



# Innovation Climate Survey



**A special report from [InnovationTools.com](http://InnovationTools.com)  
March, 2009**

## Executive Summary

During March 2009, InnovationTools.com conducted a brief survey of innovation practitioners to measure the current climate for innovation. It asked respondents to quantify the changes in their organization's innovation climate and funding since the global recession hit, and about the specific strategies they're utilizing to help to keep innovation alive in their firms.

The answer may surprise you: Respondents to this survey said that the climate and funding for innovation are holding up fairly well. In today's re-engineered, lean business environments, innovation offers one of the few remaining strategies for positively impacting the bottom line while at the same time meeting customer needs and strengthening the organization's competitive position, and the survey results appear to support that.

Over one-fourth of respondents (27.3%) said that the climate for innovation has improved slightly since the onset of the global recession, while another 22% said it has "improved significantly."

Funding for innovation appears to be holding steady, at least at the time the survey was conducted. Over one-third of respondents (37%) reported that there has been "no change" to their organization's level of funding for innovation. A small percentage of companies said they have actually increased funding for innovation since the economic downturn began.

Finally, the survey asked innovation practitioners about the innovation strategies they are utilizing to weather the economic downturn. The top five responses included:

- "Looking for creative ways to improve or extend your existing products (51.3%),
- "Looking for opportunities to improve collaboration" (48.0%),
- "Increasing focus on changing customer needs (39.5%),
- "Focusing on service innovation (38.8%) and
- "Focusing on process innovation" (37.2%).

Hopefully as governments around the world work to stimulate the global economy, these organizations will continue to support innovation in the months and years ahead. Numerous experts, including those who participated in InnovationTools' and InnoSight's recent [\*\*Innovation Strategies for the Global Recession\*\*](#) report, say that it's critical that organizations maintain their commitment to innovation during these challenging times. Otherwise, they risk emerging from the downturn too weak and too slow to compete effectively.



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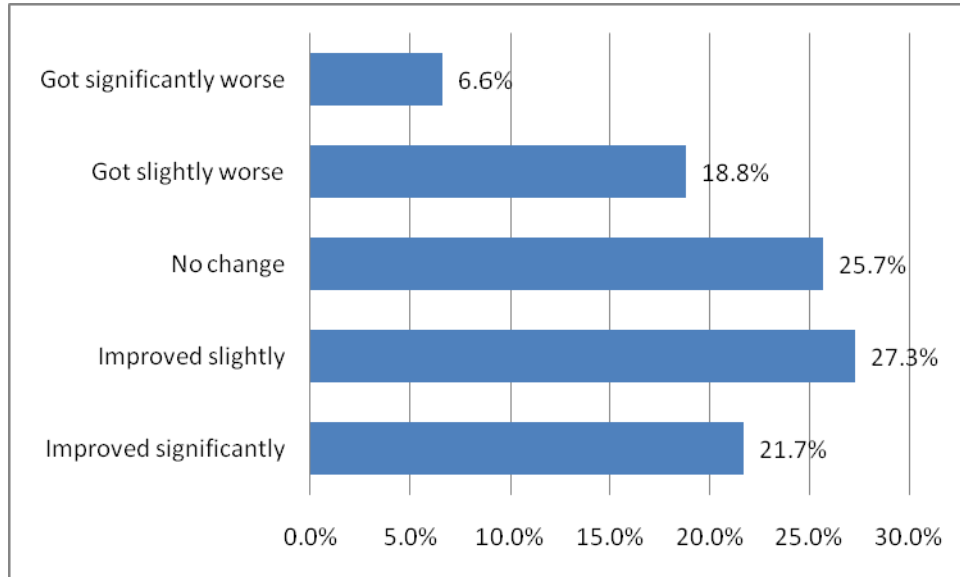
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**Total respondents: 352**

Results were filtered to remove innovation consultants, so they would not skew the survey results. Respondents of this survey are innovation practitioners and/or senior-level executives responsible for innovation in their organizations.

**How has the climate for innovation changed in your organization since the economic downturn started?**

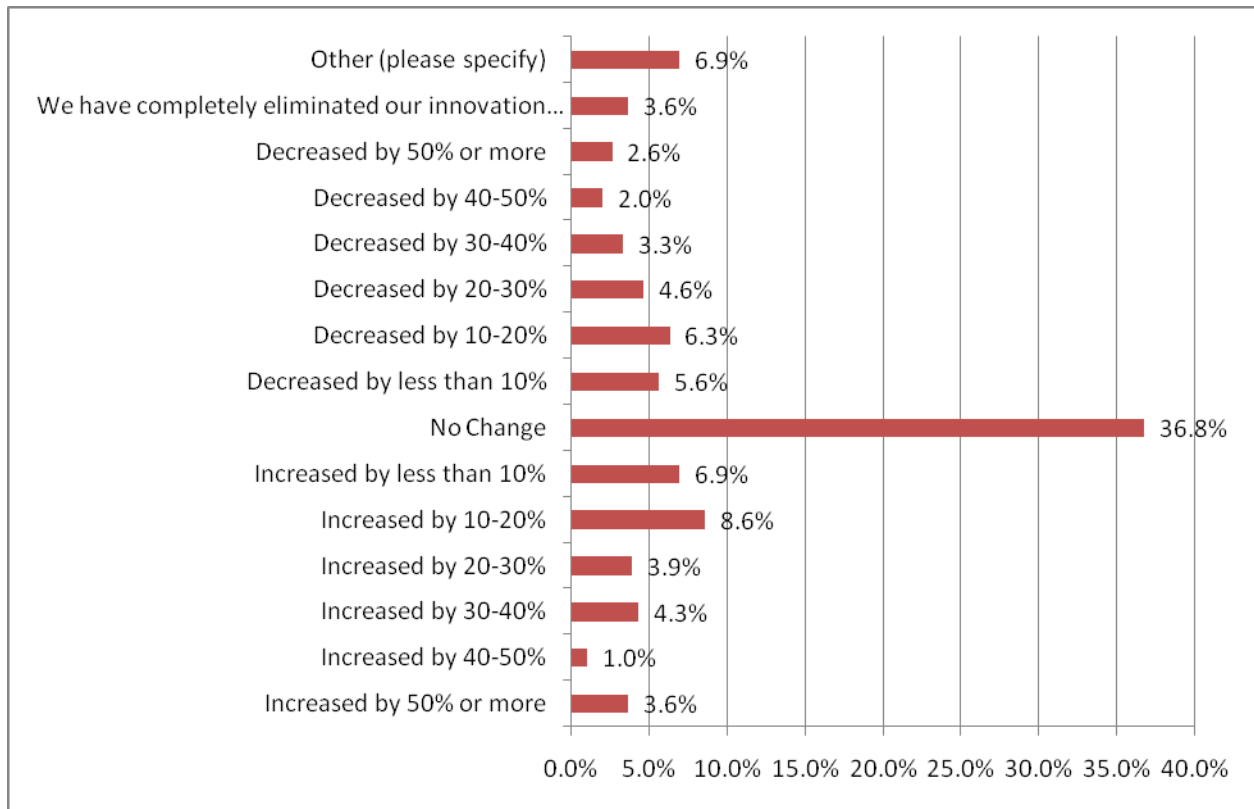


Nearly half of the survey respondents (49.0%) reported that the climate for innovation has improved in their organizations. Of this total, just over 20% said it has improved significantly, while another 27% said it has improved slightly. Another one-fourth of innovation practitioners (25.7%) said there has been no change in the climate for innovation in their companies.

Based on the responses to this question, it appears like innovation may finally be getting more respect from senior management at many companies. Faced with an economic downturn of unprecedented size and severity, a growing number of firms are turning to innovation as a strategy to help turn their fortunes around – or at least to prepare them to “hit the ground running” when the inevitable upturn arrives.

**What has happened to your organization’s funding for innovation initiatives since the economic downturn started?**

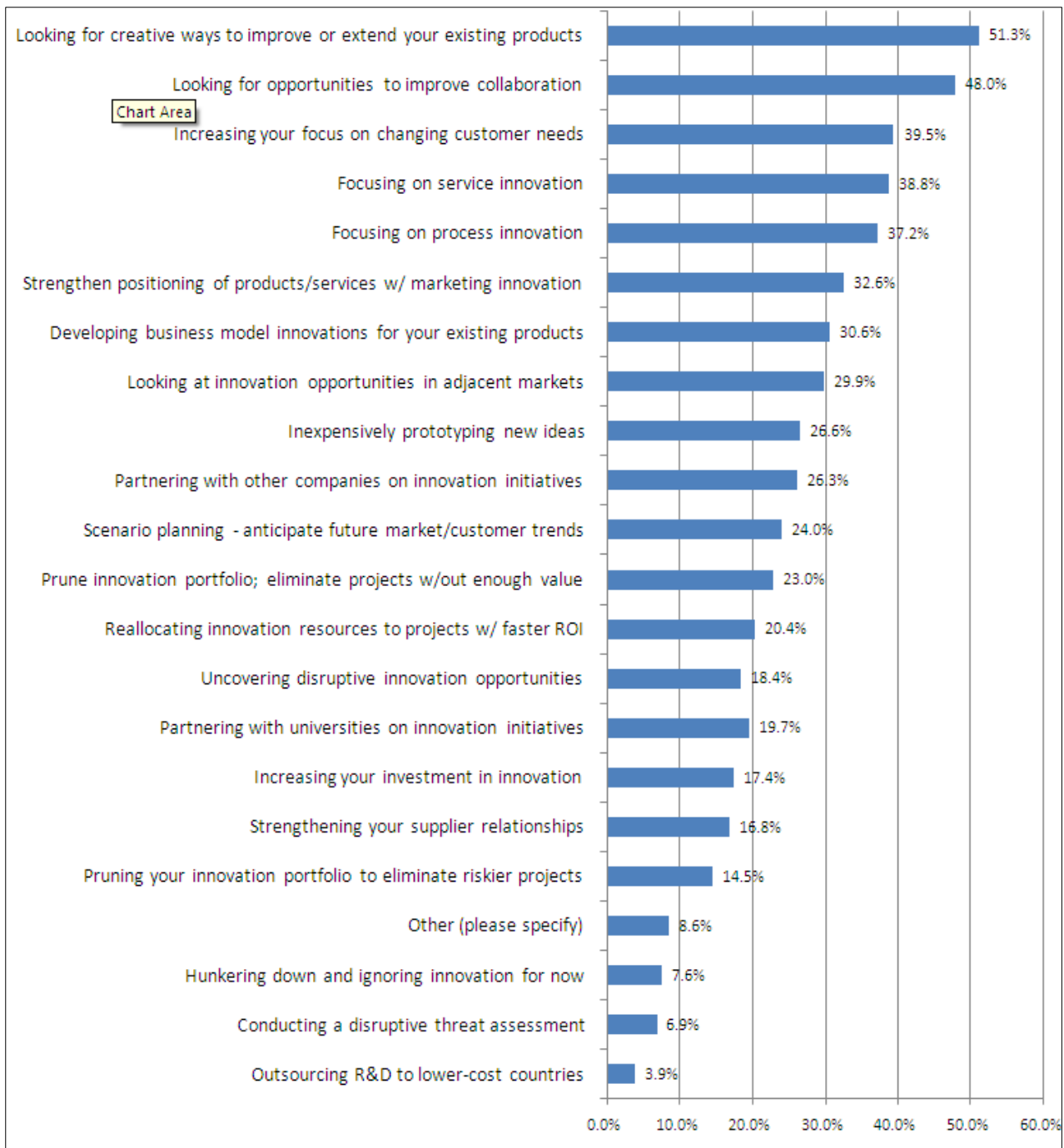
This is where the rubber meets the road. Where innovation “climate” is a fairly subjective measurement, budgets are very objective. Organizations put their money where their priorities are, and it’s encouraging to see what the respondents to this survey had to say about their funding levels for innovation initiatives.



Over one-third of respondents have not changed their level of financial commitment to innovation. In a climate where companies are cutting expenses drastically to survive this historic global downturn, the fact that this many organizations are not cutting innovation funding is remarkable.

Surprisingly, approximately 28% of respondents report that their firms are actually increasing their investments in innovation, with the bulk of these increases in the range of 0-20%. Only 3% of respondents said their organizations have completely slashed funding for their innovation initiatives.

**In terms of innovation, what strategies is your company utilizing to weather this economic downturn (please check all that apply)?**



The top strategy, employed by almost over just half of the survey respondents (51.0%), is to look for creative ways to improve or extend their existing products – in other words, incremental innovation. Breakthrough innovation and disruptive innovation get a lot of press these days, making it seem like incremental innovation just isn't adequate any more. But the fact is that during times like these, incremental innovation may be a very wise course. Risks and

investment levels are usually lower than disruptive, “swing for the fence” innovations, and they can leave a company better positioned for the inevitable upturn – provided that those new models and line extensions are aligned with the evolving needs of their customers – the number three response to this question, at 39.5%.

Another major area of focus cited by survey respondents was improving collaboration (48.0%), the number two response to this question. Collaboration technologies are plentiful today, and affordable for companies of nearly any size. In addition, organizations are exploring ways to work more effectively with firms “upstream” (suppliers) and “downstream” (dealers, retailers and others who sell to the end customers of their products or services) to increase the efficiency and value of their collaborative relationships.

Rounding out the top five responses were “focusing on service innovation” (38.8%) and “focusing on process innovation” (37.2%). Service innovation is an emerging practice within the field of innovation. It refers to a new or significantly improved service concept. Examples may include a new customer interaction channel, a distribution system or a technological concept or a combination of them. For most companies, it is an area of rich, unexplored opportunity.

**Other innovation-related strategies being employed by survey respondents (according to their “other” responses to this question) include these:**

- Reducing staff and overheads
- Documenting existing ideas
- Reducing minor incremental innovation/maintenance projects
- Applying innovative methods to reduce the cost of products
- Before the official downturn we had planned to form a technology office charged with gluing innovation into the company fabric.
- Ensuring we have new products ready for 2010/11
- Keeping an eye on new opportunities
- Tightening the mission focus to ensure innovation in appropriate areas
- The main thing we are focusing on is creative partnerships with other organizations (particularly university consulting arms) to strengthen distribution channels for our services
- Reorganizing
- Using proven successful leaders to manage old style businesses in a socially networked world.
- Increasing the risk-avoidance attitude (decreasing innovation efforts) and looking for smaller (incremental) innovations which (don't require as much) investment.
- Dealing with issues on existing products
- We started an incentive program for ideas submitted from employees on how to save money within the company
- Working on an energy efficiency project

- Investing in a culture of "sustainable relationships," (which is) resulting in a collaborative community (which is) resulting in fewer people being more productive and having more meaning in the(ir) work life. Synergy= free money
- Allocating a specific percentage of time to innovation and monitoring it carefully, or assigning a small team to innovation.
- Partnering with other companies on innovation initiatives
- Cutting costs on unnecessary programs
- Improving efficiency and removing layers of management
- Mainly focusing on cost-cutting
- Changing the mindset of the employees to think of more innovative approaches.

## **Is there anything else you would like to share about how your company is coping with the global recession?**

**Over 100 respondents shared additional thoughts and ideas on this topic, including these:**

Winston Churchill is quoted as saying, "We are out of time and we are out of money, therefore gentlemen, we will have to think." That is how we are taking it at my company.

The best time to innovate is when the cost of capital is low. Furthermore larger companies are laying off people and not innovating. When the economy picks up again, innovative companies will be able to offer their products to the larger companies that will find themselves behind the eight ball in terms of unmet customer needs.

Working harder to make move projects forward.

There has been more talking than action especially in the area of changing the corporate culture. Upper level management has failed to get everyone involved.

Highest use of e-capabilities for marketing tools.

Service line expansion to cover new services.

Move into higher value services (deeper domain expertise) in our current service lines.

Uncertainty about our future is causing our leadership team to adopt a "wait and see" attitude and leaving the decisions about our future to regulatory organizations. We are a financial services firm.

We are forging new partnerships with folks we formerly viewed as competitors. They may have a skill set which combined with ours sells not only our product but theirs as well, resulting in clients seeing that we go the extra mile to meet their needs.

It's just that it's easier to see whether your company takes innovation serious or not in times of recession. It's my belief that only a few percent of all companies really takes this effort seriously and that's why we often become mediocre and locked in (old beliefs take over when the future is uncertain) when things doesn't go as planned. But who said that we can plan the future? In my company, innovation is fine as long as we produce results (which is only fair), but shortsightedness is always present as a bad tumor that we never seem to get out of our system.

Collaboration with companies that have synergistic potential.

Communicating more with our customers regarding the essence of the value that our company adds is the best way to my knowledge to counter price issues, that are always there but increase in these times.

Cutting costs and employee benefits.

Focusing on strategic alignment of core value delivery competencies with both existing and new market opportunity spaces.

We are applying in house resources in innovation in manufacturing equipment at half the cost we would expend with an outside supplier.

Economic crises are always periods of expanding opportunity, because customers seem more open to new ideas.

Funding for new initiatives is very difficult - but not impossible.

Thank you for doing this...it is important work!"

To bring innovation to each of our working sphere by creating the awareness for the innovation in all the things we do. Also we have been trying to create groups in each team to bring the awareness about the innovation and also bring the ideas in each one of the employees to check if we have a market winner. Also in this way we are not letting even a small idea go by thus maximizing our chance for getting the next big thing.

We view this as an opportunity and are well positioned globally to increase focus on growth initiatives with our stakeholders along with new markets.

They cut the 7% match on the 401k, they eliminated bonuses for 2009, they are paying 2008 bonuses in installments over the year rather than as a lump sum, they are starting up an idled plant to make inventory not to sell but to use as collateral on a 30-day loan, they have cut all travel except critical customers, they froze salaries (no merit increases), there is an indefinite freeze on hires of any kind, and they eliminated the positions of 25% of the people in their headquarters.

Trying to shift some expenses from operations to R&D and innovation.

Do not forget innovation as the source for (the) future.

Temporarily cutting in number of professionals assigned to a long-term research project.

Our company laid off several people in the R&D area when they kept missing sales targets.

In Brazil crisis scenario is not that bad as it is in USA and Europe.

Trying open innovation and open source, too.

We are focusing our energies on core business services and getting client feedback more often. This will enable our firm to get reaction(s) to core business services delivery and to hear potential business services opportunities. Through lean efforts we are focusing on eliminating waste or services where the client does not/or will not consider the value. We have dramatically increased our sales and marketing outreaches to gain market share.

We are anticipating the possibility of funding decreases by: tightening our mission focus so that we don't suffer from mission creep; imagining numerous scenarios and possible coping mechanisms; while at the same time continuing forward. We are not allowing the global recession to divert our focus from our mission. Instead, we are reimagining how we might meet our mission while dealing with fiscal realities.

Very strong eye to the bottom line and the short to medium term but making sure everything we do is done with the longer term in mind.

Our revenue is down slightly. Our determination is to spend more time and resource on focused innovation.

Equipping employees with positive mindset and skills to make innovative changes happen.

Monthly briefing to all employees on how business conditions are changing and their impact on our company.

Over 95% of my staff don't understand how to apply innovation to their responsibilities. They don't really know the real meaning of innovation and how to innovate.

Customer-focused innovation.

The best way to get over this crisis is to look at it as an opportunity to grow and change. With this in mind, innovation is a key factor to overcome such challenges.

Jim Collins had a brief story in the Economist recently where he draw the analogy of climbing El Capitan in the Yosemite and he was hit by a wintery storm half way. One option he did not have was to stay put and do nothing. Then he would freeze to death. He only had the choices to go down or go up. The same is with our situation today in the economic recession.

We invest in people; those who believe in a product or service are chosen to driven innovation and given freedom to explore their unique talents.

I have experienced an interesting effect within our organization: Teams are willing to participate, work within new fiscal parameters, and are coming together to find new solutions. It's like people are coming back to life and actively participating in the workplace. I find the new attitude refreshing.

I'm hanging tough and getting creative!

Considering going to lower cost countries for innovation.

Many Danish companies see climate change as an opportunity for exporting clean tech. We are targeting our efforts to prime potential clients, and showing them how we are optimizing the costs of our services vs. other alternatives while at the same time improving quality and originality.

It is currently a lot of wait and see. Watch expenditure, do the basic work and do better with what we have.

Innovation at our company (engineering services) is an often discussed topic. We have allocated some resources to advancing/expanding our market and services. Most of the ideas we are working on are a glorified "comment box" type of idea. Some have led to more quality control, but few have the potential to produce legitimate services/profits in the long run. We're looking forward to heading out of this "media driven recession" later this summer and wishing golf season would start again so I could forget about the last 6 months.

Asking the customer what will help the most right now and tightening our belt wherever we can in order to hold prices in a market that just continues to rise. Main goal is to at least simplify every process of doing business with us since time is money and most of our customers must do much more now with less.

The only sustainable value is sustainable relationships: A culture of collaborative creative people contextually aligned with a higher collective purpose when doing their local daily processes.

Emphasizing use of online tools and attending e-collaboration; to ease cost yet continue participation.

Looking partners for sharing launch and profits.

Formed partnership with a Chinese company. (We are in the UK)

Joint projects/affiliations/partners are becoming increasingly important.

The tragic part of today's economic malaise is that it points to the lack of alternative/breakthrough thinking in our academic world (not just the USA).

Trying to find better market business opportunities in foreign countries.

More focus on sales.

(We are) working with SIT systematic Inventive Thinking and it has proved to be a great methodology. we will keep working with it in the future. It totally changed our organization.

It is the best time to try all your out-of-box ideas. It is also the best time to get innovation mediators in to help coming with innovation ideas.

A lot of companies have started outsourcing innovation from India.

GE has developed a number of low cost products for emerging markets.

I am using innovation processes to change how I do business now, and plan for the future.

Being more "empathetic" with where people are and designing services that address the short term need for results and ROI, knowing that strategies used in the past need to be changed to focus on consumers.

Cost reductions, workforce layoffs, aggressive marketing strategy, more specific training and sales training.

The company is concentrating on the most interesting projects. However, in the short term, before getting these innovations into the market, the company is looking at being better at selling its existing products.

One interesting observation is that the management team becomes more supportive of innovation whereas the employees are more risk averse.

Increasing focus and funding against disruptive innovation.

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## Questions about this survey?

Please contact Chuck Frey at [chuck@innovationtools.com](mailto:chuck@innovationtools.com).

### **Innovation Strategies for the Global Recession**

If you haven't downloaded this free report from InnovationTools.com and Innosight, I urge you to do so today. It's packed with powerful ideas and strategies that you can use to maintain your organization's innovation initiatives during these challenging times.

[Click here to download it now](#)