Innovation Survey 2019: Marketers Lead Innovation but Face Risks and Talent Challenges

Elizabeth Shaw
Senior Director Analyst

Christopher Ross
VP Analyst
Innovation is well funded and maturing as a marketing discipline. CMOs are dedicating head count to innovation and leaning on an ecosystem of partners to help accelerate initiatives. Despite the progress, obstacles remain — most notably, risk-averse corporate cultures.

Elizabeth Shaw
Senior Director Analyst

Christopher Ross
VP Analyst
Overview

Opportunities and Challenges

- Marketers are at the helm of innovation for their organizations. More than half of CMOs dedicate head count for innovation initiatives.
- The No. 1 barrier for marketers to drive innovation is their organization’s resistance to risk (46%), followed by measurement issues (41%) and talent shortages (41%).
- Despite barriers, almost two-thirds of CMOs are willing to fund high-risk innovation initiatives and manage a balanced portfolio of “big I” and “little i” innovation programs.
- Marketers build ecosystems of external partners, such as martech vendors and consumer technology companies, in addition to their own in-house agency and in-house innovation teams to help accelerate innovation.

What You Need to Do

CMOs responsible for leading and supporting innovation:

- Adequately hire and upskill your marketing talent to support innovation initiatives. Craft well-defined roles, and clearly outline processes to ensure your team is evolving and delivering on broader business goals.
- Mitigate risk by engaging stakeholders early and often, communicating a clear vision of how innovation plays a vital role in the long-term success of the business, including how it’s a pivotal mechanism in the current disruptive business climate.
- Build an ecosystem of strategic partnerships to help accelerate your innovation initiative. Begin by taking inventory on your existing partners, including agencies, martech vendors and consulting firms, and then explore other possible avenues with local universities, or small or midsize businesses.
Survey Objective
Gartner’s 2019 CMO Brand Strategy and Innovation Survey of 393 respondents was fielded to explore how innovation is prioritized, managed and measured.

Data Insights
The term “innovation” has shifted from being a buzzword to a discipline, and marketing is leading the charge. Marketing leaders have much broader mandates today than just driving growth and are responsible for driving sustainable innovation for their entire organization. CMOs allocate 16% of their overall marketing budget to innovation, and that percentage has been increasing over the last few years (see “CMO Spend Survey 2018-2019: Marketers Proceed Into Uncharted Waters With Confidence”).

In the Gartner 2019 CMO Brand Strategy and Innovation Survey, only 9% of respondents said that marketing is not involved in any phase of innovation. This means that 91% of marketers surveyed are leading and supporting innovation initiatives. Sixty-two percent say they are solely responsible for such initiatives (see Figure 1). We asked marketers how they characterize the importance of innovation to their marketing success. Forty-two percent said they should be aggressively driving innovation, and 50% said it should be integrated into the overall marketing strategy. These numbers tell us that marketers have a strong role in innovation, a focused mindset and a clear mandate.
Figure 1. Marketers Are Driving Innovation

Marketers Are Driving Innovation
Percentage of Respondents

- **91%** of Marketers Involved in Overall Innovation Strategy
- **62%** Marketing Supports Setting Strategy Along With Other Departments
- **29%** Marketing Is the Only Department Involved
- **9%** Marketing Is Not Involved

All respondents n = 393

Source: Gartner
Recommendations:

• Craft and communicate your innovation mission statement and goals. Many marketers face resistance in driving innovation when stakeholders lack a contextual understanding of the urgency and consequences of inaction. An innovation vision should act as a North Star for your innovation efforts and help to align key stakeholders (see “CMO Perspective: Develop a Vision to Align Stakeholders and Drive Transformative Change”).

• Assess your innovation vision against your current “as is” situation. How equipped is your organization to achieve its vision based on where you benchmark today across multiple marketing disciplines and capabilities? Use Gartner’s Marketing Maturity Assessment tools to identify your current enabling assets and capabilities, which will vary depending on your business, industry and the scope of your innovation vision (see “Maturity Model for Marketing-Led Innovation”).

• Advocate for and champion your innovation “wins.” It’s imperative that the entire organization understand the impact you’re having on the business, whether it’s operational cost savings, creating a new line of revenue or managing internal programs designed to upskill talent.

More than half of marketers have employees dedicated to innovation

Gartner speaks to many clients about the danger of layering innovation on top of an employee’s existing role. Unless benchmarks are included in their performance evaluations and leaders carve out time for employees to dedicate to various phases of innovation, the output will be minimal, if any. In that scenario, employees don’t have any “skin in the game.” Only dedicated employees will produce the quality and quantity of results you want.

Our survey shows that over half of the respondents (54%) dedicate employees to innovation (see Figure 2). This staffing approach enables you to deploy ongoing innovation activities that foster ideas and test pilots in-market, versus sporadic, “extra credit” efforts. The top 3 industries dedicating the most head count to innovation are manufacturing, retail and high tech. Both manufacturing and retail are undergoing sizable transformations. Brick-and-mortar retail is under threat in the age of Amazon and the surge of the direct-to-consumer model (see “What Marketing Leaders Need to Know About Selling Direct to Consumer”). Manufacturing is being disrupted by technology, and changing how, where and when things are created. Circumstances such as these and many more are the reasons marketers are investing in talent to help accelerate the pace of their transformations to help weather the storm.
Figure 2. Managing a Global Brand, Staying Relevant and Measuring Impact Are Top Brand Challenges

Marketers Are Investing in Dedicated FTEs for Innovation

Percentage of Respondents

46% Slightly Agree/Disagree

54% Highly/Fully Agree

7 pt. Agreement Scale where:
1 = Completely Disagree and
7 = Completely Agree

Source: Gartner
All respondents n = 393
**Recommendations:**

- Hire and dedicate head count to innovation. Create well-defined roles and goals for your hires, and upskill existing talent to help pollinate innovation expertise across the broader organization. Innovation doesn’t just happen because it is directed, discussed or considered to be an imperative; innovation happens because organizations commit to the resources, disciplines, practices and processes that support and sustain it.

- Identify key leaders and high-potential employees with good management skills and enthusiasm for innovation to champion processes and practices beyond your own in-house team to drive intended innovation-focused culture change. These innovation “influencers” can become effective change agents in tired, legacy cultures resistant to change.

- Identify the ideal level of maturity your team needs to achieve to support your company’s overall innovation objectives using Gartner’s “Maturity Model for Marketing-Led Innovation.” Use the tool to benchmark your current state to inform how your team is performing, and consistently recalibrate to increase productivity. Collaborate with executives and key stakeholders to determine the appropriate level of maturity. Level 5 is not necessarily the right level for every industry and company. For some, moving from Level 1 to Level 3 will deliver on their vision and business objectives.

**Top innovation priorities are enhancing CX and driving growth**

It’s no surprise that driving growth is a top strategic driver for innovation initiatives. Whether it’s a board of directors or a startup CEO, executive leadership is always under tremendous pressure to deliver growth. However, you need to manage expectations on how innovation will drive growth. The root of innovation is that it’s something new and different. These types of initiatives are hard to measure and — frankly — lots of your efforts may fail. Top drivers for innovation today include enhancing customer experience (53%), driving revenue growth (53%), and developing new products and services (45%) (see Figure 3).
### Top Drivers for Innovation Efforts

Percentage of Respondents; Sum of Top 3 Ranked

<table>
<thead>
<tr>
<th>Top Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance Customer Experience</td>
<td>53%</td>
</tr>
<tr>
<td>Driving Revenue Growth</td>
<td>53%</td>
</tr>
<tr>
<td>Developing New Products and Services</td>
<td>45%</td>
</tr>
<tr>
<td>Increasing Operational Efficiency</td>
<td>41%</td>
</tr>
<tr>
<td>Improving Speed to Market</td>
<td>39%</td>
</tr>
<tr>
<td>Expanding Into New Markets/Geographies</td>
<td>38%</td>
</tr>
<tr>
<td>Deploying New Business Models</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Gartner

All respondents n = 393
Marketers are expected to do more today than help build a pipeline of lead generation and conversion to drive growth. Today, the charter has expanded to consider the entire customer journey and through the lens of the customer (see “Key Customer Experience Foundations for Marketing Leaders”). This shift is apparent in our survey results. Enhancing customer experience and driving revenue growth are tied as the No. 1 strategic driver for innovation programs. Today’s strongest brands combine smart advertising with powerful experiences to deliver not simply better sales and conversions, but also greater loyalty and brand advocacy. They don’t worry just about what gets people to the cash register but also about the experiences that turn customers into loyal advocates.

The third driver is a desired outcome for almost all innovation efforts — developing new products and services. However, marketing hasn’t been on the hook for these new revenue creations in the past. They were primarily responsible for taking them to market. Gartner speaks with clients across a variety of industries, from publishing to manufacturing, that juggle the development of new products and services with their other mix of marketing and operations activities due to the expanding mandate of the CMO (see “The CMO’s First 100 Days”).

**Recommendations:**

- Drive business growth with a sound process that includes feedback loops and leans on agile principles to quickly test and scale innovation pilots. Some organizations outsource programs to increase speed to market if they lack internal resources (see “Find the Right Innovation Partners: A CMO’s Guide”).

- Improve innovation CX efforts by working with cross-functional teams in analytics and CX to develop ideal customer personas for each new program. Personas are powerful tools to inform innovation and CX decisions, guide strategy, enhance collaboration, and improve customer relationships (see “How to Turn Persona-Driven Customer Journey Maps Into an Actionable, Cross-Functional Customer Experience Plan”).

- Use design-thinking principles to train and guide your team to think and act more like product managers to unlock new ideas for products and services. Design thinking is an effective approach used successfully by many large-enterprise companies that creates new and surprising insights that integrate the needs of consumers, the possibilities of technology and the requirements of your business.
Risk resistance, inability to measure impact and talent shortages are the biggest barriers to innovation

The No. 1 barrier marketers must overcome to drive innovation is an organization’s resistance to risk (see Figure 4). Why is innovation so hard to sell? The nature of true innovation is newness, and this takes people out of their comfort zone. All innovation is disruptive to some degree. So, even though they ask for innovation, senior executives are reluctant to embrace it when the time comes to act. Testing and funding innovation programs is scary for many organizations that have fared well with low-risk, business-as-usual practices. Yet, most companies know that they need to be better equipped to weather the business climate, and marketers are leading this change.

Measuring innovation is the second barrier and is another thorny, perennial issue. It’s challenging to measure innovation programs without first knowing what success looks like. But measurement is necessary; otherwise, your innovation effort can be deemed of no value, and your budget and resources can wind up on the chopping block.

Innovation talent is hard to find and the third barrier. While the “chief innovation officer” title and corporate innovation labs or studios have been on the rise, many marketers are still working to upskill themselves for these roles. Many are taking training programs and gaining certifications through online courses such as Reforge or Stanford d.school. Today’s job market is hypercompetitive, and hiring managers must ensure hiring and upskilling priorities align with their strategic innovation needs.
### Top Barriers Marketers Face Around Innovation

Percentage of Respondents; Sum of Top 3 Ranked

<table>
<thead>
<tr>
<th>Barrier</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Resistance to Risk</td>
<td>46%</td>
</tr>
<tr>
<td>Inability to Measure Innovation Impact</td>
<td>41%</td>
</tr>
<tr>
<td>Limited Human Resources With Necessary Skills</td>
<td>41%</td>
</tr>
<tr>
<td>Limited Technology to Support Innovation</td>
<td>38%</td>
</tr>
<tr>
<td>Limited or Lack of Budget/Funding</td>
<td>37%</td>
</tr>
<tr>
<td>Lack of Innovation Culture</td>
<td>32%</td>
</tr>
<tr>
<td>Insufficient Leadership Vision/Strategic Focus</td>
<td>29%</td>
</tr>
<tr>
<td>None</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Gartner

All respondents n = 393
Recommendations:

• Combat resistance to risk using a “crawl, walk, run” approach. In the crawl phase, use tactics such as asking users or customers for ideas, partner with external technology service providers and create a business case for an innovation. This will give you momentum and help build the foundation you need to successfully graduate to the maturity and pace of the “walk” and “run” phases.

• Overcome measurement hurdles by measuring in three areas: innovation culture (e.g., pulse surveys, employee participation), innovation process (e.g., agility, efficiency) and innovation outcomes (e.g., number of prototypes and pilots). Always separate the metrics for culture and process from the innovations themselves. When possible, use regular business measures to quantify innovation outcomes.

• Actively upskill your innovation team, and prioritize innovation skills in new recruits. Team members should be provided opportunities for specific innovation and leaderships skills, creating a future-ready culture and the expectation of ongoing professional development (see “Assess and Upskill Your Marketing Team Capabilities”).

Flying in the face of risk concerns, 63% of CMOs are still willing to fund high-risk innovation initiatives

Of those respondents dedicating head count to innovation, 63% are willing to invest in high-risk initiatives. This is twice the rate of marketers who either don’t prioritize or only partially prioritize innovation head count (see Figure 5). High-risk programs are typically expensive and on a longer time horizon, and require a profound level of stakeholder alignment. High risk, as the name suggests, also means an increased probability of failure. Highly sophisticated innovation organizations like Google and Tesla have well-documented high-risk failures.

Risk is part of the innovation equation. But, it can be scaled high or low, depending on your organizational willingness. Minimal viable products (MVPs) allow marketers to bring things to test market that are not fully baked with the intention to learn, iterate and (potentially) scale into a more advanced phase of the project. Whether the risk is high or low, every marketer responsible for innovation has to manage the dialogue about risk, and consider the confidence and commitment head count can bring to the table.
Figure 5. CMOs With Dedicated Head Count Have an Appetite for Risk

CMOs With Dedicated Head Count Have an Appetite for Risk
Percentage of Respondents

- CMOs Not Prioritizing Head Count (n = 184):
  - 31% High Willingness to Fund High Risk Innovation
  - 69% Partial to No Willingness to Fund High Risk Innovation

- CMOs Prioritizing Head Count (n = 209):
  - 63% High Willingness to Fund High Risk Innovation
  - 37% Partial to No Willingness to Fund High Risk Innovation

Source: Gartner
All respondents n = 393
Recommendations:

- Communicate the risks and benefits that inherently come with innovation by using compelling metrics. For example, in our recent CMO survey, 79% of the respondents who are spending the most on innovation said they are outperforming their peers in terms of revenue and profit generation. In addition, some of the smallest companies are investing the most in innovation, confirming that every size company is focused on this area (see “Survey Analysis: CMOs Investing in Innovation Cite the Most Return”).

- Protect and grow your innovation budget to support full-time employees (FTEs) and programs year over year. Communicate each win, connecting each one back to a strategic business goal, and disseminate the information in a multitude of ways such as on your company intranet and at town hall meetings. When communicating to primary stakeholders, speak their language. For example, use numbers when you’re informing your CFO of the cost savings your pilot is generating and when you’re telling your CTO of the reduction of help tickets you’ve been tracking over the last month.

Gartner experts receive many client calls about innovation. Most calls focus on managing the optimization of current programs or operations versus discussing larger, “blue sky” programs. Yet, the data from the survey tells a different story. Only 53% of marketers indicate they focus on the optimization of current programs and processes (see Figure 6). This indicates that marketers are maturing in their management of innovation programs, processes and overall strategy. Instead of only focusing on quick wins, marketers are managing an innovation book of programs that balances the big with the small.

When you manage a balanced portfolio of “big I” and “little i” innovation programs, you set up your team for success. Innovation is under heavy scrutiny at many organizations, so a mixed set of initiatives builds a diversified pipeline of action that is visible to peers and executives, reinforcing the importance of the function.

Marketers manage innovation programs like a mixed financial portfolio
Marketers Are Driving Innovation
Mean Percentage Shown

- 53% Continuous Improvements and Optimization
- 46% Net New Products, Services, Markets, Business Models, etc.
- 1% Other

Source: Gartner
All respondents n = 375
Recommendations:

- Manage a diversified portfolio of quick-win programs and long-term strategies for sustainable success. String together the programs, and attach them to a larger vision that illustrates how your budget supports broader business strategies.

- Take a test-and-learn approach. A test-and-learn culture ensures innovation investments pay off. The result mitigates the risk of making the wrong decisions, reduces wasted efforts and resources, and improves revenue (see “Chief Marketing Officers: Lead and Champion a Test-and-Learn Culture to Reach Your Marketing Goals”).

Marketers are not short on options to help them accelerate innovation capabilities, but the partner landscape is crowded and difficult to navigate. Selecting the right partner can be a challenge for companies that lack clear innovation objectives and criteria to evaluate each contender. Many brands work with a multitude of partners, creating an ecosystem of support that requires nurturing and close management.

Developing a strategic partner network can greatly accelerate your innovation goals. Fifty-eight percent of the marketers we surveyed lean on their martech vendors for support and report that they find the partnerships to be very valuable (see Figure 7). These types of partnerships focus more on “launch partner” opportunities, allowing a brand to be first to market with a new product and feature. More than half (55%) lean on their internal teams with their own processes and roadmaps to drive their vision forward. As we continue to see the rise of the in-house agency trend, 37% of marketers have added innovation goals to their scope.

Marketers tap a vast network of innovation resources including martech vendors and their own in-house innovation teams
Figure 7. The Most Valuable Innovation Providers

The Most Valuable Innovation Providers
Percentage of Respondents; Multiple Responses Allowed

- Marketing Technology Vendors: 58%
- Our Company’s In-House Innovation Team: 55%
- Consumer Technology Companies: 47%
- Business Consulting Firms: 45%
- Full-Service Agencies: 39%
- Our Company’s In-House Agency: 37%
- Systems Integrators: 34%
- Innovation Specialists/Boutique Shops: 29%
- Design Studios: 26%
- Small Businesses and/or Startups: 24%
- Universities: 15%
- None: 1%

Source: Gartner
All respondents n = 391
Recommendations:

• Actively manage your portfolio of partners with a dedicated resource to ensure they collaborate as needed. Present your vision for the future — what you can bring and what you are willing to invest in — to ensure full transparency.

• Ask to look at your partners’ product roadmaps to identify where you could collaborate or be a launch partner. For example, Apple Pay launched with exclusive retail partners including Sephora, Walgreens and Bloomingdale’s in 2014.

Methodology

Gartner 2019 CMO Brand Strategy and Innovation Survey: The purpose of this study was to understand how organizations value, message, manage and measure brand. It also explored how innovation is prioritized, managed and measured. The survey was conducted online by an external partner from May through July 2019 among 393 respondents in the U.S. (60%), Canada (10%) and the U.K. (30%). Respondents were required to have involvement in decisions pertaining to setting or influencing marketing strategy and planning. All respondents were from companies with $500 million or more in annual revenue. The respondents came from a variety of industries: financial services (54 respondents), high tech (54 respondents), manufacturing (72 respondents), consumer products (49 respondents), media (33 respondents), retail (63 respondents), healthcare providers (31 respondents), and travel and hospitality (37 respondents).

The survey was developed collaboratively by a team of Gartner experts who follow marketing, and was reviewed, tested and administered by Gartner’s Research Data and Analytics team.

Disclaimer: Results of this study do not represent global findings or the market as a whole but are a simple average of results for the targeted countries, industries and company size segments covered in this survey.

Additional research contribution and review was provided by Karen Carter.
Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

“CMO Strategy and Innovation Primer for 2019”

“The CMO’s Guide to Eliminating Zombie Programs, Platforms and Partners”

“Magic Quadrant for Global Marketing Agencies”

“CMO Insight: Manage the Expansive Scope and Visibility of Marketing Technology in the Enterprise”

Evidence

“A nnounes Apple Pay,” Apple.
About Gartner for Marketers

Gartner for Marketers provides the objective, expert advice and proven tools you need to seize the right opportunities with clarity and confidence and stay ahead of the trends that matter. Benchmark your performance with data-driven insights. Prioritize investments and areas of improvement. Execute your mission-critical priorities with speed and confidence.

Gartner, Inc. (NYSE: IT) is the world’s leading research and advisory company and a member of the S&P 500. We equip business leaders with indispensable insights, advice and tools to achieve their mission-critical priorities today and build the successful organizations of tomorrow.

Our unmatched combination of expert-led, practitioner-sourced and data-driven research steers clients toward the right decisions on the issues that matter most. We are a trusted advisor and an objective resource for more than 15,600 organizations in more than 100 countries — across all major functions, in every industry and enterprise size.

To learn more, visit gartner.com/marketing.