

# REIGNITING GROWTH

## HOW INNOVATION CAN BE A GAME-CHANGER

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# 01

## HAS YOUR ORGANIZATION FORGOTTEN HOW TO GROW?

Twenty years ago, the world's advanced economies grew at around 3.3% a year after inflation. In 2023, they grew barely half as fast, at 1.6%. And growth in 2025 looks to be just as slow. In fact, these days, many organizations would struggle to grow at all if it weren't for inflation.

So what's going on? We've been speaking to leaders across consumer goods businesses and our own client partners to get their view on a problem that's affecting almost every sector.

While the COVID-19 pandemic, the war in Ukraine, and rising energy costs have all played a part in the problem, it's clear that leaders can't afford to stay in survival mode. We're all living in uncertain times. It's the businesses that learn how to navigate them who'll return to growth fastest.

### CRISIS AS USUAL



There have always been crises, but the number and magnitude has increased over the last five years, leading CPGs to spend a significant amount on reactive innovation, which makes it more challenging to be proactive."

**Peter Schrooyen, SVP R&D US Beauty & Wellbeing, Unilever**

This is the age of polycrisis. Until recently, many CPGs have doubled down on productivity and managing costs to survive it. But in the process, they've forgotten to focus on innovation—and that's a huge barrier to growth. Organizations who fail to innovate could lose out on future profits...and customers.

Crisis or not, consumers will always seek out new products and features and 75% aren't afraid to switch brands, to get them, according to McKinsey & Company. Yet, Circana research saw almost 20%<sup>1</sup> fewer new product launches between 2021 and 2023. And if it weren't for inflation, many businesses wouldn't have grown at all.

Organizations need to act now. We spoke to leaders across 17 CPG businesses to ask one big question:

### CAN YOU INNOVATE YOUR WAY OUT OF A POLYCRISIS?

The short answer is "yes". Here are the opinions, strategies, and results from the leaders who've faced the polycrisis head-on and innovated their way to great results.

<sup>1</sup> "Race for Resilience: Innovation Pacesetters Report for Europe." Circana, 2023.



## MEET THE LEADERS

**SALMAN AMIN**  
CEO of **pladis**

**STEVE CHALLOUMA**  
CMO of **Nomad Foods**

**WENDY CHANG**  
Chief Digital and Transformation  
Officer at **Glanbia**

**CRISTINA DIEZHANDINO**  
Chief Marketing Officer at **Diageo**

**CESAR FRANCA**  
MD, Global Foods at **Ornua**

**JEROME GARBI**  
Global Cheese Chief Officer and  
CEO for the Europe, Middle-East,  
Africa, and Overseas Region  
at **Bel SA**

**VOLKER KUHN**  
Former President, Hygiene at **Reckitt**

**ZBIGNIEW LEWICKI**  
Chief R&D Officer at **Unilever**  
**Ice Cream**

**JEAN MARC MAGNAUDET**  
President, Specialized Nutrition  
at **Danone**

**BERNARD MEUNIER**  
EVP, Head of Strategic Business Units,  
Marketing and Sales at **Nestlé**

**OLIVER MORTON**  
Former Chief Customer Officer/  
current GM Snacking at **Kellanova**

**JENNIFER MOSS**  
Chief R&D Officer at **pladis**

**MARTIN RENAUD**  
Chief Marketing Officer of **Mondelez**

**DAVID RENNIE**  
EVP, Coffee Brands at **Nestlé**

**MARK SANDYS**  
Chief Innovation Officer at **Diageo**

**PETER SCHROOYEN**  
SVP, R&D US Beauty & Wellbeing  
at **Unilever**

**JIUNN SHIH**  
Chief Marketing, Innovation  
& Sustainability Officer  
at **Zespri International**

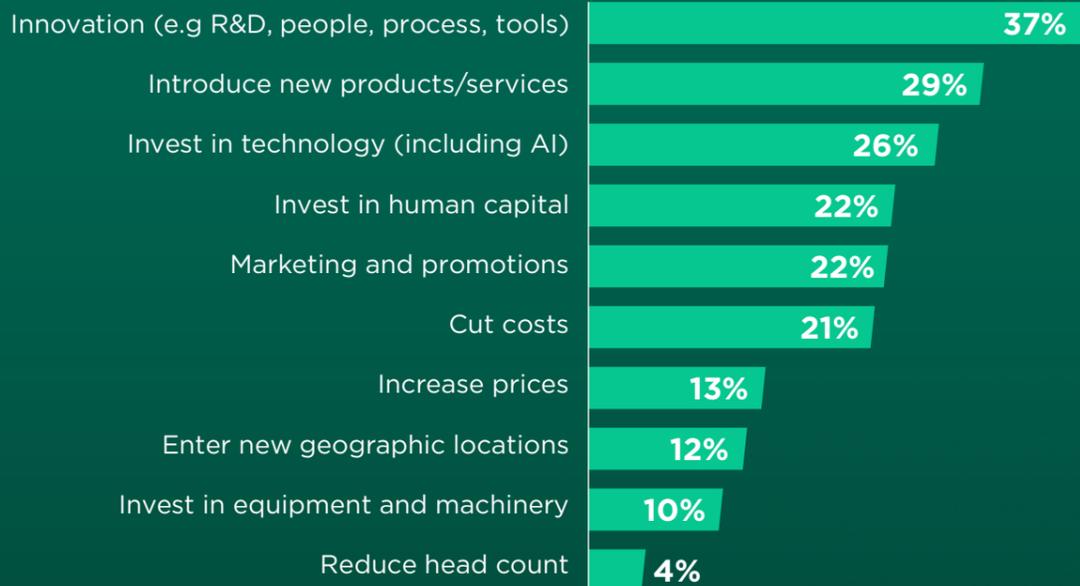
**MARK SMERZNAK**  
SVP, Corporate Functions R&D  
at **Procter & Gamble**

**JOOST VERMUË**  
Chief R&D and Sustainability  
Officer at **Orkla**



**CEOS BELIEVE AN INNOVATIVE MINDSET AND INVESTMENT IN TECHNOLOGY CAN BOOST SHORT-TERM PROFITS**

**WHAT ARE THE TOP 2 PRIORITIES FOR GROWING PROFITS IN 2025?**



Note: Globally, 508 CEOs responded  
 Source: The Conference Board C-Suite Outlook 2025: Seizing the Future  
 2. "World's Most Admired Companies Research Report." Korn Ferry, 2024.

# 02

## THE CASE FOR INNOVATION



### INNOVATIVE BUSINESSES GROW FASTER THAN THE REST

While many CPGs predict low or no growth, 35% of Fortune's World's Most Admired Companies expect 10% growth in the next three years.<sup>2</sup> CEOs rank innovation, introducing new products and services, and investing in technology (including AI) as their primary strategies for growth.



### IT'S A TOP STRATEGIC PRIORITY FOR LEADING ORGANIZATIONS

Disruptive innovation (the kind that focuses on bringing big, breakthrough ideas to market) was the number one priority in over half of all growth strategies for leading businesses. Organizations that had innovated beyond their own category to create new ones capitalized on even more of the market.



### IT BOOSTS LOYALTY

Customers are three times more loyal to companies that excel in customer experience and innovation compared to their less innovative competitors. And our World's Most Admired Companies research with Fortune shows 52% of leading organizations are focusing on enhancing consumer experiences as they innovate.



Innovation is and always will be the lifeblood of success. You either innovate or you die.”

**Volker Kuhn,**  
former President, Hygiene of Reckitt

If your business struggled to innovate in the aftermath of the pandemic, you’re not alone. Almost every leader we spoke to agreed that they lost or at least weakened their innovation muscle to some extent during COVID lockdowns.

Jerome Garbi, Global Cheese Chief Officer at Bel SA and CEO for the Europe, Middle-East, Africa, and Overseas Region, admits that “during the two years of inflation crisis, the focus has been shifted to driving the cost down through intense efforts on productivity at the expense of our innovation pipe. This was obviously not sustainable over time and, two years ago, we swiftly and successfully put back the R&D focus on accelerating our innovations to deliver on our growth model, leveraging emerging consumer trends.”

That probably sounds familiar. While just about every business turned to protecting their supply chains in the short term, the teams that put innovation back on the table fastest were the ones to reap the rewards for themselves and create happier consumers.



# GUINNESS

## INNOVATION SUCCESS COMES TO BRANDS THAT DON'T WAIT

Traditionally, Guinness was a drink people enjoyed in pubs. So, when those pubs closed during COVID, sales fell at first...but not for long.

Mark Sandys, Chief Innovation Officer of Diageo, explains that gradually, customers started discovering (or rediscovering) Guinness in cans.



I remember when Guinness in cans was growing faster than any brand category in UK grocery.

Then something else funny happened. We saw on social media that people were starting to experiment with how they could get a better-quality Guinness at home: one that was more like Guinness in a pub.

This sparked an innovation program from us. And, working from our home offices, we developed something called Guinness Nitrous Surge, which is a device that you put on top of a special can. It’s a nozzle that pulses ultrasound through the liquid as you pour—just like the tap in a pub.

We launched just as we were coming out of COVID and people were starting to meet in socially distanced ways. It was the right thing at the right time. Within six months, one in five households in Ireland, where we launched, had one of these devices. It was a great piece of innovation that delivered a triple win:

- > It made the experience for the consumer better.
- > It made more money for our retail customers who were selling the device as well as the can.
- > It was more profitable for us too, giving us incredible growth in Guinness at Home and allowing Guinness to become the number one beer in the UK.”

# 03

## READY TO INNOVATE AGAIN

**If your organization wasn't as fast as companies like Diageo to innovate during the pandemic, what can you do now to innovate and grow through the polycrisis?**

Start by asking seven questions.

**Are consumers at the heart of your plans?**

To disrupt and redefine your category, your consumer focus should be laser-sharp.

**Are you balancing long-term and short-term goals?**

That includes using innovation to manage cost, renovate products, and launch breakthrough ones.

**Do you build innovation internally or buy it?**

Acquiring innovation capabilities opens up tremendous opportunities. But it isn't always the quick win businesses expect, unless their culture flexes to fit each acquisition.

**Are you structured for innovation from the top-down?**

Put R&D in the right hands at the right level to be visionary and decisive. And delegate where you can.

**Are you getting the best from your talent?**

Build teams with the blend of skills to let creativity thrive and create a culture that nurtures them.

**Are your KPIs keeping innovation on track?**

What gets measured gets done, so make your innovations count.

**Are you getting the best from your tech?**

Combine tech, data, and expertise to gain an innovation advantage.

Here's how CPG leaders in the most innovative organizations are getting all seven questions right.

# 01

## ARE CONSUMERS AT THE HEART OF YOUR PLANS?

Polycrisis and short-term thinking go hand in hand. Most leaders we spoke to admitted that the pandemic forced them into a mindset of cutting cost, and regulatory response, rather than delighting customers. It was a recipe for survival, but not for long-term success.

The team at Reckitt found that when they focused on financials over consumers, innovation stalled. Shifting their focus back onto consumers was better for growing top and bottom line.



In very generic terms, the way we look at innovation is to improve consumer value. There's a simple equation to it...it's the consumer experience over the price they pay. And for us, driving and improving the consumer experience will give us sustainable growth and pricing power. If you don't improve the consumer experience, you will—over time—lose your consumers and go out of business.”

**Volker Kuhn, Former President, Hygiene, Reckitt**

Research shows that 88% of high-growth companies measure customer impact with KPIs covering customer satisfaction with new products, customer retention, and net promoter scores.

For your innovations to succeed, you need to be clear on who you're innovating for. You also need leaders who never forget the problems on consumers' minds.



The best innovation leaders are not just the best in their field of science but they also have that imagination, that creativity, that ability to connect their expertise in science to actually understand the needs of their end consumer or the problem to be solved.”

**Jiunn Shih, Chief Marketing, Innovation & Sustainability Officer of Zespri International**

Innovation leaders, P&G, agree.



We always focus on our consumers, understanding their needs, and delivering amazing product experiences.”

**Mark Smerznak, Senior VP, R&D, P&G**



of the World's Most Admired Companies say enhancing consumer experience is one of the top 3 growth drivers



If you're struggling to keep up with the latest consumer trends, AI can step in and speedily close those gaps.



In the past, you needed to spend a lot of money on [consumer] research and studies. But now, with the Internet and AI, you can monitor these trends in real time. AI can help you capture early-stage trends and give big companies the ability to respond faster.”

**Cesar Franca, MD, Global Foods**

Once you've spotted the trends, think beyond the short term to maximize their potential. That means considering how you shape innovation today and in the future to strengthen your business.

## 02

### ARE YOU BALANCING LONG-TERM AND SHORT-TERM GOALS?

#### SHORT-TERM: GET A DOUBLE WIN BY INNOVATING TO OPTIMIZE COST AND SUSTAINABILITY TOGETHER.

It's always tempting for organizations to seek short-term wins. And, more often than not, those wins are around cost.

Innovating on cost might not be the most exciting side of innovation, but if your business is complex or struggling with inflation, it has its place. It could even make your products more sustainable. That's a big win at a time when, according to research from Deloitte, over half of all customers (55%) expect companies to innovate around sustainability—whether that's by reducing plastic waste or lowering their carbon footprints.<sup>3</sup>

“Within our innovation programs, many of them are focused on either reducing the operating costs or lifting the productivity of our growers across the value chain.

Furthermore, we have been working with the different territories to drive simplification, and that has enabled us to unlock cost benefits by making things like packaging more sustainable and creating value for our customers whilst reducing the cost of complexity.”

Shih says teams need to “have that mindset of experimentation. We need to incentivize people to drive continuous improvement, to not be afraid of failing.”

David Rennie, EVP, Coffee Brands, said Nestlé had been on a similar journey post-COVID, combining sustainability and cost-optimizing initiatives and investing in sustainable packaging like paper capsules.

Unsurprisingly, just about every successful business keeps an eye on cost, even if they don't think of it as “innovation”.



Cost innovation can be as important as other types. Identifying opportunities to drive down costs, whilst fully ensuring you protect the aspects that drive consumer preference, can be an important source of value creation.”

**Steve Challouma,**  
CMO of Nomad Foods

But don't cut the cost at the expense of your consumer.

Purely concentrating on cost will only take you so far. Especially if stripping back formulas or recipes means you create inferior products. Volker Kuhn, Former President, Hygiene, Reckitt, warns: “If you drive productivity that worsens the consumer experience, you will not gain, you will lose. If you drive the sustainability without a better consumer experience, you will likely not succeed.”

And research shows that over two-thirds of consumers would switch to a competitor if they think cost-saving measures have made a product less valuable.



of leaders say pressure to achieve short-term results blocks growth

That's according to Korn Ferry's World's Most Admired Companies research. Our advice? Be patient with ideas that don't generate immediate returns. Don't withdraw funding too soon.

3. "Your Data Doc." Deloitte, 2021.

**SHORT- AND MEDIUM-TERM:  
RENOVATE TO SUSTAIN YOUR  
BUSINESS AND SATISFY CUSTOMERS**



While we love to get that billion-dollar breakthrough, it's often the smaller wins in between that sustain the company."

**Wendy Chang, Chief Digital & Transformation Officer of Glanbia**

Day-to-day, it's easier and less risky to update an existing product than invent a new one—and there's evidence from *Harvard Business Review* to show that improving existing products can boost consumer satisfaction and loyalty by as much as 25%.<sup>4</sup>

Renovating leaders also talk about the power of going viral on social media.



We've just launched Cola Jaffa Cakes. We're launching more TikTok-friendly flavors."

**Jennifer Moss,  
pladis' Chief R&D Officer**



There is a role for short-term innovation in our business for things like limited editions that create a brand impact. Problem is, that's also a drug you can't get too addicted to."

**Mark Sandys,  
Diageo Chief Innovation Officer**

The one downside of short-term renovation? How tempting it is to just keep doing it—and not give yourself the space to build breakthrough innovations as well.

4. "10 Ways to boost customer satisfaction." HBR, 2023.

## LONG-TERM: GIVE BIG BETS AND BREAKTHROUGHS THE TIME TO TAKE OFF



There's the smaller projects that give you quick, short-term wins but are not going to be big game-changers, versus the new-to-the-world, never-seen-before, really breakthrough innovations. Of course, you want to have a blend of projects so that you don't wait for the big picture thing that may never happen, because the failure rate on larger projects is also a bit higher."

**Wendy Chang**

During polycrisis, it's tempting to purely focus on quick wins. Especially when "breakthrough innovation requires investing, faith, risk-taking, and persistence", notes Peter Schrooyen. He goes on to say "retailers want breakthrough innovation that 'grows the pie' instead of CPGs playing a market share game with me-too or incremental innovation where the pie stays the same."

That persistence drives sales and grows categories for CPG leaders who are focused and patient. Research from IRI shows that categories grow by 30% within the first year of a top innovative product launch. Yet, most leaders described concentrating on too many new products at once—and not giving breakthrough products enough time to succeed—as the biggest risks to a successful new product launch.

## LESS IS MORE

Jean Marc Magnaudet, President, Specialized Nutrition of Danone, agreed that a less is more approach, boosted profits at Danone.

"Whilst we have significantly reduced the number of projects, our total innovation pipeline is not only accretive, but its value has increased by 35%. We have also majorly improved scalability, with over 60% of our projects being multi-country launches, and 80% of the pipeline focused on our top 20 brands."

It takes time for breakthrough innovations to boost margins—that's why many recommend giving them three years before expecting a profit. Cut their funding any sooner and you could be killing innovation before it's had a chance to succeed.

That said, even long-term thinking tends not to look too far ahead.



Our category teams look at innovation across short- and mid-term horizons, and our corporate teams look beyond to develop breakthrough technologies which will create constructive disruption of our categories over the long term."

**Mark Smerznak**

Our view? It's vital to balance short-term and long-term thinking. If your approach to R&D is only short term, you'll miss the chance to predict trends or lead your sector. All long-term and you could invest in big bets that don't pay off and miss out on quick wins for making a profit today.

## THINK NOW, NEXT, AND BEYOND— AT THE SAME TIME

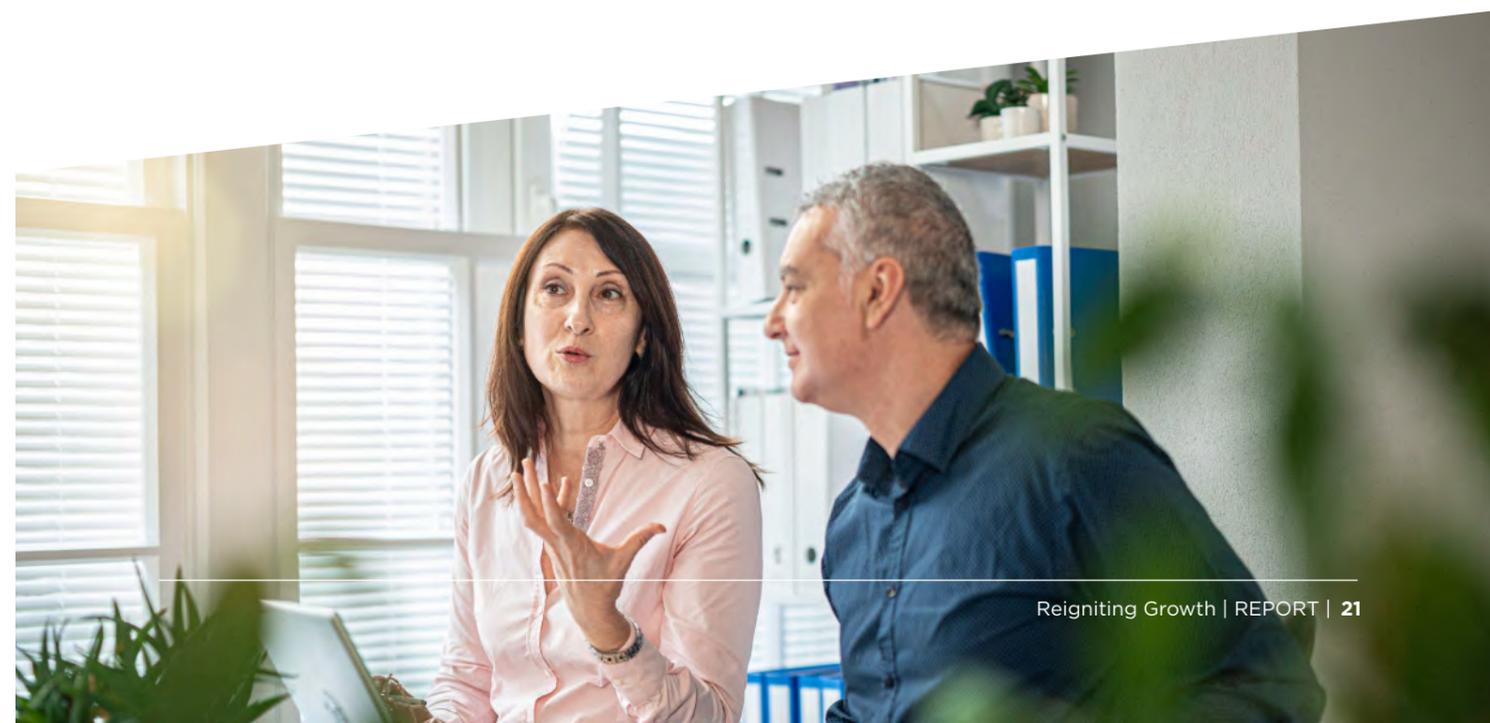
When teams in Diageo spot a new trend, they ask, how can we win in that trend now, next, and beyond? Once you spot the trend, there's an immediate, more tactical thing you can do to quickly start exposing yourself to growth.

But obviously that's about speed rather than necessarily about what's the biggest way that you can exploit that trend. So, we also think about the slightly longer-term things we can do that often involve emerging technology and are going to take us a bit longer to create.

"We find that triple perspective of the timeline helpful to make sure that we're not just being too short term in the way that we respond to different trends."

**Mark Sandys**

Of course, renovating current products or investing internally to develop breakthrough ones aren't the only innovation options available. Many leaders we spoke to had bought start-ups to close capability gaps and bring fresh thinking into their businesses. That might sound like the best option if you want to innovate fast, but it's not the easiest.



# 03

## DO YOU BUILD INNOVATION INTERNALLY OR BUY IT?

If you're struggling to innovate, you could be tempted to acquire smaller start-ups who can. Several leaders admitted that these days, that's where so much innovation in products, tech, and process comes from. Yet, at the same time, many leaders are unsure of how to maximize the benefits of bringing in external thinking.



**Most leaders I speak to can't articulate how open innovation will help deliver their growth strategy."**

**Harmen Van Os, Associate Client Partner, Korn Ferry**

Embracing Open Innovation<sup>5</sup> brings huge opportunities, yet many leaders aren't sure where to start. I advise following in the footsteps of businesses that are already leading the way. Hershey, Coca Cola, and Danone all use specific operating models to make Open Innovation succeed. This includes using fundamentally different KPIs to drive Open Innovation.

They also organize Buy/Build/Rent instruments on the one hand (allowing companies to make an integral decision on whether to build certain capabilities in-house, collaborate or internalize through acquisitions, and ventures), and use organizational setups such as the Chief Growth Officer model (responsible for market expansion and breakthrough innovation).

A deep understanding of consumer needs is also critical. It's why Unilever's Open Innovation approach is so successful: it sets out clear consumer and business challenges and invites others to step up and respond to them. That extra focus cuts ambiguity and leads to better results.

5. Open innovation is a strategic approach that involves seeking ideas, technologies, and expertise from both internal and external sources

Most businesses look for a balance between acquiring innovation and developing it themselves. Here's how Salman Amin says pladis gets that balance right.

"Investing in product and brand will lead to real ROI—not just cost reduction.

We think about the blend of innovation versus renovation as follows:



**Core Renovation**



**Global Platform Expansion**



**Breakthrough"**



We will also look to acquire innovation in a situation where we have zero capabilities, as it would take simply too long to build from scratch"

**Salman Amin, CEO of pladis**

### IS YOUR CULTURE FLEXIBLE ENOUGH TO LET START-UPS THRIVE?

Be warned, integrating an agile start-up business into a big, bureaucratic one isn't easy. Many of our leaders have experienced this firsthand and warned against destroying nimble brands by plugging them into bureaucratic systems.

EVP, Head of Strategic Business Units, Marketing and Sales at Nestlé, Bernard Meunier noted there were hundreds of entrepreneurial and disruptive start-ups and began teaming up with them but concluded that:



"This was easier said than done. Most of our experiments teaming up with early startups failed because either you kill them by embracing them or they just don't get from us what they need, or we cannot scale the idea. So we are going back to being inspired by them rather than trying to sign a commercial deal which will be hard to make work".

On the flip side, the leaders getting the best results from acquisitions so far are those who run the new businesses like separate companies that aren't bound by their usual processes. Are you prepared to do the same?

Before you buy any new business, ask:

- > Have you defined what made the start-up successful?
- > What will you do to protect the team, systems, and processes the new business needs to keep innovating?
- > How much autonomy are you willing to give them?

If you don't give that start-up the space to succeed, it won't help you innovate for long. Often, success or failure depends on two things: your structure and culture.

## 04

### ARE YOU STRUCTURED FOR INNOVATION FROM THE TOP-DOWN?

If you've lost your innovation muscle lately, it's worth considering:

- > Who owns innovation in your business—and do they have a place on your board?
- > Do you innovate regionally or centrally?
- > Is complexity holding you back?

#### WHO OWNS INNOVATION?

You might expect leading CPG companies to have R&D owners in the C-suite and on the board. For our leaders, that wasn't necessarily the case.



Innovation is so important, but in many companies, the head of innovation is two or three levels down. We need to elevate those roles to a higher level.”  
**Cesar Franca**

Those who did have champions at the top of the business found it easier to foster innovative cultures.



The culture we need to change comes from leadership. Our Chief R&D Officer is a big supporter.”  
**Peter Schrooyen**

If innovation is lacking in your organization now, leaders might need to follow in Danone's footsteps and make changes at the top.



Leadership and talent are crucial in embedding innovation DNA within Danone. The company has made strategic changes at the executive level, prioritizing research and innovation across the organization. Leaders are focused on fostering a culture of excellence, differentiation, and collaboration.”  
**Jean Marc Magnaudet, President, Specialized Nutrition at Danone**



**of leaders say top-team alignment leads to growth.**

Leaders from the World's Most Admired Companies agree that having a strong top team who all share the same vision is the biggest people-related growth factor in their organizations.



There's always a balance to strike with change though. A change in attitude or innovation philosophy could be more powerful than a change in people. Some of our leaders warned against the dangers of too much reshuffling and restructuring when you're trying to innovate.

Organizations which are habitually growing—Mars Pet Food, Nespresso, LEGO, IKEA—I think they are naturally projecting the future; and as they go, they take the organization with them into the future in a more organic way rather than through big reshuffles.”  
**Zbigniew Lewicki, Chief R&D Officer at Unilever Ice Cream**

## THE KORN FERRY VIEW

### DO YOU INNOVATE REGIONALLY OR CENTRALLY?

Wherever your innovation is coming from, the secret is simplicity. The more processes, structures, and systems you introduce, the faster you kill creativity.



Great innovation strategy consistently lands the right innovation at the right moment for the consumer. Processes, systems and infrastructures are always going to be important to identify, create and scale breakthrough innovation. From my experience your ability to simplify your innovation approach and hold a healthy tension with speed to market will be a true north for everyone that touches innovation - this is critical to win in market and drive the category”

**Oliver Morton, General Manager, Sweet Snacking North America for Kellanova**



We are centralizing R&D for a number of reasons: run more global innovations (instead of purely geographically or market-driven innovations). Providing multi-country scale gives us the ability to utilize and make better CapEx decisions, which in turn allows breakthrough innovation.”

**Joost Vermuë, Orkla’s Chief R&D and Sustainability Officer**

### AGILE STRUCTURES ENCOURAGE GROWTH



When one of our CPG clients asked us to investigate how their R&D team had been able to respond so quickly to the COVID crisis when whole supply chains fell over and ingredients had to be reclassified, we found that agile structures, with small, dedicated, multifunctional teams with delegated (local) authority was one of the key enabling factors.”

**Harmen Van Os, Associate Client Partner, Korn Ferry**

### WHAT COMPLEXITY CAN YOU CUT?



Large companies have become too complex, and that complexity has slowed them down. Interestingly, it’s not a matter of a lack of investment—big companies put a lot of money in R&D—but rather than making things faster and more efficient, this often adds more layers of complexity, making it harder to execute.”

**Cesar Franca**

On the flipside, Diageo has designed a pilot system that keeps new ideas moving.



We built a system and a process whereby we now have 120 live pilots at the start of our idea hopper. We have three stages that they have to go through that we call PPKs: progress, pivot, kill. But as they move down that process (and it’s quick), you’re not spending much money to get them from one to the next.”

**Mark Sandys**

Once you’ve had a great pilot, you’ve got to integrate those ideas back into your business.

Mark Sandys also says that you need the right experts from across your business, all working together in one team to make that happen.

“We brought in real experts in some of those fields. Sustainability, for example, and luxury. And initially, we had them working in kind of silos. There was a sustainability thread. There was a luxury thread, etc. And then something interesting happened.

They all sat together, and they sparked off each other. And suddenly, what we realized was all the interesting ideas were where sustainability and luxury or wellness and digital transformation were crossing over.

And so, we merged them a bit more so that instead of just having accountability for one of those trend areas, it was more about deliberately colliding those areas to unlock new idea spaces.”

### MONDELEZ FINDS A MIDDLE WAY

CMO, Martin Renaud tells us that Mondelez International has tried different organizational models over time: Global then Regional centralization, but it wasn’t driving the results they hoped. Today, they have found a middle path, with Global Teams steering a more focused portfolio and driving the upstream strategic thinking, but empowering the business units to drive the innovation development. This allows Local Teams to fully own innovation, but in good collaboration with global teams

### HOW FLEXIBLE IS YOUR APPROACH?

Change is never easy. If you can build flexibility into your strategic plans from the start, you’ll be able to respond to any crisis that comes your way faster.



So I think that IKEA and some companies started to do it. They don’t have a fixed next year plan, they have set of seven scenarios so they can adopt their decision making to the most likely future scenario, I think the companies that are able to adapt their organizations and culture to cope with [different scenarios] will create more value than others. That will be important in the next three to five years.”

**Zbigniew Lewicki**

**49%**

of leaders say ‘speed to adjusting changes’ is a top barrier to growth.

Leaders in Fortune’s World’s Most Admired companies all agree that flexibility is essential to innovation and activating growth strategies.

## DIAGEO'S BREAKTHROUGH INNOVATION TEAM

Diageo uses a cross-functional, global collaboration team to innovate and shape the business. They're currently focusing on three areas: sustainability, luxury, and digital transformation. And they're focusing on platforms as well as products. A few of their recent innovations include:

- > Launching the world's first recyclable paper spirit bottles.
- > Using an NFT auction to sell luxury tequila.
- > Creating an AI-generated personalization program for Johnnie Walker Blue Label.

Collaborative teams call for collaborative people. So look inside your organization today. Do your teams have the right skill set and mindset to bring innovation back?

# 05

## ARE YOU GETTING THE BEST FROM YOUR TALENT?

“

If you've only been focused on productivity, you're not necessarily the right person to know all of a sudden how to create the superior or best product experiences ever, or start with disruptive ideas. It's a different skill set.”

**Volker Kuhn**

Remember, innovation won't come naturally to everyone—especially if it's not been a key focus in your business lately. But you can invest in developing it. LinkedIn Learning found that companies that ran innovation training didn't just engage employees more than those that didn't—they saw a 35% increase in innovative ideas coming from their teams, too.

## THE KORN FERRY VIEW

### HAVE YOU GOT WHAT IT TAKES TO BECOME AN INNOVATION LEADER?

Our leadership assessment practice says there are three things that set innovation leaders apart.

# 01

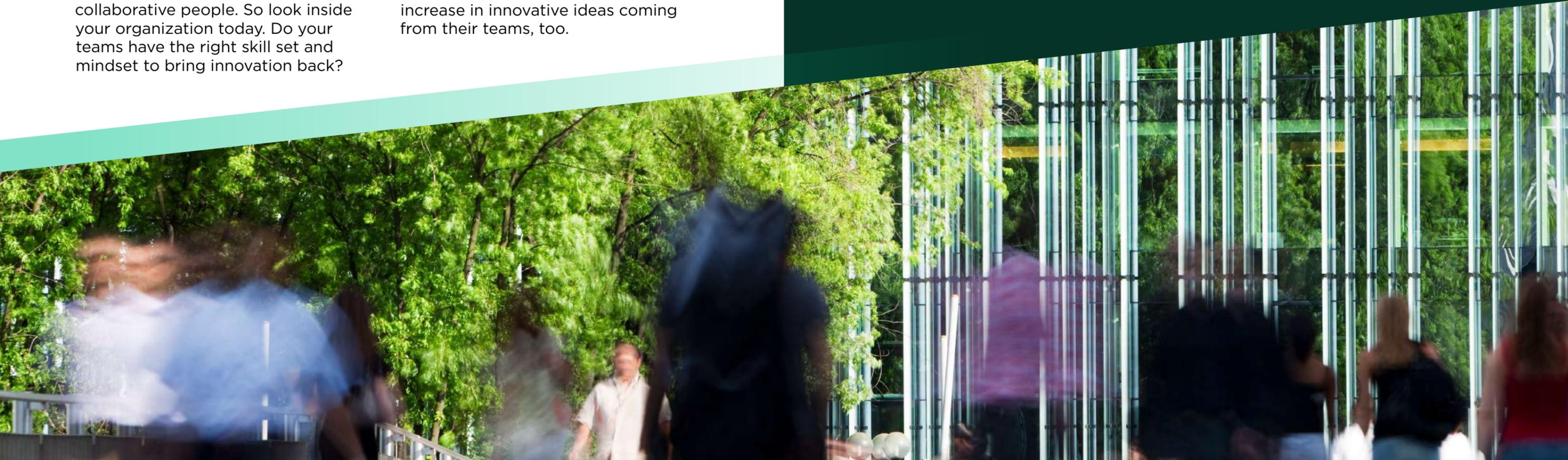
**They don't see innovation as something that sits in a single team.** Instead, they push boundaries and encourage their entire organization to innovate.

# 02

**They are courageous about cutting anything that gets in innovation's way.** That includes rethinking rigid structures which could stop them innovating and growing in new categories and spaces.

# 03

**They have an innovation vision.** 99% of innovation leaders have a clear long-term vision. They help their teams live it and use it to make focused project and portfolio decisions.





Then there's the question of culture. Encouraging growth mindsets isn't new. And several leaders talked about making sure teams had the space to fail. The key, though, as Martin Renaud put it, is, "Don't only embrace failures, make sure you learn from them. This is much more difficult than it seems."

Reframing failing as "experimenting" could be the answer. Shih says teams need to "have that mindset of experimentation. We need to incentivize people to drive continuous improvement, to not be afraid of failing."

It's then on leaders to create that space to experiment and cut any unnecessary bureaucracy that gets in innovation's way.

As Salman Amin puts it, "Innovation stems from a particular culture, one that:

- > Is agile.
- > Fails fast, learns fast.
- > Celebrates delivery, making things happen.
- > Allows consumers a voice.

Good leadership is about empowering this way of working, having a 'go go go' approach, as opposed to bureaucracy, to build up the people who want to take risks and reward and applaud them. Everyone's job is to be innovative, for innovation to be the culture of the enterprise."

And there's plenty of research to support those views. In fact, organizations that foster a culture of innovation can typically expect to see four times more employee engagement than those that don't. Business success continues to depend on an engaged workforce, with our research showing that firms that engage and enable their employees achieve up to 4.5 times more revenue growth than companies that don't.

## THE KORN FERRY VIEW



How can organizations accelerate innovation and creative thinking? Much of it has to do with culture. Leaders should encourage—and reward—employees for coming up with creative ways of solving problems. Companies should prioritize hiring people who have a growth mindset and are intensely curious. Those employees should want to learn about customer needs, then work with colleagues to develop ways to meet them.

There's a financial commitment, too. There are only a few firms on Korn Ferry's World's Most Admired Companies with 10% growth over the past few years, but they share some common traits. They have committed far more resources as a percentage of revenues to research and development than their slower-growing peers. But more importantly, these firms accept that innovating runs the risk of failing, and that risk should be embraced. Innovative firms embrace tough challenges, learn from failures, refine their processes, and then, quite often, come up with breakthrough products and services."

**Grant Duncan, Consumer Practice Lead in the UK and Ireland**

## TOP INNOVATION TALENT IS T-SHAPED

Several leaders we spoke to noticed that particular people typically shone as innovators in their teams. And they usually wanted more of them.



From a capability perspective, we've got our true technical experts, and then we've got our R&D leaders. But few can actually go across the two and be more T-shaped and able to go deep into technical to pull the latest insight and move forward fast."

**Jennifer Moss**

Mark Sandys agrees. When you're building your innovation teams, he recommends mapping the skill sets you have and need. "We wanted some people with a science background, some with a supply background, and some with more of a P&L background. Then what was really important was their ability to be a generalist, their ability to collaborate and bring teams together to build a vision."

## KNOWLEDGE IS POWER... BUT ONLY IF YOU SHARE IT.

Collaboration tops pretty much every list of skills people need today. In innovation, it's even more crucial. Those who struggle to share, struggle to get ahead. As Zbigniew Lewicki says, "Innovation is a team sport. If you are not able to project collective learning in your organization, then those teams are not able to outperform competitors."

Sharing beyond your own organization could bring even bigger benefits. Jerome Garbi tells us that Bel SA has three innovation streams to cover programs they've developed internally, ones they've built with trusted partners and with start-ups for breakthrough technologies.

## LOOK BEYOND YOUR BUSINESS. BUILD AN ECOSYSTEM.

Jean Marc Magnaudet also talked about collaboration at Danone and how it's "become more collaborative and open, engaging a broader ecosystem of partners, including academics, start-ups and suppliers."

"Innovation today, especially in food, can come from anywhere, and it often starts small, with an entrepreneur that found the way. So companies need to create an ecosystem where they are externally connected to spot these emerging trends." Cesar Franca says this approach could also be less risky than relying on large-scale acquisitions. "Venture capital could allow big companies to place small bets and nurture innovations until they're big enough to integrate without losing their entrepreneurial spirit."

Bringing innovation back to your business will likely call for a cultural shift. As well as investing in learning and development, many businesses have developed specific KPIs to inspire innovation. In the next chapter, we'll take a look at some of the measures they're using.





## 06 | DO YOUR KPIS KEEP INNOVATION ON TRACK?

“

You will never replace your culture with KPIs, but KPIs can enforce your culture.”

**Zbigniew Lewicki**

We’ve all heard the saying, what gets measured, gets done. Is that true of innovation too? Today, around 79% of companies measure innovation, with KPIs including return on innovation, percentage of revenue from new products, and cost savings from innovation, according to KPMG. Meanwhile, Gartner observes that organizations that have those KPIs typically see a 25% higher success rate for their product launches.

We asked our CPG leaders which KPIs were helping them push innovation up their agendas...

## LOOK AT OUTCOMES, NOT OPERATIONS

“

In terms of KPIs, we started looking much more at outcome KPIs than operational KPIs. So it was less about, ‘We have completed the research and here are the findings’ and more around, ‘OK, now how do we turn the findings of that research into something that adds value for our internal or external customers?’”

**Jiunn Shih**

## HAVE HIGH PRODUCT PERFORMANCE STANDARDS

“

We made some drastic KPI shifts—especially in measuring product performance. The bar went up brutally high. It frustrated a lot of our people at the time. But ultimately, when they understood why we’d made the change, to win with the consumer, they got behind it. And they felt so proud when they finally delivered superior consumer experiences and the business accelerated.”

**Volker Kuhn**

## DON'T SET P&L GOALS ON INNOVATION TOO SOON

“

You can’t tie everything to the P&L right away, because breakthrough innovations often take time to become meaningful. Separating innovation initiatives from the traditional P&L system allows them to grow without the constant pressure to deliver immediate results.”

**Cesar Franca**

## BUT DO AIM FOR SUSTAINABLE GROWTH

In Diageo, CMO Cristina Diezhandino tells us that the ultimate KPI for the innovation team is growth. They measure that with a “2+1” years metric which looks at the last two years and the current year to gauge performance. And Steve Challouma told us Nomad Foods took a similar view: “The total rate of NPD and indeed renovation as a proportion of revenues, as well as the three-year pipeline value, are key performance indicators of the contribution to growth of innovation.”

The benefit of these approaches is that they still keep a close eye on the bottom line without putting pressure on a single innovation to turn a profit in its first year.

**AND IF YOUR INNOVATIONS DON'T PERFORM? SET A GOAL TO LEARN FROM THAT TOO**



Even if you didn't perform but you actually did go the extra mile, you did understand, and you did create the recommendations of what to do next time, it should be rewarded. Creating this cycle will definitely make a difference."

**Zbigniew Lewicki**

**CLEAR INNOVATION KPIS COULD EVEN BE A SUBSTITUTE FOR A CIO**

If you don't expect to see a Chief Innovation Officer in your C-suite anytime soon, clear innovation KPIs could be another way to inspire innovation in your organization from the top-down.



If innovation isn't represented directly at the executive level, you could set KPIs around innovation. That way, even if the innovation leader isn't sitting at the table, the execs are still incentivized to deliver on innovation goals. That drives the importance of innovation across the company."

**Wendy Chang**



**of innovation leaders remove fear of failure.**

Innovation leaders are more likely than those in other businesses to say that innovation can fail—and not penalize the innovators if it does.

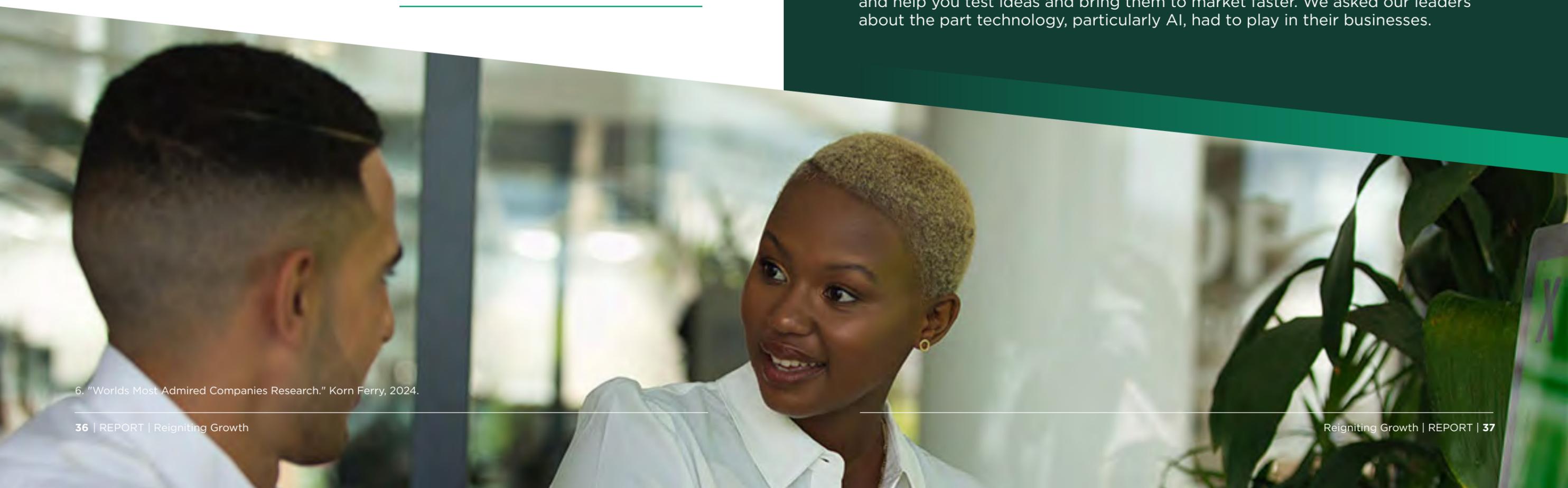


**of innovation leaders are patient.**

If an idea is promising, innovation leaders won't withdraw funding if they don't see immediate returns. Only 58% of non-innovation leaders can say the same.<sup>6</sup>

If you're looking to improve results, the right tech could boost collaboration and help you test ideas and bring them to market faster. We asked our leaders about the part technology, particularly AI, had to play in their businesses.

6. "Worlds Most Admired Companies Research." Korn Ferry, 2024.



## 07

### ARE YOU GETTING THE BEST FROM YOUR TECH?

It's impossible to talk about innovation these days without looking at generative AI.



It's clearly going to be a game changer. Taking a multitude of data that can take months to process with teams who can come out with completely different opinions and outcomes to being able to get something out in a week that is 80% there is just one example (providing you can understand the framework)."

**Oliver Morton**

There's a lot of optimism across the industry about what AI can do, as long as R&D teams don't expect it to do everything. As David Rennie says, "It's a tool to accelerate innovation, not a substitute for human expertise." It's that level of human expertise, data, and understanding that's separating the teams getting the most from AI and the ones who find themselves inadvertently following the crowd.

Teams embracing AI are using it on all kinds of initiatives, including "consumer segmentation in China, customer care in Europe, and factory digitalization globally." (Jean Marc Magnaudet)

### WITHOUT THE RIGHT DATA, AI MAKES YOU FASTER... BUT NOT SMARTER

Jennifer Moss explains that AI's helping the team, "test quicker, all the way through to recipe design. But make sure that the AI tool uses a mix of external and proprietary information to learn. Otherwise, everyone will end up launching the same trend simultaneously."

### The good news is that the reverse is also true.



We have a huge library of our research from years and years of investment. We now leverage AI to actually summarize so that we can ask questions, and we are leveraging that in partnership with Microsoft and Copilot technology."

**Jiunn Shih**

### If you don't have the data, how do you get it?

## WHAT'S YOUR WHISKY?

### THE STORY

When Diageo bought Vivanda, the owner of the technology behind its *What's Your Whisky?* platform, it allowed the company to better understand consumer taste preferences and helped to unlock further opportunities in innovation and personalized experiences.

Cristina Diezhandino told us that the platform—which uses AI to match consumers to their ideal whisky based on their flavor preferences—was so successful that they've expanded it to include *What's Your Cocktail?*, *What's Your Beer?*, and *What's Your Tequila?* versions, too.

This is a good example of an applied entrepreneurial mindset to innovation: the willingness to experiment through partnerships, creating a setup that enables investing in start-ups and establishes a mechanism to in-house some of those ventures at a later point through acquisition when the business case indicates this is the best way forward. Indeed, the "magic" of that venture or innovation must be safeguarded and codified to ensure its continued success.

**So how do you get the best from your people—whether that's internal teams or external partners to bring bigger, better, and more profitable innovations to market?**



### CHOOSE THE RIGHT TECH PARTNERS FOR THE RESULTS YOU NEED

If you don't have the tech expertise in-house, partnering with tech partners is a sensible step. With the right partnerships in place, you can expect to hit your innovation goals faster, and return to growth faster, too. It's an approach that's often more cost-effective than training your current teams in the short term, too.



We've got a partnership which enables us to develop breakthrough packaging solutions and plant-based and dairy-free technology to deliver products which perfectly match texture, taste, and nutrition profile of organic/milk-derived ones. We also have a partnership with Dassault Systems to accelerate innovation processes with fast prototyping."

**Jerome Garbi**

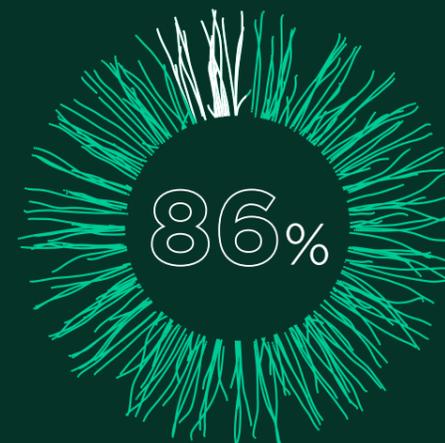
### DON'T EXPECT AI TO COME UP WITH THAT NEXT BIG BREAKTHROUGH FOR YOU

Around a quarter of companies say they're using AI and other innovations to help them build for the future. But can they really rely on AI to innovate?



Gen AI knows the past very well, and it can create things based on that. But it doesn't know the future. It is, for sure, a very useful tool, and I am convinced we are just at the beginning of the AI S-curve. Yet, at the current stage, I'm not sure whether Gen AI would have designed the iPhone."

**Volker Kuhn**



**86%** of leaders see AI featuring in their near-future growth strategy.



**82%** also say talent is more important than tech to drive growth.

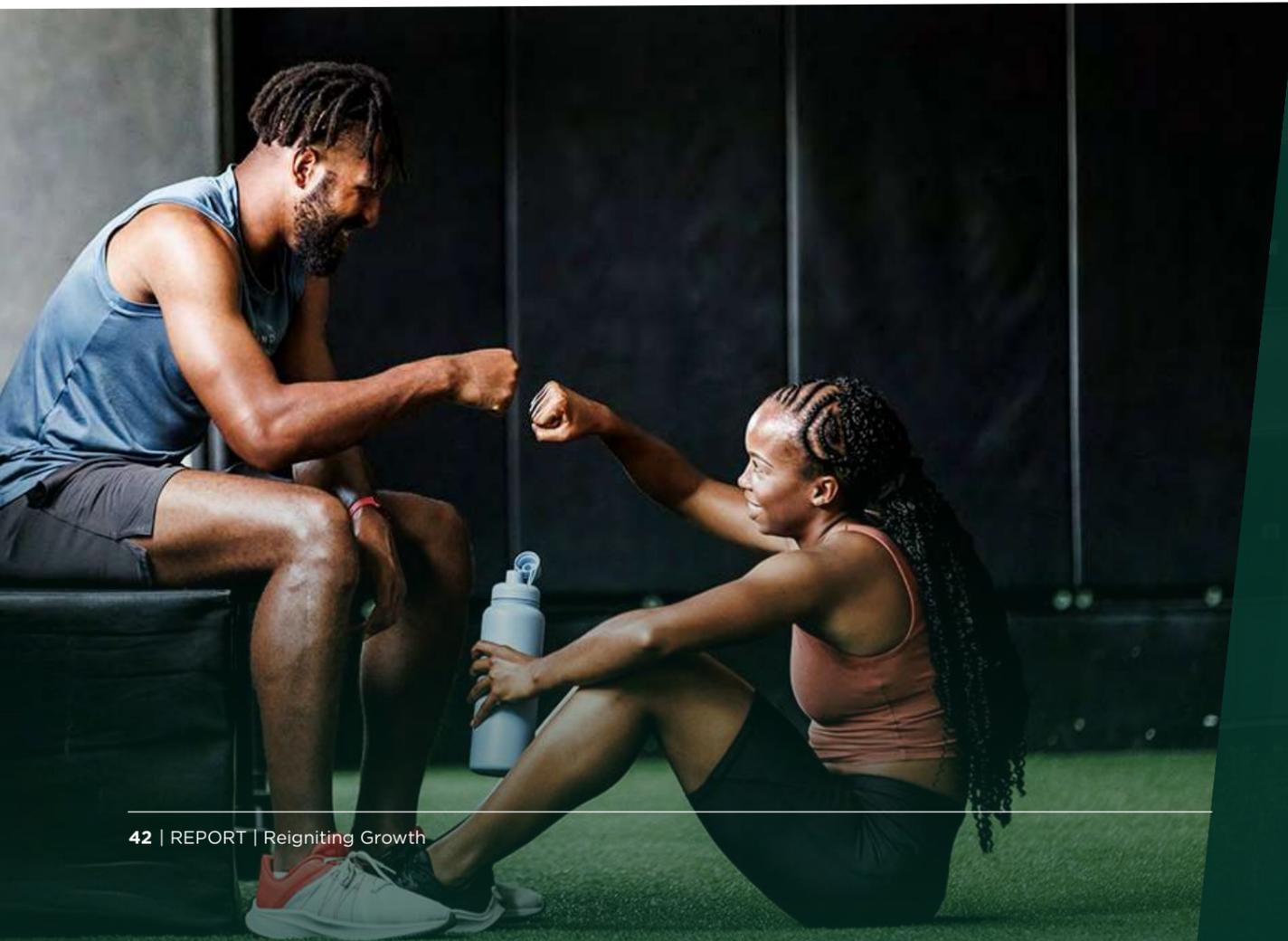
In short: your AI will only be as good as the data you give it and the teams you have using it.<sup>7</sup>

7. Korn Ferry. "Revealing the Growth Secrets of the World's Most Admired," n.d. <https://www.kornferry.com/insights/featured-topics/organizational-transformation/revealing-growth-secrets-of-the-worlds-most-admired>.

# 04

## READY TO REBUILD YOUR INNOVATION MUSCLE?

Getting to full innovation fitness level isn't straightforward. There are a lot of moving parts from an organizational and talent perspective.



At Korn Ferry, we can help you get there in a number of ways:



### BUILDING THE RIGHT STRUCTURE

Building a great innovation capability isn't an isolated task and one that is certainly not optimized through a classic silo structure. It may even require radical approaches such as "Open Innovation," the application of agile techniques and digitization. Our Organizational Strategy team can help you design the optimal structure and governance that allows you to maximize return on innovation investment and deliver both incremental and breakthrough innovation at speed.



### SHAPING THE RIGHT CULTURE

Ensuring that you have a true innovation mindset across the organization means you need the right culture—one that is experimental and creative without fear of failure. But creating that culture doesn't happen automatically. Such transformations can only be achieved by consciously coordinating changes across Mindsets, Abilities, Systems, and Structures. Our proprietary MASS methodology and leadership-focused "Innovation Styles and Climates," delivered by a world-leading Cultural Transformation team, can help you deliver this change.



### CODIFYING THE RIGHT MIX OF SKILLS

Our survey confirms that great innovation is driven by a mixture of innovation specialists and innovation-minded functional leaders in marketing, technology, and supply chain to name but three. Our unique Innovation Leadership Success Profile and Assessment methodology, using thousands of executive data points, can help you design what good looks like and provide you with talent strategies for evaluating, acquiring, and building both internal and external talent.



### FINDING THE RIGHT TALENT

You may not have the right individuals to lead and drive your innovation agenda. Our talent acquisition teams can help you define what you need at the right level and search for best-in-class executives that meet the brief from a wide range of business sectors and geographies.

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# READY FOR **MORE?**

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organization structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.

**Business advisors.**

**Career makers.**