

PROPHET

# BUILDING BUSINESS RESILIENCE THROUGH INNOVATION

RESEARCH & PERSPECTIVES



# CONTENTS

04

INTRODUCTION

07

METHODOLOGY

08

INNOVATION + RESILIENCE =  
UNCOMMON GROWTH

26

BUILDING INNOVATIVE  
ORGANIZATIONS

38

CONCLUSION

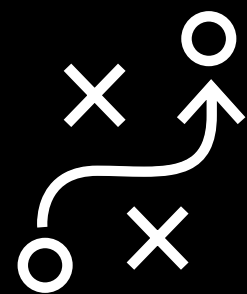
39

CONTACT US

# The most successful organizations use innovation to drive business resilience

Ninety-eight percent of leaders want their organizations to be innovative and resilient. They're right to want it. Organizations that are both innovative and resilient are 2X as likely to exceed their financial targets and 3X as likely to create more shareholder value than their competitors. But only 23% of leaders we spoke with said their organization was both innovative and resilient.

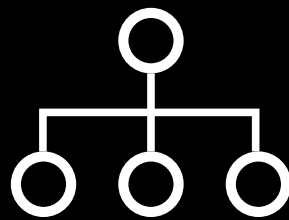
We found that the most innovative, resilient and financially thriving companies make three significant plays:



INVEST IN A  
DIVERSE RANGE OF  
INNOVATION TACTICS



MAKE SURE THE  
C-SUITE HAS SKIN  
IN THE GAME



ORGANIZE FOR  
INNOVATION

## INTRODUCTION

# THE TENSION BETWEEN INNOVATION AND RESILIENCE IS COUNTERPRODUCTIVE

As experts in innovation strategy, we've been curious about resilience as the economy becomes more uncertain. Based on our work with clients worldwide, we hypothesized that innovation might drive resilience, especially in a world full of volatility, uncertainty, complexity and ambiguity (VUCA). We also suspected that innovation investments pay off in more financially resilient organizations.

It turns out we were right, at least about that.

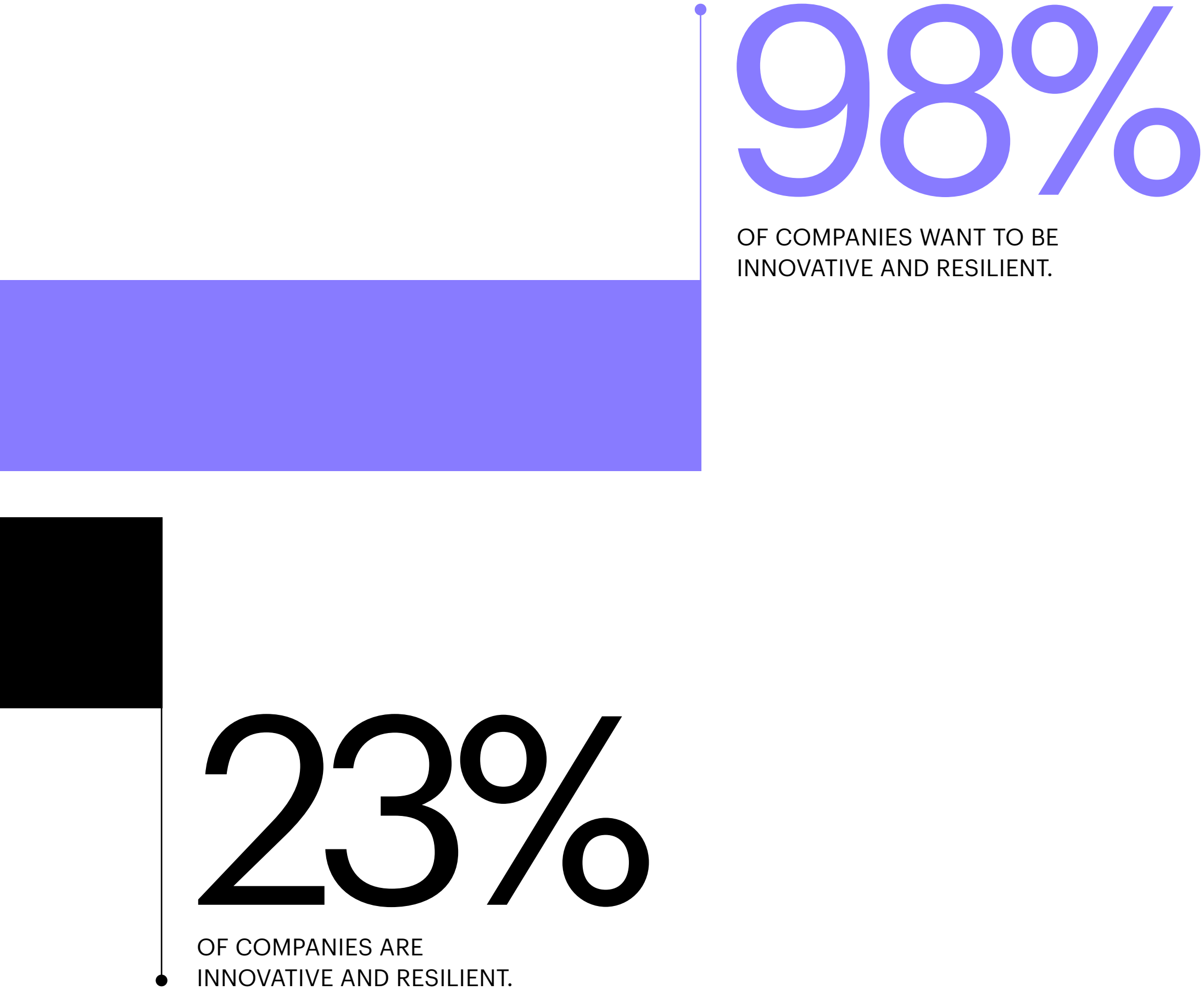


But we weren't right about everything, and other insights surprised us. And we suspect they'll also be startling to other innovation experts. Organizations are barely scratching the surface of innovation, ignoring the best practices that can tame the VUCA dragon. As a result, they're missing opportunities, not just for one-off innovation wins but for meaningful and sustainable revenue growth.

The tension between innovation and resilience is real. Most people will say they want to be innovative and resilient. They might even say the two traits are connected when asked directly. But the gap between what they say and what they do is substantial.

The status quo for most business leaders is that innovation is seen as a cost center while resilience is seen as cost-cutting. As a result, many leaders treat innovation and resilience as conflicting priorities.

Our research suggests that's precisely the wrong approach. Most respondents at financially successful organizations explicitly understand that innovation and resilience are connected.



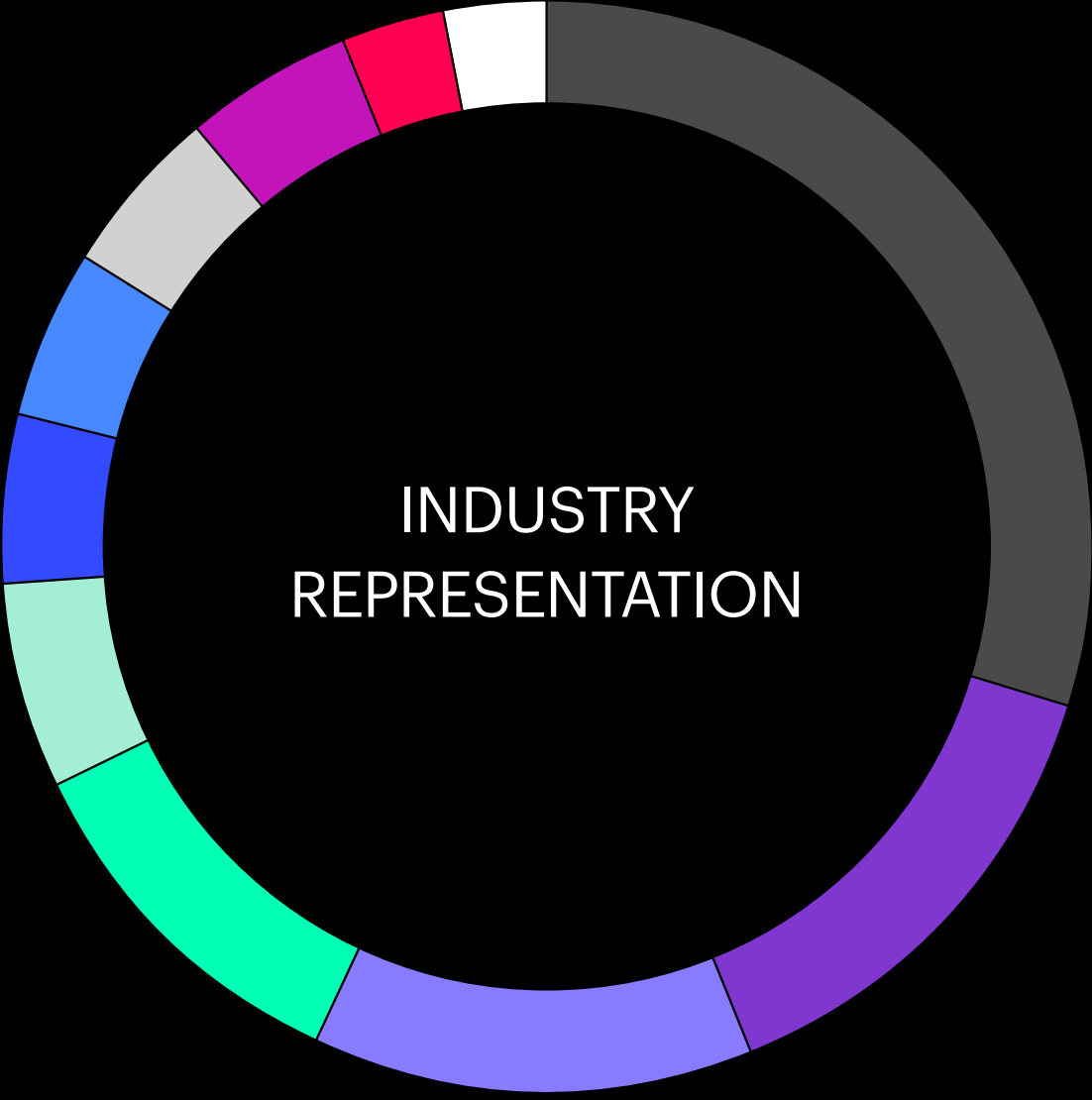
## METHODOLOGY

# WHO WE SPOKE TO

Prophet interviewed 14 global senior business leaders and innovation experts to understand the connection between innovation and resilience and generate hypotheses to study in a quantitative survey.

In November 2022, we leveraged the learnings and hypotheses from those conversations and fielded a survey with 300 global innovation experts. These individuals were selected because they make or influence company decisions about capital allocation, prioritizing new business opportunities and innovation teams. In addition, participants must have been employed at their current organization for two or more years. Because we wanted to measure perceptions, all data is self-reported.

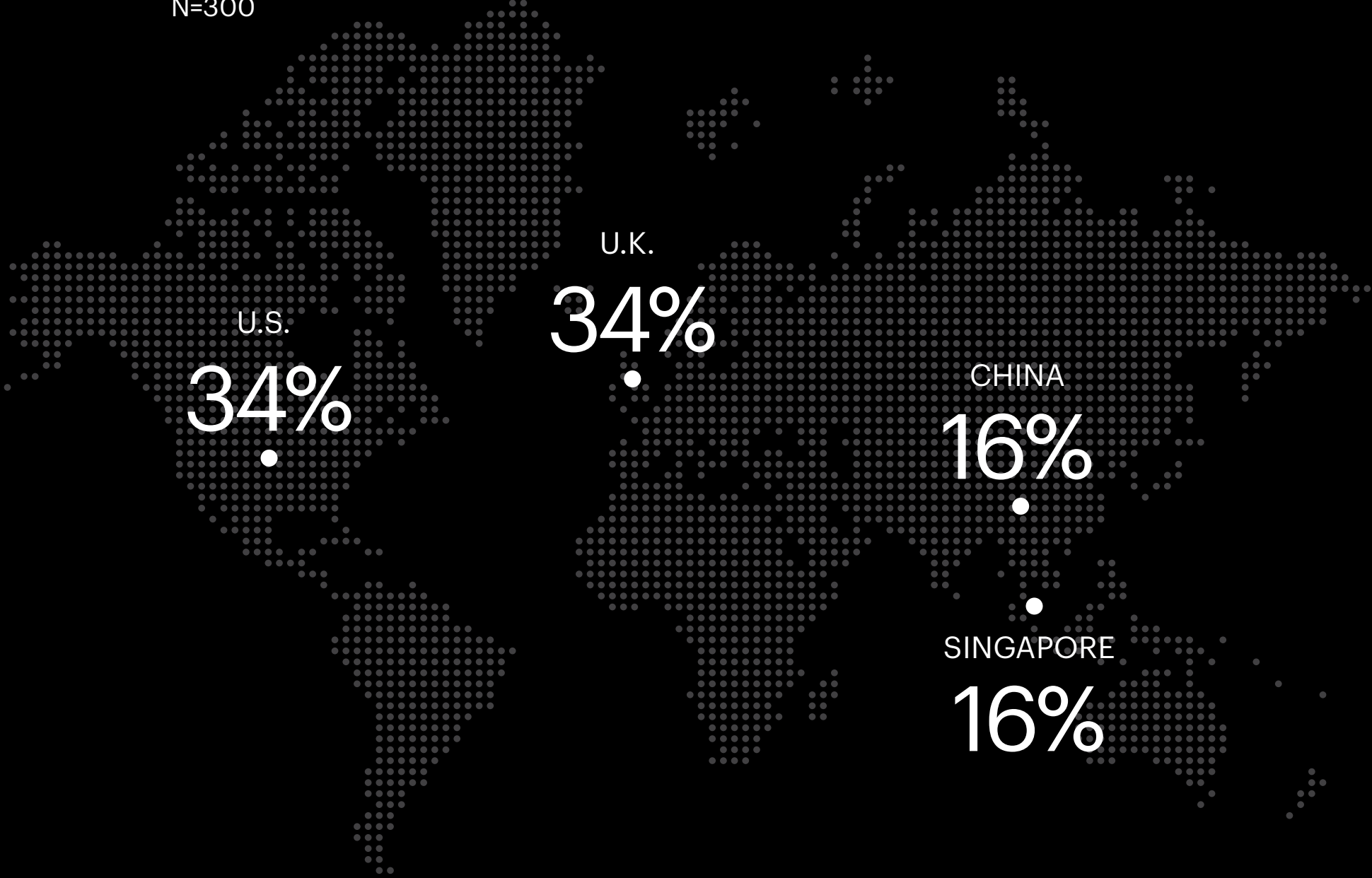




<div></div> BANKING/FINANCIAL SERVICES	14%	<div></div> CONSTRUCTION	5%
<div></div> HEALTHCARE/MEDICAL	13%	<div></div> RETAIL	5%
<div></div> INDUSTRIAL MANUFACTURING	11%	<div></div> CPG	3%
<div></div> PROFESSIONAL, SCIENTIFIC, TECH.	6%	<div></div> WHOLESALE TRADE	3%
<div></div> COMPUTER SOFTWARE	5%	<div></div> OTHER INDUSTRIES	30%
<div></div> GOVERNMENT	5%		

COUNTRIES REPRESENTED

N=300



ROLE



54%

LEADERSHIP ROLE

46%

MANAGEMENT ROLE

## SECTION 1

# INNOVATION + RESILIENCE = UNCOMMON GROWTH

We wanted to know what the market thought about innovation and resilience, so we asked our respondents how they defined the terms. Almost universally, our respondents say innovation means bringing a new idea, process or product into the world.

Resilience is murkier. We think of resilience as the ability to thrive in the face of new environmental challenges, often by coming up with new and innovative solutions. Our respondents agreed about weathering adversity, but only a few explicitly connected resilience to trying something new.



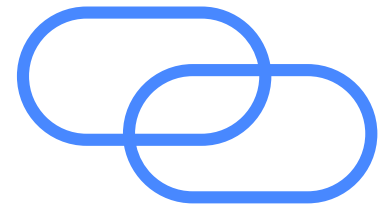
We also asked them what barriers and accelerants their organizations face, which of the 15 common innovation practices they use, and how their company performed financially compared to strategic targets and competitors.

The results: Companies are far from where they want to be. Ninety-eight percent of survey participants want their companies to be innovative and resilient. Yet few organizations live up to those goals, with only 23% rating their companies as both. And half of the participants, aware that they're losing the race to the future, admit they are neither innovative nor resilient.

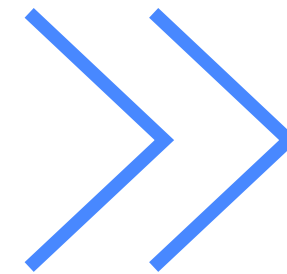
“To us, it’s yin and yang,  
two sides of a coin.  
Innovation is the value to  
a customer, and resilience  
is the value of a customer  
back to the organization.”

C-LEVEL ADVISOR  
ACADEMIC INSTITUTION

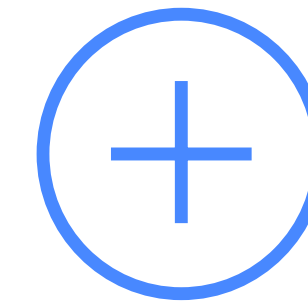
Our research uncovered three findings that have immediate implications for all companies looking to strengthen outcomes:



INNOVATION AND  
RESILIENCE MOVE  
TOGETHER



HIGH-PERFORMING  
ORGANIZATIONS DRIVE  
RESILIENCE THROUGH  
INNOVATION

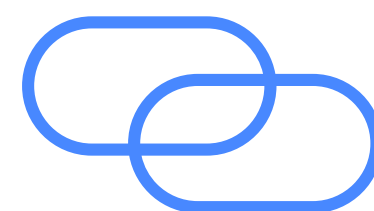
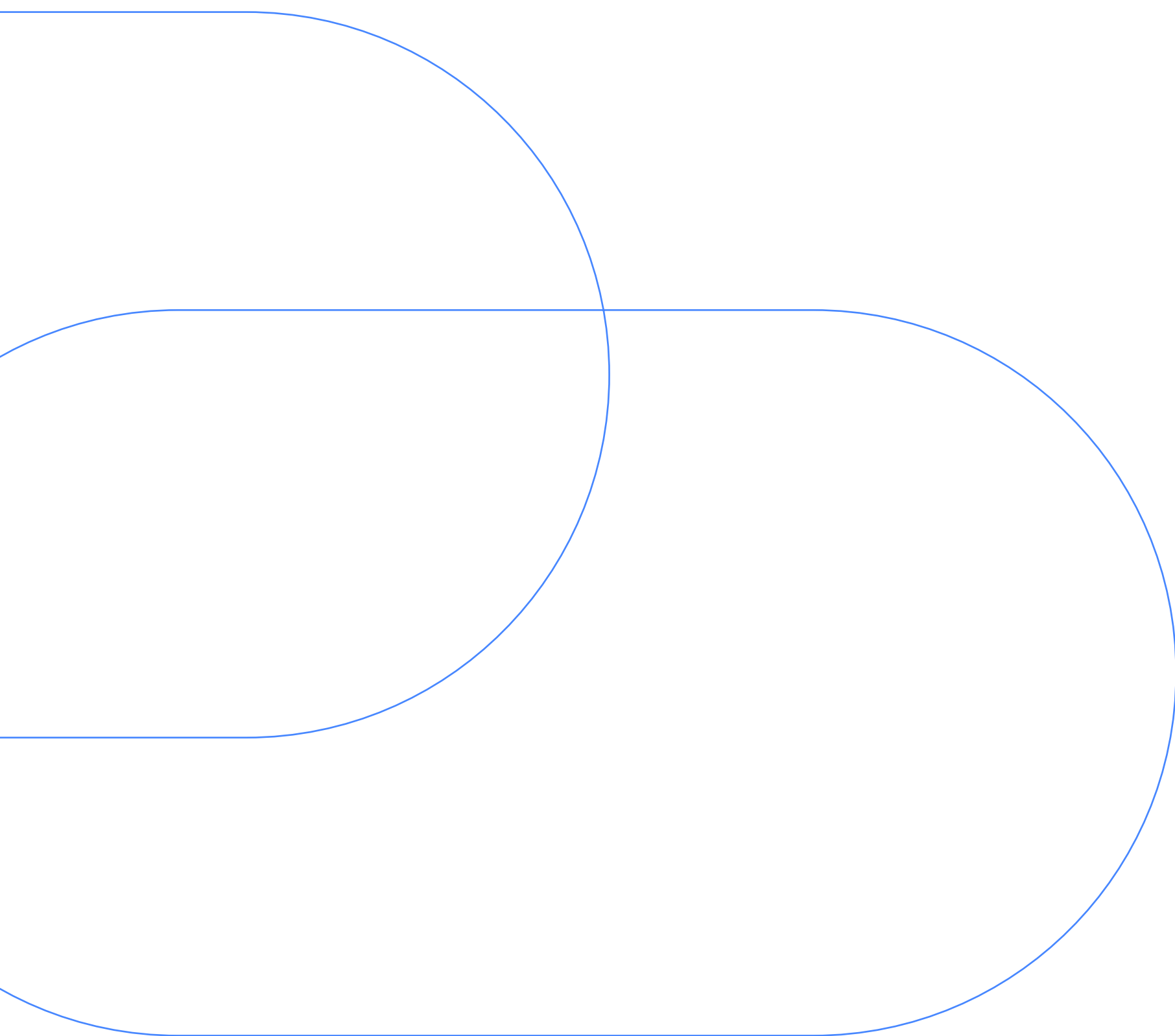


EVEN THE MOST SUCCESSFUL  
ORGANIZATIONS CAN  
BENEFIT FROM USING MORE  
INNOVATION TECHNIQUES

“

SENIOR RISK AND  
INNOVATION LEADER  
FORTUNE 1000  
COMPANY

Doing innovative work has a positive effect on the culture of an organization. And that positive effect increases the likelihood of teams being resilient.”

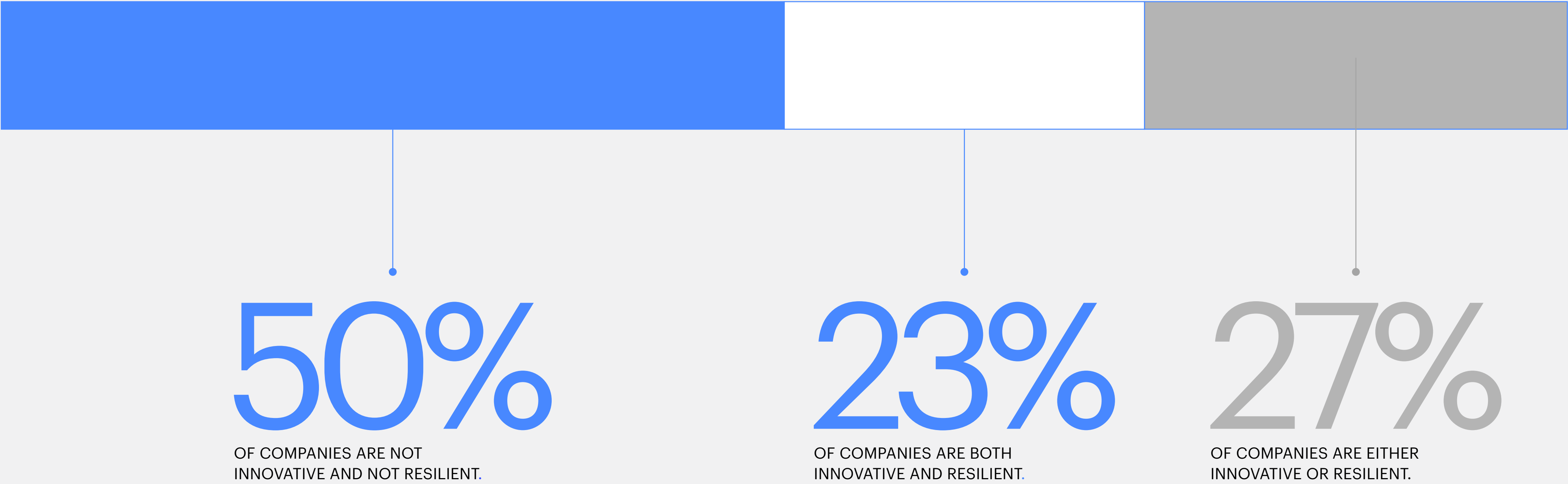


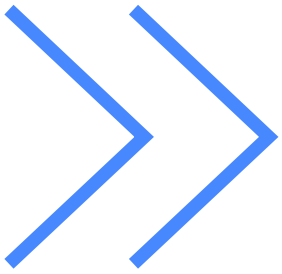
# INNOVATION AND RESILIENCE MOVE TOGETHER

Almost half of the innovation leaders believe innovation and resilience are correlated. And among high-performing companies, that awareness rises to 60%. This connection suggests an organizational understanding that innovation isn't just about successfully launching new products. Instead, it's a valuable mindset that strengthens and benefits the entire organization.

Very few organizations see themselves as one or the other, with just 13% saying they are innovative but not resilient and 14% saying they are resilient but not innovative.

INNOVATION AND RESILIENCE ARE CONNECTED





# HIGH-PERFORMING ORGANIZATIONS DRIVE RESILIENCE THROUGH INNOVATION

Leaders who say their organization is innovative are three times as likely to say their organization is also resilient. Why? Because they have the right resources in place to support innovation and translate it into real financial success.

Leading organizations, those that report being both innovative and resilient, are:

3x

AS LIKELY TO SAY THEY  
OUTPERFORMED COMPETITORS  
ON SHAREHOLDER RETURNS.

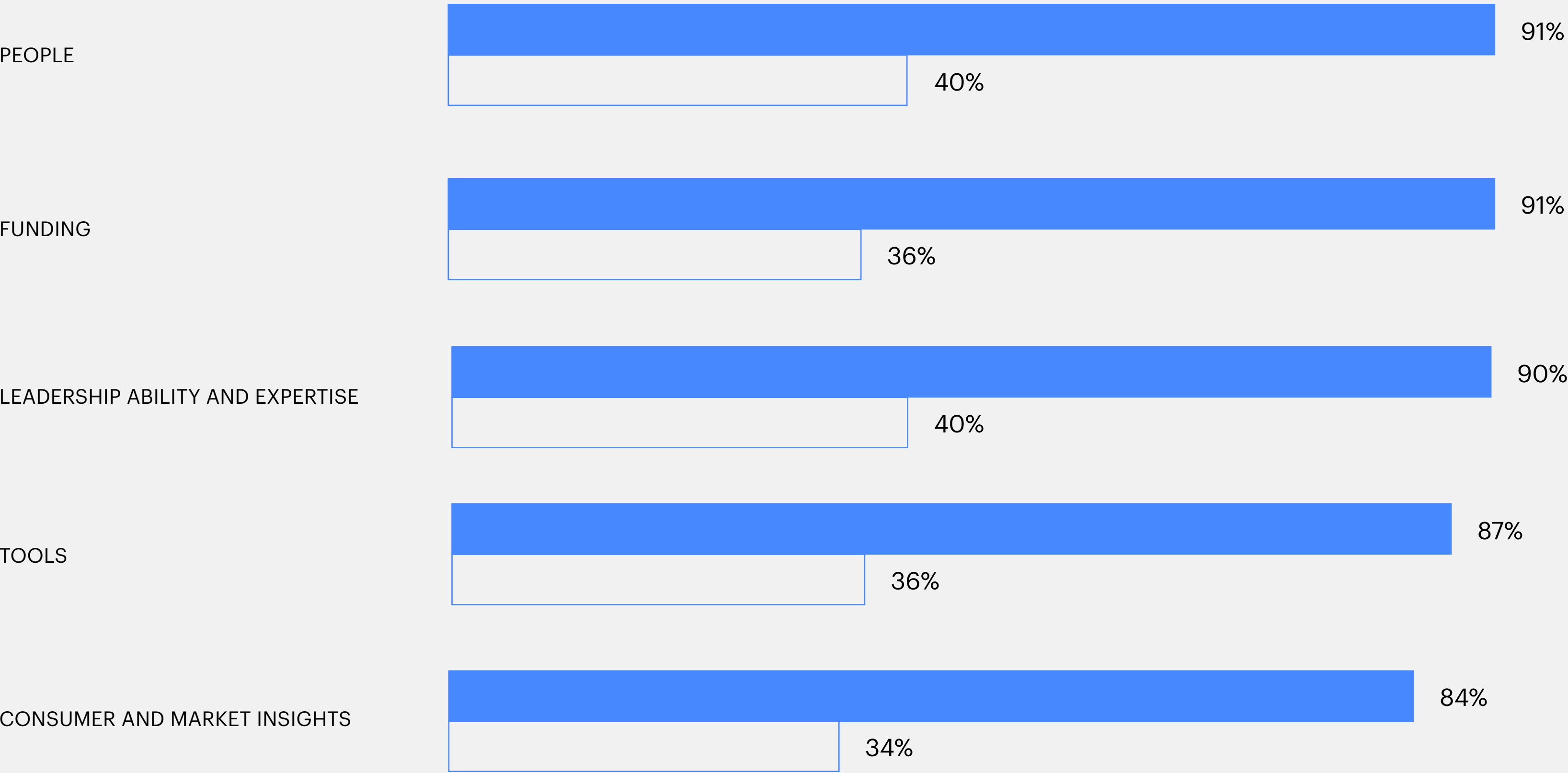
2x

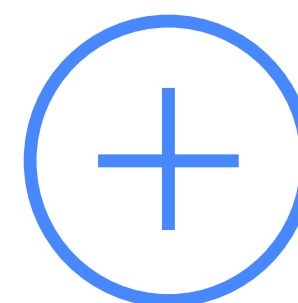
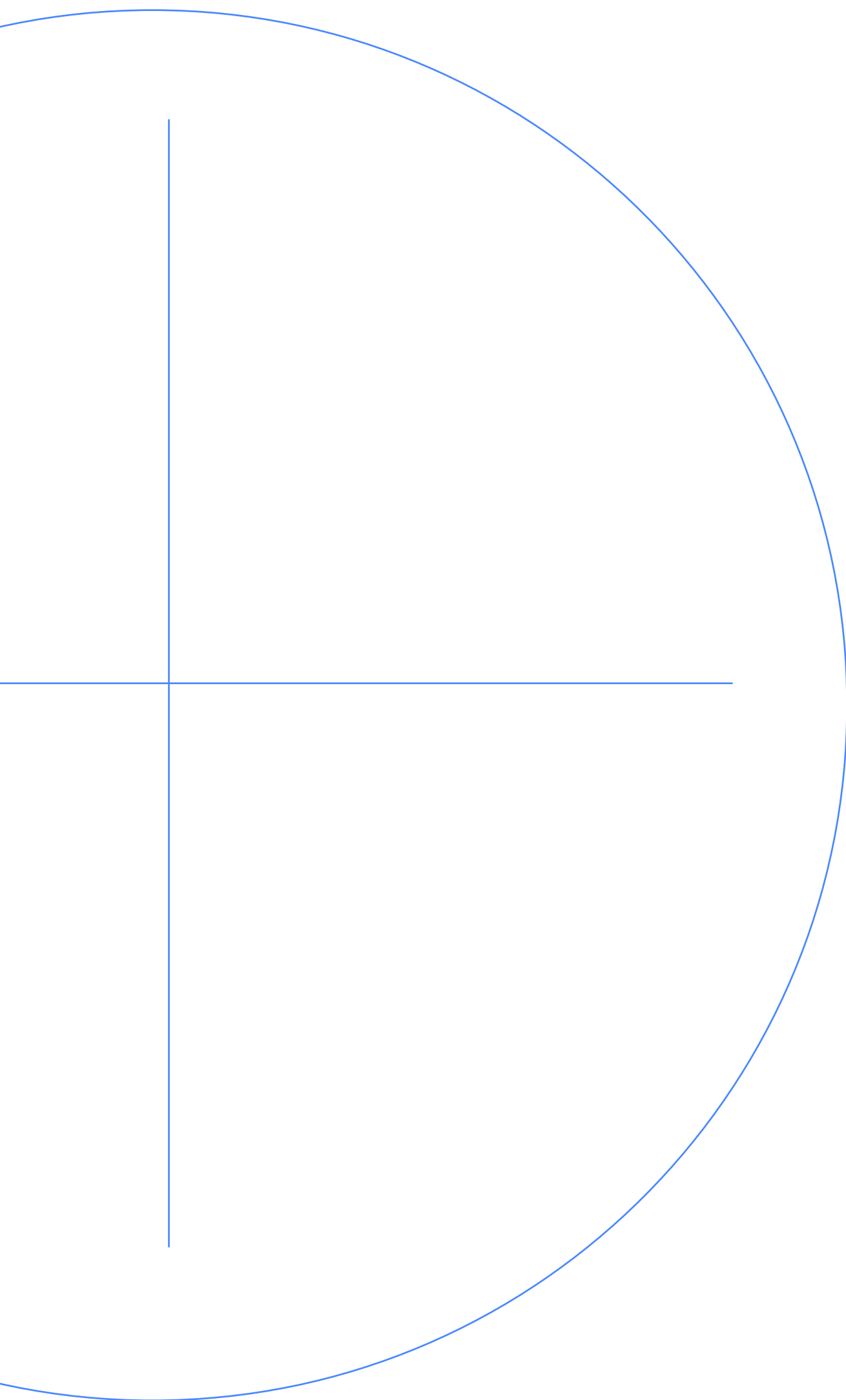
AS LIKELY TO SAY THEIR  
COMPANIES BEAT THEIR  
2021 FINANCIAL TARGETS.

## WHAT FUELS SUCCESS

Business leaders who believe their company is innovative and resilient are more likely to report they have critical business resources in place than those who think their company is neither innovative nor resilient.

■ INNOVATIVE AND RESILIENT COMPANIES    □ NEITHER INNOVATIVE NOR RESILIENT





## EVEN THE MOST SUCCESSFUL COMPANIES CAN BENEFIT FROM USING MORE INNOVATION TECHNIQUES

This unexpected result startled us. We asked respondents whether their organization uses 15 standard innovation practices, many of which have been widely used in business for decades. While by no means exhaustive, these practices were chosen by Prophet's experts precisely because they are so common. They included such activities as tracking KPIs, having a customer research team and using rapid prototyping. While each is a bread-and-butter innovation practice, most are going unused by the majority of companies surveyed.

On average, organizations that are both innovative and resilient use 5.5 of these best practices, compared to 3.5 by those that are neither. The fact that even leading companies are using so few available techniques, especially since they are illustrious in the innovation community and general business world, surprised us.

“

C-LEVEL EXECUTIVE  
FORTUNE 1000  
COMPANY

In every organization I've seen,  
there's enough innovative and  
creative people to get the job  
done, if you give them the right  
space and tools to solve for it.”

## INNOVATION SKILLSET

We asked business leaders to identify which best practice innovation techniques their organizations use consistently. Companies that are innovative and resilient use an **average of five and six** of these innovation enablers.

	HIGHLY RESILIENT AND INNOVATIVE	TOTAL COMPANIES
FOCUS ON CUSTOMER NEEDS	54%	47%
DEDICATED CUSTOMER RESEARCH TEAM	44%	32%
DEDICATED INNOVATION TEAM THAT SPANS THE ORGANIZATION	43%	31%
EXPLICITLY BALANCE INVESTMENTS ACROSS INNOVATION HORIZONS	43%	26%
LEADERSHIP COACHING AND ALIGNMENT	41%	36%
SCENARIO PLANNING	38%	30%
SPECIAL INCENTIVE STRUCTURES FOR NEW BUSINESS OPPORTUNITIES	37%	30%
DESIGN THINKING METHODS	37%	26%
TRACKING OF KPIS	35%	32%
INTRODUCTION OF AI/ML TO YOUR OPERATIONS	35%	24%
AGILE PRODUCT DEVELOPMENT CYCLES/METHODOLOGIES	34%	32%
FOCUS ON COMPETITOR ACTIVITY	31%	29%
POD-LIKE TEAM STRUCTURES/DECENTRALIZED TEAMS	29%	18%
HAVE A FORMAL INNNOVATION INCUBATION PROGRAM	28%	21%
RAPID PROTOTYPING AND ITERATION	25%	19%

The most popular technique, focusing on customer needs, is only used by 54% of companies that are both innovative and resilient, which is better than the 42% of those that are neither. However, given how many companies believe they are genuinely customer-centric, that's relatively low. And while dedicated customer research teams came in next, they are used by just 44% of our sample. Fewer than a third used effective techniques like rapid prototyping, pod-like team structures and agile product development cycles.

We also asked about enablers by inviting participants to describe the features of their company that can make innovation more accessible. These include capabilities like the ability to define problems correctly and characteristics like having a culture that celebrates change.

The limited use of innovation enablers, even by the companies described as the most successful, is also puzzling. While companies that are both innovative and resilient used more enablers (an average of 6.2 compared to 4.6 used by companies that are neither), the number was still much lower than we expected.

We see a silver lining in this low adoption. There are plenty of opportunities for innovation teams to expand their influence within the organization.



## HOW INNOVATIVE AND RESILIENT IS YOUR ORGANIZATION?

Business leaders at the most innovative and resilient companies are more likely to claim their organization has six to seven of these traits. While business leaders at average performing companies claim only five of these traits.

### CAN YOUR ORGANIZATION:

- FIND THE RIGHT PROBLEM
- DEFINE THE PROBLEM CORRECTLY
- CHOOSE THE RIGHT EXECUTION
- MEASURE THE RIGHT EXECUTION
- GET BUY-IN FROM OTHERS IN THE ORGANIZATION

### DOES IT HAVE:

- A CULTURE THAT CELEBRATES CHANGE
- A WELL-DEVELOPED AND SUPPORTED RESILIENCE CAPABILITY
- A CLEARLY COMMUNICATED CORPORATE PURPOSE
- INVESTMENTS IN ESG
- PRUDENT FINANCIAL MANAGEMENT AND COST-CUTTING
- DESIGN-LED INNOVATION TEAMS

“Innovation has to do with a culture that embraces change. It’s more a mindset than a moment of choice.”

KRISTEN GROH  
SENIOR PARTNER, PROPHET

Our qualitative research, which included follow-up interviews with 13 participants, shed plenty of light on these findings, especially as respondents look to define what resilience looks like in their companies, as well as their day-to-day innovation work.

Some are keenly aware that resilience is a kind of flexibility that must be rooted in an organization. “Even though you might be in a world of change and have to pivot, you still have to be strong and stand for what you believe in,” one said. “Resilience requires holding true to your values.”

And when things go wrong, they see it as the glue that helps them bounce back: “Resilience is how we keep our act together.”

“

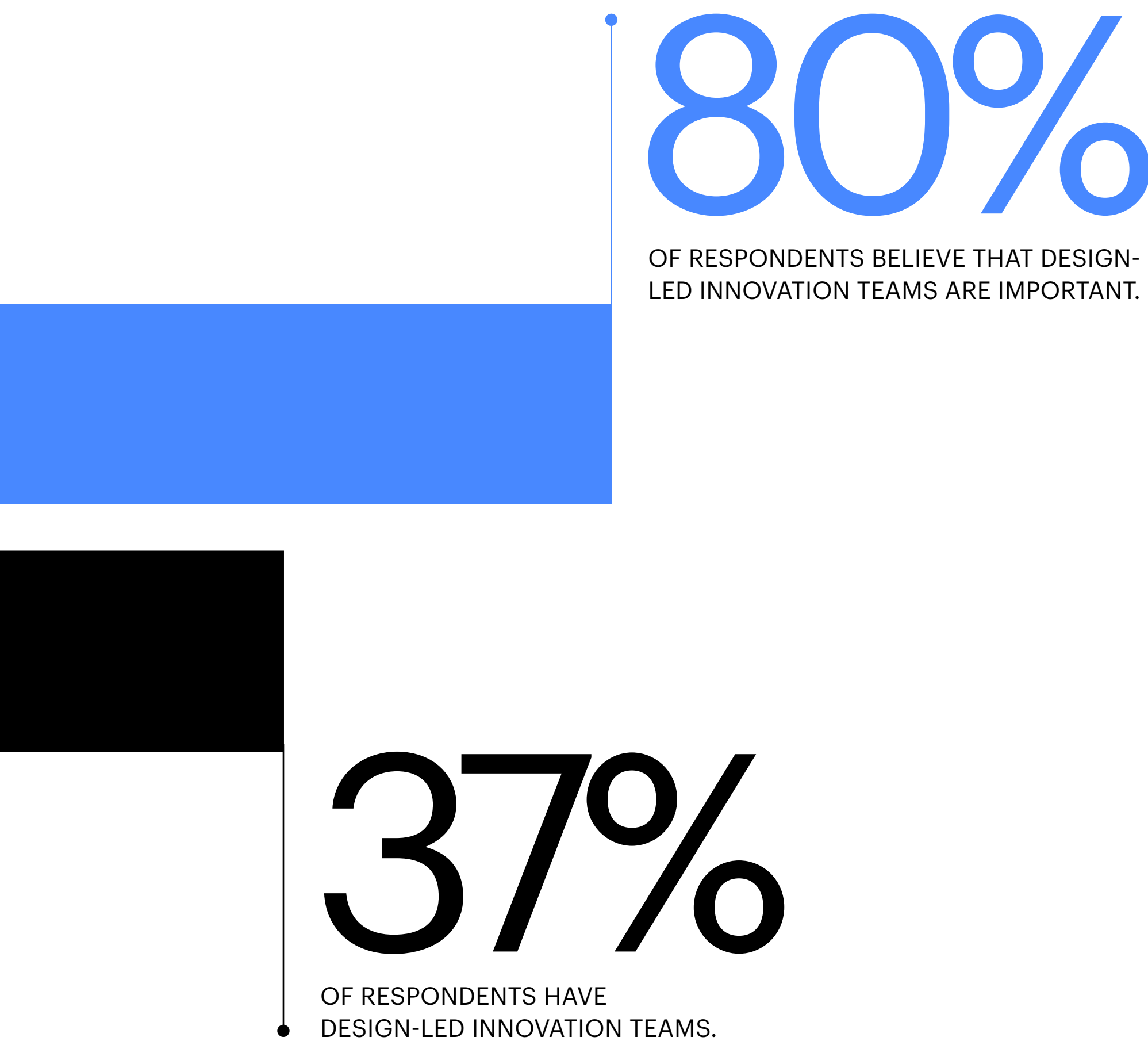
BRAND AND  
INNOVATION LEADER  
MULTINATIONAL  
ORGANIZATION

Even though you might be in a world of change and have to pivot, you still have to be strong and stand for what you believe in. Resilience requires holding true to your values.”

# COMMON OBSTACLES HINDERING INNOVATION

Our respondents know what methods drive innovation. And those that describe their companies as most successful understand that increasing innovation efforts can also build resilience, enabling enterprises to achieve uncommon growth in all market conditions. But that knowledge doesn't correlate with behavior.

For example, about 80% of respondents in organizations that are **both** innovative and resilient believe that design-led innovation teams are important. Yet only 37% have design-led innovation teams today.

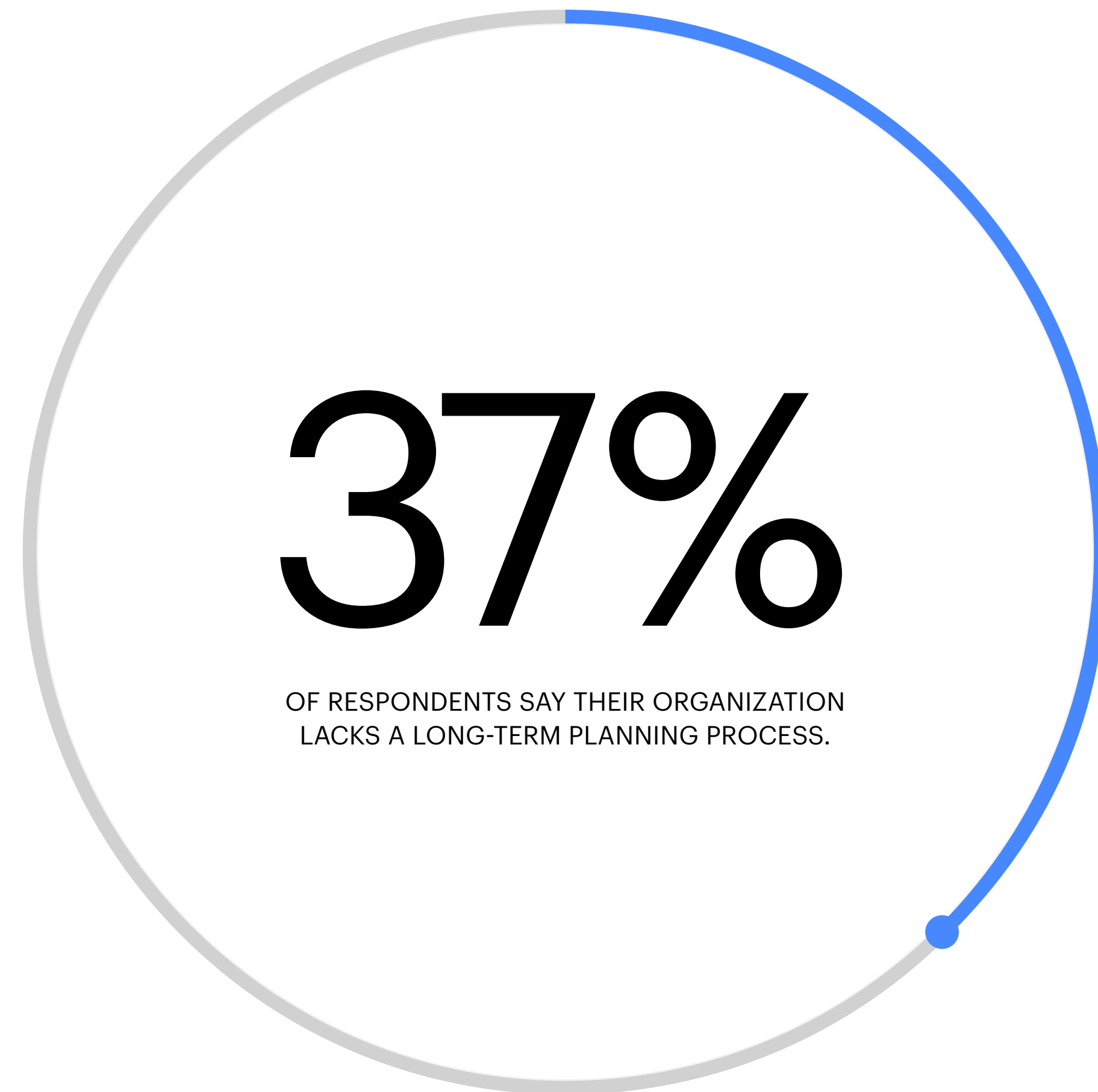


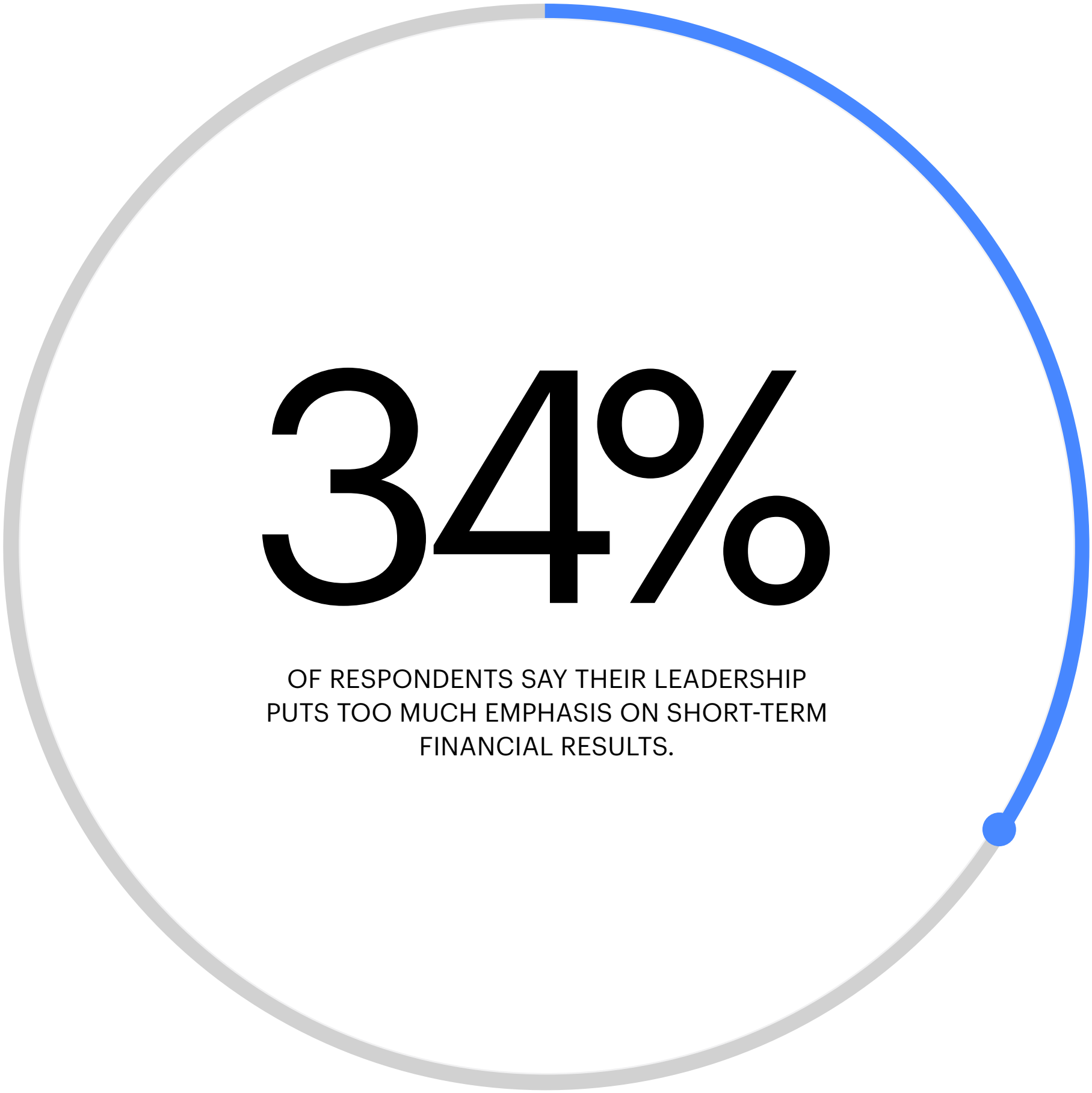
## HERE'S WHAT STANDS IN THE WAY

About 90% of these companies face at least one barrier to increasing innovation efforts, while 87% see two or more barriers. And 80% of organizations say three or more obstacles hinder innovation improvements.

A leading obstacle, named by 37% of respondents, is that the organization lacks a long-term planning process. Respondents tell us this has gotten worse in the last few years. Some participants see planning, especially longer-term planning, in opposition to the kind of seat-of-the-pants thinking that has characterized much of the pandemic era. And they say their companies are finding it hard to shake off that reactivity.

"You're constantly just in this space of change," one told us.  
"Plans are abandoned almost as soon as they are made.  
There's no real plan because things just sort of happen."





# 34%

OF RESPONDENTS SAY THEIR LEADERSHIP  
PUTS TOO MUCH EMPHASIS ON SHORT-TERM  
FINANCIAL RESULTS.

When companies do plan, they often lack customer input or cohesive, long-term goals. About 37% of respondents say that the senior leadership at the company they work for pays too little attention to customer needs. And 34% think there is too much emphasis on short-term financial results. Many cancel high-potential projects after a single quarter if they can't immediately prove themselves.

"All the senior leaders in my company look at a report of orders and shipments every day," another respondent said. "We manage very tight to the quarter, which means we have to manage close to each month."

That short-sightedness is a mistake. Innovation leaders tell us long-term planning is crucial to innovation. They understand that stability, resiliency and being low risk are essential for survival. "People invest in our sector for pretty good returns and relatively low risk," said a business leader at a large company. "We need to keep a consistent stream of sales and earnings growth. That's our role."

Yet they are hyperaware of the risks of not innovating enough: "If we are not on this, then we'll cease to exist in five years."

## SECTION 2

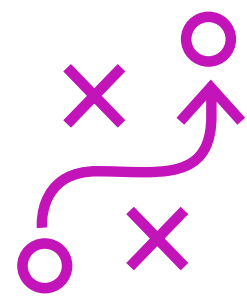
# BUILDING INNOVATIVE ORGANIZATIONS

Strengthening underworked innovation muscles is more complex than simply improving departmental functions. It's time to create innovative organizations based on cross-functional alignment, active C-suite engagement and broad-based investments.

"It's not just product," said one respondent. "It's bigger. It has to be about changing the business model and the way we view acquisitions. We have to learn to do many things differently."



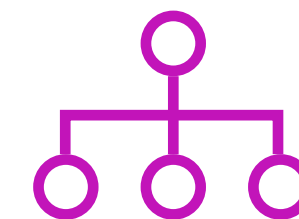
The most innovative, resilient and financially thriving companies make three significant plays:



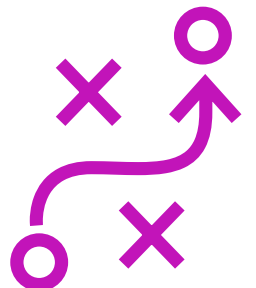
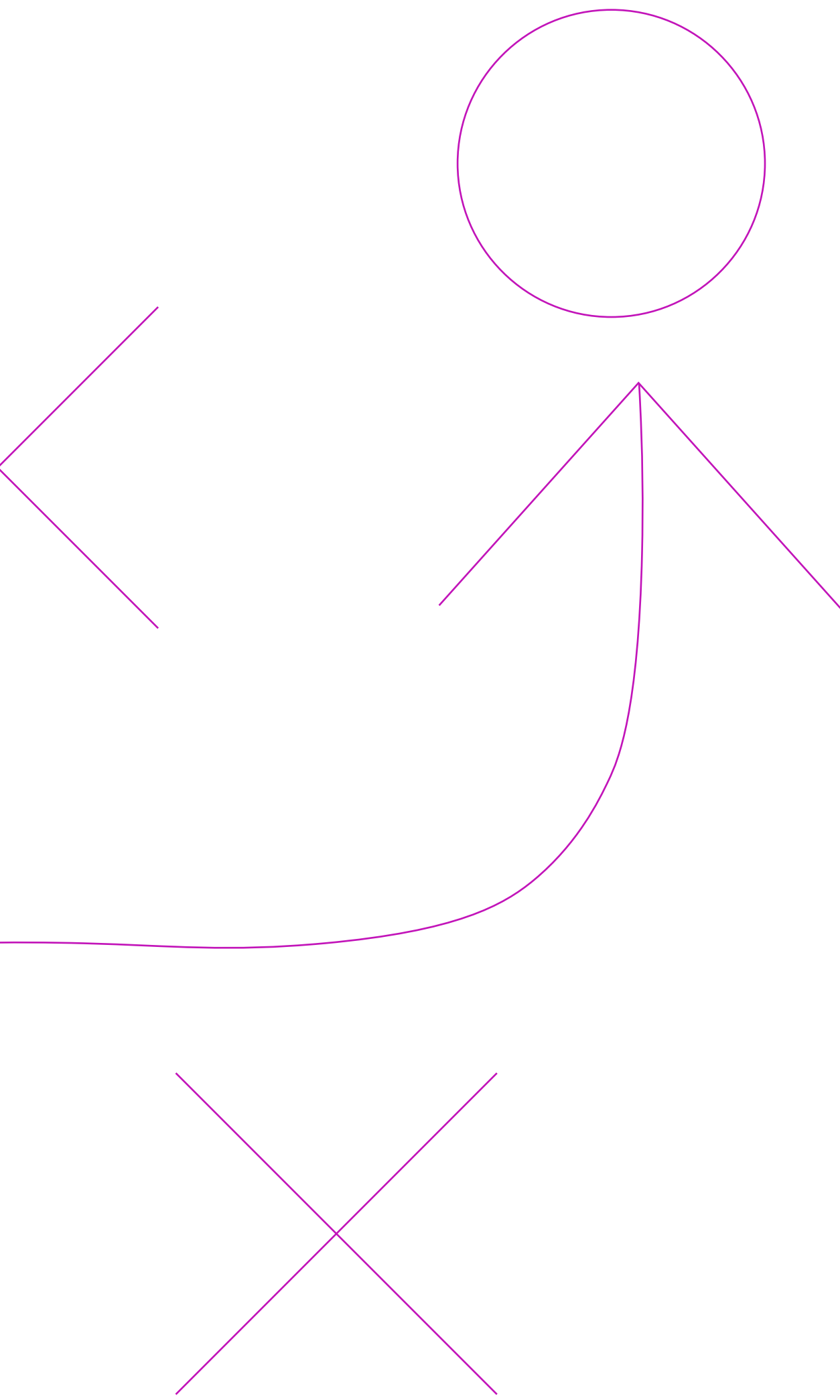
INVEST IN A  
DIVERSE RANGE OF  
INNOVATION TACTICS



MAKE SURE THE  
C-SUITE HAS SKIN  
IN THE GAME



ORGANIZE FOR  
INNOVATION



# INVEST IN A DIVERSE RANGE OF INNOVATIVE TACTICS

Our research substantiates that most leaders believe they need to upgrade their approach to increase innovation. Our analysis of innovative and resilient organizations reveals five patterns of action that can serve as a starting point for tactical tune-ups. The most successful organizations execute innovation techniques directed at most or all of these patterns

“I see myself making a case for building a larger team, diffusing innovation capabilities more widely across the organization.”

● INNOVATION LEADER  
FORTUNE 100 COMPANY

## FOSTERING INNOVATION AND RESILIENCE

In companies that business leaders say are both innovative and resilient, we saw five different patterns of innovation, each organization using a somewhat diverse array of tactics:



### BUILD RESPONSIVENESS TO COMPETITORS AND THE MARKET

- Focus on competitor activity
- Rapid prototyping and iteration
- Dedicated innovation team that spans the organization



### PRIORITIZE CUSTOMER-CENTRICITY

- Tracking of KPIs
- Design-thinking methods
- Dedicated customer research team
- Focus on customer needs



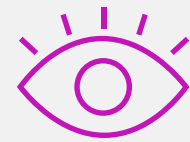
### MAKE SYSTEMIC LEARNING A PRIORITY

- Leadership coaching and alignment
- Introduction of AI/ML to your operations



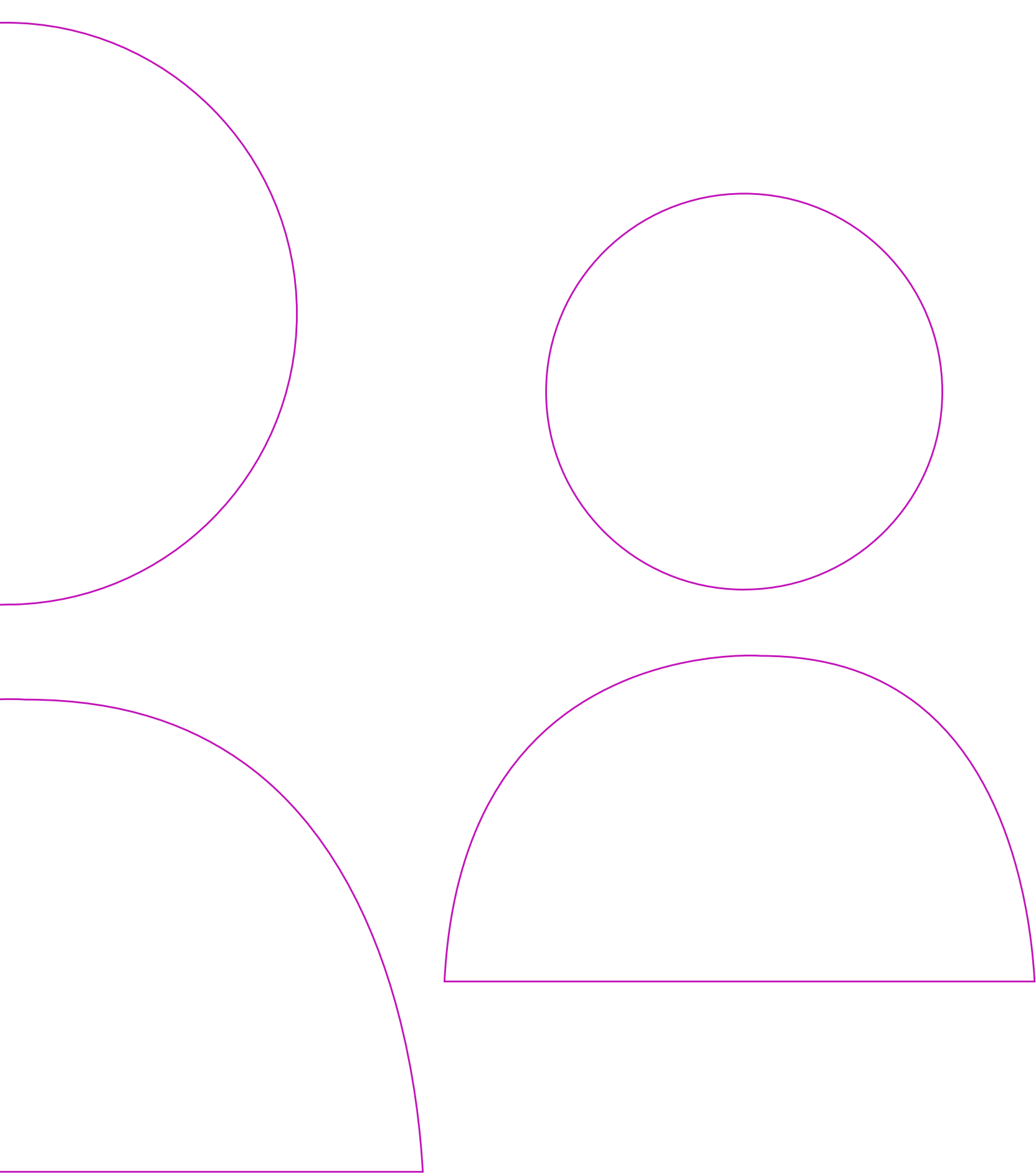
### EXECUTE LIKE START-UPS

- Pod-like team structures/decentralized teams
- Formal innovation incubation program



### MOVE CONFIDENTLY AGAINST A STRATEGIC VISION

- Scenario planning
- Explicitly balance investment across types of innovation opportunities
- Agile product development/methodologies
- Special incentive structures for new business opportunities



# MAKE SURE THE C-SUITE HAS SKIN IN THE GAME

Only 38% of our respondents say the company’s top leadership is directly responsible for innovation strategy, and 15% say innovation strategy impacts people in the C-suite.

The highest levels of success correlate with companies that say both are true. While in the minority, at only 11%, leaders at these companies are most apt to say they have outsized shareholder returns.

The most important element of C-suite buy-in is making innovation a top priority. Business leaders at companies that do so are seven times more likely to say their company is both innovative and resilient. In addition, they’re 50% more likely to say it had higher shareholder returns than competitors compared to companies that did not prioritize innovation as highly. And they’re 60% more apt to tell us their company beat its recent financial targets.

“

C-LEVEL ADVISOR  
ACADEMIC INSTITUTION

People know very early on whether the C-level is in it or not. They know that if innovation is to grow, leaders have to be part and parcel of it.”

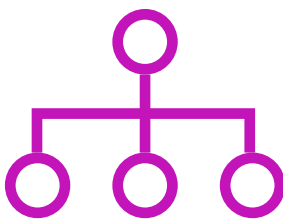
Some have found unexpected ways to achieve executive buy-in. One senior innovation leader, for example, went so far as to slash their budget to 10% of what they were offered in Year One to ensure the innovation initiatives they prioritized were the fastest, juiciest opportunities. Doing so enabled them to win the chief financial officer over as a long-term advocate and thought partner. Four years later, that leader is now running a team and budget twice what they were initially offered, with top management's complete confidence and cross-functional support.

Those changes require a new mindset and the recognition that one innovation leader, even a seasoned one with great ideas, can't do much independently. "Innovation leaders don't need to be the chief visionary," explained one respondent. "They need to be the chief diplomat. At least, that's what's worked for me."

By making a case for innovation, including as a driver of resilience, these leaders can build influence, starting and nurturing conversations that lead to organization-wide change.

**"Innovation leaders don't need to be the chief visionary; they need to be the chief diplomat."**

**SENIOR INNOVATION LEADER**  
FORTUNE 1000 COMPANY



# ORGANIZE FOR INNOVATION

The most successful companies understand the difference between investing in the innovation function and becoming a genuinely innovative organization. “Innovation is not a department,” one told us. “It’s a collective achievement of an organization.”

Too often, companies treat innovation as a project. They think they can invest in a few more innovation people or stand up a small pod. They’ll say, “Let’s give them a million dollars and see what they can do.” That’s not enough. They need the mindset that everyone should constantly be innovating. Those that get it gain resilience because they’re able to enlist others to help identify better ways of doing things and new opportunities for growth.

We know this isn’t easy. But when innovation strategy is set at the level of the entire organization, businesses are more likely to be innovative and resilient, and they’re more likely to have greater financial success.

“

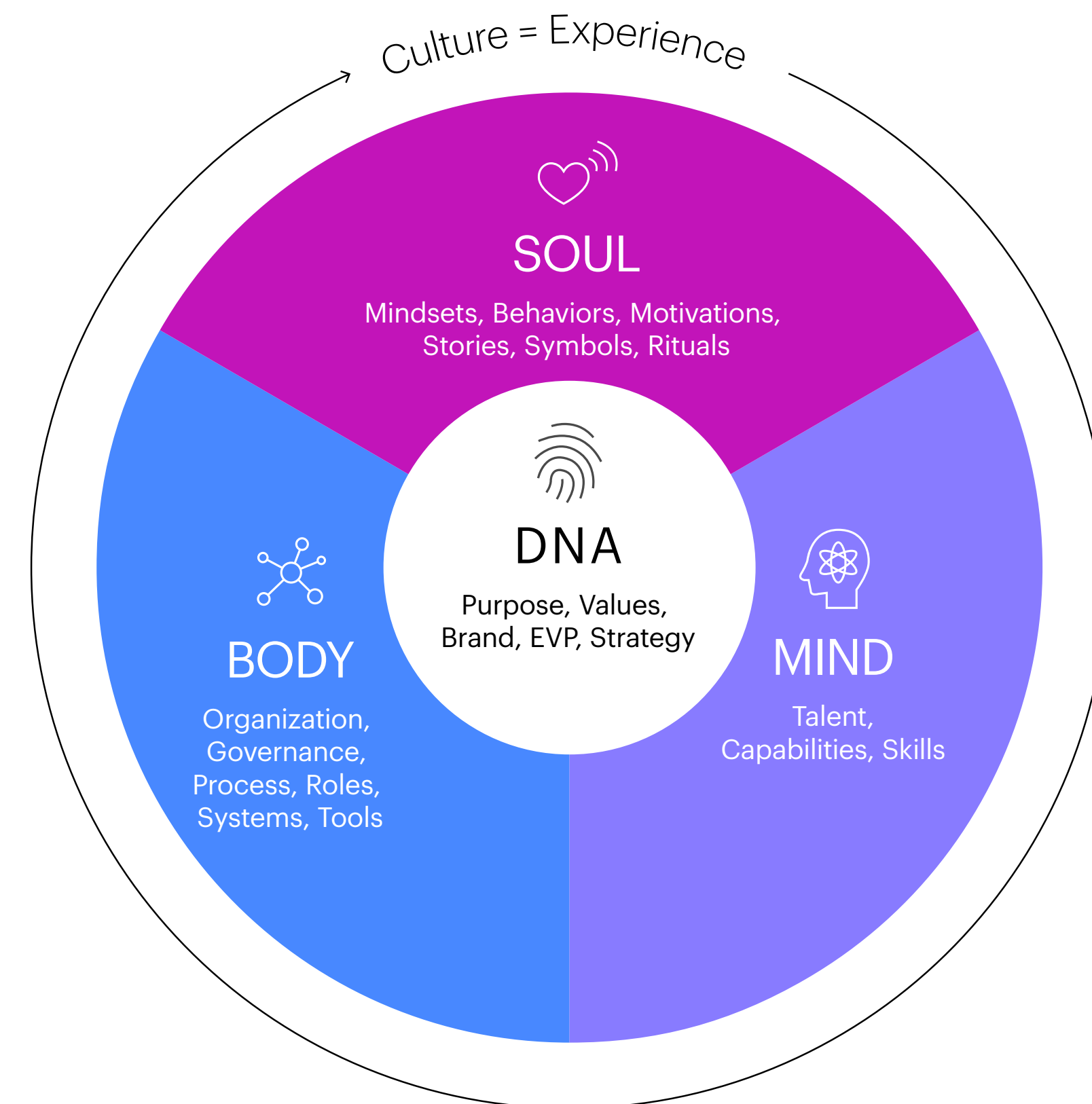
SENIOR RISK AND  
INNOVATION LEADER  
FORTUNE 1000  
COMPANY

Doing innovative work has a positive effect on the culture of an organization. And that positive effect increases the likelihood of teams being resilient.”

Companies that take a human-centered approach to transformation can become more innovative and, we believe, **more resilient**.

People are the most critical asset of any organization. No matter how much technology you have or how great your products and services are, it's humans who make innovation happen. At Prophet, we take a human-centered view of the organization by thinking of the organization as a macrocosm of the individual, with a collective DNA, Body, Mind and Soul.

PROPHET'S HUMAN-CENTERED TRANSFORMATION MODEL™

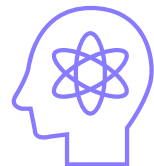




## DNA – DEFINE

*What is our direction and mode of travel?*

An organization's DNA ensures that the ultimate purpose and values are clear. With this North Star, innovation teams have the autonomy they need but in a direction consistent with the enterprise. Organizations where leadership gives a clear path, are 50% more likely to have outsized shareholder returns.



## MIND – ENABLE

*What new skills are required to drive the change?*

Business leaders who reported their organization intentionally used innovation to improve their talent pool and culture were twice as likely to say their organization was both innovative and resilient. In addition, companies that shift their talent strategy from hiring for a specific role or functional expertise to recruiting for intellectual curiosity, problem-solving skills and diversity of experience are more likely to unlock innovation and resilience.



## BODY – DIRECT

*What might need to change in our operating model?*

For an organization to be innovative and resilient, its leadership must align on how it works together. Organizations with cross-functional senior executives driving innovation initiatives are more likely to succeed. And practitioners we spoke to underscored how important it is to leverage the organization's existing core product infrastructure to innovate continuously, building the operational muscle to take on increasingly ambitious projects.



## SOUL – MOTIVATE

*How might we ignite belief in the change needed?*

For a company to be truly resilient and innovative, it must be ritualized across its culture. Companies can ritualize innovation and adaptability by regularly revisiting their innovation strategy. In our research, those that did so at least monthly are more than two times as likely to say their organization is both innovative and resilient than those who did so less frequently.

“

C-LEVEL ADVISOR  
ACADEMIC INSTITUTION

You never can do enough to be innovative. Organizations are scared to invest sometimes because they have more fear of the costs than the fear of missing out on an opportunity. I would be more fearful of missing out on a new opportunity. Opportunity costs have to be accounted for.”

## CONCLUSION

# THE INNOVATION ERA IS ON

It's time for companies to reconsider innovation's role in developing holistic corporate strategy, not just in new products and services. We're still learning and will continue our research. We want to tease out innovation's precise impact on resilience and growth. But, for now, we're watching innovation leaders as they chart new paths to resilience and uncommon growth, even when budgets are shrinking.

Innovation encourages a blue-sky mindset that can inspire creative thinking even under the cloudiest corporate conditions. It requires an appreciation for how innovation investments support organizational resilience, a C-level and cross-functional commitment and the constant quest for new ideas. Every step forward pays dividends for the business, including its customers, shareholders and employees.



# CONTACT US

Prophet is a growth and transformation consulting firm that helps leaders unlock uncommon growth. The type of growth that isn't just bigger, more profitable or faster. It's rich with possibility and aligns with where the world is now — and where it will be tomorrow. Uncommon growth is purposeful, transformative and sustainable.

With 15 global offices and nearly 700 strategists, data analysts, marketers, digital experts and creatives, Prophet has worked with the world's most successful companies, including CVS Health, Home Depot, Marriott, Netflix, Electrolux, and UBS, partnering with them from strategy to in-market execution. Our teams are committed to partnering with clients to develop solutions that drive lasting impact and help move society forward.

**Our ambition is to partner with clients to unlock uncommon growth in the face of disruption. If you share this ambition, contact us at [inquiries@prophet.com](mailto:inquiries@prophet.com)**



**Abram Sirignano**  
Senior Partner



**Griffin Olmstead**  
Senior Engagement Manager



**Erin Weissert**  
Partner



**Sean Lurie**  
Service Design Lead



**Megan Burke**  
Senior Associate



**Layla Keramat**  
Partner



**Joseph Oliver**  
Senior Innovation Director

# ACKNOWLEDGEMENTS

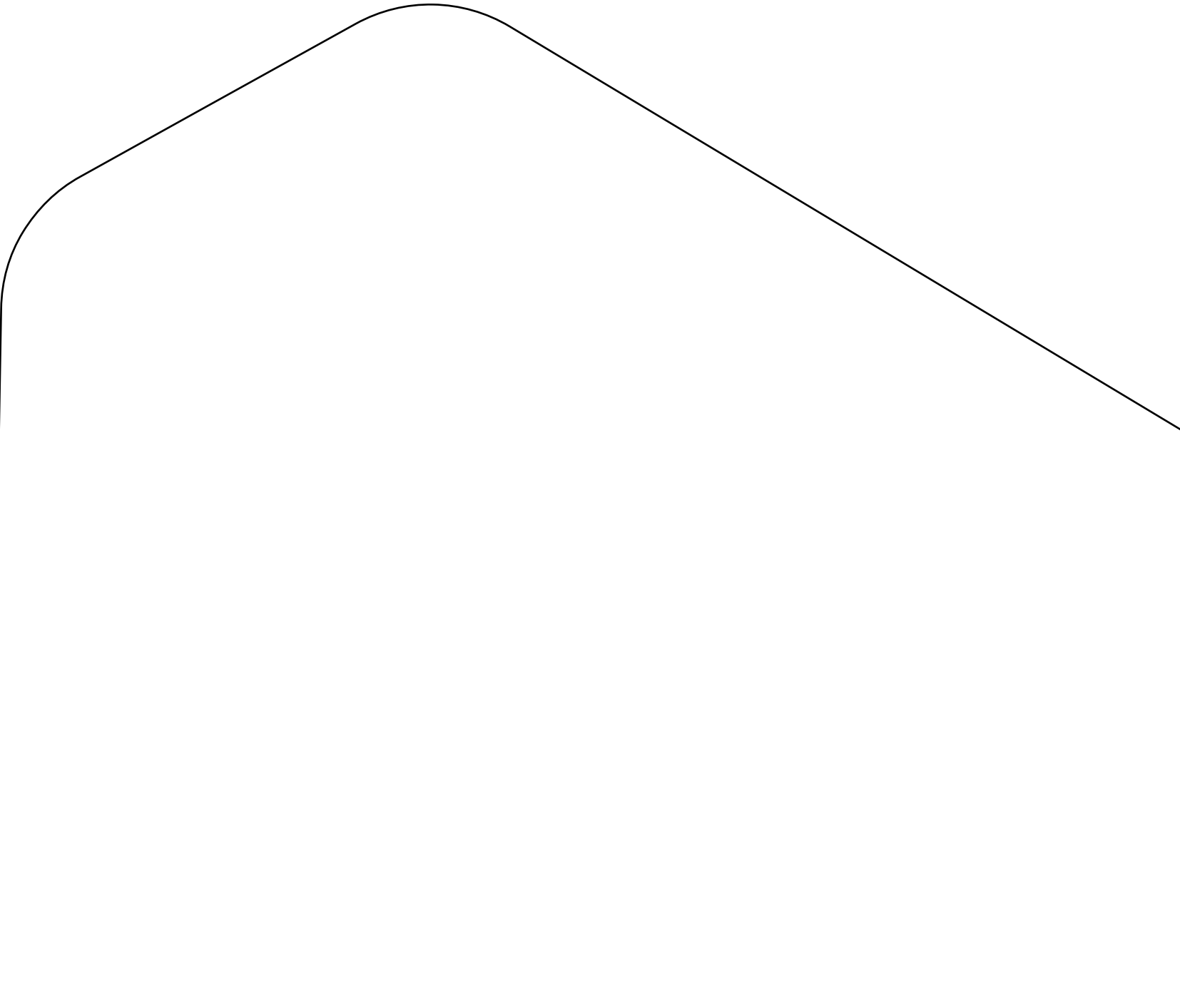
We are grateful to the many organizations and individuals who participated in the qualitative phase of the research, including:

- Prof. Jan-Erik Baars**  
Lecturer and Researcher  
Lucerne School of Business  
Partner at Customer Metrics AG
- Renato Mazziero**  
Vice President, Digital & Design  
Thrivent
- Nicole Grasso**  
Director, Brand Strategy  
Chewy
- Bonnie Reese**  
Strategy Director  
Gensler
- Kristen Groh**  
Senior Partner  
Prophet
- Dr. Cord F. Staehler**  
SVP, Chief Technology Officer  
Dentsply Sirona
- Mark Kandrysawtz**  
Chief Innovation Officer  
WellSpan

Additionally, we would also like to recognize the contributions of the global Prophet team. Thank you to Tony Fross, Michael Welch, Erin Myers, Amanda Nizzere, Nichola Seeley, Alexis Thomas, Abby Murray, Alyssa Almeida, Hannah Chung, Erica Yan, Nikia James and Marina Rachello.

# OPEN RESEARCH

This independent research report was 100% funded by Prophet. This report is published under the principle of Open Research to advance the industry at no cost. This report is intended for you to read, utilize and share with others; if you do so, please provide attribution.



**PROPHET**