

Fit for an Innovative Future

Why innovation should be a way of working and not a standalone goal

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OMDIA



vodafone
business

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FOREWORD

Businesses have always needed to innovate to stand out from the crowd. But the last few years have seen businesses needing to think and act faster than ever before, in order to meet the challenges that no one saw coming.

So what does ‘innovation’ mean in 2023? Our research has found it’s no longer limited to new products or services. ‘Innovation’ can mean finding creative solutions to problems, or ways to get to market quicker. FFTF businesses recognise the importance of a holistic approach to innovation. They’re able to develop detailed strategies, allowing the whole organisation to plan for the future with everyone pulling in the same direction.

This planning is what sets FFTF businesses apart. In recent years we’ve seen many businesses forced into sudden digital transformations without having clear plans in place. But with customer loyalty becoming ever-more important, those businesses that think ahead and have innovation at their core will find it easier to meet tomorrow’s challenges

quickly, and with minimal disruption. FFTF businesses recognise that innovation is not the sole responsibility of business leaders. They encourage new ideas from anywhere – and anyone – within the organisation. They provide an open, collaborative environment which encourages new ideas while also providing a positive employee experience.

Of course, technology still plays a crucial role in innovation – particularly in today’s hyperconnected world, where data is key. We’ve found that FFTF businesses use both established and emerging technologies in a proactive and structured way. They identify specific needs or issues, and then establish how technology can help. This ensures that innovation is targeted, and allows them to invest in the right areas. By developing clear plans and strategies, FFTF businesses can access new technologies without the operational risk.

But innovation is about more than just technology. Organisations need to have the right partners in place to help them deliver

new ways of doing things. Omdia’s 2023 Future of Work report reveals that many businesses aren’t happy with the performance of their digital partners, with 75% currently reconsidering their existing suppliers. FFTF businesses value their partners. They look to them – and their expertise and services – to help drive efficiencies and reduce costs. They seek out partners they can work alongside, developing new ideas and solutions together. By doing this, they develop closer relationships with their partners, and enjoy higher levels of performance.

FFTF businesses are at the forefront of innovation – but not at any cost. They are more conscious of how their actions impact society and the environment, and will often build this into their planning.

So, in 2023, ‘innovation’ can mean many things. But it doesn’t need to be a costly standalone goal. Instead, it can be embedded into the core of a business, informing everything from the smallest change to the most comprehensive digital transformation. With a collaborative

mindset, careful planning and an open approach to new technologies, businesses can adapt to future challenges, improve performance and drive growth – with FFTF businesses the ones already reaping the rewards.



Giorgio Migliarina,
Group Director of Products & Services,
Vodafone Business

INTRODUCTION

The world of work has undergone profound changes over recent years, impacting people, the processes that guide how they get work done, the technologies they use, and the physical places they occupy. The speed and scale at which businesses have needed to pivot in response to workplace disruptions has been unprecedented.

The diverse work styles embraced by employees is challenging their organisations to evolve. They are having to rethink how people communicate, how work is secured, and how productivity is both understood and positively influenced. Omdia's 2023 Future of Work data shows that around half the workforce will work in either a hybrid or fully mobile fashion going forward over the long-term. This more mobile-centric approach to work puts businesses firmly in a position where a variety of different preferences and employee work styles must now be enabled, secured and supported.

Failing to recognise and respond to this shift puts businesses at risk of negatively impacting employee experiences, business operations and customer outcomes. These shifts require businesses to invest in new tools, best-practices and services that help enable and secure a more diverse and mobile-centric set of work styles and approaches. And it's not just the location people are working from that has changed. The processes, practices and workflows that guide how work gets done are also subject to disruption.

Businesses must become more attuned to not only recognise change and disruption, but also have the capabilities and expertise needed to pivot operations, adapting quickly.

Amongst the many challenges associated with this new age of work are great opportunities for businesses to evolve approaches to innovation and strengthen corporate culture. Digital capabilities are impacting almost every

organisation across all industries. Businesses looking to realise the long-term benefits must reduce silos, develop employee engagement and leverage new technologies and best-practices to become more people focused, agile, digital first and customer centric.

FFTF businesses are those that are embracing progressive operational and digital principles and as a result, are driving new and successful innovation initiatives that benefit everyone – their people, partners and customers. Ultimately, this will lead to competitive advantage and growth.



Adam Holtby,
Principal Analyst,
Workplace Transformation

OMDIA

THE IMPORTANCE OF BEING FIT FOR THE FUTURE

In 2020, we set out to discover which businesses are prepared for the future, what they're doing differently to other businesses, how they approach challenges and how they fared during the pandemic. We conducted qualitative and quantitative research across 10 markets globally in 2019 and 2020. During the research, there were six characteristics that correlated most clearly with businesses – we called these businesses 'Fit for the Future' (FFTF).

Over the past few years, we've analysed these businesses against different challenges – spanning different industries, countries and business sizes – and we found that FFTF businesses showed a very different approach to these challenges compared to other businesses.

We also partnered with the London School of Economics (LSE) to develop a model that found that – for those businesses currently reporting average financial performance compared to their competitors – if they were to increase their 'Fit for the Future' score by 10 points, there would be an increase in the likelihood of outperforming their competitors financially by 36%*.

In addition, businesses that increase their 'Fit for the Future' score by 10 points can also expect to have an Environmental, Social and Corporate Governance (ESG) commitment that's six points greater*.

In this report, we examine how FFTF businesses manage their cyber security strategies and how that contributes to the success of their business.

*Relative increases based on a self-reported assessment.

What common characteristics do FFTF businesses have?

1

Positive attitude to change
They see change as an opportunity and are excited by the future.

2

Open to new technology
They understand the power of technology to solve their business challenges.

3

Plans for technology
They have roadmaps in place for how technology can transform their ways of working.

4

Detailed strategies
They have wider business strategies for the future that are documented, specific, funded and measured.

5

Up to date with emerging trends
They work to understand the forces shaping their business and they get help from key thought leaders.

6

Adaptable
They can react quickly to new trends or challenges and are quicker to market than other companies.

01

CONTEXT



THE WAY WE WORK HAS CHANGED

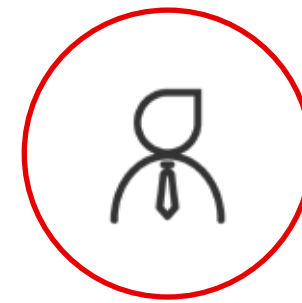
Today's businesses face a wide variety of challenges, from navigating economic uncertainty to leveraging emerging technologies. How they deal with these challenges will not only impact their present success but also their future. To remain competitive, businesses must continuously adapt and evolve, which means being agile, open-minded and innovative in their approach.



Economic uncertainty

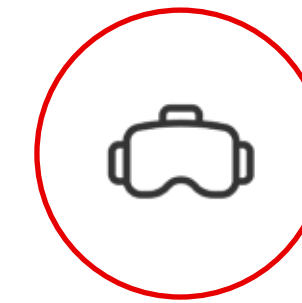
Recent socio-economic disruptions have made it harder for businesses to accurately predict financial performance and make confident decisions.

Businesses must deal with global shortages, shipping delays, rising trade costs and complex supply chains. They must also navigate increasing regulations, tariffs and ongoing geopolitical conflicts. All while coordinating with suppliers, manufacturers and distributors in different regions of the world.



Remote and hybrid work

Flexible ways of working have become the norm for many businesses. As a result, processes, practices and workflows have also undergone disruption and change. Businesses have not only had to rethink how they manage their workforce and workplaces; they've had to also reassess the technology and infrastructure that supports these. There's now an expectation that everything is seamlessly connected – people, places and things.



New technologies

Businesses are warming up to emerging technologies, such as Artificial Intelligence (AI) and the Internet of Things (IoT), to help them improve efficiency, enhance customer service and generate new revenue streams. However, these come with new challenges.

On one hand, businesses need to navigate issues such as data privacy and cybersecurity. On the other, they also need to manage the impact on their workforce and wider operations – such as handling training complexities, extra management pressures and transforming their IT teams into proactive 'digital enablers'. Businesses must allow for rapid digital enablement but in a secure fashion.



A proactive mindset

Businesses must be proactive in addressing these challenges. They must continually adapt and improve, in order to meet ever-changing market demands. As such, they must find better ways to leverage people, processes, and technology. And they should invest in proven and emerging technologies that can help them manage their increasingly complex supply chains and hybrid work environments. In summary, they must be more innovative – both in the way that they think and act.

02

THE FINDINGS



WHAT INNOVATION MEANS TO BUSINESSES

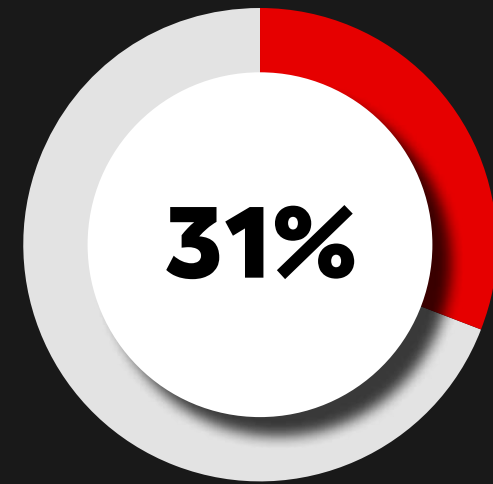
As our research reveals, innovation can be hard to pinpoint – it often means different things to different businesses. For example, some think of innovation as ‘being creative’ – be that with products, processes or problem-solving. While other businesses think of innovation being more about growth or about leading the industry.

This range of perceptions shows us that businesses have moved on from the single, traditional view that innovation is purely about developing new products or services. Instead, businesses now have a more holistic perspective; they recognise that innovation plays a role in everything, and that it can help them gain or maintain a competitive advantage.



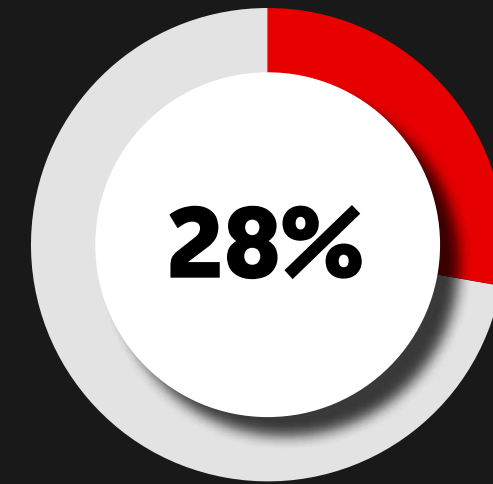
What does innovation mean most to you?

Creative Solutions



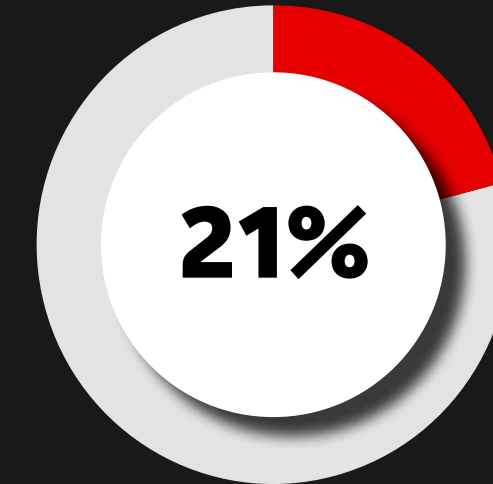
- Innovative business processes (more sustainable, efficient)
- Customising products and services to customer needs
- More creativity in solving business problems
- Innovative approaches to customer interactions

Industry Leadership



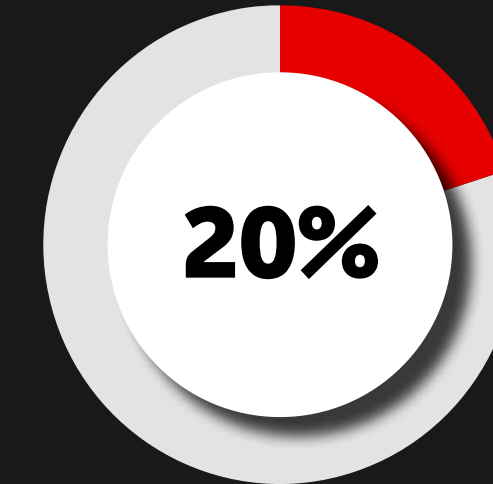
- Improving the external image of the organisation
- Developing new commercial models / monetisation methods
- Adopting the latest technology earlier than others
- Changing how the business engages with stakeholders

Growing the Business



- Selling through new channels (e.g., online, marketplaces, social)
- Building better quality products before / better than competitors

Product Development



- Being quicker at releasing new products and services
- Developing completely new products and services

FFTF businesses are leading the charge in developing this holistic approach to innovation. They don't lean strongly towards any one of these categories; they are more likely to develop innovation strategies that embody all of them. Everything they do is about improving processes and customer experiences, being one or two steps ahead of their competitors, developing new products and services, and ensuring business growth.

WHAT'S DRIVING INNOVATION?

There are many factors driving innovation. Some businesses (more typically smaller businesses) feel pushed to do it – for example, by fear of losing customers. However, larger businesses are more likely to be driven by a positive goal; they understand the bigger picture and the potential return-on-investment, and that's what inspires them.

The larger the organisation, the more likely it is that innovation is 'highly embedded' into the culture.

41%

for large enterprises

37%

for SMEs

33%

for SOHOs



In summary: the more a business sees the opportunities innovation can drive, the more willing and likely it is to embrace it. It is those businesses – with that positive and open mindset – that will reap the rewards.

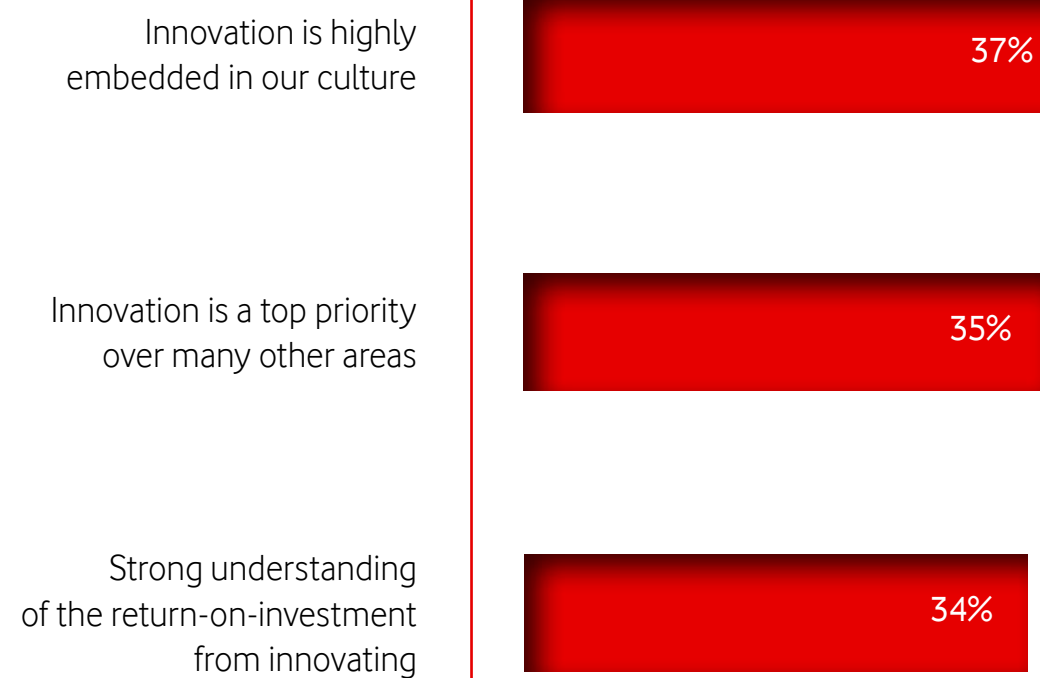
Showing Top Three Drivers of Innovation - By Company Size

■ Positive 'pull' drivers ■ Negative 'push' drivers

SOHO: 2-9 employees



SME: 10-49 employees



ENT: 250+ employees



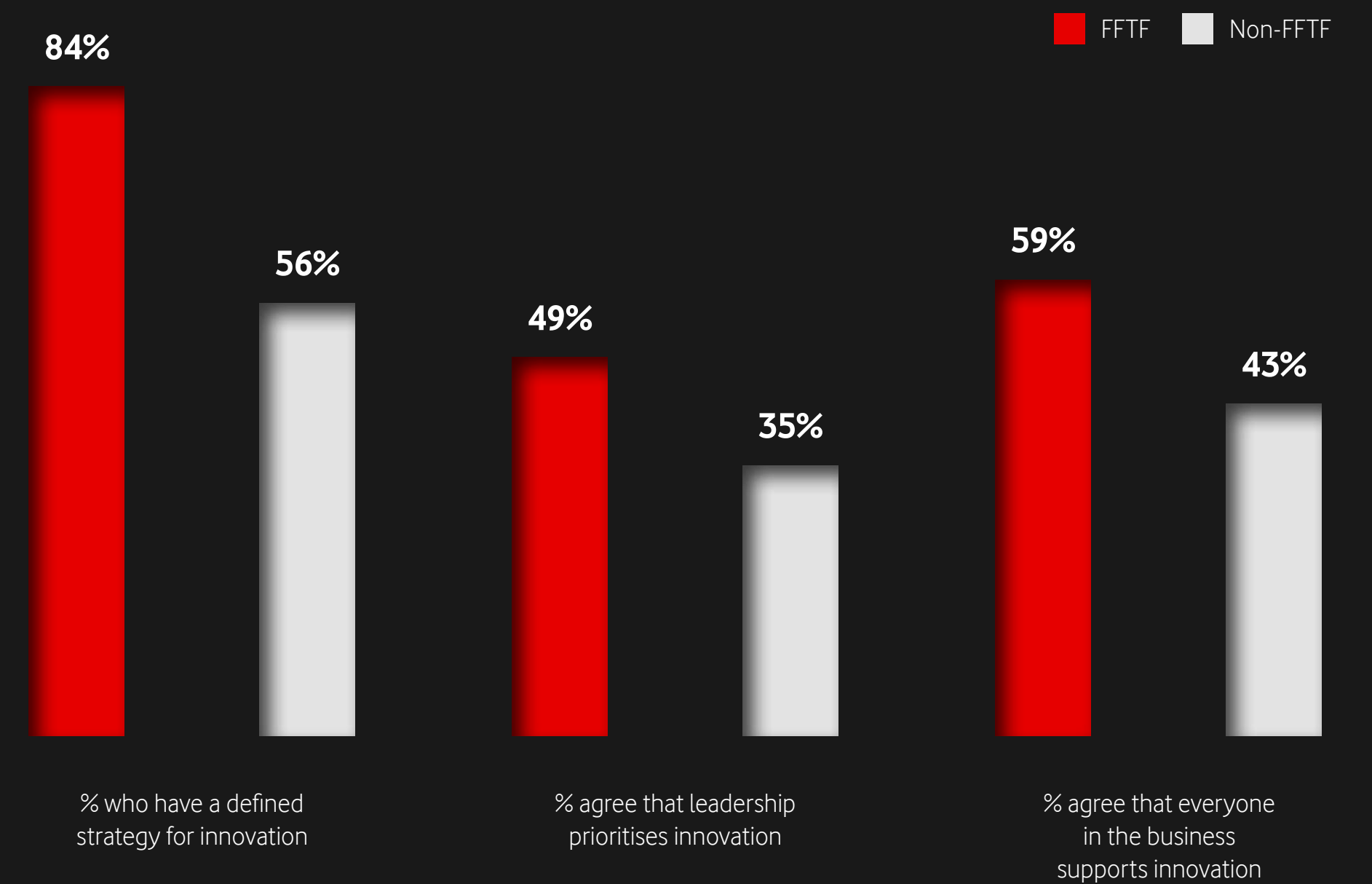
HOW FFTF BUSINESSES APPROACH INNOVATION

While many businesses view innovation as a standalone function or as the role of a specific department, FFTF businesses approach it differently – they drive innovation across all functions within their organisation.

FFTF businesses have a structured approach to innovation where everyone in the organisation has a role to play. It's powered by a clear strategy, that's endorsed by leadership and supported across the organisation. 84% of FFTF businesses have a defined innovation strategy in place compared to only 56% of non-FFTF businesses.

Our research identified five key steps that FFTF businesses follow to help them drive innovation. These are:

1. Build innovation into the business foundations
2. Provide the right workforce conditions
3. Look for solutions / services relevant to the business need
4. Find the right digital partner
5. Consider the impact on society and the environment



Step 1:

BUILD INNOVATION INTO THE BUSINESS FOUNDATION

Innovation isn't just about looking ahead. To be truly innovative, businesses must also know exactly what's happening right now – in their industry, market and competitive environment. This is where FFTF businesses excel.

Always-on awareness

FFTF businesses keep up with changing market and customer needs. They know what the current trends are and have a clear view of how their business needs evolve to keep pace.

Furthermore, FFTF businesses are quick to identify internal and external challenges – and they have the engagement mechanisms in place to overcome them. For example, they encourage innovation as an inclusive activity across the organisation, conduct relevant training, develop innovation strategies together with employees, and they promote external collaborations with customers and business partners.

Innovation starts early

Innovation isn't an afterthought for FFTF businesses, it's at the start of every business decision – from setting the strategy and choosing technology, to hiring talent and finding the right partners. Only when approached like this can innovation become embedded into the fabric of the business.



Step 2:

PROVIDE THE RIGHT WORKFORCE CONDITIONS

FFTF business leaders agree that everyone within their organisation supports innovation and helps to drive it. It's therefore critical to make sure every employee has the conditions to enable innovation – from the right workspace to the right tools.

By ensuring these conditions are in place, businesses can better retain and attract the best talent, helping to further fuel innovation for the future.



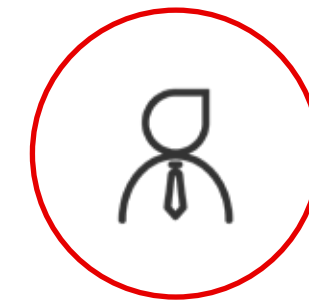
What does the workplace look like in FFTF businesses

FFTF businesses know that a culture that nurtures innovation is not only good for their bottom line but is also something leaders and employees value.

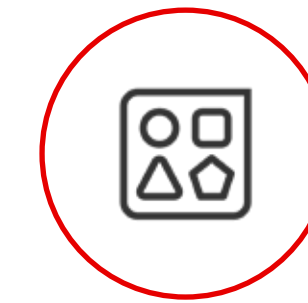
- Processes are developed to drive innovation
- There's ample diversity and varying skill sets
- Leaders identify and take care of high-potential talent
- Team members feel safe to challenge management and the status quo
- The culture and management practices encourage experimentation and don't punish failure.

Improving the way we work

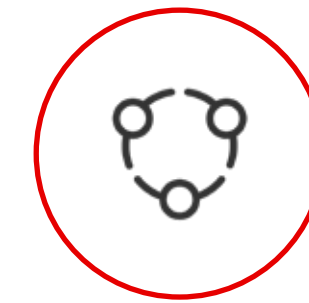
Omdia's 2023 Future of Work study reveals six initiatives businesses are undertaking to help improve how people work:



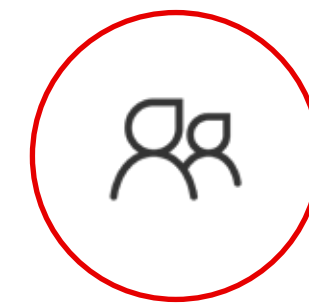
Improve employee wellbeing



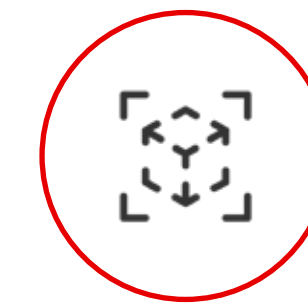
Deliver new training programs



Improve collaboration between different business functions / teams



Improve the employee experience



Enhance digital skills



Improve technical support

Step 3:

LOOK FOR SOLUTIONS AND SERVICES RELEVANT TO YOUR BUSINESS NEED

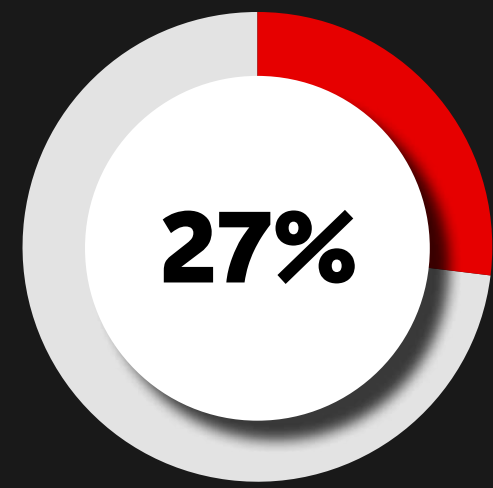
FFTF businesses have a positive attitude towards technology – a critical enabler of innovation. They focus on the opportunities new technologies provide and use that as a competitive advantage.

Differentiating technologies

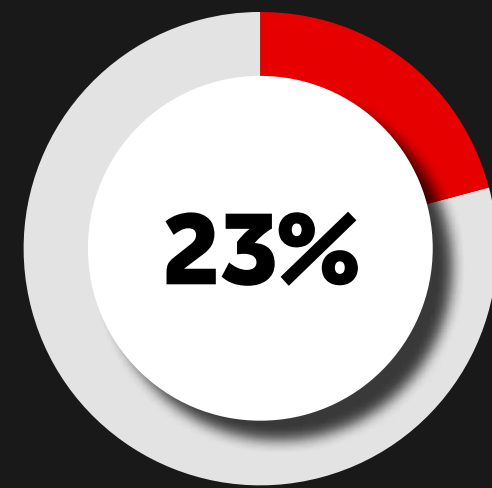
Unlike non-FFTF business, FFTF businesses recognise the merits and scope of different types of technologies. Rather than looking for catch-all solutions, they seek digital solutions to meet specific business needs – for example, manufacturers may be looking for IoT solutions that help streamline operations and improve efficiency, while retailers might be looking to gather insights that help them improve customer experience and loyalty. Our research suggests that there's no strong preference towards any single technology.



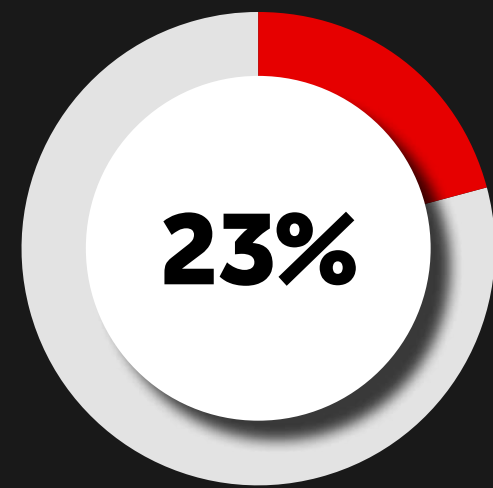
Showing the top ranked technologies that will support businesses' innovation plans



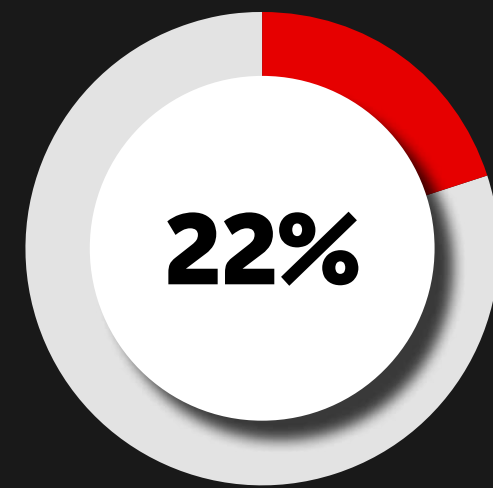
Cyber security solutions



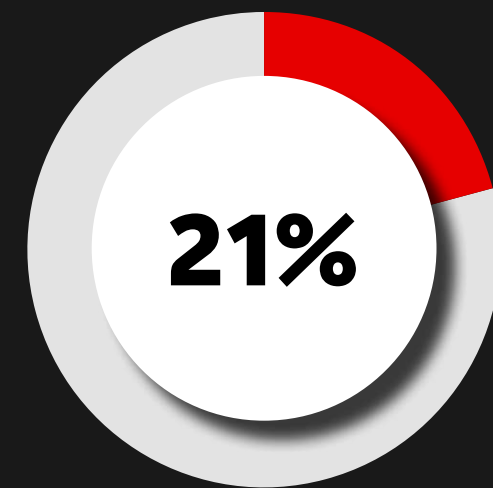
Collaboration applications



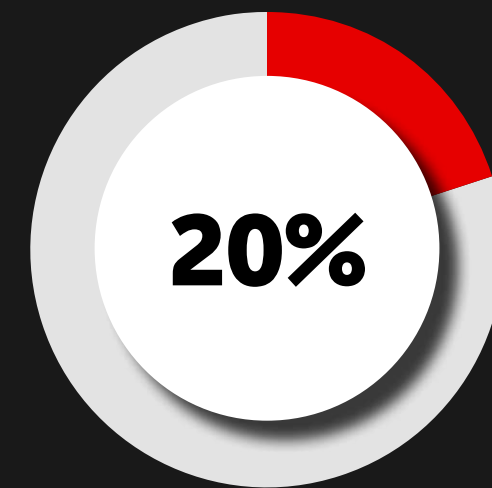
Mobile services



Cloud application software



High speed broadband



IoT solutions

Benefit vs impact

FFTF businesses have a clear, achievable focus and prioritise their tech investments in line with that. When assessing technology, they don't evaluate its impact in isolation – e.g. how will it improve our processes. They take a broad, holistic approach – e.g. how will it impact our processes, workforce, customers and so on.

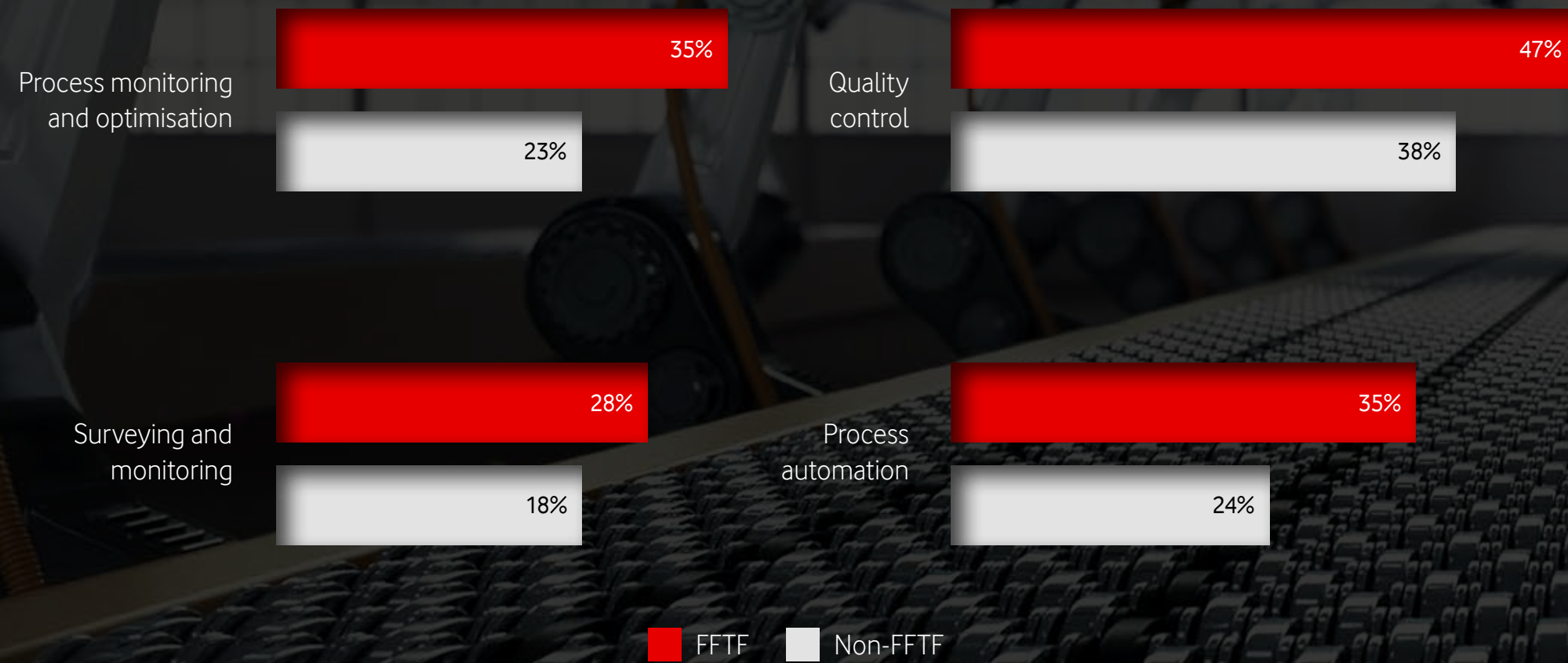
Cyber security is key

As we also revealed in our previous report, Fit for a Secure Future, FFTF businesses consider cyber security a key enabler of innovation. They see it as a catalyst for new tech adoption and as a potential differentiator for winning new business.

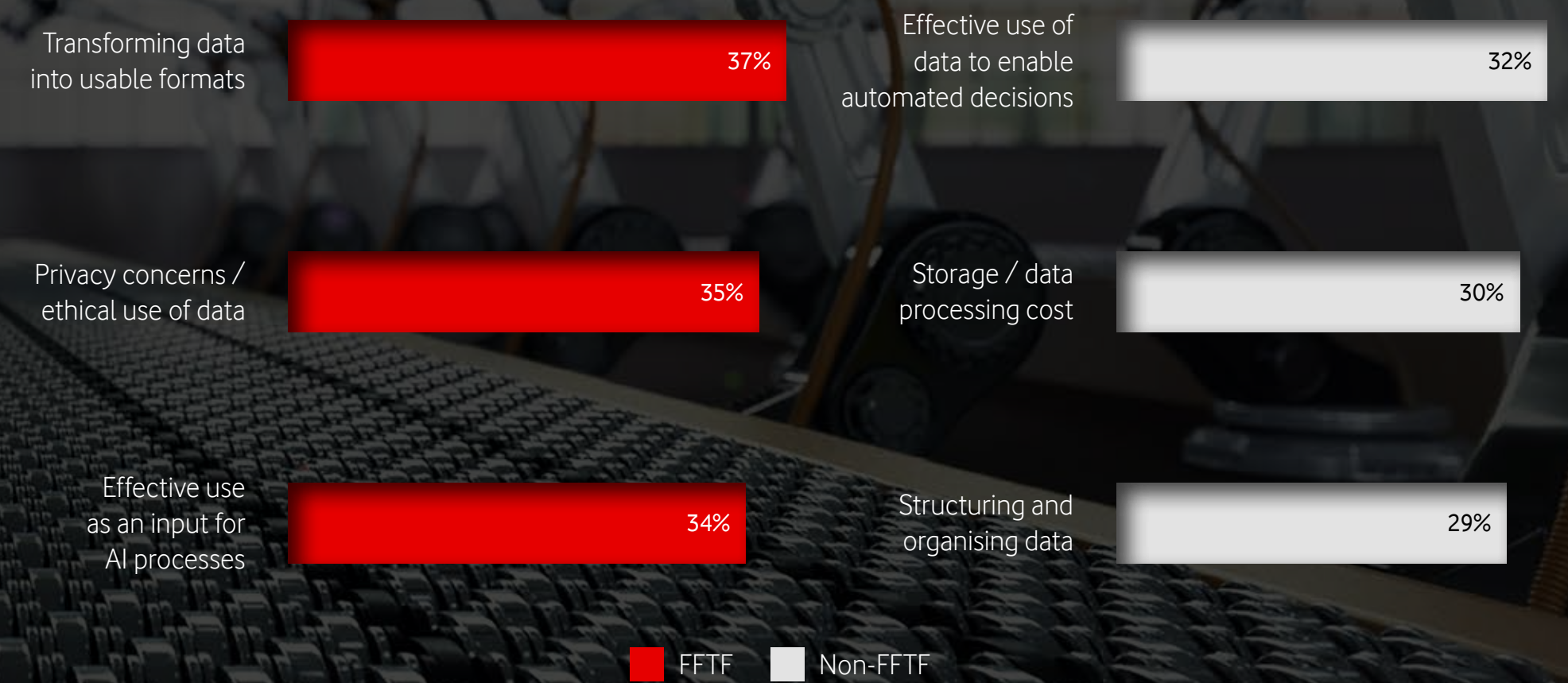
IoT opportunities

They also see greater opportunities in the use of IoT technology – particularly for monitoring, optimisation, quality control and automation of processes. While 31% of businesses say that using data collected by IoT systems is a challenge, FFTF businesses see this differently. 44% of FFTF businesses say IoT has exceeded their expectations, and these positive experiences are reflected in their budgets increasing significantly.

The four biggest differences between FFTF and non-FFTF businesses, for opportunities recognised from the use of IoT tech



FFTF businesses are focussing on transforming data into usable formats



Step 4:

FIND THE RIGHT DIGITAL PARTNER

FFTF businesses don't just seek the right technology solutions for their business; they also want the right partners in place to deliver them.

These businesses understand the operational risk that comes with implementing anything new – even if it's not the very latest technology – and they want partners to help manage that risk. Partners should be able to provide an ongoing, risk-free path to the adoption of new technologies and processes as they mature. This will give businesses the peace of mind and freedom they need to get on with business.

Loyalty is wavering

Omdia's 2023 Future of Work report reveals that many businesses are keen to develop new digital partnerships, with three-quarters currently reconsidering their existing suppliers. This is mainly driven by the need for better solution performance.



In order to retain their customers, partners must strengthen their relationships with them – and collaboration is key. Partners should consider hosting workshops or events where they can brainstorm, prototype, test and refine solutions together. By co-innovating and co-creating, supplier and businesses become closer, they grow more dependent on their suppliers and relationships become harder to break. In addition, suppliers should think about using scorecards or dashboards to track and display performance against initial KPIs and business goals.

Partners, not just providers

FFTF businesses are innovative and collaborative. They want to work with their partners to drive efficiencies, reduce costs and deliver effectively. They value partners with deep expertise and global reach, who can provide relevant insights, ‘tried and tested’ solutions and the strategic vision they need to securely grow their business.

A critical enabler of transformation

One type of partner that FFTF businesses rely heavily on is managed services providers. By outsourcing a lot of specialist and often time-consuming jobs to these trusted partners (e.g. IT support), businesses can focus on what they do best while also reducing their costs and becoming more secure, efficient and compliant.



Step 5:

CONSIDER THE IMPACT ON SOCIETY AND THE ENVIRONMENT

Omdia's 2023 Future of Work report reveals the environmental, social and governance (ESG) initiatives that leaders believe will have the greatest impact on their business. The top priorities are making workloads more efficient and improving the visibility over areas such as carbon emissions.

1

Make employee workflows and workloads more efficient

2

Adopting tools to better measure progress on a corporate stated target for carbon emissions

3

Invest in more efficient data center technologies

4

Encourage employees to participate in social projects



Serious about ESG

In the Fit for the Future 2021 Report, the London School of Economics found that organisations with a FFTF index that's higher by 10 points are likely to have an ESG commitment that's 6 points greater.*

FFTF businesses are more conscious about how their technologies and operations impact society and the environment. Over half say the impact of their technology is 'top of mind', compared to only one third of businesses overall.

FFTF businesses also recognise the potential for innovation to mitigate their impact on the environment, with 27% citing environmental impact as a catalyst for innovation – compared to only 20% of non-FFTF businesses.

High expectations of partners

Those FFTF businesses, for whom the environment is a driver of innovation, don't just take steps within their own organisations to reduce their impact. They also review suppliers and partners to ensure they're aligned on ESG issues too.

Innovation programs

FFTF businesses have innovation programs in place to help identify, assess and develop solutions that meet specific ESG needs. They attract and engage target audiences with plans built around clear problem statements. Collaborating with both internal and external stakeholders, they can develop the ideas into implementable solutions.

*Relative increases based on a self-reported assessment.

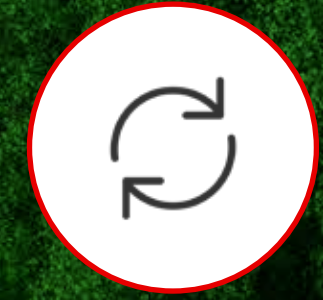
FFTF businesses for whom the environment is a driver of innovation are also more likely to take the following actions.



Improving waste / energy management



Low / no emissions transport



Using recycled materials



Protecting biodiversity



Reviewing suppliers and partners

03

CONCLUSION



THE IMPACT OF INNOVATION

Innovation has a critical role to play within every business. Not only does a willingness to embrace innovation influence your success and survival right now, but it will also determine your future.

Those businesses that feel daunted by the concept of innovation and think it's out of reach can learn a lot from FFTF businesses. For them, innovation isn't seen as a 'one-off' or an end goal; it's an always-on behaviour. It's about finding the best ways to run their business in order to meet their customers' expectations and their growth goals – and that will be different for different businesses. As we've learned, innovation isn't about a single thing; it's about what's most important to your business.

By embracing innovation, we've found that FFTF businesses can drive clear and significant outcomes:

Higher financial impact

They can achieve higher incremental revenue growth and greater cost-reductions by improving their operations, increasing employee retention and differentiating their products or services.

Faster results

They get faster results by adopting or implementing new tools, processes and technologies. The sooner businesses can adapt to changing needs, the faster they can expect to see results and stay ahead of competition.

Improved performance

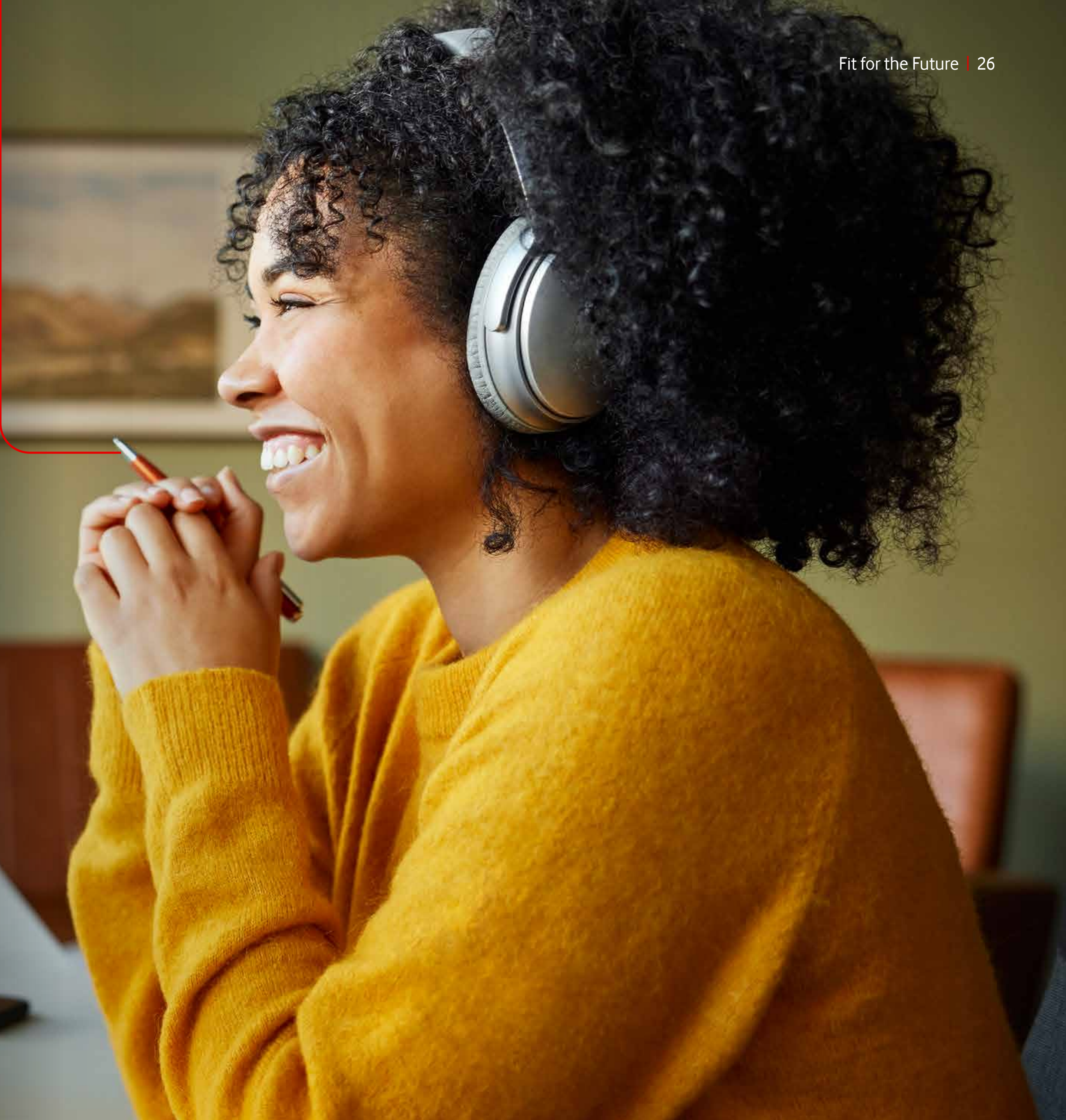
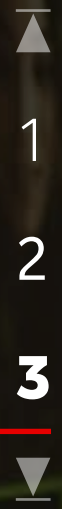
They not only improve overall commercial performance, but also improve performance on multiple measures of non-financial value – such as ESG, customer experience, customer retention, market share and brand reputation or preference.

With the right solutions in place, and the right partners to help deliver those solutions and minimise the operational risks, businesses can have the freedom to adapt their operations to meet ever-changing customer and market needs. Innovation can be successfully embedded into their workflows and their workforce, ultimately becoming part of the fabric of the organisation – not a standalone goal.

ARE YOU READY TO BECOME 'FIT FOR THE FUTURE'?

Start your journey towards a more innovative
and prosperous future today.

Find out more at:
www.vodafone.com/business/fitforthefuture



HOW WE IDENTIFIED OUR SUBJECTS

Our Market Research team started with wide-ranging desk research looking into topics across politics, economics, sociology, technology, law and the environment.

We distilled all our findings down into clear categories and based on these, plus key challenges/themes identified in previous waves of research in 2020 and 2021, we built a set of research objectives.

These included:

How businesses are evolving their security strategies to meet new cyber challenges brought about by hybrid and remote working.

Qualitative and quantitative primary research conducted with our partner B2B International.

Quantitative:

3,101 businesses surveyed via online survey across 15 markets:

 UK

 Germany

 Portugal

 Netherlands

 Spain

 Romania

 United States

 Italy

 UAE

 South Africa

 Australia

Fieldwork period:
August 2022.

 Ireland

 China

 India

 Singapore

Qualitative:

25 in-depth interviews with businesses across UK, Germany, South Africa, Italy and Spain, and 5 with journalists and investors.

Fieldwork period: July 2022.



Together we can
vodafone
business

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