PRESS RELEASE

SIGN OF ANXIETY EMERGING AMONG GLOBAL BUSINESS LEADERS AS INNOVATION AND COMPETITION ACCELERATE

2013 GE Global Innovation Barometer uncovers “Innovation Vertigo” as leaders grapple to embrace complexity of changed business environment

- Protectionist policies favored by majority of executives
- Business model innovation expected to play larger role in global performance
- Collaborative innovation has global appeal, particularly in emerging markets
- Clearer policy frameworks to safeguard business interests needed
- Workforce preparedness and talent mobility among top business concerns

Fairfield, Conn., January 17, 2013 – GE (NYSE: GE) today unveiled the results of its third annual “Global Innovation Barometer,” which found that while business executives continue to value innovation as a strategic priority, one in three report concerns over their ability to maintain a competitive edge in a faster paced, more globalized and resource-constrained environment.

This emerging “Innovation Vertigo” – an uneasiness with the changing dynamics of today’s business landscape and uncertainty over the best path forward – is challenging leaders to think differently about how they will achieve growth. Many executives, however, seem to be embracing this complexity by exploring new and sometimes unexpected opportunities to innovate.

“Innovators must be resilient or risk being left behind,” said Beth Comstock, senior vice president and chief marketing officer of GE. “Change has become constant and we see leaders responding by betting big on more unconventional approaches to innovation to unlock growth. At GE, we are exploring different markets, partnership structures and business models – all in the pursuit of uncovering new ways to better serve our customers and meet the world’s biggest challenges head on.”

The Barometer was commissioned by GE and conducted by independent research and consulting firm StrategyOne to explore how business leaders around the world view drivers and barriers to innovation and how those perceptions influence strategy. GE expanded the study this year by surveying more than 3,000 senior business executives in 25 countries, all with direct involvement in their companies’ innovation strategy and decision making.

Risk of Protectionist Policies

Many executives appear torn about how to best respond to the changing business environment. In an effort to mitigate this perceived risk to their business and local economies, many are responding by adopting protectionist tendencies; 71 percent of executives reported that their government should prioritize promotion of domestic innovation rather than imported, while 71 percent also reported that their governments should actually open markets further and promote imported innovation and investment. Paradoxically, there was a 53 percent overlap between these two opposing views.
• Executives in Mexico (80 percent), India (56 percent) and Brazil (50 percent) were most likely to advocate both open and closed market policies as a means to better innovation.

“Since the global financial crisis, we have worried that economic volatility will weaken the consensus behind free and open international trade. Today’s report suggests that even among business leaders the siren song of protectionism may at times be difficult to resist,” said Karan Bhatia, vice president and senior counsel for Global Government Affairs and Policy for GE.

Looking Beyond Product Innovation
While incremental and product innovation have historically been the main drivers of growth for companies, business model innovation is gaining momentum as a route to success. Innovating a new model may offer businesses a less risky and resource-intensive path to better understand and reach customers over traditional methods such as new product development.

• Fifty-two percent believe that the development of new business models will contribute the most to their company’s performance going forward, representing a six point increase when compared to how it has traditionally contributed to their innovation portfolio.
• While globally executives report contraction in private investment, Germany and U.K. have seen growth.

Collaboration as a Competitive Advantage
Collaboration between businesses is emerging as a means to surpass competitors and generate revenue, particularly in emerging markets. Yet despite global acknowledgement of the power of partnerships, lack of effective IP protection, trust and talent poaching pose barriers to action.

• Eighty-seven percent are confident that their firm could be more successful at innovating through partnership and collaboration and 68 percent of respondents report already having developed or improved a product in partnership with others. Germany, China, Brazil and Sweden are most experienced at partnership.
• Top reasons for collaborating with other companies include access to new technologies (79 percent) and markets (79 percent); while on average, 64 percent pointed to lack of confidentiality or IP protection as a deterrent, followed by trust (47 percent) and fear of talent poaching (45 percent).

Governments as Stewards of Innovation Environment
Global business leaders are concerned by the policy environments affecting innovation, and are calling on policymakers to create more stable, supportive policy frameworks to help enable better innovation in markets and across borders. Executives perceive safeguarding business interests – talent, knowledge, IP – and removing policy barriers – bureaucracy, overregulation – as key to allowing innovation to flourish.

• Business’ perceptions of their respective country’s policy environment have grown more negative in the majority of countries surveyed, particularly in Sweden, Israel, Turkey, Saudi Arabia and Canada. India, however, shows dramatic improvement (9 points).
• When asked about the main priorities their governments should focus on to support innovation, education (50 percent), fighting bureaucracy (48 percent) and protecting trade secrets (41 percent) were identified as the most pressing – in particular by Mexico and Brazil.
The Right Talent, in the Right Places
Talent has been consistently identified as a critical concern for innovation leaders across the globe, as the creativity and technical prowess of the workforce is seen as key to unlocking innovation potential. Concerns around workforce preparedness (i.e., education) and access to talent (i.e., cross-border mobility, retention, poaching) abound as companies are seeking to match the right job with the right people and line up the right skill sets to meet tomorrow’s economic needs today.

- Better alignment of the education system with business needs is a top priority for businesses, with 81 percent identifying it as among their top four concerns; however, South Korea was a noticeable exception, with only 47 percent ranking this as a top business priority.
- Fifty-five percent of respondents – a 6 point drop from the previous year - indicated that universities and schools provide a strong education model for tomorrow’s innovative leaders.
- Forty-one percent believe restrictions on access to foreign talent are increasing, having a negative impact on business’ ability to innovate.

About GE’s Global Innovation Barometer:
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, USA and Vietnam.

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