

The future of digital innovation is not one-sided, report finds

New report from Capgemini Invent and the MIT: in order to adopt emerging technologies and maximize associated business benefits, large corporations today turn to and need to co-ordinate multiple sources of innovation

Paris, May 13, 2020 – [Capgemini Invent](#) and the [MIT Initiative on the Digital Economy \(IDE\)](#) today announced the release of their latest report, "[Lifting the lid on corporate innovation in the digital age](#)". The report outlines the value of mastering digital innovation to gain competitive advantage, and the challenges that emerging technologies are creating in aligning the required capabilities. The introduction of new technologies, like the Internet of Things (IoT) and artificial intelligence (AI), present companies with a myriad of business opportunities; however, to successfully deploy these innovations, organizations will require a profound transformation of corporate innovation systems, including their processes and capabilities to co-ordinate multiple external sources such as universities, start-ups, third parties and crowd-sourcing.

Highlighting the trends in corporate innovation, the research reveals that firms continue to up their investment in digital transformation with 62% of companies saying they have invested "more" to "a lot more" in digital innovation compared to five years ago. This skew towards digital is even more pronounced when assessing the most successful business projects; 95% of executives surveyed said their most successful projects were primarily digital. The recent years have also witnessed a new wave of digital technologies – AI, IoT, virtual reality / augmented reality (AR/VR), 5G and others - opening up endless business opportunities to further innovate.

"The evolving digital economy and the continued rise of disruptive technologies are greatly changing the corporate innovation landscape. Companies need to adapt their innovation practices and move to hybrid models balancing internal and external sources," said Didier Bonnet, Executive VP at Capgemini Invent and sponsor of the MIT research partnership. *"The key to meeting the innovation challenge in the digital age is to identify the critical capabilities needed early, build clear innovation architectures to strike a balance between internal and external innovation, and have a clear plan for bringing key strategic capabilities in-house."*

According to the research, 94% of the 320 large companies¹ surveyed used at least two or more external sources of innovation, underlining that this has become the new norm. New capabilities required to harness innovation are not always available internally, so large corporations must find and access them wherever they are available. However, the research also highlights that firms are not abandoning their internal sources as they hold a lot of advantages. When using internal sources, 87% of company projects produced an advantage which persisted. In contrast, only 60% of projects externally sourced yielded persistent competitive advantage, whilst 40% of the time, competitors or outsiders matched or overtook them. To successfully explore new technologies, markets,

¹ Definition of a large company in this study is a revenue of \$500million or more in 2017.



processes or business models, big firms must use a combination of internal and external innovation in order to succeed. The report recommends the below three-step innovation approach to build the required capabilities:

- **Identify technological competencies:** Identifying the technological capabilities that are likely to be critical in the future, with the key element for consideration being if the acquisition of the new technologies will differentiate from competitors.
- **Create an architecture:** Developing new sources of innovation requires companies to rebuild their innovation architectures, so they can manage both internal and external sources of innovation. Getting the foundational blocks in place is therefore important.
- **Develop transfer processes:** Creating a roadmap that demonstrates how externally developed capabilities and skills will be brought into the company in the medium term or long run.

Dr. Neil Thompson, an Innovation Scholar at the MIT and co-author of the report said, *"Our work highlights that there isn't a single 'right' model of innovation that is always applicable. Instead, firms must map out the technologies that they'll need and the capabilities that will get them there – and then build their innovation system around this. To access rare, cutting-edge expertise, this will mean having a portfolio of external innovation sources. For building those capabilities into longer-term competitive advantage, it will mean bring as many of those key skills in-house in the longer term."*

To read a full copy of the report, please click [here](#).

About the research:

The research was conducted by the MIT and Capgemini Invent during the 2017-2020 research cycle focused on "Corporate Innovation in a Digital Era". The team conducted in-depth interviews with 30 large corporations across industries and geographies to obtain a granular understanding of their innovation practices and systems. It then structured and administered a survey to quantify these innovation practices and systems. Through Phronesis Partners, it polled innovation leaders at 320 large firms (with revenues above \$500 million per year) and gathered data on 640 innovation projects. The sample covered firms from the U.S., China, UK, Germany, France, Australia, Japan and South Korea across seven industries.

About Capgemini Invent

As the digital innovation, consulting and transformation brand of the Capgemini Group, Capgemini Invent helps CxOs envision and build what's next for their organizations. Located in more than 30 offices and 22 creative studios around the world, its 6,000+ strong team combines strategy, technology, data science and creative design with deep industry expertise and insights, to develop new digital solutions and business models of the future.

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