

breathe in(novation)

UNCOVER INNOVATIONS THAT MATTER



INNOVATION AXIOMS FOR TODAY'S LEADERS



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Pascal Brier is Capgemini's Group Chief Innovation Officer and a member of the Group Executive Committee. Prior to this, Pascal was a member of the Executive Committee and Executive Vice-President of the Altran group, in charge of Strategy, Technology & Innovation, based in the Silicon Valley. Pascal began his career at NCR and AT&T and then held various leadership positions at Microsoft.

Innovation as self-reinvention

Why do organizations need to innovate? While innovation is often seen as the linchpin for sustained growth and a way for a company to differentiate itself from the competition, a more fundamental driver of innovation in business is the need to stay relevant. When Airbnb launched, many large hotel chains did not feel threatened. It didn't take long, however, for Airbnb to be able to boast more listings than the combined number of rooms held by the top 5 global hotel brands.



This example highlights one key message: when it comes to innovation, companies need to be on their toes. Innovate, or abdicate and be shown up.

Depending on the style and approach of their leadership, organizations can either take an aggressive approach and ride the innovation or adopt a defensive strategy and try to ride out market disruption. Which is the right response will depend on the nature of the industry and the individual organization's market position. A good starting point for making sure executive teams and innovation teams are aligned in their thinking is to ask the following questions:

Timing – Are you generally seeking to be a first mover, an early adopter, or a fast follower? Where do you see competitive advantage and why?

Risk – What is the organization's attitude to risk? Are you looking for incremental or disruptive innovation? What's the right balance of these two aspects and what are your leaders' expectations?

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Perspectives from Capgemini

Process – How do you approach innovation? Is it something that you want to build and defend in house, or are you open and collaborative and seeking the best ideas wherever they emerge?

Method – Do you see innovation as a way of exploring lots of different ideas, or do you want to place a few, limited bets – but bets that count?

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Technology leads innovation

Marc Andreessen, in his famous 2011 essay, said software is eating the world.¹ In 2022, it is clearly visible all around us that software has eaten the world. Eight of the world’s 10 biggest companies by market capitalization are technology companies, compared to just two in 2010.² Today, there is no organization where technology has not impacted every function, across every sector. This is also true of innovation. Organizations need to bear in mind that, at its core, innovation is led by technology.

1 Wall Street Journal, “Why Software Is Eating The World”, August 2011

2 FT, Global 500, December 2010 and December 2021

Software-driven transformation is redefining the global automotive industry, for instance. It is transforming vehicles, organizational structure, processes, methods, and tools. Automotive manufacturing is now primarily defined, designed, and operated by software. Our research suggests that, by 2031, software-based features and services will be a \$640 billion global market, growing in this period from 8% of OEMs' current annual revenues to 22%.³

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³ Capgemini Research Institute, “Next Destination: Software”, September 2021

Perspectives from Capgemini

Across industries, companies are building large-scale technology foundations in a bid to harness data and drive innovation. For example, in the utilities market, a robust data and technology foundation is a prerequisite for successful implementation of new-energy models. Sustainability and reduction of carbon footprints are top of the agenda in the energy sector. Here, too, solutions are invariably based on new technologies.

We are entering a new era of tech-led innovation. Researchers estimate that technological innovations across virtual reality (VR), the metaverse, quantum, and the circular economy could contribute trillions of dollars of new value to the global economy by the end of the decade.⁴ Take quantum technology – the development of quantum computation during the next decade will allow the production of complex mathematical models and superior processing power, making possible the simulation of processes not considered feasible previously.

**EIGHT OF THE WORLD'S 10
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⁴ WeForum, "Circular Economy and Material Value Chains", January 2018

Get to know the technology

Leaders need to increase their own technological knowledge so they can stay on top of new deployments. They will need to consciously drive a digital mindset in their organizations. Research shows that, currently, only 7% of companies have digitally savvy executive teams. Fewer than one in four CEOs and only about one in eight CFOs can be classified as digitally savvy.

Companies with digitally savvy executive teams have 48% higher revenue growth and 15% higher net margins than those who do not.⁵ One example of a company that brought in the right tech skills at the top is Goldman Sachs, which launched its consumer banking business in 2016. The intention was to build a modern digital business within a 150-year-old traditional financial institution. By the first quarter of 2022, the Marcus brand was already serving over 13 million customers (including through the Apple Card partnership).⁶ Today, it is headed by a partner who sharpened their tech skills at Uber and, before that, at Amazon, managing Alexa’s machine-learning (ML) platform service.



5 MIT Sloan Management Review, “Does your C-Suite have enough digital smarts?” March 2021.

6 The Financial Brand, “Inside Goldman Sachs’ plans for Marcus to be the dominant digital bank,” April 2022.

Objectives for executive teams



"Leaders need to increase their own technological knowledge so they can stay on top of new deployments."

Innovation leaders need to look beyond the underlying philosophy and set solid business objectives. Objectives ground innovation leaders in delivery and accountability. The key objectives to propagate are:

- a. Identify weak signals and ensure you are never late on any technology wave. This doesn't mean you have to always be the first mover. It's about not being late.
- b. Focus on understanding the use cases for any technology, building towards a future portfolio.
- c. Manage the innovation continuum. A key focus is to build an inclusive spirit throughout the organization. Innovation is not an elitist activity but rather one that should call on all the resources in an organization.

Today's market dynamics present a critical opportunity for business leaders to revisit their innovation strategies. The imperative for enterprises to be fast, agile, responsible, and innovative brooks no exception. Innovation starts with a mindset to challenge the status quo, a mindset to move more rapidly than business as usual. Getting started with innovation is the easy part. Sustained success comes to those organizations that constantly reassess the role of innovation in their journeys, build the right technology capabilities, and ensure they equip their leaders with the right skills to create new modes of distinction for the organization.

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