accenture

Innovation Unleashed

Building a culture that
drives sustained growth

Executive Summary:

Building and maintaining an innovation culture is crucial but often elusive.

It's often elusive. It's sometimes tidal. When it comes to innovation, leaders may differ on their approach, but most agree that innovation is critical to business success, especially now, as the world recovers from the COVID-19 pandemic.

What changes over time, though, is the thinking about how to create and sustain a culture in which innovation flourishes. In fact, just **20% of the executives in our survey believe that their company today has the kind of culture it takes to support the ongoing innovation needed to thrive.**

Most recently, the idea of innovation structures (processes, technologies, and resources) has received much attention. For example, in our August 2021 global survey of 1,000 C-level executives, **82% said they believe that if they provide the suitable structures to support innovation, then an innovation culture—and the rewards it brings—will follow.**

Accordingly, numerous large companies have created and set high expectations for structure-focused ventures, such as "experimentation centers" or "innovation incubators". Provide the structures that support innovation, the thinking goes,

and continuous innovative products and services, improved experiences for customers, and better ways of working for employees will follow.

However, such moves have often proven disappointing. Sometimes they simply don't deliver as expected. Sometimes they are sparks in the dark—they do well as individual units, yet the company finds that it cannot replicate their success across the organization at large; a common example is "proof-of-concept factories" that fail to scale beyond a few successes.

What's going wrong?

To find out, we homed in on a set of companies that have strong innovation cultures and the performance to prove it. We compared them to the rest. And we found that while innovation structures are indeed important, leading companies—we call them Innovation Pacesetters—augment their structures with the right innovation practices made up of mindsets and behaviors.

They create an Innovation Value Flywheel ^{Figure 1}, a virtuous cycle of innovation structures, mindsets, and behaviors that work together to hardwire the organization for innovation. Working in unison, together they fuel an innovation culture—and this culture, in turn, helps companies realize a robust return on their innovation investments, develop effective new ways of working, and drive growth and scale that enable strong financial performance.
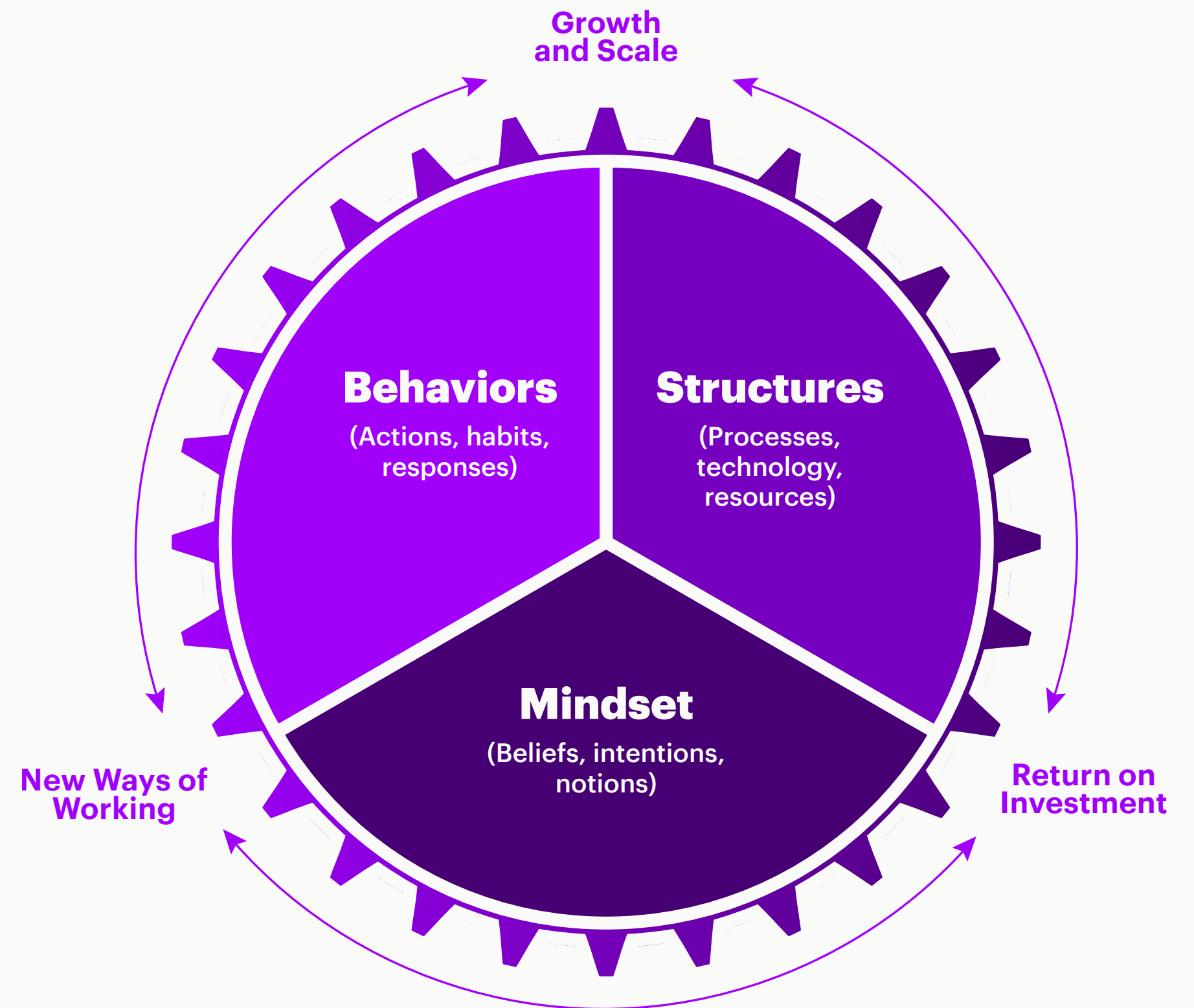

Figure 1: Innovation Value Flywheel

A virtuous cycle of innovation structures, mindsets, and behaviors that work together to hardwire the organization for innovation.

"Culture eats strategy for breakfast."

Peter Drucker

Strategy needs to be backed by a strong culture

That's what management writer Peter Drucker once famously observed—a company with a great strategy but weak culture is unlikely to succeed.

What is true for the overall company applies equally to a company's efforts to innovate effectively, as we found when we surveyed 1,000 C-level executives across the world (from March to July 2021) and conducted rigorous statistical analysis of their respective companies. Specifically, we created an "innovation culture scorecard" based on 21 factors associated with innovation and culture. (See "About the Research" for more detail on the survey, analysis, and scorecard.)

Then we assessed more than 900 companies on revenue growth and the strength of their culture score.

We found that across industries, companies with strong innovation cultures (Pacesetters) consistently outperformed those without (Stragglers), even through the first year of the pandemic.

In fact, on average, Pacesetters grew revenues 6.5 times faster than their peers during 2018–20.

Pacesetters also outperformed **Stragglers** on several other financial metrics, like improved profits and cost efficiency. Figure 2

In addition, Pacesetters also enjoyed clear advantages over Stragglers on other measures, such as better ecosystem partnerships **(23% more), greater pace of scaling innovation (26% faster), and greater access to specialized talent (22% more).**

These wide-ranging benefits have provided a strong base for Pacesetters to advance their lead over Stragglers.
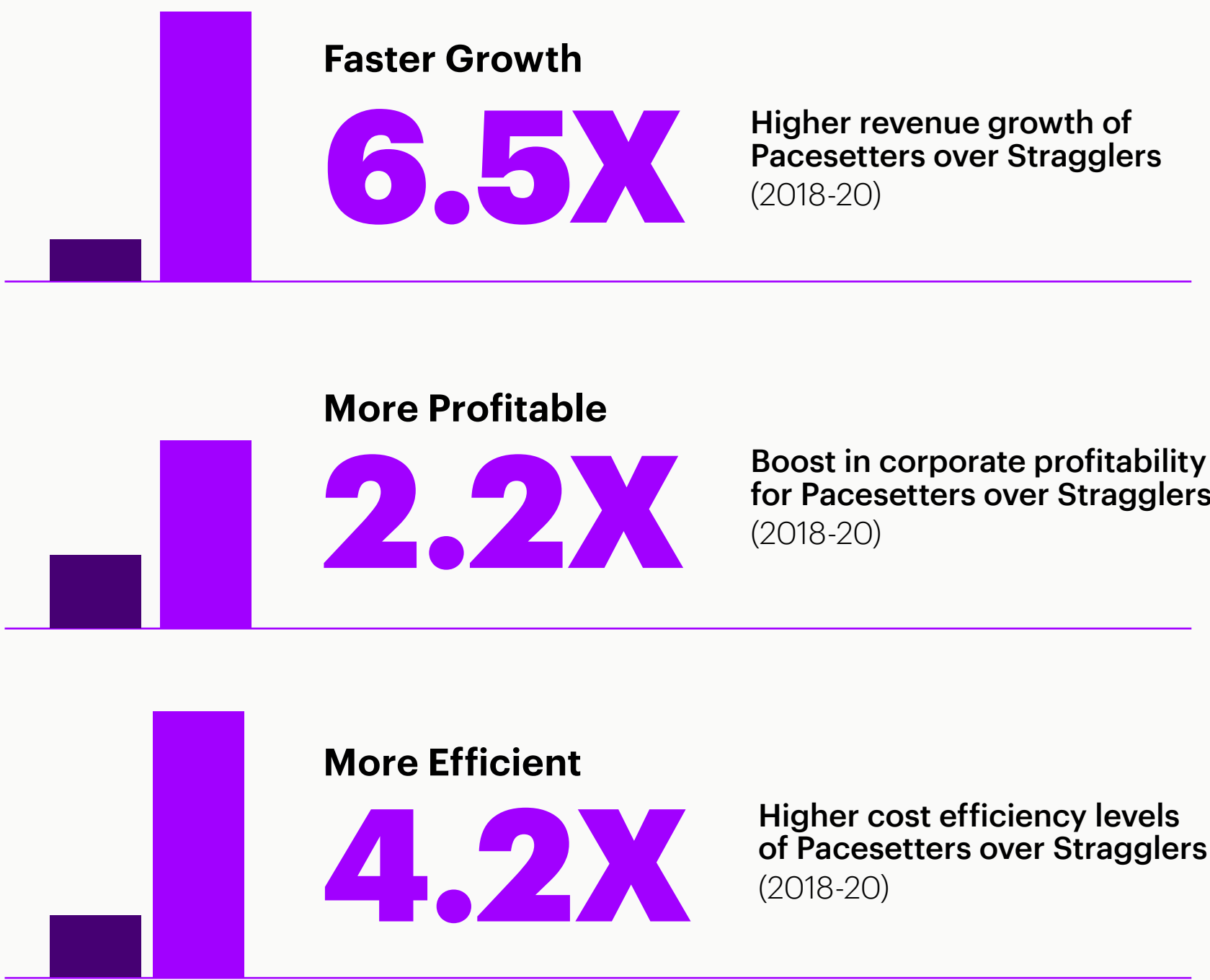
Faster Growth

6.5X

Higher revenue growth of Pacesetters over Stragglers (2018-20)

More Profitable

2.2X

Boost in corporate profitability for Pacesetters over Stragglers (2018-20)

More Efficient

4.2X

Higher cost efficiency levels of Pacesetters over Stragglers (2018-20)

Figure 2: Pacesetters make Innovation count

On a range of financial metrics, Innovation Pacesetters outperform their peers.

■ Pacesetters
■ Stragglers

A huge opportunity cost

To better understand the opportunity cost of being a Straggler, we modeled the revenue growth rate of a hypothetical Pacesetter and Straggler, both with revenue of $10 billion.

To estimate the potential lost revenue from being a Straggler between 2017–20—as well as the hypothetical future lost revenue between 2021–23—we calculated the average compound annual revenue growth rate (past and forecasted) for both Pacesetters and Stragglers. From 2017 to 2020, we found that the Straggler missed out on 34% of its potential revenue, or $3.4 billion, compared to the Pacesetter.

However, for the entire 2017–23 period, the Straggler would have foregone $11.8 billion of potential revenue. Figure 3
In other words, companies with lower innovation culture scores (i.e. Stragglers) forego huge amounts of revenue and will continue to do so in the future unless they take action.
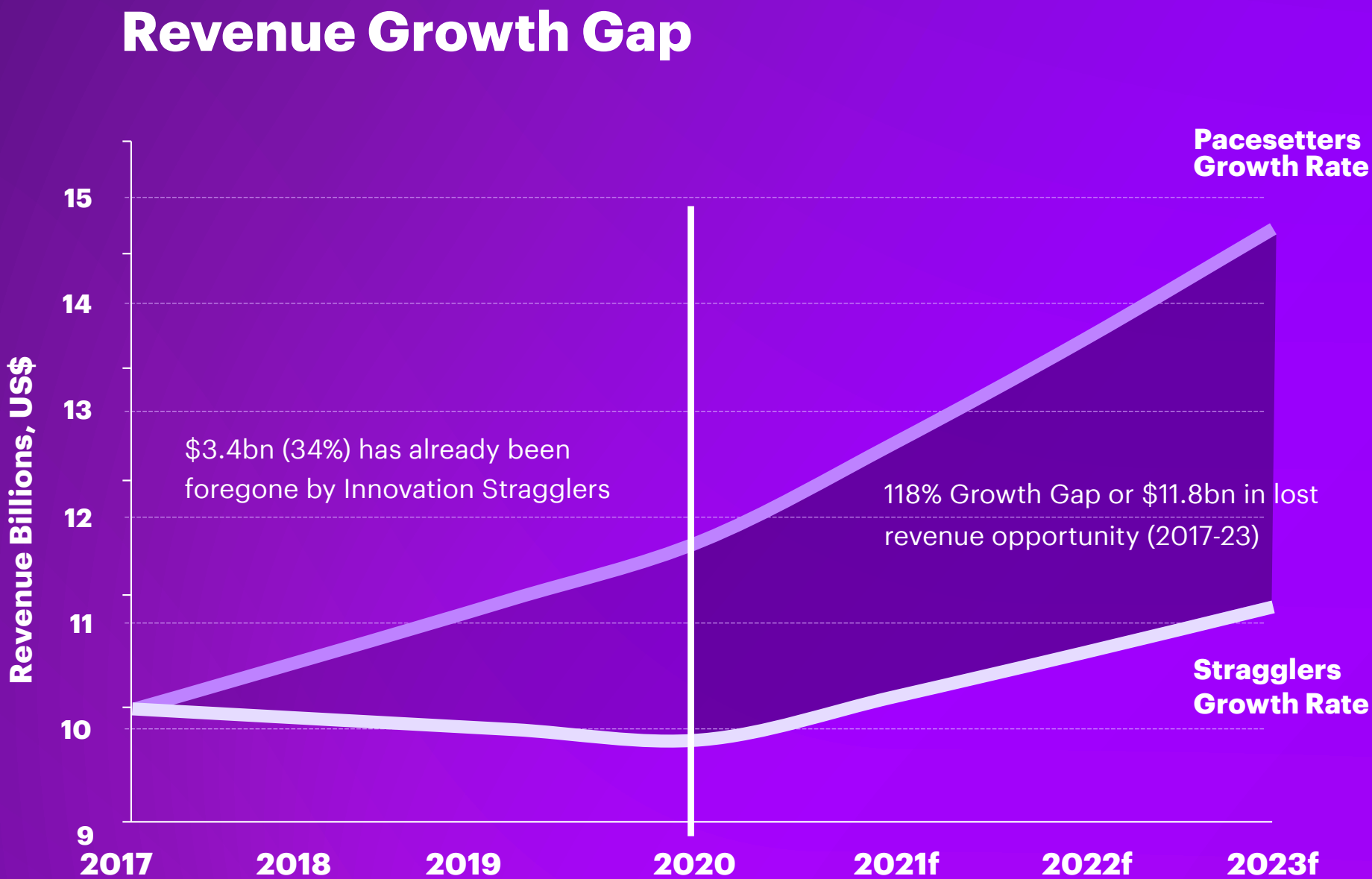
Revenue Growth Gap

Figure 3: Pacesetters are poised to widen the revenue gap over Stragglers

Companies with a lower innovation culture score have foregone substantial revenue and will continue to do so in the future unless they take action.

Yet companies struggle to build and sustain a culture of innovation

Of the executives we surveyed, **63% agreed that building a strong innovation culture is a critical enabler for their firm to grow.** But when asked only 20% said they were satisfied with their company's innovation culture.

A key reason why companies struggle to build an innovation culture is that their focus is overwhelmingly on **creating pockets of innovation excellence—such as "experimentation centers" or "innovation incubators"**—but then they are unable to scale innovations across the entire enterprise.

This failure to scale is visible in the responses **of 82% of the 1,000 companies we surveyed, which said that adopting the right structures (processes, technologies, and resources) was sufficient to create a flourishing innovation culture across their organization.**

However, by focusing exclusively on structures, companies neglect the right innovation practices, mindsets, and behaviors required to mainstream their innovation silos.

81%

of companies also told us that their employees collectively lack the behaviors and mindsets needed to build an innovation culture.

Even businesses that previously enjoyed strong innovation cultures can struggle to maintain them at a high level.

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For example, despite having a long history of successful innovation, a leading consumer packaged goods company lost market share in many of its popular product lines. To remedy the situation, the company doubled down on its innovation structures, by investing even more in its R&D labs to develop eye-catching new products.

However, while such efforts did boost innovation in some areas, they failed to revive the company's overall fortunes. The reason: the enhanced innovation capabilities remained siloed in R&D, without making other units—from procurement and sourcing to finance and marketing—more innovative. As a result, most of the company remained stuck in old, less innovative practices, behaviors, and mindsets.

What Innovation Pacesetters do differently

What goes into a thriving innovation culture? Ultimately, we found that while Pacesetters are like many others in their desire to provide structures that support innovation, they also prioritize creating strong innovation cultures across their entire organization.

To do this, Pacesetters create a flywheel effect of innovation value by:

- Creating a *practice-led* enterprise structure to manage innovation

- Embracing unique *mindsets* to enable those practices, and

- Activating specific *behaviors* to mobilize those innovation-positive mindsets

We found that five practices—a mix of hard and soft levers—are present in large part across Pacesetters, and far less common in Stragglers (Figure 4):

The five winning practices are:

1. Leading
2. Steering
3. Being
4. Enabling
5. Doing

Although the precise level of expertise and adoption of each practice varies, our research shows that Pacesetters focus harder on improving all five practices simultaneously and have far higher adoption rates of these practices when compared to Stragglers.

We also found a strong correlation between innovation practices, mindsets, and behaviors among the Pacesetters. The mindsets instill a set of beliefs and intentions that influence

how a company's employees view the world—and how they confront business challenges. Behaviors, in turn, elevate specific ways that employees activate the relevant mindsets through how they show up, communicate, and engage with colleagues and other stakeholders (for more on relevant mindsets and behaviors, see Glossary).

Not all practices, mindsets, and behaviors are equally useful. Using regression analysis (for more, see About the Research), we identified specific mindsets and behaviors that link to each practice. The following company examples highlight how Pacesetters harness practices, mindsets, and behaviors to create a sustained culture of innovation.

Percentage of Pacesetters that adopt practices more consistently over Stragglers

51%
Leading
Telling innovation story, protecting and role model behaviors

44%
Doing
This approach adopted to delivering different types of Innovation

Innovation Practices

45%
Steering
Aligning the organization on the value and focus innovation

47%
Enabling
Systems and structures in place to make it stick

46%
Being
The way people show up to drive innovation energy

Figure 4: Five practices for building an innovation culture

Pacesetters manage innovation by adopting a mix of five practices that work in unison to hardwire the enterprise for innovation.

Travelers leads with innovation "Evangelists" and "Jams"

With over 30,000 employees and 13,500 independent agents and brokers in the United States, Canada, the United Kingdom and Ireland, Travelers has earned a reputation as one of the best property casualty insurers in the industry.

Having been around for more than 165 years, Travelers anticipated significant disruptive changes in data, technology, and consumer expectations. They set forth a clear and ambitious innovation agenda to deal with this disruption.

With this agenda in mind, Alan Schnitzer, Chairman and Chief Executive Officer of The Travelers Companies, outlined a company-wide "Perform and Transform" mandate, ensuring that Travelers delivers results today but also positions itself to remain competitively advantaged in the years ahead.

> A culture of innovation has become part of the company DNA, with teams actively encouraged to collaborate, forge new partnerships, and accelerate new ideas to market—to "innovate with velocity."

To foster this innovation culture, Travelers has created a network of "Innovation Evangelists" who champion innovation within the businesses.

Innovators have access to a rapid test-and-learn platform to enable experimentation at scale, leveraging new digital technologies.

For inspiration, the company also draws on an expansive ecosystem of partners, including incubators, start-ups, and venture capital firms.

Travelers has ensured that this innovation mindset is spread far and wide across its organization. Among other things, Travelers hosts regular "Innovation Jams", where people from all businesses and functions collaborate to ideate against future challenges and opportunities.

The Jams typically attract hundreds of employees and, to date, have led to several in-market solutions and 30 patent applications. Travelers embodies the practice of **leading—** which involves painting a bold vision and then 'walking the walk'. Leaders' visionary and problem-obsessed mindsets seek to constantly challenge the status quo.

They set a clear ambition that integrates innovation within the broader strategy. They are potent storytellers who ensure all employees understand and commit to the innovation ambition.

Our research found that leaders in such companies exhibit behaviors like passion, bravery, curiosity, and freshness. They constantly seek fresh experiences and perspectives to inspire new connections.

Google steers its teams towards more "at bats"

Google is widely recognized for its strong culture of innovation. In the words of former Google CEO and Alphabet chairman Eric Schmidt, using the baseball analogy, the company successfully steers innovation by creating "more at-bats per unit of time and money than anyone else".

More than most, Google understands that an unavoidable cost of innovation is frequent failure and, thus, does not penalize or stigmatize efforts (and employees) that fail. Instead, Google rewards experimentation and risk-taking ("at bats") in not only its core product and tech businesses but also in its sales divisions and in its numerous support function.

Google's stellar results highlight the importance of steering a company to frequent opportunities for innovation success.

The practice of **steering** involves aligning and governing the organization on the value and focus of innovation. Steerers prioritize innovation efforts and funding in response to customer and market forces.

They plan for a robust innovation portfolio with visionary and action mindsets. They use their passion and influence to ensure that innovation's contributions to the organization's agenda are widely recognized and gather momentum.

They are also adaptable and alert to innovation's changes—ready to reorient objectives or change focus across the portfolio of projects as needed to drive maximum impact. They embody behaviors such as adaptability, passion, and intuition.

Google rewards experimentation and risk-taking ("at bats") in not only its core product and tech businesses but also in its sales divisions and in its numerous support functions.

Pfizer is doing breakthrough innovation with the "dare-to-try" initiative

Pfizer's strong innovation culture allowed it to produce a COVID-19 vaccine in record time. However, such efforts were made possible by the pharmaceutical giant's practice of perpetual doing, including in the many years leading up to its pandemic breakthrough.

For instance, the company's "dare-to-try" initiative, trained more than 100,000 employees in various innovation-positive tools and behaviors, including breakthrough thinking, thoughtful risk-taking, and rapid experimentation.

In just a year following the launch, more than 250 high-potential innovation proposals were funded due to dare-to-try—proposals that would have otherwise never been developed. Pfizer's dare-to-try initiative exemplifies the practice of doing.

The practice of **doing** involves accelerating ideas to market, launching new products, services and differentiated experiences, and executing quickly on all types of innovation.

Doers harness visionary and action mindsets to accelerate ideas to the finish line. They use innovation as a vehicle cfor experimentation and learning within the organization.

Finally, doers are executors who work across silos to support, manage, and scale innovation.

They are passionate, brave, and exhibit behaviors where they constantly drive momentum and never give up.

AARP **enables** its teams to "disrupt aging"

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As part of its efforts to expand its membership, AARP, an advocacy organization for individuals 50 and over, set about to "disrupt aging".

This involved highlighting harmful stereotypes about the elderly and empowering older people to set their own courses as they age. To do this, however, AARP realized it needed to create a more robust innovation culture among its own employees. The result was the creation of initiatives such as:

- "Listening rooms", where employees were encouraged to discover the daily joys and challenges of AARP members, as expressed in submitted videos and quotes.

- An innovation lab where employees could prototype and bring novel ideas to life; and

- Strategic partnerships between AARP and various start-ups and technology firms, to collaborate and deliver on new, more innovative services for AARP members.

The practice of enabling involves ensuring that the right innovation talent, partnerships, and supporting platforms are in place to enable and support innovation end to end. Enablers have an action-oriented mindset and are growth-obsessed.

They build internal and external partnerships to tap into the right capabilities, utilize tools and technologies to deliver on innovations and seek out the right talent to drive change. Enablers exhibit behaviors that are **nurturing, collaborative,** and filled with **fresh thinking.**

A leading life sciences company uses "empathy exercises" to become customer-focused

To hone its ability to develop fresh ideas and bolder thinking, a leading life sciences company recognized the need to develop a stronger innovation culture.

This involved, among other initiatives, training team members across the organization on how to build stronger bonds of empathy with patients and physicians, as well as how to become more agile and receptive to new ways of thinking. The payoff for the company was better customer service and improved market offerings: empathy exercises, for instance, led to a greater emphasis on patients' varied challenges and goals when designing products; increased employee agility, meanwhile, led to greater use of prototyping, which has similarly allowed the company to bring more relevant solutions to market.

The practice of **being** involves bravely embodying the change you want to see in your organization. For companies that excel at this practice, their growth and problem-obsessed mindset drive them to look for new sources of inspiration.

Such companies nurture new ideas and solutions—without letting the "reasons why not" take charge before an idea has been explored. Instead, they seek to learn by experimenting in low-cost, nimble ways.

They embody behaviors such as bravery, adaptability, and playfulness. And such companies playfully exert their energy to push projects forward in line with their vision.

First steps to building a sustained innovation culture

Ten questions for the C-suite, to help cultivate a sustained culture of innovation

Developing an innovation culture is not just the job of a company's leaders. Sure, it begins in the C-suite, with top executives who prioritize investments in structures that support innovation and who model the mindsets and behaviors they seek to develop (see sidebar, "Ten Questions for the C-suite").

However, to create a sustained innovation culture, certain mindsets and behaviors must permeate throughout the organization. In that spirit, top leaders need to ensure that their direct reports become innovation ambassadors.

Where do you start?

01 Do you have a clear and measurable ambition for innovation?

02 Is it well-understood and accepted across the C-suite and key leaders throughout the middle of the organization?

03 What are the most significant barriers to enabling the innovation agenda you envision?

04 What structural elements will be needed to support your innovation agenda?

05 What are the structural gaps in your organization today?

06 How will you invest in closing those gaps?

07 What are the mindsets and behaviors needed to make your structure "live"?

08 What gaps exist in the mindsets and behaviors needed in your organization today?

09 What actions will you take to develop those mindsets and behaviors?

10 What small steps can add up to big changes in mindsets and behaviors?

Six actions to begin building a sustained culture of innovation.

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By cultivating exemplary practices, mindsets, and behaviors—as well as adopting supportive structures—Innovation Stragglers can transform themselves into Innovation Pacesetters. And when they are led to work in unison with the right innovation structures, these practices, mindsets, and behaviors create a flywheel effect of innovation value, whereby companies develop a self-sustaining innovation culture that spreads organically throughout their organization.

Start from the top
Leaders must be a role model for the desired mindsets.

Address the frozen middle
Next, bring leaders on board, and inspire them to lead the change.

Make it simple and practical
Provide clear examples of small ways to activate behaviors in the day-to-day.

Leverage experimentation
Allow leaders to try out the behaviors and witness the impact first-hand, which will build belief over time.

Create envy
Share stories of success widely across the organization, giving all employees practical tips on activating the new mindsets.

Reinforce the mindsets
Embed mindsets into employee and leadership assessments.

Glossary: More on innovation mindsets and behaviors

Accenture's mindset and behavioral framework was developed and refined based on decades of innovation work in the field. It's a framework that has also been used to design and deliver innovation training to more than 100,000 executives at leading companies.

Mindsets

Visionary:

Individuals with a visionary mindset encourage transformation, with passion and belief that inspires an entire organization. They often wield persuasive influence, prioritize planning and budgeting, and ensure that innovation remains integral to their organization's goals.

Action:

Individuals with an action mindset display focus and energy, creating the momentum needed to push projects forward. They are unusually adaptable, which allows them to reorient their approach and outlook to drive ideas to market.

Growth:

Individuals with a growth mindset are expansive, which helps them nurture ideas and talent. They take smart risks to build upon early ideas, experimenting in low-cost, nimble ways, and they access the resources required for fresh and innovative thinking.

Problem-Obsessed:

Individuals with a problem-obsessed mindset challenge the status quo. They're relentlessly curious about the future, as well as about customers' problems and new business models. They also never settle and constantly look for both new ways to solve their problems and for new sources of inspiration.

Behaviors

Passionate, eternal optimist bursting with persuasive energy to influence others.

Bravely fights for an idea by supporting risk and experimentation, reframing failure, and stretching comfort zones.

A collaborator leveraging internal and external partners to support, manage, and scale innovations.

Strong sense of realness, bringing ideas to life so others can "get them" faster and can make mistakes earlier.

Adaptable, resilient to challenges, and a nimble thinker able to consider both the conceptual and analytical.

Nurturing and protecting embryonic new ideas, just long enough to give them a chance to flourish.

Signalling or letting others know if they are currently thinking expansively to build ideas or thinking reductively to make decisions.

Curiously questioning the world around with an insatiable thirst for learning.

Constantly seeking **fresh** experiences and perspectives to inspire new connections.

Intuitive, following instincts to uncover new points of interest and drive the innovation journey forward.

Energy-focused to create the momentum needed to push projects forward in line with the vision.

Playful by having a light touch at the right times, to allow one's brain to make new connections.

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About the Research

We deployed a multi-method research approach, which included surveys, interviews with innovation experts, case study analysis, and extensive economic and statistical modelling.
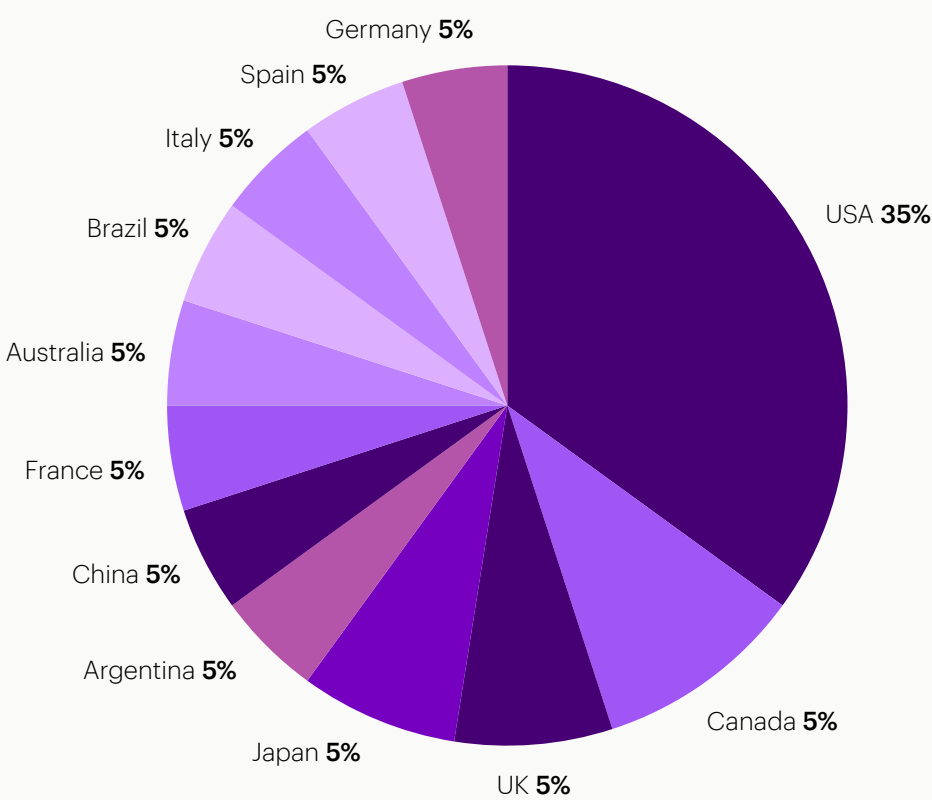
Survey

Our research was underpinned by a global C-suite survey of executives at 1,000 companies, as well as a survey of middle- and lower-management executives at 500 companies. For the survey, we defined innovation as a "new way of doing things that adds value". Our research sought to uncover insights and assess the innovation culture and related mindsets of enterprises in their journey to drive innovation performance, while responding to disruptive change.
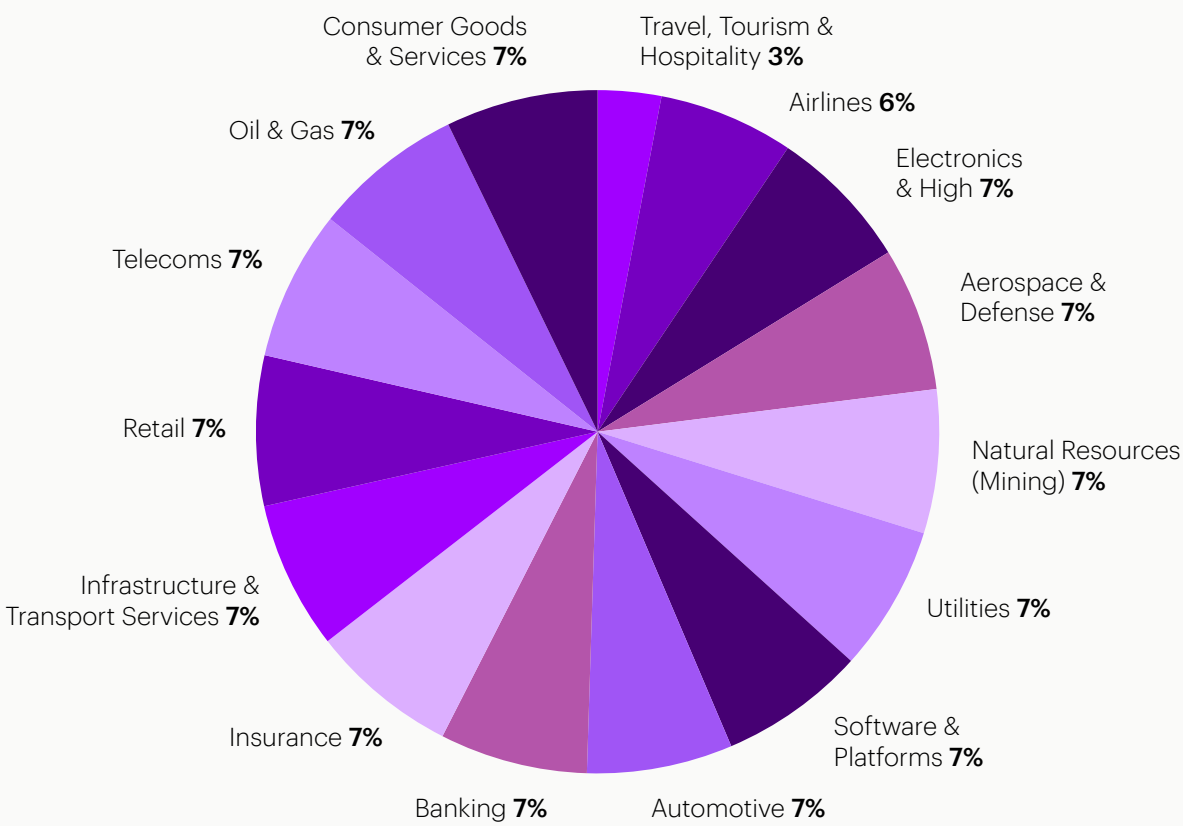
Demographics

The survey was conducted from March to July 2021. The demographics of companies we surveyed in the C-suite survey included:
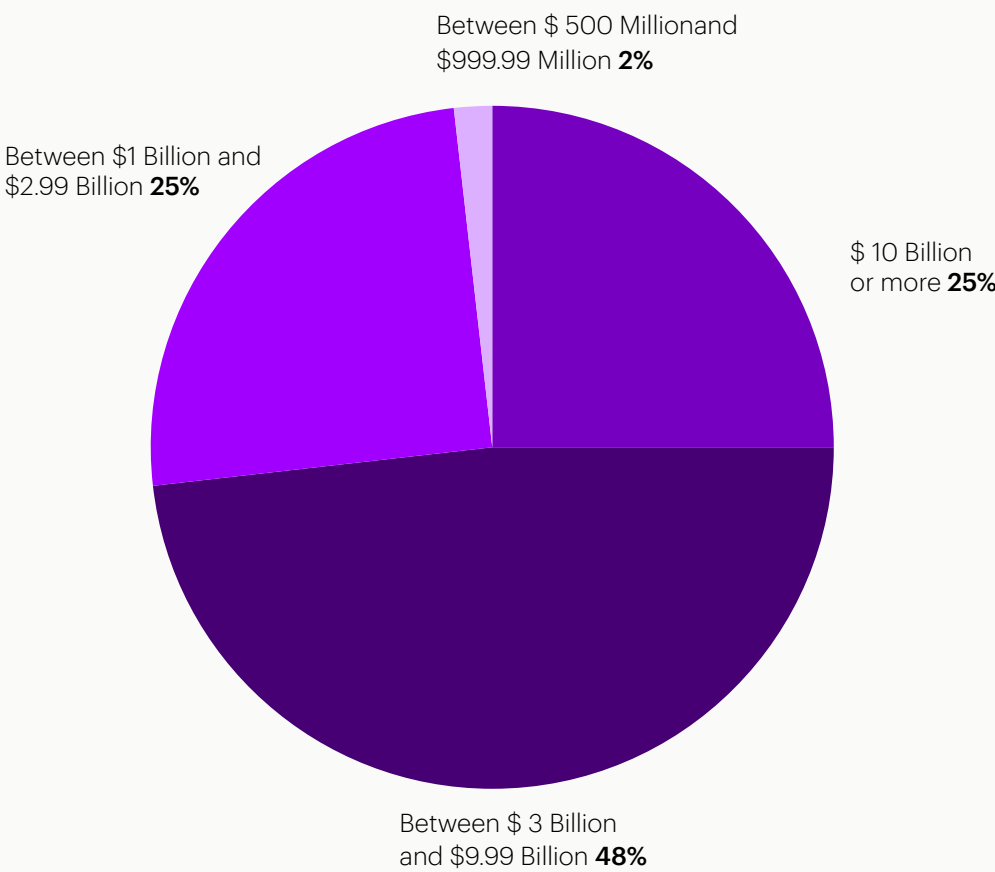
12 Countries

- Germany **5%**
- Spain **5%**
- Italy **5%**
- Brazil **5%**
- Australia **5%**
- France **5%**
- China **5%**
- Argentina **5%**
- Japan **5%**
- UK **5%**
- Canada **5%**
- USA **35%**

15 Industries

- Consumer Goods & Services **7%**
- Travel, Tourism & Hospitality **3%**
- Oil & Gas **7%**
- Airlines **6%**
- Electronics & High **7%**
- Telecoms **7%**
- Aerospace & Defense **7%**
- Retail **7%**
- Natural Resources (Mining) **7%**
- Infrastructure & Transport Services **7%**
- Utilities **7%**
- Insurance **7%**
- Software & Platforms **7%**
- Banking **7%**
- Automotive **7%**

Company Size

- Between $ 500 Millionand $999.99 Million **2%**
- Between $1 Billion and $2.99 Billion **25%**
- $ 10 Billion or more **25%**
- Between $ 3 Billion and $9.99 Billion **48%**

Innovation Culture Scorecard

We identified five innovation categories: **(1)** innovation vision and leadership; **(2)** talent and behaviors; **(3)** ideation and innovation-value realization; **(4)** smart risk-taking and experimenting; and **(5)** ability to scale, diffuse, and commercialize innovations. We derived these categories from over 21 innovation-related traits that drive innovation performance within companies.

To determine the traits used to evaluate culture, we did the following:

- Reviewed empirical literature on corporate innovation cultures

- Sought out the views of internal and external subject matter experts

- Incorporated our own experience working with high-performing companies

We then queried C-suite executives on the extent to which these cultural traits were adopted at their respective companies. The results were used as inputs to compute a company's "innovation culture score".

Other inputs to an innovation culture score included demographic and company-reported financial information about our survey respondents, as well as our own independent analysis of the degree to which respondents' companies applied the 21 innovation traits.

Next, we defined Innovation Pacesetters as those companies that scored one standard deviation higher than their respective industry's average innovation culture score.

Economic and Statistical Modelling

Financial analysis: Our revenue, profitability, and cost-efficiency analysis were based on 900 companies of the 1000 companies from our executive survey with available reported revenue data with each company being benchmarked against their respective industry average. The number of Innovation Pacesetters was 237. And we sourced data from annual company reports and from the Accenture Innovation Mindsets 2021 survey.
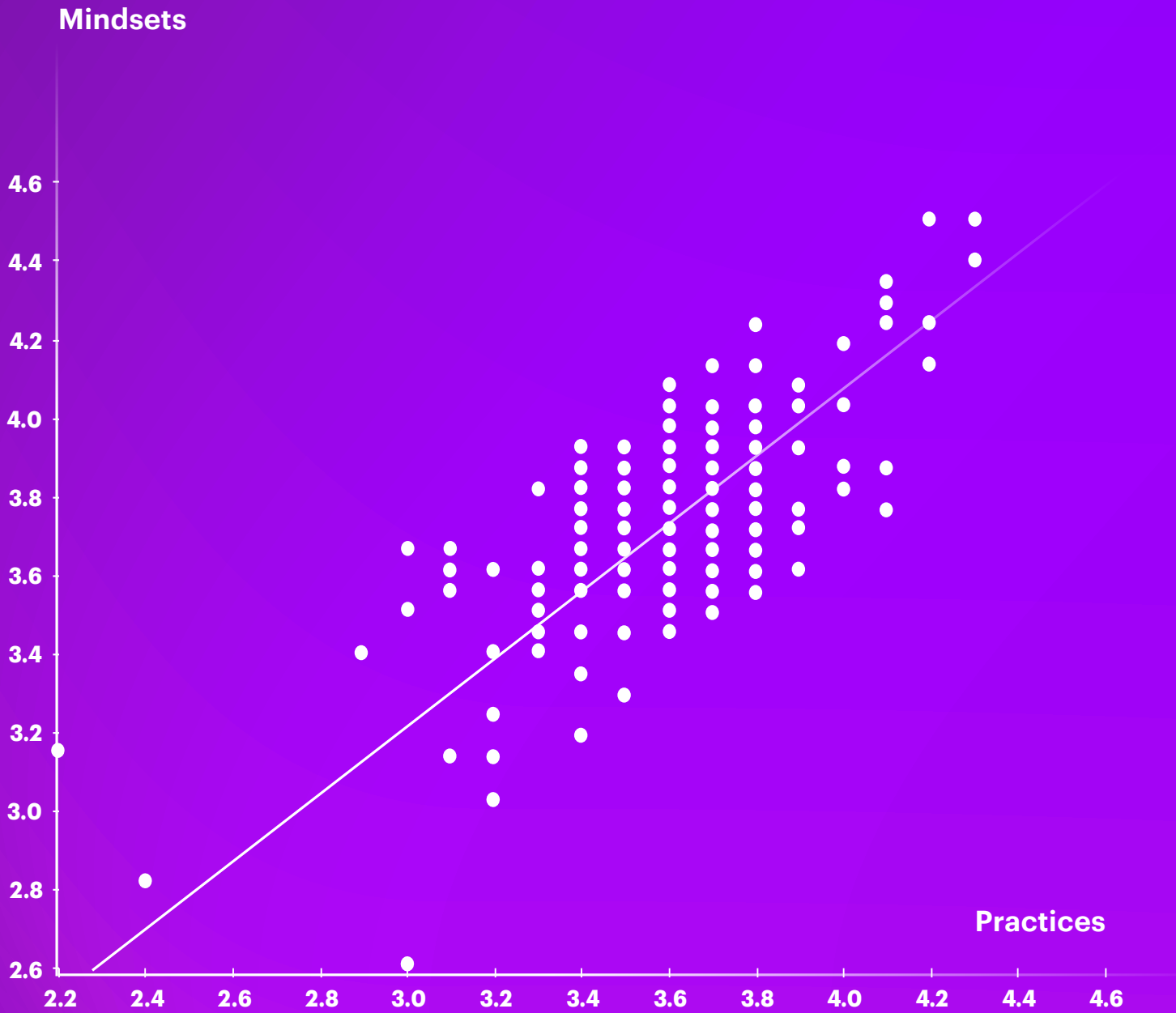
Lost revenue from being a Straggler:

To better understand the opportunity cost of being a Straggler, we modelled a hypothetical Pacesetter and Straggler, both with revenue of $10 billion. To estimate the potential lost revenue for 2017–20—as well as the hypothetical future lost revenue for 2021–23—from being a Straggler, we calculated the average compound annual revenue growth rate (past and forecasted) for both Pacesetters and Stragglers. We found that, from 2017 to 2020, the Straggler missed out on 34% of its potential revenue, or $3.4 billion, compared to the Pacesetter. However, for the entire 2017–23 period, the Straggler would have foregone $11.8 billion of potential revenue.

Determining correlation between practices and mindsets:

We computed two index scores based on the survey responses of Pacesetters, one for the five practices (see Figure 4) and one for the 12 behaviors that constitute the mindsets (see Glossary). We then ran a regression analysis across these two indices to test the fit and correlation. The chart to the right, where each data point represents the relationship between practices and mindsets for each company, summarizes the outcome: a strong model fit, with a correlation coefficient of 0.71 which indicates that practices and mindsets are closely related to each other.

Statistical correlation between mindsets and practices

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 624,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

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