

Innovation Realized

How do you
become future
relevant, today?

ey.com/innovation_realized



The better the question. The better the answer.
The better the world works.



Building a better
working world

The background of the slide is a dark blue, abstract network diagram. It consists of numerous glowing nodes in various colors (white, yellow, orange, red) connected by thin, light blue lines. The nodes are scattered across the frame, with a higher density in the upper right and lower right areas. The overall effect is that of a complex, interconnected system or data network.

Today, many large companies are struggling to sustain growth and leadership. Growth is slowing down and profitability is under pressure. The remedies for success from the past no longer seem to work. Meanwhile, new successful players and start-ups create new industry spaces – and eat their way into the “old and mature” businesses with speed and scale. But does it really have to be that way? And what should large companies master to remain ‘winning companies’ in the future?



Navigating in a discontinuous, non-linear world

First of all, let's agree that it is more difficult to maintain growth once you have become a large and mature company. Adding an extra market share becomes more expensive to acquire – and you have become the de facto market leader in your core markets. Just maintaining the business is demanding. Therefore, growth will require new investments, new skills, new products and services, new markets and new distribution channels. By nature, such growth initiatives will have to come from new thinking, new perspectives and ideas – and often, new ideas come with a change in mindset. Namely, that the old practices and core beliefs that made you an industry leader will most likely have to change. At the same time, introducing new growth engines will require you to change your operating model, strategy and ways of working.

This can be both challenging to recognize and to execute on – particularly when it was you as a leader who created and instilled the “old best practices” you now have to let go off.

In EYBOX, we specialize in helping businesses and leaders successfully navigate in what we call an increasingly discontinuous world. We believe today's business realities call for a new approach to both strategy and leadership.

Today's business world is no longer linear and evolutionary, but rather exponential and disruptive. Tomorrow's winners will be the ones able to succeed on three critical dimensions:

1. managing your core business to peak profitability,
2. creating the future growth engines and business model(s), and
3. selectively releasing old practices and core beliefs to make room for renewal.

All three dimensions need to be addressed constantly and across the full business – to remain future relevant at all times. It calls for a new breed of leaders. It calls for pioneers, shapers, and creators. Innovation is at the heart of what we do in EYBOX – and we call our approach Innovation Realized.

Here is our overall take on what large companies should do to become future-relevant today in a disruptive market environment:

1 Innovation must get to the core of strategy and leadership – and not only be an ad hoc agenda topic

Too often, innovation is considered in isolation and as a topic in itself with no central or clear role in the corporate strategy. If large companies want to drive sustained leadership and growth, innovation must be an integral part of strategy and leadership – elevated to become a constant agenda point in all leadership meetings, and fully embedded in the cultural DNA. Large businesses have a tendency to become too short-term oriented, managing their business by the month or quarter and spend too much time on financial reporting, forecasts and KPI-led performance management discussions. It is almost as if the elements the business was built on – namely purpose, entrepreneurship, creativity, initiative, teamwork, and constant innovation – are defeated by the “large business syndrome” of reporting, governance, compliance, functional “silos”, detailed planning, alignment, and very limited innovation.

This is a paradox and a significant leadership challenge in large businesses. We must find a new and better balance – between running the core business for short-term performance and peak profitability, while also building and navigating the business for growth and long-term leadership. Most likely, you will also need different skills and different people for the two tasks. Core business optimization calls for detailed planning, governance, diligence and control – and are typically well suited for large corporates. Creation of new business engines and business models calls for creativity and a strong “dare devil” mindset – and are often more in line with the skills needed in start-ups. Time has come to mix the best of both worlds – corporates and start-ups – and get innovation, growth and creativity to the core of strategy and leadership.

Bring innovation to the core of strategy and leadership – and drive your business for growth and sustained leadership!

2 Need for balanced innovation strategies – and radical reallocation of resources

Most companies allocate the majority of total innovation bets and funds on renovating and defending its current core. And only rarely move into adjacent and radically new business model innovation. Thus, too often, the innovation agenda only becomes a pure extension of the past and remains within the existing structures and boundaries of the organization. This approach works as long as a company still has growth potential in its core business, but increasingly gets under pressure to change, as disruption kicks in, traditional industry structures change, and market growth stagnates.

Tomorrow's winners look beyond today's business, and are future back in all strategic choices and decisions made. They are clear on the mega trends hitting them, their major innovation themes, and have a balanced innovation portfolio across core, adjacent and new innovation initiatives. We call it 3D transformational leadership – and requires leadership to focus on winning the now (today), building the next (tomorrow), and imagining the beyond (future).

Resource allocation must follow accordingly. Unfortunately, 90-95% of time and investments in large businesses are often dedicated to the existing business. So, if a large company really wants to stay relevant and drive new growth, then the resource allocation must change radically. Our advice is to set clear targets for where your innovation strategy should be focused across core, adjacent and new – and to allocate your resources and investments accordingly.

3 Build global ecosystems – and leverage M&A in new smart ways

Winning businesses are building global ecosystems these days – and are no longer relying predominantly on own internal R&D and marketing teams to drive ground-breaking innovations. It makes a lot of sense. We believe it is exactly the ability to not only build ecosystems, but global ecosystems, that will set tomorrow's winners apart. If you have an ambition in your industry for sustained growth and leadership, would you only want to play with the best partners locally, in the Nordics or in Europe? Probably not.

You would want to raise the bar to collaborate with the leading players globally. In a global ecosystem that makes sense for your unique business, purpose and innovation themes. This will require new scouting capabilities – and the ability to engage globally in your hot spot regions and markets with relevant

start-ups, corporates and VC funds. Many leading players today are building up open ecosystems for innovation – a rare few are building truly global ecosystems.

M&A teams need to be involved in realizing the innovation agenda, and making “future-back” transactions. The times where M&A teams primarily focus on traditional “product market” scale plays are over. For M&A teams to be relevant in tomorrow's business reality, they will need to transform and

help search, identify and make agreements with new partners to help build global ecosystems.

4 Make your roadmap and initiatives clear – and drive your initiatives as start-ups

Move quickly from your overall innovation strategy and major innovation themes into a concrete roadmap with clear initiatives, timing and prioritization. Else, you will be far from realizing your innovation strategy. Many companies actually struggle in developing a clear innovation roadmap – where there is clarity on the major innovation initiatives, who drives them, where they are placed in the organization, what dedicated teams are behind, which level of funding is required, and when the innovation bets are ready for launch. Large companies have transparency on so many other topics, and yet on the innovation agenda it is unclear what is going on. This needs to change.

Not for the sake of planning and reporting – but to drive relevant discussions on how to better help and fast track progress on the major innovation bets. Top management needs to train itself on driving the right performance dialogue around the innovation agenda. It is less about financial performance and more about the actions, initiatives and resources needed to make the numbers. It is about discussing lead measures – not lack measures.

Leading businesses are excellent in turning their innovation strategies into a concrete roadmap with clear initiatives – and driving the major bets forward with pace and impact. They are excellent in leading their innovation initiatives as start-ups, and not as corporate, functional projects. This is where the best of the start-up world must make its way into the large corporates – and

role model new ways of working. So- called “innovation projects” that happen in functional silos, and that have been ongoing for 12+ months with no interaction with real customers and no commercial traction should be long gone. Cycle times must get up, and innovation initiatives should work in maximum three months cycles with clear targets and milestones for what success looks like – replicating the nature of how start-ups work. During these cycles, the reporting requirements from the innovation initiatives must be kept to a minimum, and the freedom to operate and make the targets must be maximized. Mandate, freedom to operate, and team spirit are the oxygen for start-ups – not reporting and corporate compliance.

5 Leverage multiple operating models – and apply new ways of working at scale

Many large companies make the mistake of managing everything – including new initiatives – in the same business model and ways of working as the large and existing business. New business areas typically do not thrive on being driven and measured in the same way as the existing business. Thus, many large companies should consider introducing several business models in the company – and not just try to handle everything in a “one size fits all” model.

A practical solution could be to set-up a tailored operating model to drive the current core business to peak profitability, develop a new operating model fit to drive growth, and potentially a third operating model for driving new radical innovation. Leading businesses are putting in place new structures, operating models and performance management systems – and are not running their business with a global “one size fits all” operating model.

In many ways, a new reinvigorated focus on innovation allows a large business to apply new ways of working at scale. We believe the next big wave in large corporates will be to change their organizational structures, ways of working, salary structures, talent programs, and financial performance management systems to better combine the best of both worlds – large corporates and start-ups. It is all about finding a new balance with more start-up mindset and ways of working. There are exciting times ahead – for pioneers, shapers and creators.



We have unique assets to help you take your innovation agenda to the next level

FutureConsumer.Now

– extensive global insights on the future consumers to help companies become future relevant, today

EY has worked with over 200 futurists, client leaders and industry experts to enable clients to imagine, model and ultimately create or guide the future. The insights have been leveraged to create core hypotheses on the lives of future consumers, and to tailor these beliefs to selected mega cities to give a global and regionally relevant perspective. We leverage this extensive study in innovation and transformation projects to help companies stress test themselves for the future and to become future relevant, today.

Embryonic

– a powerful, cloud-based platform that brings ecosystems to life

Embryonic is a cutting-edge platform that tracks ecosystems of start-ups, corporates and VCs to help identify trends and make informed decisions. We use it on projects to help our clients create foresight on what happens globally within major innovation themes, to help assist on building global ecosystems, and to help guide decisions on a global M&A agenda that moves beyond the “usual suspects”.

CogniStreamer

– a collaborative technology platform for innovation

CogniStreamer is an innovation collaboration platform where users join forces to create, assess, and enrich innovative ideas. It is developed to help companies drive an open innovation agenda – both internally towards employees and externally towards start-ups, ecosystem partners, universities and consumers directly. We have the possibility to leverage CogniStreamer directly in projects – and also as a managed service to help our clients drive an open innovation agenda on a global scale.

Wavespace

– your space for creative collaboration and co-creation of tomorrow's winning business

We offer you access to our creative collaboration spaces where we run inspirational co-creation and deep dive sessions with leadership teams to help find solutions to transformative topics like new technologies (AI, robotics, automation, blockchain), industry 4.0 and sustainability. We have wavespace locations globally - also in the Nordics - ready to give your teams a new experience, and that moves from talk and into action on how to embrace the future and drive transformation, now.

Innovation Realized

Today's world of business is discontinuous. It is no longer linear nor predictable. Change is rapid and exponential, industries converge, new technologies are emerging, and new disruptive business models surface and challenge today's industry leaders. Tomorrow's winners embrace the change, and turn it into opportunities and create new growth engines fit for tomorrow.

EY helps leading businesses across the world to become future relevant, today. And we help on all innovation topics ranging from innovation strategy and global ecosystem scouting and building, to creating and scaling new ventures, and developing new operating models and ways of working.

Our key differentiator is blended teams of strategy and innovation experts, deep sector insights, and global reach - and ability to combine both technology, strategy and design thinking into the solutions.

Reach out

– to know more about how we can help you
step change your innovation agenda



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Reach out if you want to
discuss how to take your
innovation agenda to
the next level!

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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