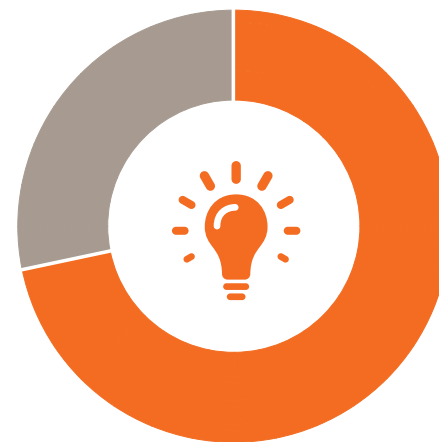


Innovating at the Speed of Disruption

Easy-access to technology is toppling the barriers of entry to innovation and giving rise to a plentiful new class of players that are challenging established companies. Understandably, 67% of respondents to PwC's 6th Annual Digital IQ survey of nearly 1,500 business and IT executives are concerned that the speed of technological change is a threat to their growth prospects. To outsmart and outpace digital disruptors, corporations should emulate the innovation practices of top performers and take a dedicated approach to innovation.

Enable Enterprise-Wide Innovation

Technological innovation often gets trapped inside the functional areas of the business, which leads to incremental improvements to business processes or customer-facing innovation that doesn't live up to its brand promise. In contrast, enterprise-wide innovation enables organizations to generate breakthrough innovation that puts the competition in the rear-view mirror. To embed innovation in the culture of an organization, the C-Suite needs to see innovation as a competitive advantage and it's happening. For the first time in recent history, innovation is rivaling operations in the c-Suite in terms of its importance.



74% of CEOs regard innovation as equally important to the success of their company as operational effectiveness, if not more, according to PwC's recent study, *Unleashing the Power of Innovation*.

Design an Innovation Strategy and Brace for Technological Change

If you want to accomplish a goal, you need a strategy and innovation is no different. Your innovation strategy should include an "outside-in" approach to learning, allowing you to embrace fresh ideas, experiences and capabilities from unlikely external sources—open source community projects, the Maker community, crowdfunding platforms, marketplaces and contests, and global innovation hubs—and industries, in addition to internal sources. It's also important to align innovation practices with intended business outcomes and to bake the likelihood of change into the strategy.



79% of the most innovative companies have well-defined innovation strategies, compared with only **47%** of the least innovative companies, according to our *Global Innovation Survey*.



59% of top performers address the speed of technological change in their corporate strategies compared to **43%** of the pack, according to the *Digital IQ*.

Empower the CIO to Fuel Innovation

Collaboration is key to successful innovation and the CIO should be included in the mix. At leading companies, the CIO is adept at business skills and an instrumental part of the innovation team. CIOs can articulate how technology is changing the competitive landscape and how a company can take advantage of these changes.

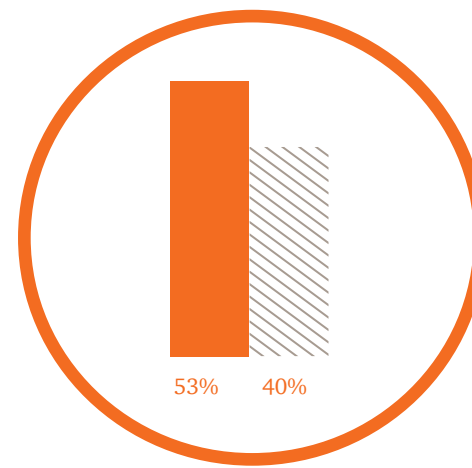


Top performers are much more likely (**74%**) to report their Chief Information Officers and Chief Strategy Officers enjoy strong working relationships, compared to **51%** of other respondents.

According to the Digital IQ, **60%** of Top Performers engage IT to gather ideas for innovation and 49% of Top Performers collect ideas through business unit workshops facilitated by IT compared to **42%** of other respondents.

Treat Innovation Like Work; Don't Romanticize Innovation

Companies need to avoid the trap of innovating only when they feel inspired or cornered, essentially romanticizing innovation or attempting to innovate after it's too late. The most innovative companies treat innovation as they would any other business process. In short, they work at it, consistently.



The *Digital IQ* study found that **53%** of Top Performers have a dedicated innovation or lab group compared to only **40%** of the pack.

The same holds true in the *Global Innovation Survey*, which found that the most innovative companies take a structured approach to innovation. **Only a fifth (21%)** of the most innovative manage innovation informally.

Facilitate Rapid Understanding and Adoption of Emerging Technology

The speed and variety of new ideas makes technology innovation harder than ever before. For most of the last 30 years, those of us in the field of information technology only really concerned ourselves with one major new technology trend at a time—distributed computing, GUIs, OOAD or data warehousing. Now we have not one, but a flood of technologies: mobile, social media, big data and analytics, cloud, the Internet of Things and 3D printing, to name a few, rushing toward us all at once. Top Performers are adapting their strategies and processes accordingly to account for the breakneck pace of innovation.



According to the *Digital IQ*, **61%** of Top Performers address the challenge in their corporate strategy of quickly understanding and adopting information technologies needed to compete.

39% of Top Performers use agile processes compared to 30% of remaining respondents. According to the *Global Innovation Survey*, design thinking is one of the most popular approaches to innovation.

In today's marketplace, digital disruptors large and small can unseat behemoths faster than you can say digital transformation. It's never been more important for companies to take a dedicated approach to innovation to deflect disruption. They need to drive innovation from the top-down, make a plan to align innovation with the business, leverage the business and technology savvy of the CIO and speed the pace of their ability to understand and deploy emerging technologies. This plan of attack used by top performers will enable companies to outpace and outsmart digital disruptors.

Sources:

PwC 6th Annual Digital IQ, 2014

PwC Global Innovation Survey, 2013

PwC Unleashing the Power of Innovation, 2013

To have a deeper conversation about how this subject may affect your business, please contact:

Chris Curran
Principal and Chief Technologist
214 754 5055
christopher.b.curran@us.pwc.com

Rob Shelton
Global Innovation Strategy Lead
408 817 4251
robert.d.shelton@us.pwc.com

Edward K. Yu
Principal, Health Industries
415 498 6408
ed.yu@us.pwc.com

www.pwc.com/us/digitaliq

© 2014 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved. PwC refers to the US member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.