RESEARCH

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How AI is Influencing Corporate Innovation Priorities in 2024

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Executive Summary

As AI becomes a top priority in many companies, how is that impacting innovation work?

Over the course of 2023, we conducted several surveys with our partners at HYPE Innovation, and also built a "risk assessment" for corporate innovation teams. Over the course of the year, these collected 240 qualified responses. This report features the best of that data, along with seven interviews we conducted in January 2024 to gather perspectives from individual leaders about how their work was changing; how they were exploring or using new AI tools; and their advice for others.

In our respondent set, we found that:

- 61 percent of innovation groups work directly under a high-visibility leader with a broad focus.
- 40 percent say they have a clear mission and KPIs; 45 percent say they have high-level goals but lack detailed metrics.
- Only 22 percent say they are "seamlessly integrated and actively collaborating" with other parts of the organization.
- When asked what helps them to constructively collaborate with business units or departments, our respondents highlighted strong personal relationships and trust, along with tying work tightly to key strategic initiatives for the organization.
- 61 percent of respondents say their portfolios either consist of entirely H1 innovation work, or have shifted from H2 and H3 toward H1 in recent years.
- The most effective incentives for motivating colleagues to get involved and stay involved with innovation programs are "opportunities for career advancement and professional development." But those incentives are in place at just 45 percent of our respondent companies.
- IT and technology groups are carrying much of the responsibility for investigating use cases for AI, followed closely by innovation teams.
- More than 60 percent of respondents said that budget and human resources devoted to AI in their organizations were growing in 2023.
- Nearly one-third of our respondents don't think their organizations are moving quickly enough in exploring or deploying generative AI specifically.

Executive Summary

With regard to AI use cases and early experiments with generative AI, the leaders we interviewed were largely still working to outline the opportunities and risks; collaborating with departments like legal and risk management to develop policies; and also exploring the ways it can generate tangible business benefits. “It’s got to be economical and feasible if it’s going to be valuable,” said Paul Puopolo, Executive Vice President of Innovation at Dallas Fort Worth International Airport.

Jim Suchara, Senior Vice President at The Doctors Company, a medical malpractice insurer based in California, served up some evergreen advice to corporate innovators trying to help their organizations navigate the “AI era” — and whatever new technology might arrive after that. “It’s critical to align with your company’s business strategy priorities, and to be well integrated into the business leader community… I’ve seen a lot of instances where innovation was set up as a separate ‘ivory tower’ or in a ‘think tank’ manner… While they could do a lot of great things on their own, they really had challenges with reconnecting back with their main organization and operationalizing some of those great ideas.”

“[AI has] got to be economical and feasible if it’s going to be valuable.”

— Paul Puopolo, EVP
Dallas Fort Worth International Airport

Peer Insights: PGIM

PGIM, the investment management business of Prudential Financial, Inc, has over $1 trillion total assets under management.

What's on your agenda for 2024?

My agenda stays consistent. What remains number one is continuing to educate our businesses on how the use of cutting-edge technology can help leapfrog PGIM ahead of our competitors, and make our businesses more efficient and effective. Our team's goals are to arm our businesses with the knowledge and tools they need to create change, which in turn, help them create innovative solutions for our clients and enable our employees to work more efficiently. Our four focus areas continue to be data strategy, digital transformation, business process improvement, and what we call breakthrough innovation.

How is your mandate or your team make-up changing, if at all?

Our mandate is changing to be a little bit more technically execution focused. It's not just about the art of the possible, but it's about the art of the execution now as well, especially in generative AI or in some of the data work that we're doing. It's about how we take something from an idea – to execution – and really embed it in the business process.

Now shifting toward AI, how does it connect to what you do?

We've always used predictive analytics or generative AI in the work that we do, especially in data strategy. However, I think once ChatGPT came out, it became much more democratized. Now, we're teaching people how to use AI, because it's not necessarily intuitive. This will help people augment some of the tedious work they're doing. In other words, we're using it for staff augmentation and idea generation — and we've had good success thus far, but I think we're just scratching the surface.



Roben Dunkin
Chief Operations and Innovation Officer
PGIM

What's one piece of advice you'd like to share with other innovators?

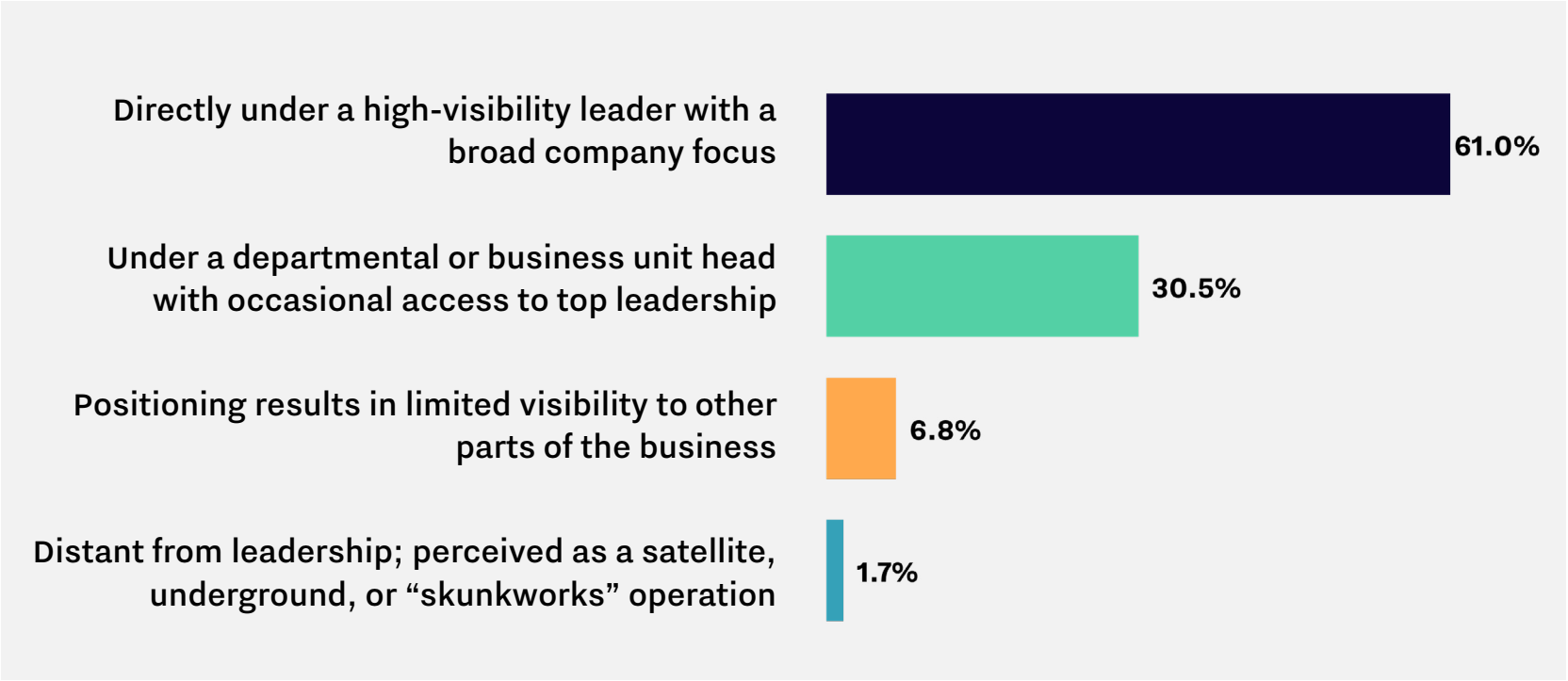
In innovation, it's okay to fail, but fail fast, and make sure that you create an environment where it's a safe place to do it. Learn from your mistakes… and realize that if you try a prototype and it doesn't work, it's not a complete failure because you've learned so much from the process. I'd also share that innovation isn't something that's only done at 30,000 feet – innovation is meant to be integrated into our everyday lives…

STRUCTURE, SENIOR LEADERSHIP SUPPORT, AND OUTCOMES

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Where Innovation Sits

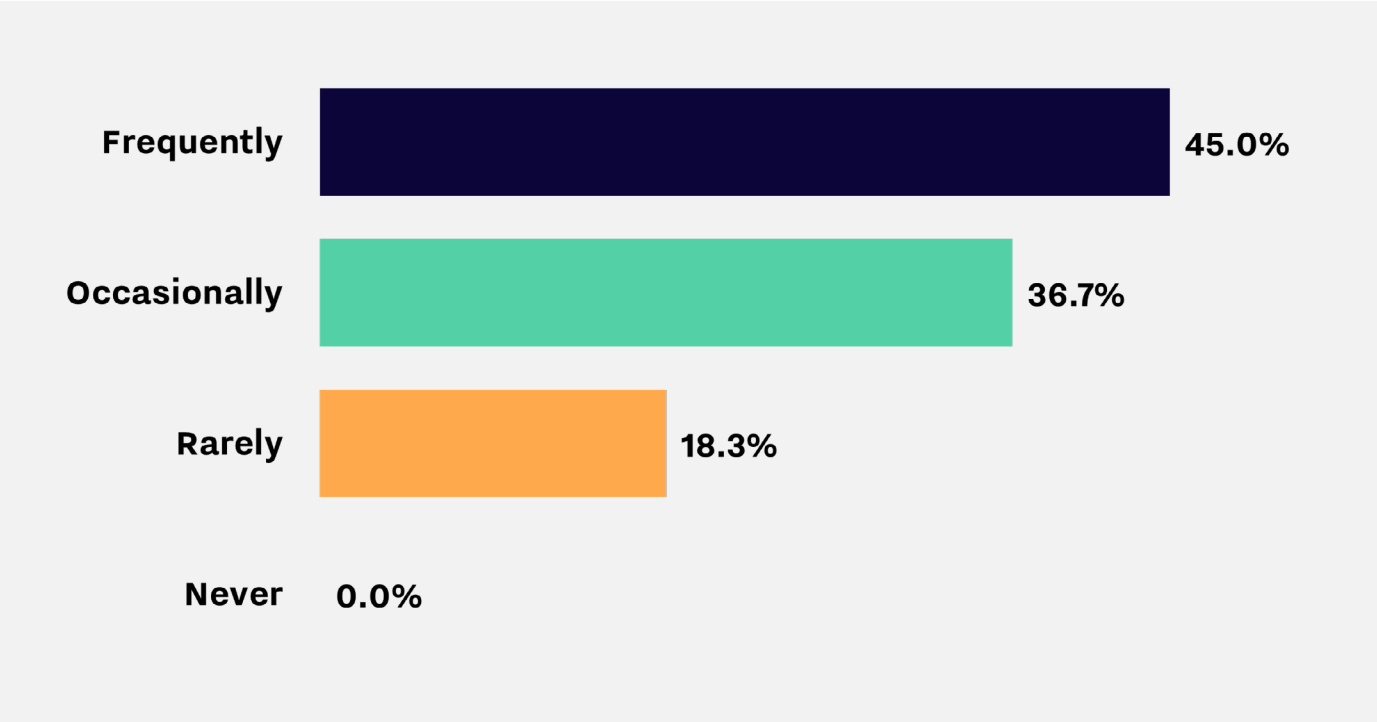
How would you describe the position of your innovation program in the organizational hierarchy?



The majority of respondents (61 percent) are in good shape: positioned under a high-visibility leader with a broad company focus. Isolated “skunkworks” teams are in the minority.

Frequency of Senior Leader Communication

How often does your senior leadership team discuss the progress and value of the innovation program?

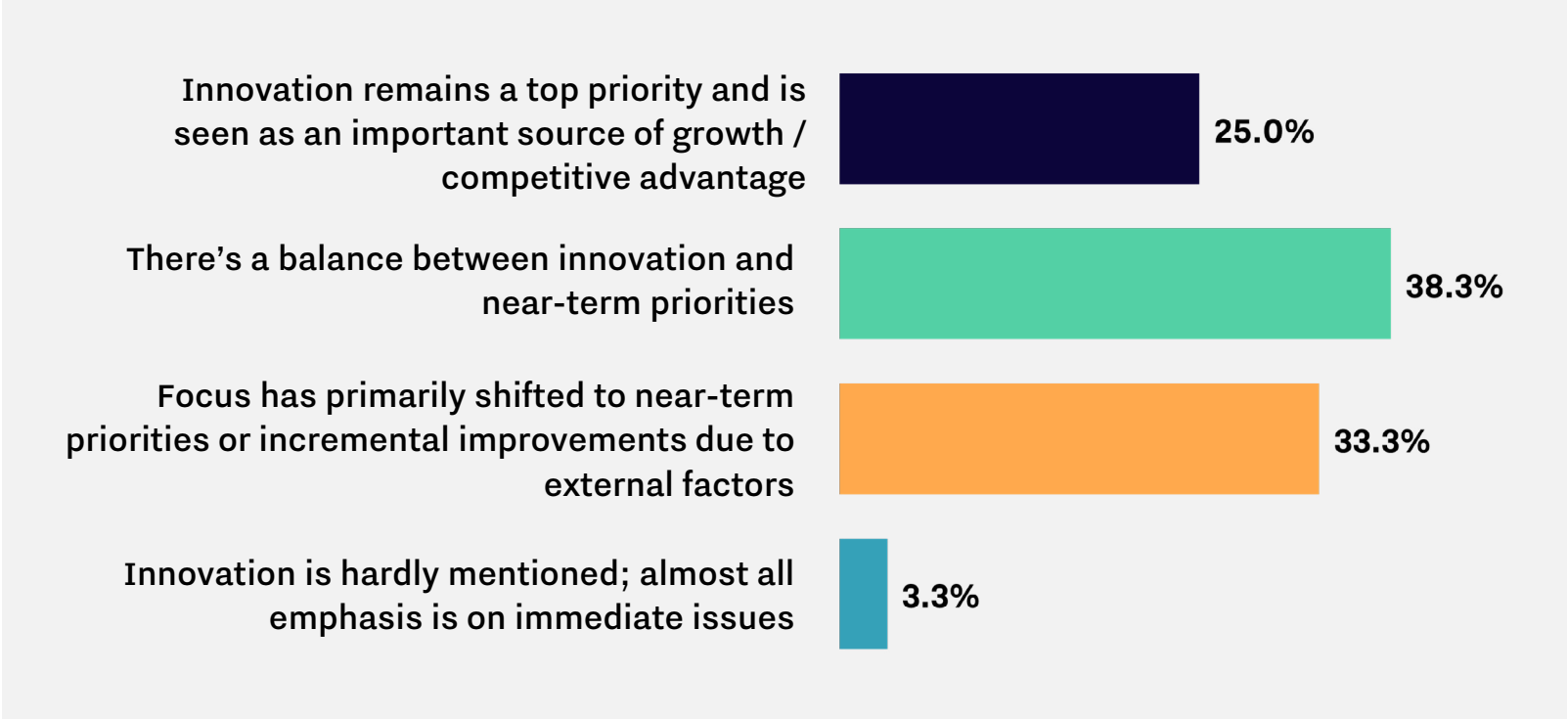


Starting an innovation program is important—but are senior leaders standing behind it, staying engaged, and continuing to communicate its value to the rest of the organization?

At nearly 20 percent of companies, that top-level involvement happens rarely, but at 45 percent, it's a frequent occurrence.

Leadership's Changing Focus

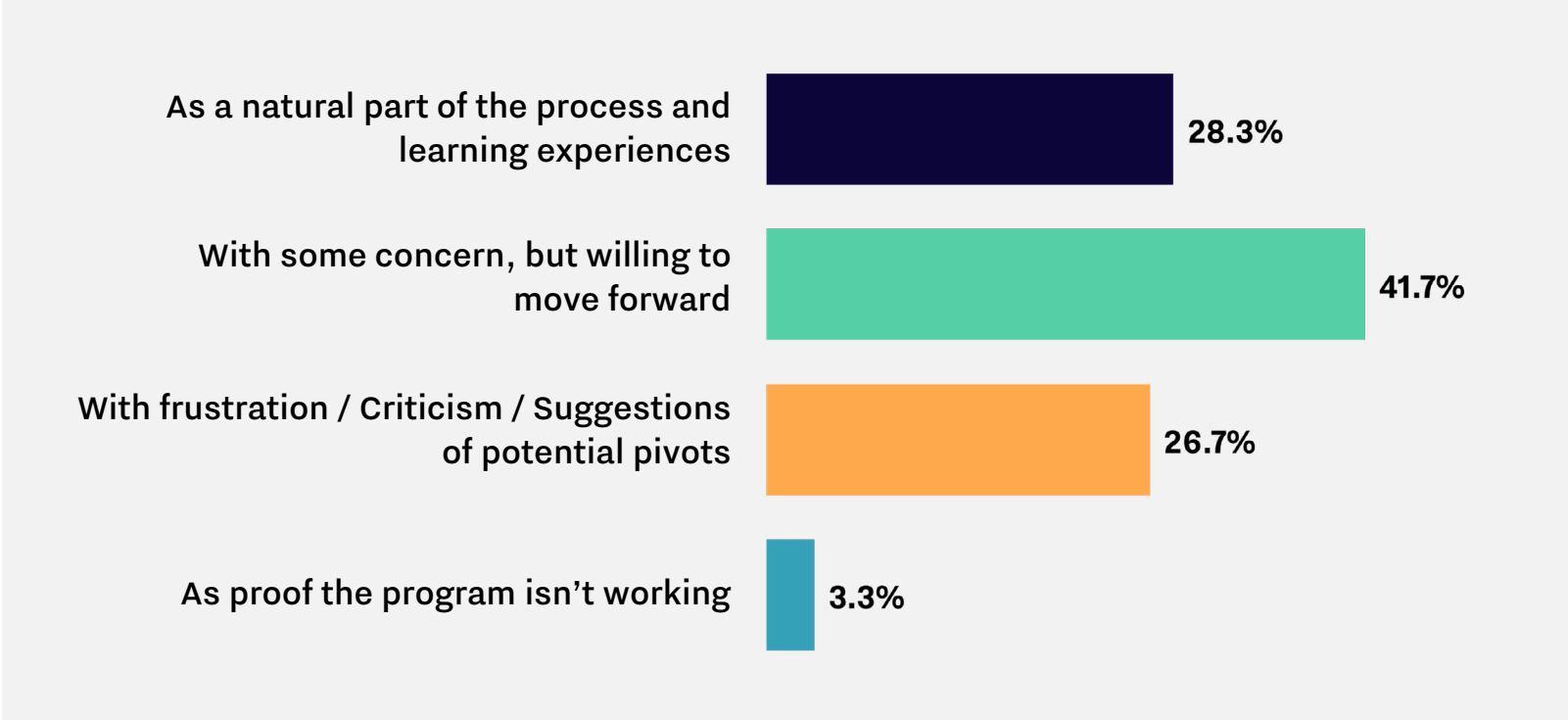
How have the leaders of your organization shifted their focus in recent times?



At more than 36 percent of companies in our sample set, leadership focus has moved to near-term priorities and incremental improvements; or innovation has fallen off the plate entirely, and nearly all emphasis is on immediate issues.

Leadership Perception of Failures

How do leaders in your organization perceive failures within the innovation program?



At 70 percent of companies, leaders see failures as either a norma part of experimentation, or "with some concern, but willing to move forward."

Peer Insights: Door Dash



Ravi Inukonda
CFO
Door Dash

What is on your 2024 agenda?

We have a three-fold mission in 2024 to grow and empower local economies. One: we want to help merchants be digital in a world of omnichannel commerce. Second, we want to provide "Dashers" — these are people who deliver restaurant food as well as groceries — to our consumers… And finally, when you look at it from a merchant's perspective, we are driving same-store sales growth to merchants.

How is your mandate, your metrics, or your team make-up changing?

Today, roughly 30 million people shop on Door Dash every single month, [but] there are over 300 million people in the US alone… Over time, our goal is to serve more people… Similarly, I think with merchants, there are more than a million restaurants in the US, but today we don't have all of them. Our goal is how do we help the local Thai restaurant down the street from you, or the family-owned Italian restaurant in the North End? How do we make sure they have the same capabilities as a McDonald's or a Chipotle or a Cheesecake Factory?

There has been a change that has happened in the last ten years, where the majority of the companies have shifted over to thinking of finance as a strategic function and not just purely as a bean counting function…

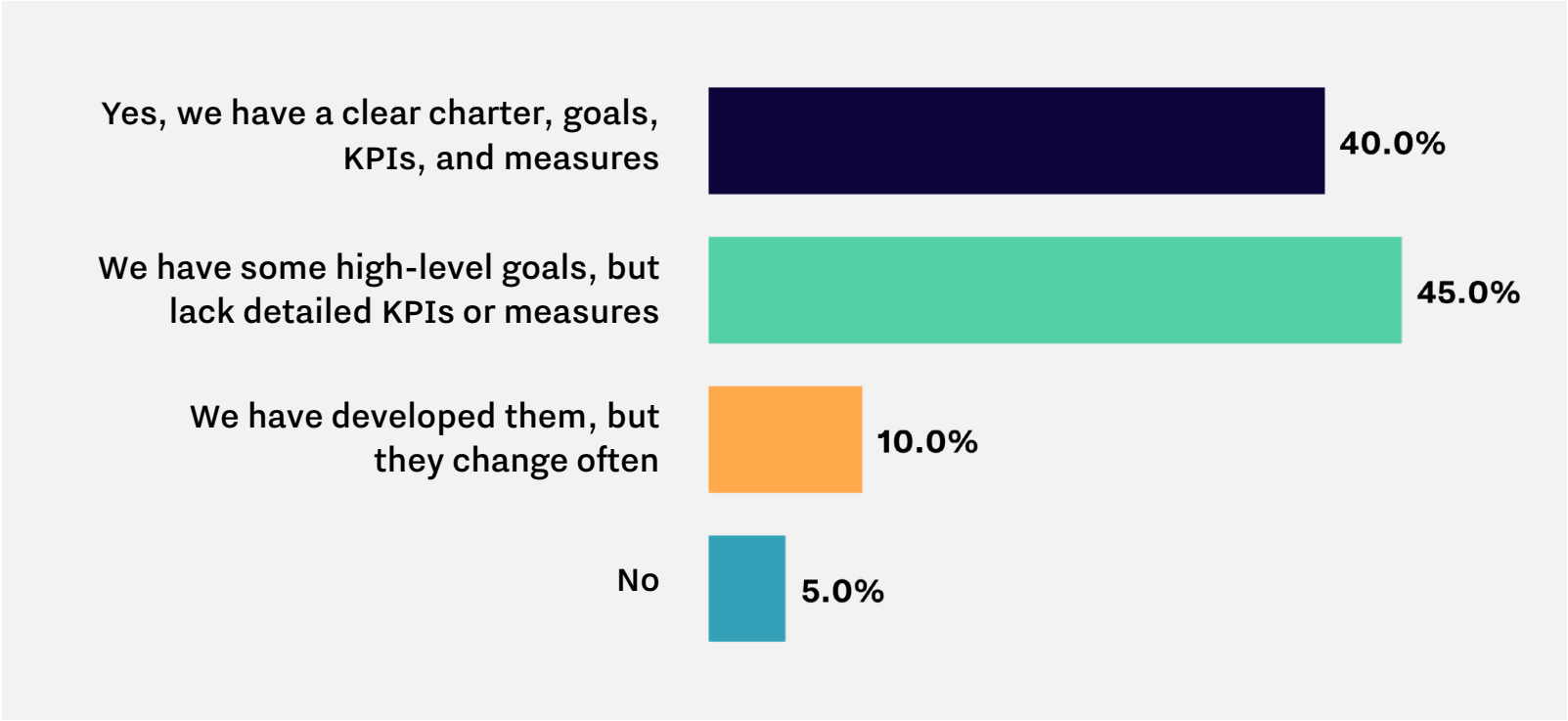
AI and DoorDash

Our core competency is as a predictive analytics engine. If you think about Door Dash, the number one thing that we are trying to do is match demand and supply… We have built a logistics platform that could deliver ice cream from one part of the town to the other part of the town without it melting… And that is because of these predictive analytics and machine learning models. Now people are saying it is "AI-based" what we have been working on for the last ten years.

AI and machine learning and deep learning are already ingrained in the very nature of what our company "is" and the company culture. But now we are extending it. We're saying, "You and your partner are in the same household, but your needs are quite different. How can we personalize the experience for you very differently from your partner, where you get to see two different experiences?"

Mission and KPIs

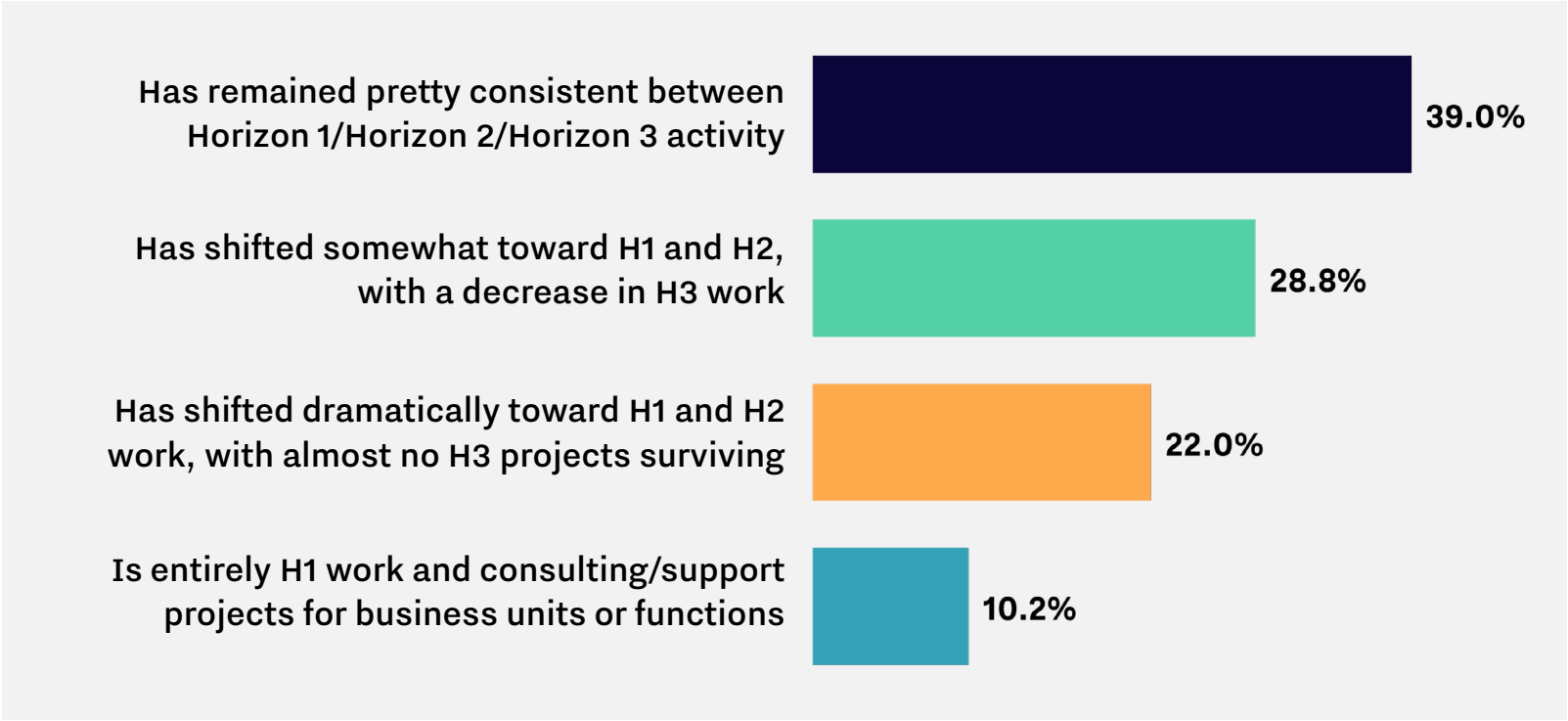
Does your innovation team have a clear mission and well-defined KPIs?



Fifteen percent of respondents either have not created a clear mission and metrics, or say they change often. But 45 percent tell us they have reached “metrics nirvana,” with a clear charter, goals, and ways to measure progress.

Shifting Portfolios

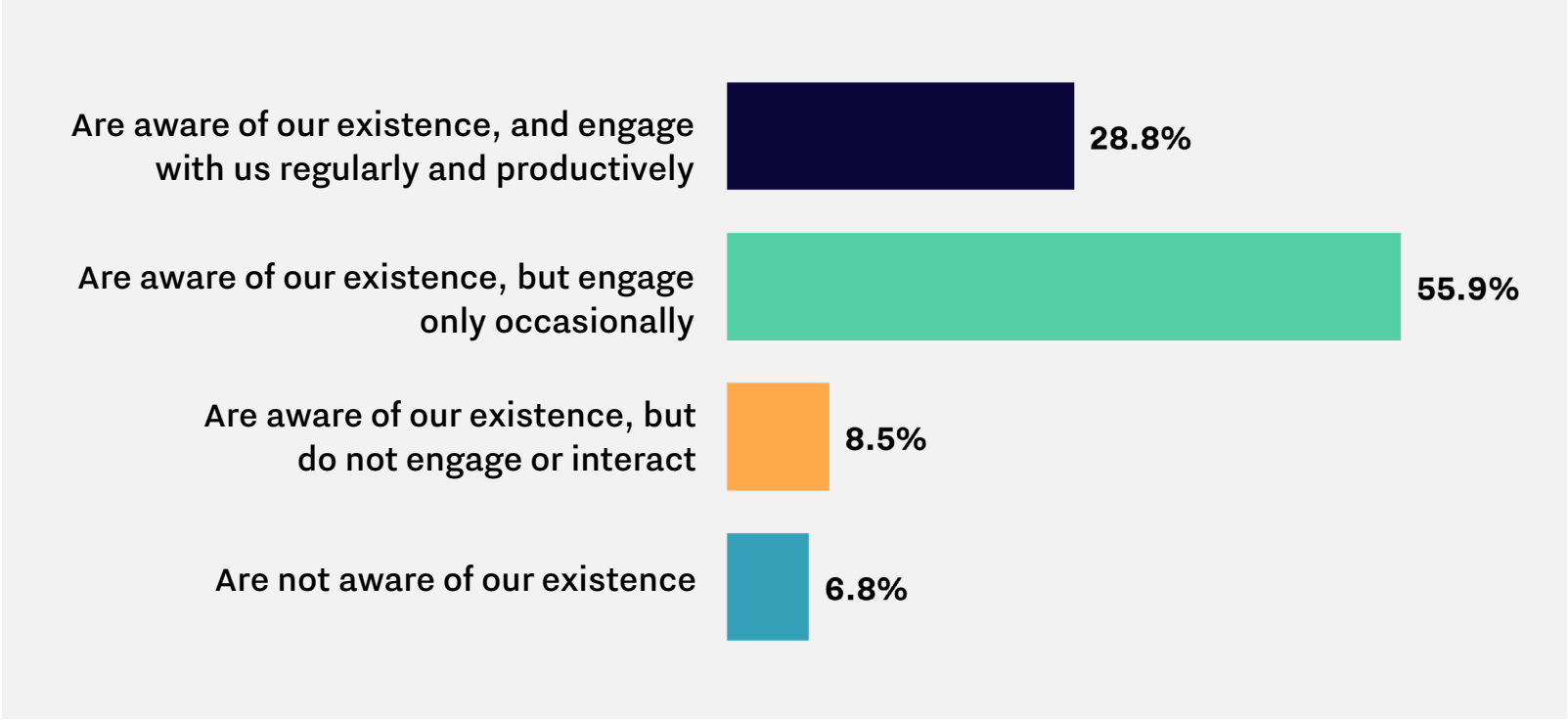
Over time, our portfolio of innovation work:



Our 2023 report *Benchmarking Innovation Impact* found that transformational or H3 innovation work was waning. This data suggests that the trend is continuing, with nearly 30 percent of respondents saying their portfolio was tilting towards H1 and H2 work, and 22 percent describing the shift as dramatic.

Customer and Partner Awareness

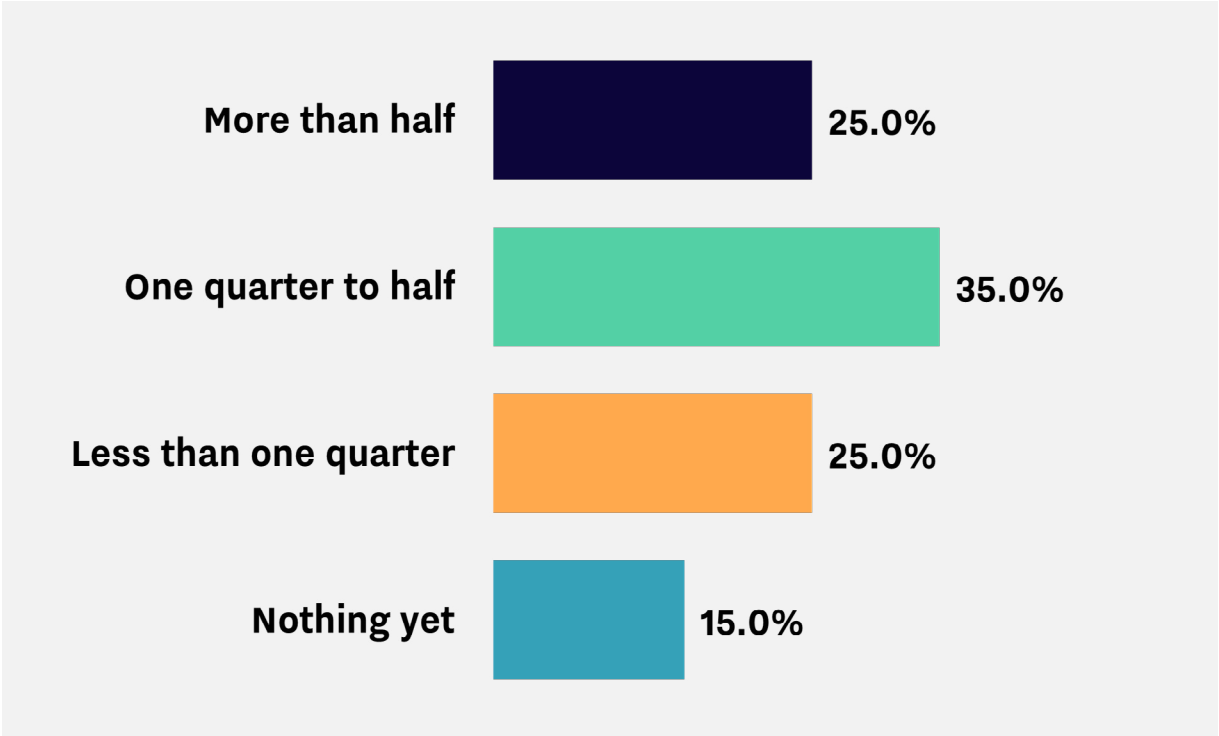
Our customers or business partners:



Most respondents say that they collaborate with customers or business partners “only occasionally” — or not at all — potentially highlighting a big opportunity for improvement in 2024.

Tangible Outcomes

What proportion of projects launched or rolled out by your innovation program have produced tangible outcomes or results in the past year? (Can be internal or customer-facing impacts.)



At 60 percent of companies in our respondent set, at least one quarter of the projects they've rolled out in the past year are already producing tangible outcomes. Just 15 percent of respondents fall into the "not yet" category.

Peer Insights: DFW International Airport

What is on your 2024 agenda?

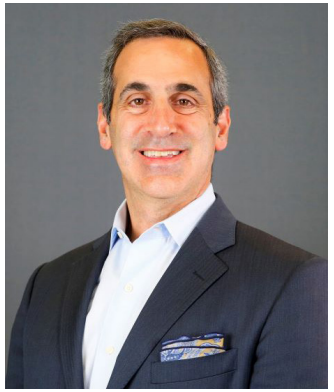
We've always been working in autonomy. But the innovation team is going to think about the roadmap to autonomy and what projects advance or accelerate as the technology keeps changing. We're going to make sure we look at data and analytics, which AI [is part of.] And of course, sustainability, because it's not so much should we be sustainable, but it's more about what technologies are out there to help us be more efficient and effective.

How is your mandate or your team make-up changing for 2024?

The good thing is innovation is fully supported at DFW Airport. We're increasing our team's resources, and our budget has been steady, thanks to our CFO. Our categories for innovation remain the same. However, we expanded our focus areas to include sustainability. Every year we look at our categories and figure out which pertains to the strategy of the airport for that year. Sustainability is becoming such a big topic… that we wanted to include it as a separate focus area.

Is AI helping with these challenges?

Yes, so that's where the technology comes in. Is AI good enough to sort or identify trash in the way that we need it to? And is it cost effective? Are you going to pay for smart trash bins across the airport? That's a lot of recycling bins! It's got to be economical and feasible if it's going to be valuable.



Paul Puopolo
EVP of Innovation
Dallas Fort Worth Airport

What is one piece of advice you share with other innovators?

The biggest thing I say to people is to innovate in context. The reason I say that is, having come from three very different organizations that are all very large… [and] very regulated, you have to take the principles of innovation, and adapt them to work within your organization. Sometimes we try to apply innovation principles as a prescriptive formula, and my argument is no, you should have those as your north star… but you've got to apply them and tweak your efforts to your organization's culture, or you won't be successful… Don't try to copy somebody else's model, because you'll be doing something that the organization won't have the stomach for, because your innovation purpose is not clear.

CONNECTIONS TO THE REST OF THE ORGANIZATION

18 INTEGRATION AND COLLABORATION

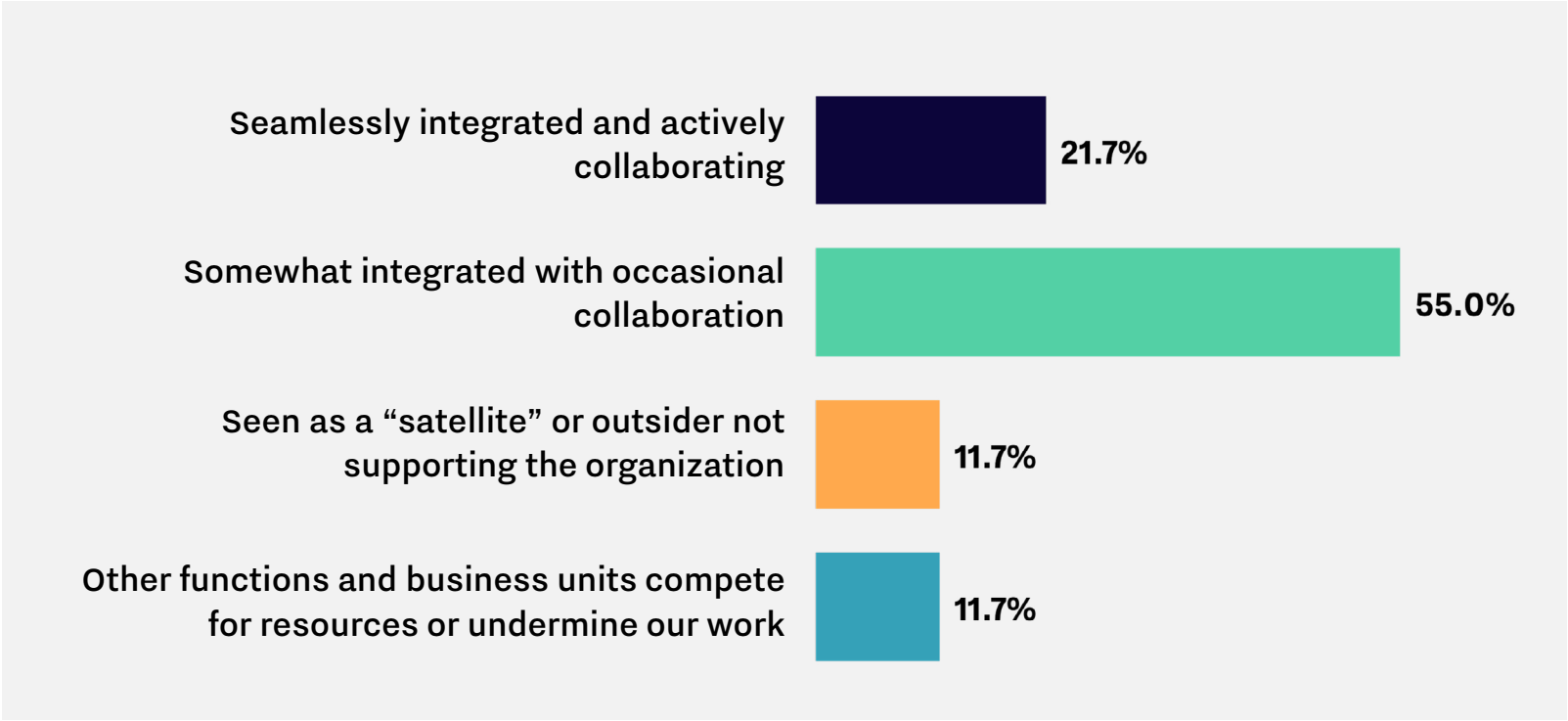
19 TACTICS FOR CREATING STRONG RELATIONSHIPS

20 OTHER KEY TACTICS

23 PEER INSIGHTS: AMAZON LAB126

Integration and Collaboration

How well integrated is the innovation program with other departments and business units in your organization?



Nearly one-quarter of our respondents have not yet set up constructive relationships with other departments or business units. Roughly 22 percent are “seamlessly integrated and actively collaborating.” Improving those relationships can be the difference between a short-lived innovation effort and one that delivers tangible results.

Tactics for Creating Strong Relationships

Which tactics build strong relationships between innovation/R&D/new product/new ventures teams, and the business unit and functional leaders in a company? Respondents could choose up to five tactics as "extremely important" or "vital." Tactics are listed below in order of importance.

75.3%	Building strong personal relationships and trust in business units and functions.
69.4%	Tying innovation work tightly to key strategic initiatives/focus for the company.
58.8%	Securing engagement and oversight from C-suite and senior executives.
54.1%	Tying innovation work to problems/opportunities that are on the business unit/function's agenda.
43.5%	Engaging with people at all levels of the functions and business units, not just top leaders.
41.2%	Aligning incentives between innovation and business units/functions.
32.9%	Making sure the business unit or function has some "skin in the game" in terms of funding projects.
28.2%	Keeping everyone focused on customer needs, your competitors, and market changes/opportunities.
25.9%	Showing concrete prototypes so others can understand what you're building.
21.2%	Creating and reporting on shared success metrics, all along the journey from concept to finish line.
20.0%	Collecting and sharing data/feedback from customers/users who want what you're building.
4.7%	Writing down shared objectives and expectations.

Other Key Tactics?

What other tactics were missing from our list? And what position do they belong in for you?

> **Some respondents were concerned with aligning innovation to real-world metrics and results based on external feedback loops (from customers, the market, and ecosystem partners) and internally (strategy, mission, and vision). Tactics included:**

- "Connecting innovation to creating new value for existing and new customers (and additional revenue streams for our own company). It is #1 on our list … our innovation team is responsible for new sources of revenue for the company."
- "Market-driven innovation: Important to ensure connecting with the market and ecosystem engagement to get the right insights on most pressing challenges, pain points, problems to solve and understand the potential value creation (at the top of the list)."
- "Is the solution impactful [and is there] an opportunity to be disruptive and/or provide the company significant financial return."
- "We write strategy narrative to align on current state, future state, and path forward with senior leaders and everyone working on the work."
- "Mechanism to crowdsource right problem statements and getting buying from key stakeholders at early stage."
- "Looking ahead to future strategic business changes — and anticipating what it means to current efforts (companies have a hard time maintaining innovation priorities beyond five-year windows)."
- "Building business cases for the end customer and the internal business area that you intend to adopt the innovation: Top 3."
- "Identifying and executing on some small quick wins for the BU to build trust."

Other Key Tactics? (Continued)

Other respondents were concerned with the need to establish organizational structures, buy in, culture, and incentives to support innovation efforts. Tactics included:

- "Creating immersive experiences in innovation that help leaders of core functions think beyond their current boundaries."
- "Educating business units/functions on the innovation process (Position #1 or #2 on our list)."
- "Business unit leadership team incentives (or P/L credits) for new product or service investments to overcome short-term costs of building a better future."
- "Legitimacy and power should be officially given to innovation from the CEO."
- "Stakeholder buy-in."
- "Business unit participants that are involved in testing, executing, scaling need to have BU leader support and incentives tied to innovation — not as a hobby on top of their day job."
- "Ensuring that performance pay incentives for business leaders include one incentive based on the revenue from the sale of new products introduced over the past X years."
- "Creating an organization culture that constantly embraces innovation and learning."
- "In large companies, especially in mature industries, budgets typically only allow for BUs to achieve incremental growth targets. There is almost zero money for innovation — especially innovation that takes longer to realize revenue contribution. So missing from the list is a company's financial commitment to opportunities beyond incremental growth."
- "Establishing metrics of success for the innovation units that reward and recognize the purpose of innovation. (Standard corporate metrics reward short-term 'little i' innovation, but fail to recognize the contributions of innovation units when they bear fruit several years later)."
- "I would double down on aligning incentives. I would further emphasize the importance of having people with a majority of responsibilities focused on innovation. This includes engineering, marketing, sales, and finance."

Other Key Tactics? (Continued)

- "Building culture capabilities focused on co-creation, promoting [people] for their expertise (not [on a 'who they know'] basis), and peer coaching/exchange."
- "Having a separate, secure, and clear fund to support innovation — which the innovation lead is responsible for —and which has nothing to do with P&L."
- "Establishing industry/academia partnerships."
- "Co-creating products with colleagues from other business units. Innovation should not operate in a vacuum."

Cross-functional communication, and communication up and down org chart about the innovation culture of the company (including tactical and strategic updates on innovation efforts and specific projects) were a priority for other respondents. Tactics included:

- "Taking business unit leaders along for the journey through regular updates, blog posts, check-in meetings, etc."
- "Creating a shared understanding that failure as part of innovation is acceptable, but failure cannot stall innovation."
- "Clearer understanding of roles, responsibilities, and independence of the R&D organization."
- "Communicate to the full organization. Without this, innovation looks like either nothing is happening — or it's magic."
- "Constant communication from the C-suite about why innovation is important."
- "Share success. Recognizing how the business unit leaders supported the innovation success stories."

Peer Insights: Amazon Lab126

What do you see changing for innovation teams in 2024?
Innovation functions — and innovation organizations within larger companies — they always go through a boom-and-bust cycle depending on the economy. It is no surprise that, oftentimes, when the economy takes a downturn, innovation functions are the first ones cut.

So with that in mind, there is an increasing mandate to turn a profit. It is fine to do sky high innovation or future thinking, but when the rubber meets the road, it is about how we can turn a profit. And so there is a shift from wide-open innovation to actionable, monetizable innovation projects…

So far, what have you seen as the impact of AI in your work?
This is fundamentally different and it fundamentally scares me… It is going to displace people from existing jobs. It's going to redefine current roles; it's going to eliminate certain roles. I feel like this is going to wreak havoc.

With Amazon, when I joined them in July of 2021, they were looking at innovation and then growth… but when OpenAI came out, transformation definitely became paramount… It was almost like "We can't stop to think this through. We need to get to market with something first, and then we'll deal with the transformation as it happens." In my time at Amazon [after] the release of ChatGPT, it was not going to be an initiative-taking transformation, but a reactive transformation.

One problem with Alexa, as you may be aware, you have to be fairly precise in what the command is, because if it falls outside of Alexa's vocabulary, Alexa won't know what to do. But ChatGPT can now cut through that: I can be imprecise, I can use slang, I can use whatever I want… There are entire scores of engineers, working on natural language recognition and other approaches. With ChatGPT, they are potentially no longer needed…



Jay Baik
formerly Head of Amazon Alexa New Business Incubation
Amazon Lab126

What's your advice for other innovators?
Many innovators often think an innovative idea on its own merits will drive support and consensus, but this is rarely the case, especially at big companies. It's critical to find allies to ensure your innovation efforts see the light of day.

EXPLORING AND FUNDING AI

25 RESPONSIBILITY FOR EXPLORING AI

26 BUDGET / HUMAN RESOURCES FOR AI

27 AI USE CASES AND BARRIERS

29 GENERATIVE AI: ARE WE MOVING FAST ENOUGH?

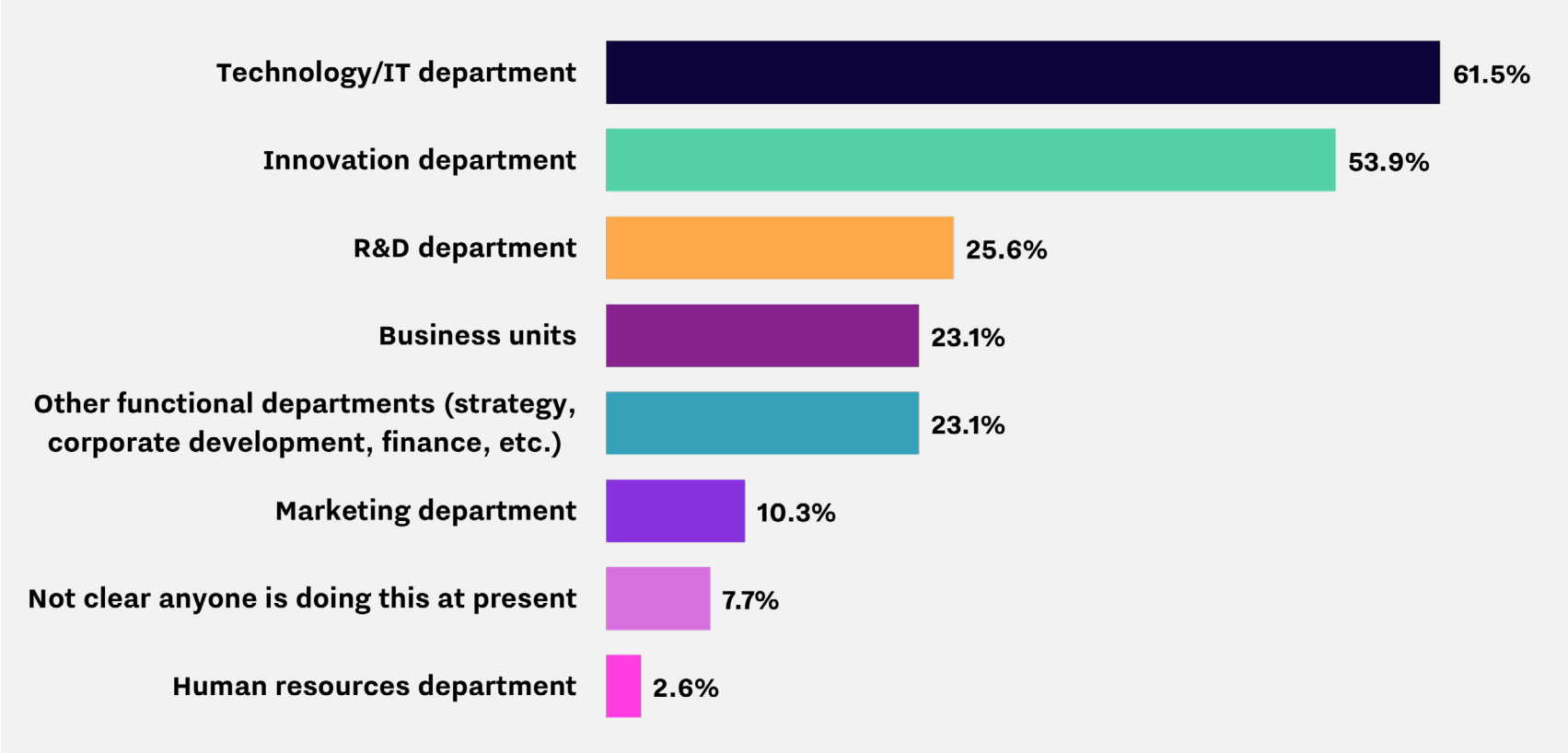
30 WILL GENERATIVE AI REDUCE EMPLOYMENT?

31 PEER INSIGHTS: THE DOCTORS COMPANY

32 THOUGHT LEADERSHIP

Responsibility for Exploring AI

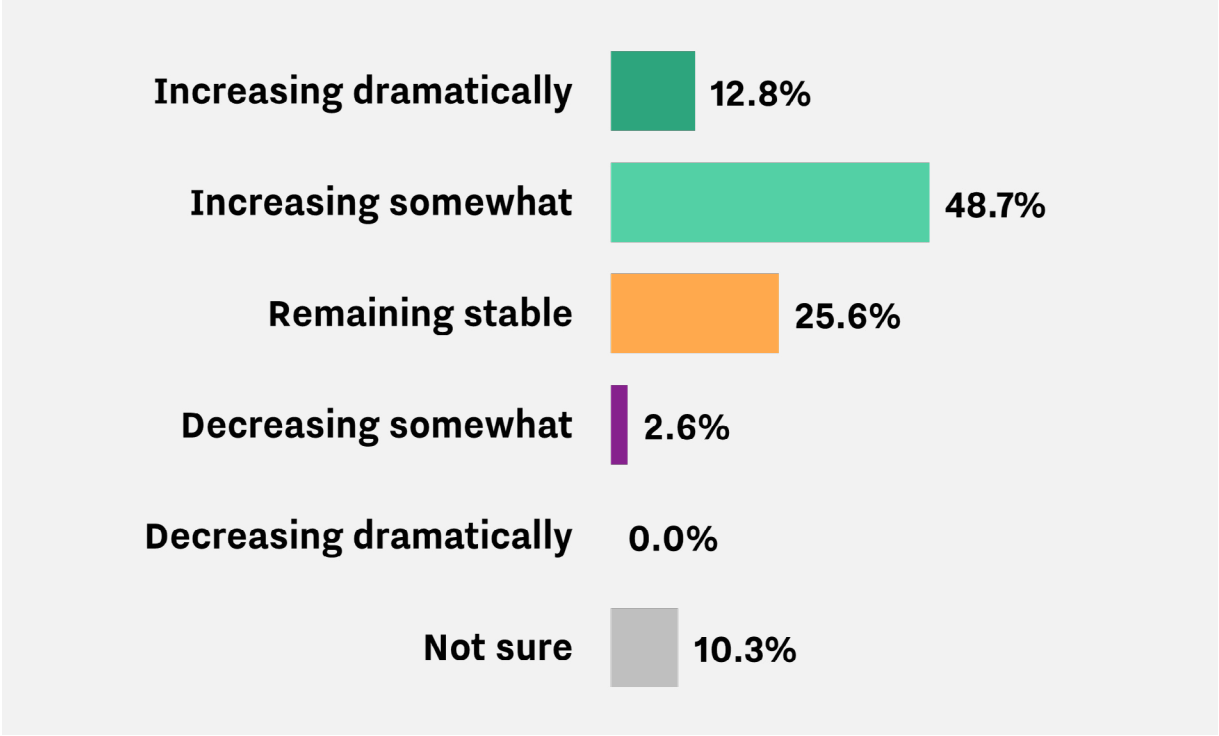
With regard to AI (artificial intelligence), who has significant responsibility for exploring potential use cases in your organization?



IT is in the pole position when it comes to exploring AI use cases, but the innovation department is not far behind. Research and development holds significant responsibility in one quarter of the organizations in our sample.

Budget / Human Resources for AI

With regard to budget/human resources being devoted to AI in your organization... In 2023, are they:



More than 60 percent of our respondents said that they were seeing more money — and more headcount — devoted to AI in their organization in 2023.

AI Use Cases and Barriers

We invited respondents to elaborate on how their organizations were pursuing AI use cases — or what barriers they were encountering.

According to respondents, the operational model for AI within their organizations remains unclear:

- "Still working on a decentralized versus federated model."
- "Created a cross-functional Gen AI community of practice, and [this] basically has an enterprise-wide mandate. [There's] almost too much focus on this one area."
- "A lot of discovery taking place. Setting up services for employees to try things out. Understanding and identifying use cases and establishing guidelines and guardrails for users."
- "I don't think there is a good understanding or appreciation of the need to start developing AI use cases. Our internal IT expertise in this area is very limited."
- "We are using the 5x5 experimental methodology."
- "Tiger team deployed to attack a few use cases to demonstrate the business value."
- "It's not clear where, how, and when AI may influence or assist us in the work that we do in product creation, marketing, or planning. As such there is a wait-and-see aspect on how or when investments there may occur."

Barriers to pursuing AI use cases within their organizations were expressed by respondents in terms of risks, threats — and the potential for missed opportunities:

- "Just trying to figure out the threats and opportunities ChatGPT *et al* poses to our software businesses and marketplace."
- "Newly broaching the topic narrowly via 'potential' client needs. Limited view of the broader implications of AI within the business and potential opportunities with prospective clients."
- "We are trying to 'contain' the hype. Which is to say, only those assigned to work on AI should be…"
- "Fears and concerns [include] legal, data leakage, security."

AI Use Cases and Barriers (Continued)

AI and internal data management, topology, security, access, and output issues:

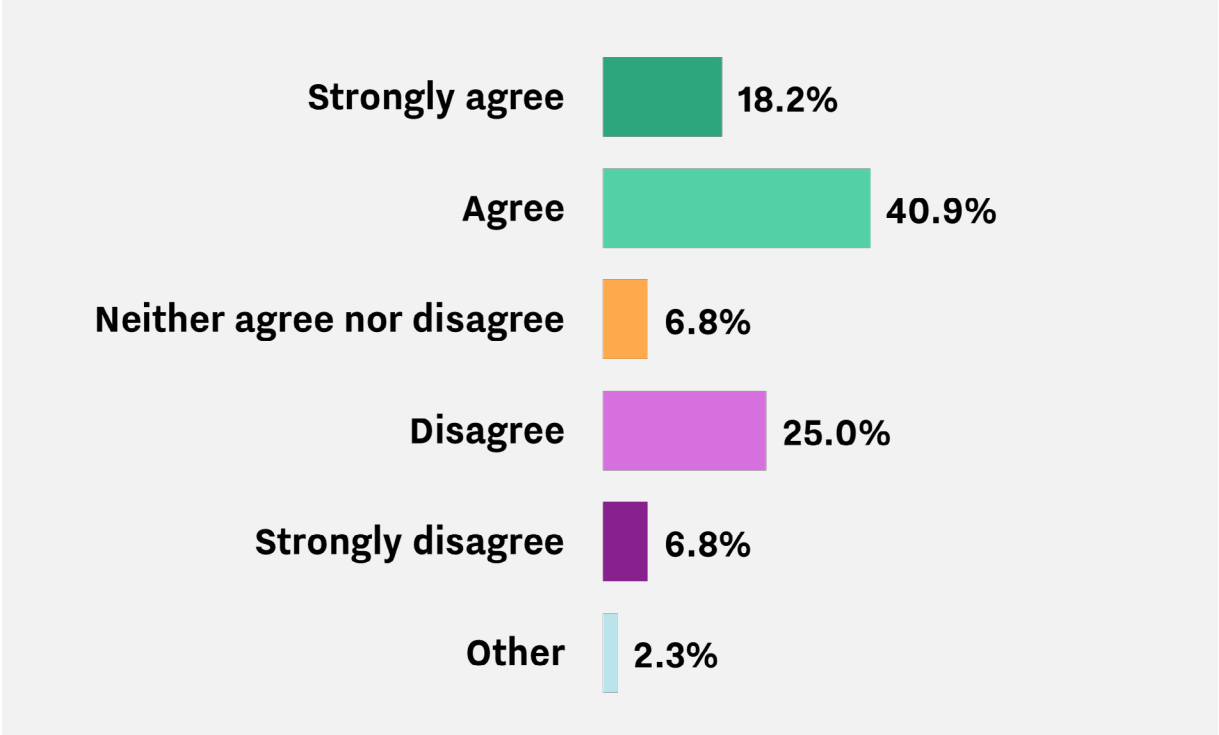
- "Understanding how to leverage existing models with our internal data. Can it reasonably be done, and if so, what are the costs, benefits, etc.?"
- "Most barriers at this point are financial. However, one AI project is being held back due to lack of cloud data management."
- "Finding AI talent and the salary requirements for these roles has been a challenge. Also, determining the strategy to invest in in-house AI skills, or to outsource this capability."
- "The data isn't in a relational database format."

Department-specific applications of AI:

- "We are evaluating AI in all areas, but particularly in marketing, training, and research."
- "Mostly for content creation. But also used for some research. We haven't made it to the point we are using AI to directly respond or assist members/customers."
- "Running experiments on newsroom projects and trying out marketing use cases."
- "We are doing various projects across the organization. Trying to understand all the projects underway is challenging. I'm specifically looking out how we advance our product solutions with AI."

Generative AI: Are We Moving Fast Enough?

"My organization is moving fast enough when it comes to exploring / experimenting with / deploying Generative AI."

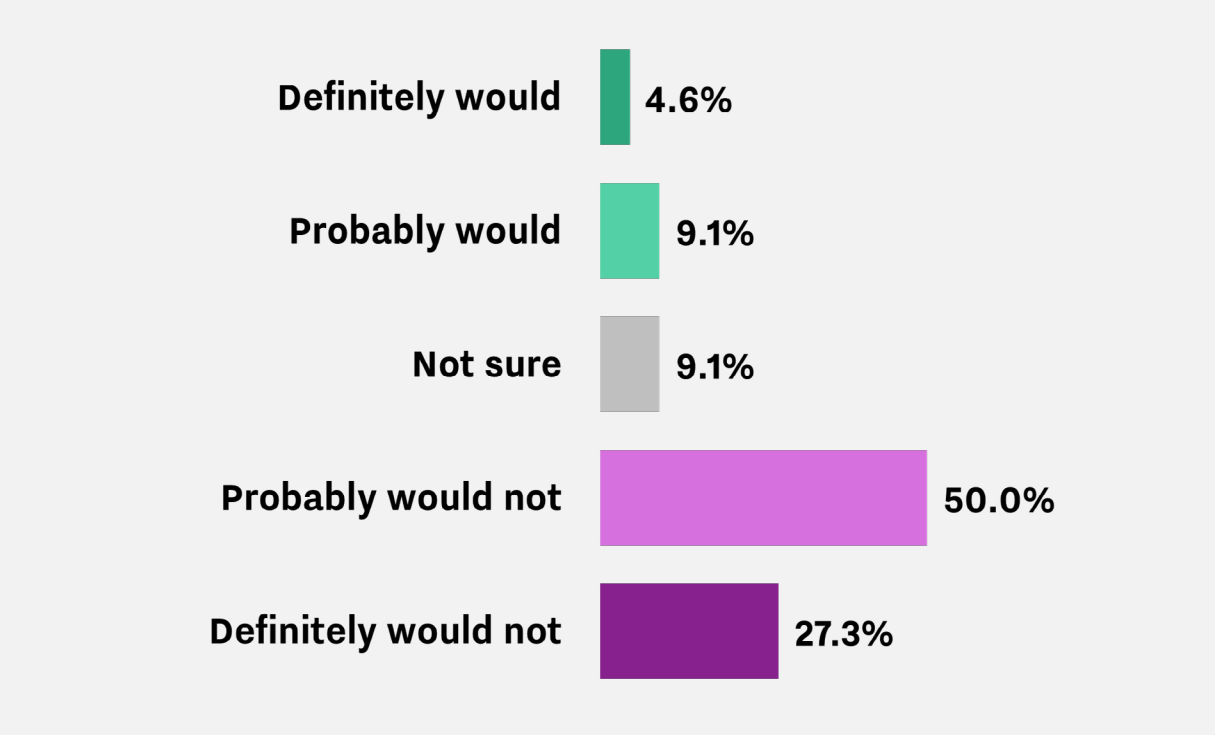


Nearly one-third of our respondents don't believe their organizations are moving quickly enough.

One comment from the "Other" category: "As it relates to product development, [we're moving fast enough.] As it relates to internal productivity, no."

Will Generative AI Reduce Innovation Employment?

Will the use of Generative AI in your organization ultimately reduce the need to employ dedicated innovation professionals?



More than one-quarter of our respondents "definitely" don't see generative AI reducing the need for dedicated innovation staffers, but half say that it "probably would not."

Other Responses

- "Gen AI will not replace people. Rather, people who know how to use Gen AI will replace those who don't know how to use it."

Peer Insights: The Doctors Company

The Doctors Company is a physician-owned medical malpractice insurer headquartered in Napa, California.

What's on your agenda for 2024?

AI and generative AI, they're absolutely at the center of our innovation focus… Over the last year, because of AI, we've been managing and tracking a growing number of rapid experiments. We've seen improved collaboration with our new virtual innovation lab environment [using an idea management platform]. Over two-thirds of our current portfolio of efforts [in our lab] involve some form of AI orientation. For generative AI, on the forefront [of 2024's agenda] is a large pilot and evaluation of Microsoft Copilot across our organization.

How does AI connect to your work?

We're plugged into AI in a lot of different ways. One example is our involvement in overall corporate AI governance. We work a lot with other departments like IT, legal, data governance, and enterprise risk management to develop acceptable use policies, and we help the team identify new AI use cases so they can study them and look at value versus potential risk.

We do a lot of work in predictive modeling for underwriting and claims, trying to make more predictive about risks and exposures. But also, we're doing a lot of work with what's called intelligent document processing, or IDP. That's another area that we feel is very promising because every organization like ours takes a lot of different [IDP] allows us to extract structured and unstructured data through various sources, to push it down into other main systems as well as derive new analytics and insights.



Jim Suchara
Senior Vice President
and Innovation Officer
The Doctors Company

What's one piece of advice you commonly share with other innovators?

It's critical to align with your company's business strategy priorities, and to be well integrated into the business leader community. This allows you to better understand pain points and opportunities that could benefit from innovation's involvement. I've seen a lot of instances where innovation was set up as a separate "ivory tower" or in a "think tank" manner at other organizations. While they could do a lot of great things on their own, they really had challenges with reconnecting back with their main organization and operationalizing some of those great ideas.

Future-Fit Frontier: A Guide to Unlocking Transformative Innovation



Ludwig Melik
President of Operations,
North America
HYPE Innovation

The traditional “slow and steady wins the race” approach prevailed until the new millennium, but the pace of change accelerated, particularly after the pandemic compressed a decade of transformation into a single year. Just as the dust settled, Artificial Intelligence (AI) emerged, demanding swift comprehension due to its pervasive applications in daily work and the potential to reshape entire markets and industries. There’s a heightened urgency to broaden your innovation horizon and allocate dedicated efforts toward transforming the business, rather than solely maintaining its current operations.

In our two decades of collaboration with diverse organizations, we’ve observed shared characteristics that distinguish highly successful innovators from those contending with these obstacles. These include cultivating a culture of innovation with an openness to change; committing to seeing projects through; and implementing a system that yields sustainable, consistent, and reliable results.

Propelling Innovations Beyond the First Horizon

The Future-Fit Manifesto lays the foundation for a strategic evolution built upon the Agile Manifesto. Within this framework, organizations are called to prioritize collaborative cultures over individual interactions, and innovative systems over mere working solutions.

At the heart of the future-fit mindset is a commitment to collaboration that extends beyond the boundaries of the organization. It involves fostering a community that includes employees, customers, partners, academia, and governments. This collaborative approach recognizes the inherent value of diverse perspectives and collective efforts.

In this landscape, the emphasis shifts from immediate customer collaboration to a profound exploration of opportunities. Future-Fit organizations seek to discover opportunities before they manifest, fostering a culture of innovation that anticipates rather than reacts to change.

Moreover, the manifesto urges organizations to prioritize creating alternate futures over merely responding to change. This forward-thinking perspective requires a strategic approach that embraces uncertainty, adapts to disruptions, and actively shapes the future.

Organizations that are guided by this thinking embrace its principles to shape a future that is both resilient and transformative. These principles advocate for delighting stakeholders through continuous delivery; welcoming creativity and learning; shaping the future through diverse initiatives; cocreating with the community; building inclusive cultures; and promoting sustainable growth. Continuous attention to emerging trends, innovation as a relentless challenge to the status quo, and reflective practices that constantly fine-tune behavior and systems ensure organizations become and remain future-fit.

"Serving as a transformative ally, AI enhances our foresight, enabling organizations to navigate complexities with greater precision and anticipate change more effectively."

Fueling Transformative Innovation

In the pursuit of transformative innovation that extends beyond Horizon 1, organizations can leverage a set of future-focused practices. Each of these practices is instrumental in defining a company's capacity to pioneer groundbreaking innovations,

fundamentally altering the competitive landscape. Crucially, the integration of advanced AI capabilities significantly empowers these strategies. Serving as a transformative ally, AI enhances our foresight, enabling organizations to navigate complexities with greater precision and anticipate change more effectively, ensuring a proactive stance in the face of evolving challenges:

- **Trendspotting:** Trendspotting involves purposeful observation and evaluation of current and anticipated changes in various domains, such as technology, politics, economics, and societal trends. This practice informs strategic planning, enhances operational efficiency, and drives innovation management. By understanding emerging threats and opportunities, organizations can proactively adapt their strategies and operations, ensuring sustained relevance.

  How AI enhances this practice: AI, with its data analytics capabilities, excels in identifying patterns and predicting future changes across various domains. Machine learning algorithms provide critical insights for strategic planning based on technological, political, economic, and social trends.
- **Continuous Foresight:** Continuous foresight combines strategic foresight and futurism to regularly assess and evaluate business models and strategies. This approach involves continuously identifying and analyzing trends, projections, and backcasting from desirable futures. By embracing continuous foresight, organizations can proactively anticipate changes, refine their strategies, and foster an environment that thrives in a continually evolving landscape.

  How AI enhances this practice: AI-powered analytics tools facilitate continuous foresight by monitoring key indicators in real-time. This enables organizations to adapt their strategies promptly, based on emerging trends and projections.
- **Technology Trend Radar:** Informed by tech scouting efforts, a technology trend radar is a customizable visualization that outlines when specific technology trends are expected to impact an organization. It can provide information on the degree of impact, level of disruption, and associated risks. This tool helps organizations track and prioritize both broad and discrete technology trends. By staying informed about upcoming technological shifts, companies can strategically

position themselves to leverage or mitigate the impact of emerging technologies.

How AI enhances this practice: AI automates the analysis of technology trends, offering customizable visualizations that prioritize and track their potential impact on the enterprise.

- **Scenario Planning:** Scenario planning is a strategic management methodology that aids organizations in preparing for uncertainty by envisioning and analyzing plausible future outcomes. This involves assessing critical uncertainties and macroforces influencing the market and the enterprise. Executives use scenario planning to "future-test" their strategies, identify potential risks and opportunities, and promote a culture of innovation. It enables organizations to adapt and thrive in a world characterized by continual change.

  How AI enhances this practice: Machine learning simulations aid in scenario planning, allowing organizations to anticipate uncertainties and formulate strategies adaptable to diverse future outcomes.
- **Speculative Design:** Speculative design is an ideation approach that uses design to explore possible future scenarios. It serves as a catalyst for discussions, challenging conventional wisdom and encouraging critical thinking. Through speculative design projects, which are conceptual in nature, organizations can initiate conversations that prompt reflection on the implications and ethical considerations of emerging technologies, policies, or societal trends. This practice sparks innovation by fostering a proactive approach to shaping the future.

  How AI enhances this practice: AI-driven simulations bring speculative design projects to life, offering tangible representations of potential future scenarios, fostering discussions, and challenging conventional wisdom.

Implementing these future-focused practices collectively creates an environment conducive to transformative innovation that goes beyond the constraints of Horizon 1. By proactively exploring trends, continuously refining strategies, tracking technological shifts, planning for plausible scenarios, and engaging in speculative design, organizations position themselves to pioneer game-changing innovations and disrupt their industries effectively.

Leveraging Systems and Tools to Futurize Innovation

Management

Navigating the dynamic terrain of innovation demands more than just a compass — it requires a comprehensive toolkit. Embracing a Future-Fit mindset emerges as a guiding beacon, steering organizations toward enduring success. The strategic integration of AI, when effectively harnessed, catapults us beyond immediate horizons, enabling the anticipation of challenges and the creation of alternative futures.

"By incorporating ISO 56001, organizations instill disciplined innovation into their DNA. This standard acts as a catalyst for effectively implementing innovation practices, ensuring a systematic and well-coordinated approach."

In this transformative journey, ISO 56001 assumes the role of a stalwart ally, providing a steady hand to guide organizations through the complexities of innovation adoption. Specifically, ISO 56001 aligns seamlessly with advanced innovation practices like Trendspotting, Continuous Foresight, Technology Trend Radar, Scenario Planning, and Speculative Design. These practices are not mere strategies, but dynamic tools that propel organizations beyond Horizon 1.

By incorporating ISO 56001, organizations instill disciplined innovation into their DNA. This standard acts as a catalyst for effectively implementing innovation practices, ensuring a systematic and well-coordinated approach. As organizations embark on the transformative journey facilitated by practices like Trendspotting and Continuous Foresight, ISO 56001 becomes the linchpin that reinforces a culture of innovation.

Navigating Corporate Innovation in 2024

To ensure that 2024 marks a pivotal year in expanding your innovation horizon, it's imperative to initiate a transformative corporate innovation odyssey. This begins by transcending the ordinary and adopting a Future-Fit mindset, which necessitates a shift in focus beyond immediate challenges. Prioritize fostering

a collaborative culture and valuing innovative systems over incremental improvements. Acknowledge the influential role of technologies like AI, preparing for unforeseen opportunities and challenges.

Furthermore, integrate transformative innovation practices into your innovation repertoire to propel your organization forward. This involves embracing methodologies that go beyond traditional horizons, staying attuned to emerging trends, and challenging conventional thinking.

Crucially, fortify your commitment to innovation by leveraging the ISO 56001 Standard for Innovation Management. This proven standard serves as a cornerstone for cultivating a disciplined innovation culture, guiding organizations through the intricacies of transformative initiatives with unparalleled effectiveness.

As we navigate the ever-evolving innovation landscape, let the principles of the Future-Fit mindset be our guiding compass. By fostering a culture that values collaboration, innovation, and forward-thinking perspectives, organizations not only ensure present success, but also actively shape a sustainable and prosperous future.

In a world defined by constant change, embracing the Future-Fit mindset encourages continuous reflection, tuning, and adjustments to our behavior and systems, ensuring a leading position in the realm of innovation.

INNOVATION INCENTIVES

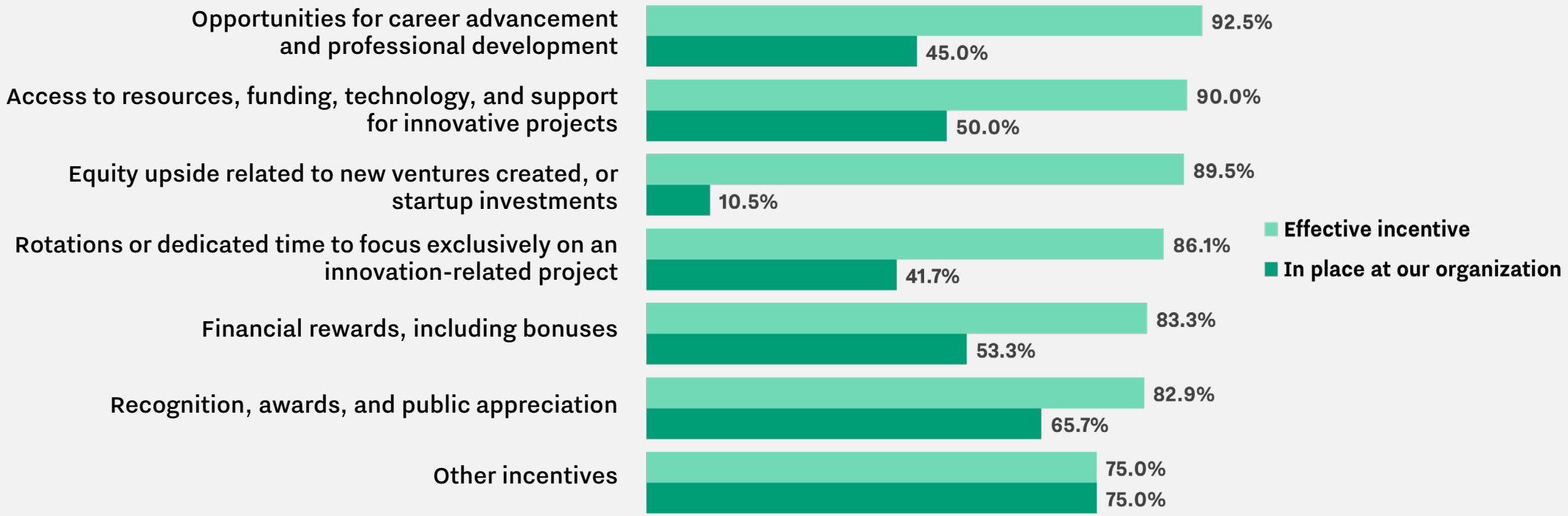
39 WHAT INCENTIVES WORK BEST?

41 INCENTIVES FOR SENIOR LEADERS TO SUPPORT INNOVATION

42 PEER INSIGHTS: AVERY DENNISON

What Incentives Work Best?

What incentives best motivate your colleagues to remain committed to innovation?



What Incentives Work Best? (Continued)

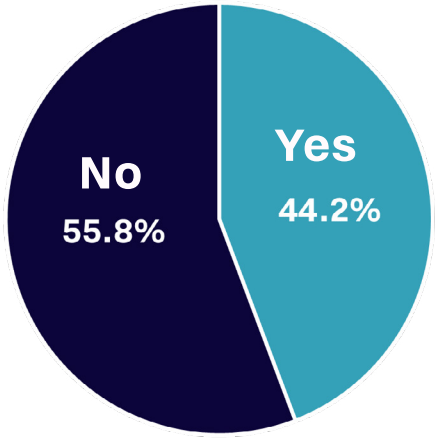
Other incentives that exist:

- "[We have an] entrepreneurial environment — [people] proposing concrete innovations often get leadership on those projects."
- "Our company has a portion of our yearly bonus tied to innovation, as it is one of our 'core values.' But knowing what counts for this is a difficult thing."
- "A key incentive is a belief that something new can happen — that successful projects will be funded."
- "Employees can recognize and reward each other (peers, managers, subordinates) though a variety of mechanisms that provide financial rewards and/or redeemable points (can be redeemed for items, experiences, trips, vacations)."
- "We have a 'band of innovators' … that are working [without] strong corporate support. They do it because they love the thrill and camaraderie of innovating, not for the public recognition."

"A key incentive is a belief that something new can happen; that successful projects will be funded."

Incentives for Senior Leaders to Support Innovation

Are there incentives in place for senior leaders (C-suite, SVPs, EVPs, business unit GMs or presidents) to spend time on, advise, or dedicate resources to innovation activities?



Financial incentives mentioned:

- "RSU's (Restricted Stock Units)."
- "A small portion of performance-based bonuses are linked to new products, but not for all executives."
- "Bonuses."
- "Job security 😉."
- "Building the customer base increases financial results."
- "Indirect effect on bonus compensation (both innovation and operational activities)."

Non-financial incentives mentioned:

- "The ability to gain a much broader view of the organization."
- "[Incetives are] embedded into org strategy plan and CEO evaluation."
- "Conference attendance and professional recognition — within the company and elsewhere."
- "Tied to business outcomes."
- "HR goals along with incentive metrics in place for leaders."

Peer Insights: Avery Dennison

innolead

What's on your agenda for 2024?

In 2023, Avery Dennison went through organizational change and created new business groups — a materials group… [and] a solutions business. We are now focusing [on] solving four critical industry problems, including waste elimination, enabling circularity, sustainability and transparency, improving labor and supply chain effectiveness, and enhancing brand-consumer connection. We feel that we're uniquely positioned to help solve these [problems] because of our technology and innovation… [The teams] have shifted from product-oriented sales to more solutions-oriented sales in key industries [like] apparel, food, logistics, healthcare, automotive, and retail.

How does AI connect to your work?

For our customers: We're using AI to help automate mundane tasks. [For example] our solutions identify problems within the supply chain, [which] will create a human action needed in response, and our solutions like atma.io connected product cloud automate those actions, like generating compliance request emails or sending out alerts.

Drive real insights: The other [way we're using AI] is around data… Using different types of models, language, stuff like that, to be able to understand what is happening from all this data. What are the insights that we can derive from it?

Internal use cases: Helping employees do their work more efficiently and effectively, from programming to writing job descriptions. We're also looking at enterprise solutions for AI [around IP protection and security].



Max Winograd
Vice President, Connected Products
Avery Dennison

What's one piece of advice you commonly share with other innovators?

One question I always ask people is "How thick is your armor?" Because oftentimes, you're going into an organization that got there because it was successful doing something, and your mandate is to enable the organization to do something else… and you need to have thick armor because your ideas… will probably not make it all the way through the process of innovation the way you envision it. You need to bring your organization along with you on the innovation journey… it's a marathon, not a sprint.

Q4 2023: LOOKING AHEAD TO 2024

44 SENIOR LEADERSHIP SUPPORT

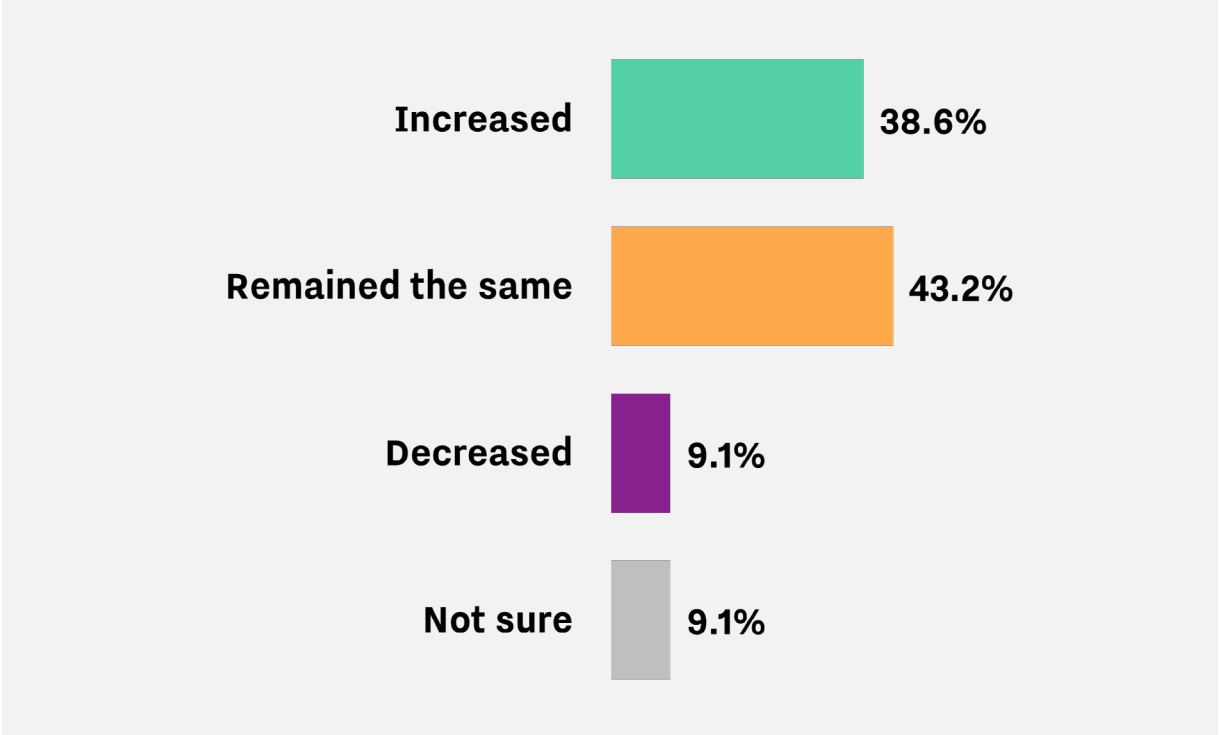
45 USE OF CONSULTANTS AND CONTRACTORS

46 EXPECTATIONS: FINANCIAL AND HUMAN RESOURCES

47 PEER INSIGHTS: HEARTH & HOME TECHNOLOGIES

Senior Leadership Support

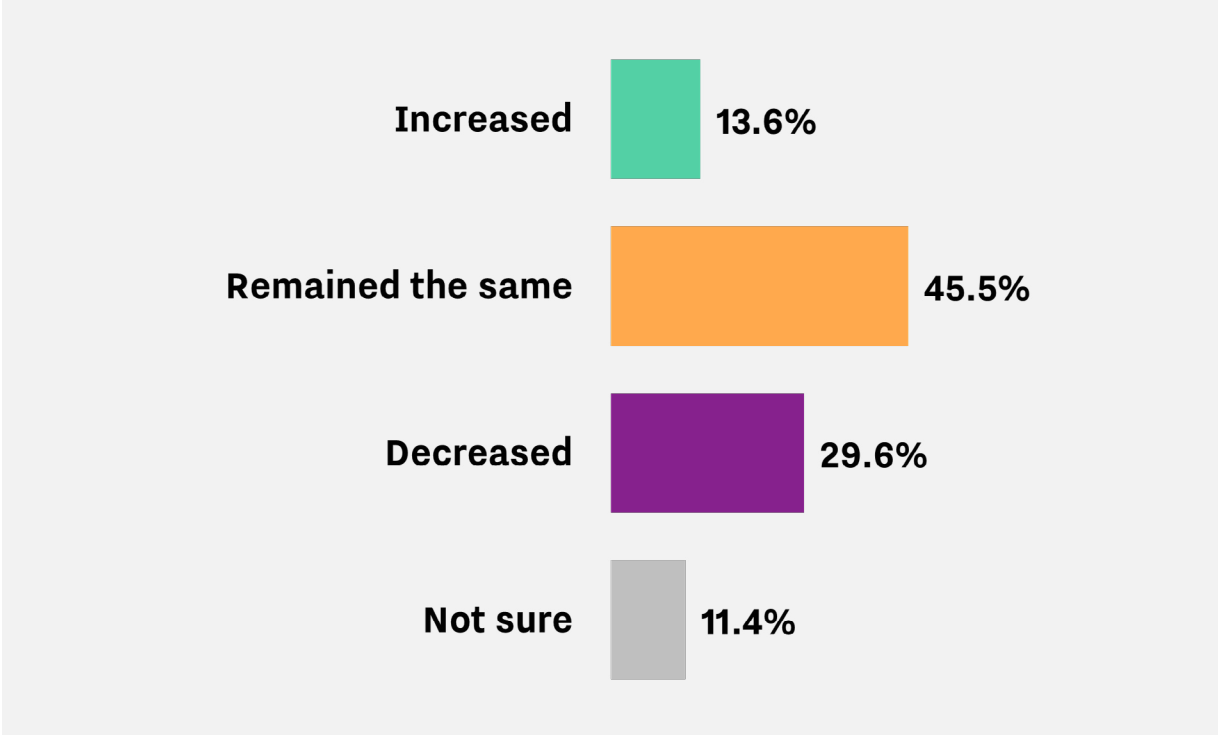
During the current quarter (Q4 2023), has senior leadership support for innovation...



At the end of 2023, senior leadership support was stable — or improving —at more than 80 percent of our respondents' organizations. Note that an increase or decrease in senior leadership support is closely correlated with budget expectations (on the following page.)

Use of Consultants and Contractors

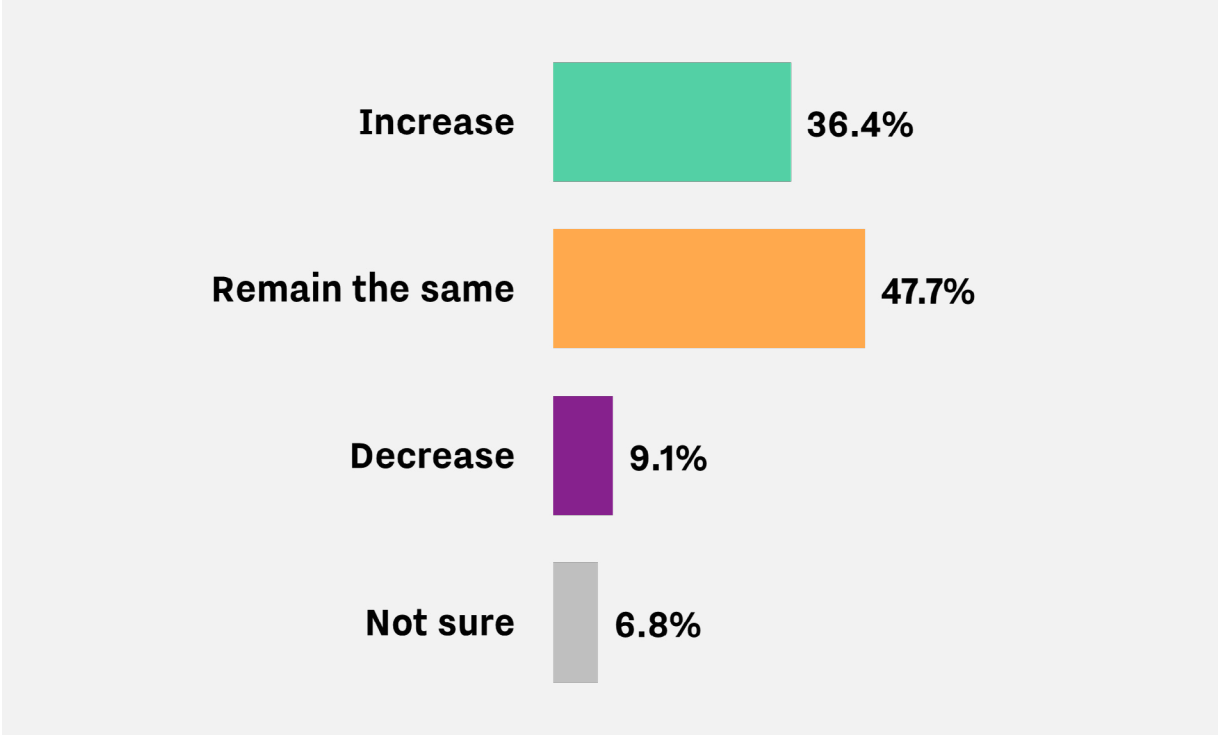
During the current quarter (Q4 2023), has your use of consultants and outside contractors...



Use of outside consultants was dropping at nearly 30 percent of our respondent companies at the end of 2023, and growing at roughly 14 percent of them.

Expectations: Financial and Human Resources

Looking ahead to the next fiscal year's budget, do you expect financial and human resources dedicated to innovation to:



It's promising that just nine percent of respondents were expecting a decrease in budget as they looked to their next fiscal year. More than one-third were expecting budget to grow.

Peer Insights: Hearth & Home Technologies

Hearth & Home Technologies is a manufacturer and installer of hearth products based in Minnesota.

What's on your agenda for 2024?

Delivering on what I promised in 2023. We did a pretty big, front-end innovation project in the company last year. We came up with new product concepts that span from evolutionary and revolutionary... If we're not able to move forward quickly, or move forward meaningfully, in the top project that we're working on, then we can identify that soon, shift those resources, and move on to the next best thing.

How is your team make-up or mandate changing?

The intent was, once we propose the projects, the innovation scientists would transition into more product development roles. [We'd] lead the efforts to build out the product concepts and get to prototypes and a minimum viable product relatively quickly.

How does AI connect to your work?

We talked to a number of vendors [in 2023] looking for a tool that would help us to scout technology. I fully expect that space to be completely different at the end of 2024. I think [AI-driven] APIs are going to be able to scrape the internet or a database for information. And that's going to really start changing how quickly we move on different ideas.

What's one piece of advice you commonly share with other innovators?

The thing that I've seen in commonality with innovators is there's a time that it takes to get a new idea out the door and make it profitable. My advice would be, make sure that the horizon of your innovation project lines up with the horizon of the business, or that you've gotten honest buy-in with the stakeholders.

[You need to ensure they're] willing to extend their horizon to meet your innovation project. I've seen really innovative projects killed when the project's not ready, and the business has run out of time or patience to wait for it.



Corey Radloff
Senior Innovation Scientist
Hearth & Home Technologies

Industries Represented in the Data

These are the top five industries best represented in this data set.



Financial Services

Consumer Packaged Goods

Technology

Industrial Manufacturing

Engineering & Construction

About HYPE, Our Research Sponsor

HYPE Innovation is a leading provider of software and consulting for innovation management, offering a comprehensive platform for the entire lifecycle of your innovation program. Our solutions encompass end-to-end Ideation, Technology and Trend Management, Startup Scouting, Innovation Partner Management, and Ecosystem Engagement. As a top-tier player in the innovation management landscape, we enable our clients to uncover opportunities, foster collaboration, and drive strategic goals, from growth to cost-saving and sustainable transformation, enabling them to excel at Innovation.

In 2020, HYPE began its significant expansion by integrating HLP, Viima, and INNOSPOT, enhancing its portfolio with self-service innovation management and AI-driven startup engagement. The strategic acquisition of Planbox in 2024, a leader in agile innovation management, further elevated HYPE's position in the industry. Adding to its accolades, HYPE has been recognized as the Customers' Choice 2023 with the highest rating in the latest Gartner Peer Insights 'Voice of the Customer' for Innovation Management Tools. Boasting a global presence with offices in key locations such as the USA, Canada, the UK, and Germany, HYPE serves over 480 renowned organizations worldwide, including Toyota, Merck, BMW, Bosch, Siemens, Airbus, Bayer, UNICEF, and Honeywell.

For more information, visit www.hypeinnovation.com.

HYPE

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