

Four challenges that innovation teams need to tackle to thrive right now



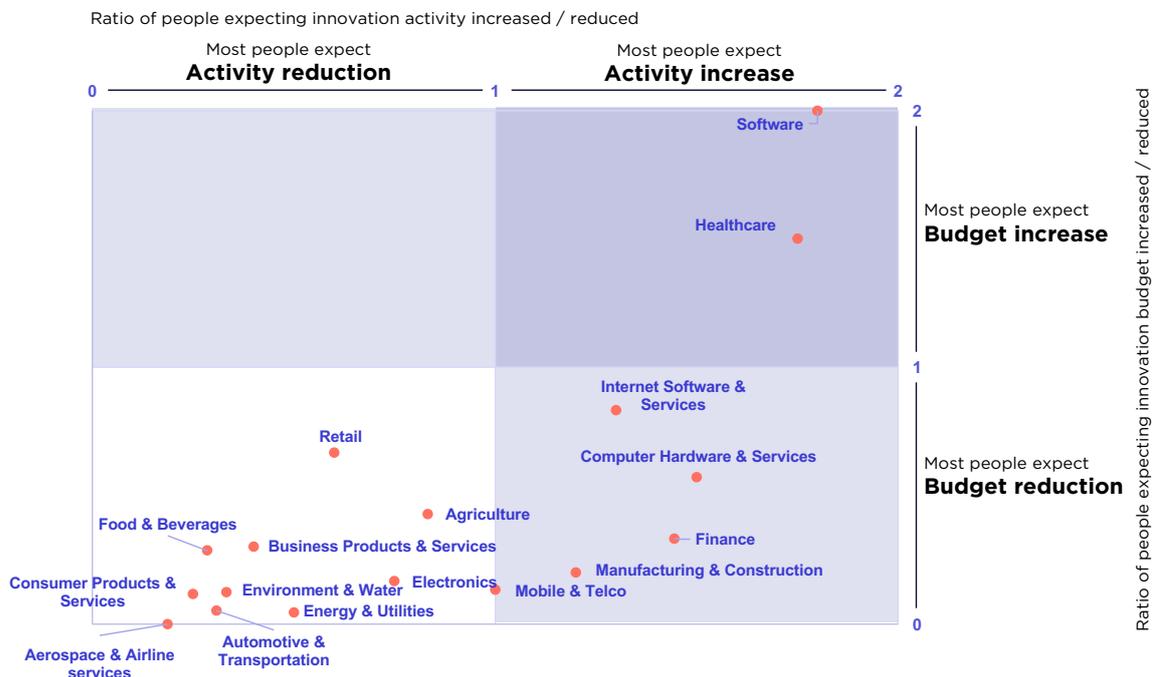
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As many countries loosen covid-related restrictions, we all know that we will have to deal with a different environment for the foreseeable future. Innovation will be critical, not only to overcome this crisis but also to prevent others. At Hello Tomorrow, we believe that collective intelligence finds ways to navigate and make the best of difficult situations, and we want to help our community come together as best we can. We've recently launched a survey targeting corporate leaders in order to gather and analyse the current priorities, challenges and success factors of innovation managers during these times.

With over 250 contributions, the data gathered allowed us to categorize sectors according to the evolution of their innovation activity and its budget. Without much surprise, the healthcare as well as the software sectors do best in a pandemic, as the interest and need for digital solutions and a better healthcare system are increased.

However, restrictions and budget cuts are expected in every sector due to reduced global activity. Our analysis reveals that budget cuts based on short-term insights might affect a company's ability to adapt and thrive in the long run. In order to prevent that, companies will have to do more with less.



For innovation experts priorities over the next 12 months were chosen as followed:

- understanding emerging trends in order to identify threats and opportunities (62% of answers)
- strengthening the core business (58%)
- developing new businesses (54%)
- reducing costs (31%)
- increasing visibility (20%).

So, how can we align priorities and make the most out of this situation?

Overall, we have identified four main challenges that companies will need to tackle and we would like to present some clues as to how:

Budget reduction

The economic downturn puts pressure on companies' finances and businesses need to navigate those difficult circumstances. Priority is on liquidity and maintaining a sustainable EBITDA, especially for heavy industries with tangible assets, but this short-term vision is actually an obstacle to long-term growth. In the long run, companies need to redefine their focus areas and platforms to create value. This contradiction has been highlighted by all participants in our survey, as well as many public personalities.

As businesses need to switch from thriving to surviving, innovation is not to be taken for granted anymore and should bring substantial value. This was already a growing trend before the crisis, and with restricted budgets it becomes imperative. Faster innovation cycles will need to be developed as companies often struggle with one key factor: time. Indeed, innovation and research can take months, if not years, to develop into something concrete, and constraints from company boards often delay decisions and actions. A quicker pace needs to be achieved in order to accelerate innovation cycles and increase a company's

return on investment. To move faster, businesses will need to take different paths whether it be increasing agility in working practices, choosing the right engineering and design methodologies, or developing partnerships with companies or startups already developing a solution or technology. It is essential for innovation leaders to be able to learn, as quickly as possible, from the successes and failures of their peers, and this is what we hope to facilitate through this survey.

One idea could also be to liberate innovation departments from their parent company by gaining operational and financial independence while avoiding silos. By keeping a constant dialogue with its parent company's business units, various companies have already started to change, and have developed autonomous innovation departments within their organizations. Subsidiaries like 3DS from the Dassault Group are independent, focused structures which are relatively free from corporate pressure and eventually increase the company's overall innovation performance.

Nevertheless, innovation departments will need to be in line with expected public funding. Taking France as an example, the 2025 Productive Pact has already prioritized some sectors like digital technology, food and agriculture, industry and alternative energy, which will benefit from state support.

With the intention of avoiding bankruptcy and redundancy at all costs, France will provide recovery plans by allocating tens of billions of euros for major industries that have also taken a toll. With new government-guaranteed loans and investment funds, 550 million euros will be attributed to research and innovation nation-wide. Over 20 billion euros will also be allocated to the aerospace sector, in order to support the treasuries of aeronautical companies and to keep research going for the expected zero CO2 emission "green plane". The automotive sector will also benefit from 8 billion euros to help French production units, boost sales and reinforce research in electric and hydrogen vehicles.

Such measures and funds will take time to reach innovation departments, and it is, therefore, essential to keep minimum innovation capacity right now to be able to leverage those funds later. Innovation budgets and teams should thus be protected at all costs to fully benefit from outside help when the time comes.

This cost-reduction challenge goes hand in hand with the other ones we have identified: digitization, fostering collaboration, and making the best out of an uncertain future.

Digitization and working remotely

The pivotal year for the digital transformation of companies is certainly 2020, and the need for them to accelerate, control but also secure their digitization has become essential. The last few months have forced businesses to reinvent themselves, whether it be in terms of communication methods, team cohesion or value creation. These changes are not to be considered temporary, and as a result, regardless of sector or activity, the corporate culture must evolve in order to keep up.

Our survey reveals that the companies with a proper and efficient digital strategy are the ones with the most successful outcomes, as their businesses gained from the autonomy and flexibility that digitization offers. Others know that an efficient and cohesive digital strategy will be a top priority in a hyper-connected world, and plan on putting significant efforts into it.

Indeed, with offline switching to online, a company's information, communication processes and even products and services now need to be accessible via a digital infrastructure. Understandable by all, regardless of rank or geographical area, the digital platforms implemented will be particularly challenging to implement in international groups, where complex and slow processes are often seen as essential. Training and active learning sessions will need to be conducted, as new digital business

models and digital products will represent drivers of progress and even competition in the future.

On top of digitization, social distancing has also brought about new working habits: the rise of remote work. It's safe to say that it was, and for some still remains, challenging. Left only with a mobile device and the power of the Internet, millions of workers were cut from their social ties and expected to be efficient in difficult conditions. Such changes in the working environment highlighted what is often disregarded: work depends on humans, meaning that living and breathing individuals are responsible for creating value. Following this, personal well-being has become a priority for many workers and fortunately, this trend has not gone unnoticed by innovation managers. By refocusing companies on their core business, light is also being shed on their employees and new ways of finding team cohesion are being tried out. Such practices include more flexible hours and regular work updates. To keep spirits up, many companies have set up daily virtual check-ups, or even online lunch breaks and afterworks.

Many actions have been taken to keep a cohesive work environment inside companies, but external relationships, depending on external actors such as clients and suppliers, need different strategies.

Sustaining and developing partnerships

Uncertainty is experienced by every actor of the global economy, and dependency on customers and suppliers is one of the greatest threats companies face today. This interdependence is, even more, a reason to favor collaboration, and share best practices as needs and capacities change.

Every company needs to adapt its business, and new solutions should be developed within innovation departments, which is why collaboration and sharing investments is one of the top priorities for innovation managers. With only

15% of our survey participants planning to rely exclusively on internal resources for novelty, 62% of companies have already planned to work with other companies and startups. Unsurprisingly, the tech-intensive companies from our survey will also count on the support of research labs (44%), hoping that distancing measures will be diminished and manipulations will be conducted at full capacity.

As well as keeping existing relationships alive, companies still need to create new ones. One of the best ways to meet potential partners is during physical events. Representing various nationalities, sectors, and companies, events have never been more important to foster collaboration. But with most borders closed and internal policies limiting if not stopping mobility, physical events have been cancelled all over the world and still remain impossible today. Hello Tomorrow has experienced this crisis first-hand with the postponement of our annual Global Summit, and like many others, we are working on providing the best experience for our participants regardless of the means, on October 22nd and 23rd, 2020. Companies currently face great difficulties in meeting different actors and creating trustful relationships, and alternatives have emerged to temporarily (re)create connections. As a result, our survey reveals that 86% of innovation managers will turn to online events for meeting potential partners. 39% of them will rely on already existing relationships with known partners, and 27% believe that physical events will happen soon enough that a big change in fostering collaboration should not be experienced.

Our results reveal the need to develop new collaboration platforms. Regardless of sector, company size and needs, innovation has to centralize actors to facilitate exchanges, and communities like Hello Tomorrow will be crucial to achieve such a goal.

Understanding and navigating uncertainty

Overall, companies and societies need to accept that uncertainty is a key factor to consider in every plan and decision they make. As mentioned, 62% of our survey participants consider that keeping a close eye on trends in one's market is seen as the most important action for handling a fast-paced environment.

Such business intelligence requires a complete analysis of a company's environment. It is about anticipating economic, social, technological, environmental, legal, and political transformations of one's sector and providing critical insights for the future. Its advantages are numerous for the development of innovation strategies as it allows businesses to understand current and potential customers' needs and expectations, where efforts should be made, and which technology is best suited for their individual structure. Indeed, even though companies within one sector share plenty of similarities, they all have their uniqueness, which needs to be put forward, making companies more aware and prepared for challenges and opportunities. As an example, you can find a sneak preview of our Hello Tomorrow 2020 deep technology or 'deep tech' trends, focused on Humans and Healthcare right [here](#).

It's important to acknowledge that encompassing and understanding a sector's trends, especially in these hard times, will not be easy. It is essential for decision-makers to distance themselves from difficult findings and to accept that uncertainty comes with change, however drastic it may be. Those who will succeed will be those who find the right balance between an ever-changing world in which accelerating the pace of learning is needed, and planning ahead. Such work takes agility. Companies need to test and learn efficiently, test again and even pivot to get the most out of every situation. Only then, will a business be truly resilient and successful.

Looking ahead

In the long run, 62% of people we asked believed that the crisis will have a long-term impact on their business and their market, and 71% of them believe that the crisis will change priorities in terms of innovation in the next 18 months.

As mentioned in this article, the need for more efficiency, digitization and collaboration will have a prominent place in companies' future, but so do sustainable actions. Many developed economies are reconsidering their global and cost-reducing policies to strengthen local industries. Favouring shorter circuits and local jobs, such initiatives also go hand in hand with more eco-friendly practices, which are now on everyone's minds. Our respondents believe that eco-friendly practices are and will be essential in meeting new consumer expectations and building a resilient world, and will have a central role in tomorrow's innovations. Emerging and disruptive technologies, known as 'deep tech', are also seen by companies and governments as key enablers of those required transformations, and short term economic pressure should not delay investments to build a long term technological advantage.

Overall, the current constrained environment is seen by many as just a glimpse at what could happen in the years to come with climate change (uncertain conditions, depletion of resources, increase of human population...). We know that much pressure will be put on an already fragile system, and it is time to strengthen its foundations.

We want to thank those who contributed to our survey, and without whom this analysis wouldn't have been possible! We also look forward to getting your feedback and hopefully meeting you at our Global Summit in October, to dive deeper into how deep tech thrives in a crisis context.

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