RESEARCH

Creating New Value in Large Organizations: What It Takes

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Introduction

Welcome to our latest report with InnoLead, "Creating New Value in Large Organizations," a comprehensive analysis of the current state of innovation in leading organizations. Featuring insights from senior leaders at Amazon, CarMax, Microsoft, Ralph Lauren, and Travelers, this report sheds light on the value they are delivering to their organizations and the pivotal role that new technologies play in their work.

KPMG collaborated with InnoLead to gain insights into how established organizations are effectively and consistently generating new value. Through a survey and interviews with a wide range of technology and innovation leaders, we discovered effective strategies for leveraging emerging technologies to drive growth. Doing so is becoming a "significantly higher priority" in 2024 compared with 2023. Not surprisingly, leaders told us their initiatives are related to increasing operational efficiency, including reducing costs, as well as generating new revenue and increasing financial returns to shareholders.

Value Creation Priorities

One of our key findings is the overwhelming recognition that artificial intelligence (AI) is a critically important technology for achieving value creation objectives. Indeed, 58 percent of survey respondents indicated that they recognize AI as a critically important technology. Quantum computing came in a distant second.

Nearly 75 percent of respondents stated that when faced with disruptive threats in the market, they respond by investing more to drive innovation in their core business. In the face of such disruptions, over half collaborate with startups (53 percent), while a similar percentage (51 percent) collaborate with other partners, including universities and accelerators. Even so, our study uncovered a lack of collaborative relationships with other entities as a significant threat to value creation. This highlights the need for organizations to foster a culture of collaboration and forge strategic partnerships to unlock new opportunities and drive innovation.

Cliff Justice, National Leader of Enterprise Innovation, KPMG US

The AI Imperative
As the research findings suggest, AI will change our daily lives, the workforce, industry dynamics, and the economy more broadly in ways we have yet to fully comprehend. Given that AI is the most disruptive technology we've seen in decades, it's no wonder that leaders are making substantial investments in GenAI tech, talent, training, and other related strategic initiatives.

Companies that effectively leverage AI and GenAI will outperform those that do not, with early adopters gaining a significant advantage. Organizations must play the long game and maintain a commitment to being bold, fast, and responsible. At KPMG, we have anchored our AI vision around these three keys:

- **Value**. The value derived from AI at KPMG is realized through enriched Advisory, Audit, and Tax client services and enhanced internal operations. We believe the transformation of our internal functions through AI capabilities can serve as a model for organizations undergoing similar transformations.

- **Human-centricity**. In our view, the integration of AI won't lead to humans being replaced; rather, it will significantly enhance people's capabilities and everyday work experiences. We guide

clients through a human-centric approach to AI implementation, just as we are doing internally.

- **Trust.** As a leading professional services firm, trust is our most important asset. It is also at the foundation of our AI strategy. When developing and deploying AI systems, organizations should keep safety, ethical standards, and evolving regulatory requirements top-of-mind.

We believe that by investing in future value creation and fostering collaborative relationships, organizations can position themselves for success in an increasingly competitive landscape.

I encourage you to explore this report and the insights it shares. Together, let's embrace the power of new technologies and pave the way for innovation and progress.

Cliff Justice
National Leader of Enterprise Innovation
KPMG US

Creating New Value in 2024

What does it take to effectively and consistently create new value inside an established organization? 2024 is a challenging time to try to answer that question. With the benefits and potential risks of artificial intelligence being debated in almost every organization, we are also witnessing the rise and fall of various C-level roles intended to steer the ship in new directions.

Who has more support and resources at the moment: the Chief Digital Officer, the Chief AI Officer, the Chief Sustainability Officer, the Chief Innovation Officer, or the Chief Transformation Officer? Are they navigating toward the same destination, or different ones?

This report was created to help C-level leaders — and their teams — benchmark their value creation activities against other organizations, and hear how senior leaders at companies like CarMax, Ralph Lauren, and Microsoft are approaching the topic. To create it, we fielded a quantitative survey in July and August 2024, and also interviewed 10 senior leaders (seven of these interviews are excerpted in this report; others were conducted anonymously.) We especially focused on how strategy, technology, innovation, and human resources come together to create value — and what can get in the way.

Among our survey respondents, 85 percent described AI as either "critically important" or "important" to achieving their value creation objectives. "AI is offering massive enhancements to workflows already, and will be an increasing component of how we do work in all parts of our organization," said one respondent working in the retail sector.

When looking at what respondents ranked as their top priorities, we saw operational efficiency decline from 2023 to 2024, while generating new revenue rose slightly. Strengthening brand reputation and expanding into new markets both rose somewhat.

While nearly 38 percent of respondents said that they were not sure that investment levels were sufficient for achieving their value creation goals, more than half of respondents — 58 percent — expect those investment levels to increase in the future.

We asked respondents about their organizations' greatest strengths — and weaknesses. On the positive side of the ledger, respondents said that they had a foundation of positive customer sentiment; a culture that encourages experimentation; and clear vision from top leaders. On the negative side? Lack of collaborative relationships with other entities; insufficient financial backing; and lack of clear vision from top leaders.

We also asked about how respondents' organizations dealt with resistance to change. The top strategies were rolling out changes in stages; being clear about what is behind the changes; and actively listening to employee concerns.

When faced with a disruptive threat to their business, our survey respondents said their employers' most common response was to invest in improving or innovating the core business. That was followed by two kinds of external collaboration: with startups, and with other partners, such as universities or suppliers.

Our interviewees share their advice in the "Spotlight" pages of this report about leveraging new technologies, and how they are working to create value. You'll also find thought leadership essays from our sponsor, KPMG.

One comment, from Senior Vice President Uma Meyyappan of the broker-dealer firm LPL Financial, stood out: "Deliver more than you promised, and never make it all about presenting decks," she said. "You are going to fail if it is all about updates via deck presentations. Do more — and show them tangible results."

That's solid advice for anyone working on innovation and value creation inside a large organization. And there's much more in the pages that follow…

The previous report in this series, "Driving Growth Through New Ventures and Corporate VC," was published in January 2024. Learn more at innolead.com/research.

Featured Interviewees

CarMax
Shamim Mohammad
Chief Information &
Technology Officer

EMD Serono, Inc.
Suresh Martha
Head of Data-Driven
Innovation & Analytics

LPL Financial
Uma Meyyappan
SVP & Head of Technology

Mastercard
Rahul Deshpande
Global Head of R&D

Microsoft
Serena Sacks-Mandel
Global Chief Technology/
Transformation Officer
for Education

Ralph Lauren
Janet Sherlock
Chief Digital & Technology
Officer

Travelers
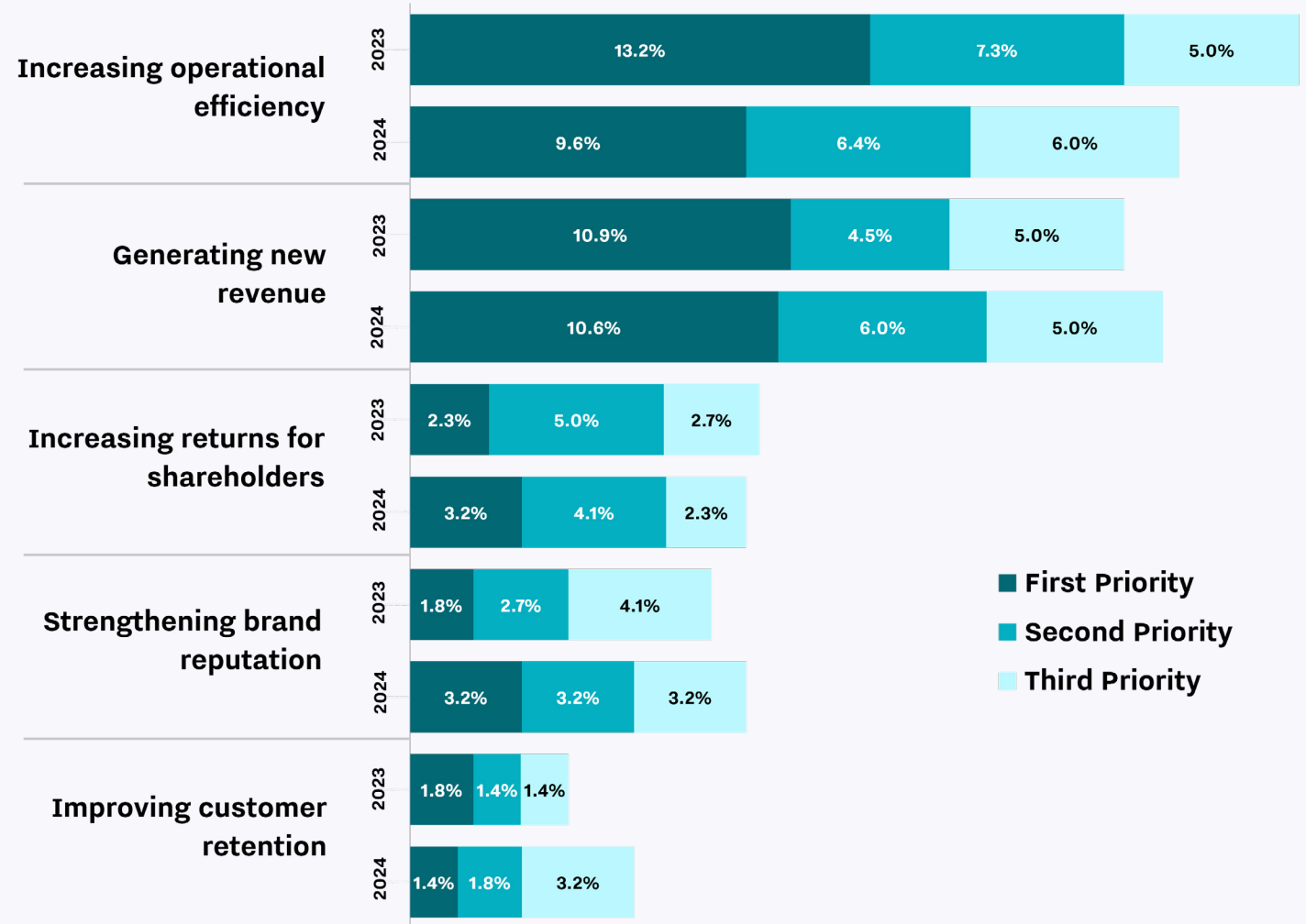**Bruno Sardinha**
Chief Innovation Officer

CHAPTER 1

INVESTMENT, PRIORITIES, AND TIMELINES
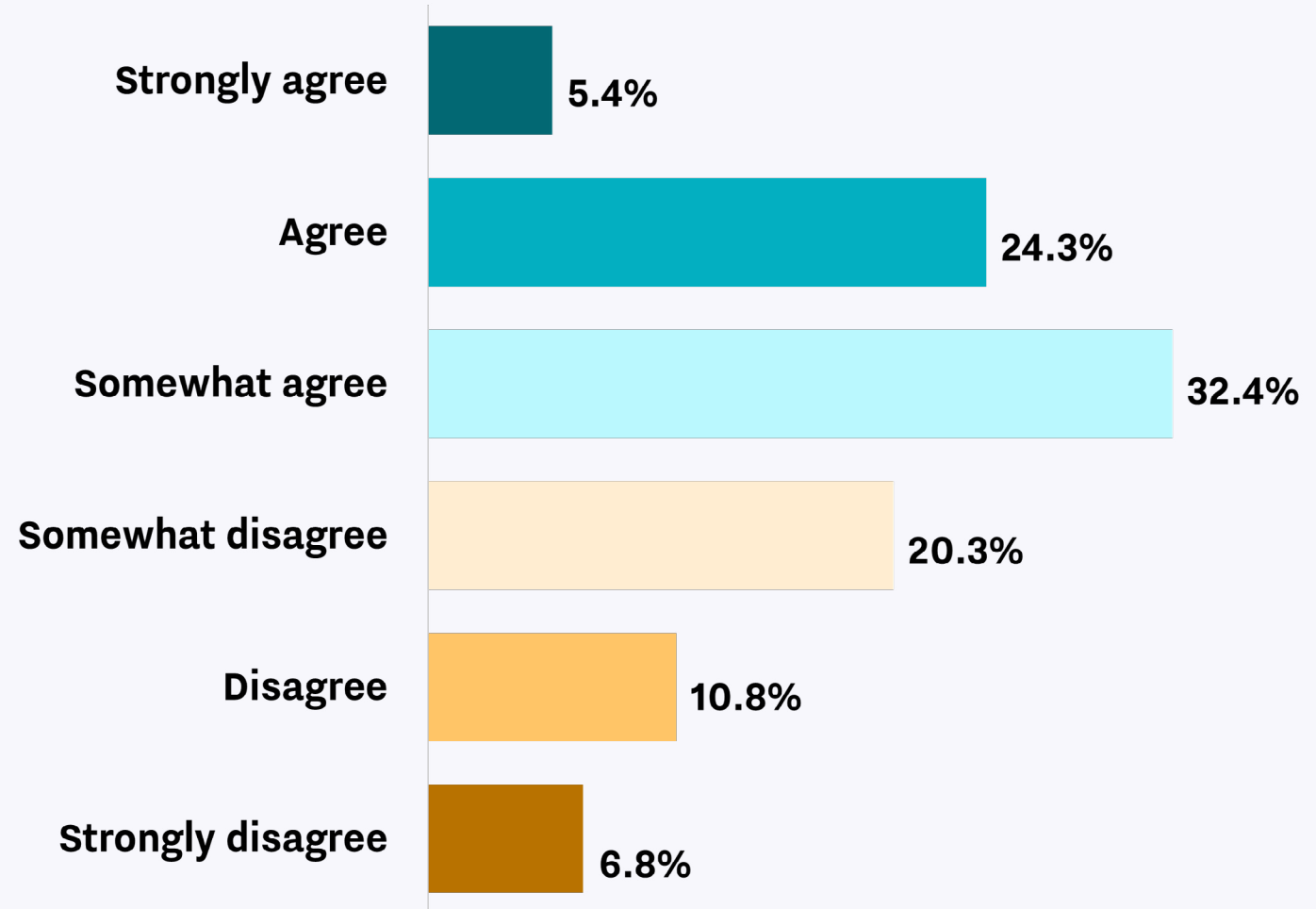
How are Value Creation Priorities Changing?

We asked survey respondents to list the first, second, and third priority, in terms of organizational expectations, and to tell us what had changed between 2023 and 2024.

We saw operational efficiency drop as a priority, while generating new revenue rose slightly. Strengthening brand reputation and expanding into new markets both rose somewhat. Other priorities mentioned included improving customer satisfaction and environmental sustainability; both decreased as priorities year-over-year.

Increasing operational efficiency
- 2023: 13.2% | 7.3% | 5.0%
- 2024: 9.6% | 6.4% | 6.0%

Generating new revenue
- 2023: 10.9% | 4.5% | 5.0%
- 2024: 10.6% | 6.0% | 5.0%

Increasing returns for shareholders
- 2023: 2.3% | 5.0% | 2.7%
- 2024: 3.2% | 4.1% | 2.3%

Strengthening brand reputation
- 2023: 1.8% | 2.7% | 4.1%
- 2024: 3.2% | 3.2% | 3.2%

Improving customer retention
- 2023: 1.8% | 1.4% | 1.4%
- 2024: 1.4% | 1.8% | 3.2%

Legend:
- First Priority
- Second Priority
- Third Priority

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My organization is currently investing a sufficient amount to meet our value creation goals.

Nearly 38 percent of respondents don't think their organizations are investing enough to meet value creation goals. But almost 30 percent "agree" or "strongly agree" that investment levels are appropriate.

Strongly agree — 5.4%

Agree — 24.3%

Somewhat agree — 32.4%

Somewhat disagree — 20.3%

Disagree — 10.8%

Strongly disagree — 6.8%

Democratizing the Use of AI

Solidifying Our Tech Foundation

We haven't put this into our consumer-facing website, but internally we have our own ChatGPT called RLGPT. It is a GPT interface connected to our data lake [with] all of our sales. Instead of pulling a report, you would say, "What were sales last week?" or "Why were sales down yesterday?" It can tell you yesterday's sales trends, [that] we are seeing weakness in this particular market, we are seeing strengths over here. Then, we will add predictive analytics and maybe layer on the weather. It is going to be flipping amazing.

The most important thing to me is getting the technical and technological foundation right. Having your data in order can be an almost impossible task. But we had been working at that for years already before ChatGPT came out. You need to have technological architecture. It is really important to step back and look at it and say: How is the data being used? How are the models being developed? How are the models being stored?

Visual attribution is core to us. We scrape our competitors' websites. We'll...compare what competitors are charging for, let's say, a polo shirt. You can't do that analysis unless there is a visual attribution that says, "What does a polo shirt look like"? We built a layer of technology for that capability...to enable a complete competitive analysis based on visual attribution. It is a core technological capability that services so many different aspects of what we do as a luxury company.

JANET SHERLOCK

Chief Digital and Technology Officer & Board Member

Founded in 1967, Ralph Lauren Corporation sells premium apparel and lifestyle products globally. It has 23,400 employees.

How We Democratize AI

We are ahead of the game, because we invested in an AI/ML platform before ChatGPT was released. Our AI/ML platform connects to all foundational large language models: Anthropic, ChatGPT, Hugging Face. We have our own data stores for store operations, legal, procurement, and investor relations… We haven't turned off ChatGPT, but we are going to, not because we fear it… but because we have risks [like] copyright infringement.

Our strategy has always been to democratize the utilization of AI. We have trained thousands of citizen data scientists… offering no code [and] low code development opportunities to loyal Ralph Lauren fans. We train data scientists on our model for product attribution and market basket analysis. "What sells with what?"… The point is: you do not have to be a true data scientist. You have to know just enough of the basics. Gone are the days when a few sacred people held all the knowledge. You can no longer operate that way, nor do you have to hire people.

I would've expected [our designers] to reject generative AI outright. But we have a couple of younger people who really took to designing with AI, with the concept phase of the design process… What ends up happening is that you have a couple of people who suddenly are faster, better, and come up with better concepts, and they are taking those into concept meetings — and Ralph loved some of the [AI-generated] concepts, so now everyone is on board.
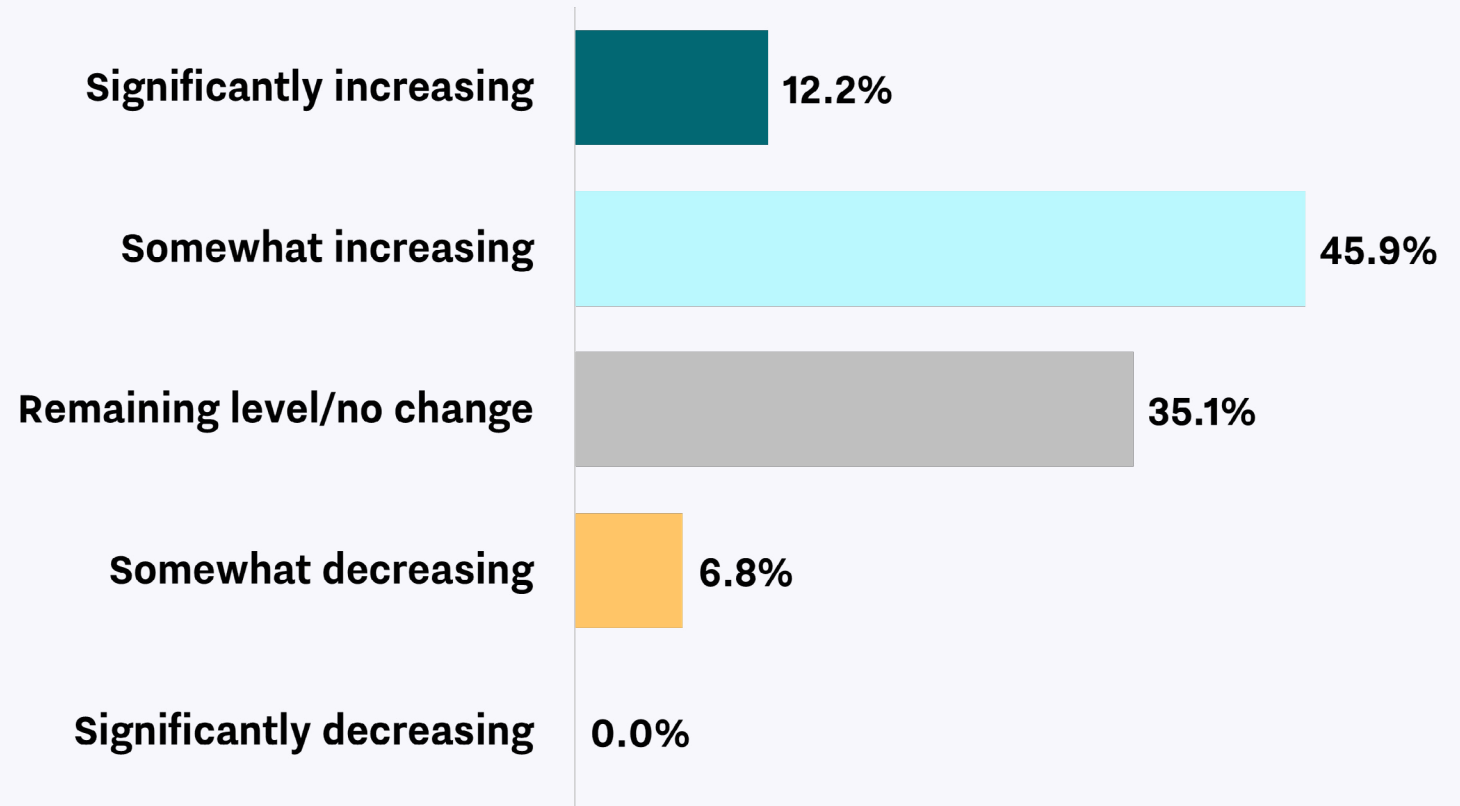
"There are three things that make companies run: money, people, and technology."

Three Things Make Companies Run

There are three things that make companies run: money, people, and technology. And no matter how you look at it, the most important of them is people. Without the people, money and tech would not happen… Talent is at the core of everything. That is why we are democratizing AI. It is because we believe in the value of our employees. We do not believe that we are going to buy it from somebody else and it is going to be better than what we know. We are better at taking our own data, our own knowledge, and our own direction and trying to apply the technology to it, as opposed to having people come in and tell us what to do.

How would you characterize your organization's future investment plans related to activities designed for value creation outcomes?

More than half of our respondents — 58 percent — say that investment levels are on the rise in their organization, while fewer than seven percent say they are decreasing.

Significantly increasing — **12.2%**

Somewhat increasing — **45.9%**

Remaining level/no change — **35.1%**

Somewhat decreasing — **6.8%**

Significantly decreasing — **0.0%**

How would you classify your entire organization's value creation priorities, in terms of when you expect to realize their objectives?

Just 20 percent of value creation inside our respondent organizations is dedicated to long-term goals — realized more than five years from now. More than half is focused on the period between the present and three years out.

20%

53%

27%
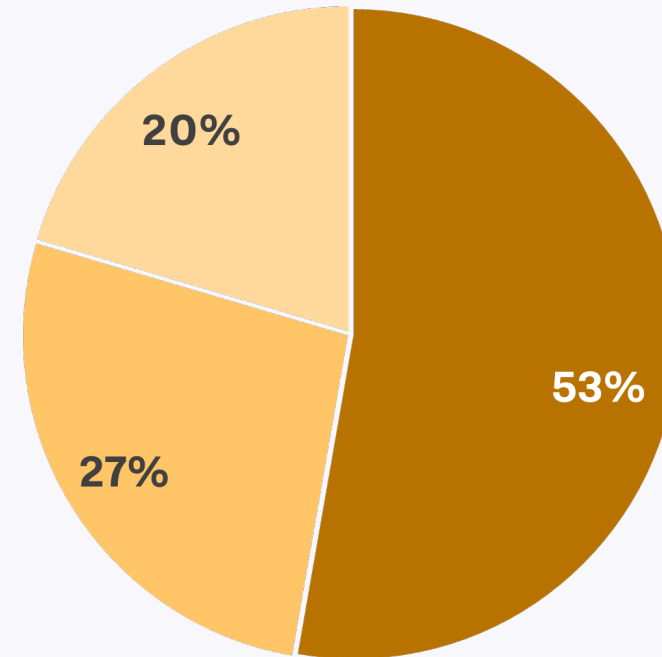
■ **Short-term, realized within three years from now**

■ **Medium-term, realized within three to five years from now**

■ **Long-term, realized more than five years from now**

Tuning Into New Technologies

I Look at Value Creation Across Four Dimensions

1. **Top-line growth:** Revenue coming from new products is one example. Whatever we know in terms of new products or innovative solutions services that were created to generate top-line growth. That is a way to measure value creation.

2. **Engagements and work that drive bottom-line enhancement:** Productivity, efficiency, better risk tools or data, new solutions that help us get to better risk expertise. And pricing also drives a better bottom line for us.

3. **Experience:** Different experiences with customers for how we can improve and create more traction and longer engagement. It is the Lifetime Total Value (LTV) metric for each customer.

4. **Number of recurring requests to support a certain initiative:** From doing a market assessment to understanding an ecosystem, how we can play there, what capabilities we need, and the potential to partner with companies within our ecosystem.

How Value Creation Has Changed in 2024

The shift since last year has been looking for opportunities to pursue growth in certain markets. With all the changes (technology, society, environment, regulations), we are looking at risk mitigation and leveraging those trends into opportunities.

BRUNO SARDINHA

Senior Vice President & Chief Innovation Officer

With $41 billion in annual revenue, The Travelers Companies is the second largest writer of commercial property insurance in the US, and also has operations in the UK, Singapore, China, Canada, and Brazil.

COVID transformed the way we work and engage, collaborate, and organize ourselves. Now, with generative AI, pushing AI within the organization is going to transform the way we work. We have to be very careful and thoughtful about how we apply AI.

The biggest transformation is moving to a service-based model, versus just being a pure indemnification and underwriting company. One trend is the ability to leverage Capabilities-as-a-Service (CaaS) in multiple areas of the value chain, combining different offerings in the platform economy and different marketplaces. Achieving the concept of a "One-Stop Shop" requires us to think about how distribution is going to change and opportunities to partner and offer our products and services through partner platforms.

Many managing general agents (MGAs) can offer traditional expertise and technology solutions in certain areas, quickly putting together CaaS offerings. We see unbundling of the traditional value chain in the insurance industry, offering different capabilities along the value chain that customers can rent instead of buy.

Players owning data or certain capabilities can develop industry solutions quickly. Carriers offer solutions based on data, knowledge, or expertise developed over the years. For example, Allstate created a separate company, Arity, the telematics provider, with different offerings to the market. The unbundling of the value chain gives opportunities for big players to monetize with lower capital requirements or balance sheet requirements, providing services without being at risk.

Testing Emerging Technologies

We are looking at everything. The great thing about the job is tuning into different technologies and experimenting. There are always hype cycles about new capabilities. Blockchain is a great example. Five or six years ago, everybody was talking about its potential, but in the insurance industry, it was hard to transform that hype into reality. Then there was the interest in the metaverse with AR and VR. We tested it and tried to find use cases in risk control and claims.

In the insurance industry, telematics is here to stay. It's more advanced in personal and commercial auto. Other sensors, like IoT for property insurance, are less mature but have potential in certain areas.

CHAPTER 2

ORGANIZATIONAL STRENGTHS AND WEAKNESSES

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When considering your entire organization's pursuit of value, which do you consider to be your organization's greatest strengths?

We asked respondents to rank their organization's strengths when it comes to creating new value.

At the top of the list? Positive customer perception; a culture that encourages experimentation; and clear vision from top leaders.

1 Positive external perception and recognition of the organization's values, products, and services

2 Culture that encourages creativity, experimentation, and risk-taking to drive forward-thinking solutions

3 Clear vision and decisive decision-making from experienced executives

4 Diverse skill sets and expertise across departments and levels

5 Strong financial backing supporting investment opportunities and operational stability

6 Collaborative relationships with other entities, enhancing capabilities and market reach

7 Adaptive organization, enabling agility and responsiveness to market dynamics and internal needs

8 Methodical yet flexible approach to setting organizational goals, allocating resources, and achieving objectives

9 Agility in integrating and leveraging emerging technologies to improve processes and stay competitive

10 Open channels facilitating transparent information flow and collaboration among employees

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Why respondents chose these 'greatest strengths'

We invited respondents to explain why they highlighted the strengths they did. Below are selected answers, with the industry indicated at left.

Industry	Strength	Explanation
Chemicals	Adaptive organization enabling agility	"We run the organization lean and mean. Decision-making is at the lowest necessary level."
Aerospace & Defense	Agility in integrating and leveraging emerging technologies	"Our commercial approach to bundling products and services into full solutions for government customers."
Consumer Goods & Consumer Products	Clear vision and decisive decision-making from experienced executives	"Our strategies are very clear and have been working; leadership has been extremely consistent in decision-making over the past several years."
Professional Services	Collaborative relationships with other entities	"We work closely with partners and alliances, as well as academic and non-profit organizations."
Financial Services	Culture that encourages creativity, experimentation, and risk-taking	"We have a culture that promotes innovation and not being afraid to 'try something new.' This has enabled us to have several prosperous engagements with startups and the broader community."

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Industry	Strength	Explanation
Healthcare	Diverse skill sets and expertise across departments and levels	"I'm seeing more flexibility among new hires to bring in atypical skills. No longer are we completely siloed in our areas of expertise. This creates stronger teams and allows cross-functional teams to thrive."
Engineering & Construction	Diverse skill sets and expertise across departments and levels	"We work in several different technical areas, and each one has a bit of a different project delivery structure, as well as client buying requirements. We are able to capture that diverse thinking and leverage it across the organization as needed."
Higher Education	Methodical yet flexible approach to setting organizational goals, allocating resources, and achieving objectives	"We have new leadership that has a well-tested strategic approach to defining how we can win. This leadership is involving multiple constituencies in development of a strategy."
Aerospace & Defense	Positive external perception and recognition	"Currently and historically, the company is perceived as developing the edge of what is possible. [But] looking forward, the company isn't preparing for a paradigm shift in technology velocity and application."
Industrial Manufacturing	Strong financial backing supporting investment opportunities and operational stability	"The organization has budgeted significantly to expanding capabilities across new business creation, incubation, technology scouting, and corporate venture capital."

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Accelerating AI Progress — Carefully

Why We Created the AI Center of Excellence

Data is a very key asset for CarMax, and we recognized that early on. So we put a lot of focus on structure and governance and quality, and on building the right data platforms, focused on privacy and securing the data. We spent a lot of time over the last few years building good data governance, architecture, and data capability talent, and that allowed us to do a lot of AI on that strong data foundation.

As AI was becoming more commonplace, we evolved the data governance into AI governance and built an AI Center of Excellence, because we recognize that AI is a very rapidly-evolving space. There's a lot of momentum and new developments, and we

want to make sure we're embracing those advancements and incorporating those into our operating model in a safe and responsible way.

The AI Center of Excellence is a very cross-functional team across the company, at different levels all the way to my level. We have a steering committee, with me and some of my peers — it's a senior-level team.

And then we have a Use Case Advisory Team (UCAT) — somebody from legal, somebody from cybersecurity, somebody from our data practice, and someone from user experience. This small group is there to advise all teams — product teams, non-product teams, maybe not even technology — [that are] considering a particular use case with AI: "These are

SHAMIM MOHAMMAD

EVP and Chief Information and Technology Officer

CarMax is the largest used car retailer in the United States, with more than 240 stores across the country.

the boundaries, this is what we should be considering, maybe you should alter this a little bit so it fits the guidelines we have."

What We're Building with GenAI

A couple of years ago, one of our teams identified that we could leverage generative AI to make car information easier for customers to review and understand as they're going through the shopping process. They used GenAI to go through all the thousands of customer reviews on our online channels, organize them, and structure them in a way that's easier for customers to read.

The second thing they did is use GenAI to organize vehicle information. Every car, every year has different models with different characteristics and attributes. It can be very overwhelming for a customer searching through thousands of cars, so our team used GenAI to organize that so it's easier for customers to identify them and make decisions based on that information.

Those two use cases were designed primarily for the customer experience, but they also helped us in search engine ranking. If somebody's looking for a used car, if your information is structured in a good way, then you get ranked higher. My team is still refining and continually improving, so it continues to get better.

The other area is a virtual assistant that we have rolled out to our customers. Buying a car is a complicated process with a lot of information. It takes a long time and it's a considered purchase for most customers, because after buying a house, this is the second most expensive thing you'll probably do. So we want to make that process easier.

Traditionally, a customer can just go to the store and talk to somebody who's knowledgeable about whatever they have a question about, but we built this virtual assistant called Skye to give customers a way to get information while they're shopping on their own, if they need some answers on aspects of the car or the financing or any questions they may have. This is another example we rolled out a while ago, but we are continuously making it better.

It has had good adoption and good feedback from the customers, but the way our teams work, they're constantly monitoring and deploying new enhancements and testing it and making it better...

When considering your entire organization's pursuit of value, which do you consider to be your organization's greatest weaknesses?

We asked respondents to divulge their organization's weaknesses when it comes to creating new value.

At the top of the list? Lack of collaborative relationships with other entities; insufficient financial backing; and lack of clear vision from top leaders.

1 Lack of collaborative relationships with other entities, diminishing capabilities and market reach

2 Lack of strong financial backing supporting investment opportunities and operational stability

3 Lack of clear vision and decisive decision-making from experienced executives

4 Non-methodical or inflexible approach to setting organizational goals, allocating resources, and achieving objectives

5 Nonadaptive organization that doesn't allow for agility and responsiveness to market dynamics and internal needs

6 Lack of agility in integrating and leveraging emerging technologies to improve processes and stay competitive

7 Culture that is missing creativity, experimentation, and risk-taking to drive forward-thinking solutions

8 Negative external perception and recognition of the organization's values, products, and services

9 Lack of open channels facilitating transparent information flow and collaboration among employees

10 Lack of diverse skill sets and expertise across departments and levels

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Why respondents chose these 'greatest weaknesses'

We invited respondents to explain why they highlighted the weaknesses they did. Below are selected answers, with the industry indicated at left.

Industry	Weakness	Explanation
Financial Services	Culture that is missing creativity, experimentation, and risk-taking	"Business leaders are incentivized to hit near-term goals, not to take risks. Also we are a value (vs. growth-based) stock, so there is not as much of a focus on growth-based initiatives."
Financial Services	Culture that is missing creativity, experimentation, and risk-taking	"The company says it values risk-taking and a 'fail fast' mentality, but in practice that is not true."
Healthcare	Culture that is missing creativity, experimentation, and risk-taking	"Our company is risk-averse and in the risk management business, in a highly-regulated industry. We are a non-profit, and we have been successful in the past doing the things we do, the way we do them. Our success metrics do not incentivize risk-taking or experimentation. This is why having an innovation team to challenge the status quo, stimulate risk-taking, and empower the organization to innovate is so important."

Greatest Weaknesses: Explained (Continued)

Industry	Weakness	Explanation
Financial Services	Lack of agility in integrating and leveraging emerging technologies	"We currently look at this backward, addressing the emerging technology solutions without doing the up-front work first to identify the problems that need addressing, then looking to the solution space…"
Travel and Hospitality	Lack of agility in integrating and leveraging emerging technologies	"Our procurement rules and ability to acquire new technology limits our ability to move quickly and scale new solutions."
Aerospace & Defense	Lack of agility in integrating and leveraging emerging technologies	"Whilst we are great in developing new applications, we usually stick to the old business models and markets anyway. That was a good recipe until not too long ago, but doesn't allow holding pace with new competition."
Financial Services	Lack of clear vision and decisive decision-making from experienced executives	"[We are a] large matrixed organization with a very siloed approach, and [we utilize] multiple conflicting systems and processes at the same time to accomplish the same tasks."
Industrial Manufacturing	Lack of clear vision and decisive decision-making from experienced executives	"The company has gone through a number of substantial changes and the executive teams have been changed several times. There are few executives with experience in our market."

Industry	Weakness	Explanation
Professional Services	Lack of collaborative relationships with other entities	"Sometimes our key relationships/champions are with certain individuals at an organization, as opposed to a larger group at an organization."
Insurance	Lack of open channels facilitating transparent information flow and collaboration	"We are very siloed. Our business units do not collaborate, and the size of the organization can [make it] difficult to understand who main points of contact, SMEs, and key stakeholders are outside of your current business unit or reporting structure."
Pharmaceuticals & Life Science	Lack of strong financial backing	"ROI behind every decision leads to [excessive killing] of ideas."
Higher Education	Lack of strong financial backing	"With declining revenues, there is constant reduction in operating and hiring budgets, thereby reducing our ability to create enhanced customer value and communicate this value."
Aerospace & Defense	Negative external perception of the organization's values, products, and services	"Company brand [is as] a services integrator, rather than a technology leader."

Industry	Weakness	Explanation
Healthcare	Inflexible approach to setting organizational goals, allocating resources, and achieving objectives	"Goal setting [now happens] in service to the online performance software, it seems. Meeting the requirements of … a precise number of goals to work towards, and two calendar periods per year, make for goals that are less about the business objective — and more about the process."
Financial Services	Inflexible approach to setting organizational goals, allocating resources, and achieving objectives	"We are highly complex and have unclear mental models at times around what we should be doing and who should be doing it. We often operate with little consistent vision nor intellectual space for strong visions to take root."
Pharmaceuticals & Life Sciences	Inflexible approach to setting organizational goals, allocating resources, and achieving objectives	"Like many peer pharma companies, our only constant is change. It seems we have a major restructuring or reorg every 18 months, with changes in leadership, priorities, objectives, goals, resource allocation, etc. It is hard to show long-term impact in the context of ever-changing goals and targets."
Non-Profit & NGO	Nonadaptive organization that doesn't allow for agility and responsiveness	"We have an exceptional orientation towards collaboration, which has the positive benefit of underpinning a strong culture and set of shared values. But it can be at the cost of speed and agility, as so many individuals / teams need to weigh in on both strategic and operational matters. Our awareness of external market forces is also limited."

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The Human Side of Innovation: Four Hallmarks of Innovation Leaders

Every organization says it wants to be more innovative. Some pursue innovation with a focus on adopting the latest technology. Some seek opportunities to fine-tune existing processes or find more productive ways of working. Others forge partnerships that enable new revenue streams.

Organizations that are consistently innovative know that none of those is the true key to success. They recognize that the best innovations are born from human curiosity and creativity — through the collaboration and synergy of individuals and teams.

At KPMG Ignition, we call this the human side of innovation, and we believe every organization can harness it more fully. As you reflect on the human side of innovation within your own organization, consider how you can better emulate four behaviors of innovation leaders.

1. Embrace a culture of disruption.

Your culture is critical to unleashing the full potential of human ingenuity. People need to know that the organization wants bold disruption of the status quo. This can't be mere lip service. People need to see recognition and rewards for colleagues who are disruptors and

BRIAN MISKE

National Leader, KPMG Ignition

Miske leads a diverse team that shapes perspectives and uncovers opportunities through design thinking, creativity, and innovation. They support twelve industry sectors and 22 segments.

risk takers. They need to know it's safe to fail. Indeed, failure should be seen in a positive light—as a learning moment that helps you get closer to a goal.

In a large, established organization, it may be challenging to spark that kind of universal culture change. In that case, consider building a formal structure within the enterprise or spin off a separate company dedicated to innovative thinking.

Inspiring innovator: A housing rental start-up

Fostered by a disruptive culture by challenging the traditional hospitality industry and redefining the concept of accommodations, this company transformed the travel and lodging sector by encouraging bold, innovative thinking among employees and embracing creative risk-taking.

2. Find the innovation standouts.

While innovation can and should be the mission of everyone in an organization, some people are more inclined to look and think beyond the proverbial box. These are the rockstars, rebels, and rogues. They aren't afraid to break new ground.

In each department, find the innovation standouts. Bring them together in small, cross-functional teams. Then give them basic guardrails, but for the most part, let them self-govern. If you build more than one of these teams, you can start to propel innovation in phases—with one team laying the groundwork before handing it off to another to make further progress.

Inspiring innovator: Tech industry leader

Known for identifying innovation standouts by bringing together top engineers, designers, and creatives to form special "moonshot" teams. These teams work on groundbreaking and ambitious projects such as self-driving cars.

3. Foster radical transparency.

Be clear about how the organization defines innovation and what success looks like. Don't say you want to achieve "next-level" growth; announce that you're aiming for 10% growth.

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To forge innovation, empower people to cast off old assumptions and pose challenging questions. In traditional, bureaucratic organizations, dissent may be seen as a liability, and speed may be viewed as a risk. But as you nurture the human side of innovation, both become assets. With your people aligned around your innovation vision and goals, they can begin to test new directions and move much faster while staying in control.

Inspiring innovator: Leader in the financial information industry

Known for practicing radical transparency by openly sharing financial information, company strategies, and employee salaries with the public. In doing so, they have established a culture of openness, trust, and authenticity within the organization.

4. Implement deliberate experimentation.

Sometimes innovation initiatives become experimentation by design, with an emphasis on "exploring what's possible." That can be interesting and helpful, but it may not make enough impact.

"**With your people aligned around your innovation vision and goals, they can begin to test new directions and move much faster while staying in control.**"

Instead, consider experimentation with intent: Name a target business outcome. Establish a preliminary plan and allocate a short period of time. Then give an individual or team the assignment and let them go to work. See what they're able to produce when freed from the constraints of status-quo thinking and bureaucratic barriers. Encourage them to push themselves to their breaking point—knowing that you will catch them if they fall.

Tap into the Power of Human Ingenuity

Humans are curious. We're creative. And when faced with even the most daunting challenges, we're willing to rise and meet the moment. Human ingenuity is what got us to the moon in the 1960s. It's what will help us realize the promise of quantum computing in the no-longer-distant future. And it's what can help your organization break new ground as you meet your mission, power growth, and make a bigger, better impact in business and society.

Three Key Questions for Every C-Suite Leader

1. How are we fostering a culture of openness, curiosity, and creativity within our organization to encourage human-centered innovation?

2. In what ways are we empowering and supporting our employees—particularly the rockstars, rebels, and rogues—to drive innovation within their respective domains?

3. Are we transparently communicating our vision for innovation and providing the necessary resources and support for our employees to ideate, experiment, and transform ideas into viable solutions?

CHAPTER 3

TECHNOLOGY AND VALUE CREATION

Which Technologies are Most Important?

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How important do you consider embracing these new technologies to achieving your value-creation objectives?

Artificial intelligence, far and away, is the technology most respondents see as important in 2024, followed by quantum computing. The space economy, augmented reality, and virtual reality were seen as somewhat less important.

Legend:
- ■ Critically important
- ■ Important
- ■ Somewhat important
- ■ Somewhat unimportant
- ■ Unimportant
- ■ Not at all important

Artificial intelligence (AI):
- 58.1%
- 35.1%
- 5.4%
- 1.4%

Quantum computing:
- 12.2%
- 21.6%
- 28.4%
- 20.3%
- 17.6%

Space economy:
- 4.1%
- 9.5%
- 13.5%
- 25.7%
- 28.4%
- 18.9%

Augmented/virtual reality (AR/VR):
- 2.7%
- 13.5%
- 29.7%
- 31.1%
- 20.3%
- 2.7%
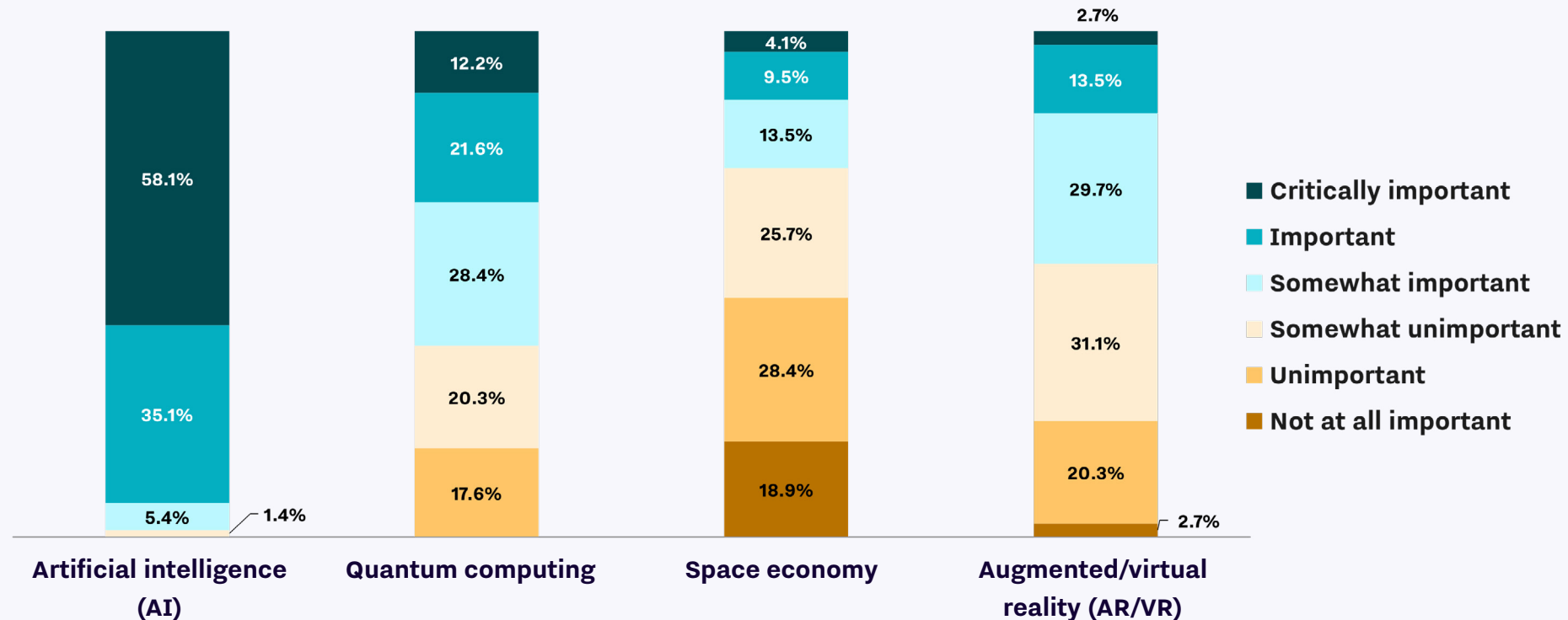
Moving From Tactical AI to Strategic AI

Defining Value Creation in 2024

First, the key thing is building awareness of newer technologies. Second, you need to create that "innovation DNA" across the company. You should always continuously be exploring things in a lab. So, there must be R&D happening all the time. Business units usually only do things when it is a true internal requirement.

Whenever you are asked to get in and…meet a business need for the direction of the company, always think of options to modernize what you have. Every single sizable company will have some sort of tech debt. So, whenever you touch code—and have the opportunity—try the new approach and modernize it with new tech.

Accelerating AI

We have set up an AI accelerator and are setting up foundational things for next year to put a lot more effort into AI—not AI for the sake of AI, but all the new things that we need to build for cost reductions. We are looking at everything. 2024 has been more tactical, but at the same time, the AI accelerator has been set up—which we will latch onto next year for more strategic innovation.

ChatGPT: 'Like a New Magic Wand'

With all emerging technologies, you've got to sell it internally. Again, people just do what is required. Data science and modeling have always been central to what we do and how we deliver value to the organization. But ChatGPT

UMA MEYYAPPAN

Senior Vice President, Supervision & Regulatory Control Technology

With $1.1 trillion in assets under management, LPL Financial is the largest independent broker-dealer firm in the US.

is easier, and people caught onto it — like "a kid in a candy store" is the phrase that comes to mind. And people thought, "Oh my god, it is like a new magic wand." So, ChatGPT gave us a little bit more visibility and made what we do more tangible. AI could clearly solve a lot more problems. It has provided awareness to the business folks, and [that] helps with prioritizing and budgeting future projects.

Collaborative AI in Action

Generative AI is just more of a hub-and-spoke model. The central team defines some standards and takes on some of the heavy lifting. For instance, in my group, if I think that there is a business function where AI would be much more effective, then I would partner with the business unit through the AI accelerator and encourage them to bring all the best business practices to prove it out. And we would do it in collaboration. It's not like things are going to be baked in the lab separately. When I was leading the innovation unit, we would do things that were common across the business units. For example, every company is going to have document summarization and functions like that, which could be a plug-and-play AI functionality for every department. So, things like that will be centralized through

the AI accelerator. Each group can also work with the teams and get into the AI lab to expedite projects.

Innovation is About More than Presenting Decks

I would say innovation acceptance always needs to come from the top down… Innovation teams are often seen as sitting on the edge of the organization and not doing anything. You have to find a senior leader who is an innovator to get the buy-in. Lab projects and R&D efforts need to solve the real problems of the company, and not just come up with new ideas for the sake of new ideas. Do not speak too broadly about the impact of technology in generic terms… be really grounded in a use case or a case study. Closely partnering with technology executives, taking a pain point, and solving it for them without hindering their current flow and without saying, "I need your time and I need more money." Listen to them. Take the use case, solve it separately, and give it to them.

Deliver more than you promised, and never make it all about presenting decks. You are going to fail if it is all about updates via deck presentations. Do more — and show them tangible results.

Comments on Embracing Technologies

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Why do you feel that embracing new technologies are important to achieving your organization's value creation objectives?

Respondents explained why they felt the following technologies were relevant to their organizations in 2024.

Travel and Hospitality

AI
AR / VR

"AI is critical to how we approach building greater efficiencies in how we work across our entire enterprise. Determining an AI strategy and the right solutions for the various use cases is critical in the near future. AR/VR is also important as we look at engaging consumers/customers with the right information at the right time."

Non-Profit & NGO

AI
AR / VR

"AI is / will be disrupting our core proposition with users, and provides opportunities to address new jobs-to-be-done. Since our product deals with content about physical products, AR/VR may be highly relevant."

Financial Services

AI
Quantum computing

"AI is important to any industry. Quantum computing is less important now, but [we] want to watch it…"

Retail

AI

"AI is offering massive enhancements to workflows already, and will be an increasing component of how we do work in all parts of our organization."

Financial Services

AI
AR / VR

"These capabilities are here now, and can be coupled with existing capabilities to deliver incremental benefits. It is important to at least *do something* in each of these spaces, even if we need to wait for some of the compliance and regulatory activities to settle."

Pharmaceuticals & Life Sciences

AI
AR / VR

"These technologies have massive potential to augment both our current products and the development of new products."

Energy & Utilities

AI
Quantum computing
AR / VR

"We are using two of these technologies (AI and AR/VR). Quantum computing seems like something to explore and use as it becomes more of a mainstream reality. Taken together, these three new technologies will help us provide our stakeholder groups with what they have asked from us (reliable power, return on investment, etc.)."

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Comments on Embracing Technologies

Why do you feel that embracing these technologies are unimportant to achieving your organization's value creation objectives?

Respondents elaborated on why they felt the following technologies were not very important — yet.

Aerospace & Defense

Augmented / virtual reality (AR / VR)

"AR/VR are not that new, compared to the other choices. The hype is largely gone, some solid applications remain and are being improved. However, the big expectations haven't been fulfilled so far, and I see no reason that this is going to change."

Pharmaceuticals & Life Sciences

Artificial intelligence
Quantum computing
AR / VR
Space economy

"It's not new tech which helps, it's the value prop in our current business model, which will help us guide [using] new tech in existing industries."

Engineering & Construction

Quantum computing
AR / VR

"No good use cases at the current time."

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Industrial Manufacturing

Quantum computing
AR / VR
Space economy

"Quantum computing is not close to application impact for some years. We have nothing to do with space directly, though indirectly we all benefit. AI has many benefits."

Government & Public Sector

Quantum computing
AR / VR
Space economy

"Space and quantum are for now too far removed from our business to have a direct impact. We have had trouble getting adoption on AR/VR for business, which makes people reluctant to try them now."

Healthcare

AR / VR
Space economy

"They don't move the needle."

Chemicals

Space economy

"This is too far off in the future to worry about, although we have a customer base in aerospace and outer space related endeavors."

Anticipating Changes in Commerce

My Role

Over the last few decades, we have evolved into a technology company with some value-added services that are outside of our card portfolios, in networks, in fintech, in cybersecurity, in data, and more. In a nutshell, we play a multi-faceted role as network operators to ensure that whenever and wherever a purchase is made, that transaction is safe and secure for the consumers, merchants and the financial institutions. …Our priority is to help facilitate the transfer of the value between the people who want to exchange it. I lead the global function of research and development at Mastercard for an umbrella unit called Foundry. Collectively, we are responsible for Mastercard's innovation agenda, which means trying to figure out and anticipate the changes in the world of commerce.

We report into the Chief Innovation Officer for Mastercard, Ken Moore.

What Changed about AI

What's different [with AI] right now is the advent of the computational power, as well as the data that's around us. So being able to use generative AI, for example, to look at the unstructured data [we have.] What I'm excited about is there's a confluence of these advancements in AI, as well as of computational power and the data technology, that are coming together right now. The

RAHUL DESHPANDE

EVP and Global Head of Research & Development

Founded in 1966, Mastercard offers a range of payment processing and technology services around the world. Revenues in 2023 were $25 billion.

applications [are increasing] in different areas, including finance, retail, healthcare, education, and obviously, payments.

Quantum Computing

Quantum computing is really interesting. It tries to solve what we call the "NP hard" problems. These are the problems that are really hard to solve using conventional computing — like optimizing loyalty rewards for the right consumers. These are really hard to solve in a linear computing way. This is where quantum computing has some promise. On the flip side, because the same technology is available to the criminals, [quantum] can also be used to solve for cryptography. So we recently made our encryption safer... quantum-proof, basically. That's one of the use cases that we first looked at.

Quantum is probably about three to four years away to enter the mainstream. But we as the Foundry, we're looking at it as an emerging technology that could transform [many things related to our business].

Outside Partners

None of these things can be done by yourself, right? Most of the things are happening in universities. They're also happening with lot of the startups that we need to partner and engage with. We have a very robust startup engagement program called StartPath. That's a principal way that we engage with the companies who are working in these advanced fields. We also have partnerships with lot of universities around the world [that are] specialized in cybersecurity or consumer research, mixed reality, quantum computing, or AI. We leverage all of that. We also have an in-house team of people that are looking at research papers... and then partnering with universities, as well as partners like startups and [other] companies, to devise new products for Mastercard.

Role Models

I would look more at the startup ecosystem right now, versus looking at the [R&D labs of large] companies as my inspiration. Our goal is to look at the new technologies, changes in the consumer behavior, and then apply them to products and services. And who does that? ...The new startups.

'We Need to Be Applied'

The rate of innovation is increasing, and we all need to be aware

of that, because our customers are expecting [new technologies] to be part of our products and solutions. ...If we don't, then our competitors are going to definitely do that, right? That is why we think this group is very important. Now, we need to be applied. We are not [doing] research per se, but being able to apply those technologies and those ideas into the products that we have. Our motto is applied R&D at scale. It used to be that R&D was on the side; you have a small unit that just looks at creating proof-of-concepts, prototypes, some of these magic things that you it's good to show once in a while to our customers to say we are innovative.

That gap between where technology is invented, to where it actually shows up in the products — that has gone down. Now the R&D groups are responsible for building actual new products. We don't have time now to keep on having these cycles of POCs to, maybe a couple of years down the line, you may or may not want to do this at scale. Everything that we build now has to be built only once and at scale.

"Everything that we build now has to be built only once and at scale."

Building an AI-Augmented Workforce: What Can You Learn from KPMG aIQ?

When exploring AI's potential to unlock innovation and efficiency, every organization faces critical questions about the impact on people. While AI promises to transform how work gets done, there remains much that humans can do — and machines can't.

What's more, realizing the full value of AI and other innovations requires people who are willing and able to work with the tech, not against it. How can leaders determine the best division of "labor" between people and technology? How can you prepare your workforce for this new breed of "colleague"? What are some no-regrets workforce investments you can start making today? For KPMG LLP (KPMG), these aren't theoretical challenges or rhetorical questions. They're among the complex issues we're addressing as part of our own AI and digital transformation.

Prioritizing the Human Side of AI Innovation

With every significant wave of disruption, technology has proven to create more jobs than it destroys. While we are still in the early stages of the adoption of AI, we anticipate it will follow a similar trajectory. That said, no other technology has so directly impacted knowledge workers. Consequently, we view AI workforce transformation as more than a technology upgrade. It's a

EDWIGE SACCO

Partner, Head of Workforce Innovation

Sacco is a partner in KPMG's Talent & Culture organization and leads enterprise workforce innovation and aIQ change initiatives.

chance to reshape the workforce and rework work.

In planning and executing our transformation, we've committed to embracing the human side of innovation and seeing AI as a complement to the workforce of the future. It should not be viewed as a job taker but a potential job maker—one that elevates people into more strategic and creative roles.

That won't happen by accident. It requires intentional planning and investment—and we believe it is the role and responsibility of every employer to prepare and invest in their workforce.

We've already spent more than a decade innovating with AI and helping our clients use it to drive service enhancements and increase productivity. In powering our own transformation, we consider ourselves to be "client zero"—and we're taking our own advice when adopting AI. We're taking a people-first, human-centric approach to AI transformation. And we're treating it not as another tech deployment, but as a transformative process that puts people at the forefront.

In short, KPMG is committed to demonstrating what it means to be human-centric, and we're striving to be transparent about the hard questions we are still trying to answer.

Building Our aIQ

Change of this scope and scale occurs in both formal, "official" ways and through day-to-day collaborations and interactions. To guide both, KPMG invested in naming and messaging for our AI initiative, and on February 28, 2024, we unveiled KPMG aIQ to our KPMG US workforce.

KPMG aIQ is our program for accelerating and expanding the firm's efforts to prepare our workforce for an AI-forward approach to serving clients and running the business. Through KPMG aIQ, we're aiming to enable 100% of our partners and employees to integrate GenAI into their everyday work by the end of 2024.

To that end, 30,000+ employees have already begun AI learning journeys. Taking this human-centric approach is paramount as it is the expertise and experience of our professionals that makes the difference and delivers transformative outcomes for clients. In this article, we share some highlights of KPMG aIQ to help inform and inspire others leading similar change initiatives.

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To minimize workforce shock and manage organizational risk, we're taking a cross-functional, holistic approach to AI workforce transformation.

Four Must-dos for Human-centric AI Transformation
As any organization embarks on AI transformation, consider these short- and long-term investments that we're making to accelerate and drive AI adoption:

1. Use talent planning and workforce shaping to help talent leaders deconstruct/reconstruct how work is done.

Leaders will increasingly ask how AI can streamline projects. To do so, companies should invest to better understand how AI impacts productivity before embarking on a major technology

rollout. Workforce shaping is a critical part of transforming the workforce and addressing future talent gaps. To minimize workforce shock and manage organizational risk, we're taking a cross-functional, holistic approach to AI workforce transformation. More specifically, we're focusing on identifying capabilities, roles, and enablers; activating role augmentation; capturing value; and addressing risk and compliance.

2. Invest in upskilling and reskilling to help people adapt to new responsibilities and opportunities.

Companies must prepare for an AI-forward future now and invest in AI training and education initiatives, focused on increasing workforce productivity and equipping workers to use AI safely, securely, and responsibly.

3. Reimagine the employee experience.

Take a human-centric approach to tackling the required changes that AI will have to existing processes, systems, and work norms. With KPMG aIQ, our focus is on empowering employees to translate those productivity gains into improved

job satisfaction, rewarding careers and better experiences for clients. Our talent strategy is focused on future-proofing our workforce by supporting our people and maximizing their potential, and a big part of that is developing them today to meet the business needs for tomorrow.

4. Above all, lead with culture and values to guard against the negative impacts of AI.

Start by articulating a clear vision. For KPMG, we've declared, "In the age of GenAI, organizations must be bold, fast, and responsible. While last year was marked by a surge in AI-related excitement, we believe the disruption AI will have on the way we live and work is underestimated. At KPMG, we envision a future powered by AI, where its capabilities will reshape industries and drive innovation in ways we have yet to fully comprehend." These statements ground all our efforts — providing a North Star for every employee.

Tap into the Power of Human Ingenuity

Humans are curious. We're creative. And when faced with even the most daunting challenges, we're willing to rise and meet the moment. Human ingenuity is what got us to the moon in the 1960s. It's what will help us realize the promise of quantum computing in the no-longer-distant future. And it's what can help your organization break new ground as you meet your mission, power growth, and make a bigger, better impact in business and society.
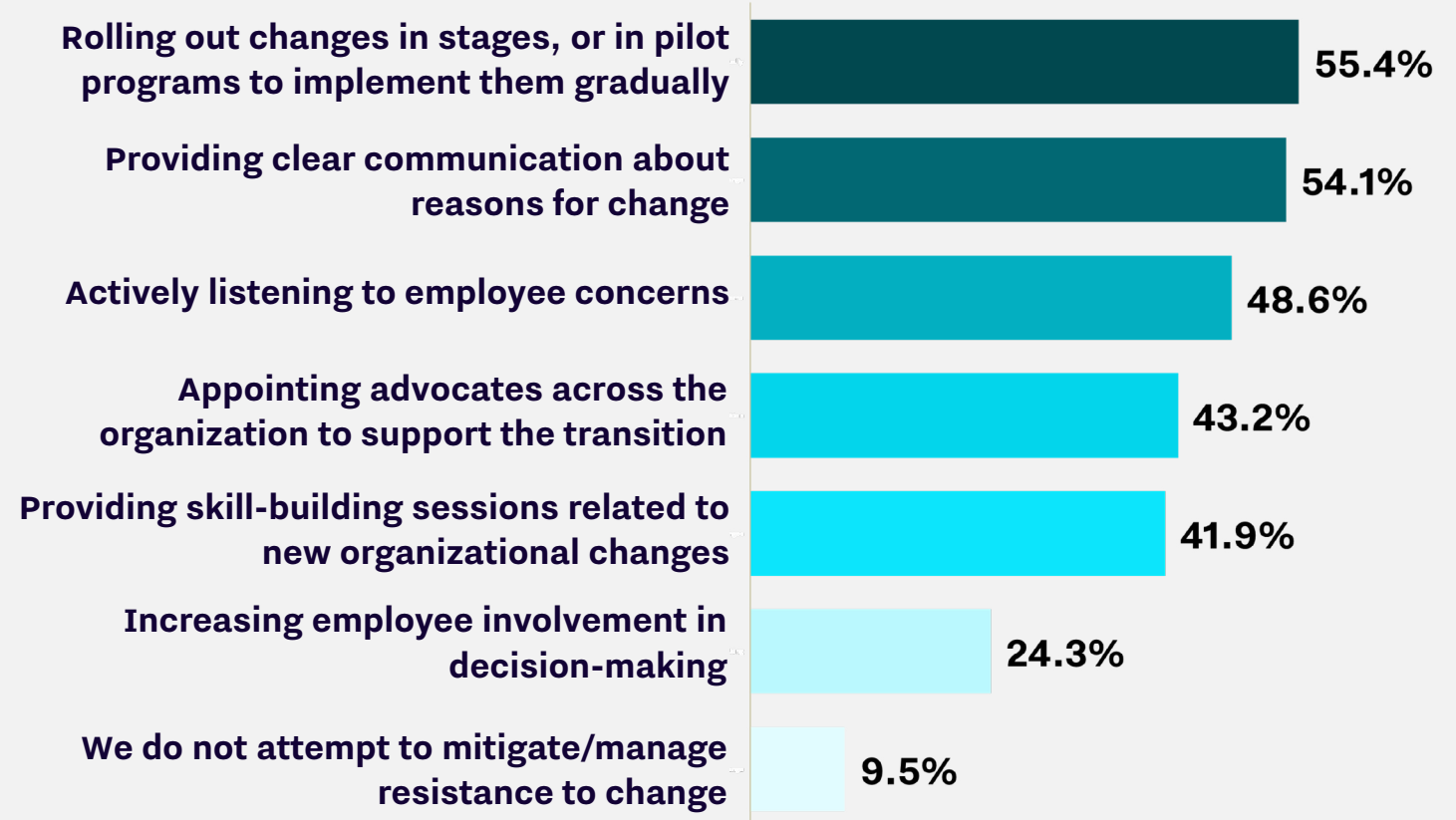
CHAPTER 4

RESISTANCE TO CHANGE AND RESPONDING TO THREATS

Dealing with Resistance to Change

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In what ways does your organization's leadership attempt to manage and/or mitigate resistance to change within your organization?

Respondents told us that in many organizations, rolling out changes in stages; being clear about what is behind the changes; and actively listening to employee concerns are ways that leadership tries to deal with resistance to change.

Fewer than 10 percent of respondents say their leadership makes no attempt to manage resistance to change.

Response	Percentage
Rolling out changes in stages, or in pilot programs to implement them gradually	55.4%
Providing clear communication about reasons for change	54.1%
Actively listening to employee concerns	48.6%
Appointing advocates across the organization to support the transition	43.2%
Providing skill-building sessions related to new organizational changes	41.9%
Increasing employee involvement in decision-making	24.3%
We do not attempt to mitigate/manage resistance to change	9.5%

Responding to Disruptive Threats

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How does your organization plan to respond, if at all, to the emergence of disruptive threats in the market (e.g., startups introducing radically new business models)?
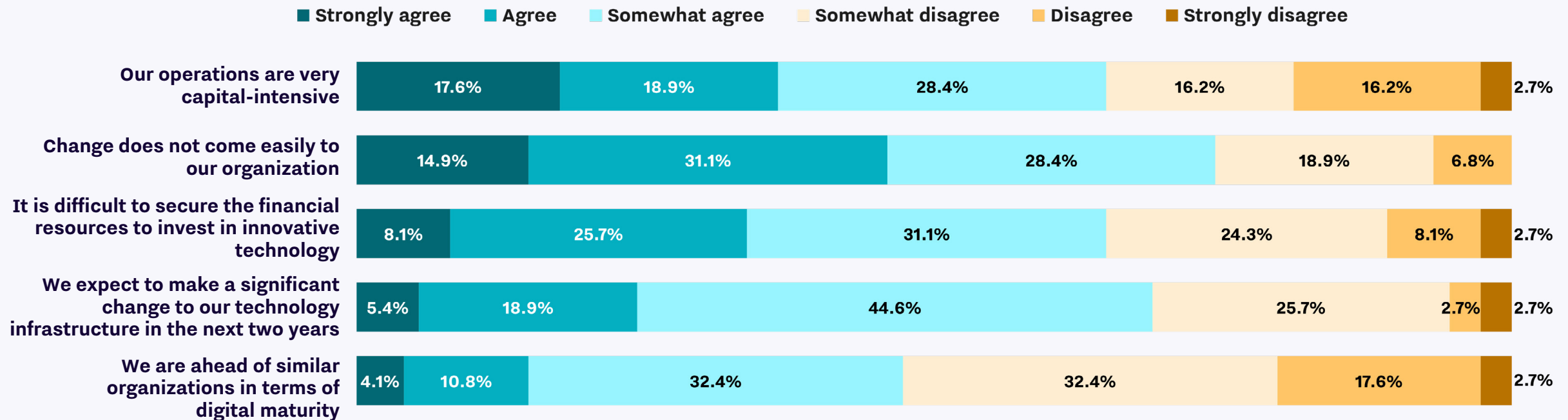
Respondents could select multiple answers. Investing to drive innovation in the core business rose to the top, followed by two kinds of external collaboration: with startups, and with other partners.

Invest to drive innovation in our core business — 74.3%

Collaborate directly with startups — 52.7%

Collaborate with other open innovation partners (e.g., accelerators, academia) — 51.4%

Invest to organically build new ventures (e.g., spin-ins or spin-outs) — 37.8%

Invest to build new ventures with outside partners (e.g., venture studios) — 27.0%

My organization does not plan to respond to disruptive threats in the market — 4.1%

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Describing My Organization
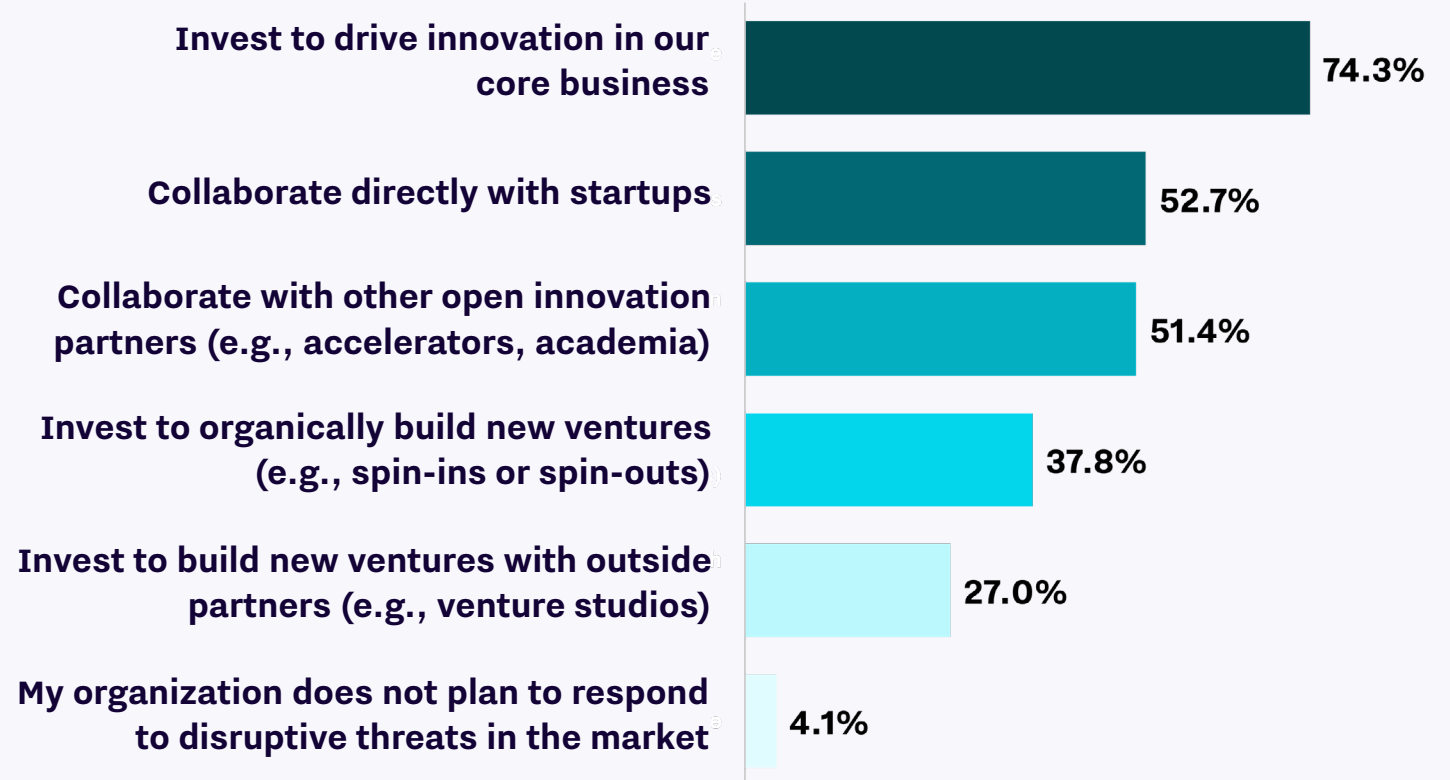
Please indicate how much you agree or disagree with the following statements when applied to your organization.

More of our respondents agreed with statements like "change does not come easily to our organization" than "we are ahead of similar organizations in terms of digital maturity."

■ Strongly agree ■ Agree ■ Somewhat agree ■ Somewhat disagree ■ Disagree ■ Strongly disagree

Our operations are very capital-intensive
- 17.6%
- 18.9%
- 28.4%
- 16.2%
- 16.2%
- 2.7%

Change does not come easily to our organization
- 14.9%
- 31.1%
- 28.4%
- 18.9%
- 6.8%

It is difficult to secure the financial resources to invest in innovative technology
- 8.1%
- 25.7%
- 31.1%
- 24.3%
- 8.1%
- 2.7%

We expect to make a significant change to our technology infrastructure in the next two years
- 5.4%
- 18.9%
- 44.6%
- 25.7%
- 2.7%
- 2.7%

We are ahead of similar organizations in terms of digital maturity
- 4.1%
- 10.8%
- 32.4%
- 32.4%
- 17.6%
- 2.7%

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Moving the Needle on Revenue or Efficiency

Company-wide Impact

Once a drug is approved, we get involved in deciding what our field [sales] sizing looks like. How many people do you need, [and] in what geographical location? Fine-tuning that model or the go-to-market model is one of the aspects of what we do. If it's a new drug launch, we identify the right set of doctors who have the right set of patients for our drug. We have a company-wide impact with any launched product.

Ways that We Create Value

...If we can make our stakeholders more efficient, that's one way. If we can create solutions, whether it's a data analytic solution or AI solution, that would help do our targeting in a more precise way; that's validation for us. If

we can retain one patient a little bit longer on our drug, that's value creation for us. If we can increase the efficiency of our marketing team and our sales team, that's a value creation for us. Wherever we can move that needle to increase the dollar amount or increase efficiencies, that's what we are going after.

As a team, we need to know how value creation impacts talent, and how talent impacts value creation. It's a huge impact.

There are two things on the talent side. One is getting the right experienced person who knows the stuff. The second is the willingness to adopt new technology and explore with the vendor what's out there, and bring that into the company. It doesn't need to be

SURESH MARTHA

Head of Data-Driven Innovation and Analytics

Based in Rockland, Mass., EMD Serono is the healthcare business of Merck KGaA in the United States. Its products treat infertility, multiple sclerosis, and cancer.

whoever you are hiring who knows or can do all the coding. As long as they understand basic stuff and have a willingness to adopt and learn new technology, explore or evaluate new vendor tools and technology, and bring that back into the company.

AI-Powered Analytics for Stakeholders

I have one team that's really focused on commercial dashboards. Tableau has its own generative AI capability. We use Tableau as a visualization tool, and Tableau launched its own generative AI capability, which is sitting on top of a really good analytical architecture. We are piloting that now to enable our executives to get natural language analytics [from existing dashboards]. They can ask questions and get a response back without waiting for my team, or it can build a dashboard for them.

One of the overarching goals for my team [relates to] our stakeholders spending at least 20 to 25 minutes on a dashboard to figure out what they need to know. How can we cut down that time, so that they can focus on things that they are good at?

Adopting AI tools in a Regulated Industry

One thing that worked in our favor, especially in the highly-regulated healthcare industry, is that everything gets scrutinized. Even though vendors pitch tools to senior leadership, there are guardrails within the company to make sure that anything we buy goes through a proper security review to protect our data. There is a governance mechanism to evaluate new tools to make sure it's actually solving the issue. When all these GenAI tools started, there weren't a lot of security guards. Now, at least many of these tools have that security guardrail... So healthcare, in general, is getting comfortable using some of these tools.

We don't want to slow down the evolution of technology, so we have a committee that helps educate leaders and sub-departments about new tools. We also have internal tools for GenAI and encourage all our employees to use it. There is a forum focused on encouraging employees to adapt to this technology in a secure way.

Value Creation Checklist

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Our interviews and survey honed in on the elements necessary to create new value in large organizations, many of them listed on this page. You can use this as a discussion document with your team or with your leaders. Are you clear on what the objective is? Are all of the required elements in place? Are you in agreement on the target outcome and timeframe?

☐ Target Outcome (e.g., reduced costs, revenue growth, market expansion, customer satisfaction/loyalty)	
☐ Timeframe (for outcome to start becoming measurable)	
☐ Talent Required	
☐ Financial Resources Required	
☐ Internal Support Required (e.g. key stakeholders)	
☐ External Support Required (e.g. suppliers, channel partners)	
☐ Key Metrics to Track Progress	

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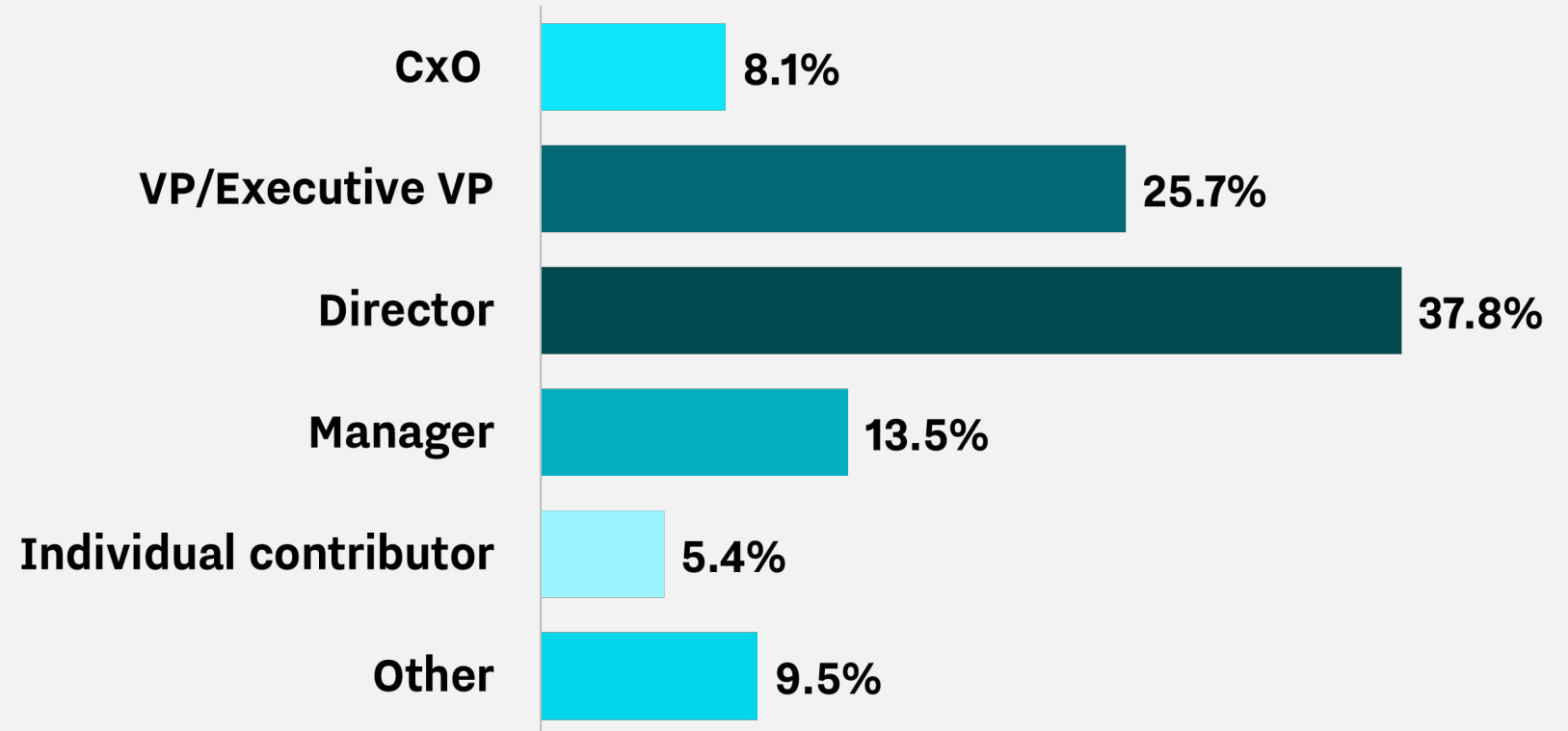**What industry best describes your organization?**
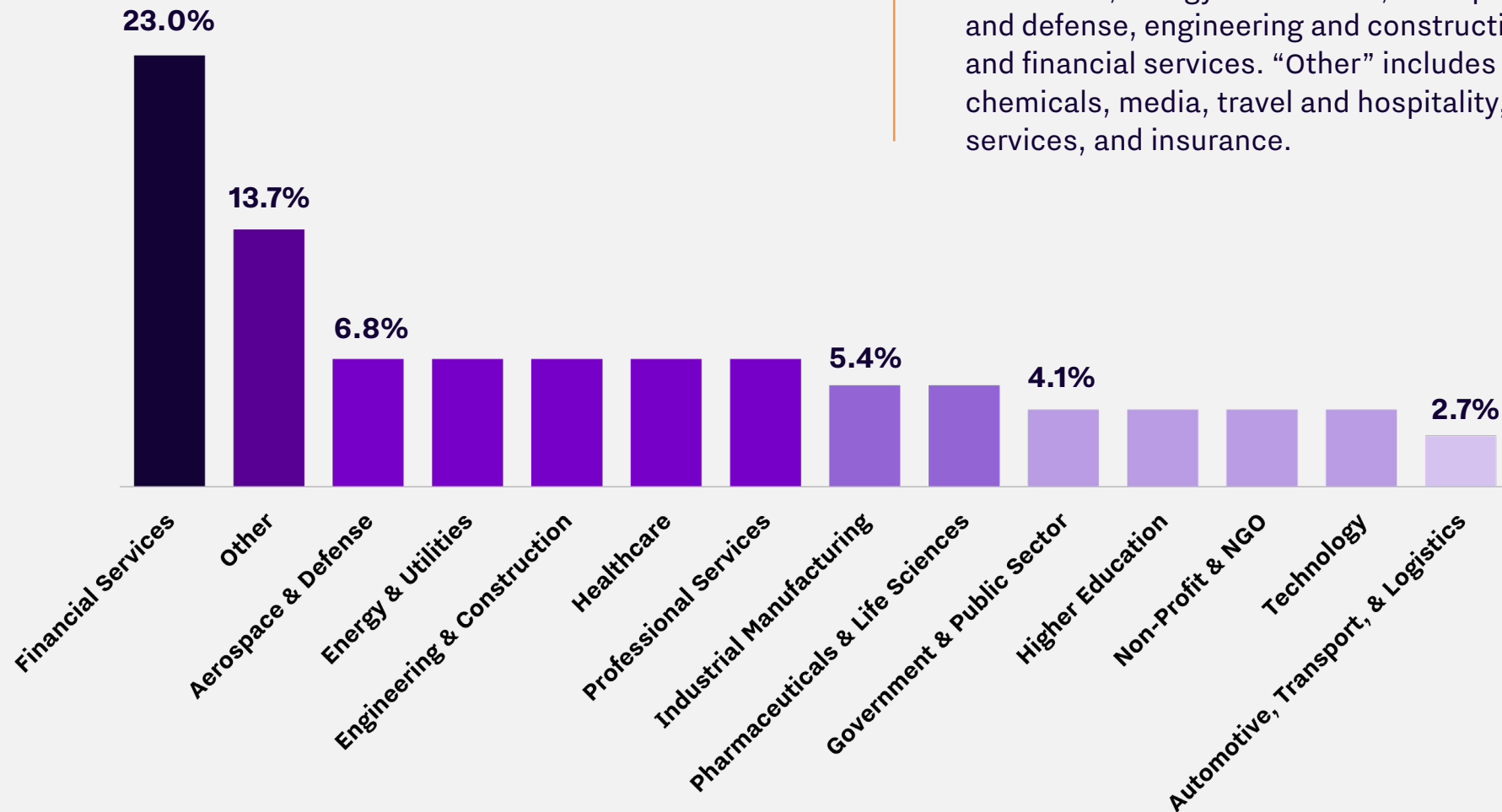
Nearly one-quarter of respondents work in financial services, with significant clusters in healthcare, energy and utilities, aerospace and defense, engineering and construction, and financial services. "Other" includes retail, chemicals, media, travel and hospitality, IT services, and insurance.

- Financial Services: 23.0%
- Other: 13.7%
- Aerospace & Defense: 6.8%
- Energy & Utilities
- Engineering & Construction
- Healthcare
- Professional Services
- Industrial Manufacturing: 5.4%
- Pharmaceuticals & Life Sciences
- Government & Public Sector: 4.1%
- Higher Education
- Non-Profit & NGO
- Technology
- Automotive, Transport, & Logistics: 2.7%

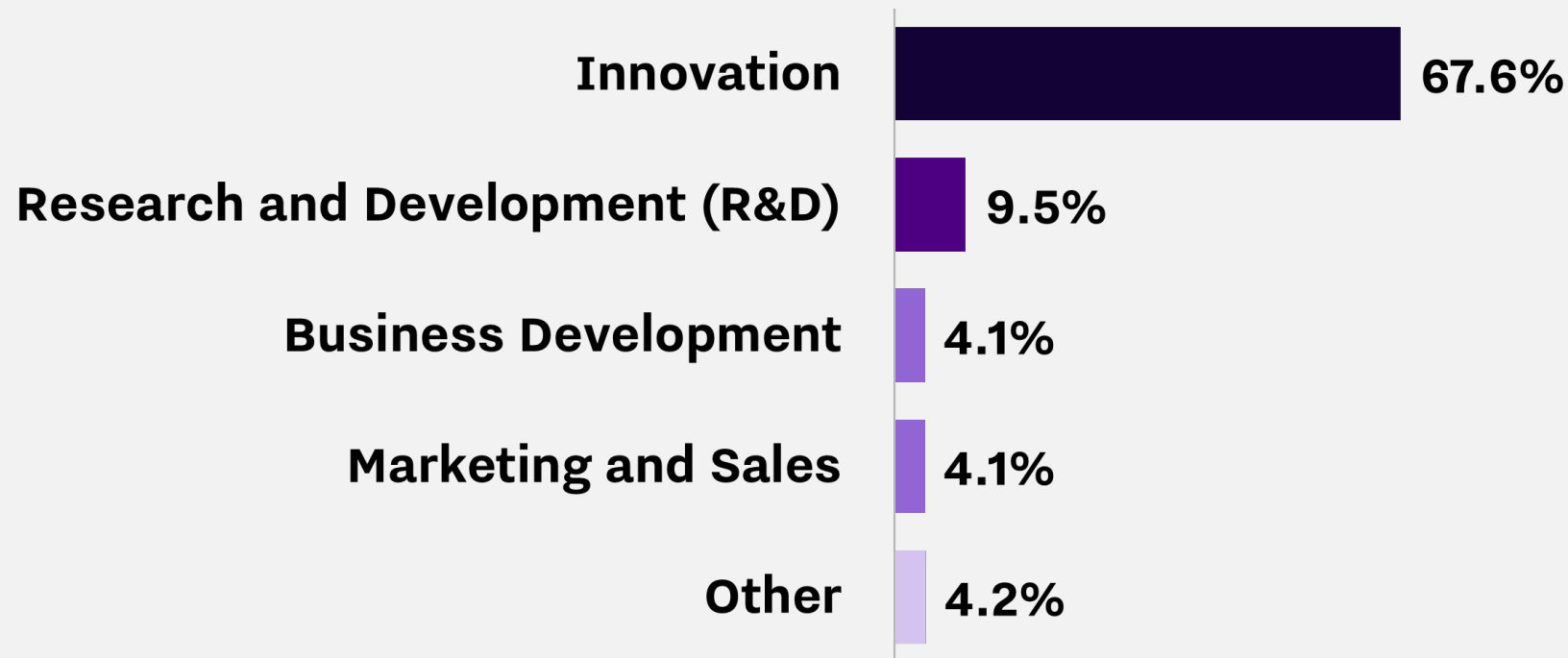## Which of the following best describes your current job level?

One-third of our respondents are at the VP level or above in their organizations, with nearly 38 percent working at the Director level.

In the "Other" category were Senior Leaders, Program Managers, and people with dual roles, including as CEOs of internal new ventures.

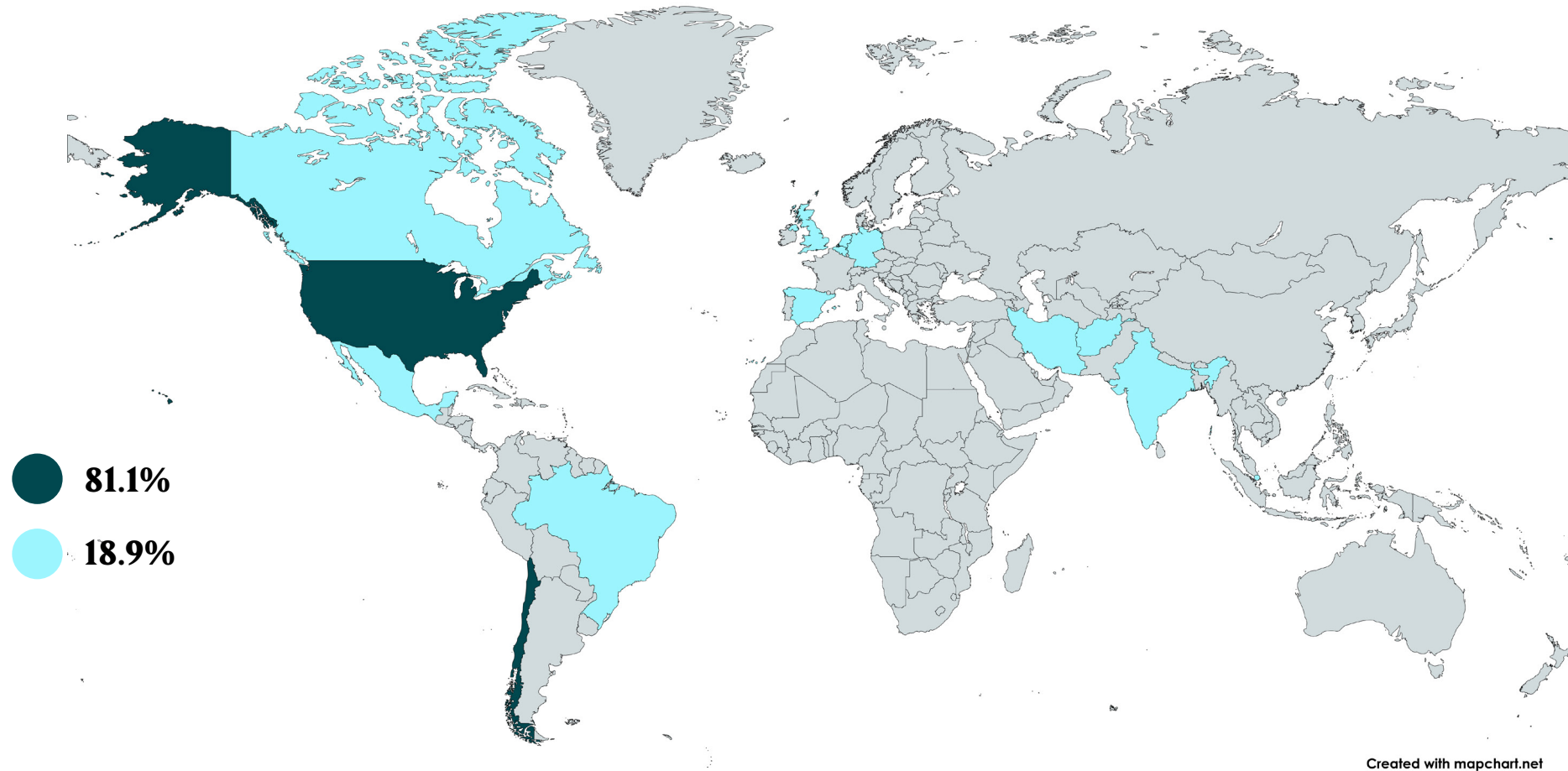| Job Level	Percentage
CxO	8.1%
VP/Executive VP	25.7%
Director	37.8%
Manager	13.5%
Individual contributor	5.4%
Other	9.5%

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Which of the following best describes your primary area of responsibility in your organization?

As is typical with InnoLead surveys, the bulk of our respondents work in an innovation role, with nearly 10 percent working in R&D. The "Other" category includes finance and general management.
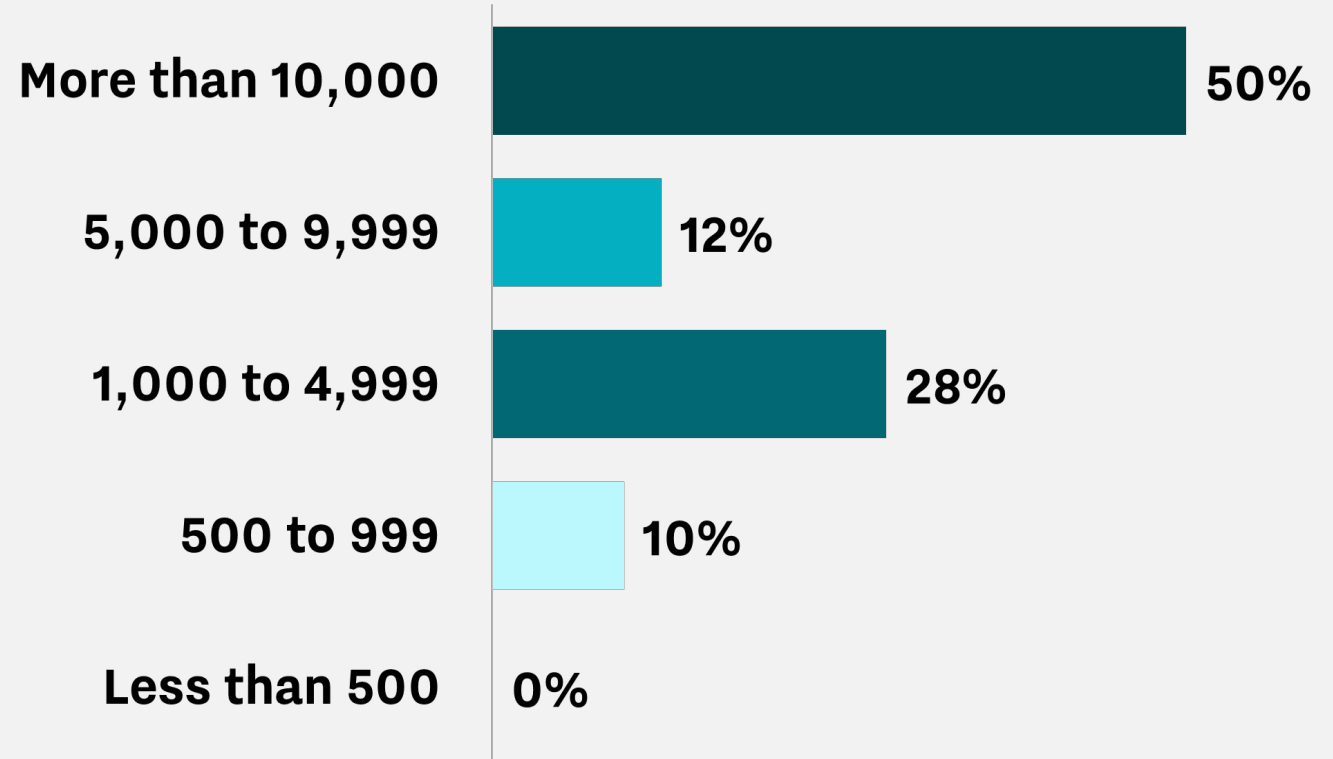

Innovation — 67.6%

Research and Development (R&D) — 9.5%

Business Development — 4.1%

Marketing and Sales — 4.1%

Other — 4.2%

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In which country is your primary work location?

81.1%

18.9%

Created with mapchart.net

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Approximately how many people are employed by your organization across all locations?

We filtered out respondents in organizations with fewer than 500 employees for this report. Half of the respondents work in organizations with more than 10,000 employees.

Company Size	Percentage
More than 10,000	50%
5,000 to 9,999	12%
1,000 to 4,999	28%
500 to 999	10%
Less than 500	0%

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Human Intelligence Still Matters

The Strategic Value of Education
Microsoft understands the strategic value of education, not just in one country, but in the world. With education goes the GDP of a region. We know that the education marketplace also provides the workforce for every industry, so we want to provide the right value equation for educational organizations to leverage our technologies...Value is really about enriching the community and providing a workforce, not just financial gain.

More Than a Bottom Line
For Microsoft, education is a business, too. An educational organization has HR, it has a general ledger, and it has facilities too. They have data storage needs; they have analytical needs. So there are a lot of things that are similar to commercial operations. But the outcomes are really around the people in the community.

Creating Value for Our Customers
From a customer perspective, both K-12 and higher education would be looking at matriculation: students completing, not dropping out. They are looking at how students are performing.

A big analytical drive is who is at risk? Have we been able to do effective interventions and bring these students to graduation? It is always about graduating students in education. Key Performance Indicators (KPIs) are admissions, at-risk, and performance metrics.

SERENA SACKS-MANDEL

Global Chief Technology/ Transformation Officer for Education

Sacks-Mandel focuses on helping the software giant grow its business in the education sector globally.

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Let me also touch on security and the centrality of trust: you cannot teach and learn unless your environment is safe and secure. Trust is super important to Microsoft and our customers. We value and protect that trust.

Take RAI (Responsible AI). Microsoft is number one in RAI. Every one of our employees takes training, "Microsoft Runs on Trust," more than several times a year. We treat our customers' data as confidential. We respect the privacy and security of our customers. We do not sell customers' data or use it for our purposes. The customer's data is the customer's data.

Human Intelligence to Balance AI

We do not necessarily want to say to a student, "Here is your tutor: learn," and provide an AI tutor that acts like a human, an "AI tutor bot." It is more about rethinking the whole educational ecosystem.

Fundamentally, we need more human intelligence to counteract and balance artificial intelligence. ...Human intelligence is a durable skill: critical reasoning, the ability to communicate, interact, build relationships, and resolve issues and disagreements. Our young people are sorely lacking these skills because they were isolated during the pandemic and because there continues to be the ongoing impact of social media and misinformation. … We really need to focus on human intelligence — curiosity, love of learning, all these things. Because AI can now summarize a hundred-page document. AI can now look at your essay and give you feedback.

Always Be Learning

I've always hired not for competency, but attitude and aptitude. I can teach skills. I expect people to be continually learning, but if they don't have the right attitude and aptitude, those are primary. You can't see that on the page of a résumé, necessarily. So I am hoping that AI will help organizations across the globe — commercial organizations and going way beyond education at this point — to be able to measure that attitude and aptitude.

For example, things like someone having an innate curiosity would demonstrate a growth mindset. One of the takeaways from my book, *Empowered*, is to always be learning. In every job and every day, you have to be contributing and adding value, because that is what you are getting paid to do. But what you can do for yourself is to always be in learning mode, no matter what the situation. You gain skills and experiences and put that in your toolkit.

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