

2021 Innovation Survey



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LETTER FROM THE RESEARCH TEAM

“Changes call for innovation, and innovation leads to progress.”

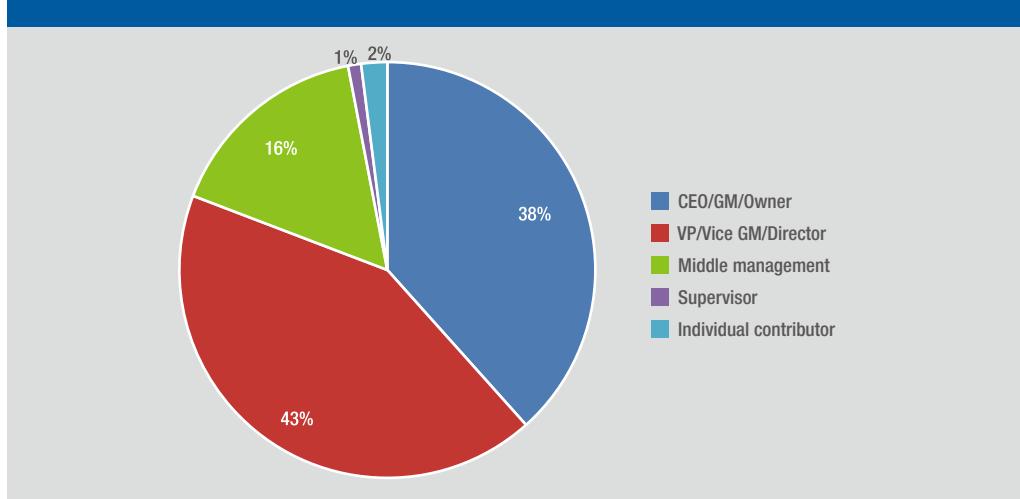
— Li Keqiang

We are pleased to present the CEIBS 2021 Innovation Survey. This project came together as a natural byproduct of years teaching in China. Over the past decade, there has been a notable shift from manufacturing to dreaming up innovative new products and services. In response to these trends, we launched this survey to better understand how executives define innovation and what policies and practices companies are currently engaging in to help foster innovative climates. We also hoped to glean important insights into how these trends might differ across different industries and types of companies. Finally, we wanted to gage the impact that innovation has on employee attitudes toward innovation and intentions to leave their organization.

We want to sincerely thank all of the executives who participated in this survey for their time and valuable contributions. In particular, we thank the CEIBS alumni community and current students who have shown their support by responding to our call for volunteers. We also acknowledge the financial support from the CEIBS Research Fund, support from the Alumni, MBA, EMBA, FMBA, HEMBA, and Executive Education offices at CEIBS, as well as the many friends that helped to spread the word through their networks. We are grateful to all of them.

The CEIBS 2021 Innovation Survey was completed by a total of 950 respondents in the Fall of 2020. In terms of demographics, 72% of the respondents were male and 96% had more than 10 years of work experience (with no respondent having worked for less than 5 years). Tenure in their current organization varied, with 52% working in their firm for over 10 years, 19% working 5-10 years, 23% 1-5 years, and 7% less than 1 year. Of those working in China, most (93%) had been here for over 10 years (with the remainder working here for 5-10 years [4%), 1-5 years [3%), or less than 1 year [1%]). The majority (58%) reported working in the head office whereas 12% were in marketing, 8% in project management, 7% in finance, and 15% in other functions. As demonstrated by these responses and the positions represented in Figure 1 below, our broad and experienced sample provided rich perspectives to the survey.

FIGURE 1 - WHAT IS YOUR POSITION IN YOUR ORGANIZATION? N=876



THE RESEARCH TEAM



Dr. Juan A. Fernandez is a Professor of Management at China Europe International Business School (CEIBS) in Shanghai, China. He is specialized in leadership. He teaches courses on charisma, change, leading self and others, and the art of living. He also has co-authored six books on CEOs from multinationals in China, foreign entrepreneurs, and state-owned enterprises. His most recent book is CHINA CEO II. He interviewed 25 CEOs of multinationals in China and five China experts. He is currently working on a new book about The Culture of Innovation together with Profs. Emily David and Sophie Chen. For more information about his work, you can visit his website: www.juanleadership.com



Dr. Emily M. David is an Assistant Professor of Management at CEIBS. Dr. David's research on diversity and prosocial employee behavior has been published in over 20 peer-reviewed journal articles in the prestigious outlets such as the Journal of Management Studies and Human Relations. She has also co-authored a book chapter on evolving work behavior patterns in The Cambridge Handbook of the Changing Nature of Work. Prior to living and working in China, Prof. David served as an Associate Professor and Discipline Leader of the HR and Management faculty in Dubai, U.A.E. and also served in applied roles in both the M.D. Anderson Cancer Center and NASA (Wyle Laboratories).



Dr. Shaohui (Sophie) Chen Dr. Shaohui (Sophie Chen) is a Professor of Management Practice at CEIBS and a core member of the CEIBS Healthcare Sector Research Centre. She had taught at the China Institute of Banking and previously worked as a senior executive for companies in the securities and credit rating industry. Prof. Chen has been involved in case development, teaching, and research at CEIBS since 2005, and served for years as the Program Director of Advanced Management Programme, a flagship executive education program at CEIBS. Dr. Chen has been active in providing management training, leadership coaching, and consulting services for Chinese companies and organizations.



Maria J. Puyuelo obtained her MBA from Stanford Graduate School of Business (USA), her Masters in Psychology from Harvard (USA), and her MSc in Engineering from the University of Zaragoza (Spain). She is currently a Ph.D. candidate at the University of Zaragoza (Spain). Maria started her career at Procter & Gamble and has held various senior marketing positions at L'Oréal Luxury Goods Division. She has also worked as a consultant, helping businesses develop and grow their markets in China. She has co-authored the book America Latina en China and teaches Design Thinking and leadership. She is also a coach and consultant for the Stanford Graduate School Business on-line programs.



SECTION 1

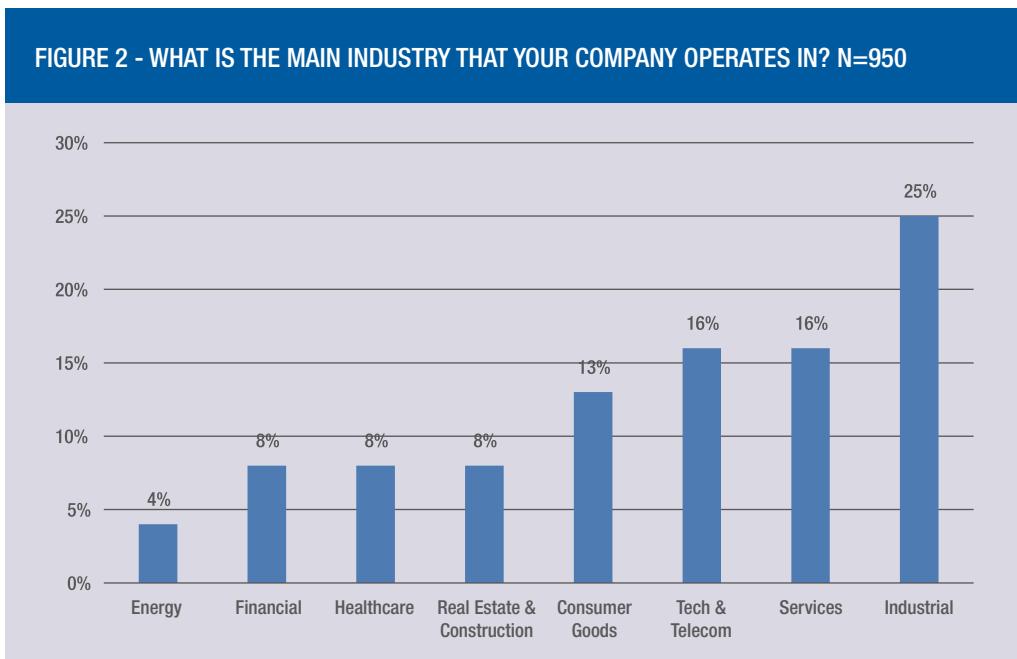
DESCRIPTION OF THE COMPANIES PARTICIPATING

This section details the following information about the companies that the survey participants work for. The purpose of this section is to give a general overview of the types of companies are represented in the survey. This information helps clarify the scope of the survey and provides the context to help with the interpretation of the findings in later sections. We include the following:

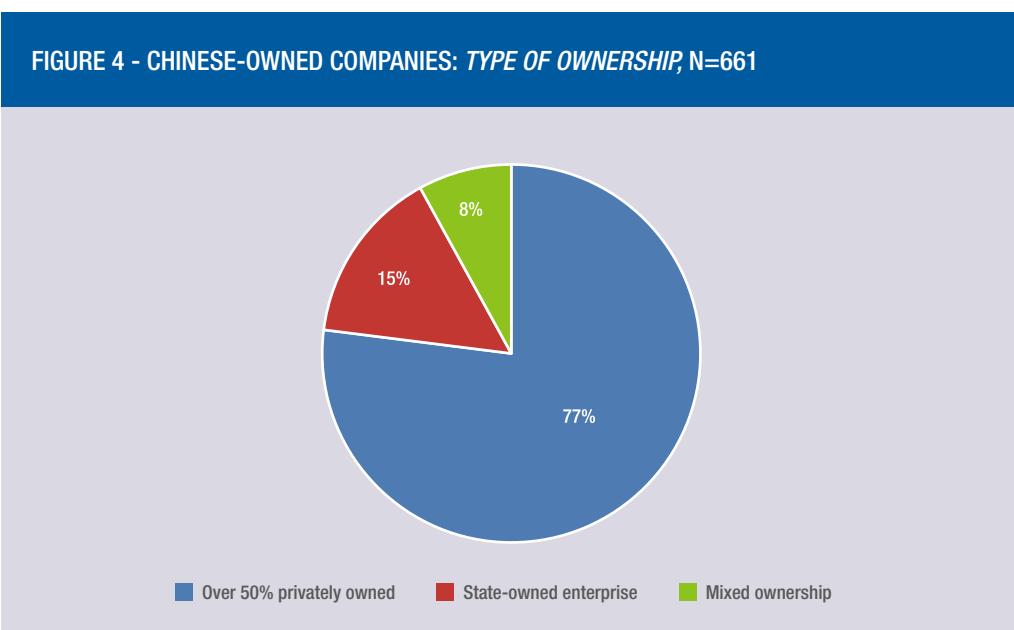
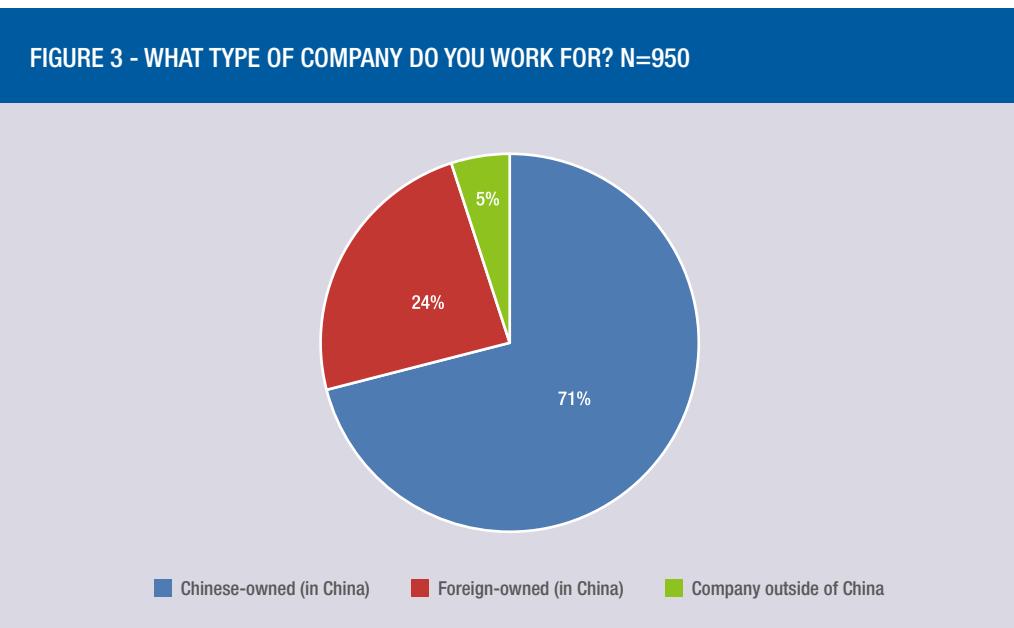
- Type of ownership (Chinese or Foreign; government-owned, privately-owned, or a mix)
- Primary industry
- Number of employees in China
- Revenue level in China

SECTION 1: DESCRIPTION OF THE COMPANIES PARTICIPATING

A total of 950 people reported descriptions of the companies that they work for in the 2021 CEIBS Innovation Survey. As shown in Figure 2, the Industrial sector (i.e., Manufacturing) was the most well-represented industry followed by Technology and Telecommunications, Services, and Consumer Goods, respectively. The fewest number of respondents worked in the Energy sector. Thus, the industries represented were quite varied.

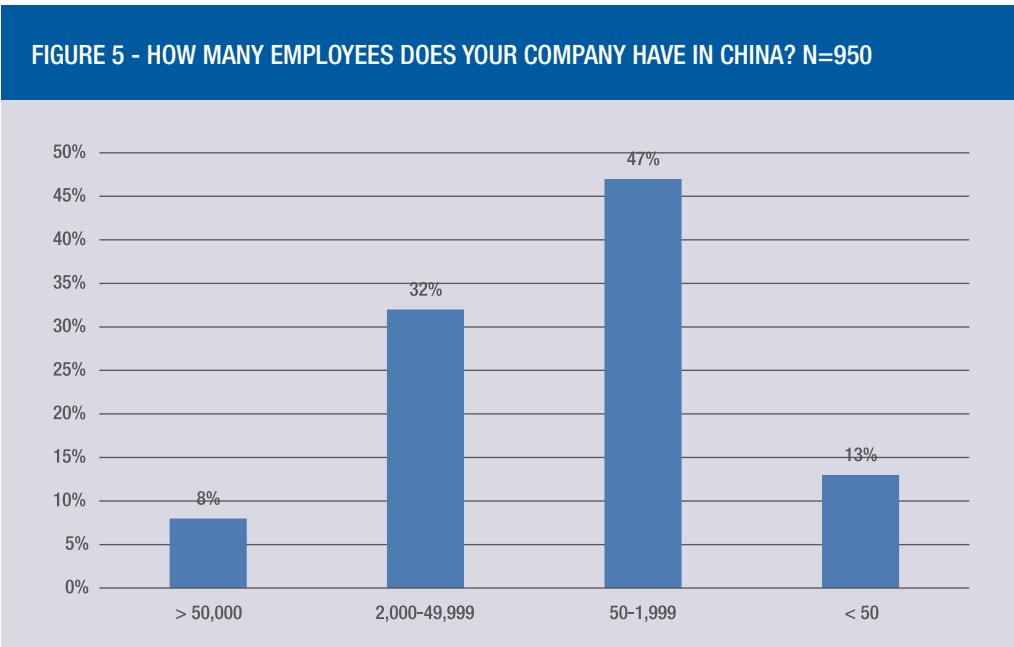


We also asked respondents to report the ownership structure of their companies. As illustrated in Figures 3 and 4, the overwhelming majority of respondents worked for companies located in China, with only 5% working in a company abroad. The majority (75%) of the companies located in China were Chinese-owned, and more than three-quarters of these were over 50% privately-owned.



SECTION 1: DESCRIPTION OF THE COMPANIES PARTICIPATING

In terms of size, most respondents worked for large companies, with 79% reporting that their company had between 50 and 49,999 employees (see Figure 5 for more detail). When asked to report their company's total China sales in 2019, 63% indicated revenue that is consistent with China's official definition of large companies (300 million RMB). Specifically, 45% said that their Chinese revenue was greater than 1,200 million RMB, 18% said that it was between 300-1,199 million RMB, 24% said it was 30-299 million RMB, and 10% said that it was less than 30 million RMB. In light of this data, we conclude that small startup companies were in the extreme minority of our sample.



In the remainder of this report, we break down our key analyses by the respondent's position in the company (i.e., upper- or lower-level management), type of company, industry, and size of company (both in terms of number of employees and revenue) in order to observe any potential differences across these different categories.



SECTION 2

INNOVATION INDICES

This section presents one overall innovation index and three more specific sub-dimensional indices:

- Organizational policies and practices
- Leader behaviors and priorities
- Employee norms and behaviors

These indices were measured using a series of items to which the respondents rated on a scale of strongly disagree (1) to strongly agree (5). These responses were then averaged to create the respective indices that range from 1 (indicating a comparatively low level of organizational innovation) to 5 (indicating an extremely high level of organizational innovation).

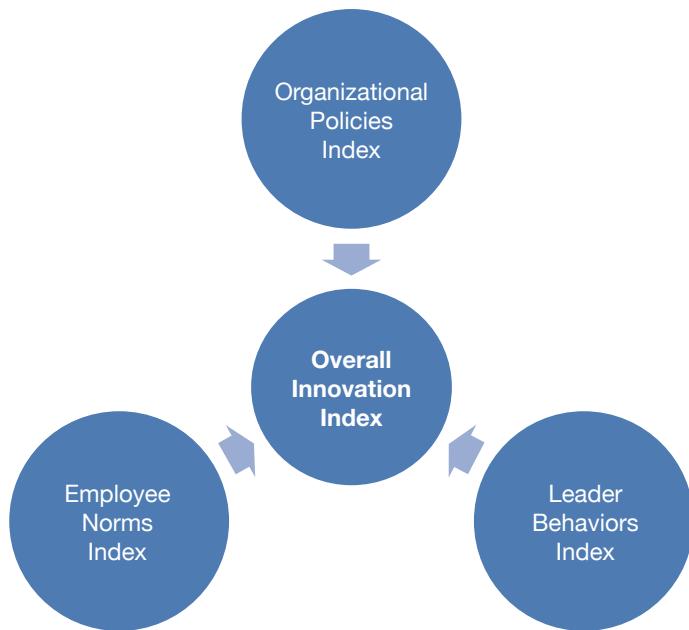
Finally, we examine the relationship between these indices with two important employee outcomes:

- Innovation Attitudes
- Intentions to Quit

SECTION 2: INNOVATION INDICES

One of the primary motives of the survey was to develop an innovation index to help to gage the degree to which the companies that respondents work for had developed an organizational climate that encourages innovation. To do so, we created a total of 20 items that asked them to rate the extent to which their company engaged in innovative practices across three dimensions that prior research suggests are critical for fostering innovation: (1) **organizational** policies and practices (7 items), (2) **leader** behaviors and priorities (6 items), and (3) **employee** norms and behaviors (7 items). The full list of the items used to create the innovation indices can be found in the **Appendix**. Respondents indicated the extent to which they agreed or disagreed (on a scale ranging from 1 = strongly disagree to 5 = strongly agree) that their organization was engaging in each of the innovative cultural practices. Using the numeric responses, we were able to calculate the average level of innovation perceived by the respondents and also make inferences about how these differed across different types of employees and organizations. Although there was some variability across the different indices, our overarching observations are as follows:

- All of the indices were moderately high, with **employee norms and behaviors** being the highest of the three sub-dimensions.
- **Upper-level managers** perceived more innovation than mid- and lower-level employees.
- **Companies outside of China**, Chinese-owned companies in China, and Foreign-owned companies in China reported higher innovation, respectively.
- The **healthcare, services, and technology and telecommunications** industries perceived the highest levels of innovation whereas the energy, financial, and real estate & construction sectors perceived the least innovation.
- **Smaller organizations** reported higher levels of innovation than larger ones.



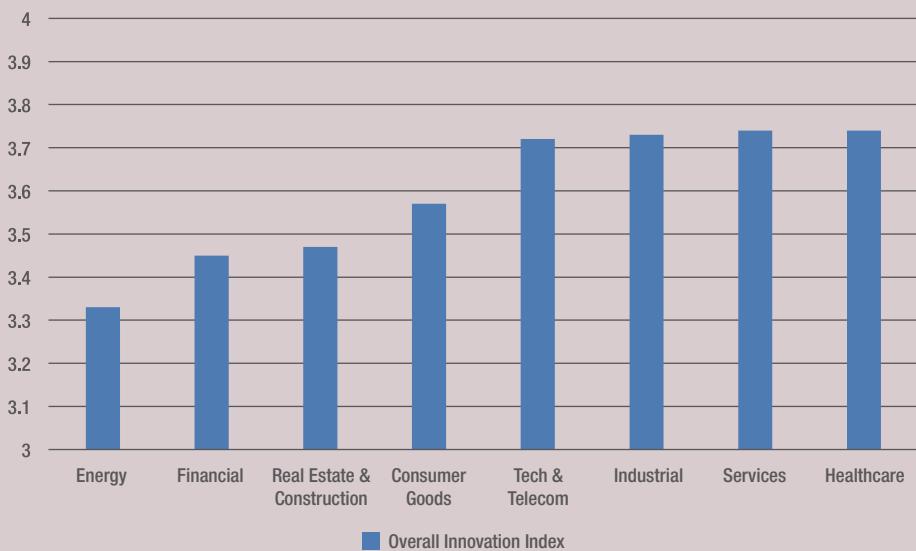
2.1 OVERALL INNOVATION INDEX

We created our **Overall Innovation Index** using existing literature and best practices in innovation, resulting in 20 items across three dimensions. As an example of these items, we asked employees whether their company leverages the latest technology, rewards innovative ideas, communicates that innovation is a priority, empowers employees to volunteer ideas, and creates a safe space where failures are tolerated and employees are able to raise concerns freely.

On average, respondents reported an average **overall innovation index of 3.66**. This indicates that most companies had moderately innovative cultures (though there was a significant amount of variability across different respondents). Of note, upper managers perceived significantly higher levels of innovation in their organization than mid- and lower-level employees (3.72 vs. 3.38). In contrast, employees working for companies located outside of China (3.75), Chinese-owned companies in China (3.68), and foreign-owned companies in China (3.56), and all reported statistically identical levels of innovation.

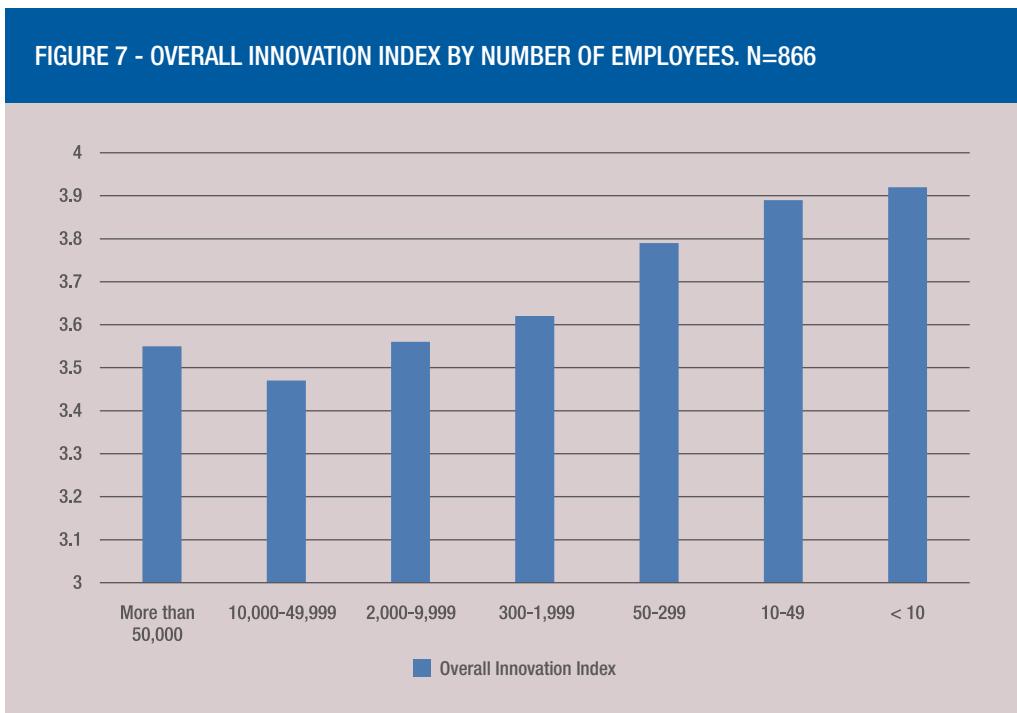
As illustrated in Figure 6, different industries showed significant differences in terms of innovation. Namely, respondents working in the healthcare and service industries reported the highest overall innovation (both averaging an index of 3.74), whereas those in the energy (3.33) and financial sectors (3.45) perceived the least innovation.

FIGURE 6 - OVERALL INNOVATION INDEX BY INDUSTRY. N=854



SECTION 2: INNOVATION INDICES

Similarly, Figure 7 shows that different sized organizations also produced statistically different innovation indices. In general, people working in smaller organizations reported higher levels of innovation than those working in larger ones. For example, organizations with less than 10 employees had an average overall innovation index of 3.92 whereas those with 10,000-49,000 employees had an overall innovation index of 3.47.



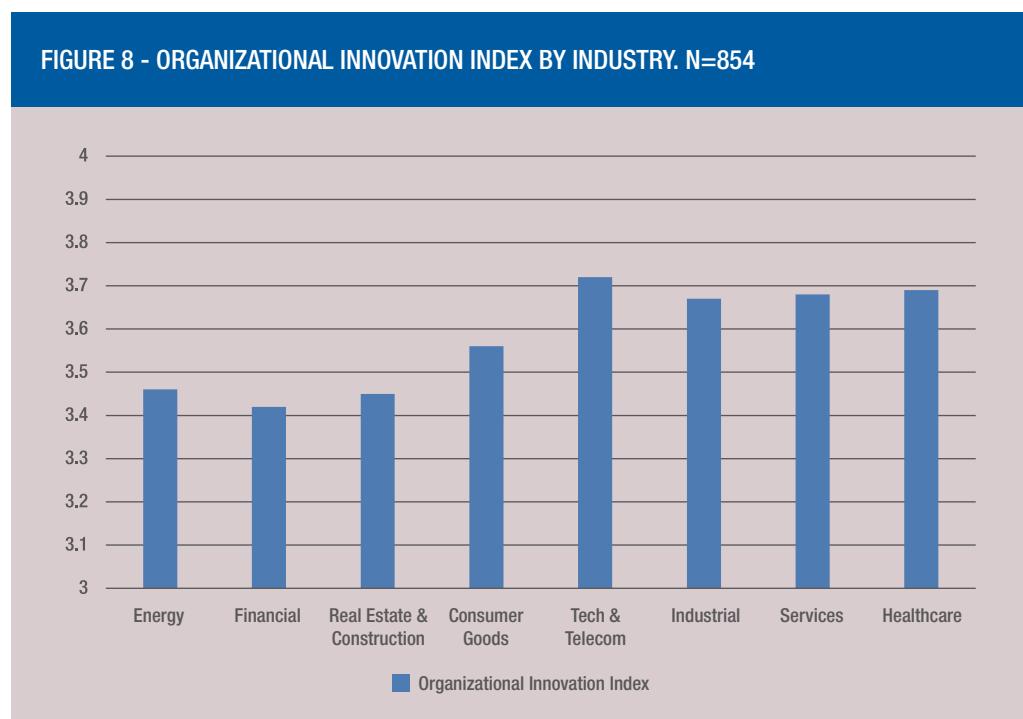
2.2 ORGANIZATIONAL INNOVATION INDEX

To better understand the differences in innovation occurring in modern organizations, we also examined the three individual sub-dimensions of the overall innovation index. First, we focused on the organizational policies and practices respondents reported. This dimension asked questions about the policies aimed at recognizing and rewarding innovation, the developmental resources provided to employees, the company technology and KPIs, the physical environment, and the company's adaptability to change.

On average, respondents reported an **organizational innovation index of 3.63**, indicating a moderate level of organization innovation with lots of variability. As with the overall innovation index, upper managers perceived significantly higher levels of organization innovation than mid- and lower-level employees (3.68 vs. 3.40). For the organizational innovation index, however, different types of organizations resulted in distinct organizational innovation indices, with companies located outside of China (3.75) reporting significantly higher levels of organizational policies and practices that encourage innovation than foreign-owned companies in China (3.51) or Chinese-owned companies in China (3.66).

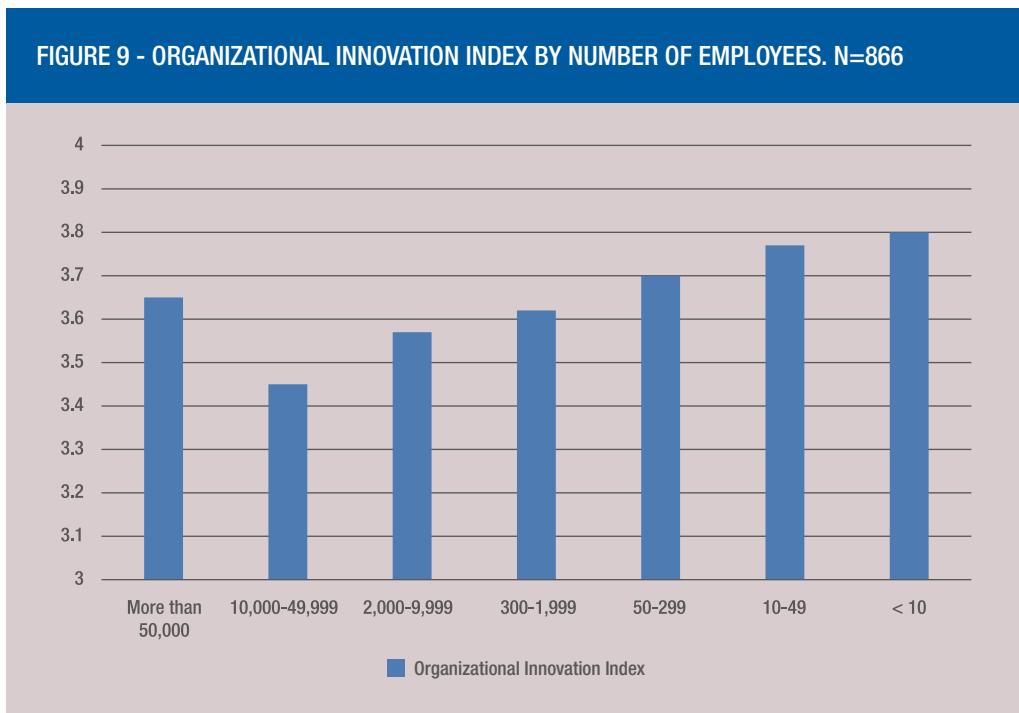
As shown in Figure 8, different industries showed the various levels of organization innovation across different industries. Statistical analyses revealed that there were no significant differences between these means, indicating that organizational policies and practices related to innovation do not differ meaningfully across different industries. Still, it is notable that employees in the Technology and Telecommunications industry (3.72) perceived higher levels of organizational innovative practices than those working in the financial sector (3.42).

FIGURE 8 - ORGANIZATIONAL INNOVATION INDEX BY INDUSTRY. N=854



SECTION 2: INNOVATION INDICES

Likewise, the differences in organization innovation across firm size shown in Figure 9 are not significantly different from one another. As with overall innovation, the general trend is that smaller organizations tend to have more innovative organizational policies and practices than larger ones.



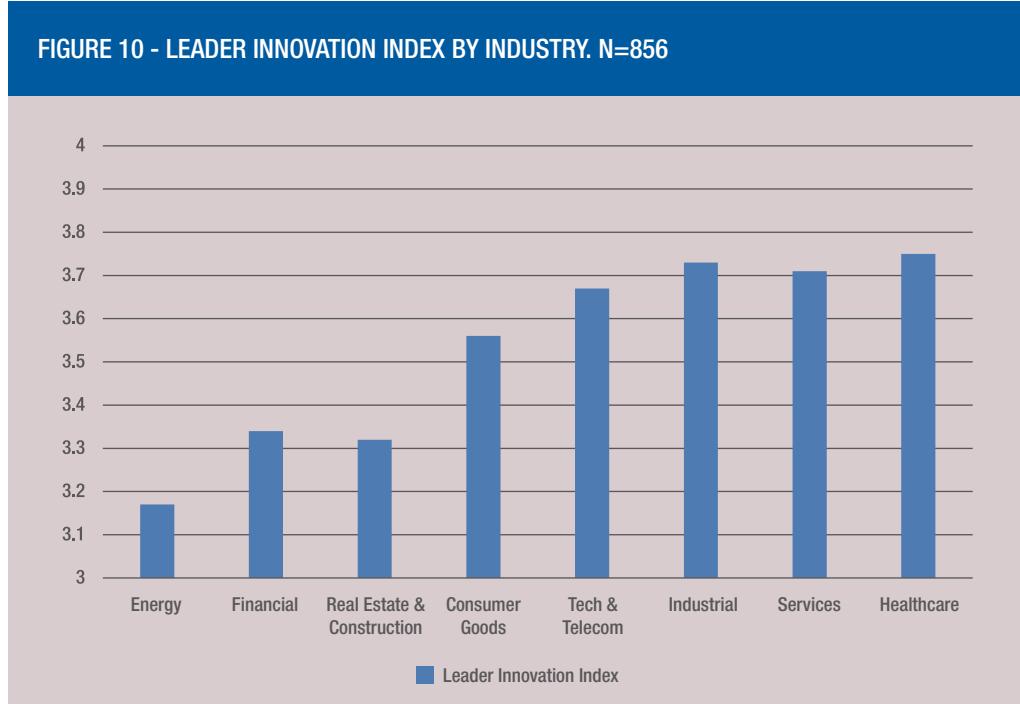
2.3 LEADER INNOVATION INDEX

Next, we examined the facet related to innovative leader behaviors and priorities. These questions asked about the extent to which employees perceived that their company's leaders had innovative visions and a strong commitment to adapting to customers' needs, effective communication habits, whether they were held accountable for innovation, and the speed of their decision making.

On average, respondents reported a **leader innovation index of 3.62**, indicating a moderate level of leader innovation with lots of variability. As with the overall and organization innovation indices, upper managers perceived significantly higher levels of leader innovation than mid- and lower-level employees (3.69 vs. 3.32). As with the overall innovation index, companies located outside of China (3.70), foreign-owned companies in China (3.55), and Chinese-owned companies in China (3.63) did not differ significantly from each other in terms of leader innovation.

Different industries, however, did display significantly different levels of leader innovation. As shown in Figure 10, those in the healthcare (3.75), industrial (3.73), and service industries (3.71) perceived the most innovative leader behavior whereas those in the energy sector (3.17) perceived the least.

FIGURE 10 - LEADER INNOVATION INDEX BY INDUSTRY. N=856



SECTION 2: INNOVATION INDICES

Similarly, significant differences were also found among firms of different sizes, with smaller organizations perceiving that their leaders were more innovative than larger organizations (see Figure 11).



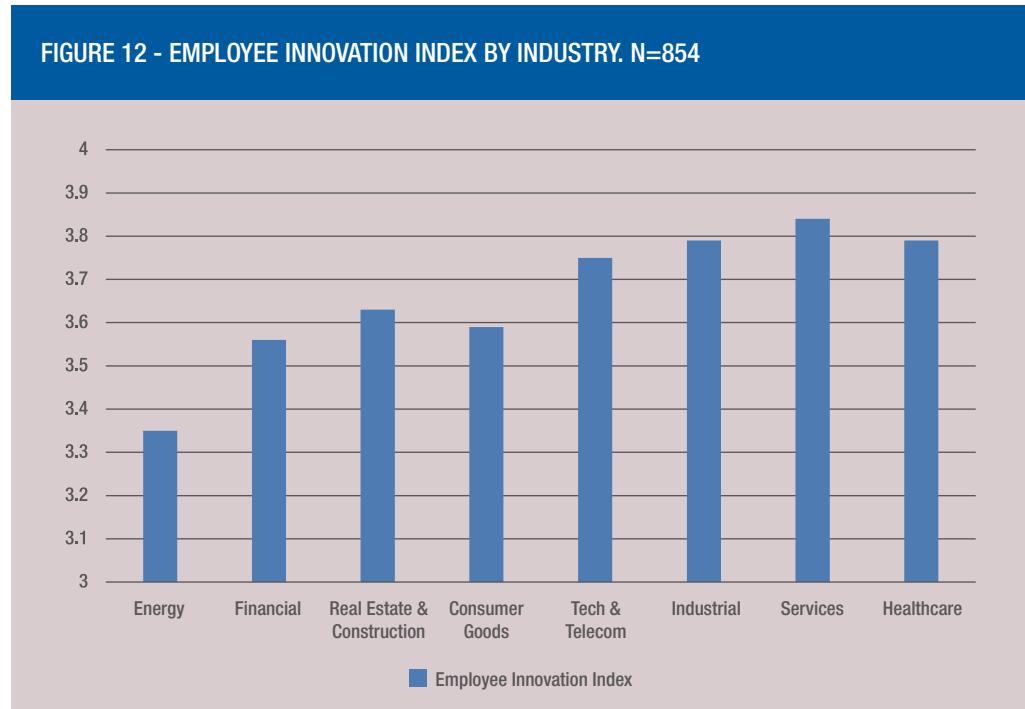
2.4 EMPLOYEE INNOVATION INDEX

Finally, we examined the innovation facet related to employee norms and behaviors. These questions asked respondents about typical behaviors displayed by employees in their organization, including how quickly they adapt to changing circumstances, collaborate openly, learn from failure, act on feedback, experiment, and feel safe to raise their concerns and ideas.

On average, respondents reported an **employee innovation index of 3.72**, the highest among the three sub-dimensional indices. As with the prior indices, upper managers perceived significantly higher levels of innovative employee norms and behaviors than mid- and lower-level employees (3.80 vs. 3.40). In contrast, companies located outside of China (3.79), foreign-owned companies in China (3.61), and Chinese-owned companies in China (3.75) did not differ significantly from each other in terms of innovative employee norms and behaviors.

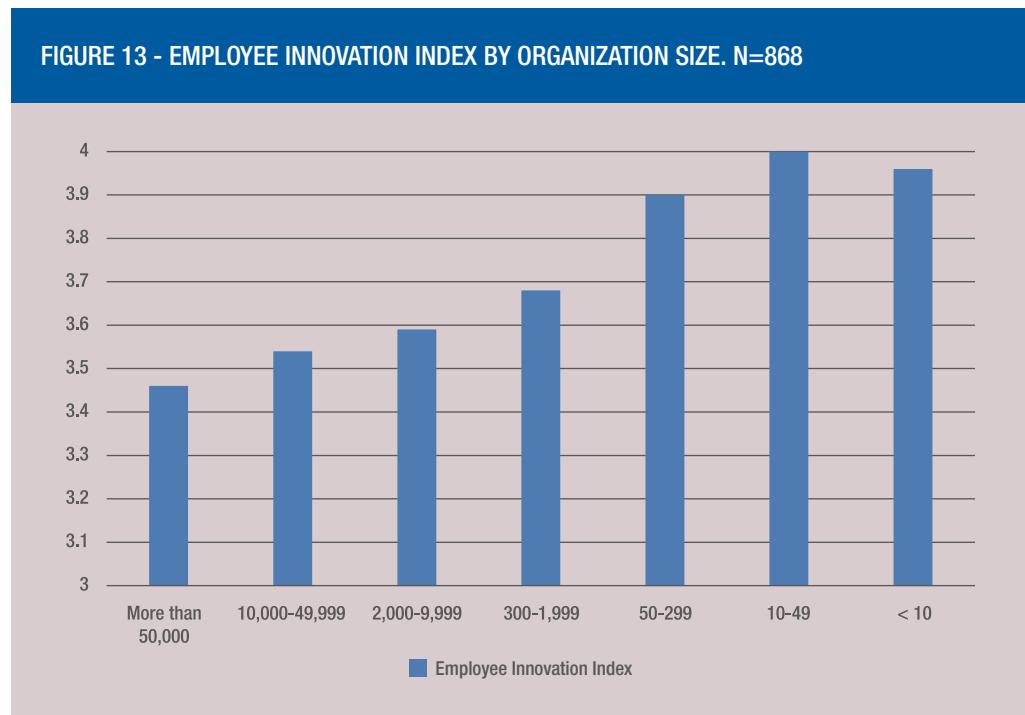
Different industries, however, did display significantly different levels of innovative norms. Similar to leader innovation and as shown in Figure 12, those in the healthcare (3.79), industrial (3.79), and service industries (3.84) perceived more innovative employee norms whereas, once again, those in the energy sector (3.35) perceived the least.

FIGURE 12 - EMPLOYEE INNOVATION INDEX BY INDUSTRY. N=854



SECTION 2: INNOVATION INDICES

Likewise, employees working in smaller organizations perceived significantly more innovative norms than those in larger organizations (see Figure 13).

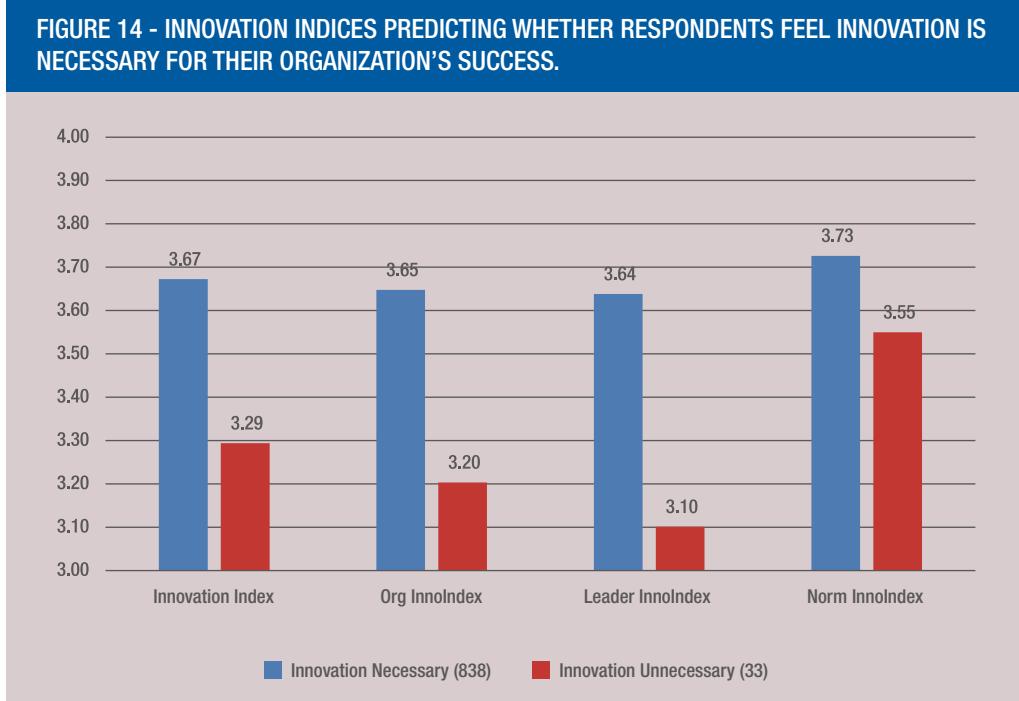


2.5 OUTCOMES ASSOCIATED WITH INNOVATION INDICES

2.5.1 INNOVATION ATTITUDES

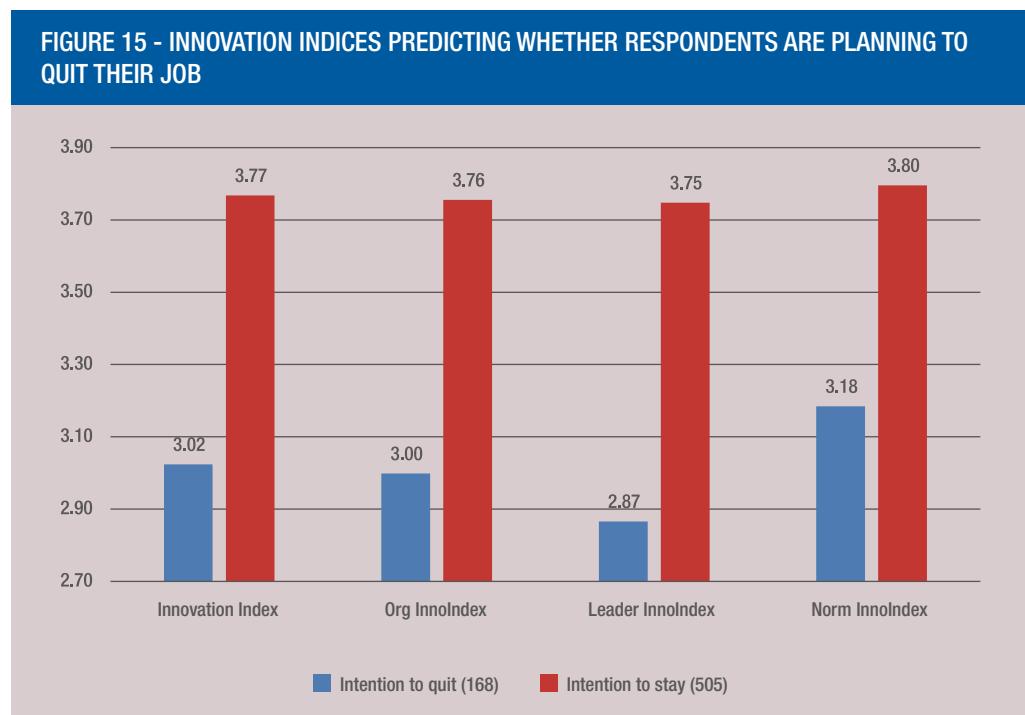
After calculating the four innovation indices, we assessed whether these were significantly related to employee attitudes and behaviors. First, we examined the impact of innovative practices on the extent to which respondents agreed that innovation was important and critical to their organization's success (see Figure 14). Our analyses showed that although having a higher overall innovation score, organizational innovation score, and leader innovation score made respondents significantly more likely to agree that innovation was critical for their organization, there were no significant differences in relation to innovative norms. This indicates that organizational policies and leader priorities are comparatively more important drivers of employee innovation attitudes than employee norms.

FIGURE 14 - INNOVATION INDICES PREDICTING WHETHER RESPONDENTS FEEL INNOVATION IS NECESSARY FOR THEIR ORGANIZATION'S SUCCESS.



2.5.2 TURNOVER INTENTIONS

Second, we conducted a similar series of analyses to determine whether or not the innovation level in their current organizations would significantly relate to whether or not respondents were thinking of leaving their current organization and role (see Figure 15). Statistical analyses showed that all of the innovation indices were significantly related to turnover intentions, with higher indices linked to a greater likelihood that they wanted to remain in their current organization and role. Thus, managers would be prudent to foster innovative organizational practices and policies to keep their top talent within the company.





SECTION 3

INNOVATION COMPONENTS AND CURRENT PRACTICES

This section digs deeper into whether the respondents value innovation and what types of policies and practices are being used to support innovation in their organizations. These were assessed by asking questions about the following:

- Most important features of an innovative climate
- Types of innovation recently introduced by their organization

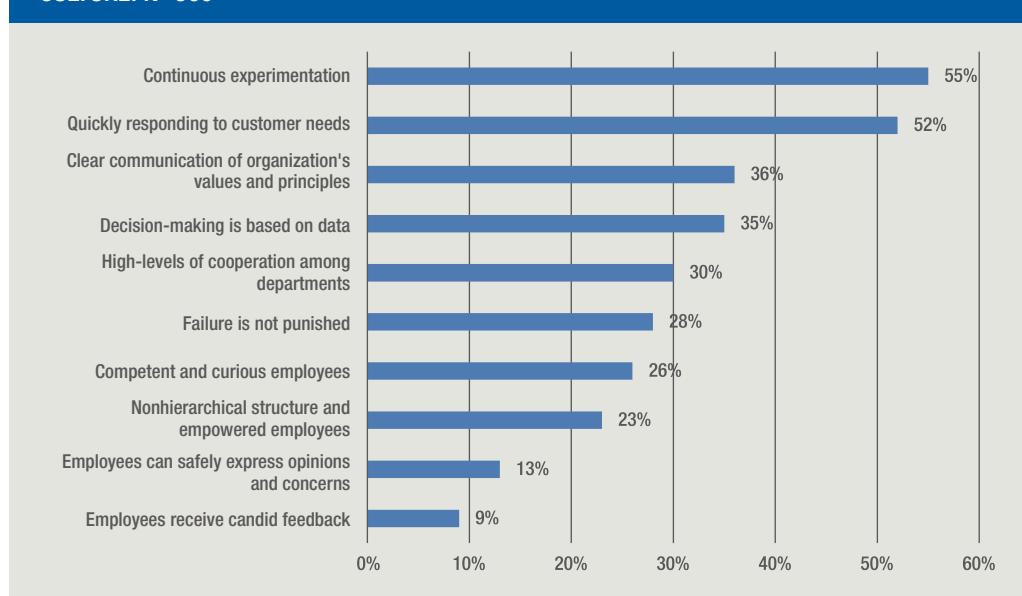
In this section, we explore what respondents believe are the most important components of innovation and what types of things companies are currently doing to promote innovation in their companies. We also break these down by management level, type of company, industry, and firm size to get a better sense of differences in these areas.

SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES

The next objective of the survey was to better understand the opinions of leaders and the current organizational practices they reported to help inform our definition of an innovative corporate culture in the modern era. To this end, we asked them to describe the most important features of an innovative culture and to report the major innovations implemented by their organizations in recent years.

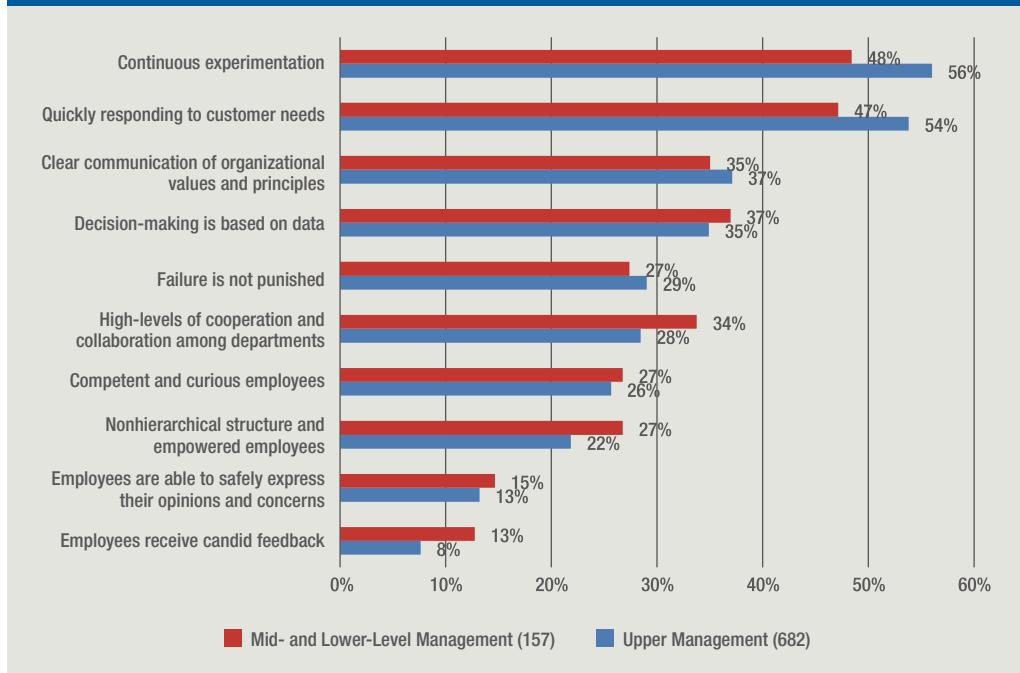
When asked to rank order the most important features of innovative cultures, over half of the respondents agreed that continuous experimentation and rapid adaptation to customer needs were key components (see Figure 16). Interestingly, the most critical features of an innovative culture seemed clustered around big picture or organization-wide components, whereas practices concerning individual employee management (e.g., attracting and retaining innovative employees, empowering employees, providing feedback, and treating failure as a learning moment) were seen as comparatively less important. We view this as a key schism between management theory and practical understanding given that research suggests that managerial practices related to frontline employees (e.g., hiring diverse teams and fostering psychological safety) are often the key drivers of innovation. Stated alternatively, innovation cannot be mandated from the top-down without first ensuring that the necessary managerial practices and culture are in place.

FIGURE 16 - PLEASE SELECT THE TOP 3 MOST IMPORTANT FEATURES OF AN INNOVATIVE CULTURE. N=900



To better understand if the importance of these dimensions different across different levels of employees or organizational types, we created a series of graphs breaking down the answers to this question across various dimensions. As expected, Figure 17 shows that mid- and lower-level employees tended to endorse the idea that empowering management practices were more critical for creating an innovative culture than did upper-level managers. Upper-level managers, in contrast, were more likely to perceive that organization-wide policies and actions were more critical.

FIGURE 17 - BY MANAGEMENT LEVEL. PLEASE SELECT THE TOP 3 MOST IMPORTANT FEATURES OF AN INNOVATIVE CULTURE. N=839



SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES

In terms of organization type, we found that foreign-owned firms located in China were more likely to endorse empowering management practices than their Chinese-owned counterparts or firms located outside of China (see Figure 18).

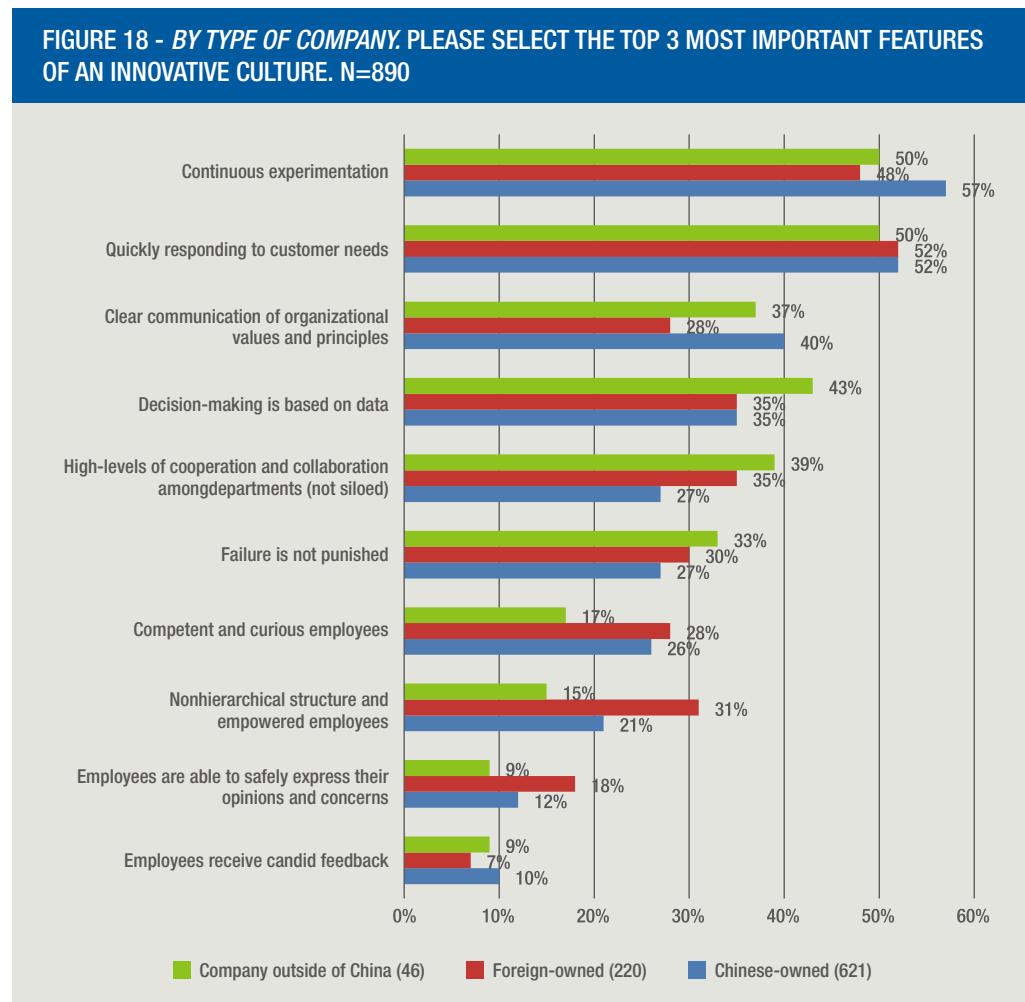
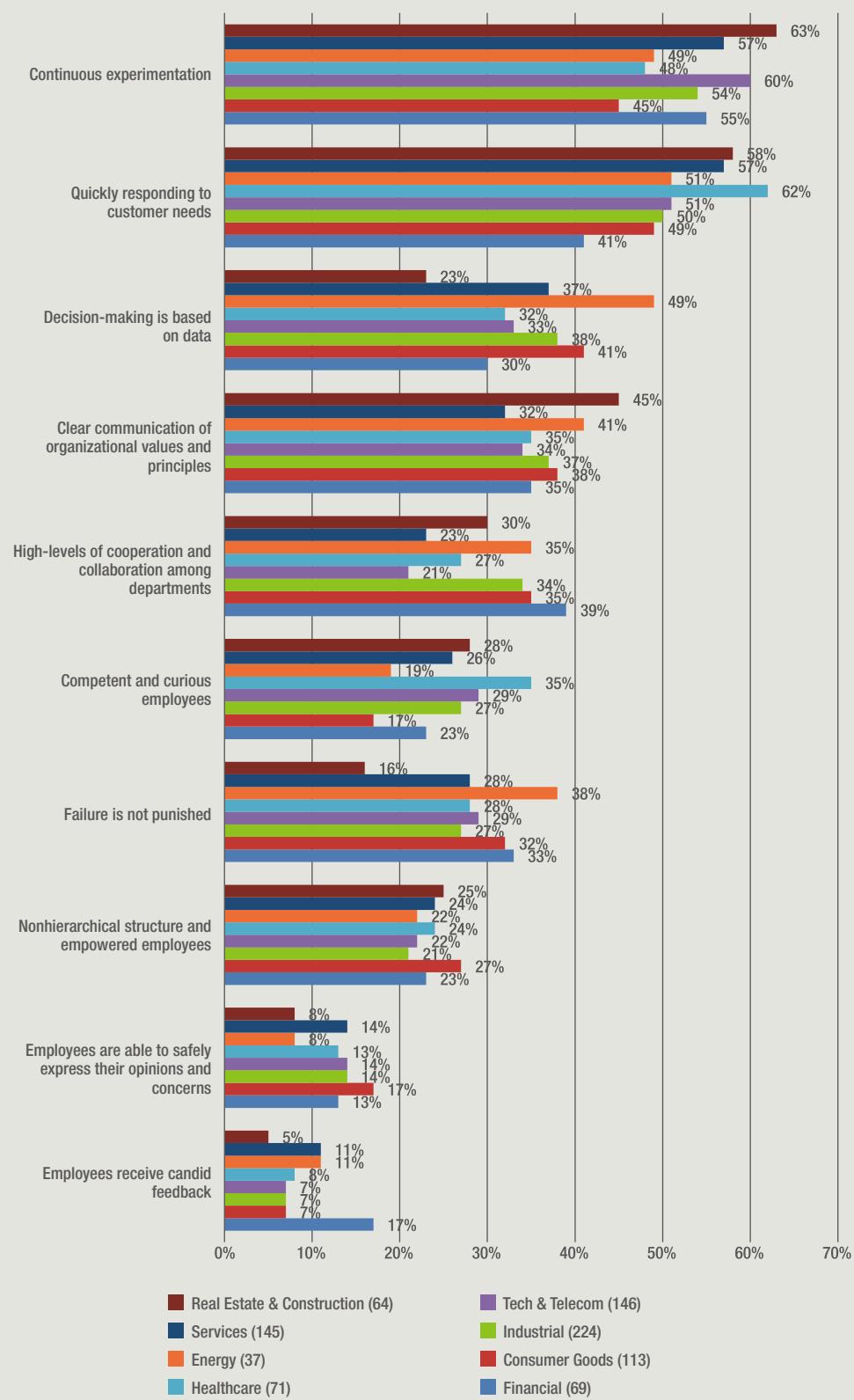


Figure 19 shows that there were also some slight differences in innovative culture features across industries, including that real estate and construction companies were comparatively more likely to value continuous experimentation and clearly communicating core values, whereas those working in the healthcare sector prioritized hiring high-quality employees that could quickly respond to patient needs. The energy industry valued objective, data-driven decisions and not punishing failure, whereas financial sector employees were more likely to think that providing candid feedback to employees was the most important feature of an innovative culture. People working in the real estate and construction industries were comparatively much less likely to think that failure forgiveness is important, whereas the technology and telecommunications industry were comparatively less likely to believe that cooperation across departments was critical for innovative cultures.

FIGURE 19 - BY INDUSTRY. PLEASE SELECT THE TOP 3 MOST IMPORTANT FEATURES OF AN INNOVATIVE CULTURE. N=839



SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES

Finally, Figures 20 and 21 show the impact of firm size on the features of an innovative culture. Though the answers were largely similar, some slight differences emerged. For example, smaller organizations (both in terms of number of employees and sales revenue) were more outward facing and were comparatively more likely to value continuous experimentation to meet their customer needs. Larger organizations, in contrast, focused more on internal governance and consistency in their communication, comparatively valuing features like cooperation across departments and the clear dissemination of corporate values throughout the organization.

FIGURE 20 - BY NUMBER OF EMPLOYEES. PLEASE SELECT THE TOP 3 MOST IMPORTANT FEATURES OF AN INNOVATIVE CULTURE. N=883

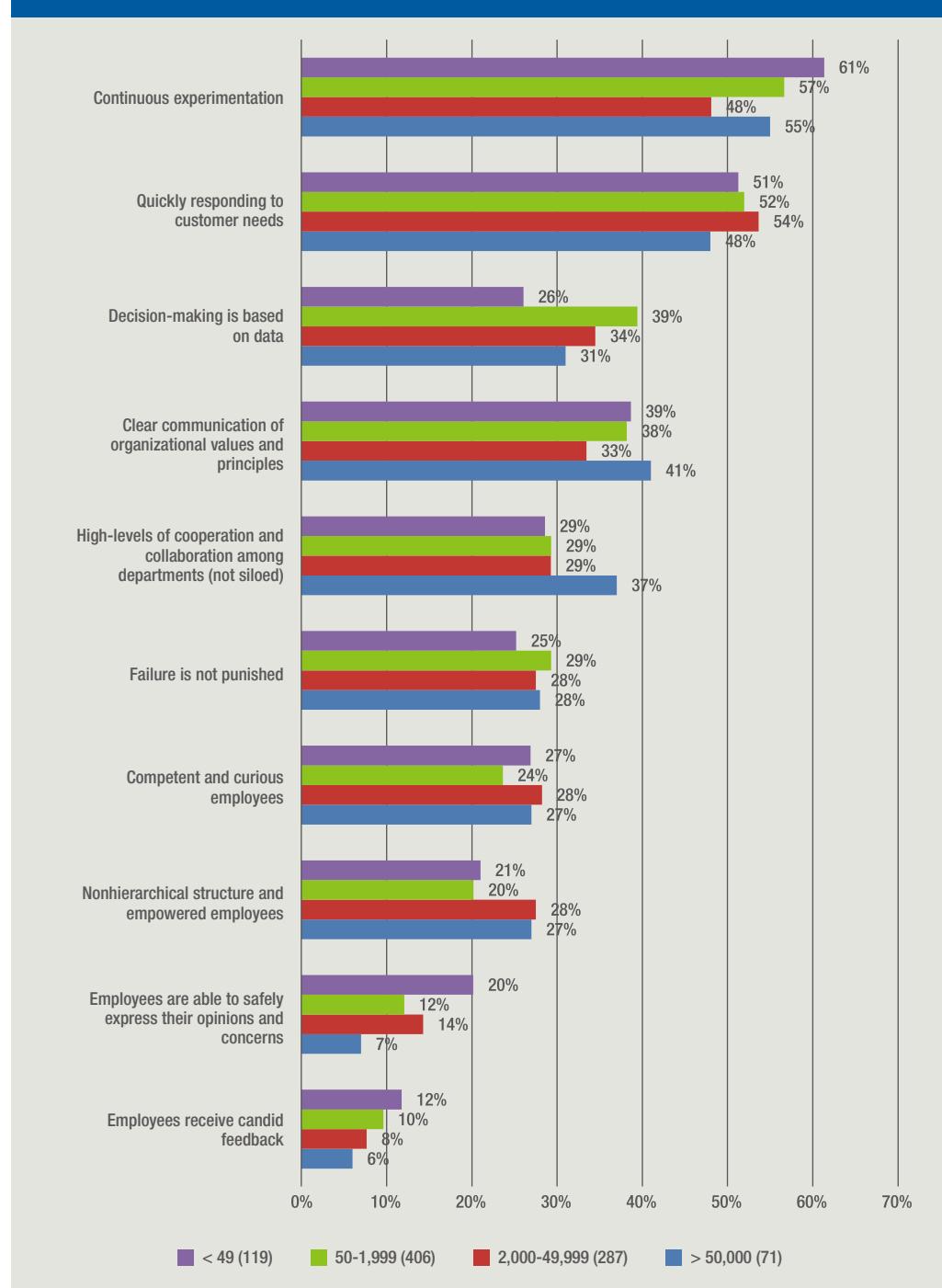
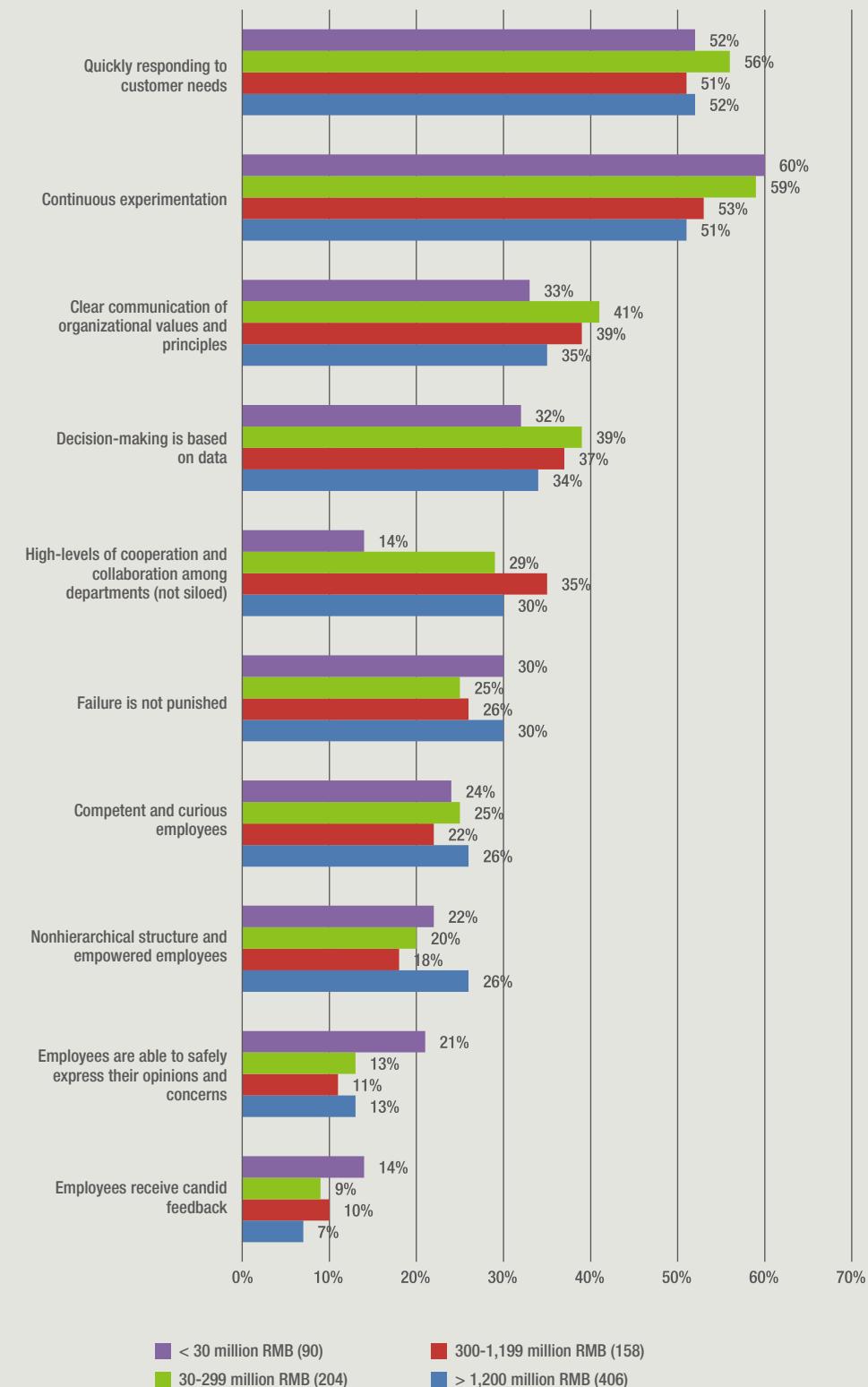


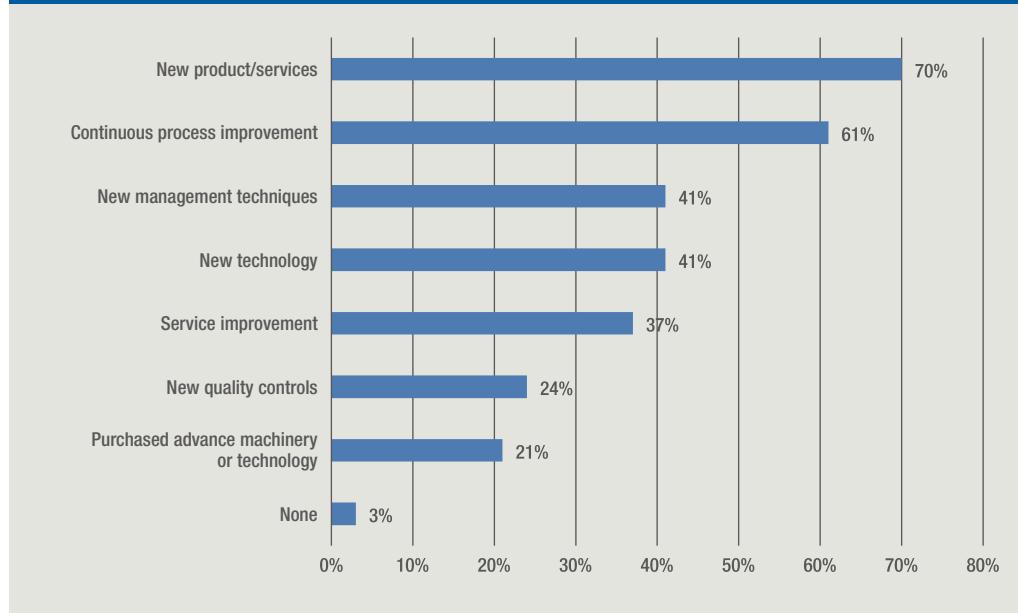
FIGURE 21 - BY CHINA SALES REVENUE. PLEASE SELECT THE TOP 3 MOST IMPORTANT FEATURES OF AN INNOVATIVE CULTURE. N=858



SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES

Although these answers provided us an understanding of what respondents believed a hypothetical innovative culture might look like, we also wanted to get a sense of the current innovation practices occurring in organizations today. To assess this, we asked respondents to select all the different types of innovation that their company introduced in the last three years. As shown in Figure 22, the majority of respondents reported that their company introduced internally driven innovation including the introduction of new products or services and engaging in continuous process-based improvements. In contrast, purchasing advanced machinery or technology from outside vendors was comparatively less popular.

FIGURE 22 - WHAT TYPES OF INNOVATION DID YOUR COMPANY INTRODUCE IN THE LAST THREE YEARS (CHECK ALL THAT APPLY)? N=909



We also provided an opportunity for respondents to indicate other innovations not included in our list. Though few people provided these, most of the answers focused on creating new processes, channels, business models, and structural improvement in the company. One respondent also indicated that he or she was actually hired to act as an innovative force for the company, but was meeting significant resistance in achieving this objective:

"They introduced me to change the values and the way of thinking about problems. It is so tiring. Traditional companies start with gaining trust and then build confidence through small successes. Ahhhh, my heart is exhausted, my mouth is parched, and my tongue is scorched."

– Respondent # 1, Manufacturing Industry

When broken down across different types of employees and organizations, we can see that upper management was more aware of new management techniques, quality controls, and machinery/technology purchases than were lower- and mid-level employees (see Figure 23).

FIGURE 23 - BY MANAGEMENT LEVEL. WHAT TYPES OF INNOVATION DID YOUR COMPANY INTRODUCE IN THE LAST THREE YEARS? N=848

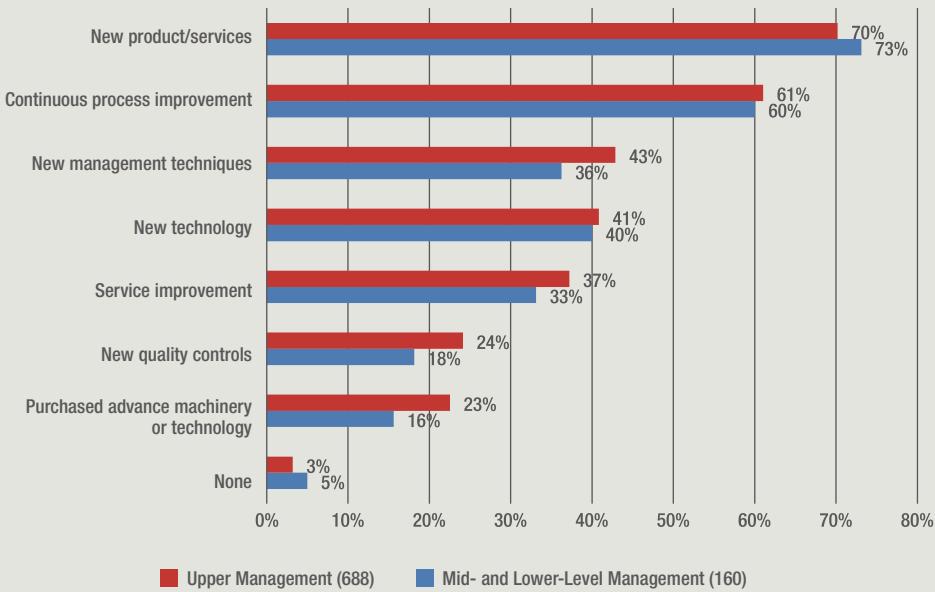
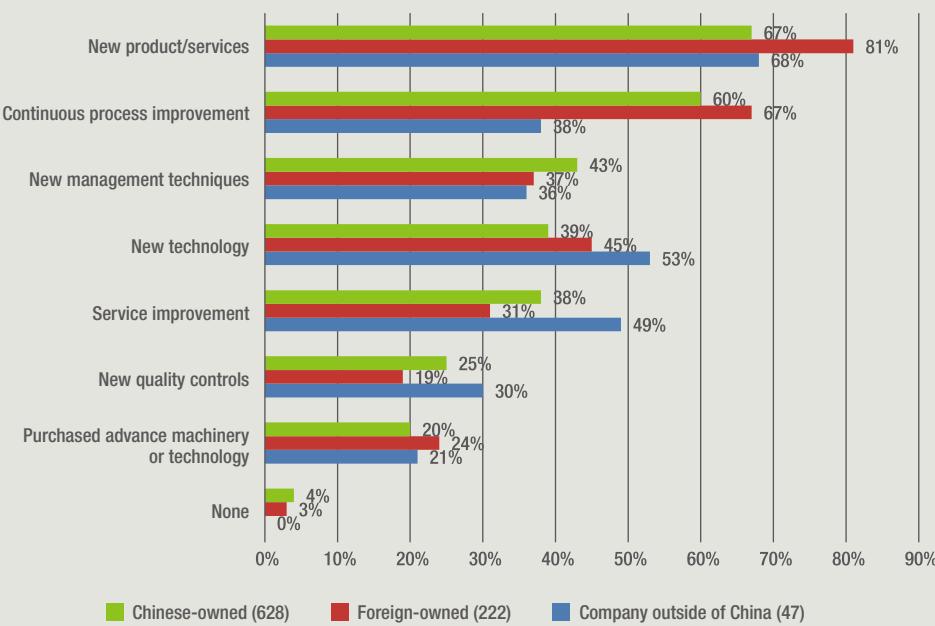


Figure 24 also shows that foreign-owned companies in China were more likely to report introducing new products and process improvements whereas companies outside of China were more likely to report service improvements, quality controls, and new technology.

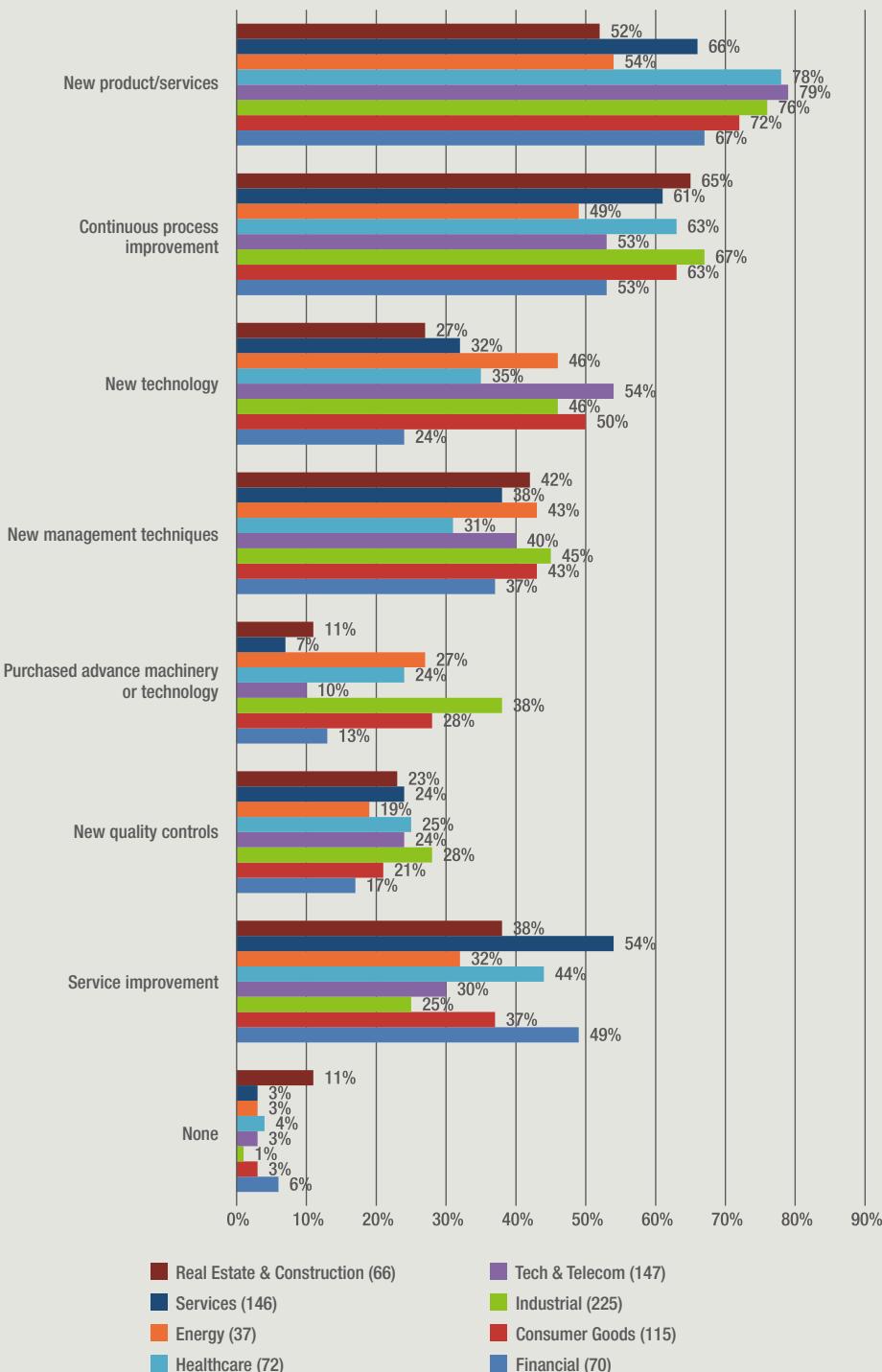
FIGURE 24 - BY TYPE OF COMPANY. WHAT TYPES OF INNOVATION DID YOUR COMPANY INTRODUCE IN THE LAST THREE YEARS? N=897



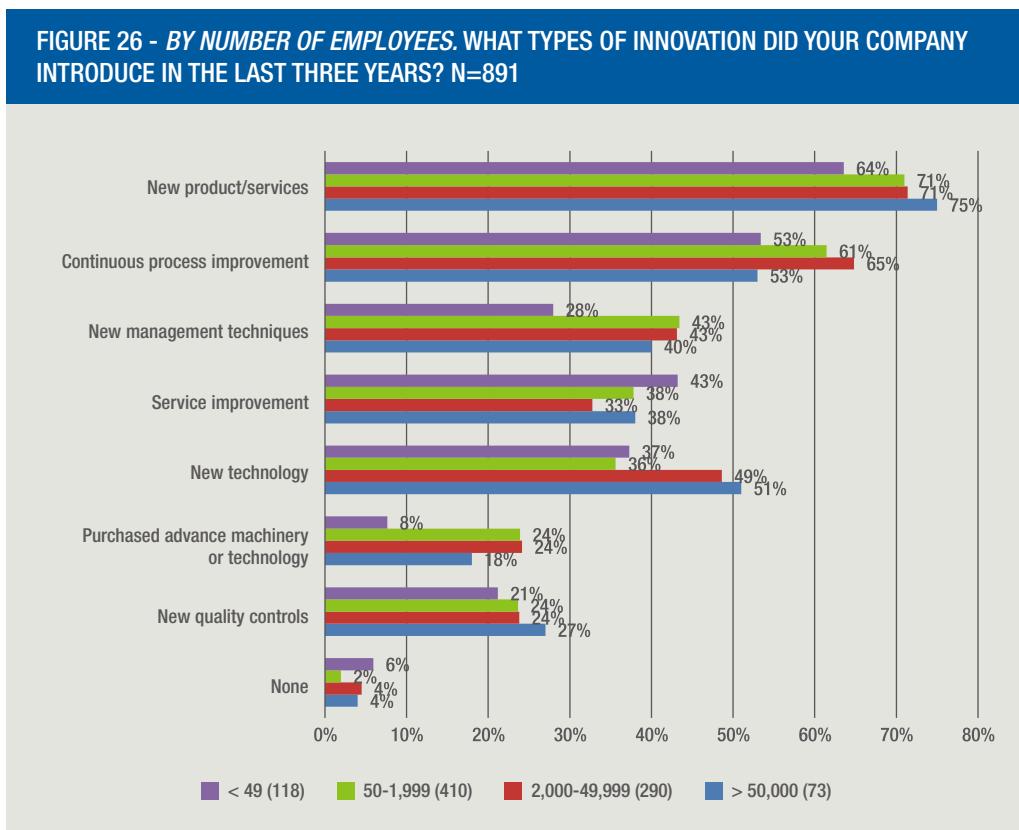
SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES

In terms of industry breakdowns, Figure 25 reveals several trends that largely align with expectations. For example, financial and service industry firms were comparatively more likely to introduce service improvements, manufacturing firms were more likely to buy advanced machinery, and technology and telecommunication firms were more likely to invest in new technologies.

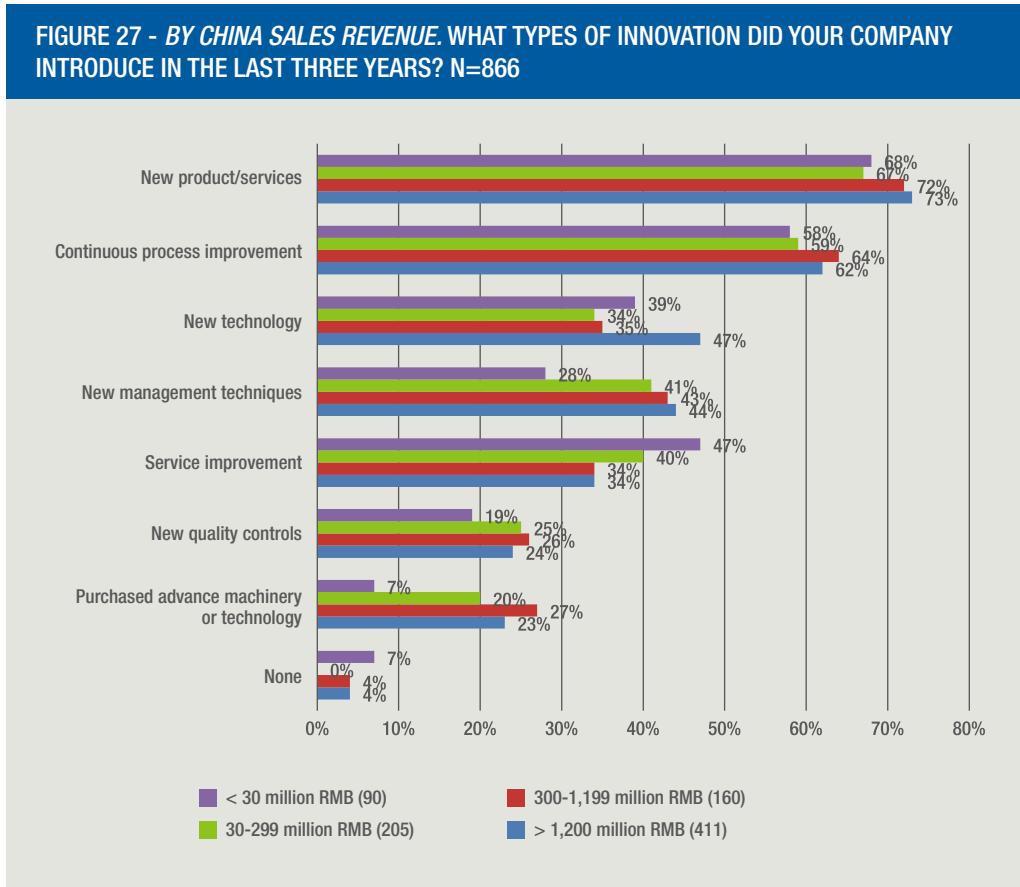
FIGURE 25 - BY INDUSTRY. WHAT TYPES OF INNOVATION DID YOUR COMPANY INTRODUCE IN THE LAST THREE YEARS? N=878



Finally, Figures 26 and 27 show that the size of the firm also impacted innovative practices in predictable ways. Namely, larger firms (both in terms of number of employees and sales revenue) engaged in more costly practices like new product, service, and technology development, whereas smaller firms focused on less-expensive initiatives like service improvement.



SECTION 3: INNOVATION COMPONENTS AND CURRENT PRACTICES





SECTION 4

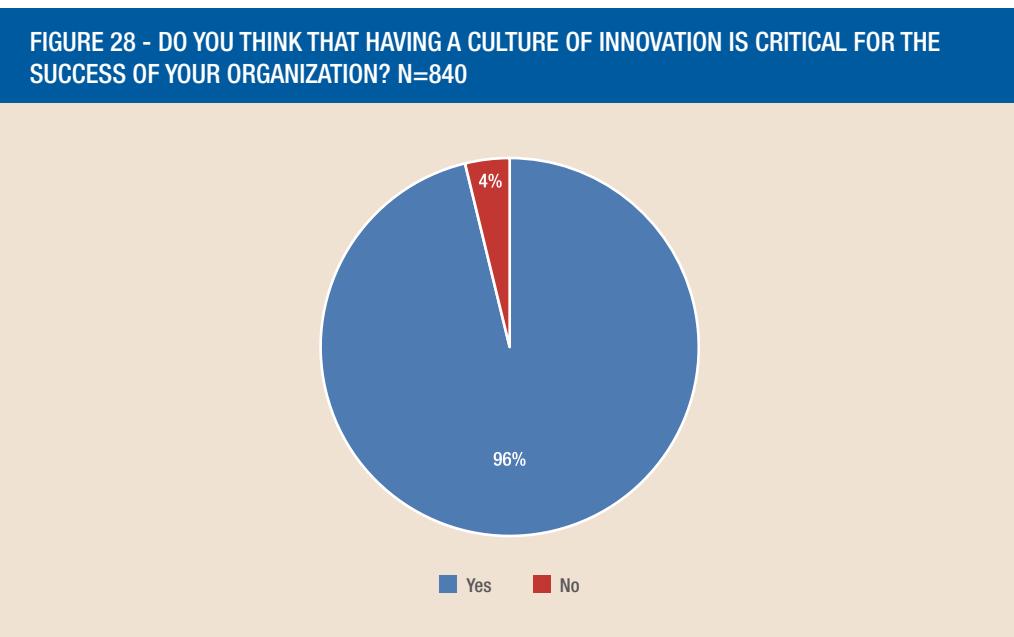
MOTIVES FOR INNOVATION

In this final section, we sought to uncover the reasons why some people think innovation is comparatively less important for their organizations. We also asked the respondents who believe that innovation is important to elaborate on the potential benefits it could bring, and broke this down across various sectors:

- Upper vs. Lower-Level Management
- Type of Company
- Industry
- Company Size

SECTION 4: MOTIVES FOR INNOVATION

The final goal of the survey was to determine the percentage of respondents that felt that innovation was a key differentiator in their business. Stated alternatively, we wanted to know whether people thought innovation was important for the success of their organization and, if so, why. As shown in Figure 28, an overwhelming 806 (96%) of people responding to this question agreed that a culture of innovation is critical for the success of their organization.



Though the high rate of agreement that innovation is vital is not surprising given the title of the survey, we were most intrigued to better understand the minority of people who believed that innovation was not a key factor contributing to their organization's success. To that end, we first present a snapshot summary of the characteristics of respondents who believed that innovation was not critical for the success of their organization.

4.1. WHO THINKS INNOVATION IS RELATIVELY UNIMPORTANT?

The majority of these respondents worked for Chinese-owned companies in China (70%), though 19% worked in Foreign-owned companies in China, and 12% worked in companies outside of China. Of the Chinese-owned companies, 80% worked for private companies, 17% worked for state-owned companies, and 3% worked for a hybrid or mixed-ownership company. Additionally, we found that middle- and lower-level managers (as compared to upper-level managers) were slightly more likely to suggest that innovation was not a critical factor for success.

Given the reputation of small, entrepreneurial companies for providing high levels of disruption and innovation, we found a somewhat surprising trend that as companies grow larger (in terms of employees), they tend to prioritize innovation more. This is likely explained by the higher R&D budgets in such organizations as well as the pressure to maintain their market position. Specifically, over half of those saying innovation was unimportant (51%) reported having between 50 to 1,999 employees in their organization, with the remainder reporting 1-49 employees (39%), 2000-9,999 employees (6%), or more than 50,000 employees (4%). In terms of industry, the majority of those who felt that innovation was comparatively less important worked in manufacturing (21%), services (21%), consumer goods (14%), or energy firms (14%). In contrast, those working in technology and telecommunications (12%), healthcare (7%), real estate and construction (5%), or financial firms (5%) were much more likely to believe that innovation was critical for their organization's success.

4.2. WHY IS HAVING AN INNOVATIVE CULTURE IMPORTANT OR UNIMPORTANT?

To better understand why respondents believed that innovation was critical (or not) to their organization's success, we first asked them to elaborate further if they disagreed with this notion. Their qualitative comments provided several interesting insights. Many cited the importance of preserving tradition, maintaining consistency, and reinforcing the prevailing organizational culture that had been honed and perfected over many years. In support of this idea, respondents opined that:

“Culture is the result of gradual and organic development; innovation, in contrast, is more akin to artificial grafting.”

– Respondent # 2, Manufacturing Industry

“The business model of my industry has not changed for four hundred years.”

– Respondent # 3, Service Industry

Others pointed to the fact that haphazard innovation can lead to the lack of a central focus and may introduce unnecessary risk. For example, some stated that:

“Opting to believe and continuing to work hard are the right fundamental factors. Pointless innovation will only increase costs and the probability of failure.”

– Respondent # 4, Consumer Goods Industry

“It’s not that innovation is not important, but sticking to tradition is less risky.”

– Respondent # 5, Financial Industry

Of note, a handful of respondents even questioned the nature of innovative culture as a concept or claimed not to understand its meaning. Finally, some respondents suggested that while important, it was not the most critical factor (particularly during certain stages of a company's life cycle). Sample quotes in this regard are shown on the next page.

"In China, connections (RenMai/Guanxi) are the most important factors."

– Respondent# 6, Real Estate and Construction Industry

"At different stages innovation is not always the company's top priority, nor is it necessarily suitable for the company at that time."

– Respondent # 7, Technology and Telecommunications Industry

"Small businesses rely mainly on the boss's ability and vision, and the corporate culture is just about the boss's style."

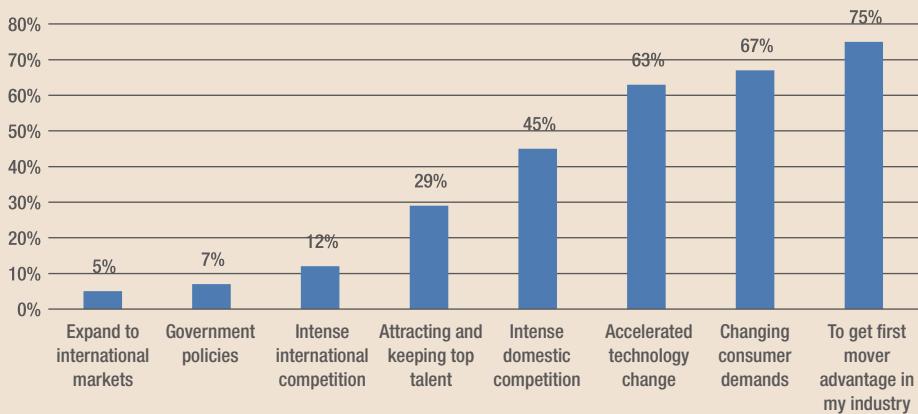
– Respondent # 8, Manufacturing Industry

"Survival is more important."

– Respondent # 9, Services Industry

For those who agreed that innovative cultures are important, we asked them to select the Top 3 reasons why they believed this was the case using a series of options we generated after reviewing the extant literature on the topic. Figure 29 depicts the percentage of people who chose a given option as one of their Top 3 supporting reasons. As seen here, respondents believed the primary advantages of an innovative climate were to get a first-mover advantage in their industry, to respond to changing consumer demands, or to respond to accelerated technology change, respectively. In contrast, global concerns including expanding to other markets, complying with government policies, and competing with international firms were seen as comparatively less important.

FIGURE 29 - PLEASE SELECT THE TOP 3 MOST IMPORTANT REASONS WHY YOU THINK HAVING AN INNOVATIVE CULTURE IS IMPORTANT FOR YOUR COMPANY. N=926

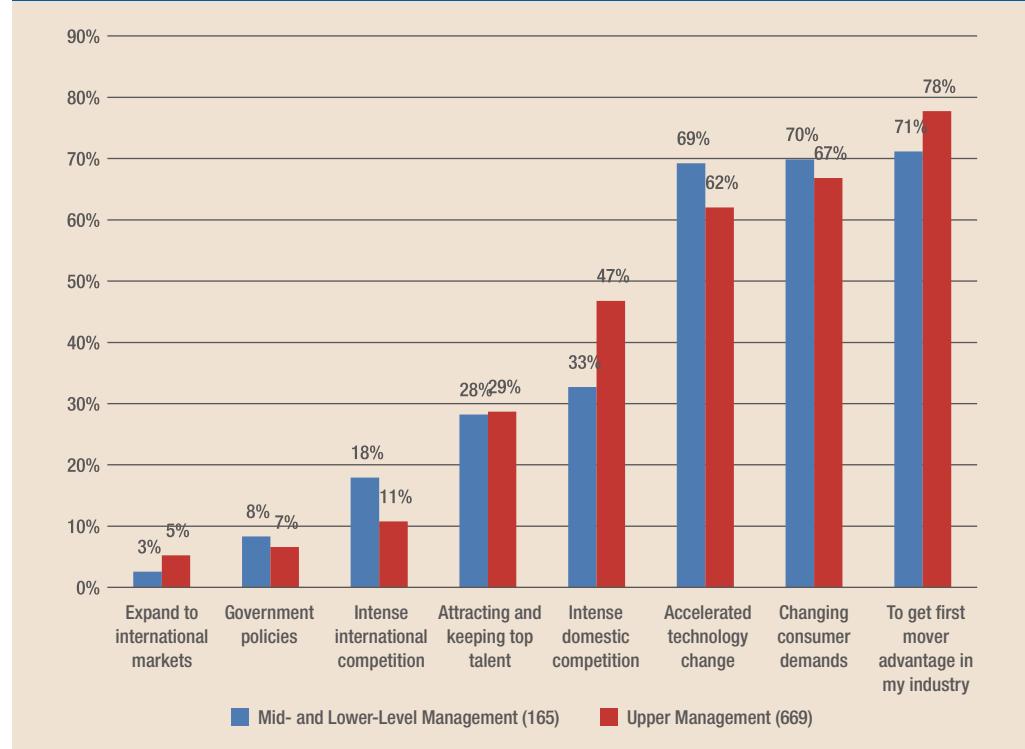


SECTION 4: MOTIVES FOR INNOVATION

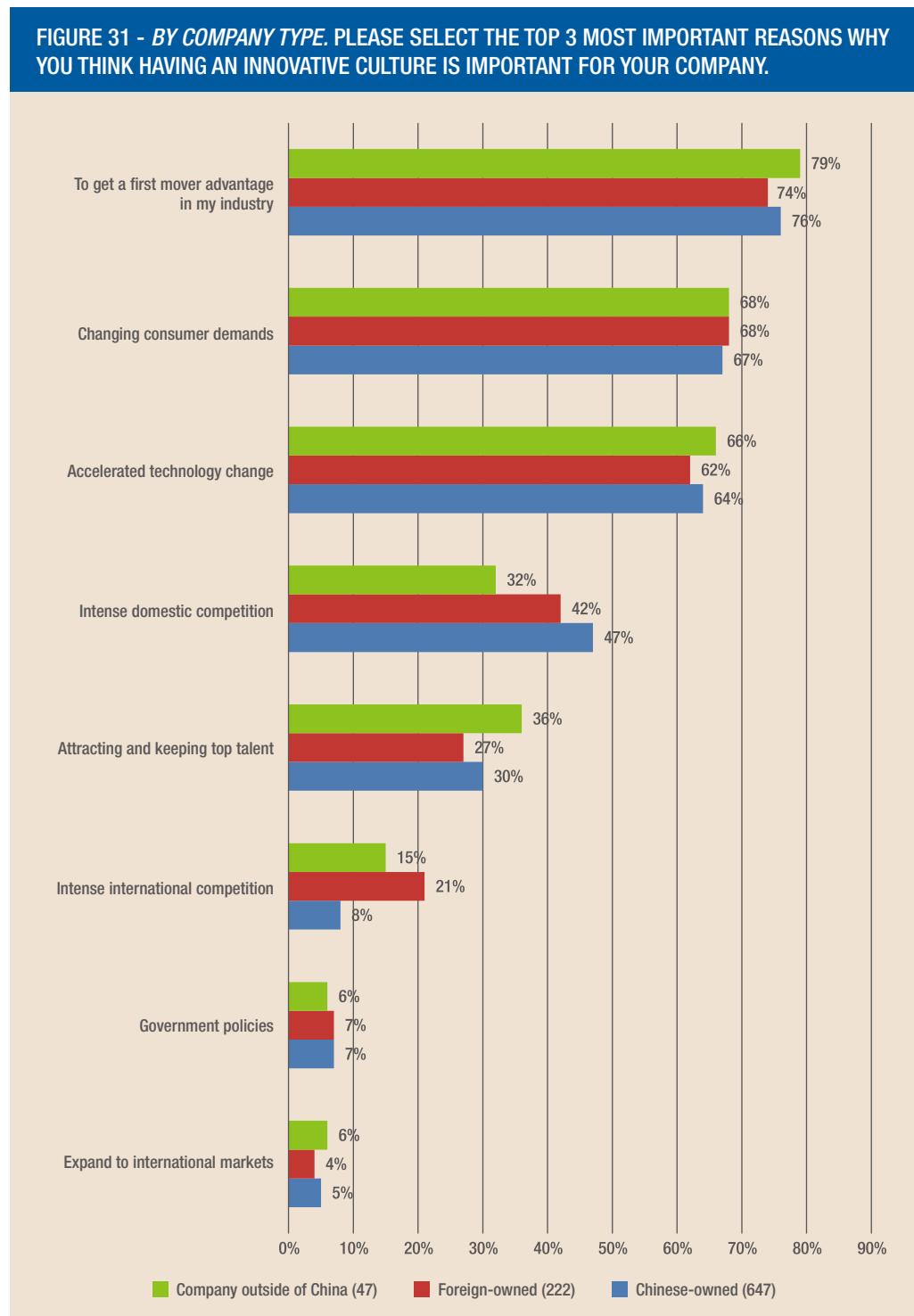
We also gave the respondents the option to select 'Other' and provide additional reasons why innovative climates can be advantageous. They gave several additional interesting reasons including developing new markets, succeeding in a nascent field, guaranteeing profits, ensuring sustainability, improving organizational efficiency, and being able to respond to industry changes following the COVID-19 pandemic.

To more carefully discern divergent trends in responses across different types of respondents and organizations, we generated a series of graphs breaking down the answers to this question according to various dimensions. These break-downs revealed several unique insights. For example, Figure 30 shows that lower level employees are more focused on concerns that might affect their daily work such as changing consumer demands and accelerated technology change. Top managers, in contrast, were more likely to point to longer term and more industry-level concerns such as intense domestic competition and attaining a first-mover advantage as reasons why they value an innovative climate.

FIGURE 30 - BY MANAGEMENT LEVEL. PLEASE SELECT THE TOP 3 MOST IMPORTANT REASONS WHY YOU THINK HAVING AN INNOVATIVE CULTURE IS IMPORTANT FOR YOUR COMPANY.



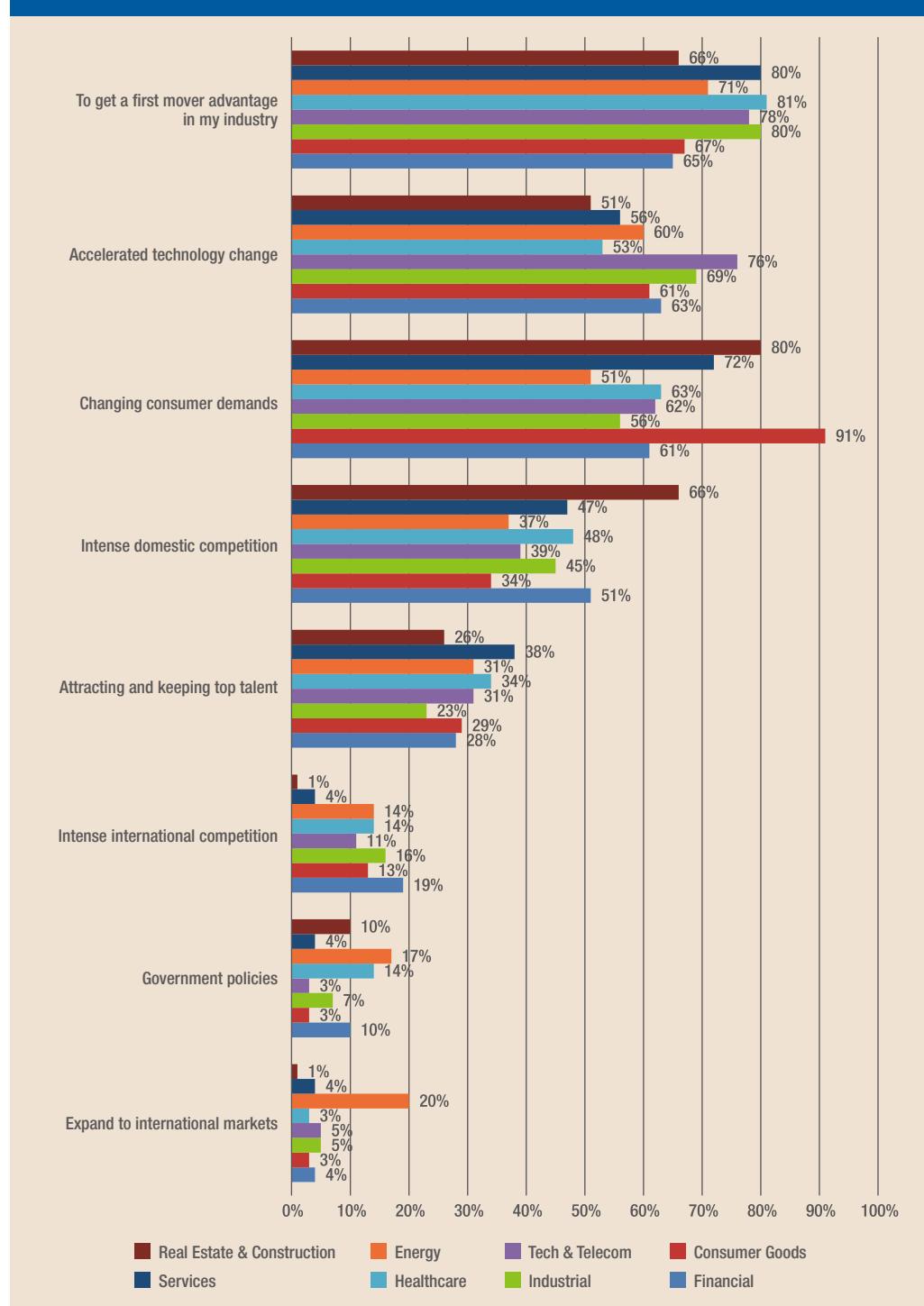
In terms of type of company, Figure 31 shows that companies outside of China were comparatively more preoccupied with retaining top talent and gaining a first-mover advantage whereas foreign-owned companies in China were more concerned with responding to intense international competition. Chinese-owned companies, in contrast, were primarily concerned with domestic competition. Changing technology and consumer demands appeared to be universal drivers of innovation across different company types and ownership structures.



SECTION 4: MOTIVES FOR INNOVATION

Regarding innovation priorities across industries, Figure 32 reveals several interesting distinctions. For example, despite not prioritizing innovation as much compared to other industries, companies in the Energy sector were much more likely to leverage innovative cultures to expand to foreign markets. Real Estate and Construction firms were much more likely to focus on innovation as a way to outmaneuver domestic competitors. Predictably, the Consumer Goods sector was much more likely to value innovative cultures for their ability to respond to changing customer demands.

FIGURE 32 - BY INDUSTRY. PLEASE SELECT THE TOP 3 MOST IMPORTANT REASONS WHY YOU THINK HAVING AN INNOVATIVE CULTURE IS IMPORTANT FOR YOUR COMPANY.



Finally, Figures 33 and 34 display the impact of different size firms, which was largely muted. Firms with more employees were slightly more apt to focus on the more global benefits of changing consumer and technology trends, whereas employees at firms reporting different amounts of income reported largely similar answers to describe why they believed innovative cultures to be important.

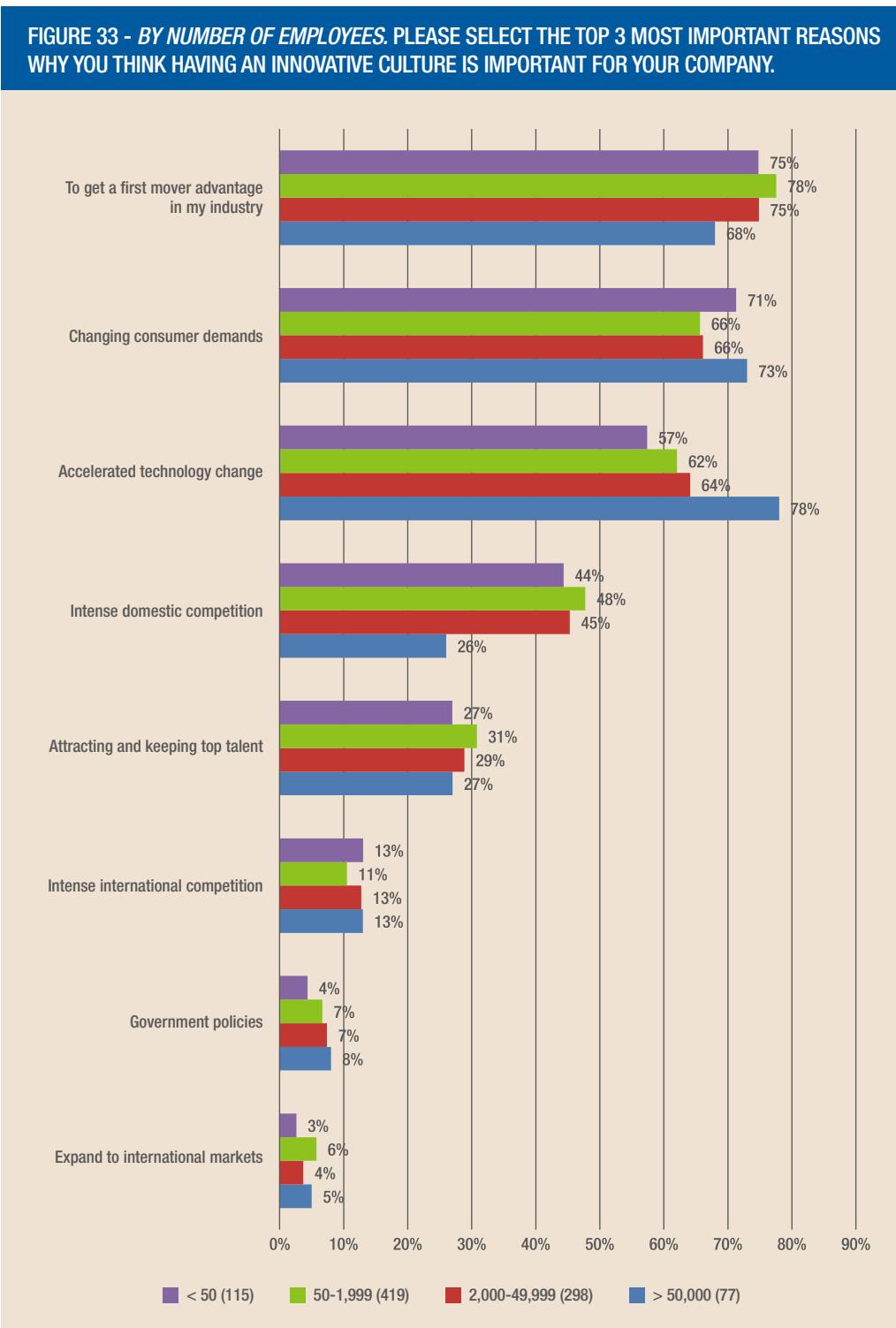
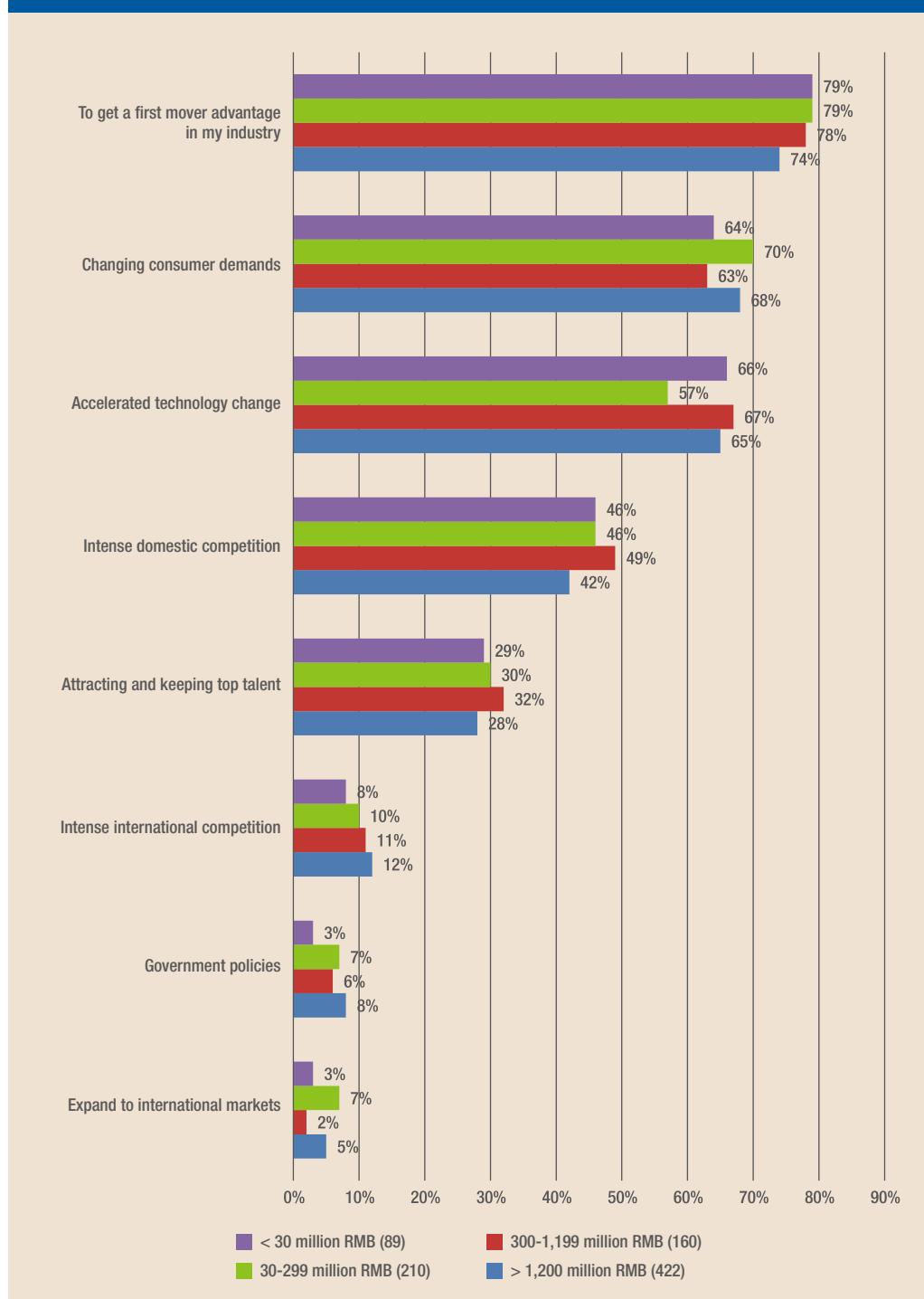


FIGURE 34 - BY CHINA SALES REVENUE. PLEASE SELECT THE TOP 3 MOST IMPORTANT REASONS WHY YOU THINK HAVING AN INNOVATIVE CULTURE IS IMPORTANT FOR YOUR COMPANY.





APPENDIX

INNOVATION INDEX DIMENSIONS AND ITEMS

Organizational Policies and Practices

1. There are procedures in place to capture, select, implement, and reward innovative ideas.
 2. My company devotes lots of resources to employee development and learning.
 3. My company uses the latest technology to optimize the flow of information.
 4. My company objectives and KPI (key performance indicators) include innovation.
 5. My organization is very responsive to the changes in the external environment.
 6. The physical environment of my company encourages innovation.
 7. Our work spaces are designed to allow for easy and frequent communication among employees.
-

Leaders Behaviors and Priorities

1. Top leaders in my company are strongly committed to innovation.
 2. Our company's vision/strategy reflects the importance of innovation and continuously changes according to the environment and customer's needs.
 3. Top executives visibly communicate innovation as a priority.
 4. Top executives hold managers accountable for driving innovation.
 5. Managers regularly communicate key organizational values and principles.
 6. Top management has significantly reduced the number of policies and approvals to allow for faster decision-making.
-

Employee Norms and Behaviors

1. Employees quickly modify their work processes in response to changing circumstances, priorities, or customer preferences.
 2. Employees collaborate and openly share their expertise with one another.
 3. Individuals and teams are encouraged to analyze failures to learn how to improve in the future.
 4. Employees are routinely provided candid feedback so that they can continuously improve their performance.
 5. Employees are not afraid to share their opinions and raise concerns.
 6. Employees continuously experiment to improve their work processes.
 7. Employees are highly competent and independently motivated to learn.
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