

# GE GLOBAL INNOVATION BAROMETER 2013



StrategyOne



“While the global economy is on track for moderate growth, the pace of the US recovery remains disappointing, and Europe is stagnating. Large emerging economies have also experienced a deceleration in the pace of economic activity, so uncertainty remains high. But innovation is crucial to boosting productivity, which is the key to faster economic growth and rising living standards. So we continue to advocate for open, collaborative cross-border innovation as the most efficient way to achieve faster and greater results, with benefits on a global scale.”

—MARCO ANNUNZIATA, GLOBAL CHIEF ECONOMIST, GE

In a global business environment that is both uncertain and fast-paced, business leaders around the world are seeking to overcome anxieties, traditional thinking and institutional barriers. GE’s ‘Global Innovation Barometer’ – a survey of 3,100 executives in 25 countries by independent research firm, StrategyOne – seeks to capture perceptions of the opportunities and challenges in each country.

Respondents were more acutely attuned than ever to the need to adapt to shifting circumstances, but offered conflicting points of views as to what must be done to maintain a competitive edge. **Business leaders are demonstrating unease with the pace of change and an uncertainty over the best path forward: a trend we’ve dubbed “Innovation Vertigo.”** Some senior executives even considered innovation to be a threat to their business or country, particularly as technological change and the level of competition accelerate.

Of particular concern was the overwhelming number of executives (71 percent) who recommend governments adopt some protectionist measures, a sign that economic volatility is weakening consensus behind free trade in an attempt to mitigate the perceived risk to business and local economies. Yet the same percentage of respondents thought further liberalization of their markets to imported innovation should be their government’s priority—a paradox of conflicting appetites for both globalist and protectionist tendencies.

Yet, despite evidence of discomfort, **the majority of those questioned repeatedly expressed a willingness to look beyond traditional strategies** and tactics to find and deliver good ideas to market. Data this year showed **the continued elevation of innovation to the enterprise level.** Leaders express increased interest in designing newly configured business models to not only meet the needs of customers from San Francisco to Seville to Shanghai, but to actually shape behavior while generating revenue.

Companies are clearly starting to realize that **partnerships are the fastest way to achieve scale** by delivering critical insights into new markets and customers, and access to better technologies. But a successful business partnership requires both parties to be comfortable with ceding some control, which may push some outside their comfort zones; some fear

that trade secrets and IP will not be well protected, and fewer than half claimed willingness to share the revenue gains or losses generated through partnership.

**Global business leaders are increasingly calling on government to act as stewards of innovation** by developing a clear, efficient and coordinated pro-innovation policy framework to cultivate a productive environment. Senior executives want the public sector to safeguard business interests – talent, knowledge, IP protection – and remove barriers – bureaucracy, overregulation, maintenance of the status quo – that prevent innovation from flourishing.

Of course, this quest for further innovation is challenged by the lack of sufficient talent available to catalyze action – all the way from idea through to implementation. The hiring competition is fierce for individuals who understand the realities of the new business environment and have the ability to leverage it, and **executives are questioning whether the higher education system is offering the right preparation.** Businesses, academia and policymakers must therefore work together to cultivate a workforce that can innovate for the needs of economies in flux.

We should expect that will it be hard to overcome “Innovation Vertigo,” and **history provides limited guidance for making long-term decisions in this new strategic dynamic.** Past major economic shifts took place over a much more extended period of time. The Internet Revolution is moving exponentially faster than the Industrial Revolution. Capital, populations, information and goods are far more mobile and accessible.

It is not surprising, then, that innovation has often been described as the great disruptive force of the 21st century, but when properly understood, it can be transformed into a powerful vehicle for long-term revenue and profit growth. **Resilient innovators who adjust to the new reality and dare to experiment with smart risks will reap the rewards.**

You can download the full global report, country break-outs, scorecards and data visualizations at:

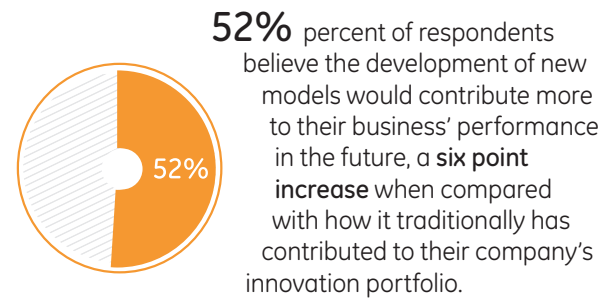
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# Explore New Models

The Global Innovation Barometer reports that incremental product improvement and new product development have traditionally been companies' main performance engines. But as leaders look to the future, business model innovation is expected to play an increasingly important role.

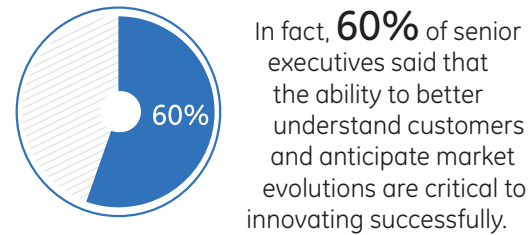
Nearly half of all respondents say the development of new models contributed to their company's innovation portfolio in the past.



Business leaders are recognizing that growth strategies rooted in linear thinking – first creating a product, and then continuing to advance it – will, on their own, be insufficient to achieve long-term goals in a complex, globalized world.

## FOCUS PLACED ON INTERPLAY BETWEEN PEOPLE, TECHNOLOGY AND COMMERCE.

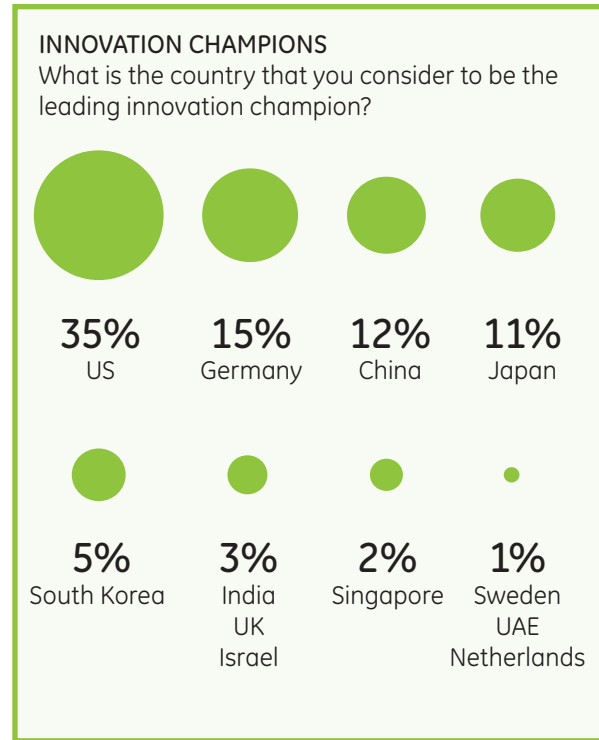
As a result, business leaders now spend far more of their time trying to better understand the ever-changing interaction between technology, commerce and demographics.



The adoption or creation of new business models requires courage of conviction, a greater tolerance for risk and a leadership culture willing to think and act dramatically differently.

## LEADERS MUST NAVIGATE DOUBT AND RISK-AVERSION.

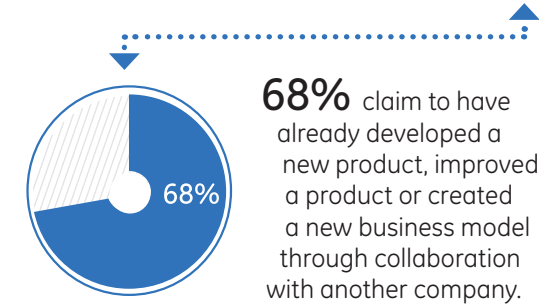
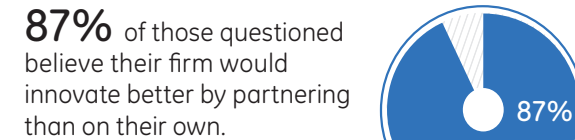
It is, for many, uncharted territory and forward-looking innovators will likely face resistance, nervousness and doubt from within, particularly among those who have achieved considerable success with incremental innovation in familiar markets. But the promise of new markets, new customers and, ultimately, new revenue streams may prove too much of a temptation to resist.



# Consider Collaboration

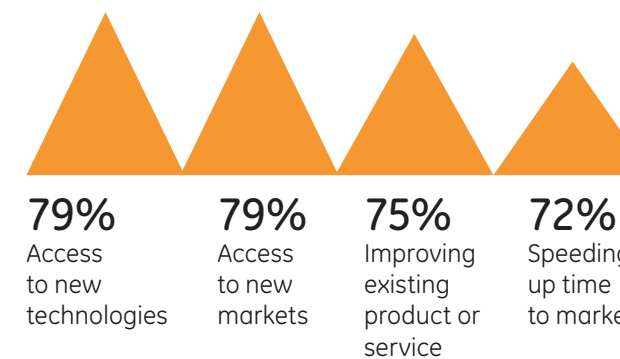
In a resource-constrained world, companies are forced to do more with less. New ways of working together are emerging, including collaborative arrangements that are designed to enhance access to new technologies and markets and outflank competitors.

## COLLABORATIVE INNOVATION HAS SUBSTANTIAL GLOBAL APPEAL.



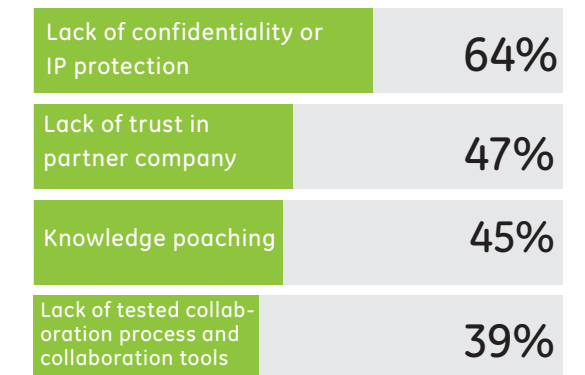
There is growing recognition that the best way to leap ahead is by working with those enterprises that have done an even better job of mastering the process of innovation.

## THE TOP REASONS FOR COLLABORATING WITH OTHER COMPANIES INCLUDE:



Partnerships are considered particularly important in driving revenue streams in emerging economies, with executives from South Africa, Mexico, Russia, and the UAE most interested in collaboration as a path to innovation success. This makes sense as many of these countries require greater access to the resources needed to create effective new products and services.

Yet, it is not easy to achieve cooperation. Respondents indicated that the main reasons why their company would be reluctant to collaborate are:



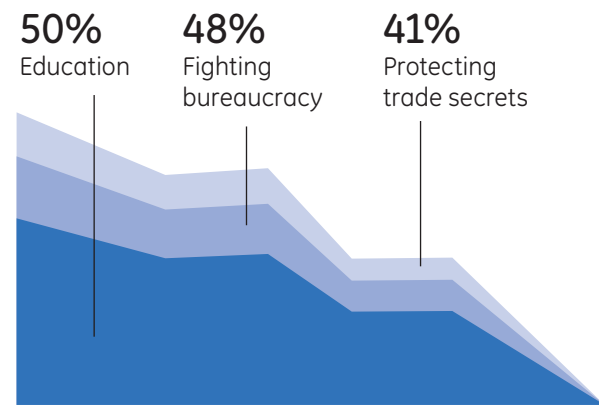
One interesting note is that some expected deterrents to collaboration, such as company size or country of origin, barely registered as concerns. This is good news as there is growing confidence that innovation can come from an increasing variety of places, and localization to meet specific needs is more critical than ever.

# Support Pro-Growth Policies

Global business leaders see a clear role for government as a steward of the innovation ecosystem. The study indicates that executives believe that policymakers are responsible for creating a policy framework that fosters innovation, creates stability and supports robust international trade. This is a role that the public sector has played in virtually every major economic cycle since the earliest days of clipper ships, steamboats and trains.

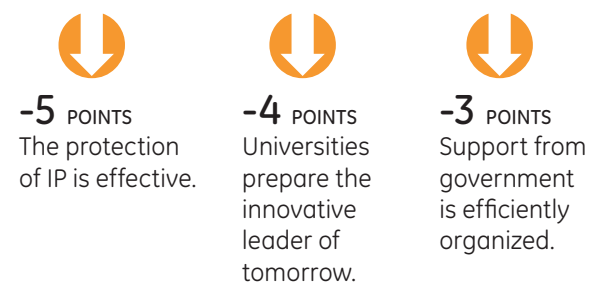
Those surveyed advocated for a clear policy framework that safeguards business interests, including talent, knowledge and IP protection, and removes barriers like bureaucracy and overregulation that prevent innovation from flourishing.

Respondents identified education, fighting bureaucracy around access to funds and protecting trade secrets as the most pressing needs when asked about the main priorities their country should focus on to efficiently support innovation.

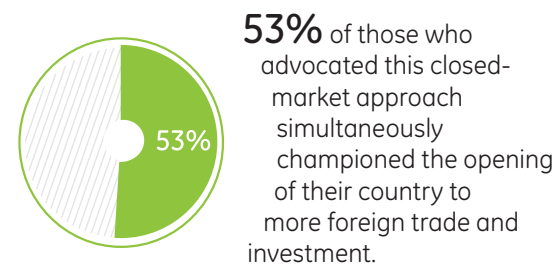


There is, however, a sense that governments are not moving in the right direction. The survey noted a drop for many countries in the perception that government is doing a good job in promoting pro-innovation or higher education policies. This view was particularly true in Sweden, Israel, Turkey, Saudi Arabia and Canada.

## SENIOR EXECUTIVES CHALLENGED THEIR COUNTRY'S INNOVATION FRAMEWORK:



The data also points to a high proportion of senior business executives advocating for the use of government procurement to discriminate in favor of domestic innovation. It highlights another clear example of "Innovation Vertigo."



This shift toward protectionist policies may reflect a desire to benefit their specific products, despite recognizing that success in this hyper-connected world requires openness.

## THE PUBLIC, HOWEVER, IS RALLYING BEHIND THE PRO-INNOVATION MOVEMENT.



These results indicate a growing groundswell of support for countries being committed to an aggressive "innovation agenda" if they hope to prosper in this still-new century.

Similar arguments are being made by public officials everywhere. While government programs may not have quite caught up with the realities of the global economy, a significant shift in attitude towards innovation-centered policies is taking place and a major shift in governmental thinking and action seems to be on the very near horizon. The conversation about how to compete in a low-growth environment is at the top of every policymaker's agenda.

# Focus on Talent

Innovation can only occur when there is sufficient talent to make it happen. As expected, there is strong competition for the best individuals who really understand how to operate in these new innovation-driven business environments and, who are able to best leverage that knowledge for their companies.

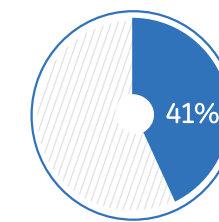
Scarcity of talent provides a powerful rationale for why education, skill development and access to talent are critical concerns for innovation leaders. The creativity and technical prowess of the global workforce are keys to unlocking enormous profit and value across companies and countries. Understandably, the desire for greater innovation leads to concerns around the preparedness of a nation or region's workforce.

Senior executives highlighted the need for businesses, academia and policymakers to work together to find, prepare and train individuals who can best operate in tomorrow's economy. Ensuring access to the best and brightest is a high priority everywhere. This explains why integrating education systems with business needs must be thoughtfully considered and pursued, and why addressing skills gaps has become an increasingly pressing problem.

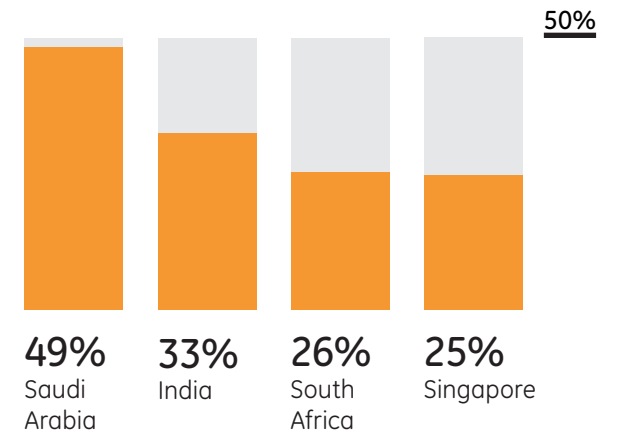


**44%** of those individuals questioned indicated the need for "better alignment of students' curricula with the needs of business."

One particular roadblock to getting the best talent is lack of access to qualified candidates beyond employers' borders.



## THIS CONCERN WAS STRONGEST IN:



Much more should be done to ensure that educational institutions are fully equipped to address the needs of the global marketplace. Achieving this goal will inevitably entail a substantial rethinking of traditional views as to what constitutes superior education.

People need to have the right skills and attitudes at the start of their careers. They must learn to question, take risks and become comfortable with all components of the innovation process, because our workforce must be re-calibrated if it is to serve as the cornerstone of the changing innovation ecosystem.



## GE Global Innovation Barometer

The GE Global Innovation Barometer, now in its third year, explores how business leaders around the world view innovation and how those perceptions are influencing business strategies in an increasingly complex and globalized environment. The Barometer is an international opinion survey of senior business executives actively engaged in the management of their firm's innovation strategy. It is the largest global survey of business executives dedicated to innovation.

## GE

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## Strategy One

Founded in 1999 StrategyOne is an independent research company with offices in New York, Washington, DC, Paris, Abu Dhabi, London, Chicago, Brussels, Atlanta, Dubai, Houston, Rochester, San Francisco, Seattle and Silicon Valley.

## Methodology

The research was commissioned by GE and conducted by StrategyOne between October 22, 2012, and December 5, 2012. Interviews with the 3,100 senior business executives were conducted by telephone across 25 countries. All respondents are VP level or above and directly involved in their company's innovation processes. Twenty-eight percent of those surveyed are at the C-suite level. The countries included in the research are: Australia, Brazil, Canada, China, Germany, India, Ireland, Israel, Japan, Malaysia, Mexico, Netherlands, Nigeria, Poland, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Sweden, Turkey, UAE, UK, US and Vietnam.

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