

The Innovation Paradox

More companies than ever see innovation as essential to their success—yet fewer than ever are prepared to deliver on their aspirations. This disconnect is the central finding of the [18th annual BCG innovation study](#). It should serve as a wake-up call to leaders as they seek competitive advantage through innovation.

The study is based on a survey of 1,000 senior executives, such as CEOs and vice presidents of strategy. It found that 83% of executives view innovation as a top priority but only 3% report their companies are “innovation ready,” a measure that assesses ten dimensions of innovation.

The drop in readiness is startling. The share of innovation-ready companies—as per their own assessment—was 20% in 2022 and 9% in 2023.

Buffeted by the pandemic, macroeconomic volatility, and rising geopolitical tensions, leaders shifted focus from capturing the most attractive medium-term value pools to short-term agility and managing their overall cost base, leaving companies less fit to innovate.

In the face of this decline, companies should sharpen their innovation strategy. Fewer than one-third of executives said their company plans to do so. They are continuing to focus on boosting the efficiency and speed of innovation. But without a clear destination, such an approach risks getting nowhere faster.

Innovation-ready companies don't fall into that trap. The 12% of companies that reported having a strong link between innovation strategy and corporate strategy are much more likely to exhibit six best practices:

- The CEO or other C-suite executives champion innovation.
- The company is clear on the purpose of innovation and how it supports strategic aims.

- The company focuses on innovations that play to its unique strategic assets, such as specific talent pools, capital, or brand strength.
- Leaders are clear about where they want to innovate and where they don't.
- They have a vision of how talent and resources will be deployed across domains and timeframes to achieve strategic objectives.
- They set specific targets and incentives that hold the innovation team's feet to the fire.

Companies embracing at least four of these six practices reported share of revenue from new products that is 5 percentage points higher than the median.

Automotive supplier Aptiv, for example, has embraced a strategy-led innovation approach in the drive toward an electric-powered, software-defined future. Its business strategy is rooted in a clear vision of the future that it regularly refreshes. This vision then informs decisions about priority innovation domains for the business units.

GenAI's Role in Innovation

Interestingly, the rise of GenAI seems to have shaken many executives' assessments of their company's overall AI achievements. Between 2022 and 2024, the proportion of executives reporting their companies had implemented AI with impact declined from 37% to 10%.

Not so the innovation-ready companies. They are 1.5 times more likely to have implemented GenAI in one or more applications—and five times more likely to be applying the technology at scale. They are also using GenAI to accelerate the innovation process as they strategize, create, and scale new products and services.

If you have not recently met with your innovation team, revisited your innovation strategy, or evaluated your innovation investments, I hope this study gives you the reason to do so.



Christoph Schweizer
Chief Executive Officer

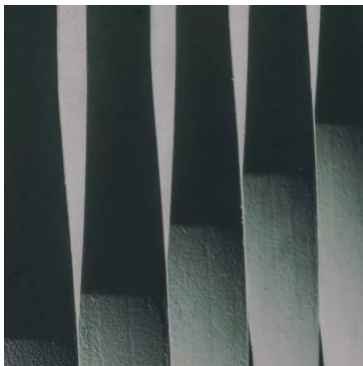
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