An Appetite for Disruption

Global innovation leaders identify top priorities for policy action

January 2015
Introduction

Are we entering a new age of business disruption? Are we seeing companies large and small experimenting boldly to create new business models and products, accelerating the pace and scope of innovation within and beyond their walls?

Yes. And that answer comes from the 3,209 business executives from 26 countries who participated in the latest installment of GE’s Global Innovation Barometer survey.

Back in 2011, the Barometer’s first year, executives agreed that innovation was necessary, but nine out of ten were shy about moving ahead in a sinking economy. In 2013, many experienced “innovation vertigo”: anxious over global economic instability, they were unsure how to move forward with disruptive ideas, products and services.

A significant majority now says they want to embrace innovation that disrupts markets—even if that deals a blow to their own established business models. They are using data and analytics to better understand customer and market dynamics. And they are searching for the new kinds of talent, technology and partners that they need to gain a competitive advantage and become “disruption ready.”

In spite of this momentum, executives continue to report several challenges to effectively innovate. While there is no single policy framework or model best suited to adapt to this fast-changing competitive landscape, a majority of executives recognize the important role governments play in reducing these barriers. Across the globe, businesses expect governments to develop environments conducive to innovation.

This paper will outline opportunities to develop policy frameworks that foster openness, collaboration, investment and talent—areas that are of critical importance to business leaders.
Overview of Findings

What’s the difference between “innovation,” which business executives have told GE for years that they support, and “disruption,” anyway?

Innovation is creating something new and improved—the better hotel suite, say. Disruption is creating a service or product that upends an entire market—think here of Airbnb, which lets you avoid a hotel altogether in favor of renting somebody else’s entire townhouse for the weekend.

Relatively few companies are true disruptors. And it is true that most businesses haven’t encouraged their R&D departments to develop new products that will wipe out the market for their existing ones. Think of Eastman Kodak, which developed digital film technology in the 1970s and 1980s, but failed to unveil its groundbreaking innovations until it was too late. Or consider Sony, which failed to produce a digital music player and music streaming service that could compete with Apple’s iPod and iTunes.

Business leaders in the 2014 survey do not want to be the next Kodak or Sony. They report that they want to embrace disruption. Nearly two-thirds agree that to be truly successful when innovating, companies need to encourage disruptive processes. And they certainly have proof of disruptive companies that are radically changing our world: Google’s hot-air balloon Wi-Fi is bringing Internet access to remote and rural populations, connecting them to the world. Once a negative notion for businesses long schooled in keeping the engine steadily on track, disruptive innovation is now the prize destination.

Business executives the world over say they are adapting to new trends, putting in place new processes, and rallying policymakers to support their efforts to stay ahead in the globalized innovation race.

Believing that fresh eyes will lend creative strength, more executives were willing to work outside their corporate borders. Seventy-seven percent of respondents are increasing or are planning to increase their organization’s ability to gather and process data.
Where are the executives who are most eager to experiment with untested technologies and business models? The surprising answer is that many of them are in developing countries. Ask ten Mexican executives if they’re willing to activate an innovative plan or use a disruptive new technology, and nine of them will say yes. That’s above the 67 percent global average and even the 65 percent response rate for executives in the U.S., regarded by survey respondents as the world’s most innovative economy. In Turkey, a country long characterized by a strong entrepreneurial spirit, executives stand out as the most open to disrupting their business processes in order to take advantage of the new wave of innovation. Turkish entrepreneurs also rank among the most convinced that fast adoption of new technologies is a must.

Brazil, India, Algeria, Russia, Kenya, South Africa and other emerging markets are following similar patterns (see Figures 1, 2). Respondents from these countries overwhelmingly agree that when innovating, companies must encourage creative behaviors and disruptive processes in the business. They were also more likely to view constraints (such as lower purchasing power, energy challenges, and lack of infrastructure) as innovation opportunities than their counterparts in the developed world.

**Figure 1**
Business leaders in developing markets are the most eager to adapt and implement emerging technologies...

**TO BE SUCCESSFUL WHEN INNOVATING, COMPANIES MUST QUICKLY ADAPT AND IMPLEMENT EMERGING TECHNOLOGIES**

When innovating, companies must encourage **creative behaviors** and **disruptive processes** in the business.

The difficulty to come with **radical and disruptive ideas** as a key challenge killing your business’s ability to innovate efficiently, independently from the profile of their company.
Yet, an open mind and a willingness to disrupt do not always lead to action. Across the globe, 60 percent of respondents say they do not know how to define an effective business model that would support new ideas and make them profitable.

And how does one incorporate an emerging technology? That appears to be a big question many executives are grappling to understand. Less than one-third of businesses report that they are actually capable of successfully incorporating emerging technologies.\(^1\)

While companies rally behind critical innovation drivers, many of them struggle to convert (see Figure 3). Eighty-four percent of respondents said understanding customers and anticipating market evolutions is critical to innovation. Yet, only 33 percent felt their company excelled at either. Overall, most of the business leaders surveyed confessed that they are not yet satisfied to the extent by which they managed to convert “theory in practice.”

Why is this? Many companies are battling their own torpor and reluctance to change. There’s a tension in international business community that comes from trying to reconcile the principles that their executives believe are “the way forward” and the workaday realities of running their businesses, and prioritizing how they invest their resources and cash—even their energy. A whopping 57 percent of business executives said that internal inertia and the incapacity to be nimble is causing them to fail at rapidly converting ideas into true actions.

What’s extraordinary about 2014 is that more companies are giving it a try nonetheless, and executives believe there is an opportunity for governments to help. Policymakers should remove restrictions and cut the red tape that prevents businesses from innovating—or that induces fear of disruption. They should also help shape frameworks that will aid businesses seeking to overcome the barriers to disruptive innovation—including helping to foster openness, collaboration, investment and talent.

---

\(^1\) Thirty-two percent for convergence of technology, 25 percent for the Internet of things and 25 percent for big data.

---

**Figure 3**

Despite placing high value on many innovation factors, business leaders don’t always think they are very good at doing them.

---

**THE PERFORMANCE OF THEIR COMPANY AGAINST INNOVATION DRIVERS**

- To understand customers and anticipate market evolutions: 33% critical, 84% conversion rate
- To attract and retain the most talented and skilled individuals: 25% critical, 79% conversion rate
- To quickly adapt and implement emerging technologies: 28% critical, 67% conversion rate
- To encourage creative behaviours and disruptive processes in the business: 26% critical, 64% conversion rate
- To identify and work collaboratively with the best external business partners: 27% critical, 62% conversion rate
- To allocate and secure a specific budget for innovation activities: 23% critical, 59% conversion rate
- To prioritize longer term innovation goals over shorter term financial objectives: 25% critical, 58% conversion rate
- To use analytics and predictive knowledge: 25% critical, 53% conversion rate
- To adopt a test fast, fail fast, adjust fast approach: 24% critical, 50% conversion rate
- To make the most of public authorities’ incentives, subsidies, tax credit: 27% critical, 48% conversion rate
- To attract investors to fund innovative programs: 21% critical, 43% conversion rate

Q1/Q2. How important do you think the following elements are for a company to be able to innovate successfully? Base: Global results N=3,209

Q3. To what extent does your company currently perform against these success criteria? Based on those who said it was a critical factor (8-10)
Recommended Areas of Engagement

Business leaders expect their partners in government to create an environment that is amenable to disruption. Right now, business (especially in emerging markets) is fraught with policy hurdles concerning access to international technologies and talent.

These are “fundamental” requirements businesses need in order to enter the age of global innovation, and emerging markets are putting more pressure on policymakers to provide them with the framework they need to innovate successfully.

There are a few successes. Executives in Sweden, UAE, KSA and China all feel their governments’ support for innovation has improved since 2013. However, the majority of executives claim no change—or even that the climate has worsened.

Innovation policies and innovation performance are interconnected. Countries where executives have expressed the most satisfaction with their policy frameworks in the Global Innovation Barometer also perform better on quantitative measures of innovation performance, outputs and outcomes (as measured by the Global Innovation Index [GII]).

Respondents report varying policy priorities particular to their country. However, executives across the globe identify four priorities as being critically needed to strengthen global frameworks for innovation:

1. Foster openness.
2. Foster collaboration.
3. Foster investment.
4. Foster talent.

---

2. The Global Innovation Index 2014 (GII) is co-published by Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO, an agency of the United Nations (UN)). The core of the GII Report consists of a ranking of world economies’ innovation capabilities and results—based on an assessment of quantitative indicators of innovation “pillars” and outputs.

We cross-analyzed each country’s GII ranking against the GE Global Innovation Barometer’s perception data—specifically, the average percentage of business leaders in each market who feel there is a “critical” need for improvement in multiple dimensions of the policy framework for innovation. These dimensions included IP protection, education, access to public incentives and funding for innovation, international collaboration on research, and the role of public procurement in supporting innovation.
**Figure 4**
There is a positive correlation between innovation perception (GE GIB results on critical policy need) and innovation performance (GII innovation ranking)

**Figure 5**
There is a positive correlation between innovation perception (GE GIB results on critical policy need) and innovation performance (GII innovation ranking)
Foster Openness

A market’s “openness” can be slippery and hard to measure. But there’s a clear call from business leaders to make it easier for businesses to work across borders to innovate. Some survey respondents complained specifically about a lack of international collaboration on research, a domestic bias in public procurement and the negative impact of local content requirements.

One of the top innovation “killers”—identified by 60 percent of respondents—is the “inability to scale.” It’s hard even for big companies to bring their innovations to a larger market. It only gets harder if regulations prevent them from taking those innovations across borders to foreign markets where demand for the innovation may be high.

Perhaps unsurprisingly, emerging markets yet again are the most eager for increased openness in their markets. Countries like Algeria and Nigeria (also low performers on the GII) are more likely to identify boosting international collaboration in research as a “critical priority.” They are also extremely open to public support for international business, both in procurement policies and in public subsidies for innovation activities—much more than in countries where the innovation engines are running more smoothly (see Figures 6, 7).

Multinational companies are in fact seen as a top innovation driver—more than entrepreneurs, startups, or small businesses—in developing countries from Malaysia to Mexico. Perhaps this is because these are places where scale is needed and national champions are not yet fully developed. But creating a policy framework where innovators are free to seek collaborators and customers—no matter where in the world they sit—is seen as a particular imperative for business leaders in the Barometer (see Figures 8, 9).

“Government has a very important role of fostering innovation; regulations have been critical in certain markets to stifle entrepreneurship and when you stifle entrepreneurship, you inevitably stifle a lot of energy for innovation,” says an innovation expert from the United States. “Regulation from the top is critical as far as setting the tone and being an umbrella.”

Figure 6
Emerging markets are extremely open to public support for international business ... both in procurement policies:

COUNTRIES SHOULD FOCUS ON ENSURING PUBLIC PROCUREMENT ALWAYS FAVORS THE MOST INNOVATIVE SOLUTIONS EVEN IF THEY COME FROM FOREIGN COUNTRIES
Figure 7
...and in public subsidies for innovation activities.

- Give subsidies/preferences to both local and international businesses willing to bring innovative solutions to the market
- Subsidies and preferences are not an effective way to support innovation as they introduce strong bias and have only short-term effects
- Give subsidies/preferences to local business only to favor the development of local solutions

Figure 8
In the developing world, multinationals are seen as driving more innovation than local companies

WHO IS DRIVING INNOVATION THE MOST TODAY IN YOUR COUNTRY?

- Multinationals
- Large enterprises headquartered in your country

Q7. Who do you think is driving innovation the most today in your country? Base: Country results N=100–300 per market
Foster Collaboration

Clearly the days of the insular company are increasingly gone. Most people agree that partnership and collaboration are key to creating disruptive innovation.

Collaboration itself is disruptive. Working with outside sources has long been perceived as risky. And yet over the past year, there has been a sea change in how executives feel about taking that risk. In 2013, only 38 percent of executives were seeking to collaborate due to concerns about IP. This year, 77 percent say that innovation-producing partnerships are worth pursuing. SMEs and startups are particularly celebrated among global executives; 85 percent of business leaders want to collaborate more with SMEs.

Those who do make this leap appear to be reaping the rewards. Two-thirds of the companies that collaborate on innovation activities report that their associated revenue and profits have grown over the past year. Respondents from Turkey, for instance, report the greatest amount of growth, 16 percent, stemming from their collaborative efforts.

Mexico again also appears to be ahead of the curve, as far as acting upon pioneering partnerships. There, 78 percent of respondents say they would like to involve external stakeholders such as entrepreneurs in the internal development of new ideas. Mexico is also more eager than the rest of the world to resort to crowdsourcing from a large and varied group of stakeholders for its innovation activities. “Mexico currently finds itself in a unique position to accelerate the development of the crowdfunding ecosystem, both domestically and internationally,” explains a 2014 Crowdfunding in Mexico report.3 “The independent creation of the Mexican Crowdfunding Association, active engagement of public agencies such as INADEM (Instituto Nacional del Emprendedor, or National Entrepreneurship Institute), and progressive economic reforms being pushed through the
current administration are all signs of optimism for the long term success of crowdfunding as a tool for innovation, entrepreneurship, economic growth and social cohesion.”

Fresh eyes, brainstorming opportunities, additional resources and a meshing of technologies all play into why partnerships are so productive. For this reason, they should be made easy, safe and accessible to companies of all sizes and nature, both at national and international levels.

The Barometer results show that the countries with the most perceived IP protections tend to be more open to partnership—and, therefore, the higher innovation “performance of a market.” Business leaders in countries that aren’t performing as well are more likely to feel that the IP protection system of their country is not effective.

In order to promote partnerships, protecting of business confidentiality and IP/trade secrets must be a top priority. We asked respondents what they needed public authorities to improve in the overall innovation framework of their countries. Five of the top seven critical requests had to do with partnerships and collaboration (see Figure 10).

Strong IP protection is essential, but creating an environment conducive to collaboration and partnership is equally important. To accelerate the pace and success of collaboration across firms, policymakers can also support incubators and innovation parks that can create clusters of new firms, as well as back policies and regulations, from crowdfunding to generally flexible markets, to clear the way for small businesses to thrive.

---

**Figure 10**

Innovation executives expect public authorities to improve the overall innovation framework of their country

<table>
<thead>
<tr>
<th>Critical priority</th>
<th>Important, but not a critical priority</th>
<th>Global average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fight bureaucracy</strong> and red tape for companies willing to access funds and incentives allocated to innovation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensure that <strong>business confidentiality</strong> and <strong>trade secrets</strong> are adequately protected</td>
<td>54%</td>
<td>32%</td>
</tr>
<tr>
<td>Better align <strong>students’ curricula</strong> with the needs of business</td>
<td>53%</td>
<td>33%</td>
</tr>
<tr>
<td>Facilitate <strong>research cooperation</strong> with other countries</td>
<td>52%</td>
<td>34%</td>
</tr>
<tr>
<td>Actively promote <strong>partnerships</strong> between the public and private sectors</td>
<td>42%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>Reinforce IP</strong> to encourage stronger collaboration between companies</td>
<td>41%</td>
<td>42%</td>
</tr>
<tr>
<td>Encourage the <strong>collaboration</strong> of private companies with <strong>SoEs</strong></td>
<td>39%</td>
<td>42%</td>
</tr>
<tr>
<td>Ensure <strong>public procurement</strong> leads the <strong>early adoption</strong> of major innovations</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>Evaluate the impact some of its local <strong>content requirement</strong> and <strong>regulatory policies</strong></td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>Ensure <strong>public procurement</strong> always <strong>favor</strong> the most innovative solutions even if they come from foreign countries</td>
<td>29%</td>
<td>46%</td>
</tr>
<tr>
<td>Encourage and ease the <strong>hiring of talented foreign citizens</strong></td>
<td>24%</td>
<td>46%</td>
</tr>
<tr>
<td>Ensure <strong>public procurement</strong> always <strong>favor</strong> the most innovative solutions even if they come from foreign countries</td>
<td>23%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Q12. What are the main priorities your country should focus on to efficiently support innovation? Global average. Results for top 2 boxes (critical priority & important but not critical priority).

Base: N=3,209

---

Foster Investment

Overall most respondents think the private investment environment is improving in their country, and that private investors are supportive of companies that need funds to innovate. There are exceptions: Mexico, India, Brazil and South Korea believe private investors are less supportive of innovation than a year ago.

But funding continues to be vital to a company’s innovation success. Even more than in 2013, respondents admit that attracting investors is crucial. In fact, most people said that they critically need their governments to fight bureaucracy and red tape for companies willing to access funds and incentives allocated to innovation.

In addition to institutional investment, governments should make funds available for investment in private sector innovation. It might be easy to look at corporate innovation as a private matter—something to be managed and contained behind the walls of company castle. But the effects of innovation have spread far beyond benefiting solely the company or even simply making sure every teenager has the latest tech trinket. Eighty percent of respondents agree that, “people live better today than 10 years ago because of the impact of innovation on their life and on our country.”

Respondents strongly believe government has a significant role to play in boosting innovation by fostering investment opportunities:

1. Business leaders in developing markets are the most eager to adapt and implement emerging technologies...

2. 71 percent of global respondents expect governments and public authorities to evaluate the impact of their local content requirements and regulatory policies on innovation;

3. 70 percent of global respondents report it would be critical for policymakers and regulators to ensure public procurement always favored the most innovation solutions, even if they come from a foreign country.

Consider this survey a call to action to private investors and policymakers. Back your regional entrepreneurs and create legislation that will allow them to explore, expand and disrupt, and continue to improve their lives and their countries in the process.

Foster Talent

“All the money in the world, all the research and development resources in the world aren’t really worth a hoot, without innovative leadership,” venture capitalist Henry Doss once wrote on Forbes.com.

“Money does not follow ideas; it follows leaders.”

Indeed, all the funding in the world just adds up to a pot of money if you don’t have a crucial ingredient: talent. The majority of countries believe that training innovative thinkers for the future and allowing talented individuals to cross borders are two top priorities for their governments.

Future talent is a higher priority this year than it was in 2013. Seventy-nine percent of executives believe that to innovate efficiently and successfully, it is critical for companies to attract and retain the most talented and skilled employees. This is six points higher than last year. However, only 25 percent believe they actually do this well.

To aid here, executives clearly expect their governments and policymakers to better align students’ curricula with the needs of business. This is viewed as a critical priority for 85 percent of the global respondents. One of these needs is data science, especially for the top disruptors; seventy-two percent of early “big data” adopters agree that data scientists have strong influence and authority in their company.

These types of workers—people who can marry the physical and the digital worlds, and who can extract and translate analytic insights into actions—carry a premium to these executives. Governments should take note when formulating both education policy and immigration policy. The majority of Global Innovation Barometer respondents also want their government to encourage and ease the hiring of talented foreign citizens.

Conclusions

Business leaders favor disruptive innovation more than ever.

They are willing to seek collaboration, despite its risks. They are eager to press policymakers to alter constraining laws. They are prepared to campaign private investors for funds. And they are ready to implement emerging technologies and disrupt existing business models.

Optimism is the driving force. The sense of crisis that followed the 2008 economic meltdown has eased. It is possible for executives to try new ideas and imagine good outcomes. The chief executive who, in previous surveys, might have been too preoccupied keeping her company afloat now feels she can experiment—even if doing so may disturb her existing business lines.

The age of innovation is upon us. Increasingly, business people globally say they’re eager to accept risks in exchange for potential rewards—rewards that will assist their company’s bottom line and benefit the greater society. Governments should do their part to create environments where this potential can be realized.
Notes

GE Global Innovation Barometer

Now in its fourth edition and spanning across 26 countries, the GE Global Innovation Barometer is an international opinion survey of 3,200 senior business executives, all actively engaged in the management of their firm’s innovation strategy.

The largest global survey of business executives dedicated to innovation, it explores how business leaders around the world view innovation and how those perceptions are influencing business strategies in an increasingly complex and globalized environment.

GE


Edelman Berland

Edelman Berland is a global, full-service market insights and analytics firm that provides corporate, non-profit and government clients with strategic intelligence to make their communications and engagements with stakeholders the smartest they can be. The firm specializes in measurement, tracking and analysis in reputation, branding and communications. Edelman Berland is part of Edelman, the world’s largest public relations company. Edelman Berland has more than 100 employees in offices around the world. Edelman Berland: Intelligent Engagement.

Methodology

The research was commissioned by GE and conducted by Edelman Berland between April 14, 2014 and May 23, 2014. Interviews with the 3,200 senior business executives were conducted by telephone across 26 countries. All respondents are VP level or above and directly involved in their company’s innovation processes. Thirty-one percent of those surveyed are at the C-suite level.

The countries included in the research are: Algeria, Australia, Brazil, Canada, China, Germany, India, Indonesia, Israel, Italy, Japan, Kenya, Malaysia, Mexico, Nigeria, Poland, Russia, Saudia Arabia, Singapore, South Africa, South Korea, Sweden, Turkey, the United Arab Emirates, the United Kingdom and the United States.

#GEGIB
ge.com/innovationbarometer