

GE GLOBAL INNOVATION BAROMETER.



Global Research Findings & Insights
January 2013



Overview

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. This year's study examines what factors business believe to be drivers and deterrents of innovation and analyzes specific approaches and policies that enable innovation and drive growth.

The Barometer is an international opinion survey of senior business executives actively engaged in the management of their firm's innovation strategy. GE expanded the global study in 2013, surveying more than 3,000 executives in 25 countries. It is the largest global survey of business executives dedicated to innovation.

Methodology

The GE Global Innovation Barometer was conducted by StrategyOne, an independent research and consulting firm, and funded by GE

WHO

- 3,100 senior business executives
 - 28% c-suite level
- All respondents directly involved in the innovation strategy or process within their company
- Average company size is 1,200 employees
- Average interview length is 38 minutes

HOW

- Telephone survey

WHEN

- Between October 22 and December 5, 2012, in 25 markets



2013 Key Findings

1 State of innovation: The pace of innovation is challenging local economies, leaving business leaders conflicted between an appetite for globalization and protectionist tendencies.

2 Partnership: Collaboration is perceived as the key to increased business innovation success, with emerging markets embracing the collaborative innovation trend more strongly than western, developed economies. Access to new technology and the possibility to enter new markets are the biggest drivers of collaboration, while IP theft, lack of trust and fear of talent poaching are biggest deterrents.

3 Models: Business model innovation expected to play a larger role in business performance globally.

4 Policy: Business' perception of innovation-related policy environments is declining globally. Business' call to action for governments: focus on talent and education, recude bureaucracy, protect IP and support development of stronger venture capital to better foster innovation. Sweden, Israel, Turkey, Saudi Arabia and Canada report weaker satisfaction about their policy environment than last year while perceptions improve in India.

5 People: Workforce preparation and talent mobility are the top concerns for global business leaders seeking to strengthen innovation.

**Innovation still
a strategic
business priority,
but accelerated
pace is
creating tension**

As leaders are pushed outside their comfort zones, “Innovation Vertigo” – an uneasiness with the pace of change and confusion over the best path forward – is emerging. Tensions are showing between the desire for globalization and protectionist temptations.

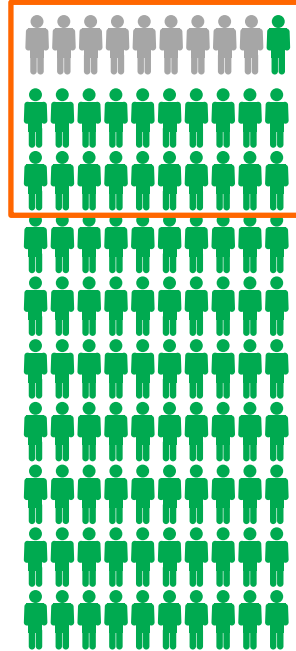


Innovation remains top business priority globally, but leaders conflicted as to best path forward

91%

report that innovation is a strategic priority for their company*

* Businesses in Vietnam, Nigeria, Canada, China and Brazil most likely to consider innovation a "very high" priority



But...

30%

challenge the benefits of innovation on local economies believing that the increased competition and accelerated pace of technological advancement has a negative impact**

** Businesses in Turkey, India, UAE, Malaysia and Mexico most likely to claim innovation has a negative impact

Opening up the market or national preference? Paradoxical tensions seem to exist within global business

HIGH TO VERY HIGH PRIORITY

71%

Q9-8. Favor government procurement policies that promote domestic rather than imported technological development



53%
POLICY PARADOX

71%

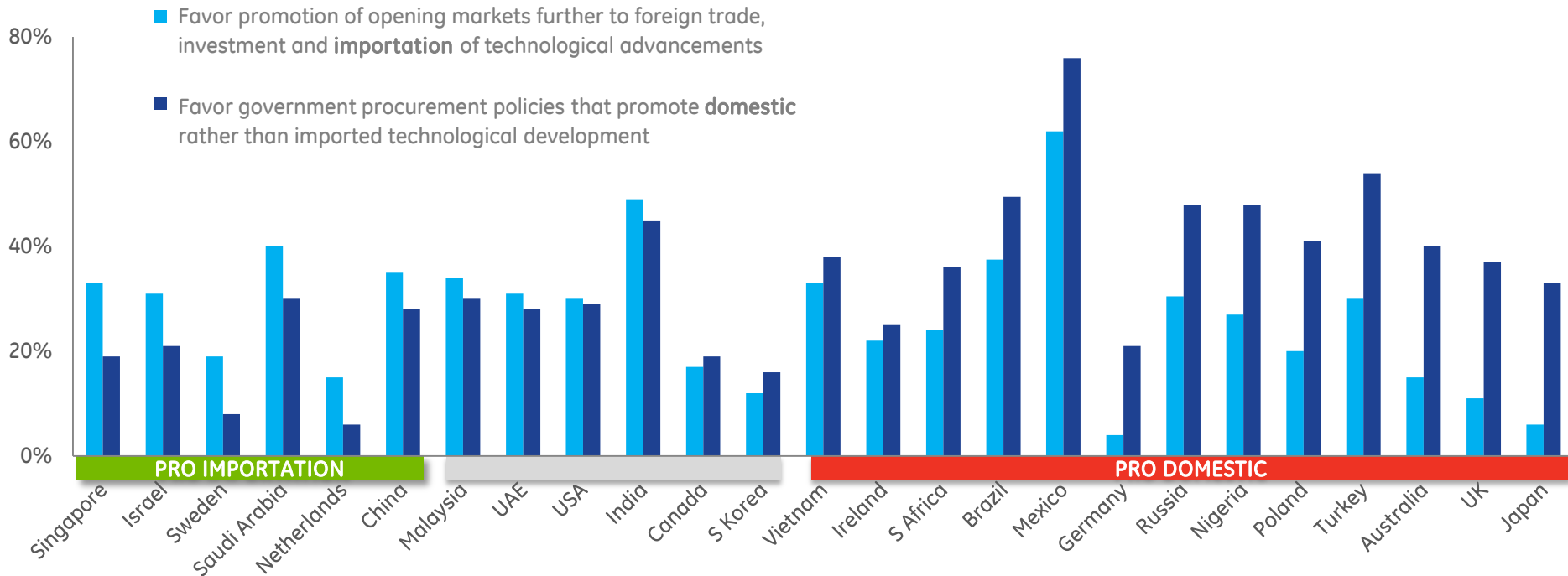
Q9-11. Favor promotion of opening markets further to foreign trade, investment and importation of technological advancements



HIGH TO VERY HIGH PRIORITY

Contradictory policy recommendations vary greatly from one market to another

Mexico, India, Brazil and Malaysia most conflicted



Models: Moving Beyond Product Innovation

While incremental and product innovation have historically been the main drivers of growth for companies, business model innovation is gaining momentum within the context of today's low-growth, resource-constrained world. Strong understanding of customer needs and markets, combined with better access to talent and technologies seen as critical to successfully innovate and unlock growth.

Incremental innovation has been and continues to be main performance engine, but business model innovation expected to play a bigger role moving forward

	In the past	Going forward	Change
The improvement of existing products or services	83%	79%	-4pts
The development of entirely new products or services	63%	66%	+3pts
The development of new business processes to improve profitability	61%	63%	=
The development of more affordable new products and services	56%	56%	=
The development or improvement of products customized to local needs	55%	53%	=
The development of new business models	46%	52%	+6pts
The development of more sustainable processes, products or services	44%	48%	+4pts
The development of new customer services	39%	42%	+3pts



The improvement of existing products or services

The development of new business models



To innovate successfully business needs to master customer and market insights, talent and technology development



Q4. How important do you think these abilities are for a company to innovate successfully? (% very important)
Top 10 identified globally from list of 14

Business is getting ready to tap into the “Big data” innovation potential



53%

Of respondents believe the ability to mine data inside and outside the company is a crucial ability for innovating successfully

- Biggest champions of big data are Mexico, Brazil, Turkey and Nigeria



63%

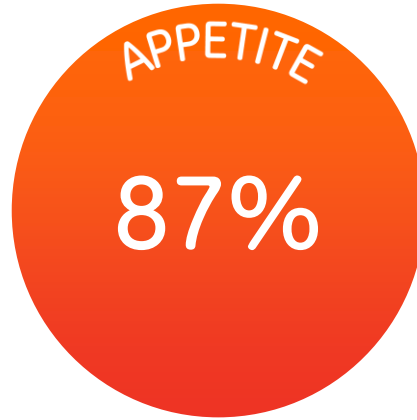
Of business executives report their firm is developing the ability to use the potential of “Big data” for Innovation

Approach: Leveraging Collaboration as a Competitive Advantage

Collaboration between businesses is emerging as a means to surpass competitors by enabling faster access to new technologies and markets, particularly in emerging markets. Yet despite global acknowledgement of partnership's power, concerns over revenue sharing, IP protection, trust and talent poaching pose barriers to action. We see growing confidence that innovation can come from any agent, and localization to meet specific market needs is now more critical.



Collaborative innovation has global appeal as a key to business success, and momentum gaining among those who have tried it...



Believe their firm would innovate better by partnering than on their own



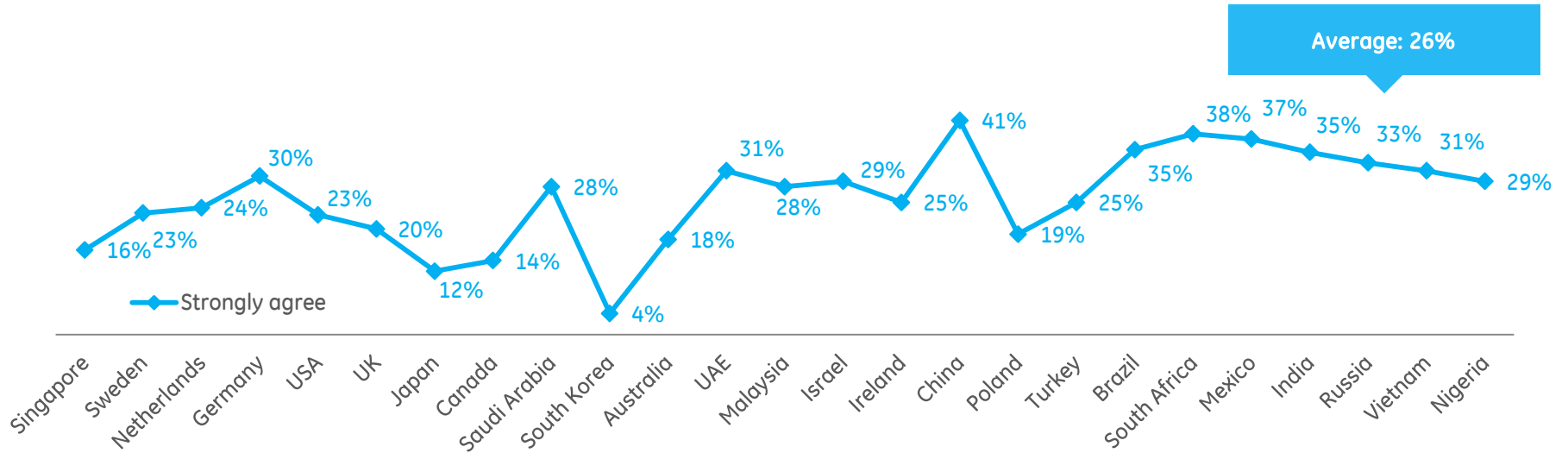
Have actually developed a new product, improved a product or created a new business model through collaboration with another company.

Mexico, Russia, Brazil, South Africa and UAE most interested in collaboration as a path to innovation success



Collaboration is accelerating in emerging economies

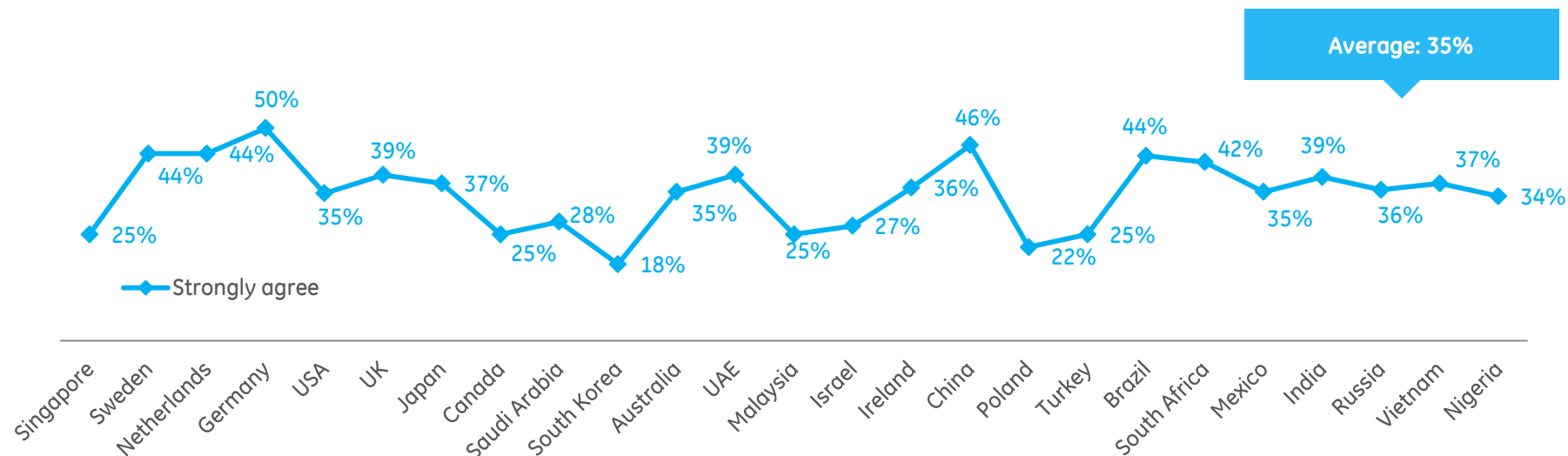
Revenue from collaborative innovation growing



Executives reporting that the revenue and profit generated by collaborative innovation has been growing over the last year

Experienced Collaborators: Germany, China, Brazil, Sweden

Evaluating which businesses are already leveraging partnership to drive innovation

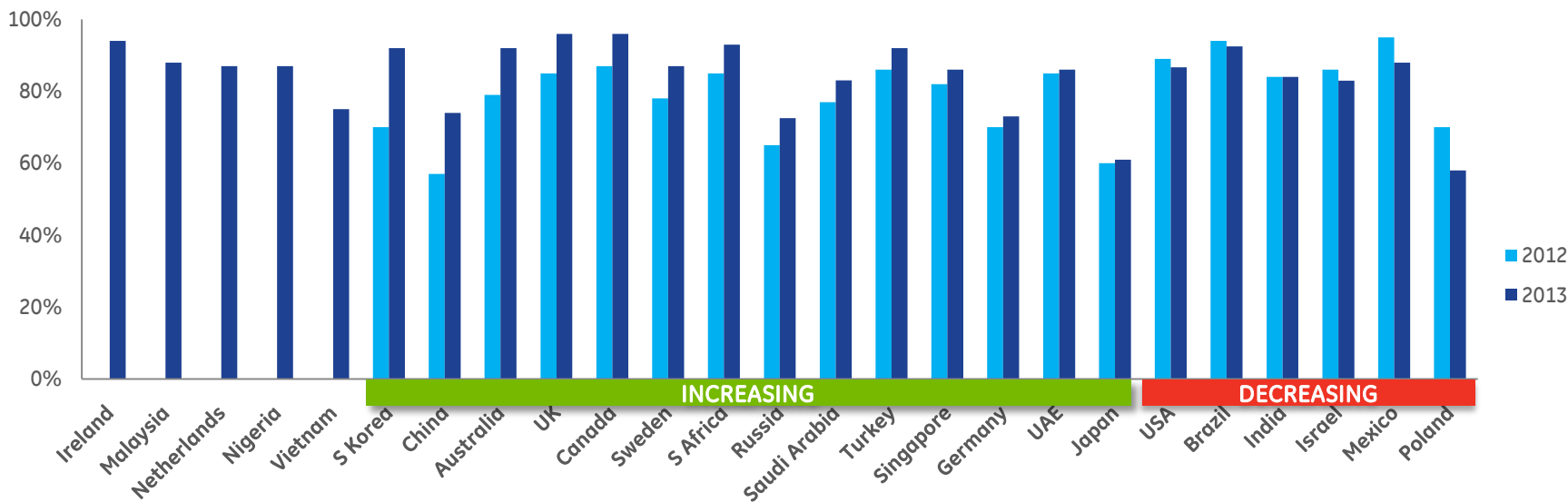


Q12: Executives reporting their company has already developed a new product, improved a product or created a new business model through collaboration with another company

Confidence increasing that innovation can originate from companies of any size

Average 20 markets 2012: 79%

Average 20 markets 2013: 84% (+5pts)





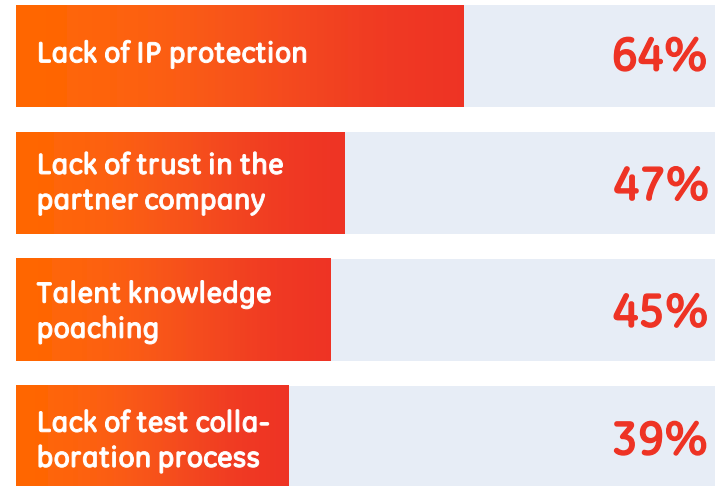
DRIVERS

Top reasons for collaborating with other companies



BARRIERS

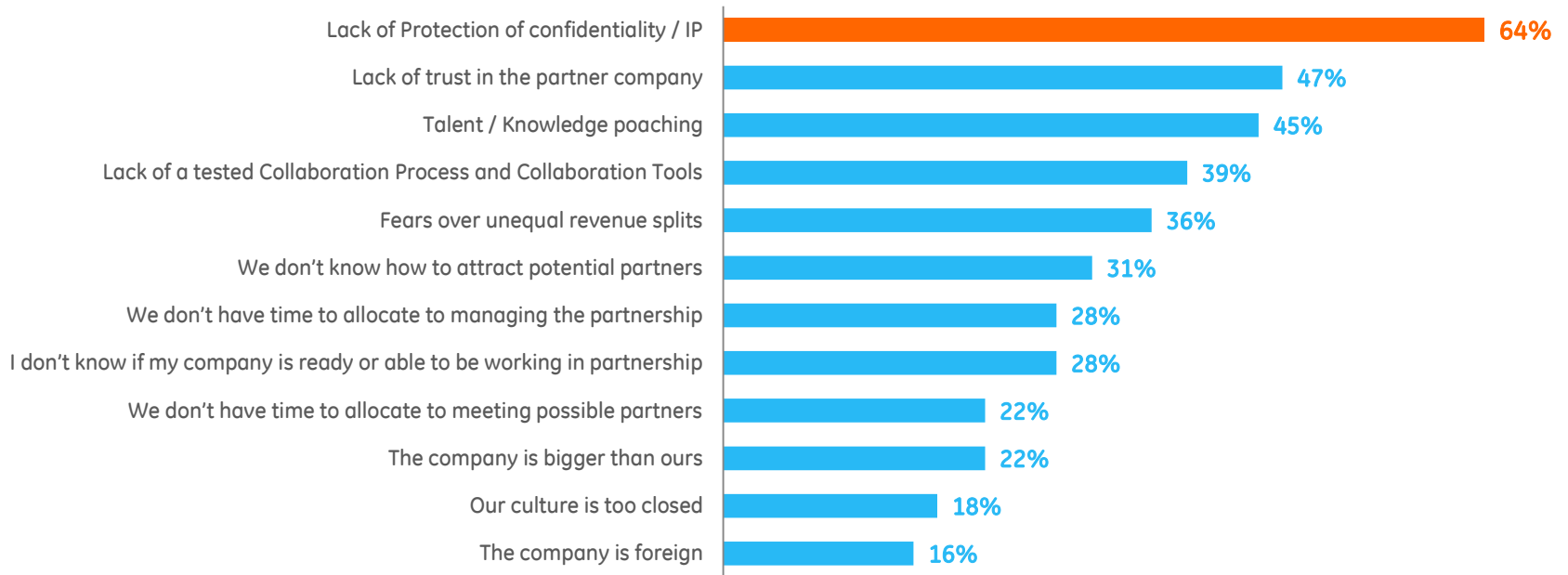
Top reasons for **not** collaborating with other companies



Q15. What are the main reasons why your company would seek to collaborate with entrepreneurs or other companies?

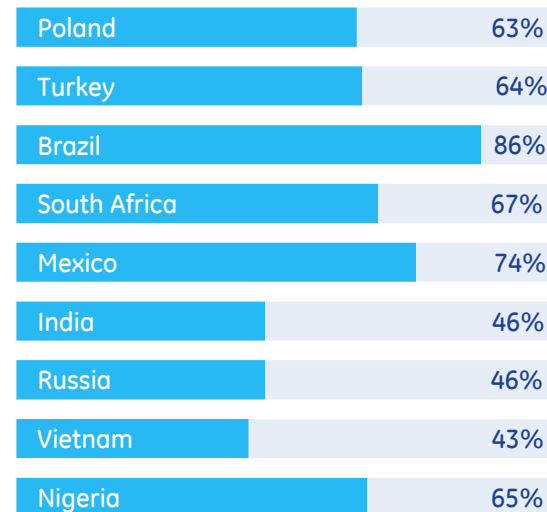
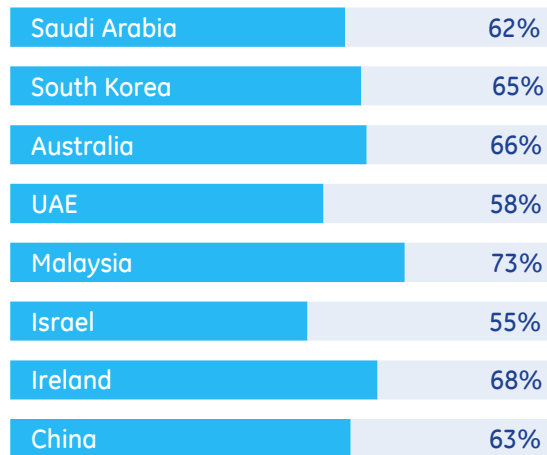
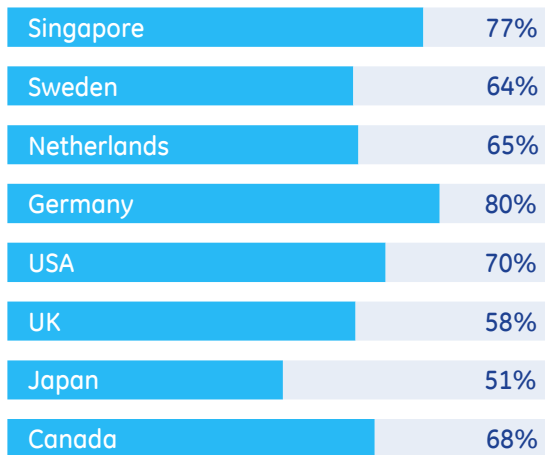
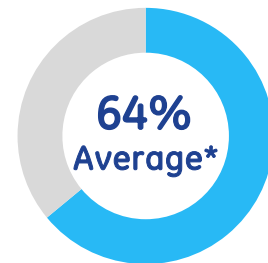
Q16. What are the main reasons why your company would be reluctant to collaborate with entrepreneurs or other companies?

Lack of trust and policy protection underpins much of the anxiety over business collaboration. Size and location of partner, surprisingly, not a major factor



Q16. Still on collaboration, what are the main reasons why your company would be reluctant to collaborate with entrepreneurs or other companies? (% of respondent that selected the item as a barrier)

Largest concern – IP protection – across markets



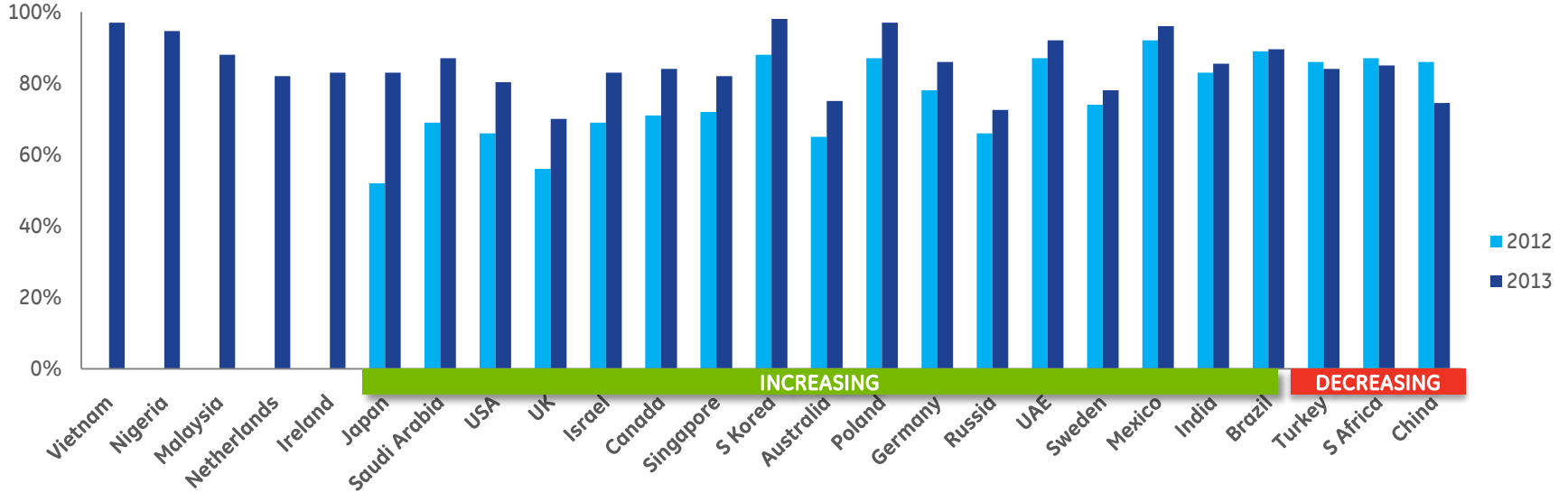
* Lack of Protection of confidentiality / IP

Q16 Still on collaboration, what are the main reasons why your company would be reluctant to collaborate with entrepreneurs or other companies? (% of respondent that selected the item as a barrier)

Localization becoming even more important to be successful

Average 20 markets 2012: 76%

Average 20 markets 2013: 84% (+ 8pts)



























Policy: Governments as Stewards of Innovation vs. Barriers

Policymakers are the stewards of the environment that enables modern innovation. A clear policy framework is imperative to cultivate collaboration, by safeguarding corporate interests – talent, knowledge, IP protection – and removing barriers – bureaucracy, overregulation, maintenance of the status quo – that prevent innovation from flourishing.

Business perception of their country's policy environment grow more negative. No major change in global ranking of environments

Index on 100 points summarizing the perceptions of respondents regarding 13 dimensions of the innovation framework of their country.

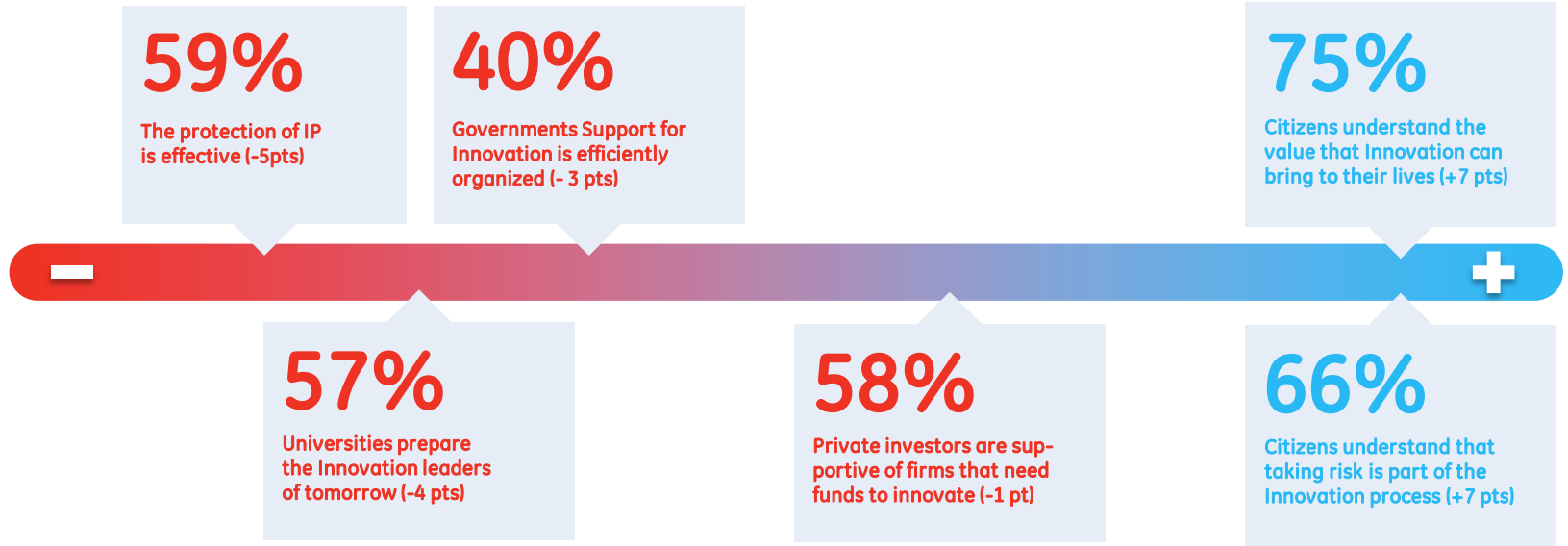
		2012	2013
Japan		43	38
Poland		48	49
Russia		48	50
Brazil		52	52
Mexico		55	53
Australia		58	54
UK		51	54
Turkey		62	55
S. Korea		61	56
S. Africa		55	57
USA		58	58
Germany		54	58

		2012	2013
Nigeria		–	58
Sweden		72	59
KSA		66	59
Canada		67	61
Netherlands		–	61
Vietnam		–	62
China		67	63
Ireland		–	63
Malaysia		–	65
India		58	67
Singapore		71	68
Israel		78	70

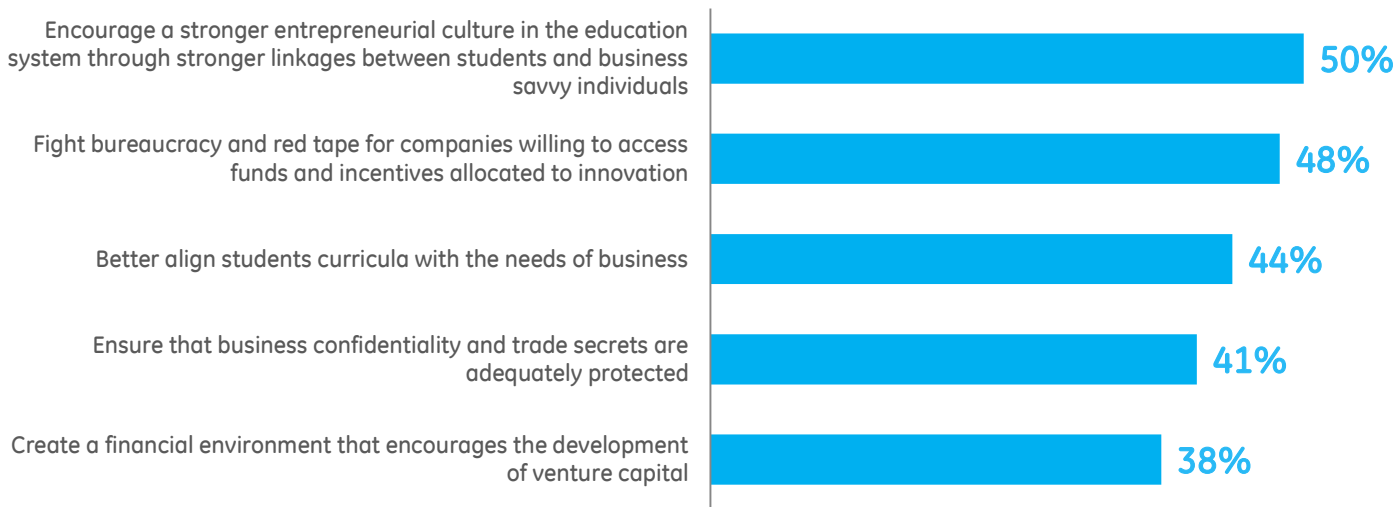


Notable shifts in global environment perception

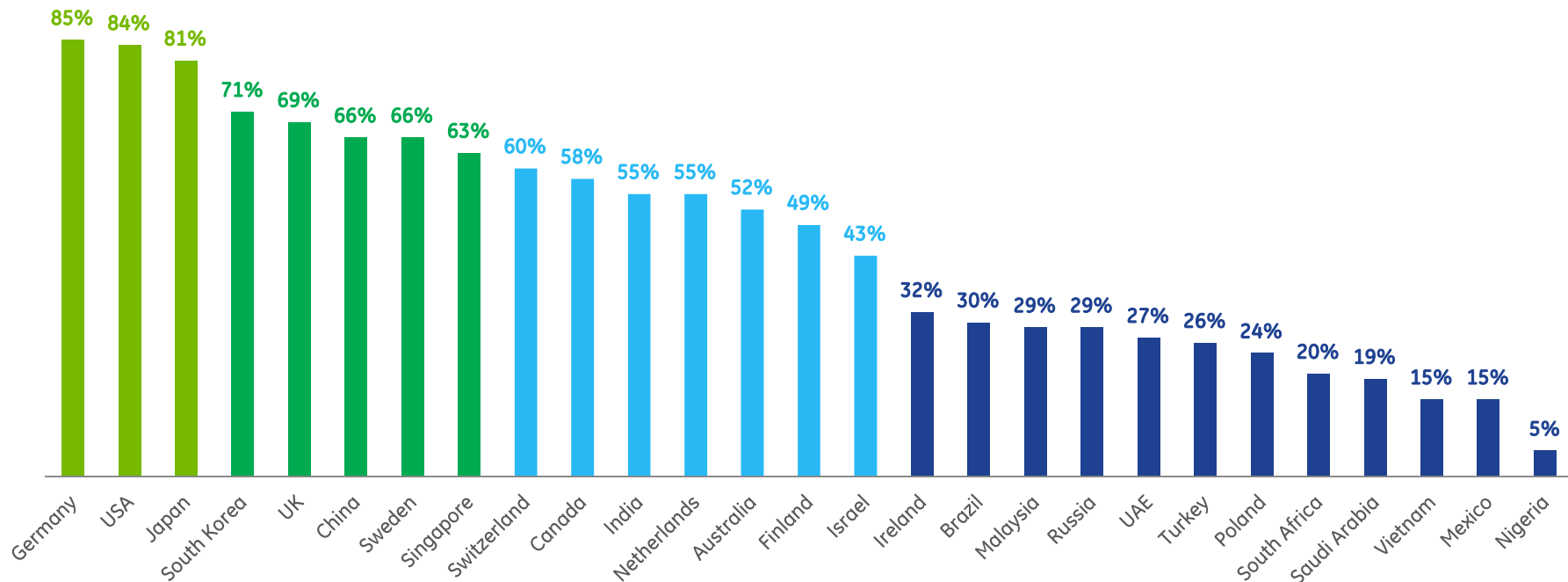
Confidence in government support and higher education system drops while public viewed as increasing support



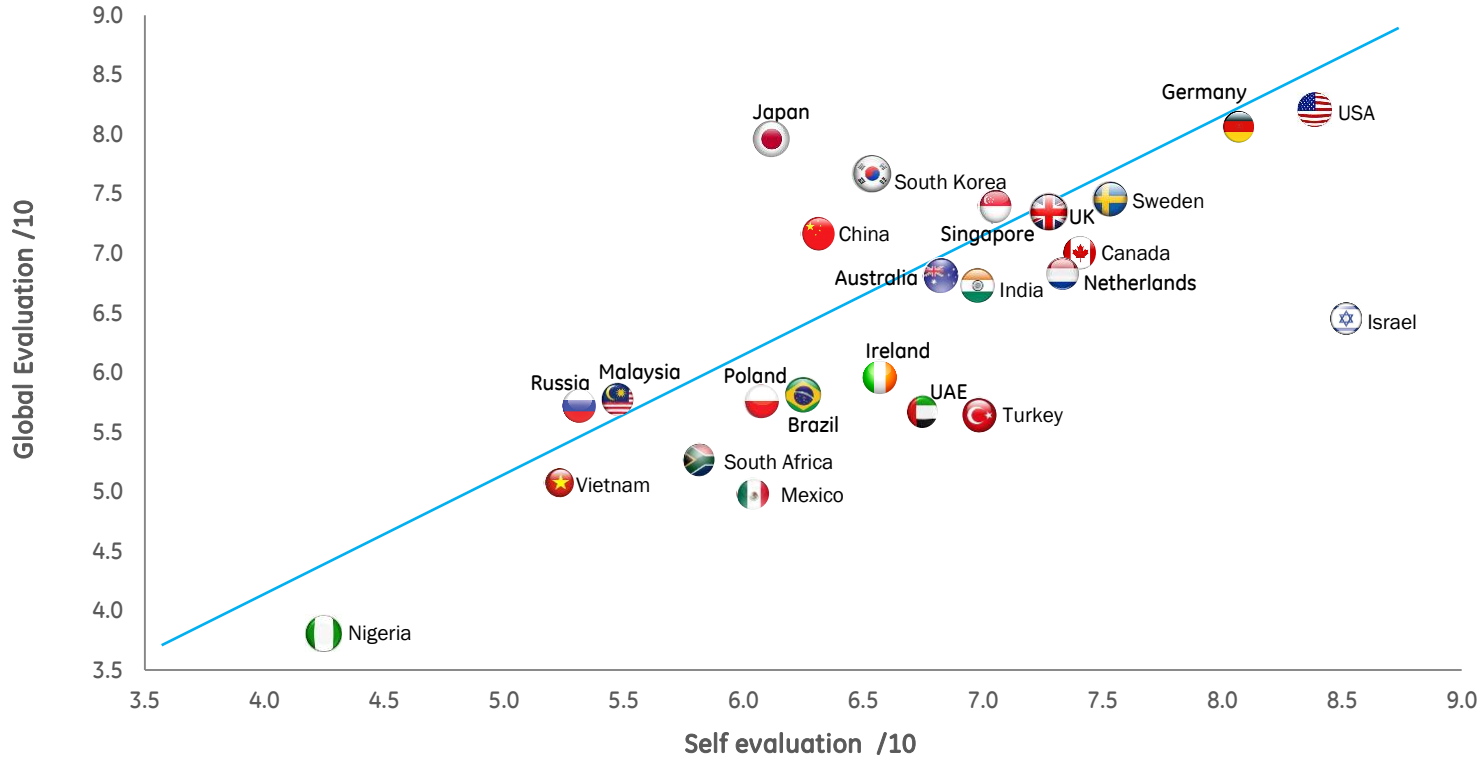
Improving education, reducing bureaucracy and protecting IP identified as the most pressing priorities for governments to support innovation



Policy environments in Germany, US and Japan perceived as most innovation conducive by their peers



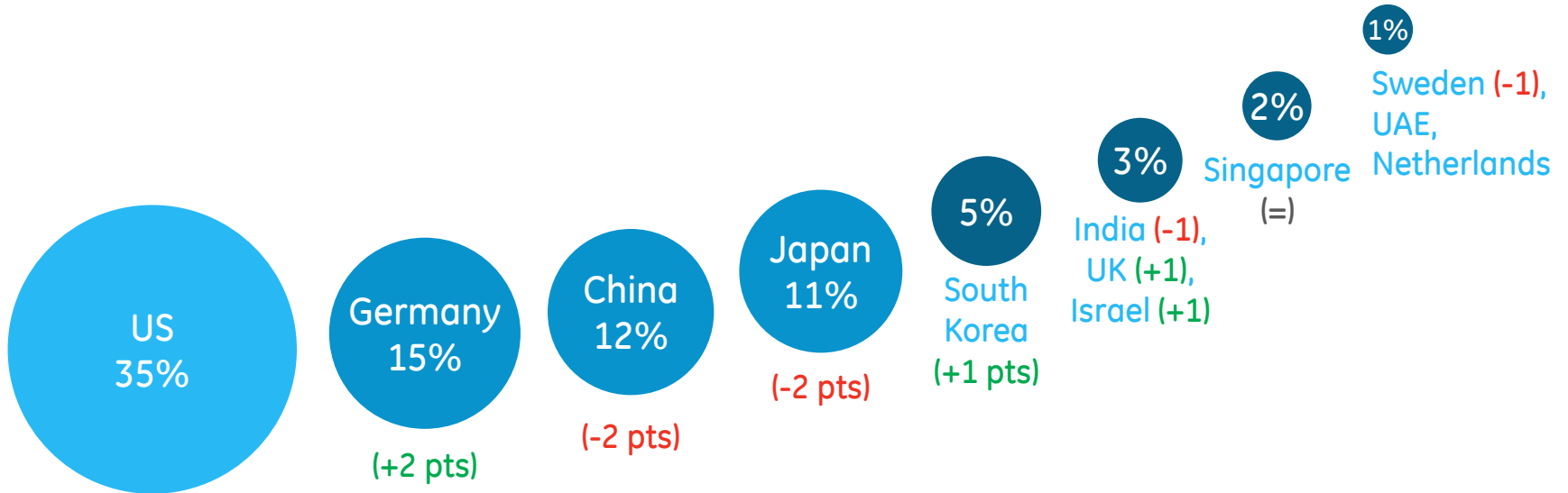
Self-evaluations of in-country policy environments vs. outside perspectives shows a balanced view





Innovation Champions US and Germany continue to lead. China moves ahead of Japan

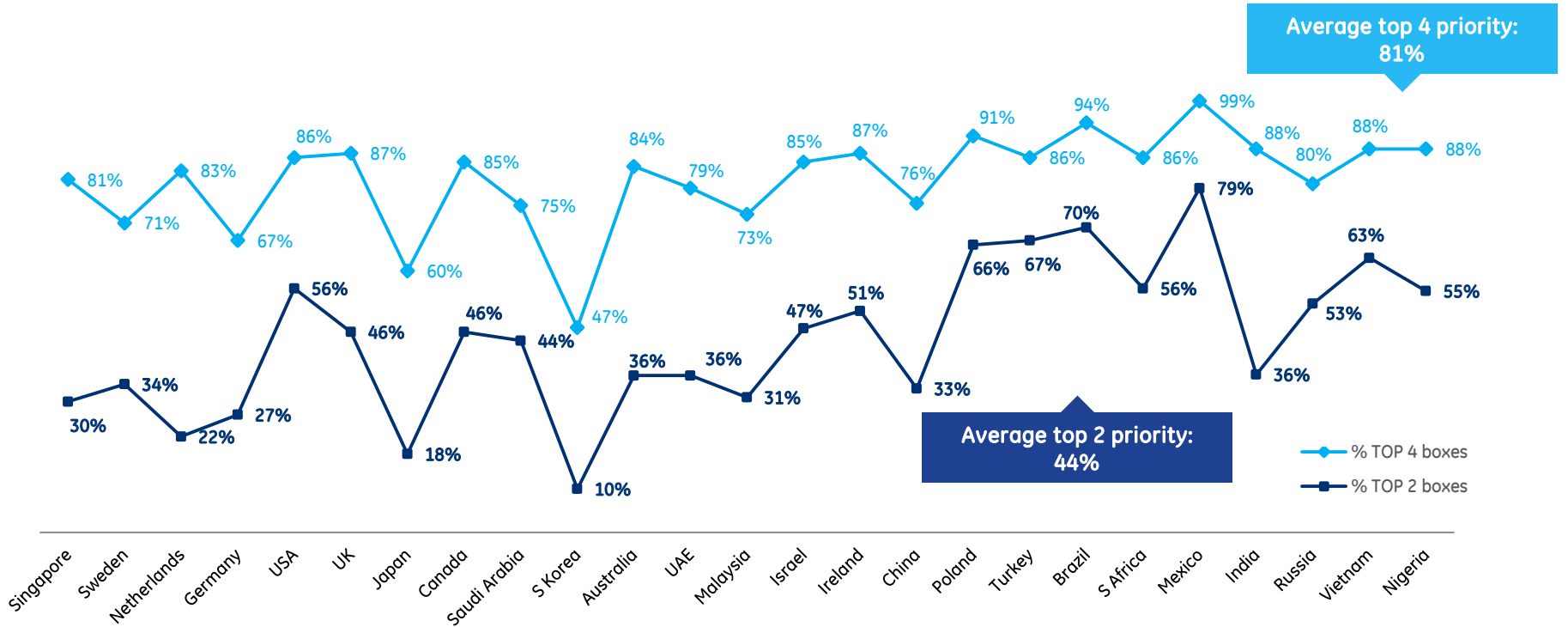
(#) – % Change from 2011



People: Leveraging Talent to Maximize Innovation Potential

Education, development and access to talent a critical concern for innovation leaders. The creativity and technical prowess of the global workforce seen as key to unlocking innovation potential across companies and countries. But concerns around the preparedness of the workforce to innovate for tomorrow's economy abound. And cross-border talent mobility is a high priority for companies seeking to match the right job with the right people.

Better aligning education with business needs a top priority

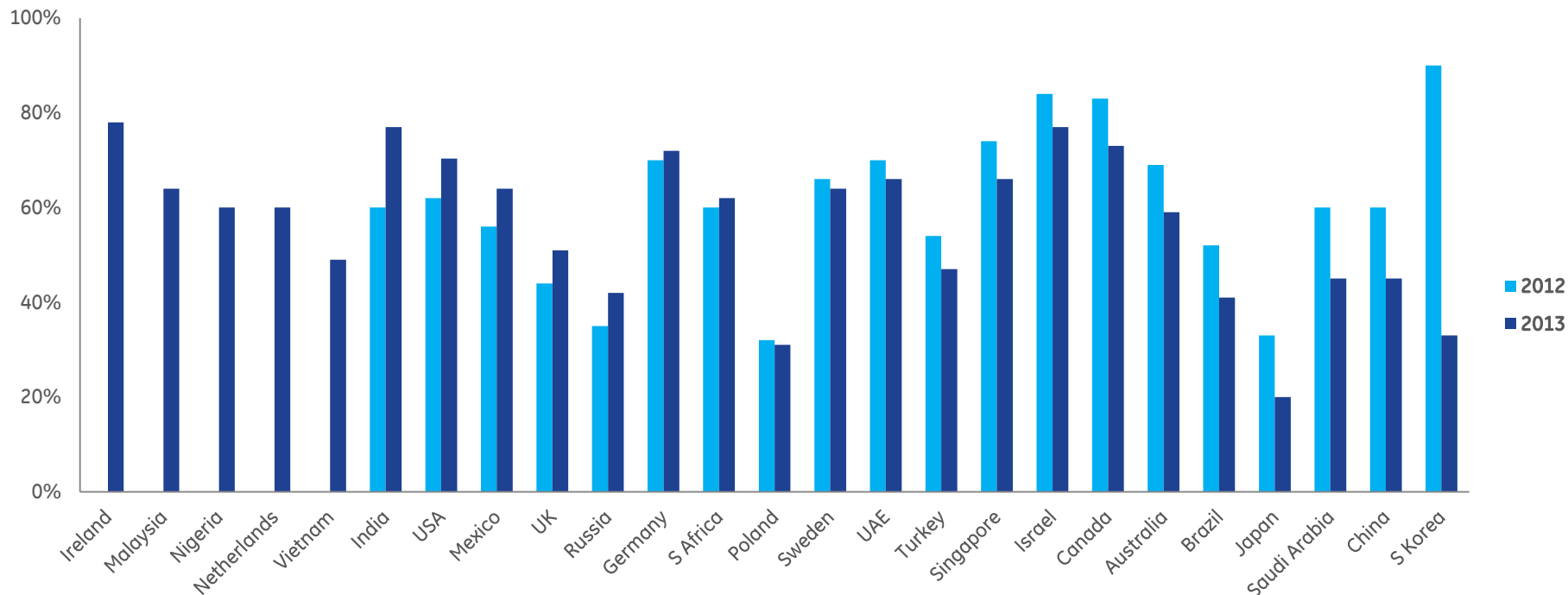


Q9 What are the main priorities your country should focus on to efficiently support innovation?
 Q9-5: Better align students curricula with the needs of business

Confidence in higher education systems dips when it comes to preparing tomorrow's innovators

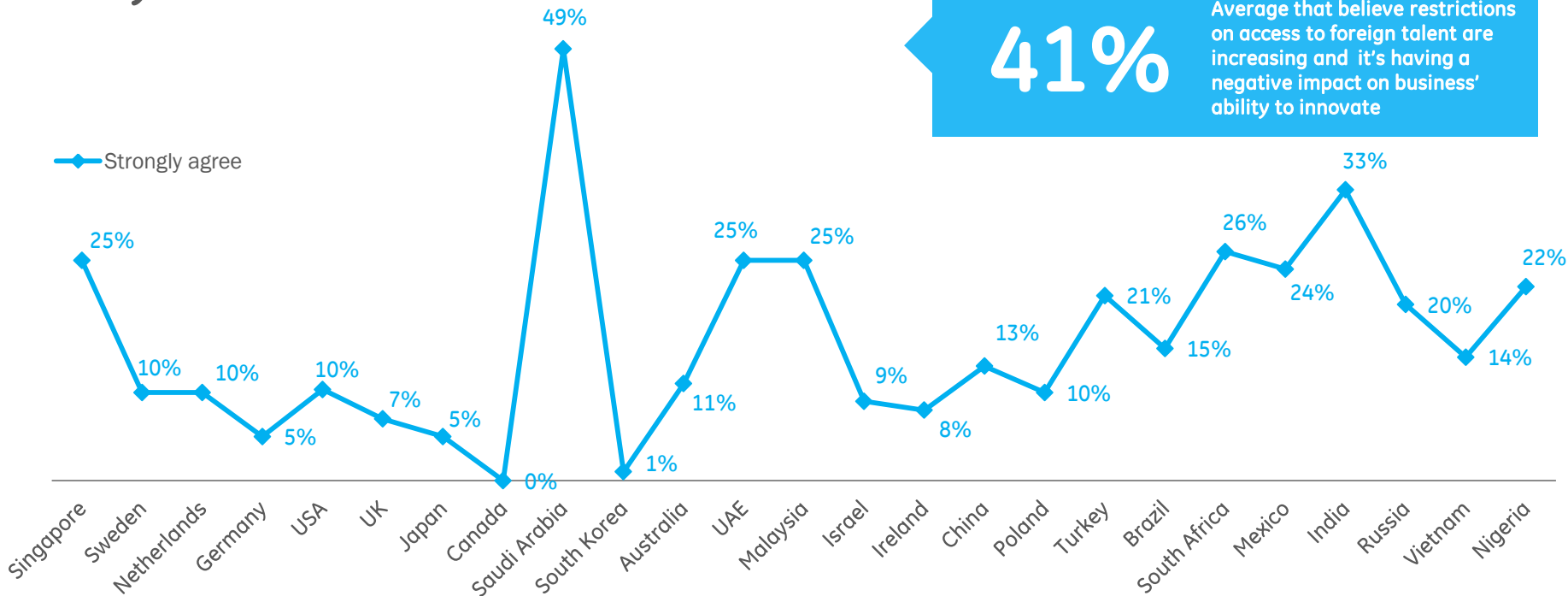
Average 20 markets 2012: 61%

Average 20 markets 2013: 55% (-6pts)



Increased difficulty hiring foreign talent seen as negatively impacting ability to innovate

41% Average that believe restrictions on access to foreign talent are increasing and it's having a negative impact on business' ability to innovate



Q5-4. Over the last two years, it has become more difficult for companies to hire talented foreign citizens because of stricter visa requirements and it had a negative impact on their ability to innovate



For more information about the Global Innovation Barometer, contact:

Antoine Harary
Director of Research
StrategyOne
antoine.harary@strategyone.com

Una Pulizzi
Manager of Global Public Affairs
GE
una.pulizzi@ge.com