

More than eight out of ten organizations see open innovation as critical for addressing sustainability challenges

London, Paris, and New York set to be the top three cities for open innovation labs in the next two years

Paris, June 12, 2023 – Three quarters (75%) of organizations state that open innovation¹ is critical to addressing complex challenges in today’s business landscape. According to Capgemini Research Institute’s latest report, ‘[The Power of Open Minds - How open innovation offers benefits for all](#)’, 71% of organizations say that they plan to increase their investment in open innovation practices in the next two years, while 28% intend to maintain their investment at its current level.

Open innovation widely recognized as critical in solving key business challenges

Navigating today’s complex business ecosystem requires a collaborative approach and an ecosystem of partners. The report finds that businesses adopt open innovation in order to improve existing offerings and develop new ones, create new business models, and ensure more efficient spending in R&D.

The report also finds that 83% of organizations see open innovation as a critical success factor for addressing sustainability goals. However, this is a recent trend for companies, with over two thirds (68%) of them only starting to focus on open innovation for sustainability purposes in the past two years. Those that have leveraged open innovation are already reaping benefits – with 63% citing improvements in environmental sustainability indicators² and 55% citing improvements in social sustainability indicators³ because of their open innovation initiatives.

In addition, the report finds that over 60% of organizations are experiencing improved operational efficiency, increased agility, and stronger revenue thanks to open innovation. Over half (55%) also report that it has led to increased speed of innovation, and 62% say it has led to greater employee agility and adaptability.

Startups and other partners are more satisfied with the outcomes of open innovation than large organizations

Three-quarters of startups, academics, and non-profits view open innovation outcomes as positive as compared to 53% of large organizations. The research also shows that large organizations have been unable to leverage new sources of innovation effectively. They say they are able to derive better outcomes when working with traditional partners such as customers and suppliers, rather than non-traditional partners such as universities, industry consortiums, companies in other industries, government bodies and non-profits.

Those that are taking a bolder approach to innovation and are willing to apply open innovation practices to potentially riskier or new business areas are reaping benefits. The reports finds that only 22% of organizations have described their outcomes from open innovation as “good” or “excellent”. These “leaders”

¹ This research defines open innovation as the practice of collaborating with external entities such as startups, universities, other corporations, non-profits, etc., to co-create new value, rather than relying only on internal knowledge and resources.

² Examples of environmental sustainability indicators include reduced emissions, waste, pollution.

³ Examples of social sustainability indicators include improved transparency across supply chain, fairer working conditions.



are also more willing to collaborate with innovation partners such as startups and other non-traditional partners.

"As businesses make the dual transition towards a digital and sustainable economy, nurturing a culture of open innovation is a critical success factor for organizations," said Pascal Brier, Chief Innovation Officer at Capgemini and Member of the Group Executive Committee. *"The research shows that although companies see open innovation as pivotal for sustainability and continue to step up investments in open innovation, many are still not satisfied with its current outcomes. To address this, large companies need to expand their ecosystem to incorporate a more varied set of partners that will enable a bolder approach to innovation in order to see greater business value in the long run."*

Three of the top five cities where organizations plan to invest in Open Innovation Labs are in Europe

The report finds that organizations are adopting a variety of approaches to engage in open innovation – such as corporate accelerators and incubators, corporate venture capital, crowdsourcing, and open innovation labs. Amongst these, 71% of the organizations surveyed plan to increase investment in open innovation in the next two years.

- New York emerged as the top ranked city for investment in open innovation labs, today and in the next two years, followed by London.
- Paris is expected to move up 3 ranks, reaching the third spot, overtaking San Francisco (set to become number four in the next 2 years).
- Overall, three of the top five cities where organizations plan to focus investments in open innovation labs in the next two years are in Europe (these include London, Paris and Berlin).
- Organizations are diversifying their geographical approach to open innovation labs over the next two years, with Boston, Melbourne, Toronto, Beijing, and the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), all set to rise in the rankings.

The report also finds that quality of life/ city infrastructure, access to technology partners, and to customers and suppliers are the primary factors for companies when deciding which locations to invest in open innovation labs.

Methodology

For this report, the Capgemini Research Institute conducted a quantitative survey of 2,000 senior executives (director level and above) from 1,000 large organizations (with annual revenue of over USD 1 billion each) that have ongoing open innovation initiatives. Two respondents from each organization were surveyed – one from the innovation function (or equivalent) and one from a business function (including R&D/product development, strategy, marketing, technology/IT, supply chain, sustainability, operations, and sales). The organizations came from a range of sectors, including automotive, consumer products, retail, manufacturing, financial services, energy and utilities, telecom and technology, and life sciences and healthcare. In addition, the Institute also surveyed 500 startups, academics, and non-profit entities that have worked on open innovation projects with large organizations (i.e., organizations with annual revenue of over USD 1 billion). All respondents were based in 12 countries across North America, Europe, and APAC: US, UK, France, Germany, Italy, Spain, Netherlands, Sweden, India, Singapore, Australia and Japan. The Institute also interviewed 32 senior industry executives and experts.

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