



Don't assume your CEO shares your innovation vision

Six questions to get on the same page



Our latest research with *InnoLead* highlights that the key to successful innovation is alignment between senior leaders and innovation teams.

Yet earlier research by KPMG shows a clear disconnect between what most CEOs expect from innovation and how the company's innovation strategy is executed.¹ We found that gaps are prevalent in how CEOs vs. other innovation decision-makers view everything from innovation goals and drivers to approaches, owners, and outcomes.

Improving alignment around innovation is an urgent priority. It may sound like a lengthy, complex undertaking, but it starts with a conversation. Asking the following six questions of your CEO can be a great starting point.

What does innovation mean to you?

Disruption? Transformation? Digitalization? Invention? Novelty? Each CEO may have a different perspective on what innovation is and what drives it. One CEO could see innovation as a reaction to external forces, such as technology advancements and emerging use cases from VCs, startups, think tanks, and other industries. Another CEO may have more of an inside-out philosophy, investing in organic growth and building an environment that cultivates bold ideas from all corners of the organization. A third may believe that impactful innovation consists of a confluence of inside-out and outside-in efforts.

Why ask the question? If your team's definition of innovation differs from your CEO's, the opportunity to create tangible value or impact will be limited or missed.

Why do you want to innovate?

Most CEOs say they want to innovate: to drive efficiency and profitability; make a difference; meet customers where they are; gain competitive advantage; and capitalize on disruption created by new technologies, among other factors. Tying innovation to strategic priorities is critical. However, it isn't always easy to do since most corporate innovation programs are decentralized in individual business units. This barrier is supported by recent research from KPMG: Thirty-seven percent of innovators we recently surveyed say innovation comes from skunkworks, and 69 percent say that functional silos cause operational dysfunction that stands in the way of innovation.²

Why ask the question? If you pursue innovation initiatives that are closely tied to strategic imperatives, it will help accelerate your organization's progress toward its larger objectives, driving greater value sooner

What do your customers expect and demand?

Understanding trends in your customers' behavior and needs is essential for creating an innovation strategy and action plan that drive toward a better future. This insight is like a guiding light toward the best opportunities for innovation. The *2022 KPMG Global Customer Experience Excellence Report*³ shows that leading brands invest considerable time and effort

¹ Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)

² Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)



in anticipating customers' future concerns, needs, and pain points and seeking to be present in their customers' lives when these changes occur.

Why ask the question? The most successful and impactful products, services, and experience are based on unmet customer desires and requirements.

Does your organizational culture cultivate or stifle innovation?

Innovation should be integrated into everything an organization does and be supported by a culture that consistently enables it. It is not an activity, but a mindset. Not an event, but a consistent theme behind how you run your business. Not a way to get from point A to B, but an ongoing journey of advancement and improvement. Not one-off, but pervasive.

Why ask the question? Analyzing your company's innovation philosophy will help you understand where current innovation structures, practices, and capabilities may be falling short.

How expansive is your innovation ecosystem?

Innovating with impact requires an ecosystem of diverse tools, people, capabilities, partners, and insights—not a group of technologists operating in a bubble. It requires a network that is both global and local, macro and micro, internal and external. A network that comprises stakeholders and collaborators, with input from industry and functional players, innovation champions, start-up communities, academia, customers, and investors among others. New ideas and solutions, inside and out, must be incubated and accelerated, while the organization provides incentives and opportunities to bring innovative concepts to fruition.

Why ask the question? Integrating a wide variety of external and internal signals will guide your organization in the direction of real transformative opportunity.

³ Orchestrating the connected customer experience (2022 KPMG Global Customer Experience Excellence Report)

⁴ Enterprise innovation: The vision-execution gap: (2022 KPMG U.S. Innovation Study)

How do you measure innovation success?

Plotting the right innovation program and staying on track require a shared understanding of what it means to succeed. But metrics used to evaluate innovation outputs do not consistently tie back to innovation goals. Forty-three percent of CEOs say they measure the return on innovation investment by looking at profits, despite 50 percent having a vision for transformational (vs. incremental) innovation.⁴ To make sure your innovation metrics match your innovation strategy, consider what is being measured, qualitatively and quantitatively, as an innovation output (e.g., profit vs. customer satisfaction score).

Why ask the question? Metrics that are not aligned with top-line innovation goals may create friction along the journey toward long-term innovation.

Final Thoughts

When you understand your organization's broad innovation vision, you can map the internal innovation work to match it, making your efforts more valued, meaningful, and ultimately successful. Set your innovation program transformation journey off on the right foot with these six questions for your CEO.

Authors

Martin Sokalski
Principal, Advisory,
KPMG LLP
E: msokalski@kpmg.com

Lou Trebino
Audit Chief Technology
Officer, KPMG LLP
E: ltrebino@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates and related entities.

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation. The views and opinions expressed herein are those of the interviewees and survey respondents and do not necessarily represent the views and opinions of KPMG LLP.

© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. NDP426192