

Advisory

## *Moscow CVC Summit 2013*

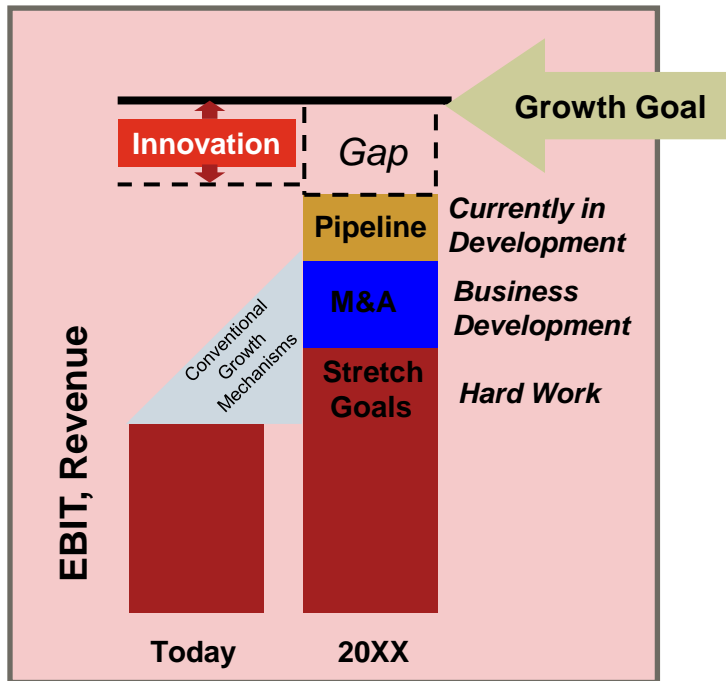
# **Innovation at Work: PwC's Global Innovation Survey CVC Operating Models and Case Studies**

*Strictly Proprietary  
December 5, 2013*



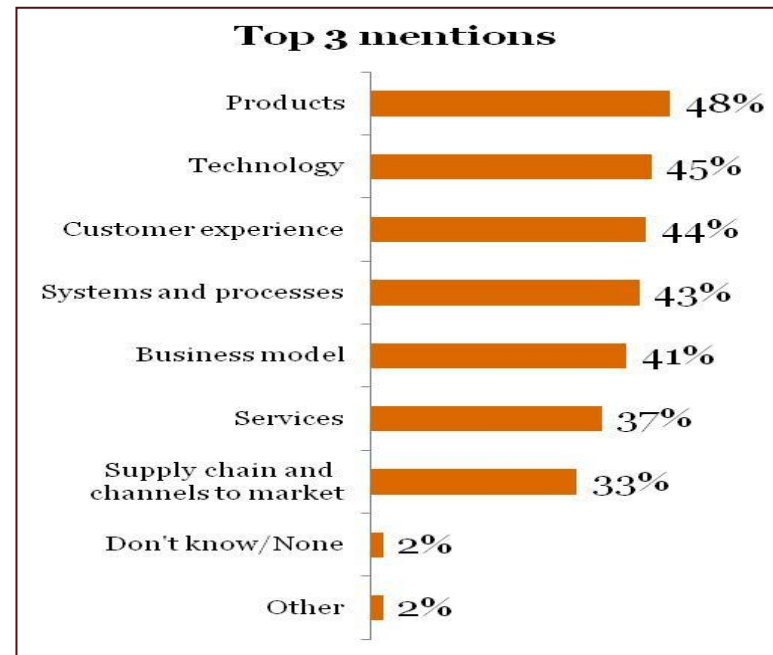
# *Innovation represents a path to corporate growth—and CEOs are recognizing their role in driving Innovation*

**Innovation represents the path to closing the gap between existing plans and ambitious goals**



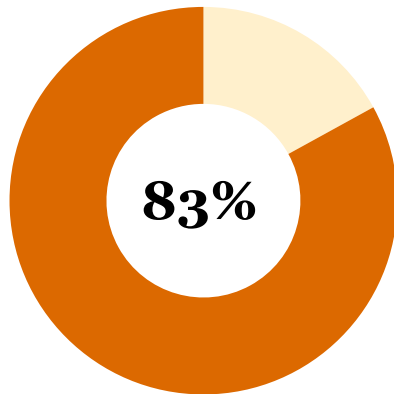
## **Insights from PwC's 2013 Global CEO Pulse Survey**

- **97% of 247 CEOs see innovation as a key priority for growth...**
- **...while only 10% of CEOs see their companies as innovation leaders...**
- **...while innovation activities have broadened beyond the product**



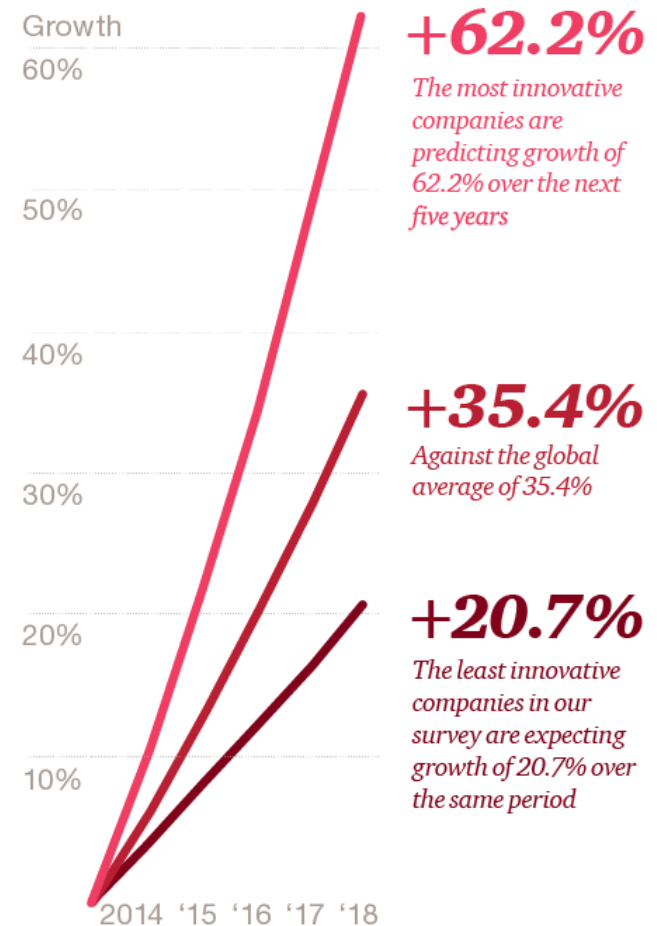
# *PwC's 2013 Global Innovation Survey: Revealing a compelling need—and compelling potential*

## **How important is innovation to the success of your company?**



83% of 1757 executives (across 25 countries and 30 sectors) view innovation as quite important or very important (i.e., a competitive necessity) over the next 5 years

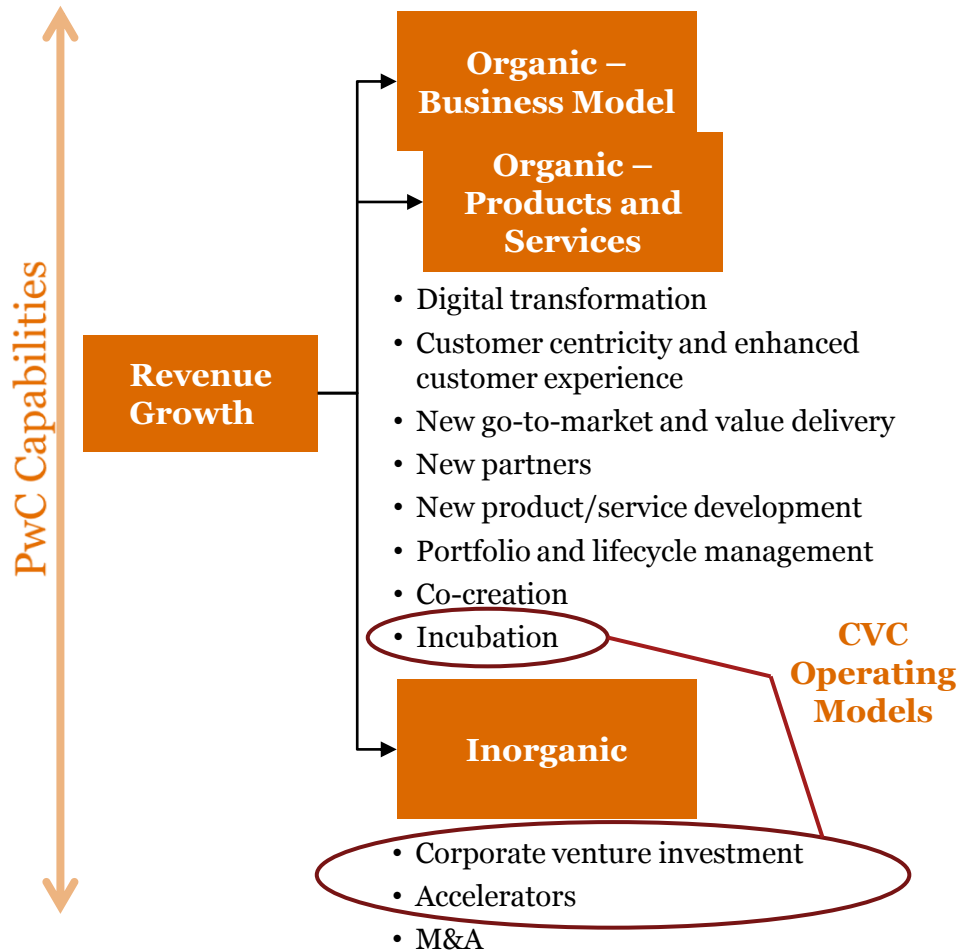
## **Anticipated revenue growth over the next 5 years**



Source: Breakthrough Innovation and Growth, PwC Global Innovation Survey, September 2013

# Innovation—a multi-faceted challenge and opportunity

## Many paths to consider



## Innovating the way to innovate

### PwC's Innovation Blueprint

1. Business and innovation objectives

2. Innovation strategy

#### Operating model dimensions

3. Leadership

4. Culture

5. Talent

6. Ecosystem

7. Process

8. Portfolio

9. Governance

10. Organisation

11. Funding

12. Metrics and motivators

New products, services, technologies, business models, processes, channels & value chains

Source: Breakthrough Innovation and Growth, PwC Global Innovation Survey, September 2013

# Media Case Study: Transforming a leading publisher to grow new revenues six-fold in five years

## Situation

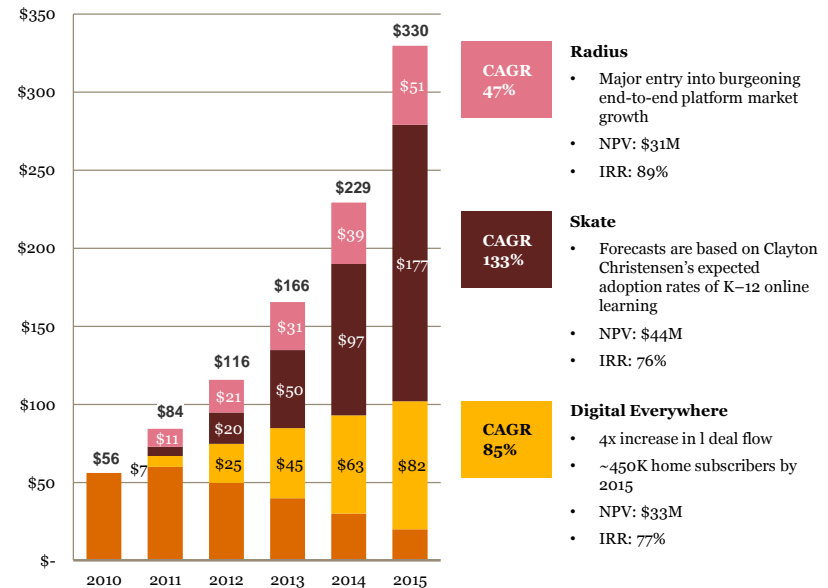
- Industry transformation underway due to digital technologies– traditional players scrambling to rapidly grow new businesses
- New players entering and open source becoming significant threat –company faced extinction without new strategy and growth initiative

## Approach

- Developed strategy to create new product suites; vastly different value propositions with digital solutions for existing and new markets
- Board approved growth strategy : business model and technology innovation investments for new product suites

## Results

- Cumulative revenues planned for \$981M with \$564M EBITDA
- New Venture group currently developed new product suites; product prototypes developed and tested
- Key partner identified and partnership established
- Newco spinout launched



# IT-led Innovation Case Study: Fostering global innovation for a leading commercial real estate firm

## Situation

- Disintermediation of agent-based transactions and smaller, more nimble, localized competition represent a constant threat to large global commercial real estate firms
- Our client struggled with delivering meaningful innovation that led to competitive advantages, primarily due to silo organizations, an overt focus on technology, and a lack of business and IT collaboration

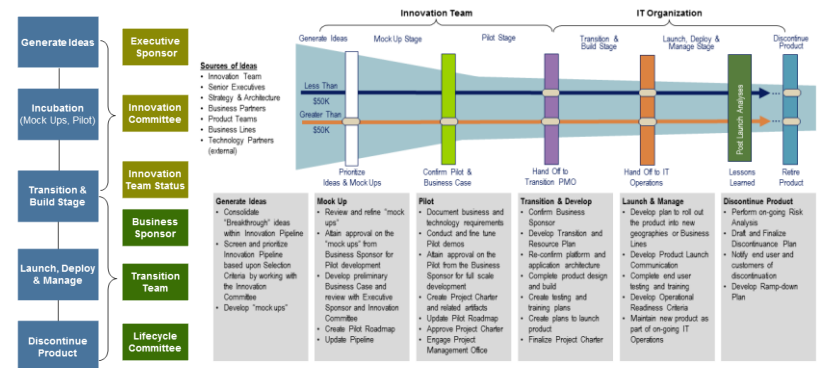
## Approach

- Developed a “global incubator” organization model identifying existing business resources (champions) to take on specific roles to collect and manage a pipeline of ideas for IT to develop
- Built an innovation process model that provided a governance structure and “guide rails” allowing innovation to occur rapidly while managing to a budget and value attainment expectations

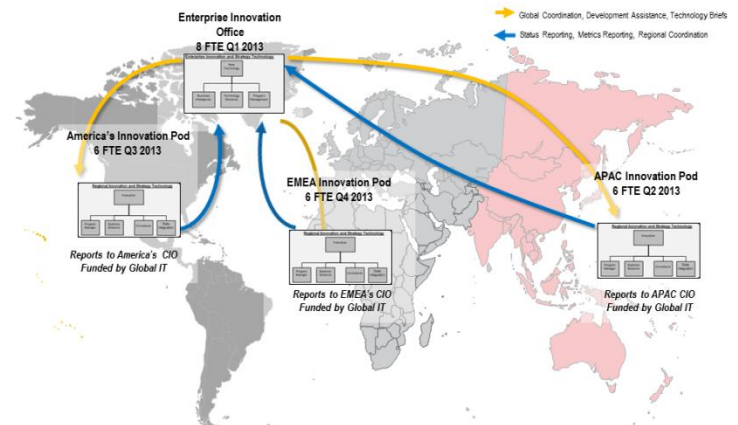
## Results

- Organization launched in two key regions as beta with full global rollout planned in 2014. Goal is for organization to ‘self fund’ via cost take outs or enhanced revenue by the end of 2014
- The innovation process model has allowed IT to deliver rapid business value from a global pipeline of new ideas and improvements for existing systems and processes

## Innovation Incubator Process Model



## Global Incubator Organization



# G2C Case Study: Assessing a commercial incubator for a government-facing engineering services and SI company

## Situation

- A \$700M leader in high-end engineering and systems integration services wanted to address a decline in core government business revenue and margins by leveraging its unique R&D capabilities in the pursuit of commercial market opportunities.
- The client needed to refine its existing commercial incubation operating model (innovation strategy, funding, organizational structure, resources, culture, metrics, governance, portfolio, processes, etc.) to maximize its return on innovation investment.

## Approach

- After interviewing over 20 executives and staff members and gathering a variety of data, the PwC team conducted an assessment of the client's commercial incubator operating model, comparing it with breakthrough innovation leading practices and identifying gaps, recommended actions and a remediation roadmap.

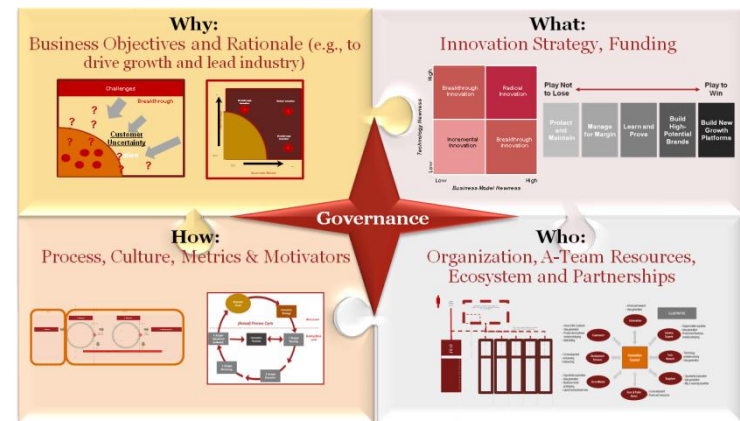
## Results

- Within these recommendations, major gaps were identified and addressed with regard to shortcomings in the client's innovation strategy, expectations on ROI relative to current funding levels, portfolio management practices and governance structures.
- A range of options was considered for the incubator organization structure in order to mitigate risk to the core government business

## As-Is Assessment and Gap Analysis

Operating Dimensions	Traditional NBD Model	Current State Target State	Venture Capital Model
<b>Innovation Strategy</b>	Focused on new business creation		Specialized by industries/capabilities
<b>Governance Structures</b>	Traditional business hierarchy		VC-like venture boards
<b>Portfolio Management</b>	Closely-managed projects; few cancelled		A few big wins, many losers
<b>Commercial Model &amp; Metrics</b>	Focused on revenues and profits		Focused on market traction and interim milestones
<b>Structure, Risk &amp; Compliance</b>	Cautiously strategic re: acceptable opportunities		Risk accepted and mitigated as part of execution
<b>Culture &amp; Communication</b>	"Protect the core"		Exploring new frontiers for commercial value
<b>Hiring &amp; Incentives</b>	Corporate compensation; limited bonus opportunities		Strong potential for upside relative to risk/reward

## Refined Operating Model



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# *Thank you*

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