Despite mass investment, innovation centers are not making organizations more innovative

While the number of global innovation centers continues to grow, only 17% of companies have adopted a company-wide culture of innovation

Paris, December 14, 2017 – Capgemini's Digital Transformation Institute has today released a new report, "The discipline of innovation: Making sure your innovation center actually makes your organization more innovative," which highlights the prevalence of innovation centers and investigates their value to businesses. The report, which surveyed 1,700 employees at 340 organizations, found that firms are heavily investing in innovation centers in an attempt to keep up with market changes, but are failing to become more innovative.

The report found that companies are struggling with a lack of innovation-focused culture, absence of robust internal processes and leaders who promote this kind of success internally. It also identified where these innovation centers are currently located. While the US remains the market leader, innovation centers are rapidly opening in India and Singapore. The report also shows that tech and automotive are the two sectors that have added the most innovation centers in last 12 months.

Firms lack innovation effectiveness

Current innovation processes are broken and are not resulting in more innovative organizations. Since October 2016, there has been a 27% growth in these centers, yet innovation is not disseminating throughout organizations.

While 87% of those surveyed have an innovation center, no firm has reached "optimized"[1] maturity. In fact, half of business leaders feel that their organization is unable to keep up with market changes, and less than a fifth (17%) think they have a company-wide culture of innovation. Most firms (76%) are still at the "building" stage of their innovation efforts, with projects being run solely at departmental levels and no central management.

Maturity hindered by company culture and a lack of collaboration

The new report found that the main hurdle to creating an innovative organization is company culture and a lack of engagement with the wider vendor and partner community. Past reports have shown that culture is the main hurdle to digital transformation[2] and this research reveals this is true for innovation as well. The new research showed that many organizations do not have a culture in place where firms are able to experiment, pitch ideas and have them taken forward to deployment. Innovation is also being stifled by firms being unable to work with their wider ecosystem. Four out of 10 respondents said that their processes and technology are not aligned to enable interactions with partners. Another factor preventing organizations from collaborating externally concerns sharing data with third parties and losing their competitive edge.

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[1] Optimized is defined as where the organization shows a consistent track record of taking ideas from inception through to significant commercial or operational impact?
[2] Capgemini DTI Digital Culture Report, 2017

However, if they were to become more open to collaboration and improving culture, firms could see a great boost to their innovation maturity. The research found innovative firms are 13% more likely to take part in internal and external collaborations with start-ups, academia and other industry partners. In addition, firms with higher innovation maturity are 25% more likely to have flexible processes.

Lanny Cohen, Global Chief Technology and Innovation Officer of Capgemini and member of the Group Executive Committee said: *"Organizations need to accept that they cannot just open innovation centers and expect an overnight transformation in their creative output. To achieve and sustain real change, firms need to create a culture in which all employees are encouraged, through financial and non-financial incentives, to experiment and push ideas to market. Innovation units can play a large role in this process, partnering with individual teams to develop 'out of the box' ideas and provide a link to the partner and vendor ecosystem. However, a sense of innovation and creativity needs to be instilled company-wide if it is to be truly successful."*

Innovation hubs emerge in India and Singapore
Silicon Valley is no longer the default option for firms seeking to open an innovation center. Globally, it now accounts for only 13% of innovation centers compared to 18% in 2015.
- The shift is most prominent in Asia:
  - Countries in Asia claimed 29% of innovation centers opened in 2017, compared to Europe's 25%
  - Singapore attracted the maximum number of innovation centers this year, pushing London into third place in the ranking of newly opened hubs
  - Bangalore is also an increasingly attractive location: the city became the fourth most popular innovation center destination (against fifth in 2016) and India ranked fourth in newly opened innovation hubs during 2017
- There is also change within the US:
  - The US leads the world in newly opened innovation centers, 47 opened in the past year, but many are now in different places
  - While still the top destination in the US, Silicon Valley's share of US innovation centers has gone down 20% in the past 2 years
  - Atlanta, Boston and New York added 11 centers between them in 2017

How organizations can maximize value from their innovation efforts
Becoming an innovative organization requires a disciplined approach on a number of fronts. The report highlights that innovative organizations:

- Access a wider ecosystem, where ideas are co-developed in conjunction with both external and internal partners
- Promote and encourage innovation across business units and functional departments and do not limit it to innovation units
- Build a digital-first culture with support and role modeling from senior leadership
- Create a culture that encourages idea generation from all levels of the organization
- Establish processes to manage ideas through to commercialization.

Pushing up the average innovation maturity score requires a concerted effort to tackle the weakest links: ecosystem and culture. Most importantly, it will take strong, committed, and determined leadership to shift the innovation dial.

Research Methodology
Capgemini's Digital Transformation Institute surveyed 1,700 respondents from 340 organizations from

March to April 2017. Three categories of employees were included: leaders, middle-management, and junior executives. Five sectors were covered: Automotive, Banking/Insurance, Consumer Products, Retail, and Telecommunications. Eight countries were included: the United States, United Kingdom, France, Germany, Italy, Sweden, the Netherlands, and Spain.

Capgemini also conducted in-depth secondary research of all innovation center launches and announcements between November 2016 and October 2017, across all major industry sectors. Major sources included: Media reports and press releases, annual reports, executive interviews, conference speeches as well as web and social media updates such as blog posts.

A copy of the report can be downloaded here.

About Capgemini
A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2016 global revenues of EUR 12.5 billion.
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About the Digital Transformation Institute: The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom and the United States.