be reflected in your data.”

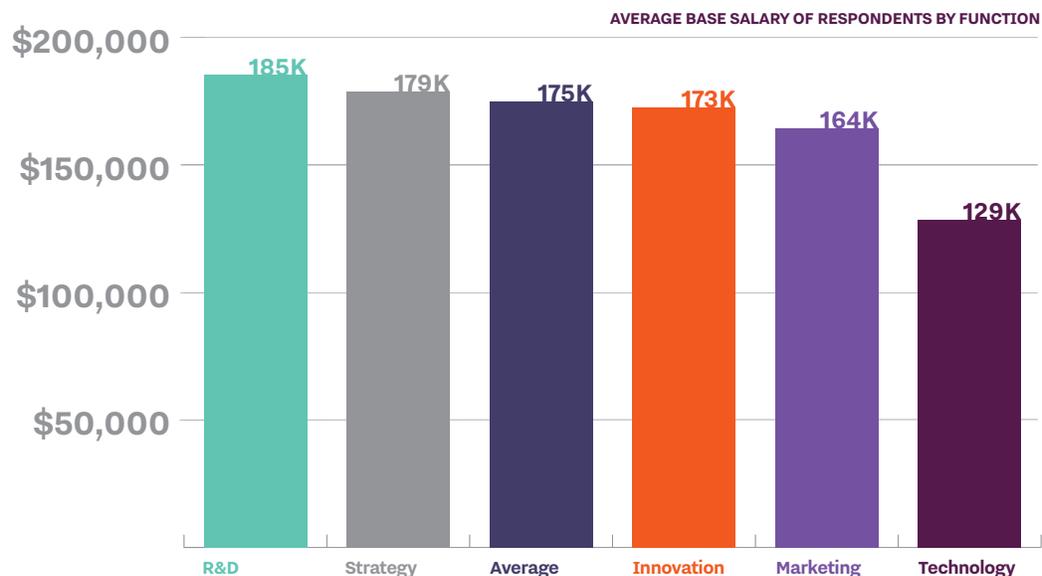
R&D executives who oversaw innovation efforts at their companies reported the highest base salaries, at \$185,222, or a 5.9 percent premium over the entire group. But bonuses for this group were typically smaller, averaging 25.7 percent of salary. “The R&D function is so much more established and embedded and sophisticated than Innovation,” said a respondent at an aerospace and defense company. “It’s really no surprise, at least here, that the R&D function is better paid than our innovation folks.”

But some respondents noted that the name of the department — whether it be innovation, R&D, or strategy — is less important than the impact. “Just because your survey shows that Strategy or R&D may be paid a little more than Innovation, that doesn’t mean that the function is less crucial,” said one SVP Innovation at a consumer-products company. “Our organization is hungry for talented people who can drive transformation, and we’re less concerned about the title than the vision.”

Tuck Rickards, Managing Director at the executive recruitment firm Russell Reynolds Associates, agrees. “Based on our work for ‘innovative’ roles such as Chief Digital Officers [and other senior positions], there is a premium for executives that see the future and drive innovation, transformation, and change — versus other executives in those functions that are more steady-state operating executives.” In other words, individuals who can sell a compelling vision and deliver tangible results tend to get a bump in compensation.

At the lower end of the pay spectrum were innovation executives who had “marketing” or “technology” in their titles. The average base salary of executives with “marketing” in their title was 6 percent below the group average (\$164,455), while the average compensation for “technology” executives was 13.1 percent below the group average (\$128,545). “Our innovation group falls under marketing because we’re more of a consumer-insights function that supports the business units,” said one respondent at a global hotel brand. “So it doesn’t surprise me that we may be paid a little less than some of the other innovation titles that may have more of a hands-on role in driving product or service strategy.”

STRATEGY VS. INNOVATION
Executives with the title “Vice President” were better compensated if they had the term “Strategy” in their title. In other words, even if the role is similar, a “VP Strategy” or a “VP Strategy and Innovation” is consistently paid more than a “VP Innovation.”



“THE R&D FUNCTION IS SO MUCH MORE ESTABLISHED AND EMBEDDED AND SOPHISTICATED THAN INNOVATION. IT’S REALLY NO SURPRISE, AT LEAST HERE, THAT THE R&D FUNCTION IS BETTER PAID THAN OUR INNOVATION FOLKS.”

—SENIOR EXECUTIVE, AEROSPACE AND DEFENSE COMPANY

C-level Executives

As expected, C-Level executives were paid more than all other groups. The average annual base salary for this group was \$223,458, representing a 27.8 percent premium over the average for all respondents. Bonuses also exceeded the norm, with the group averaging bonuses that equal 42.5 percent of base salary (or \$105,611 in additional pay).

Interestingly, those who had the specific title of “Chief Innovation Officer” were paid at the lower end of this C-Level spectrum, with average annual salaries of \$193,750. That was significantly less than other C-Level executives who said they were responsible for innovation, such as Chief Strategy Officers, whose average compensation was \$222,167. “This may be a function of experience and staying power,” said one respondent at a consumer products company. “Our Strategy and R&D Chiefs have been around for a decade or more,” he said. “I’m assuming most Chief Innovation Officers don’t have ten or more years on the job.”

Size of company had a significant impact on compensation. For example, C-Level executives at large public companies (with more than \$10 billion in revenue) were paid at the highest end of the spectrum, with average compensation of \$336,667, nearly double the average of all respondents. Bonuses for this subgroup also exceeded \$150,000.

C-Level executives at public companies, regardless of size, also made significantly higher average base salaries (\$331,429) than similarly titled executives at private companies (\$188,692). Most of the private-company respondents worked for financial

service firms and health care companies, such as medical centers.

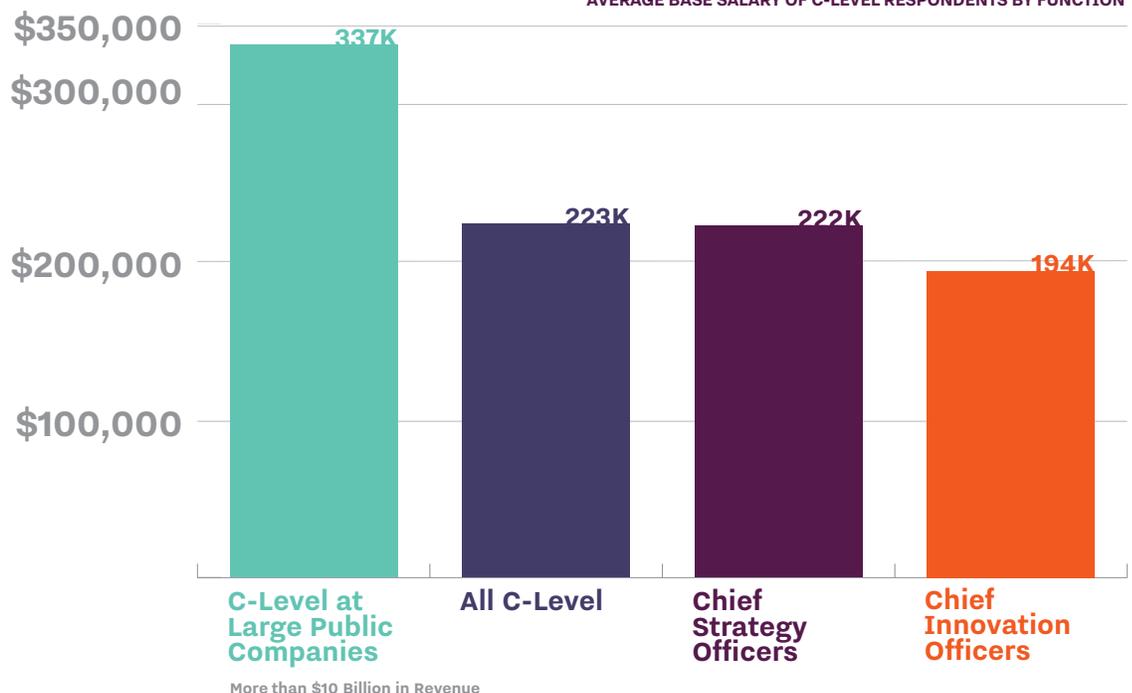
According to Tuck Rickards of Russell Reynolds, the actual mandate of the executive is likely more important than the size of the company, or public vs. private status, when determining compensation. For example, when the Chief Innovation Officer has a small team and budget, or is “viewed as a process-oriented staff role,” compensation may be lower. But that’s not the case with most innovation executives. “We are finding that as disruptive technology continues to impact every element of business, transformation is now happening at the core, not in a skunkworks group on the side,” he says. As a result, “companies are looking to have innovation and transformation DNA as a core competency in every business function.”

Erica Seidel, founder of executive recruitment firm The Connective Good, agrees, noting that senior C-Level innovation roles are being compensated commensurate with market rates. “The compensation here does not surprise me,” she says. In fact, Seidel expects to see companies increasingly apply bonuses to innovation work. “I would not be surprised to see a rise in deferred-bonus compensation, rewarding executives for the long-term financial results generated by the innovations they led,” she says.

Reporting structure did not impact the salaries of C-Level executives. Those who reported directly to the CEO, for example, had lower average salaries (\$215,867). “This is actually a surprise,” said one Chief Innovation Officer who reported directly to the CEO. “You would assume that direct reports to the CEO are paid more, but that doesn’t seem

CINOs UNDERVALUED?
C-Level executives with responsibility for innovation made on average \$223,458. However, C-Level executives who had the specific title “Chief Innovation Officer” were paid less: \$193,750.

AVERAGE BASE SALARY OF C-LEVEL RESPONDENTS BY FUNCTION



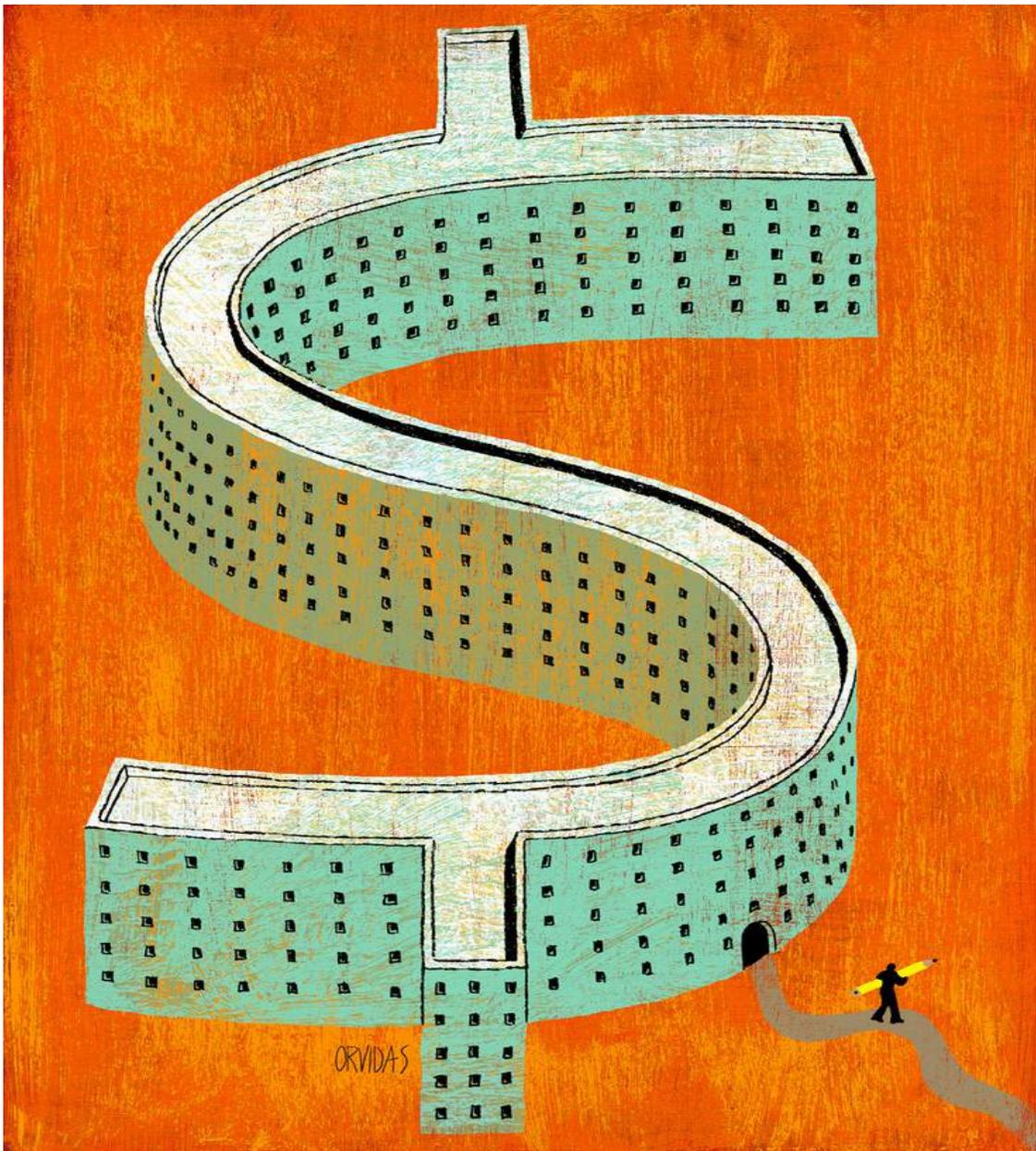
to be the case when it comes to innovation.” After considering the data, she jokingly added, “maybe I should try to get demoted.”

A large majority of these C-Level executives, 79.2 percent, said their compensation was tied to performance. Most of those awards came as a classic blend of cash bonus and stock grants (or options); however, the triggering mechanisms varied significantly.

For example, for a majority of these C-Level respondents, bonuses were most often tied to overall profitability of the company. Only a handful said their bonuses were specifically linked to innovation programs or efforts. “My equity grants and cash bonus are tied to sales generated by new products,” said the innovation head of a global real estate

company. As the data later in this survey illustrates, other titles — including Vice Presidents and Directors — more commonly had bonus incentives that were specifically tied to innovation programs.

For the C-Level executives who did state that innovation programs were part of their compensation, it was often comingled with overall corporate returns. “My compensation is tied to overall financial performance of the company, and qualitative objectives associated with my functions,” said the Chief Innovation and Strategy Officer at a publicly-traded professional services firm. Other respondents provided similar bonus structures that were tied to overall corporate goals and specific functional goals: “My cash bonus is based on profits, but my deferred comp is based on new projects and revenue initiatives.”



SIZE OF COMPANY MATTERS

C-Level executives at the largest public companies (those with more than \$10 billion in revenue) earned significantly more than their peers: At these large companies, C-Level salaries averaged \$336,667, with bonuses exceeding \$150,000.

“THERE IS A PREMIUM FOR EXECUTIVES THAT SEE THE FUTURE AND DRIVE INNOVATION, TRANSFORMATION, AND CHANGE — VERSUS OTHER EXECUTIVES IN THOSE FUNCTIONS THAT ARE MORE STEADY-STATE OPERATING EXECUTIVES.”

—TUCK RICHARDS, MANAGING DIRECTOR, FUSSELL REYNOLDS ASSOCIATES

SVPs and EVPs

Executives with the titles of “Senior Vice President” or “Executive Vice President” had average base salaries of \$282,733. However, this group had a much higher incentive-laden compensation structure than C-Level executives; bonuses added another 55.4 percent (or \$172,867) to their overall compensation.

Salaries and bonuses for SVPs and EVPs did seem to be impacted by the size of the company. SVPs at companies with more than \$1 billion in revenue earned 32.8 percent more than SVPs at smaller companies, and bonuses were significantly higher.

SVPs at private companies, including several financial services firms and real-estate investment trusts, made significantly less than the average of all SVP respondents; their average base salary was \$247,500 (14.7 percent below average). Public company SVPs made a little more than the group, with an average base salary of \$290,143.

In addition, almost all of these respondents (93.3 percent) said their compensation was tied to performance. And unlike the C-Level executives mentioned on the prior page, these EVPs more frequently had their bonuses tied to innovation performance. “My bonus and options/warrants directly tie to innovation portfolio performance,” wrote an SVP at a financial services firm.

The SVP of another financial services firm noted that half of his bonus is tied to innovation metrics, which includes “the number of consumers interviewed, the number of complete tests/experiments run, and the number of material insights developed

that move us closer to a scalable product-market fit.”

“My bonus is tied to experiments conducted — with either positive results and a decision to continue, or negative results and a decision to terminate — as well as commercialized products,” said the SVP Innovation at a global food and beverage company.

Tuck Rickards at Russell Reynolds notes that bonuses will likely be impacted by whether companies view innovation “narrowly as patents, IP, and new products, versus enterprise-level transformation.”

Importantly, companies need to identify metrics that capture the strategic objectives and vision of the role. “If the innovation definition is broadened to innovation at the business-model level,” he says, like a traditional retailer migrating to omni-channel execution, “the metrics need to look at broader metrics of integrated business performance.”

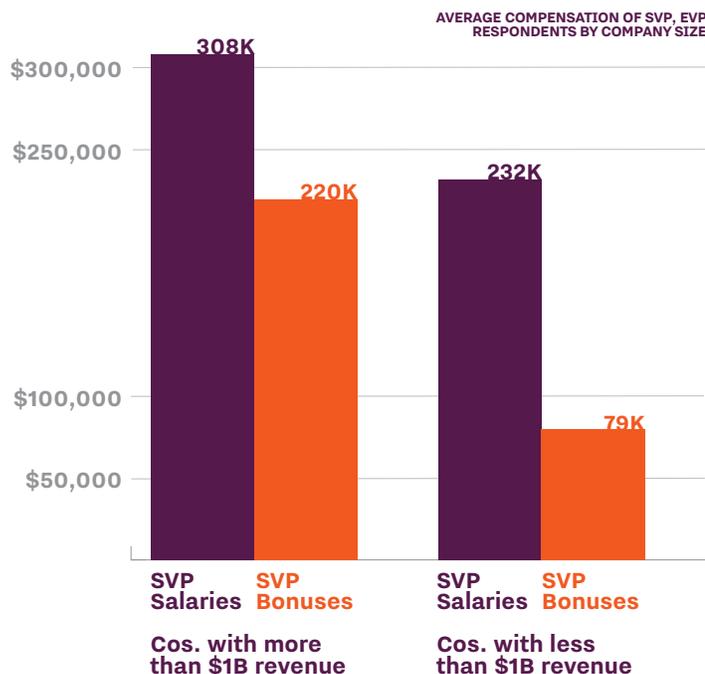
Several respondents noted that innovation-specific bonuses were unavailable at their companies, but were expected to be put in place soon. “Bonuses are currently tied to enterprise performance, but in the future will also be tied to innovation portfolio performance.”

Seidel at Connected Good agrees that performance-based compensation for innovation will increasingly be applied, but notes that it’s not easy. “It means that companies have the challenge of measuring financial results of innovation, and attributing those results to individuals,” she says. “That’s no small feat.”

To wit, in most cases, the SVPs and EVPs overseeing innovation said that their bonuses were tied to some combination of company performance and individual or functional goals.

BONUSES TIED TO INNOVATION

Executives are increasingly saying their bonuses are tied not only to company performance and individual goals, but innovation performance as well.



Vice Presidents

Almost a quarter of respondents (24.4 percent) said they were at the Vice President level. The average base salary of those executives was \$194,759; bonuses averaged 33.4 percent of base pay, or \$69,547.

However, as was the case with C-Level executives, the functional role of the VP matters. Innovation executives who had the term “Strategy” in their title (i.e., VP Strategy & Innovation), earned 7 percent more (\$208,333) than the average VP salary. Other Vice Presidents who oversaw innovation (i.e., VP Service Design, or VP Product Management) earned 7.7 percent less (\$179,857) than the average.

The reporting relationships of these innovation VPs seemed to have a very little effect on their salaries. For example, those who reported into a business unit made 1 percent more than the average (\$196,762), while those reporting into an Innovation head or group made 2.5 percent less than the average (\$189,800).

As was the case with C-Level and SVP positions, VPs at private companies made a little less than average (\$182,187, or 7.2 percent below all respondents in the VP category.) Vice Presidents at public companies made 0.8 percent more than all VP respondents.

One-third of the VPs who received performance-based bonuses said their extra pay was tied to innovation objectives.

In total, 86.2 percent of the Vice Presidents who responded to the survey stated they receive bonuses; on average, bonuses represented 33.4 percent of their base salary, or \$69,547.

Of those who receive bonuses, almost all of them (96 percent) claimed the extra compensation was performance-based. Most of those bonuses were tied to overall company performance, personal performance, and general business objectives. However, one-third of the VPs who received performance-based bonuses said their extra pay was tied to innovation objectives.

When discussing their bonus objectives, these innovation executives frequently cited new products launched, and sales from those new products. “My performance goals center around generating specific sales tied to new products and innovation,” noted the VP Innovation Marketing at a well-known consumer products company. “For example, ‘generate \$X million in innovation over the course of the next five years,’ with each year given a specific goal.” Others cited similar compensation systems. “My additional equity grants are tied to net sales generated by new products,” said the VP of a European financial services firm. “My bonus is contingent on sales generated from new product introduction,” said another respondent at a consumer-products company.

Others had more complex and multi-tiered bonus structures. A Vice President at a U.S. insurance company said her annual bonus is contingent on getting “three to five ideas, out of a larger pool, to advance to the business case process for larger scale funding.” Additional longer-term compensation was available based on “a positive trajectory on new revenue from new products/services and/or expense savings.” The respondent also noted that other metrics — like employee engagement on innovation — also contributed to her bonus.

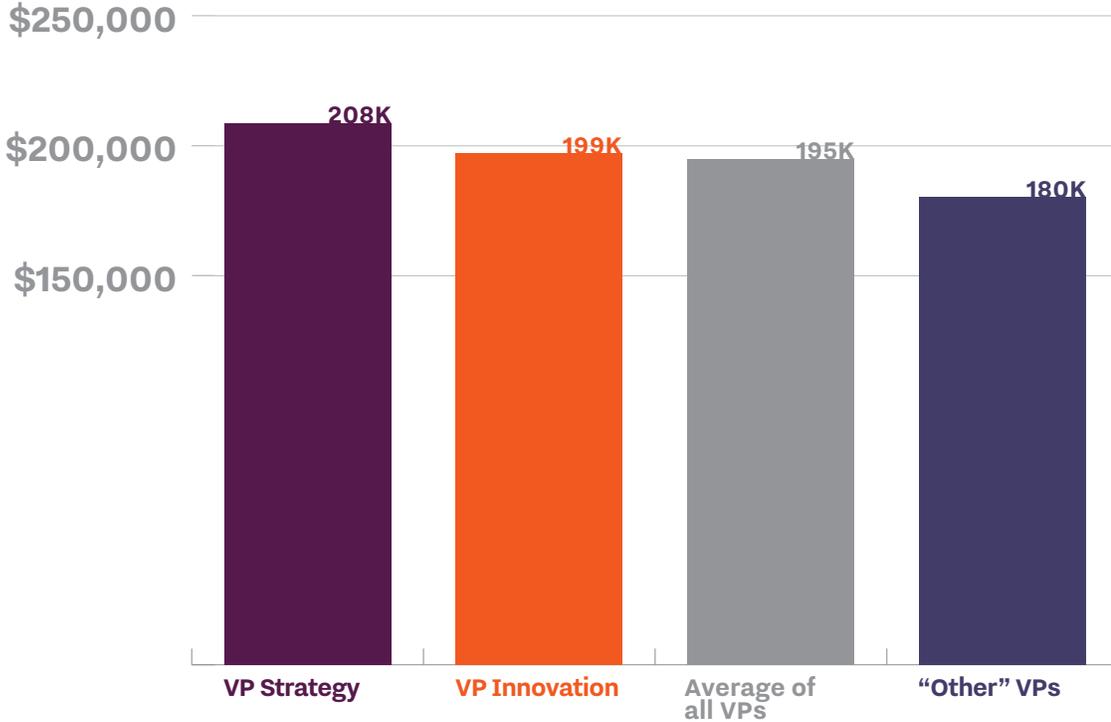
Patent filings were also commonly tied to bonuses at this VP level. For example, the VP Global Business Process at a well-known retailer said he gets additional option grants “for IP filings, and then a bonus for final approval of patent.” The VP Engineering at an industrial machinery giant echoed that sentiment, noting that additional bonuses can be triggered “by hitting launch dates, IP filed, etc.”

At the same time, several respondents noted that their innovation-related bonuses were less quantitative in nature. “Bonus and equity are tied to subjective assessments of performance and achievement of qualitative goals,” said the VP Innovation at a large financial services company. The VP Innovation at a publicly traded energy company also said his bonus was tied to “yearly value drivers around growing the Innovation program,” including softer metrics like cross-group collaboration. “Purely subjective,” echoed another respondent at a global diversified entertainment company.

Others noted their plans to add innovation metrics to performance bonuses in the future. “As this is our first year with an innovation program, my goals are mostly qualitative,” noted the VP Emerging Solutions at a global publicly-traded professional services firm. “Next year, we should have more of a quantitative baseline for performance judgments.”



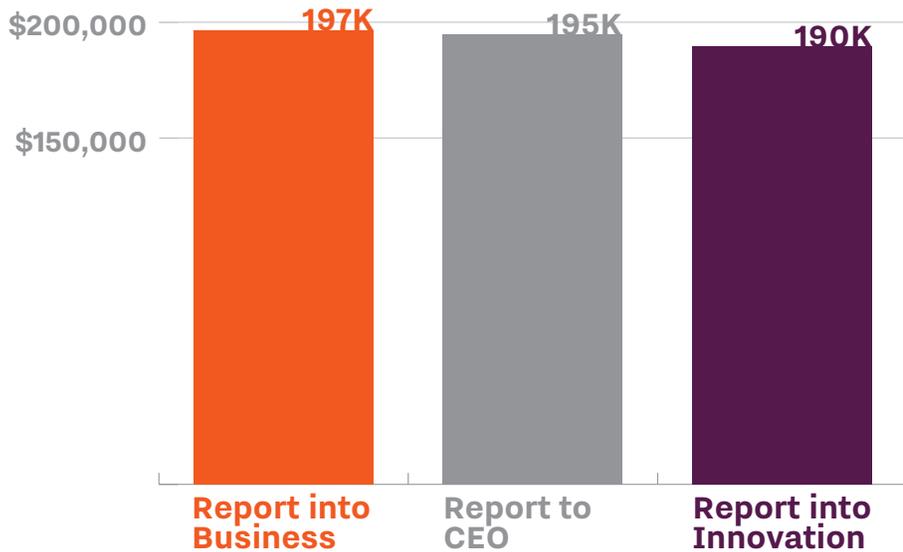
AVERAGE BASE SALARY OF VP-LEVEL RESPONDENTS BY FUNCTION



BONUS OBJECTIVES

When discussing their bonus objectives, innovation VPs frequently cited new products launched, and sales from those new products.

AVERAGE BASE SALARY OF VP-LEVEL RESPONDENTS BY REPORTING STRUCTURE



Senior Directors and Directors

The average annual base salary for Senior Directors and Directors who are overseeing or deeply involved in innovation was \$170,081. Bonuses were typically 21.1 percent of base salary, or \$36,563.

As was the case at the VP level, title or function had a material impact on base salary. Directors with R&D in their titles had base salaries that were 34.7 percent higher than all directors (\$229,040). Directors with Strategy in their titles made about the same as the average (\$168,875, or 0.7 percent below the norm). And again, Directors who had the term Innovation in their titles made less (\$161,167, or 5.2 percent below the average).

Reporting structure also had some impact on the base salaries and bonuses of Directors. Those who reported directly into their business units tended to fare a little better, earning 0.4 percent more than the average (\$170,693), while those reporting into the Innovation function earned 7.2 percent less than the average (\$157,809).

“My bonus is based on the number of projects transferred to the business groups, and the number of new ventures.”

—Senior Director of Open Innovation at global consumer products company

The size of the company had a nominal impact on base salary. For example, Directors involved in the Innovation program who worked for companies with annual revenue between \$1 billion and \$10 billion appeared to make a 6.5 percent premium over the average (\$181,120).

Interestingly, the larger the company, the less Directors made; at companies with revenue above \$10 billion, the average Director salary dropped 1.2 percent below the group average, to \$167,954.

Executive recruiter Erica Seidel tends to dismiss salary variations based on company size, noting that there are pockets of demand in certain markets and industries that may be reflected in these numbers.

Innovation Leader did not capture industry data from all respondents as part of this survey, but may consider doing so in future editions.

As was the case with more senior executives, Directors who worked for private companies made slightly less than average (\$166,115, or 5.3 percent below the average of all Director respondents). Directors at public companies made 3.1 percent more than the average of all directors (\$175,327).

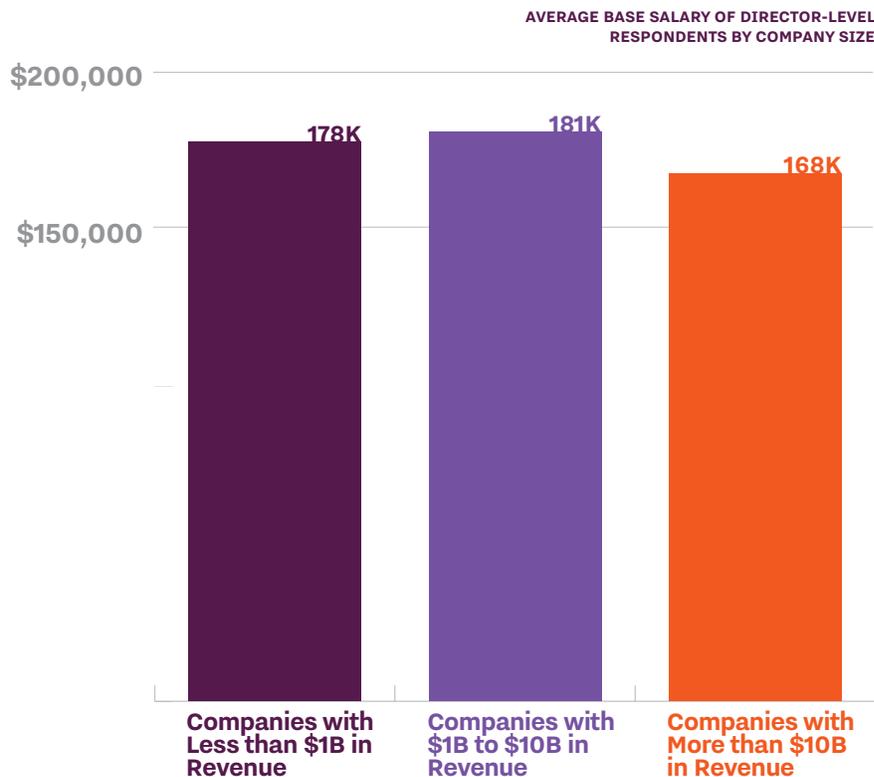
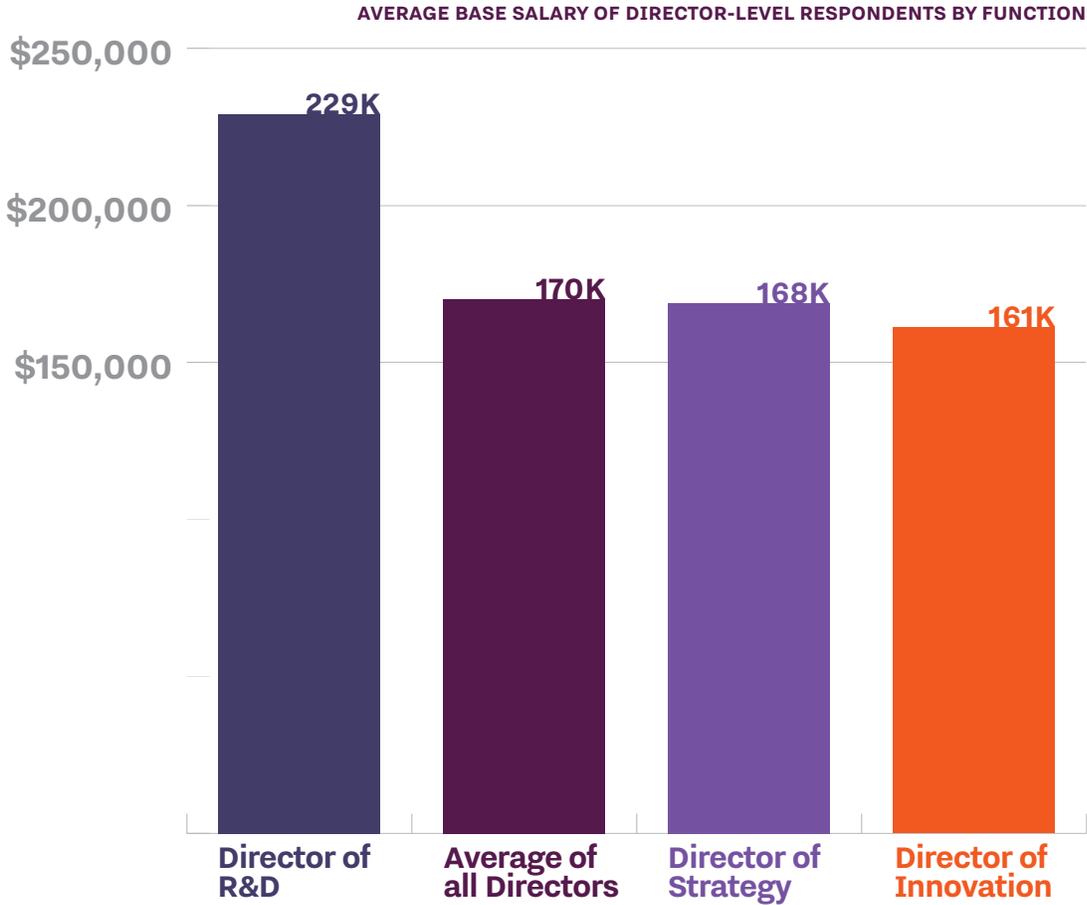
Average bonuses for Directors were, not surprisingly smaller than those at the VP level (average bonus of \$36,563), and a smaller percentage of Directors (79.3 percent) received bonuses.

The majority of Directors said their bonuses were tied to company and individual performance, not innovation programs, specifically. “Our bonuses are tied to corporate metrics, not innovation metrics,” said the Director of Product Management at a financial services firm, in what was a typical response for this group. A few, including the Director of Innovation at a large U.S. retailer, mentioned they were paid bonuses based on “qualitative assessments.”

Only 15.4 percent of Directors who received performance-based bonuses said those bonuses were specifically tied to the progress or success of new products or services. “My bonus is based on the number of projects transferred to the business groups, and the number of new ventures,” offered the Senior Director of Open Innovation at a global consumer-products company. The Director of Commercial Innovation at a global pharmaceutical company provided similar insight: “My bonus is tied to identifying innovative solutions and supporting in-country innovators to proceed through the innovation stages,” he said. (Those stages are ideation, feasibility, and pilot.)



**Senior Directors
and Directors**



Senior Managers and Managers

At the low end of the pay scale were Senior Managers and Managers working on innovation programs. The average annual base salary for this group of individuals was \$115,656; bonus represented 25.1 percent of annual salary, or \$28,450.

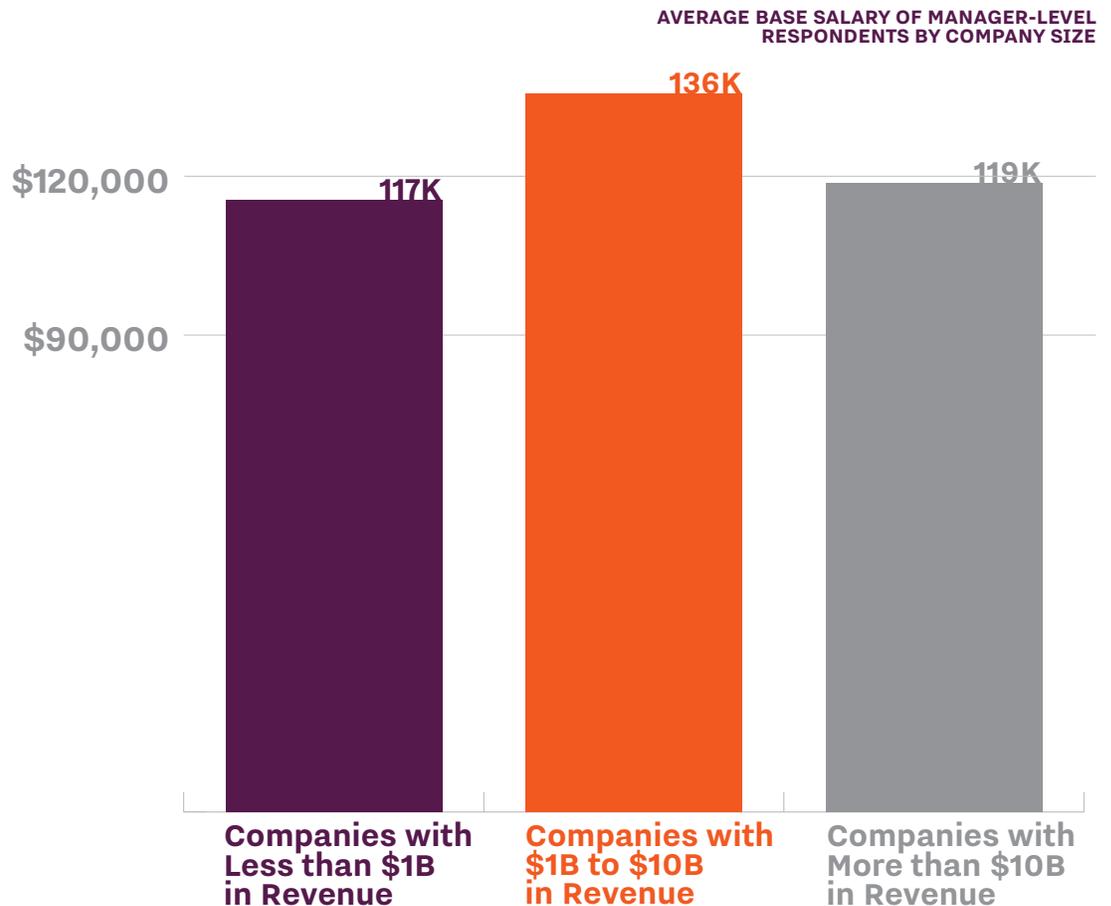
As was the case with Directors, these Managers seemed to earn slightly more at larger companies. Managers and Senior Managers responsible for innovation at companies with revenue exceeding \$50 billion were paid 2.8 percent more than others in this category (\$118,846). And Managers at companies with revenue between \$1 billion and \$10 billion were paid 17.3 percent more than the average (\$135,700).

While it's tough to make broad generalizations about the reason for the premium paid for Managers at large companies, some simply argue that the competition for talent is fierce, and that larger corporations may overcompensate with base salary because they lack startup-style benefits and equity packages. "I can tell you from personal experience that I had lots of options before joining here," said one Innovation Manager at a publicly traded global chemical

giant. "Obviously, they couldn't offer pre-IPO stock options, so, yes, I'd say they offered a premium when it comes to salary."

Consistent with all other titles covered in this survey, Managers at private companies earned slightly less than average (\$110,822, or 10.2 percent below the average of all Manager respondents). Public company Managers made slightly more (\$123,377, or 6.7 percent higher than the average).

Of all the Managers who completed the survey, 63.4 percent received some kind of bonus. Most of the bonuses — which averaged \$28,450, or 25.1 percent of annual pay — were based on corporate performance and individual goals, not innovation program benchmarks. In fact, only one Manager specifically cited innovation metrics as part of her performance goals; an R&D Manager at a European building materials company noted that the "number of ideas developed" was tied to her compensation.



**“THIS ISN’T
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PROFITS DRIVEN BY
INNOVATION.”**

“WE NEED TO COMPLETELY RETHINK INNOVATION COMPENSATION TO MAKE IT MORE ENTREPRENEURIAL IN ITS FRAMEWORK.”



Respondent Recommendations

As part of the compensation survey, we asked respondents whether they had any specific recommendations on how companies should tie compensation to innovation. The responses provided insights into how innovation executives think about the value they are creating in the long term. ¶ In general, most respondents wanted to link innovation to compensation, but lacked specific recommendations. “Great thinkers with new ideas leave the company in droves.” ¶ The question of compensation recommendations also highlighted the challenges of measuring innovation. “It would be ideal if compensation were tied to specific innovation metrics,” noted the Chief Innovation Officer at a global consultancy, “but as professional services company, we struggle with how to measure and track new service offerings.” Another respondent echoed that sentiment: “Grants for innovation team members who create new revenue streams would be nice; unfortunately, it is not always easy to capture.” ¶ It’s also worth noting that several respondents recommended that companies avoid tying innovation to compensation. “Do not bribe people to innovate,” said one respondent. “Instead, motivate people intrinsically ... reward [them] based on how well your organization did as a whole.” Another was concerned about the long-term impact of pay-for-performance. “Don’t tie compensation to innovation,” he wrote. “It will actually make people afraid of failure, and mediocrity will result.” Others agreed with that sentiment. “I’d rather dis-associate compensation [from] innovation,” wrote another respondent. “It creates individual competition and boldly ambitious individuals who want to be the ‘star,’ which further dissuades actual breakthroughs.” ¶ We have excerpted some of the recommendations and suggestions below. (Some of the entries have been cleaned up to fix spelling, punctuation, and grammar errors.)

ON EQUITY AND OPTIONS-LIKE VEHICLES

“I do wish my company had a better ‘home run’ bonus system. For instance, if I build something that completely changes the industry and is a major success, I don’t see a bonus or compensation tied to that. It will help build my career, but it would be awesome to get monetarily rewarded for a grand slam. The strong guarantee package allows me to not worry about failure as much ... I can take chances.”

“Large companies should create project-specific compensation that mimics stock options. These bonus schemes could create significant wealth for corporate innovators if their projects are highly successful.”

“Innovation management teams should be offered additional equity upside (in the corporate’s stock vs. phantom stock in the startup). HR must understand and enable this need for additional equity upside to be extended to innovation teams; their major obstacle is trying to keep compensation parity between all employees in an enterprise, but that MUST be broken to attract and keep innovation and growth-focused talent in the start-up setting given the greater risk and greater upside staff can secure if they go to other places in the market.”

“Innovation needs to have more long-term compensation upside, like stock options or some other method. If we don’t offer that to our employees, the best will eventually go to the next hot venture-backed startup.”

“Every company should be thinking about providing ‘upside’ for innovation teams. The type of

talent required to execute on breakthrough innovations demands upside. Think of it as a lottery system where innovation executives have base, bonus, and a Powerball ticket if they crush it. Innovation team members should get base, bonus, and different levels of scratch-off tickets.”

ON REVENUE AND GROWTH

“I would like to see companies pay variable comp as a percent of gross margin per product for three consecutive years.”

“Revenue generated by brand new products and their financial impact.”

“Pay should be based on organic growth and NPV [net present value] of innovation portfolio.”

“Companies should reward innovation teams with a portion of proceeds of new products introduced that originated with their groups for three to five years...”

“Define an impact on the price per share, as well as the continued success of the innovation management process goals. Separate innovation from the standard financial performance goals and objectives. Traditional ROI calculations will only doom the process.”

ON CULTURE, RISK, AND CONTRIBUTION

“I would like to see not only performance tied to comp, but also risk-taking. So for example, out of the number of innovation programs, perhaps a percentage fail or don’t work. These are valuable learnings that save money over the long run. I believe we should tie these learnings to comp also.”

“A portion of the variable comp should be based on the size of the innovation portfolio; the number of ideas, and people contributing; and project execution.”

“Innovation should be part of the discussion for most employees, and should be weighted more heavily for some roles. (e.g. 20 percent of your evalu-



ation should be about how much you contributed to innovation).”

“Innovation functions should include metrics related to the overall business, as well as the ‘pace of improvement’ our team is able to facilitate across the entire company. My goal is to make the entire company more innovative in their work, so the measure of ‘pace of change’ is what matters.”

“Ultimately, I think innovation compensation needs to be tied to margin generation and cultural metrics. On the revenue generation side, that could be prototypes or new services that lead to sales... For culture, I think employee perception of the company and retention metrics are important. We are a professional services company, so ultimately innovation needs to tie to the delivery of services that generate higher margins.”

ON PIPELINE, PATENTS, AND IDEAS

“I would like to see a bonus structure for patents or new products that drive sales, similar to how we incent sales in special programs. Not entirely based on this, but the opportuni-

ty to improve bonus levels beyond the general business performance.”

“Bonus should be tied to successfully moving from concept to MVP [minimum viable product], and by either proving or disproving the business case and technical feasibility case.”

“There should be goals for ideas that make it past initial vetting, to make sure a pipeline of concepts is always being evaluated.”

ON RETURN AND SAVINGS

“I would like to see our company use Return on Product Development Expense (RoPDE) or some other metric that is tied to return on our product development expenditure.”

“Base compensation on the value and cost saving that innovation results in. Often, cost saving through innovation goes unrewarded.”

“Savings are typically neglected from a pay standpoint, but most innovations are actually ones of increased efficiency or productivity or enhanced margins. These are often traceable to a single source as they get introduced, approved, and tested within a department or organization. These new initiatives, especially one ones that expand company-wide and result in millions in savings, should result in a ‘kickback’ or some sort of compensatory bonus.”

Conclusion

As we learned from our 2015 Benchmarking Report, many Innovation teams are small (55 percent of respondents to that survey said they had fewer than 10 full-time employees.) Many teams haven't been in place for very long, and they are afforded relatively small budgets. That may explain why executives with Innovation in their title command slightly lower salaries than peers in more established functions like R&D, and Strategy. We expect that over time, those who deliver measurable impact in their organizations will see their compensation packages increase. Those who don't may not only see salaries stagnate, but their positions will be extremely vulnerable when cost-cutting, executive turnover, or mergers take place.

And while large public companies will never be able to mimic the compensation of a startup, we expect to see more of them providing "upside" bonuses that feel more entrepreneurial, when they expect an Innovation team to be developing concepts into new products or services, rather than only conducting training workshops or running ideation challenges.

We expect compensation to continue to evolve, both in more traditional roles as well as innovation roles, as large companies are under increasing pressure to explore new business models, compete against new entrants, and launch digital offerings. If there are questions you'd like us to pose in our next compensation survey, just drop us a note at editor@innovationleader.com.

AVERAGES OF ALL SURVEY RESPONDENTS

Title	Avg. Base Salary	Avg. Bonus	Total Comp.
C-Level Executives*	\$336,667	\$151,274	\$487,940
SVP / EVP	\$282,733	\$172,867	\$455,600
Vice President	\$194,759	\$69,547	\$264,306
Directors, Snr. Directors	\$170,041	\$36,563	\$207,461
Managers, Snr. Manager	\$115,656	\$28,450	\$144,105

* At companies with more than \$10 billion in revenue.



Appendix: About the Data

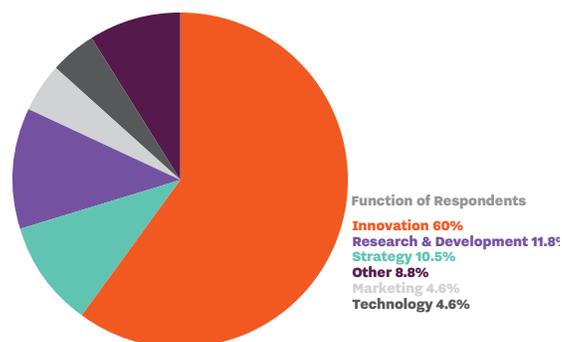
For its 2016 compensation survey, Innovation Leader received input from more than 250 innovation executives. Of those, a total of 238 were determined to be qualified responses; duplicative, incomplete or inappropriate responses were not included in the final data pool, including responses submitted by vendors, academics, or others not serving innovation roles within large entities.

TITLES OF RESPONDENTS

The vast majority of respondents, 60.5 percent, were innovation executives who specifically had “Innovation” in their titles. That includes executives who might have served two roles, such as “VP Innovation and Customer Experience.”

Research and Development comprised the next-largest group of respondents (11.8 percent), and Strategy executives comprised 10.5 percent of respondents. Fewer than five percent of respondents were Marketing or Technology executives.

The “Other” category, which comprised 8.8 percent of respondents, included executives overseeing business units, or new-product responsibilities within those businesses (i.e., VP Product Management).

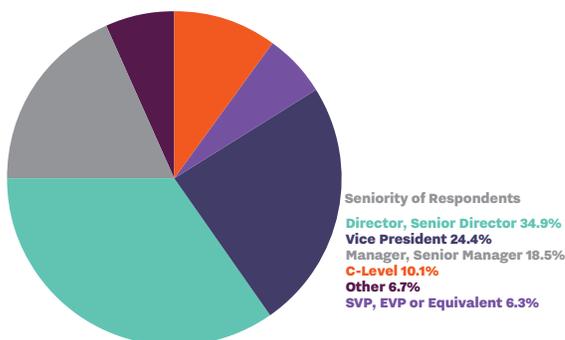


SENIORITY

A plurality of respondents (40.8 percent) held positions above the level of Vice President. Within that group, 10.1 percent held C-level positions (i.e., Chief Innovation Officer or Chief Strategy Officer). Six-point-three percent were Senior Vice Presidents or Executive Vice Presidents, and 24.4 percent held the title Vice President.

The largest single group of respondents (34.9 percent) held the title of Senior Director or Director, and 18.5 percent were Senior Managers or Managers.

Only 6.7 percent described themselves as “Others,” and in almost all cases those individuals were “technical leads” or engineers working on internal innovation or new product initiatives.



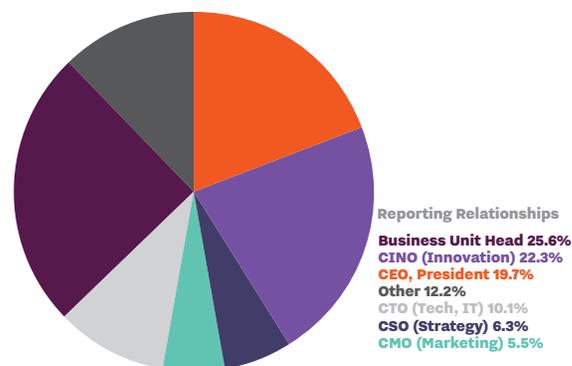
REPORTING

As expected, reporting relationships were diverse, with 19.7 percent of respondents reporting directly to the President or CEO, and 22.3 percent reporting to the Chief Innovation Officer (or an individual with a similar title and function).

The largest group (25.6 percent) reported directly into their business unit head, although many of those acknowledged they had dotted-line responsibility to an Innovation executive.

Only 10.1 percent of respondents reported to the Technology department or CTO, and even fewer reported into Strategy (6.3 percent) or Marketing (5.5 percent).

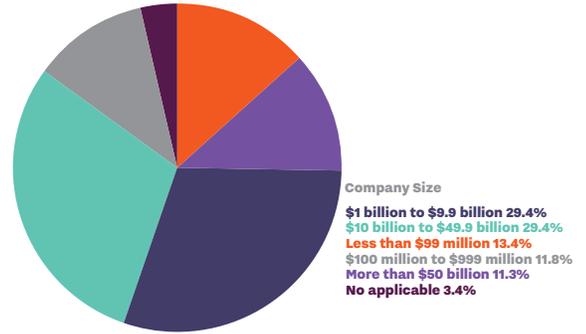
Of the 12.2 percent of respondents who cited “Other,” common reporting structures included Operations, Engineering, or R&D; a small group (1.7 percent) reported directly to the Board of Directors. The handful of remaining respondents reported into Finance, Sales, Human Resources, and other company-specific titles (Digital, Analytics, Sustainability, etc.).



COMPANY SIZE AND MAKEUP

As reflects the large-company readership of Innovation Leader, the majority of respondents (70.2 percent) worked at companies with more than \$1 billion in revenue; in fact, 40.8 percent of respondents worked at companies with revenue that exceeded \$10 billion. About 11 percent of respondents worked for companies with more than \$50 billion in revenue.

Similarly, the majority of respondents (58.8 percent) worked for publicly traded companies; slightly less than one-third (31.5 percent) worked at private companies. The remainder worked for government agencies or nonprofits. In this report, where appropriate and helpful, we have filtered data by “public vs. private,” or have filtered data by company size.



SAMPLE OF RESPONDENTS' TITLES AND INDUSTRIES

TITLE
SVP & Chief Innovation Officer / Consumer packaged goods
SVP Commercial Technologies & CTO / Healthcare
SVP — Innovation / Media
SVP — Innovation & Product Development / Non-profit
SVP — Innovation & Development / Insurance
Global Head of Product Design / Financial services
Head of R&D / Food production
Head of Enterprise Strategy Development / Retailer
Chief Innovation & Information Officer / Industrial manufacturing
VP — Innovation Strategy & Partnerships / Apparel company
VP — Innovation and New Business Development / Food production
VP — Labs / Financial services
VP — Breakthrough Innovation / Consumer product manufacturing
VP — Global Innovation / Manufacturing
VP — Innovation & Emerging Technology / Industrial manufacturing
AVP — Development & Strategic Innovation / Healthcare
Global Director — Innovation Strategy & Operations / Apparel company
Senior Director — New Product Development / Education
Senior Director — Open Innovation / Manufacturing
Senior Director — Sustainable Innovation / Retailer
Director — Innovation Fund / Pharmaceutical company
Director of Digital / Commercial real estate company
Director — Business Innovation / Manufacturer
Director — Engineering and R&D / Manufacturer
Director — Ventures & Innovation / Media
Director — Corporate Strategy & Innovation / Pharmaceuticals
Director — Innovation & Acceleration / Financial services
Director of Product Development / Scientific instruments
Director — Product Development / Retailer
Director — Strategic Innovation / Insurance
Director — Brand Marketing & Innovation / Consumer packaged goods
Innovation Management Director / Consumer packaged goods
Associate Director — R&D / Medical device maker
Senior Manager — Corporate Strategy / Aerospace & defense company
Business Innovation Manager / Travel agency
Director of Innovation / Insurance
Global Product Manager — Innovation / Tool company
Senior Innovation Strategist / Media
Innovation Leader / Software
Innovation Portfolio Manager / Chemicals
Senior Innovation Lead / Insurance
Senior Project Manager — Continuous Improvement / Large law firm
Program Manager / Aerospace & defense company
Design Strategist & Innovation Catalyst / High-tech



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