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# Building innovation resilience in uncertain times

Four principles to guide success

# Getting the edge on uncertainty

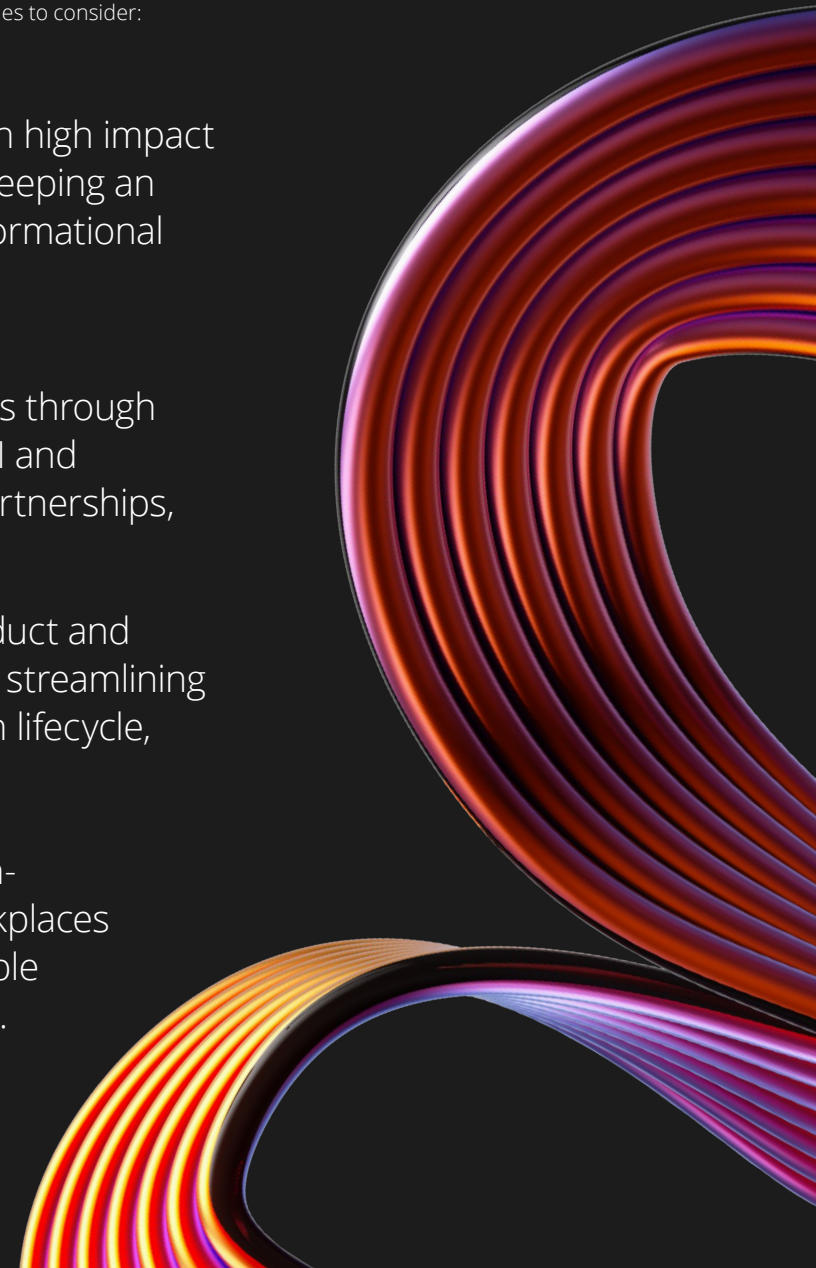
We have seen the impacts of supply chain disruptions, national and global conflicts, climate change, rising inflation, and more.

To say the tumultuous trajectory of the past four years has left many feeling ill-at-ease would be an understatement.

From a business perspective, the current market has led many organizations to realign priorities to boost resilience and sustain competitiveness. The key to ensuring the success of this reprioritization lies in innovation—the need for which is only further amplified by market demand for modernization, rapid technological advancements, and societal changes. By consistently applying leading innovation practices, organizations can outperform market growth by 5-20%<sup>1</sup>.

To achieve this competitive advantage, there are four guiding principles to consider:

- 01.** Hyperfocus on high impact innovations, keeping an eye on transformational horizons,
- 02.** Fund initiatives through measured ROI and ecosystem partnerships,
- 03.** Integrate product and design teams, streamlining the innovation lifecycle,
- 04.** Create human-centered workplaces in unpredictable environments.



# In uncertain markets, innovation remains essential to win

Investors and economists are optimistic that the Federal Reserve may successfully slow inflation without plunging the US economy into a recession.

Still, the market is eyeing a risk that threatens to derail this effort. As the Fed lifted interest rates to 5.5%<sup>2</sup> from near zero since March 2022, there have been series of tremendous drops in US innovation funds.

For example, venture funding decreased by 34% quarter-over-quarter over the last 2 years<sup>3</sup>. Since early 2022, SPAC and IPO issuances have decreased by 91%<sup>4</sup> and 93%<sup>5</sup> respectively. Corporate funds for innovation are simply getting tighter, as the pressure for profitability and cashflow resilience increases.



## Tailwinds

Markets are demanding innovative products, experiences, and offerings

75% of customers expect digital and innovative experiences across touchpoints, and 73% are likely to switch if they don't get it<sup>6</sup>. 80% of GenZ (accounting for 25% of the workforce by 2025<sup>7</sup>) expect to work with cutting-edge technologies<sup>8</sup>, and 91% say the innovativeness of potential employers will influence their job choice<sup>9</sup>.

## Enablers

Rapid technological advancements create fuel for faster digital innovation

70% of new business applications will use low-code/ no-code technologies by 2025<sup>10</sup>, driving the rapid creation of innovative platforms. By early 2024, 40% of customer interactions are expected to be automated through artificial intelligence and machine learning<sup>11</sup>. The penetration of open data and the practice of sharing insights from secured customer data across ecosystems will drive the personalization of experiences and open the aperture for new innovative offerings.

## Headwinds

Societal and regulatory restraints will drive the need for innovation

77% of Americans expect companies to respond to inequalities with inclusive products and services<sup>12</sup>. 90% of younger customers are more willing to buy products that benefit the environment or society, driving the need for corporations to create socially conscious products. The circular economy digital solutions market is worth over \$468 million<sup>13</sup>, and will grow to over \$1.6 billion by 2027, at a CAGR of 27%. Given current societal and regulatory shifts, corporate pressure to innovate experiences, products, and offering will continue to grow.

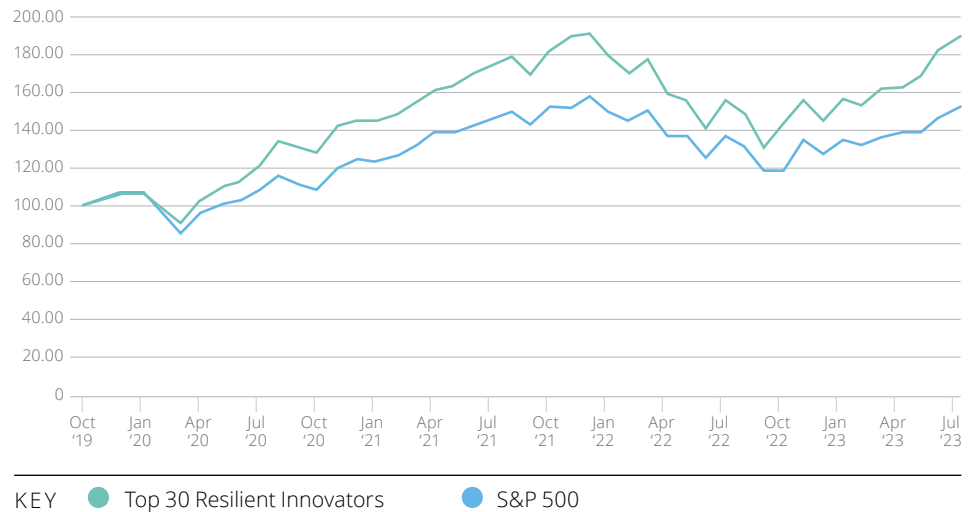
## While these indicators signal market turbulence, there is good news

Resilient innovators outperform their peers during times of uncertainty, downturn, and upturn. Resilient innovators are organizations that consistently invest in innovation and apply leading innovation practices in every market (uncertain outlooks, downturns, or upturns). As a result, they regularly launch multiple types of innovations in the marketplace to differentiate themselves from their peers.

### The practices of resilient innovators

We built a portfolio of resilient innovators that includes 30 companies across sectors, to identify leading innovation practices they apply in order to drive consistent market outperformance. We analyzed events of highest market uncertainty over the last 15 years, specifically during the COVID-19 pandemic and the financial crisis of 2008.

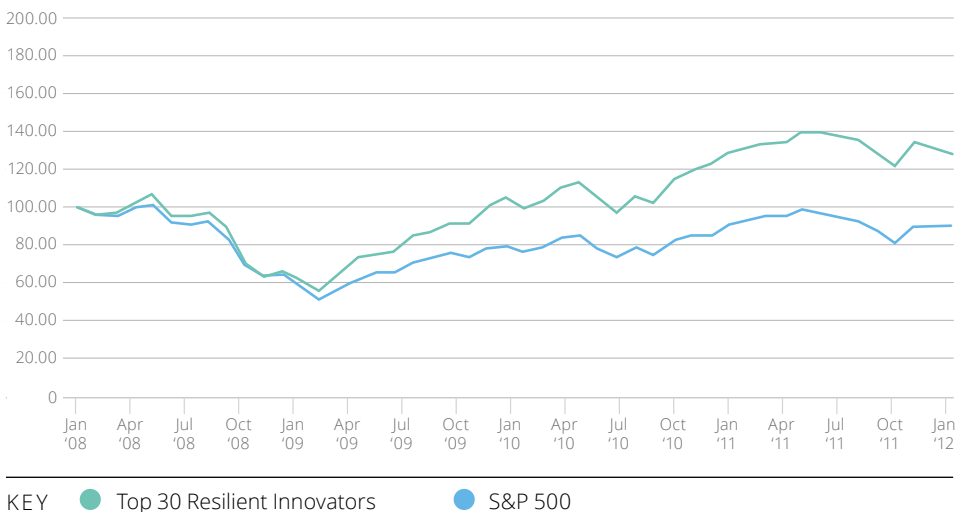
3-YEAR INDEXED STOCK PRICE RETURNS OF THE TOP 30 RESILIENT INNOVATORS VS. S&P 500 (COVID-19 PANDEMIC)



Over a period of 3 years (2019-2022), resilient innovators outperformed their peers by achieving 5-20% higher stock performance relative to the S&P 500 index during a period of market uncertainty fueled by the COVID-19 crisis<sup>15</sup>.

## During and beyond the meaningful financial crisis of 2008, results were no different<sup>14</sup>—resilient innovators outperformed their peers in terms of both stock performance and profitability.

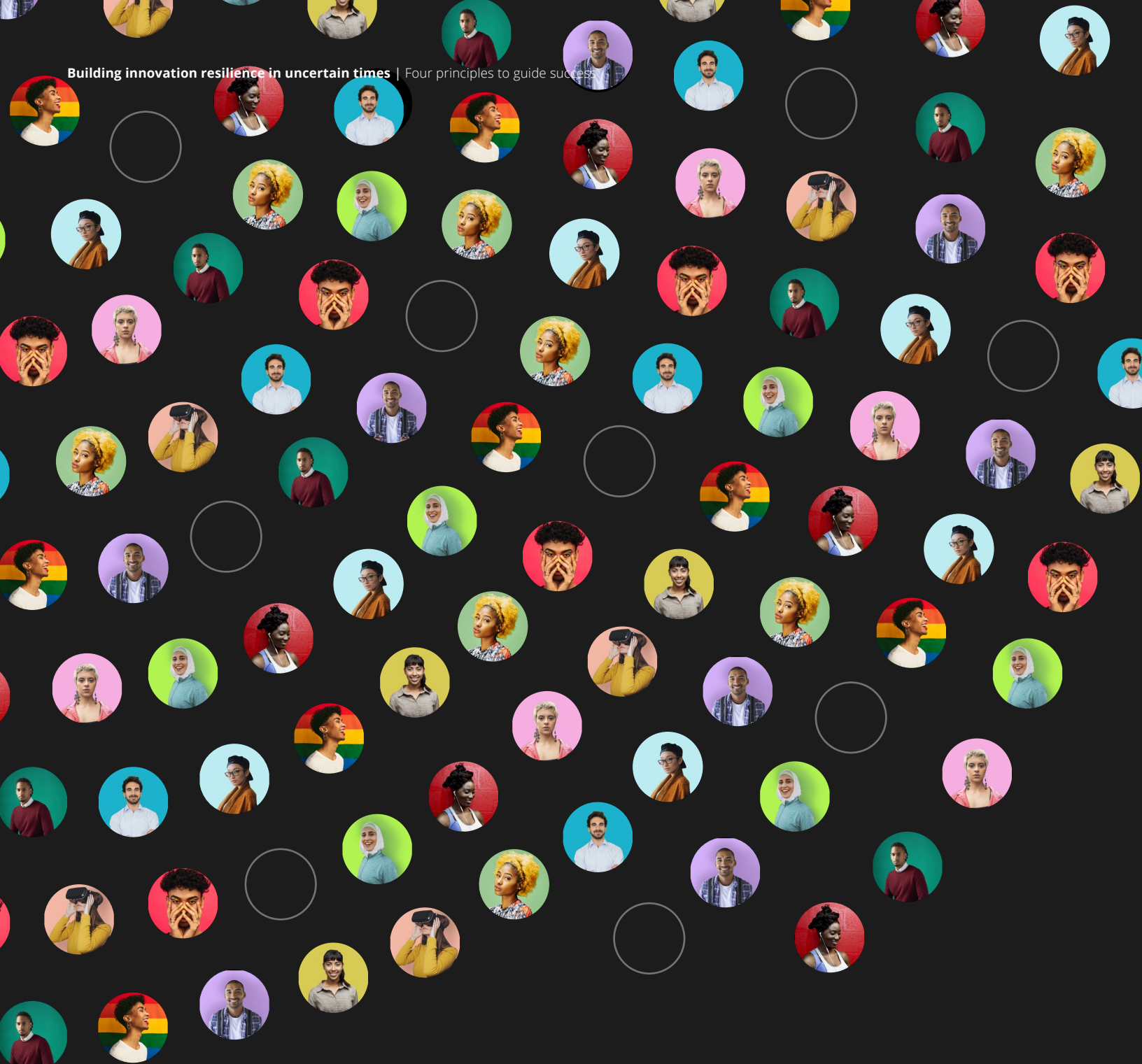
3-YEAR INDEXED STOCK PRICE RETURNS OF THE TOP 30 RESILIENT INNOVATORS VS. S&P 500 (2008 FINANCIAL CRISIS)



While the value of innovation seems clear, organizations that aspire to innovate face a series of tensions amid economic uncertainty. While 62% of CEOs see new market innovations as one of their top three priority investment areas this year, 67% prioritize investments in core business transformation instead<sup>16</sup>.

96% of Fortune 500 companies have acknowledged the need to innovate in current markets in order to succeed and maintain their competitive edge, but 70% of corporate SMEs remain focused on day-to-day operations rather than investing in new technologies and opportunities to better run their business<sup>17</sup>.





91%

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# To successfully innovate in uncertain times like these and beyond, resilient innovators apply four key practices

## 01.

Hyperfocus on high impact innovations, keeping an eye on transformational horizons

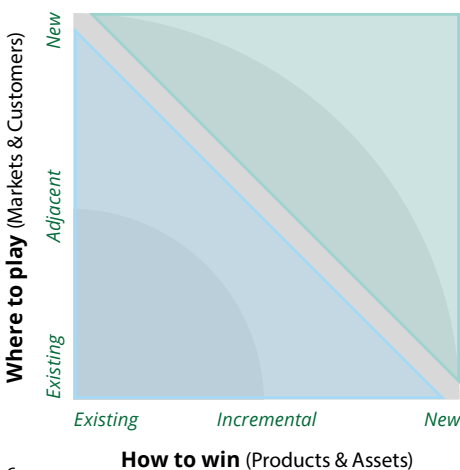
Resilient innovators shift their portfolio toward innovations that can drive tangible impact quicker, as the pressure to demonstrate value to shareholders and key constituents quickly arises. Their innovation initiatives are typically centered around customer experience improvements, digital self-service, and new products/offerings expanding toward adjacent segments. While innovation priorities in uncertain times are centered around adjacencies (known & knowable opportunities), resilient innovators continue to drive the discovery of transformational opportunities in parallel (unknown opportunities), informing longer-term innovation and corporate strategy plays.

### What good looks like

In uncertain times, resilient innovators have...

- Re-calibrated innovation portfolios closer to adjacencies, focusing innovation bets on experience improvements, digital self-service, and new product offerings that reduce costs and create new revenues
- Refined innovation prioritization criteria and success metrics to align with the market environment (e.g., revenue vs. # of ideas, viability, and feasibility)
- Incentivized innovation teams towards shorter term innovation goals, with most value targets below 18 months (e.g., compensations tied with shorter-term value-driven metrics, such as digital adoption)

### AMBITION MATRIX



### KEY

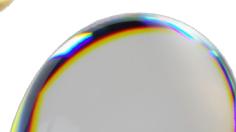
- Unknown Opportunities  
Which must either be discovered or developed
- Known & Knowable Opportunities  
Which can be planned and tackled

### Case in Point

#### Leading financial service player

A leading financial service provider was facing competition from fintechs, declining budgets related to recent profitability pressures, and increased customer churn driven by higher consumer price sensitivity.

To withstand current market pressures, this organization centered innovation efforts on their digital and self-service experiences to retain higher-profit customers and reduce service operation costs. By centralizing innovation priorities around this effort, this organization reduced service costs by \$30M in less than 24 months, improved digital adoption by 20%+, and is on track for further cost reduction of \$100M+ over the next 5 years.



## 02. Fund initiatives through measured ROI and ecosystem partnerships

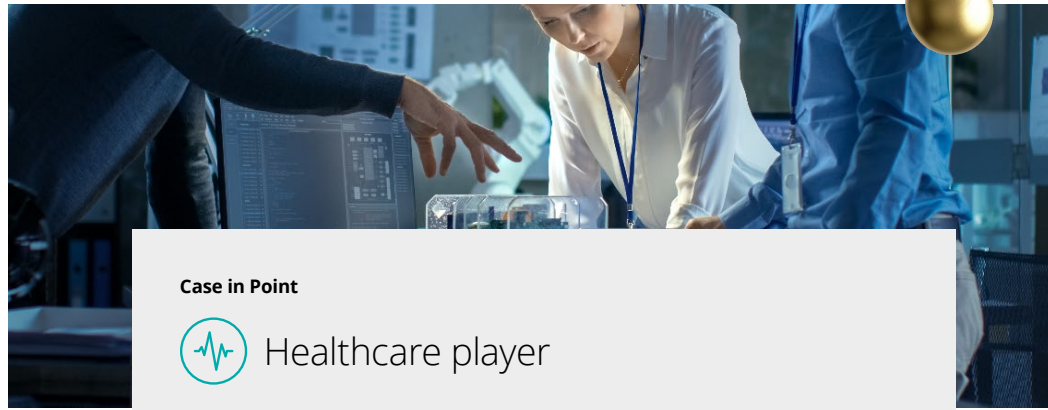
Resilient innovators measure the impact of innovations closely. Innovations providing value that spans beyond a single business unit—creating impact for several LOBs or product areas—make the case for prioritized funding. To optimize spending, resilient innovators collaborate with ecosystem partners to leverage complementary capabilities and minimize non-essential investments. In order to de-risk high investments, they partner to co-fund the development of transformational opportunities (unknown). Leveraging ecosystems, resilient innovators optimize return on innovation spendings and accelerate time to market through partners' capabilities.

Resilient innovators are disciplined in tracking, focusing innovation impact goals on a defined set of metrics. As innovation initiatives achieve these metrics and successfully move from seed to scale, they receive progressive funding from corporate innovation, business units, and ecosystems funds. To further minimize risks in uncertain markets, resilient innovators test quickly, validating efforts early and often. Key metrics include primary acquisition, net new revenues, and service cost reduction.

### What good looks like

In uncertain times, resilient innovators have...

- Established measurement models to track performance from seed to scale
- Diversified governance boards (e.g., CFOs, business and innovation leads, partners), unlocking innovation budget progressively based on innovation performance
- Created complementary ecosystems of partners—embedding new services, offerings, and capabilities to expand value propositions
- Hyper-focused on testing and validation, enabled by near-realtime metric models to minimize risks in uncertain environments



### Case in Point

#### Healthcare player

A leading healthcare provider was dealing with tighter innovation budgets while attempting to drive several transformations around customer experience, artificial intelligence, and machine learning.

The organization funded innovations through demonstrated value generated in sprints (e.g., customer acquisition through new digital channels, service cost reduction achieved in an MVP). The organization prioritized innovations that created value across business units and spread funding responsibilities across businesses and partners. This organization launched more than 5 new products and experiences over the course of the last 3 years, improving provider and member care while creating revenue streams of over \$100M.

### INNOVATION METRICS BLUEPRINT





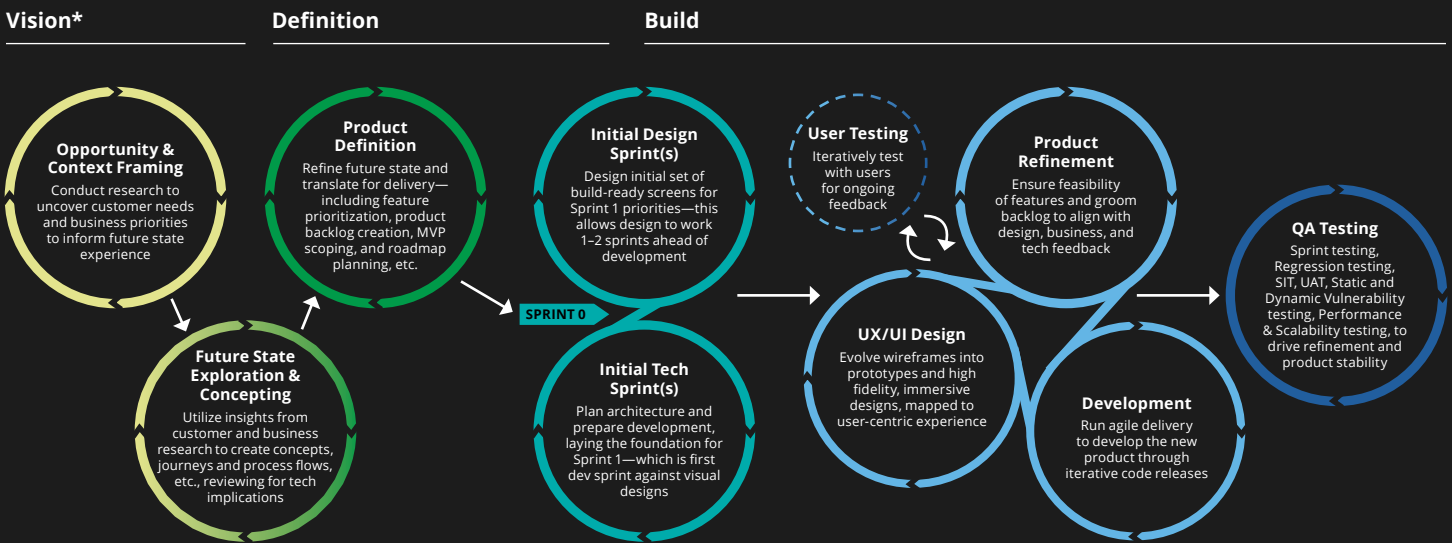
### 03. Integrate product and design teams, streamlining the innovation lifecycle

As organizations face the pressure to innovate more with less, roles converge. Innovation teams are increasingly polyvalent, embedding a variety of disciplines across research, design, business strategy, and product execution into teams with fewer practitioners. Resilient innovators hire or keep polyvalent innovators—those able to play multiple roles—in order to optimize resource spendings.

Skilled innovators and innovation teams are critical in defining opportunities and applying

trusted, effective methods. Once ambition and opportunities have been aligned, resilient innovators integrate design, product, and engineering teams to accelerate time to market of new concepts and products. By following an integrated, human-center product design process, organizations can free up to 20% of innovation resource spending through resource integration.

#### INTEGRATED, HUMAN-CENTERED PRODUCT DESIGN PROCESS



#### OWNERSHIP

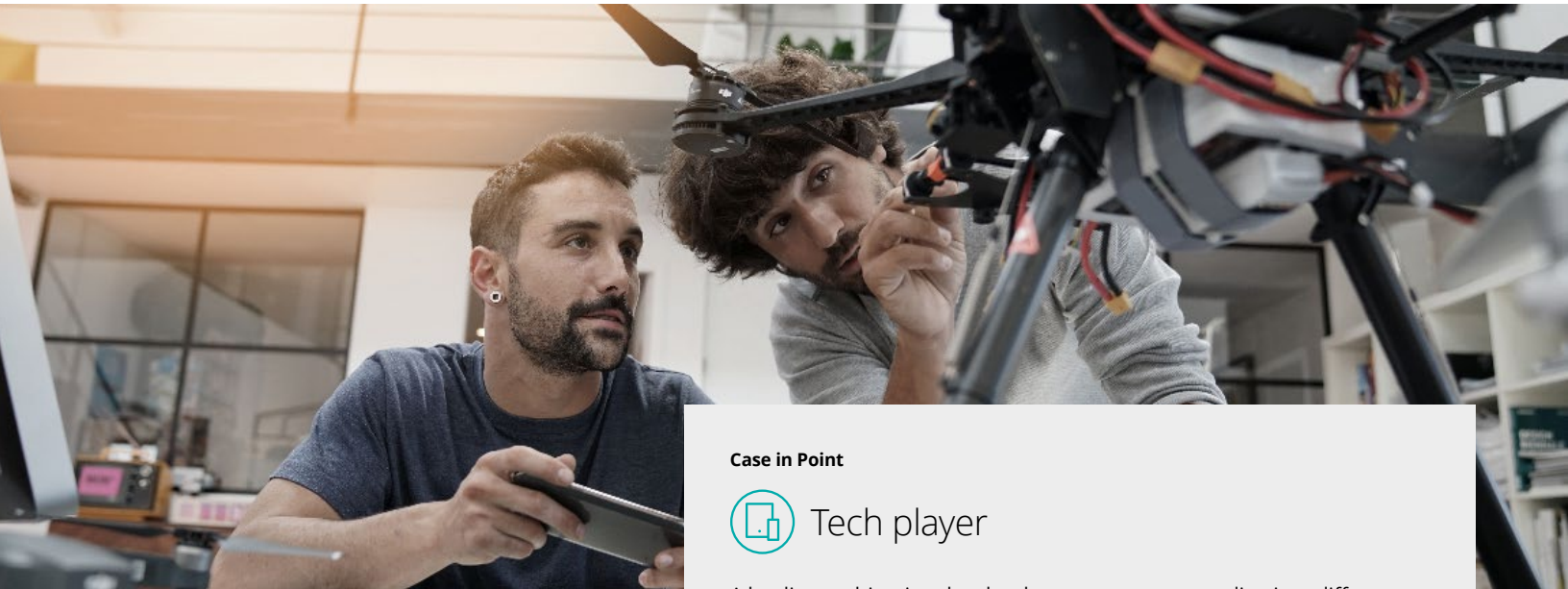
	Opportunity & Context Framing	Future State Exploration & Concepting	Product Definition	Initial Design Sprint(s)	Initial Tech Sprint(s)	UX / UI Design	Development	Product Refinement	User Testing**	QA Testing
Design/Research Team										
Product Team										
Tech/Dev Team										
Other Partners (e.g. Marketing, Legal/Compliance, Leadership, Change Management, etc.)										

KEY ● Driving ● Partnering ● Informed

\*The scale, scope, and activities of the Vision Phase can vary depending on depth of existing customer and business understanding and clarity of the problem space and potential concept(s). Projects starting with higher uncertainty should have a robust Vision Phase, clearly outlining the future state to guide work;

\*\* User Testing at this stage is evaluative research used to refine design via feedback.





### What good looks like

In uncertain times, resilient innovators have...

- Embedded innovation, product, and engineering teams throughout the innovation lifecycle, applying consistent ways of working and sharing knowledge to drive efficiencies
- Streamlined roles by created high performing talent profiles that combine several innovation skillsets
- Operated beyond the lifecycle, focusing on innovations with 3+ year horizons and inspiring the C-suite with market insights and mandates to build new business ventures

### Case in Point



### Tech player

A leading multinational technology company, expanding into different industry sectors (e.g., FinTech) through adjacent innovations, was aiming to further improve its innovation process and overall efficiency. During the pandemic, the organization hired a large pool of innovation resources which oversized its organization, creating inefficiencies and process inconsistencies throughout the innovation lifecycle. Facing investor pressure to optimize costs and realizing lower levels of resource utilization, the organization needed to act quickly to adapt to current market environments.

By integrating dispersed innovation resources into specific mission-driven pods and expanding single innovation roles into polyvalent talent profiles, the organization improved innovation velocity and resource efficiencies by 20%.

The company applied the concept of polyvalent talent profiles with the clear expectation that innovation resources have at least 2 skillsets (major and minor) that they actively apply into a mission pod. For example, an insights lead could have “research” defined as a major talent, combined with “design” as a minor talent, and play the roles of both research lead and design support in their mission pod. Several designers expanded their product management capabilities to help with user stories—“design” was defined as their major talent and “user story support” as their minor talent. This approach fostered curiosity and stretched the teams to achieve more with less resource capacity.

# 20%

increase in innovation velocity  
and resource efficiencies

## 04.

### Create human-centered workplaces to drive engaged and high performing teams

Resilient innovators create a human-centered workplace where employees flourish, trust and find purpose in an unpredictable world.

A human-centered workplace that nurtures innovation is defined by 6 essential elements:

**Purpose, Personal Growth & Inspiration, Transparency, Enterprise Scale & Influence, Ownership, and Incentives**



#### Purpose

Unifying the innovation team to identify as one cross-functional team and positioning them as indispensable strategic partners within the larger organization



#### Enterprise Sale & Influence

Increasing the reach of innovation initiatives across business units, and bolstering the team's capacity to adapt and meet evolving demands in unpredictable environments



#### Personal Growth & Inspiration

Investing in employees for the long-term by creating spaces for upskilling, professional development, and thought leadership



#### Ownership

Proactively taking action on opportunity areas to address negative impacts of uncertain times, even if it's just small steps



#### Transparency

Easing employee concerns and building trust by proactively communicating hard truths, financial updates, and learnings



#### Incentives

Making employees feel valued by tailoring incentive models to foster passion, engagement, and retention



Resilient innovators connect their refined innovation agenda with a sense of purpose that galvanizes their innovation teams. Resilient innovators chart a multi-year growth path for high performers, boosting engagement and retention. They are transparent with their teams, communicating hard truths (e.g., rationale on layoffs, financial forecasts). Candid communications drive trust, yet only 58% of employees trust their senior leadership and are satisfied with their communication style.

Resources who feel they have a realistic opportunity for promotion are nearly 2.5x

more likely to stay. Resilient innovators create intrinsic and extrinsic motivation by empowering their teams through ownership, scale, and attractive incentives models (e.g., equity, sabbaticals, global work permits). Applying these 6 elements, resilient innovators consistently hire, retain, and build high performing organizations that surpass peers' ability to innovate in uncertain markets and beyond.

### What good looks like

In uncertain times, resilient innovators have...

- Human-centered workplaces, flourishing innovation, trust, and purpose
- Agile talent pipelines aligned with current and future market demand
- Intact culture in both good and uncertain times, driving consistent impact creation

**2.5x more**  
willingness to stay when  
resources feel they have  
a realistic opportunity  
for promotion

#### Case in Point

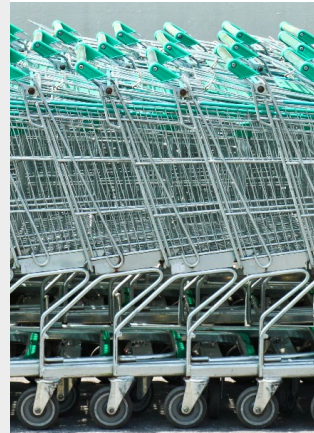


### Consumer player

One of the most innovative retail and consumer service providers established tailored incentive and growth models aligned with different archetypes of its talent organization, boosting retention and engagement.

High-performing talent with a strong passion for launching and scaling new businesses in a venture environment are typically offered high-equity shares into the new business and are empowered to make decisions autonomously to move fast. Specialists—bringing essential expertise on a specific topic and looking for a more stable workplace environment—are offered higher base compensation with less variables, and the ability to work in a center of excellence where they can bring their insights to life.

By applying these flexible career pathways, this organization was able to improve their employee retention rate by 30%.





# We are here to help

Innovating in times like these is not easy. The time is now for your organization to look beyond short-term market pressures and apply winning innovation strategies that will create impact in the short-term and drive differentiation in the long-term for your business. The time has come to look beyond just human impact and design for the communities and environments where we all belong. We bring innovative ideas to market quickly while equipping organizations with the resiliency needed to shape a more equitable and sustainable future through new venture and product delivery.



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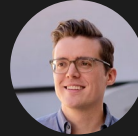


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## End Notes

- 01 Deloitte Analysis 2023 - Assessment of Resilient Innovators
- 02 <https://thehill.com/business/4118411-fed-rate-hike-july-22-year-high>
- 03 <https://finbold.com/global-venture-funding-reached-74-5-billion-in-q3-2022-hitting-a-9-quarter-low>
- 04 <https://www.spacinsider.com/news/spacinsider/third-quarter-2022-spac-ipo-review>
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- 07 <https://nypost.com/2021/11/20/gen-z-is-25-of-the-workplace-but-do-the-most-complaining/>
- 08 <https://truelist.co/blog/generation-z-statistics>
- 09 <https://truelist.co/blog/generation-z-statistics>
- 10 <https://kissflow.com/low-code/low-code-stats>
- 11 <https://smith.ai/blog/customer-experience-statistics>
- 12 <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/the-equity-imperative.html>
- 13 <https://www.circle-economy.com/blog/the-next-generation-of-green-tech-wont-just-be-electric-it-will-be-circular-insights-from-a-ceo>
- 14 Deloitte Analysis 2023 - Assessment of Resilient Innovators
- 15 Deloitte Analysis 2023 - Assessment of Resilient Innovators
- 16 <https://qz.com/when-it-comes-to-ipos-2022-was-nothing-like-2021-1849845203>
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