Methodology

- Conducted by StrategyOne, an independent research and consulting firm, between Oct 15 and Nov 15, 2011 in 22 markets
- Telephone survey of 2,800 senior business executives
- All respondents SVP-level or above, 30% c-suite level
  - All respondents directly involved in the innovation strategy or process within their company
- Average company size is 1,500 employees, 20% of respondents belong to companies of more than 5,000 employees
- Average interview length: 16 minutes
Sample

- Minimum 100 respondents per market
- Larger sample sizes in USA (300) & BRIC countries (200)
- Each market afforded the same weight in global results
- Year-over-year tracking possible in 12 markets (underlined below)

<table>
<thead>
<tr>
<th>AMERICAS</th>
<th>APAC</th>
<th>EUROPE</th>
<th>MENA</th>
</tr>
</thead>
<tbody>
<tr>
<td>sample: 700</td>
<td>sample: 800</td>
<td>sample: 700</td>
<td>sample: 600</td>
</tr>
<tr>
<td>USA: 300</td>
<td>China: 200</td>
<td>Germany: 100</td>
<td>Israel: 100</td>
</tr>
<tr>
<td>Brazil: 200</td>
<td>India: 200</td>
<td>Sweden: 100</td>
<td>Turkey: 100</td>
</tr>
<tr>
<td>Canada: 100</td>
<td>Singapore: 100</td>
<td>UK: 100</td>
<td>KSA: 100</td>
</tr>
<tr>
<td>Mexico: 100</td>
<td>Australia: 100</td>
<td>France: 100</td>
<td>UAE: 100</td>
</tr>
<tr>
<td></td>
<td>S. Korea: 100</td>
<td>Poland: 100</td>
<td>Algeria: 100</td>
</tr>
<tr>
<td></td>
<td>Japan: 100</td>
<td>Russia: 200</td>
<td>S. Africa: 100</td>
</tr>
</tbody>
</table>

Margin of error varies with sample size:

<table>
<thead>
<tr>
<th>Global sample (2800)</th>
<th>Between 0.4 and 2.4 pts</th>
<th>BRIC (200)</th>
<th>Between 1.4 and 6.9 pts</th>
</tr>
</thead>
<tbody>
<tr>
<td>US (300)</td>
<td>Between 1.1 and 5.6 pts</td>
<td>Other Markets (100)</td>
<td>Between 1.9 and 2.7 pts</td>
</tr>
</tbody>
</table>
Content Overview

• Impact of the Financial Crisis on Innovation
• The Global Innovation Environment
• Expectations & Optimism for Innovation
• New Model of Innovation
• Global Innovation Reputation and Self-Assessments
• Innovation Definitions
Impact of the Financial Crisis on Innovation
How the crisis has affected business’ ability to innovate

To what extent do you agree or disagree with each of the following statements? All statements are related to the way the economic crisis may have impacted your company’s innovation.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Totally agree</th>
<th>Somewhat agree</th>
<th>Somewhat disagree</th>
<th>Totally disagree</th>
<th>Unsure</th>
<th>Total Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in culture with firms reassessing current risks</td>
<td>34%</td>
<td>43%</td>
<td>11%</td>
<td>4%</td>
<td></td>
<td>77%</td>
</tr>
<tr>
<td>Change in culture with firms taking fewer risks</td>
<td>28%</td>
<td>40%</td>
<td>19%</td>
<td>7%</td>
<td></td>
<td>68%</td>
</tr>
<tr>
<td>Greater focus on process and incremental innovations</td>
<td>28%</td>
<td>39%</td>
<td>18%</td>
<td>6%</td>
<td></td>
<td>67%</td>
</tr>
<tr>
<td>Access to private funding has become more difficult</td>
<td>30%</td>
<td>35%</td>
<td>19%</td>
<td>7%</td>
<td></td>
<td>65%</td>
</tr>
<tr>
<td>Access to public funding has become more difficult</td>
<td>29%</td>
<td>35%</td>
<td>20%</td>
<td>8%</td>
<td></td>
<td>64%</td>
</tr>
<tr>
<td>Access to Venture Capital has become more difficult</td>
<td>28%</td>
<td>34%</td>
<td>17%</td>
<td>6%</td>
<td></td>
<td>62%</td>
</tr>
<tr>
<td>Decrease in R&amp;D spending or major R&amp;D projects have been cancelled or...</td>
<td>22%</td>
<td>34%</td>
<td>24%</td>
<td>12%</td>
<td></td>
<td>56%</td>
</tr>
<tr>
<td>Changes to gov. policies and funding have negatively affected Innovative...</td>
<td>20%</td>
<td>31%</td>
<td>26%</td>
<td>13%</td>
<td></td>
<td>51%</td>
</tr>
<tr>
<td>There has been a change in culture with firms taking more risks</td>
<td>13%</td>
<td>27%</td>
<td>33%</td>
<td>20%</td>
<td></td>
<td>40%</td>
</tr>
</tbody>
</table>
The Global Innovation Environment
The Innovation Environment

Barometer investigates how satisfied business is about the perceived external innovation environment in their home country. Indicators comprising this dimension include:

1. Level of government support
2. Efficiency of government support
3. Trade regulations
4. IP and patent protections
5. Efficacy of public-private partnerships
6. Support of private investors
7. Preparedness of tomorrow’s innovators
8. Value public places on innovation
9. Public appetite for innovation
10. Societal acceptance of risk-taking
11. Level of public support for business
12. Ease of partnership with academia
13. Speed of innovative products to market
Business perceptions of the external environment by country

Innovation Environment Index: This 100-point index illustrates how satisfied each market is about the combined 13 elements that make up the innovation environment.
Innovation Environment Index: Year on year tracking in 12 markets

Innovation Environment Index: This 100-point index illustrates how satisfied each market is about the combined 13 elements that make up the innovation environment.
Business perspective on how the environment has changed in last 5 years

Over the last 5 years has the innovation environment of your country improved or worsened?

- 82% of respondents globally think that the context for Innovation in their country has improved over the last 5 years
- Positive trend is mainly driven by emerging economies
- USA, France, Japan and UK report the most negative perception

Local innovation environment has worsened over the last 5 years (%)

Local innovation environment has improved over the last 5 years (%)

- Brazil 5%
- Israel 4%
- Saudi Arabia 4%
- Turkey 4%
- UAE 5%
- China 7%
- Poland 7%
- Singapore 7%
- Algeria 7%
- India 9%
- Russia 15%
- Canada 16%
- Germany 16%
- 22 Markets Average 17%
- Sweden 19%
- Mexico 23%
- South Korea 23%
- South Africa 29%
- Australia 31%
- UK 32%
- Japan 36%
- France 40%
- USA 49%
- Canada 50%
- Germany 50%
- Japan 50%
- UK 50%
- USA 50%
- 22 Markets Average 50%
- Brazil 96%
- Israel 96%
- Saudi Arabia 96%
- Turkey 96%
- UAE 95%
- China 94%
- Poland 93%
- Singapore 93%
- Algeria 93%
- India 93%
- Russia 87%
- Canada 84%
- Germany 84%
- Sweden 81%
- Mexico 77%
- South Korea 77%
- South Africa 71%
- Australia 69%
- UK 68%
- Japan 64%
- France 60%
- USA 50%
# Globally identified drivers and deterrents for innovation

Which elements of the global innovation environment generated the most satisfaction / frustration among businesses (4 most positive / 4 most negative at global level)

<table>
<thead>
<tr>
<th>Positive (Green)</th>
<th>Negative (Orange)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Population support for innovation</td>
<td>- Efficiency and coordination of gov’t support</td>
</tr>
<tr>
<td>Ability to partner with universities</td>
<td>Government budget allocations to innovation</td>
</tr>
<tr>
<td>Effective IP and patent protection</td>
<td>Private investment support</td>
</tr>
<tr>
<td>Efficacy of public private partnerships</td>
<td>Speed that innovative products come to market</td>
</tr>
</tbody>
</table>
A closer look at global drivers and deterrents to innovation

Please state whether you totally agree, somewhat agree, somewhat disagree, totally disagree with the following statements:

**In my country…**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Total Agree (%)</th>
<th>Total Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is an appetite for innovation among young generations</td>
<td>22%</td>
<td>75%</td>
</tr>
<tr>
<td>The general public understands the value of innovation</td>
<td>30%</td>
<td>67%</td>
</tr>
<tr>
<td>It is easy to partner with universities for R&amp;D</td>
<td>28%</td>
<td>66%</td>
</tr>
<tr>
<td>IP and copyright protection is effective</td>
<td>31%</td>
<td>63%</td>
</tr>
<tr>
<td>PPPs have proved effective in supporting innovation</td>
<td>30%</td>
<td>63%</td>
</tr>
<tr>
<td>Local universities and schools provide a strong education model for tomorrow's innovators</td>
<td>37%</td>
<td>59%</td>
</tr>
<tr>
<td>Society accepts taking risks as part of the innovation process</td>
<td>38%</td>
<td>59%</td>
</tr>
<tr>
<td>Gov. supports both large companies and SMEs that innovate</td>
<td>37%</td>
<td>57%</td>
</tr>
<tr>
<td>Trade regulations are not hindering innovative commercial success</td>
<td>34%</td>
<td>57%</td>
</tr>
<tr>
<td>The speed at which innovative products are coming to market is adequate</td>
<td>39%</td>
<td>57%</td>
</tr>
<tr>
<td>Private investors are supportive of innovative companies</td>
<td>36%</td>
<td>56%</td>
</tr>
<tr>
<td>The government allocates an adequate share of budget &amp; resources to support innovation</td>
<td>47%</td>
<td>46%</td>
</tr>
<tr>
<td>Government’s support of innovation is efficiently organized and coordinated</td>
<td>52%</td>
<td>42%</td>
</tr>
</tbody>
</table>
# Perceived impact of a favorable environment on specific industries

What economic sectors do you believe would benefit most in terms of job creation and increased profits if the government were to implement a more efficient innovation policy in your country?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy industries</td>
<td>50%</td>
</tr>
<tr>
<td>Healthcare Industries</td>
<td>42%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>37%</td>
</tr>
<tr>
<td>Construction industries</td>
<td>33%</td>
</tr>
<tr>
<td>Automotive industries</td>
<td>30%</td>
</tr>
<tr>
<td>Fast Moving Consumer Goods</td>
<td>28%</td>
</tr>
<tr>
<td>Financial Services &amp; Banking</td>
<td>22%</td>
</tr>
<tr>
<td>Media Industries</td>
<td>21%</td>
</tr>
<tr>
<td>Hospitality Industries</td>
<td>21%</td>
</tr>
<tr>
<td>Distribution / retail</td>
<td>20%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
</tbody>
</table>
Expectations & Optimism for Innovation
Innovation and competitiveness

To what extent do you agree or disagree with each of the following statements?

- Innovation is the main lever to create a more competitive economy in my country:
  - Strongly agree: 60%
  - Somewhat agree: 32%
  - Somewhat disagree: 6%
  - Strongly disagree: 11%
  - Unsure: 6%
  - Subtotal Agree: 92%

- Investing in innovation is probably the best way to create jobs in my country:
  - Strongly agree: 49%
  - Somewhat agree: 37%
  - Somewhat disagree: 10%
  - Strongly disagree: 6%
  - Unsure: 1%
  - Subtotal Agree: 86%

- Innovation is the main lever to create a greener economy in my country:
  - Strongly agree: 46%
  - Somewhat agree: 39%
  - Somewhat disagree: 11%
  - Strongly disagree: 2%
  - Unsure: 6%
  - Subtotal Agree: 85%
Innovation and social value

To what extent do you agree or disagree with each of the following statements?

1. 21st century innovation is about partnerships between several players more than the success of an organization alone.

- Strongly agree: 52%
- Somewhat agree: 34%
- Somewhat disagree: 9%
- Strongly disagree: 0%
- Unsure: 0%

21st Century Innovation: 86%

2. Great 21st innovations will be those that bring value to society as a whole and not only to individual consumers or citizens.

- Strongly agree: 50%
- Somewhat agree: 34%
- Somewhat disagree: 0%
- Strongly disagree: 0%
- Unsure: 11%

Great 21st Innovations: 84%

3. The greatest innovations of the 21st century will be those that have helped to address human needs more than those that have created the most profit.

- Strongly agree: 40%
- Somewhat agree: 36%
- Somewhat disagree: 0%
- Strongly disagree: 0%
- Unsure: 15%

The Greatest Innovations: 76%
Innovation Optimism

Barometer investigates how hopeful business is that innovation will convert into perceived improvements in citizens’ life conditions. Indicators comprising this dimension include:

- The job market
- Access to healthcare
- Health quality
- Energy security
- Environmental quality
- Communications

- Transport quality
- Access to education
- Education quality
- Housing equality
- Citizen security
Innovation optimism remains strong, but shows slight decline (compared to 2011)

Innovation Optimism Index: Hundred-point index illustrates how optimistic each market is that innovation will successfully convert into improved life conditions for citizens. Arrows indicate year-over-year trends.
Innovation Optimism Index: Year on year tracking in 12 markets

Innovation Optimism Index: Hundred-point index illustrates how optimistic each market is that innovation will successfully convert into improved life conditions for citizens. Arrows indicate year-over-year trends.

**2011 to 2012 Comparison**

**Higher Optimism**
- Sweden: 73
- Israel: 80
- UAE: 81
- Australia: 86
- Japan: 58
- Germany: 72
- Sth. Korea: 64
- China: 59
- USA: 68
- KSA: 61
- Brazil: 70
- India: 70

**Lower Optimism**
- Sweden: 80
- Israel: 77
- UAE: 77
- Australia: 75
- Japan: 72
- Germany: 70
- Sth. Korea: 77
- China: 77
- USA: 77
- KSA: 88
- Brazil: 82
- India: 66
## Ability of innovation to improve citizens’ lives

How successfully do you think innovation could improve citizens lives in each of the following areas in the next 10 years?

<table>
<thead>
<tr>
<th>Area</th>
<th>Very successfully</th>
<th>Somewhat successfully</th>
<th>Total Successfully</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>52%</td>
<td>38%</td>
<td>90%</td>
</tr>
<tr>
<td>Health quality</td>
<td>39%</td>
<td>42%</td>
<td>81%</td>
</tr>
<tr>
<td>The job /market</td>
<td>37%</td>
<td>44%</td>
<td>81%</td>
</tr>
<tr>
<td>Environmental quality</td>
<td>37%</td>
<td>43%</td>
<td>80%</td>
</tr>
<tr>
<td>Transport quality</td>
<td>37%</td>
<td>43%</td>
<td>80%</td>
</tr>
<tr>
<td>Energy security</td>
<td>35%</td>
<td>43%</td>
<td>78%</td>
</tr>
<tr>
<td>Access to education</td>
<td>35%</td>
<td>43%</td>
<td>78%</td>
</tr>
<tr>
<td>Education quality</td>
<td>33%</td>
<td>42%</td>
<td>75%</td>
</tr>
<tr>
<td>Access to healthcare</td>
<td>32%</td>
<td>43%</td>
<td>75%</td>
</tr>
<tr>
<td>Housing quality</td>
<td>29%</td>
<td>44%</td>
<td>73%</td>
</tr>
<tr>
<td>Citizen security</td>
<td>29%</td>
<td>41%</td>
<td>70%</td>
</tr>
</tbody>
</table>
New Model of Innovation
Business embracing a new model of innovation

To what extent do you agree or disagree with each of the following statements? (% Agree)

- The way companies innovate is totally DIFFERENT from before: 80% (+5 pts*)
- More than ever SMEs and INDIVIDUALS can be as innovative as large companies: 80% (+4 pts*)
- Today innovation is more driven by people’s CREATIVITY than by high level scientific research: 73% (+4 pts*)
- More than ever innovation needs to be LOCALIZED to serve specific market needs: 74% (+1 pts*)

* Year on year tracking on 12 markets
Harnessing the innovative potential of SMEs and individuals (country breakdown)

More than ever before, SMEs and individuals can be as innovative as large companies (% Agree)
Most likely to drive innovation through the next decade

- 3 pts*
- A combination of players partnering together
- +4 pts*
- Small and medium companies
- +1 pts*
- Large companies
- Individuals
- Universities
- Government
- Other / I don’t know

*Demonstrates year over year shifts
The importance of localization in innovation (country breakdown)

More than ever before, innovation needs to be localized to serve specific market needs (% Agree)
What business needs to be more successfully innovative

At your own company level, what could most help you to be more successfully innovative?

- Having more creative people on the team, out of the box thinkers: 56% of respondents mentioned this as the most important factor, with 41% of respondents indicating it as their first choice.
- Having more people with advanced technical expertise: 49% of respondents mentioned this as the most important factor, with 19% of respondents indicating it as their first choice.
- Having more financial support from public authorities: 34% of respondents mentioned this as the most important factor.
- Having more investors ready to bet on a long term support for our innovations: 29% of respondents mentioned this as the most important factor, with 6% of respondents indicating it as their first choice.
- Working with universities and research labs for our product development: 28% of respondents mentioned this as the most important factor, with 4% of respondents indicating it as their first choice.
- Less bureaucracy when applying for public innovation related funding: 25% of respondents mentioned this as the most important factor, with 7% of respondents indicating it as their first choice.
- Having partners help us to bring our ideas to the market: 21% of respondents mentioned this as the most important factor, with 4% of respondents indicating it as their first choice.
- Finding partners that have a culture of audacity and understand risk: 17% of respondents mentioned this as the most important factor, with 3% of respondents indicating it as their first choice.
- Being sure our ideas will be protected from piracy: 16% of respondents mentioned this as the most important factor, with 2% of respondents indicating it as their first choice.
Global Innovation Reputation and Self-Assessments
What are the countries with the best reputation for innovation?

What are the 3 countries that you see as leading innovation champions? Respondents asked to identify one country they regarded as the clear champion. Respondents allowed to name their own country.

- USA: 64% Cumulated, 48% Perceived champion
- Germany: 43% Cumulated, 34% Perceived champion
- Japan: 16% Cumulated, 13% Perceived champion
- China: 14% Cumulated, 13% Perceived champion
- Korea: 13% Cumulated, 13% Perceived champion
- India: 9% Cumulated, 7% Perceived champion
- UK: 6% Cumulated, 4% Perceived champion
- France: 4% Cumulated, 2% Perceived champion
- Sweden: 4% Cumulated, 2% Perceived champion
- Israel: 3% Cumulated, 2% Perceived champion
- Italy: 2% Cumulated, 1% Perceived champion
- Canada: 2% Cumulated, 1% Perceived champion
- Singapore: 1% Cumulated, 1% Perceived champion
- Australia: 1% Cumulated, 1% Perceived champion
- Switzerland: 1% Cumulated, 1% Perceived champion
- Finland: 1% Cumulated, 1% Perceived champion
- UAE: 1% Cumulated, 1% Perceived champion
- Turkey: 1% Cumulated, 1% Perceived champion
- Russia: 1% Cumulated, 1% Perceived champion
- Norway: 1% Cumulated, 1% Perceived champion
- Taiwan: 1% Cumulated, 1% Perceived champion
- Saudi Arabia: 1% Cumulated, 1% Perceived champion
- Netherlands: 1% Cumulated, 1% Perceived champion
- Thailand: 1% Cumulated, 1% Perceived champion
How do countries evaluate their own reputation for innovation?

Do you think that the reputation of your country as an innovative market is…

![Bar chart showing the evaluation of innovation reputation by countries.](chart.png)

- **Very good**
- **Somewhat good**
- **Somewhat poor**
- **Very poor**

Countries and their ratings:
- **Israel**: 70% Very good, 34% Somewhat good, 4% Somewhat poor, 1% Very poor
- **Germany**: 65% Very good, 45% Somewhat good, 7% Somewhat poor, 1% Very poor
- **Sweden**: 53% Very good, 47% Somewhat good, 6% Somewhat poor, 4% Very poor
- **India**: 68% Very good, 21% Somewhat good, 9% Somewhat poor, 2% Very poor
- **Canada**: 63% Very good, 28% Somewhat good, 7% Somewhat poor, 2% Very poor
- **USA**: 44% Very good, 25% Somewhat good, 8% Somewhat poor, 1% Very poor
- **UAE**: 47% Very good, 33% Somewhat good, 14% Somewhat poor, 1% Very poor
- **Turkey**: 44% Very good, 22% Somewhat good, 19% Somewhat poor, 4% Very poor
- **UK**: 61% Very good, 19% Somewhat good, 14% Somewhat poor, 1% Very poor
- **Singapore**: 56% Very good, 30% Somewhat good, 24% Somewhat poor, 3% Very poor
- **Brazil**: 41% Very good, 33% Somewhat good, 17% Somewhat poor, 2% Very poor
- **Australia**: 74% Very good, 30% Somewhat good, 7% Somewhat poor, 2% Very poor
- **France**: 60% Very good, 56% Somewhat good, 6% Somewhat poor, 2% Very poor
- **Saudi Arabia**: 59% Very good, 59% Somewhat good, 5% Somewhat poor, 2% Very poor
- **Russia**: 60% Very good, 60% Somewhat good, 5% Somewhat poor, 3% Very poor
- **South Korea**: 59% Very good, 60% Somewhat good, 4% Somewhat poor, 2% Very poor
- **China**: 60% Very good, 60% Somewhat good, 5% Somewhat poor, 2% Very poor
- **Japan**: 60% Very good, 60% Somewhat good, 4% Somewhat poor, 2% Very poor
- **Mexico**: 50% Very good, 50% Somewhat good, 5% Somewhat poor, 2% Very poor
- **Algeria**: 37% Very good, 37% Somewhat good, 7% Somewhat poor, 2% Very poor
- **South Africa**: 29% Very good, 29% Somewhat good, 7% Somewhat poor, 4% Very poor
- **Poland**: 59% Very good, 31% Somewhat good, 7% Somewhat poor, 1% Very poor
Innovation Definitions
## How business defines innovation

Which two aspects below most closely correspond to your personal definition of innovation?

<table>
<thead>
<tr>
<th>Definitions elements</th>
<th>Top choice</th>
<th>Total mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The implementation of new processes, products, organizational changes or marketing changes</td>
<td>35%</td>
<td>47%</td>
</tr>
<tr>
<td>An environment/culture that embraces positive change, creativity and continuous improvement</td>
<td>27%</td>
<td>42%</td>
</tr>
<tr>
<td>Research and development, new intellectual property (IP), and inventions</td>
<td>17%</td>
<td>41%</td>
</tr>
<tr>
<td>Staying ahead in the market and being a market leader</td>
<td>12%</td>
<td>32%</td>
</tr>
<tr>
<td>Solutions that benefit society and societal outcomes (including environmental outcomes)</td>
<td>9%</td>
<td>29%</td>
</tr>
<tr>
<td>None of the aspects above is close to my personal definition of innovation</td>
<td>1%</td>
<td>10%</td>
</tr>
</tbody>
</table>
For more information about the Global Innovation Barometer, contact:

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