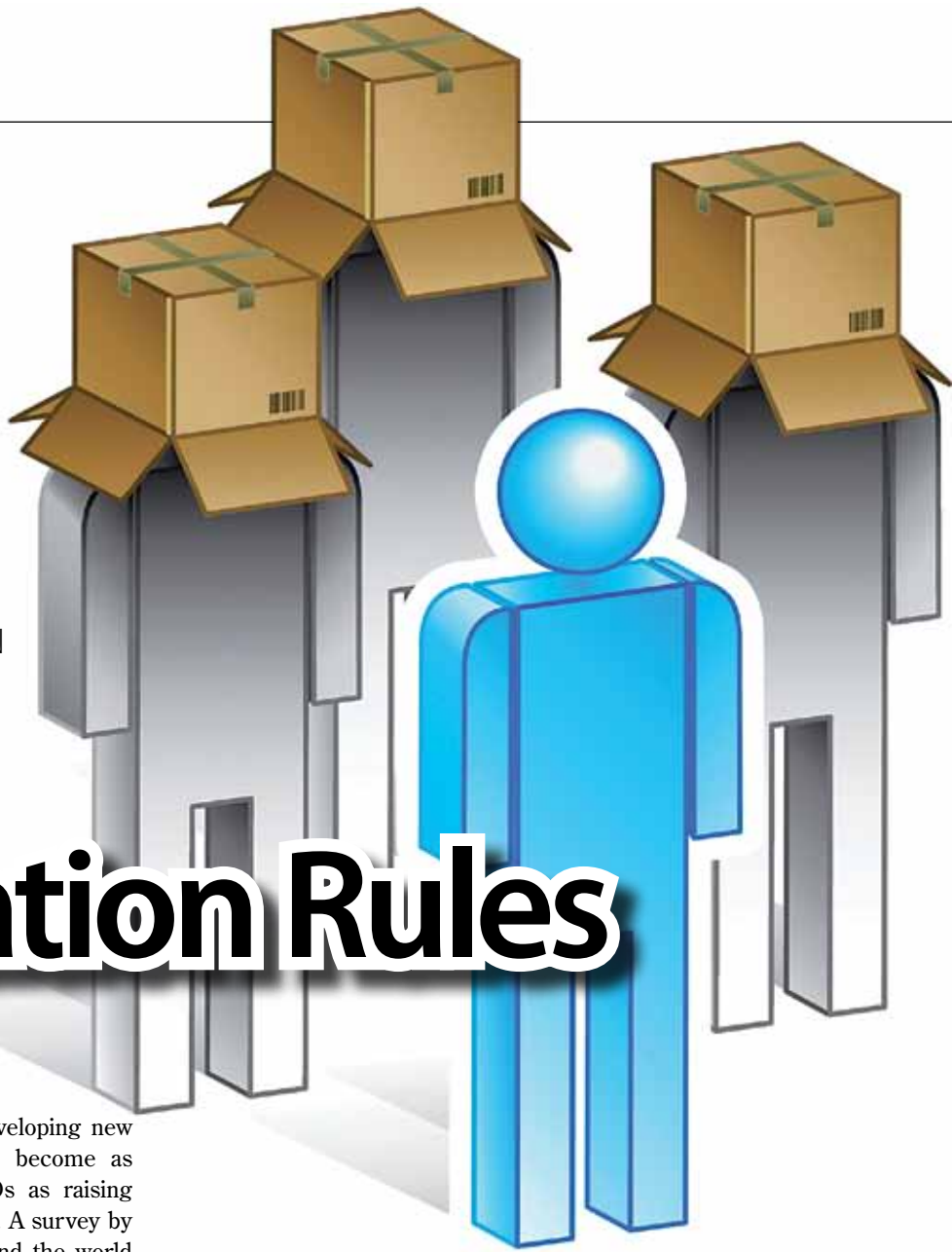


CEOs SAY INNOVATION IS THE MOST IMPORTANT FACTOR FOR GROWTH, LEADERSHIP, STRATEGIC INTEGRATION, ACCOUNTABILITY REQUIRED AS REVEALED BY A RECENT PwC STUDY: "DEMISTIFYING INNOVATION: TAKE DOWN THE BARRIERS TO NEW GROWTH"



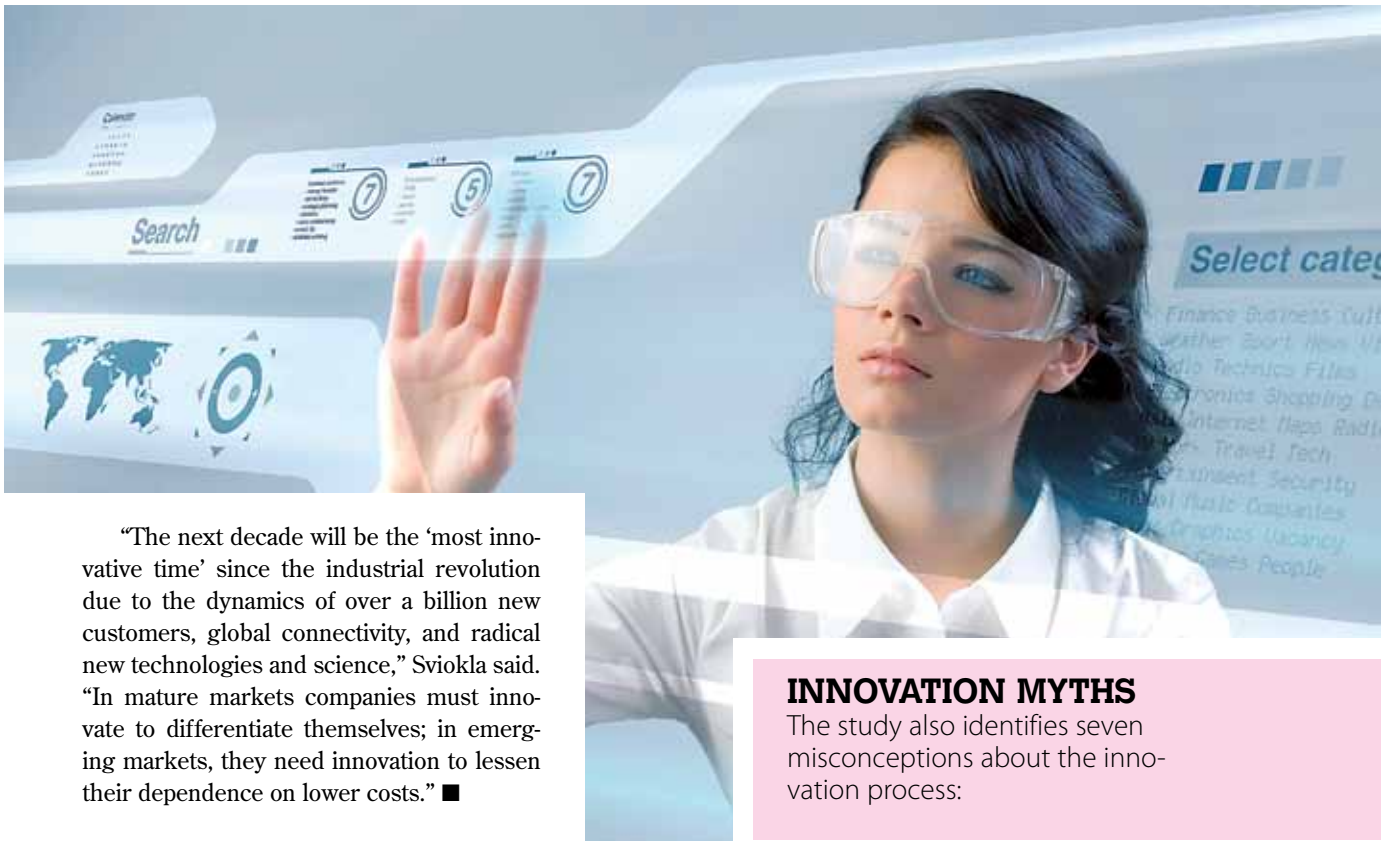
# Innovation Rules

**I**nnovation – in the form of developing new products and services – has become as important to growth for CEOs as raising their share of existing markets. A survey by PwC of 1200 CEOs from around the world found that innovation, along with increasing their existing business, now outstrips all other means of potential expansion, including moving into new markets, mergers and acquisitions, and joint ventures and other alliances.

PwC's 14th Annual Global CEO survey found that innovation is high on the executive agenda in virtually every industry. In all, 78 per cent of CEOs surveyed believe innovation will generate 'significant' new revenue and cost reduction opportunities over the next three years. But it is highest for those where technology is changing customer expectations. In both the pharmaceutical and entertainment and media sectors, for example, more than 40 per cent of CEOs believe their greatest opportunities for growth come from spawning new products and services.

Additionally, the survey found that CEOs are re-thinking their approach to innovation and increasingly seeking to collaborate with outside partners and in markets other than where they are based. For example, a majority of entertainment and media CEOs said they expect to co-develop new products and services.

"Innovation is a matter of survival for companies in sectors facing rapid changes in technology and high customer expectations," said John Sviokla, partner and Business Leader for Innovation and Strategy at PwC US. "Forward-looking companies strive for innovations that will give them competitive advantage and create growth. In today's fast-moving environment companies must constantly improve and re-invent their products, services and even brands.



“The next decade will be the ‘most innovative time’ since the industrial revolution due to the dynamics of over a billion new customers, global connectivity, and radical new technologies and science,” Sviokla said. “In mature markets companies must innovate to differentiate themselves; in emerging markets, they need innovation to lessen their dependence on lower costs.” ■

**According to a new PwC study,** “Demystifying Innovation: take down the barriers to new growth,” the drive for innovation must arise from the CEO and other executive leadership by creating a culture that is open to new ideas and systematic in its approach to their development. The innovation process generally has four phases:

- ✓ **DISCOVERY:** Identifying and sourcing ideas and problems that are the basis for future innovation. Sources may include employees as well as customers, suppliers, partners and other external organisations.
- ✓ **INCUBATION:** Refining, developing and testing good ideas to see if they are technically feasible and make business sense.
- ✓ **ACCELERATION:** Establishing pilot programmes to test commercial feasibility.
- ✓ **SCALE:** Integrating the innovation into the company; commercialisation and mass marketing.

### INNOVATION MYTHS

The study also identifies seven misconceptions about the innovation process:

- 1 Innovation can be delegated.** Not so. The drive to innovate begins at the top. If the CEO doesn't protect and reward the process, it will fail.
- 2 Middle Management is the ally of innovation.** Managers are not natural champions of innovation. They reject new ideas in favour of efficiency.
- 3 Innovative people work for the money.** Establishing a culture that embeds innovation in the organisation will attract and retain creative talent.
- 4 Innovation is a lucky accident.** Successful innovation most often results from a disciplined process that sorts through many ideas.
- 5 The more open the innovation process, the less disciplined.** Advances in collaborative tools, like social networking, are accelerating open innovation.
- 6 Businesses know how much innovation they need.** Leaders must calculate their potential for inorganic growth to determine their need to innovate.
- 7 Innovation can't be measured.** Leadership needs to identify its ROI--Return on Innovation Investment