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BOARD NETWORK

Radical Innovation and Growth
– Global Board Survey 2016

February 2016 Publication

“The changes are so profound that, from the perspective of human history, there has never been a time of greater promise or potential peril. My concern, however, is that decision-makers are too often caught in traditional, linear (and non-disruptive) thinking or too absorbed by immediate concerns to think strategically about the forces of disruption and innovation shaping our future”.

2015, Klaus Schwab, The Fourth Industrial Revolution.

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Executive summary

What used to be the responsibility of the R&D department first moved to the CEO office and has now risen to board level.

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Today, boards have taken on the challenging responsibility of overseeing their companies' radical innovation efforts. From the Global Board Survey 2016 we learn that already today 22% of respondents own a so-called Division-X, a unit where the goal is to find radically new products or services to the company. With Google's semi-secret research and development facility Google X as role model, many corporations see their own Division-X efforts as strengthening competitiveness and increasing chances of company growth. When perfectly orchestrated, this is an engine to build wholly new revenue streams through new markets, entering new industries or even through cannibalization of the companies' core activities to adapt to the future.

At board level, what we are seeing is the beginning of a shift among board professionals' responsibility. As if oversight of company strategy, risk management, succession planning, budgeting and forecasting, sales and marketing, operations, auditing, IT, remuneration and tax was not already a fight. Now corporate governance includes overseeing new business development with its itchy elements of experimentation, demand for scalability, risk of failure and navigation in a fully digitalized and unpredictable new business world. On top of this new bizz today is developed at a pace that leaves little time for thorough analysis and precise risk mitigation.

Welcome to the era of disruption, now governed by the most influential level of people in the business world!

Whereas the survey data show that boards are embarking into their new extended roles, they lack understanding of innovation as well as talent management to build wholly new revenue streams. 40% of respondents have no board director with sufficient knowledge about digital disruption and 43% feel their management invests too little to achieve their long-term growth goals. In addition, 34% of respondents characterize their board's risk appetite as one where they try to avoid big financial risk and another 18% try to avoid failure in all their dealings.

In combination the boards stand unarmed to enter the battlefield of future business creation in a disrupted world.

The era of disruption can be characterized by the acceleration of technology, rapid business model development and build-up of interconnected platforms and communities with the speed of social media. Yet there is a clear tendency from our surveyed population towards expecting radical change coming later (as in five years) rather than sooner (as in this quarter). With the rate of change in the world today, this is disturbing. The finding, however, is sustained by the distinct majority of respondents stating that they are acting in response to an opportunity rather than a threat. If they felt that radical change was nearby, their actions would have been likely in response to a vexing threat.

With an increased competitive business climate where your next erosion may come from a two-man-in-a-garage company growing a disruptive (to you) enterprise, we are also surprised to find that boards' growth expectations for the coming 24 months are on average as low as 5-10 %. Peter Diamandis, co-founder and executive chairman of Singularity University says "40% of today's Fortune 500 companies are predicted to disappear in the next 10 years. Competition is no longer the multinational overseas; instead, it's the exponential entrepreneur creating companies like Uber, Airbnb, DropBox, Oculus, Whatsapp, SpaceX and Tesla" (2015, Diamandis and Kotler, Bold). With this in mind, and adding the insatiable growth expectations of shareholders and investors, we believe across all industries that corporations must raise the bar and target for higher growth rates, now.

We conclude that while global boards are taking action now, there is room for improvement. Especially when it comes to their insight into the area of innovative initiatives, organizational design, dealing with risk and failure and sheer experience in working in the huge discomfort zone driven by accelerating technology. If work has become steadily more demanding for the global board member recently, at least there was a predictability associated with that work. Now, in light of massive technological disruption, the new workload for a board professional revolves around a risky, failure prone and unknown innovation territory as they can start seeing themselves as largely inexperienced new business development leaders.

“What keeps me up at night is the exponentially increasing impact of exponential technologies and for the first time in our history we are venturing out in domains that are completely uncharted waters. This is exciting in terms of opportunities but what keeps me also awake at night is all the things that I don’t know about the impact!”.

Léo Apotheker chairman of KMD, board of Schneider Electric SA, Steria, and PlaNet Finance



Introduction

Speed is everything! We see that the rate of change in the world is increasing. Millions of global entrepreneurs in the world are online and can cloud print their latest product or service to build totally new and disruptive enterprises. By 2025 we will add another 5 billion hungry minds online (2015, Diamandis, Singularityhub.com) looking to survive and excel in a disrupted world. The above pattern might just explode.

Think of Uber, Airbnb and Apple – with exponential technology in the new sharing/digital economy several industries are being radically challenged. This type of innovation does not just disrupt the core of existing businesses. This type may erode some businesses entirely.

From a survey conducted in 2015 by the Board Network - The Danish Professional Directors Association based on 582 global corporate board professionals representing 43 countries, respondents describe that competition and technology are among the four most important external challenges their companies are facing now.

To address how the exponential technology is affecting growth (and indirectly competitiveness) in international companies and organizations, we have gathered insight on how global corporate boards address and work with radical innovation and to what extent they see growth stemming from their efforts.

Throughout, we use the term radical innovation with the following interpretation

Radical innovation is when you use exponential technology (Artificial Intelligence, Virtual/Augmented Reality, Advanced Robotics, Digital Fabrication, Nanotechnology, Synthetic Biology etc.), new business models, jumping the value chain in your industry or transcending it completely. Your current business could be eroded from radical innovation and you can erode your competitors. Radical innovation can lead to exponential growth.

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The Danish Professional Directors Association**

We dig into the boards' appetite for growth; how high is the bar? We look at their risk profile and tolerance of failure. We examine the role of innovation in company strategy and its strategic importance on the board's agenda. Is radical innovation a bulleted point at board meetings? We question whether there is a clear alignment of innovation and growth goals. Do boards spend enough in terms of man hours, consultants or other expenditures on new initiatives? We ask if companies actually own a Division-X and if yes, to what extent they are successful. We address the skillset at board level to handle digital disruption and the urgency to act proactively. We identify board barriers to handle radical innovation and we leave you with a set of recommendations based on our quantitative findings topped with first-hand experience and opinions from a number of selected global board chairs.

A staggering 75% of companies with the highest growth expectations for the coming 24 months (above 10%) also own a Division-X (or equivalent). We see this result as a clear indication of Division-X actually driving growth.

Deloitte & Board Network, The Danish Professional Directors Association

Context

Deloitte Denmark and Board Network – The Danish Professional Directors Association have jointly conducted this survey and publication during November 2015 through February 2016 among 614 global board professionals from a total of 50 countries on all populated continents.

The surveyed population counts all sizes of companies, is broadly representing all operational industries and spans a variety of ownership structures with a dominance of private limited and stock exchange listed companies. Some common trends across countries, company size, industry and ownership include:

Common trends

- The two dominant barriers for boards working with radical innovation are lack of insight (47%) and lack of organizational design to handle radical innovation (46%).
- 40% of respondents have no director with sufficient knowledge about digital disruption and 43% feel their management invests too little to achieve their long-term growth goals.
- The boards' failure tolerance is low as seen 18% try to avoid failure in all their dealings.
- The financial risk scenario is also conservative, 34% of respondents characterize their board's risk appetite as one where they try to avoid big financial risk.
- There is a clear tendency towards expecting radical change coming later (in five years) rather than sooner (this quarter).
- A staggering 75% of companies with the highest growth expectations for the coming 24 months (above 10%) also own an actual Division-X (or equivalent). We see this result as a clear indication of Division-X actually driving growth.





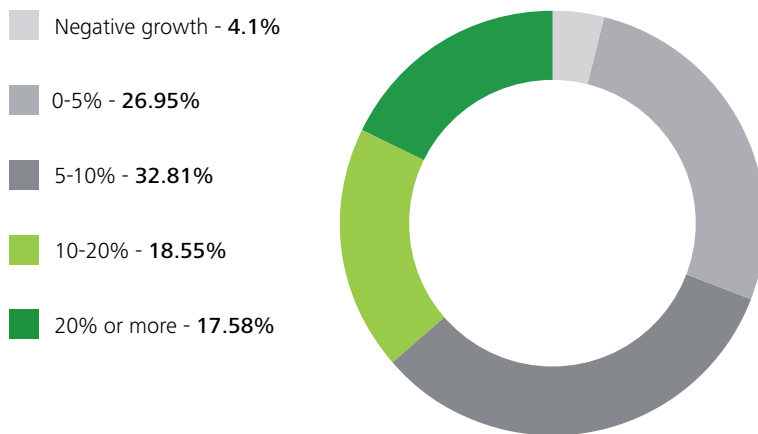
Analysis

“You need to have an executive management team and a Board of Directors that are sufficiently primed to understand one another on competencies and visions so that you at all times on almost any subject can have a fruitful and challenging discussion between the two levels and ensure that the discussions move things forward - at good speed. When adding more diversity on one level, you need to do the same at the other - and that’s more important than ever”.

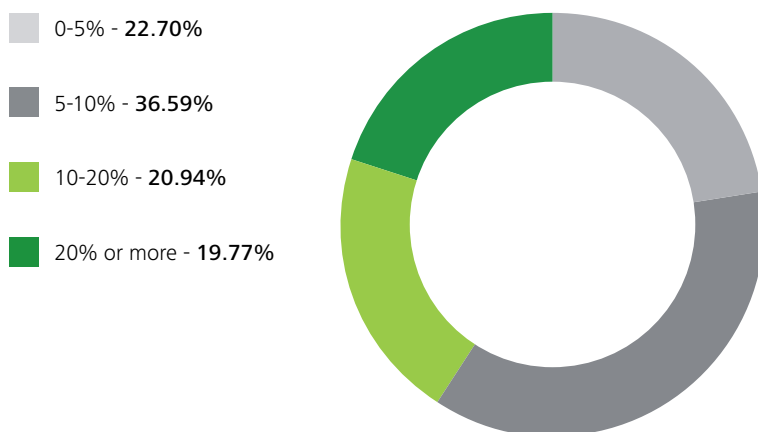
Lone Fønss Schrøder, Chairman, Saxo Bank, and board member of IKEA Group, Volvo Car Group, Bilfinger and Valmet

Growth appetite

What was the company's growth target for the past 24 months?



What is your growth target for the coming 24 months?



Modest growth is concerning

An alarming 64% of our respondents say that their growth target for the past 24 months was less than 10%. This number includes the negative growth target of 4% of the companies. We have a mere 18% of the respondents reporting that their growth target for the past 24 months was beyond 20%. Not a whole lot more optimistic are these companies in general when it comes to the future. 59% expect less than 10% growth in the coming 24 months and barely 20% of respondents expect more than 20% company growth accumulated over two years. In an exponential world, this moderate expectation of company growth for the coming 24 months could be a proxy for a board inclination to do "more of the same" and expand core activities rather than engage in high risk / high reward endeavors.

When analyzing which type of ownership that sets the highest growth targets, we see that 1) private limited companies, 2) family owned businesses and 3) private equity portfolio companies are the ones that target and stimulate growth strategies the most. When we compare the survey data on which companies that have the highest growth targets with data on whether or not they own an actual Division-X (or equivalent), a staggering 75% of the companies with growth targets >10% for the coming 24 months, has such a division – whereas only 25% of companies in total own a Division-X.

Global boards are moderate in their expectations of company growth over the coming 24 months

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The role of innovation in company strategy

Where will future business come from?

As stated above, traditionally the role of the board is to excel in corporate governance. Thus, not surprisingly the individual board professional's rating is high when it comes to the board's overall understanding of the company's strategy (here percentages are sums of good and excellent understanding) within financial position being 93%, Industrial/market position 91%, Brand position 85% and Industry dynamics 86%.

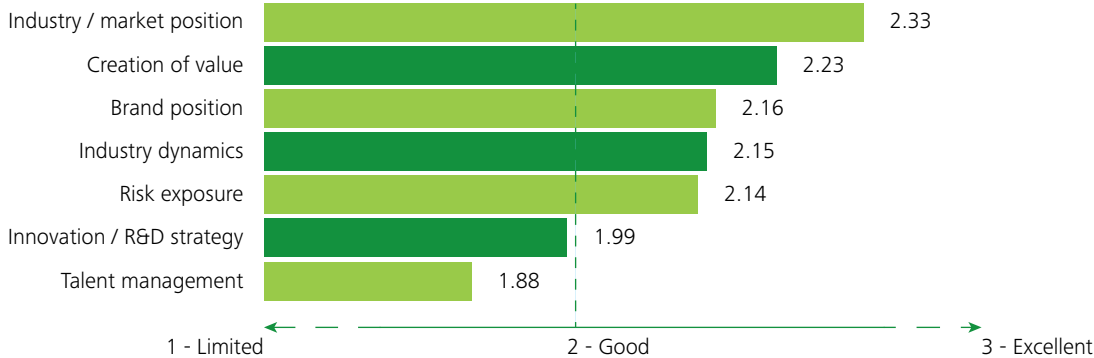
As we move on to the understanding of the companies' Innovation/R&D strategy, the board's overall understanding amounts to 25% limited, 51% good and only 24% excellent. Similarly, talent management is rated 29% limited, 53% good and just 18% excellent.

The two worries that arise are obviously that boards do not necessarily seem to be certain about where their business will come from in the future and even less certain about whether or not they will be able to attract and retain the right people to execute on the future strategy.

"I think that we, like many other companies, haven't really thought through all the implications or the full potential of certain technologies, in particular when it comes to employment strategies, as well as the impact of these technologies, on customers and their demand patterns in the future. In particular the full consequences / potential around Artificial Intelligence, the Internet of Things and Robotics need to be better assessed".

Léo Apotheker chairman of KMD, board of Schneider Electric SA, Steria, and PlaNet Finance

How would you rate the board's overall understanding of the company's strategy within the following areas?

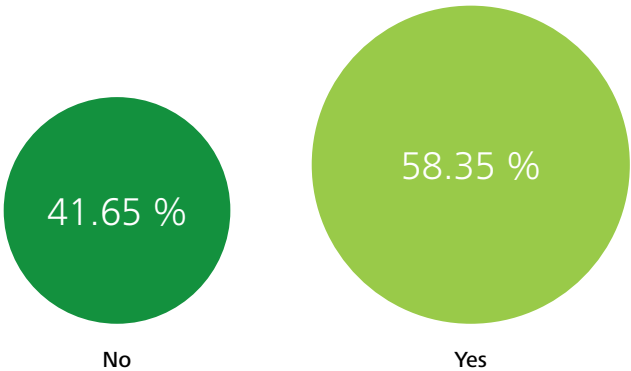


The board's overall understanding of company strategy is weakest with regard to talent management and innovation/ R&D strategy.

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Board handling of digital disruption

Does the Board have one or more directors with sufficient knowledge about digital disruption to understand how it is affecting your organization and industry and how digitalization should be integrated into your organization's business strategy?



The critical driver for future excellence is the ability to combine digital understanding with business modelling and exponential thinking

Digitalization skills at board level are not on par

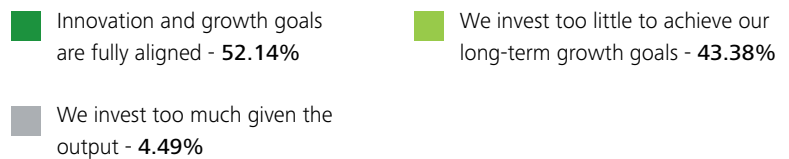
Our premise that we see a new business era with the advent of accelerating technology calls for a discussion of digital disruption and how it impacts organizations and industries. To find out whether the boards feel they possess sufficient knowledge around this theme, we also asked how digitalization should be integrated in their organization's business strategy. 58% feel they are well covered when it comes to board knowledge among one or more directors, leaving 42% who do not. Correlating back to industry shows that boards in tech related (IT/Telco/Media and LifeScience/Pharma) industries have a higher representation of digitalization knowledge with more than 70% responding affirmatively, whereas Industrial boards are at just 38%.

Alignment of innovation and growth goals

Align innovation and growth goals

To further understand how well innovation and growth goals are aligned in the organizations, we ask the board professionals whether their managements invest enough to achieve the company's long-term growth goals and in fact 52% do think so. Another 43% think managements invest too little, and a small percentage think the investment is too much given the output.

Do you think management invests enough to achieve your company's long-term growth goals?



Chairman Ole Andersen distinguishes between business development and strategic innovation. He has strategic innovation very high on his own agenda to always allow himself to look into the future with a deeper understanding of development trends to assess strategic risk. "Quantitative risk is not killing a bank. Strategic risk might" he says and continues with recommendations to his peers at board level "look at new investment areas, put together a portfolio of 'light houses' and think of the positive consequences of disruption".

Chairman Ole Andersen, Danske Bank, Chr. Hansen, Bang & Olufsen

Risk profile and failure tolerance at board level

How would you characterize your board's risk appetite with regard to your innovation strategy?

- We try to avoid big financial risks - **33.77%**
- We are willing to take financial risks, given they are quantifiable - **35.71%**
- We are willing to take financial risks, given that the portfolio of innovation projects is well-balanced - **24.46%**
- We are willing to take big bets - **6.06%**



Risk adversity

Very closely related to investment in innovation is the notion of risk appetite. We therefore wanted to uncover the risk profile at board level with regard to their innovation strategy. A sizable 34% of the respondents answer that they try to avoid big financial risks. Only 6% are willing to take big bets which we see as a threat to harvesting the opportunities in entering uncertainty areas, ie. radical innovation. The bulk - a whole 60% - report that they are willing to take financial risks, given that they are quantifiable or that the portfolio of innovation projects is well balanced.

“43% of board professionals think their managements invest too little to achieve the long-term growth goals”

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“You also need a more “forgiving” environment. Not that you don’t need a framework that addresses regulatory and compliance needs, but you should install and encourage a culture that to a larger degree accept failure. Because of the increasing pace of change, we all need to be prepared for a “fast failure” culture - one that does not punish failure, but rather accepts that the best possible solution is not always completely flawless, but might need minor alterations later on. That goes for the organization as a whole, incl. the board”.

Lone Fønss Schrøder, Chairman, Saxo Bank, and board member of IKEA Group, Volvo Car Group, Bilfinger and Valmet

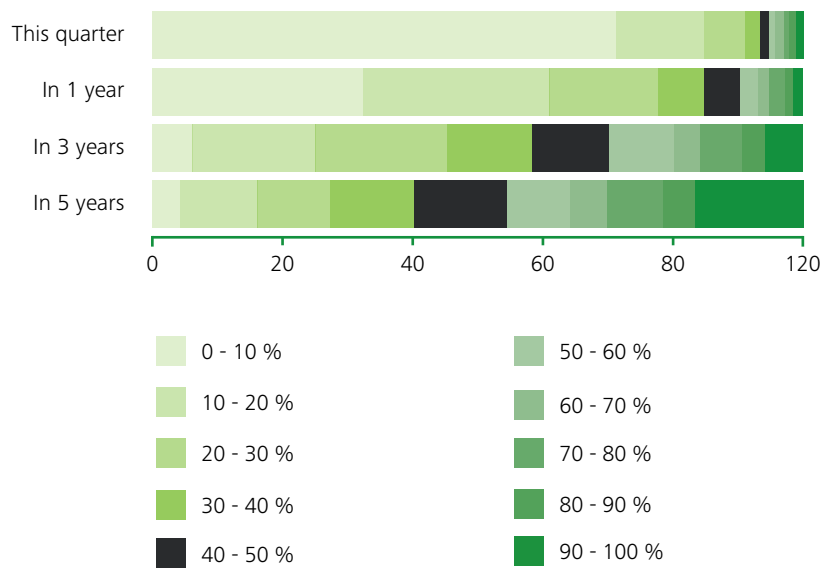
Board urgency to act on disruption

Not in my term

The willingness to act in response to radical change at board level must naturally be seen through the “lenses of urgency”. When is the monster coming? This quarter or in two or maybe five years? Is there any urgency, board professionals might ask? Most change is not received with pleasure and there is a tendency to perceive the radical challenge of one’s industry to be later (5 years) rather than sooner (this quarter). A mere 1% feel that they will be radically challenged this quarter (to an extent of 90-100%), whereas 71% anticipate that radical challenge is less than 10% in the same time frame. Looking 5 years down the line, 4% anticipate that they will just become 0-10% radically challenged and a mere 17% anticipate that they will be 90-100% radically challenged.

We all know what happened to Kodak and in retrospect everyone agrees they did not act in time. Thus risk is also a matter of not being too late.

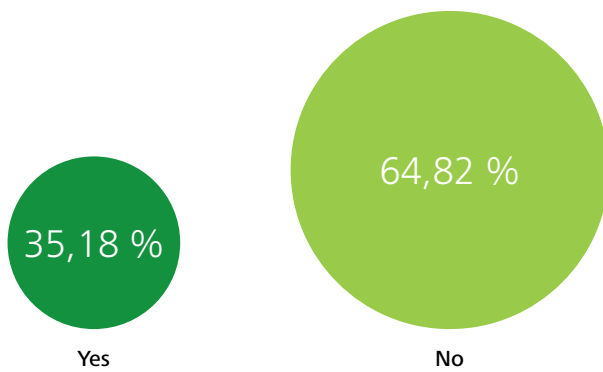
To what extent (in percentage from 0- 100) do you see or anticipate your industry being radically challenged over time?



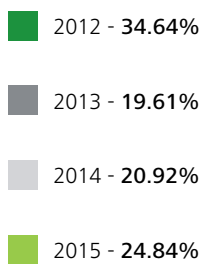
“Risk mitigation is clear from these numbers and follow what we know from classic corporate governance”.

Deloitte & Board Network, The Danish Professional Directors Association

Is radical innovation formally on your board agenda as a bulleted point?



If yes, since when?



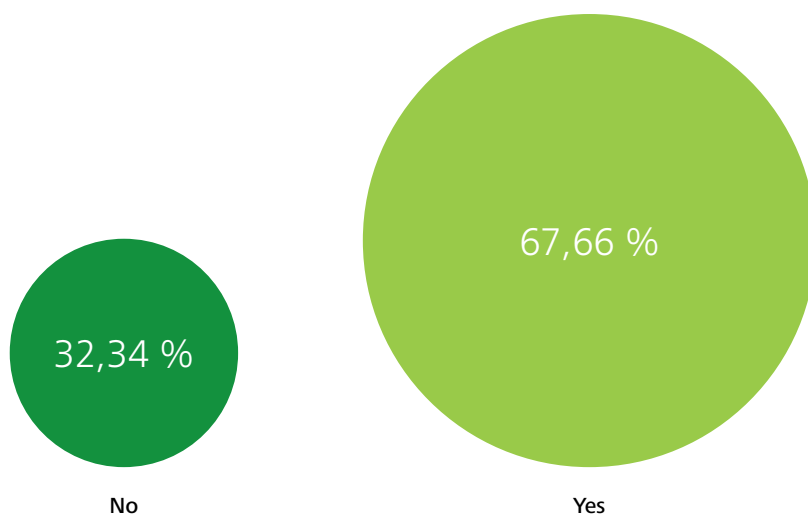
Make innovation a bulleted agenda point

Radical innovation is still a new idiom at board level and even if 35% respond that they have radical innovation as a bulleted point on their board agendas, this leaves 65% without a formalized item for discussion or action at meetings. Some will still argue that it is a matter for the executive management to address and assess, yet some will simply not have taken an active position on this. The latter part will eventually be overtaken on the inside by competition.

Out of the 35% of respondents that have radical innovation formally on their board agenda, 35% have had so since 2012 (or before) and there is a tendency of increasing numbers in the individual years to follow.

Looking for impact, we go deeper and ask to whether there has been any executable actions based on the discussions at board level. An overwhelming 68% answer affirmatively here.

And if yes, has the board initiated any executable actions based on the discussions?



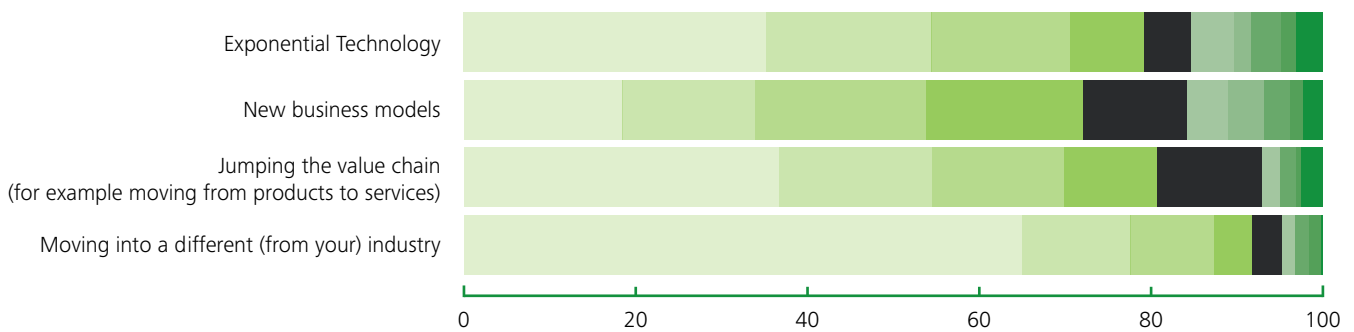
“We often fail at estimating the arrival of the “monster”, since we think linearly and not exponentially. In the nature of exponential disruption, the impact we feel at year 1, might be twice as big in year 2, but 4 times as big in year 3 and 8 times in year 4. This doubling in time is almost incomprehensible for most of us. Thus, you can’t start acting too early!”.

Deloitte & Board Network, The Danish professional Directors Association

Given that radical innovation stems from four components

- a) Exponential technology
- b) New business models
- c) Jumping the value chain (for example moving from products to services)
- d) Moving into a different (from your) industry

What is your estimated guess (in percentage from 0-100) of the distribution of the four components of radical innovation in 2015 when it comes to allocated resources (man hours, consultants and other expenditures) in your company?



“The biggest challenge today is that the type of persons you need might call for a broader understanding of how to cope with a true diversification in the boardroom. You should be prepared to avoid the instinctive urge for homogeneity - and instead encourage a culture that embraces diversity - in all aspects”.

Lone Fønss Schrøder, Chairman, Saxo Bank, and board member of IKEA Group, Volvo Car Group, Bilfinger and Valmet

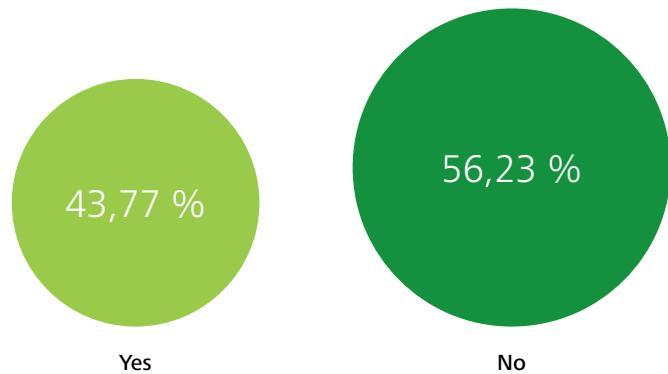
Board expenditure on radical innovation

How boards spend money and why

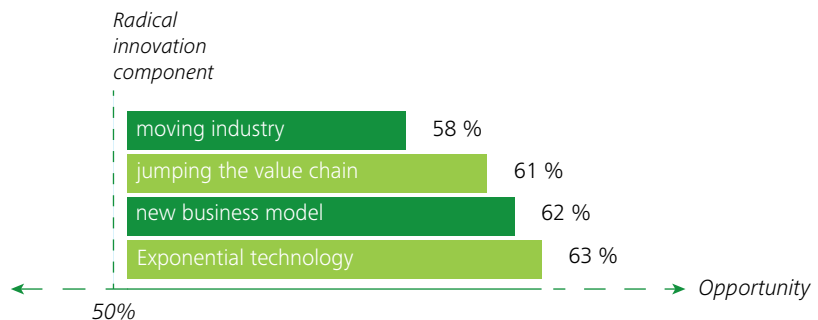
When it comes to which category global boards allocate most budget regarding their radical innovation, New Business Models has the highest fraction, Exponential Technology and Jumping the Value chain come in as second whereas Moving into a different industry is number three of the priorities. The boards seem to split when asked whether this distribution is maintained in the years to come. 44% say “yes”, 56% “no”.

We examine the two archetypical reasons for working with either of the four components of radical innovation and ask if the Board’s efforts were made in response to a threat or an opportunity. The survey data show a bias to working in response to an opportunity with a mean average of 58% - 63% across the four components. This bias is sustained in the previous finding that the respondents do not perceive radical change to come now (this quarter), but more likely in 5 years. Thus, given the two choices “threat or opportunity”, the logical answer for what made them do radical innovation as addressed in this survey would be in response to an opportunity.

Are you expecting a shift in this distribution in the years to come?



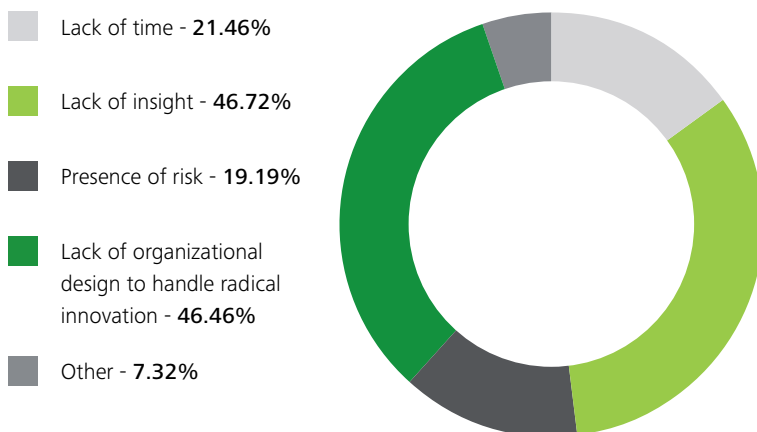
If in 2014 you worked with either component; exponential technology, new business models, jumping the value chain or moving industry – was this effort made in response to a) a threat or b) an opportunity?



We see increased corporate expenditure on exponential technology and moving into a different industry. New business models and jumping the value chain have been around for years, while the others are new. It is the combination of a renewed mindset at board level and increased focus on exponential technology that are the crucial new elements for future business building.

Board barriers to handle radical innovation

What is/are in your view the largest barrier(s) at board level to addressing and working with radical innovation?

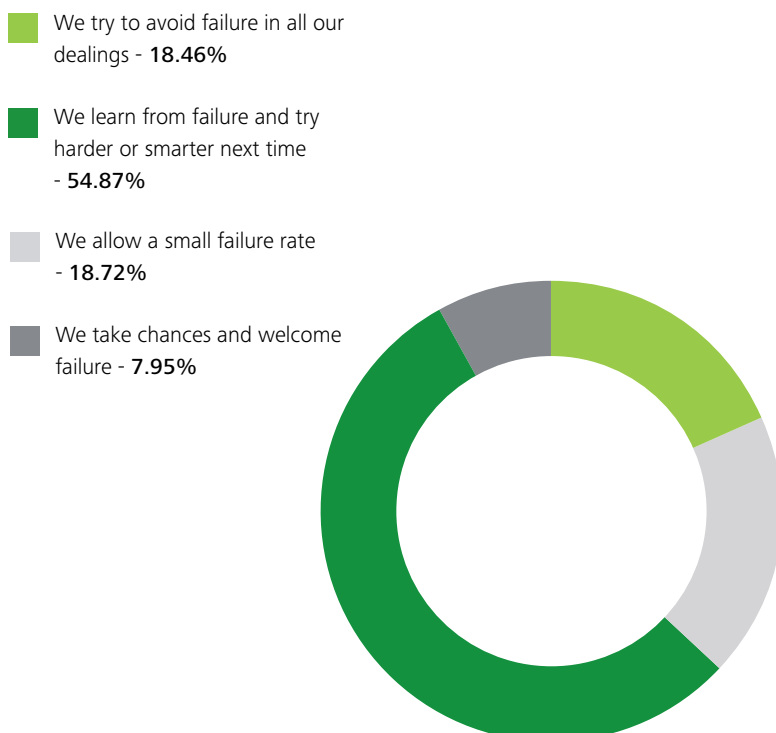


Insight and organizational design

When we analyze barriers to addressing and working with radical innovation, this survey displays some clear results. Boards are busy, and according to the survey data, there is a certain element of lack of time (21%). Also the presence of risk is another barrier accounting for 19% of the responses. But the two dominant barriers are lack of insight (47%) and lack of organizational design to handle radical innovation (46%).

We know that an integral part of working with radical innovation is experimentation which itself has a huge element of failure and learning. We therefore continue our journey with exploring the global boards' assessment of failure. The data reveal that 18% of boards try to avoid failure in all their dealings. 8% take chances and welcome failure. This compares well to the boards' risk profile where 34% try to avoid big financial risks and only 6% are willing to take big bets. The bulk of data stem from 55% of boards learning from failure and trying harder or smarter next time.

How is failure assessed and dealt with at board level?



Division-X promotes growth

Be aware of corporate "immune system"

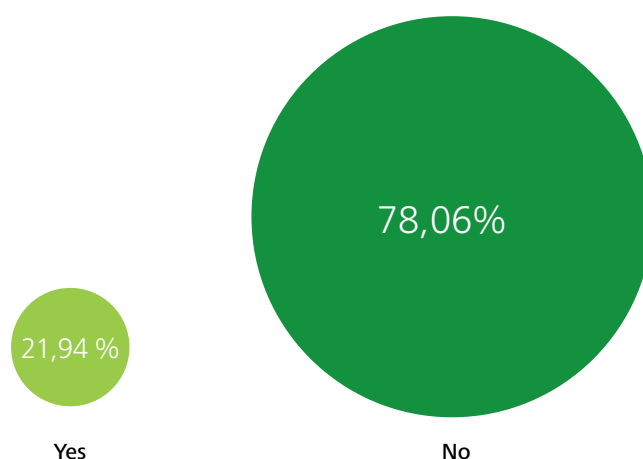
Our experience tells us and substantial research sustains (eg. 2014, Salim Ismail, Exponential Organization) that making new business creation inside a corporation is hard and often doomed to fail. The "immune system" of the core operation is soon to take over any great idea that might cannibalize it and thus even if the right decision is to disrupt yourself from within, it is almost impossible in practice.

We therefore want to know how many companies actually own a so-called Division-X or the equivalent of one (a division with the goal of finding radically new products or services). If they own one, we want to know for how long they have been in operation. 22% of respondents say "yes", leaving 78% to say "no".

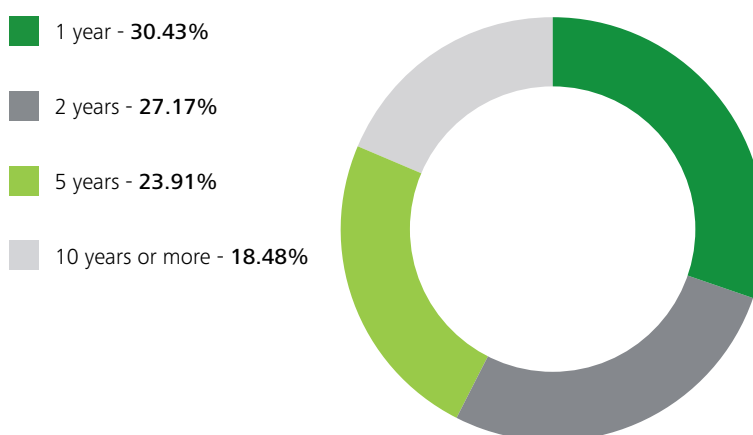
30% of those with a Division-X have had one only for a year, 27% for two years and 24% for 5 years. 17% have owned a Division-X for 10 or more years. A correlation between turn-over, size, operation and industry reveal that these are largely mid-sized to very large companies from

- 1) Consumer Products & Services,
- 2) Technology/Media/Telecom, and
- 3) Industrial.

Does your company own a division X or the equivalent of one (a division with the goal of finding radically new products or services)?



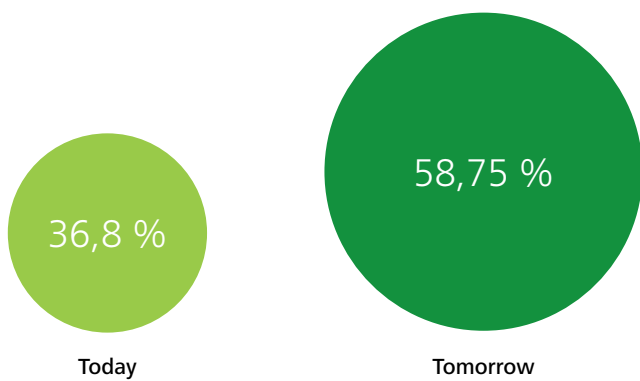
If yes, for how long have you had this division?



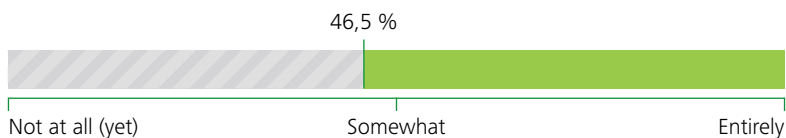
"Technology will continue to create opportunities for fundamental changes in our ability to serve the customer. It enables companies to understand and fulfill customer needs much more effectively to mutual benefit. We should all embrace this opportunity".

Jens Moberg, Chairman of Grundfos Holding, PostNord and board member of Axcel

If you own a division X or the equivalent of one, to what extent do you think this particular division is successful in bringing innovative products or services to the company?



To what extent do you predict the company's growth will be a result (directly or indirectly) of your company's radical innovation efforts in the coming 24 months?



Harvesting the fruit

We are testing whether a Division-X is successful in bringing new products and services to the company. For the category "today" this is only just above somewhat successful with a mean average of 57%. Predictions for 24 months down the line are higher and fall into the category rather successful with a mean average of 67%.

Whereas, it is too early for the relatively sparse sample of global boards having experimented with a Division-X to harvest their fruits we are truly delighted to find that 75% of the companies that report an above 10% growth expectation for the coming 24 months also own a Division -X (or the equivalent hereof).

Even if the boards do not own a Division-X they might still be working with radical innovation, and we wish to drill deeper into whether these efforts are seen as lucrative to the businesses. We directly ask to what extent the boards predict that company growth will be a direct or indirect result of the radical innovation efforts in 24 months. 10 % think not at all, 28% think to a small extent, 34% to a somewhat extent, 23% to a high extent and 5% think growth entirely will stem from radical innovation. Also here we conclude that it is too early to see a clear correlation. The mean average is 57% of the respondents and this is not distinctive enough to indicate at this point in time that radical innovation as addressed in this survey has proven to outweigh other initiatives as for example acquisitions or organic growth.

The Board need to have an understanding of what technology can do, inspire executive management to be creative and demand - and support them in developing - a technology roadmap. The process should be focused at looking at the company outside in!"

Jens Moberg, Chairman of Grundfos Holding, PostNord and board member of Axcel



Recommendations to the boards

1. Get comfortable with being uncomfortable

There is no sign of the digital transformation taking a break. We see an increased pace at which disruptive technologies are being brought into the business world and thus all players are in the discomfort zone to stay par with competitors or to outinnovate them. The board's new role is to play proactively on this field. Radical Innovation is the Board's new growth horse, and it needs exercise, feed, grooming and perhaps a skilled horse whisper not to lose its winning power. In Deloitte we say "Uber yourself before you get Kodaked".

2. Raise the risk assessment of uncertain technologies

Of course an element of the discomfort zone is the risk of failure. There will likely be money sunk before any big breakthrough. But do have a choice? We asked Léo Apotheker the following question: "Do you have the agility and the risk appetite needed to take full advantage of the opportunities and to mitigate the mirrored risks? His answer was "I'm not sure agility is the right term. Risk appetite requires better risk assessment of uncertain technologies and their equally uncertain impact on businesses. The real question is in my mind: what choices do we have?", Léo Apotheker, Chairman of KMD, board of Schneider Electric SA, Steria and PlaNet Finance.

3. Broaden the board's insight to building of new revenue streams

Executive training, study tours abroad, increase gender diversity and hire new recruits are all good initiatives and often needed to broaden the insight and skillset of the board. But, we also suggest experimentation. Take the chance and try to build wholly new revenue streams on the edge of your organization. Start at small scale and learn before stepping up to taking big bets. Treat each and every idea passionately like a start-up would and man this division with people freed from the pull of the past, the corporate legacy and complicated internal politics. Let this group report bi-monthly to the responsible board director and use a venture capitalist's assessment to determine whether to keep or kill them. This is the recipe for orchestrating a successful Division-X.

We have to be prepared to cannibalise our own businesses, and to change, fast. Younger, more digital outside directors on board is one way for the board to keep close to the issues"

Dame Helen Alexander, Chairman of UBM plc and London Port Authority (PLA), non-executive director of Rolls-Royce

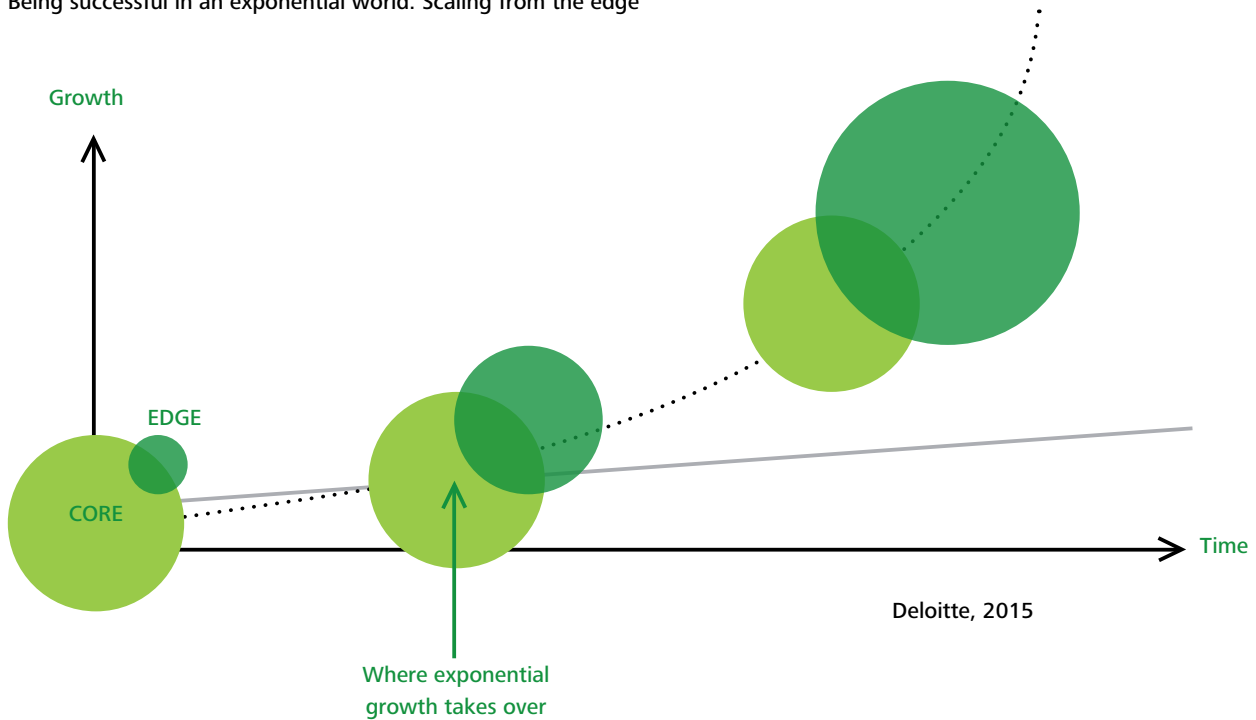
4. Let your Division-X drive your growth

Your evolving experiments are kept in pendulum between the board and Division-X until you need to build a real business and commercialize the new products or services. The edge business (dark green) might cannibalize the core (light green) but following the exponential curve, the edge business progressively becomes the core as it takes over in size and importance.

5. Add diverse competencies

Diversity is a buzzword these days and rightfully so, not least when dealing with radical innovation. Diversity in cognitive styles (how you organize and process information), diversity in perspectives, diversity in interpretations, diversity in heuristics, and diversity in predictive models, all are evidenced as impacting the creative and innovative process. You need heterogeneity in the right places of the organization, ie. where innovation is anchored and takes place. However, it is equally important that the collective competencies among the board directors mirror the variety of competencies throughout the organization, and that calls for a much greater board recruiting span than what has been the norm historically. You need more age-spread, more internationalization, better gender balance, greater cross-cultural understanding, and not least competence diversity to drive your future business".

Being successful in an exponential world: Scaling from the edge

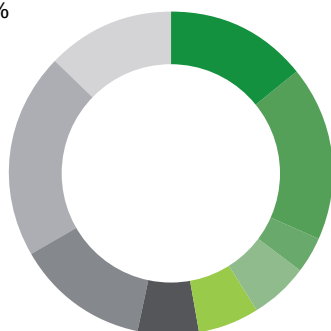
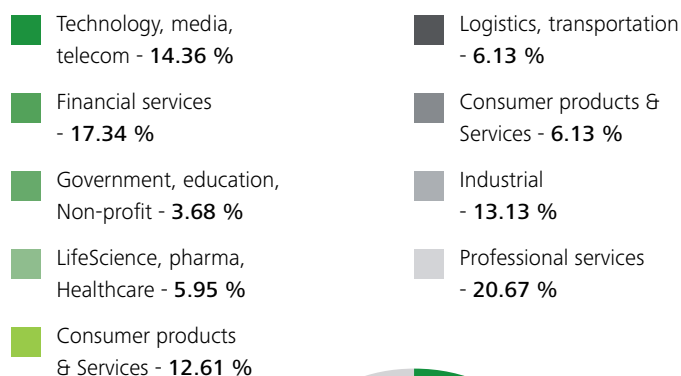


“This model might work well if boards don’t give up before the intersection of the linear and exponential curves. This is where most of us are inclined to kill new initiatives because we can’t see progress”.

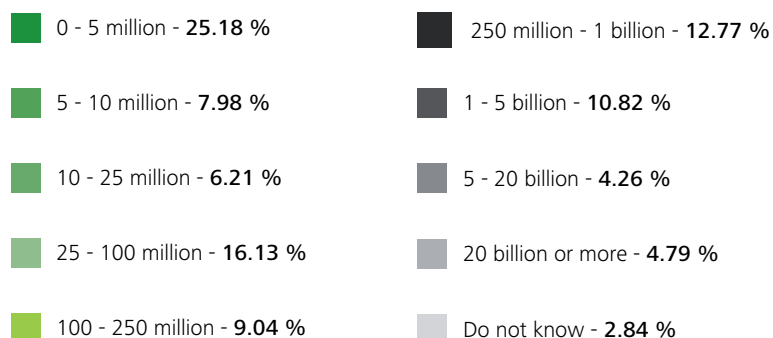
Chairman Ole Andersen, Danske Bank, Chr. Hansen, Bang & Olufsen

Behind the survey data

In which industry is the company mainly operating?



What is the company's total annual turnover? (given in US Dollars)



Survey across continents, industries, tenure and ownership

With 614 respondents from 50 countries covering broadly all industries, all sizes from small to large companies with an average company age of 48 year, we here present details of the survey data around operational industry, annual turnover and ownership structure.

The single largest group of industry operation is professional services, but grouping the more tech oriented categories of technology, media and telecom with life sciences and pharma, healthcare, natural resources & energy and industrial adds to 40% of the population. This later group has a fundamental raison d'être within the development area and might explain the interest in radical innovation at board level.

A quarter of our global board respondents are responsible for companies with an annual turnover between 0-5 million USD. This is natural since in general here the population of companies is largest, and it is likely that the smallest companies are innovative and interested in the radical innovation agenda and thus inclined to respond to a survey like ours. In the other end of the spectrum we have 23% of our respondents with a turnover above 1 billion USD reinforcing that we are also working with data stemming from large corporations. The remainder lies from 5 million to a billion with the biggest number of companies between 25 and 100 million USD in total annual turnover.

Not surprisingly, we have 32% private limited companies. They represent the smaller companies as seen in the table of annual turnover above. Likewise, we see 21% stock exchange listed companies representing the larger companies. We have respectively 18% and 19% private equity and family owned companies making up the bulk of the reminder respondents. Foundation/trust, public/governmental body and combinations of any two or more of the categories make up a sizable segment with a total of 21% of the respondents.

What kind of ownership is the company subject to?

- Stock exchange listing - 21.13 %
- Private equity - 17.55 %
- Foundation / trust - 7.17 %
- Private limited company - 32.45 %
- Public / governmental body - 3.77 %
- Family owned - 18.68 %
- A combination of two or more of the above - 9.81 %
- Do not know - 1.32 %



Our heartfelt gratitude goes to all the many global survey participants and interviewees who volunteered their time, effort and nuanced insight into the radical innovation agenda at board level. We hope you find the presented collection of visuals, discussions and conclusions from the Global Board Survey 2016 valuable and relevant. You are of course more than welcome to continue the dialogue with us and also quote the analysis with a clear reference to "Radical Innovation and Growth - Global Board Survey 2016 by Deloitte and Board Network".

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