Mayfield

Mayfield CXO Innovation & Priorities Report 2020
## Part 1: IT Priorities & Budget

Bridging the Gap

Going into 2020, the New Year's Resolution for global CIOs is driving innovation, and we wanted to kick off our first ever year-in-review survey around the concept of how to institutionalize it. We asked our CXO Innovation Network members to chime in and share their views – and in the process we learned a little bit about how over 100 organizations are leveraging innovation. **The Mayfield CXO Innovation Network** is made up of 800+ CIOs, CISOs, CTOs, and Head of Innovation from around the globe.

We at Mayfield are constantly trying to improve how we can deliver emerging ideas and corporate innovation best practices to you. As investors we see thousands of new business plans each year, while your teams are constantly driving internal improvements to your business. You need innovative ideas to accelerate impact.

- How important is corporate innovation to our network?
- Are there gaps or white spaces that need more innovation?
- How do our members stack up on our corporate innovation benchmark?
- What might a blueprint look like for working with early stage companies?
- What are some tips for founders to better work with *you*

Our goal is to be an effective innovation bridge. We learn from your input we and hope we've gathered feedback in a way that is useful to your team in 2020.
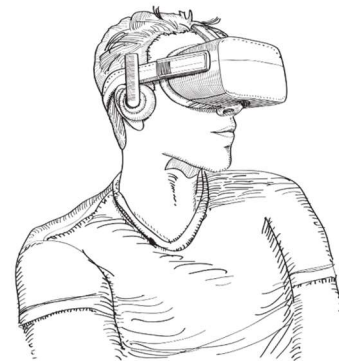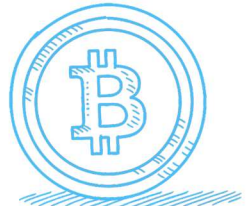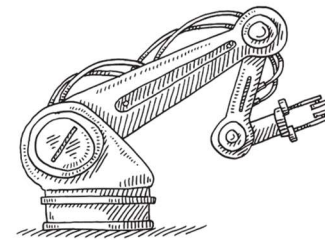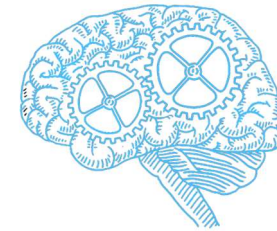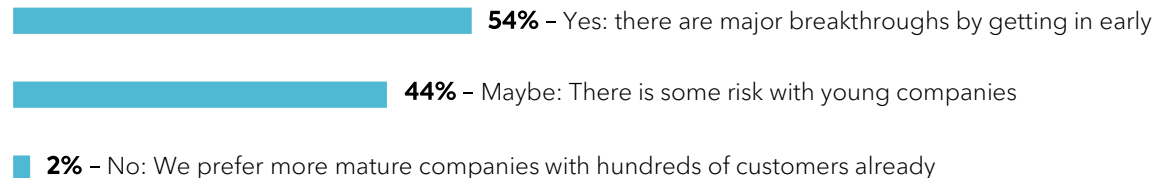
Innovation is Important

Innovation is the new corporate buzzword that seems to be present in every corporate presentation as a priority. So we asked our network: just how important is working with startups in support of innovation goals?

Do you agree that working with early stage startup technologies is a "must-have" for enterprise innovation? Or, is it better to wait for much later stage companies?

Here's what our audience had to say:

54% – Yes: there are major breakthroughs by getting in early

44% – Maybe: There is some risk with young companies

2% – No: We prefer more mature companies with hundreds of customers already

Unsurprisingly, only 2% of responses say they prefer to wait for later stage companies to source innovative solutions. Meanwhile, 98% agree that early access is better, with 44% still acknowledging that there are inherent risks in working with startups. This last piece is an important point; it means your innovation team must have a honed process that works... more on that later in the survey.

John Donahoe, ServiceNow

"If everything's on track, it means we're not pushing ourselves enough. And innovative companies must push forward knowing not every attempt will succeed."

2020 Priorities: The Top 3

Our next core question was about *what* our audience is looking to innovate. We wanted to know where there are currently unfilled needs that the startup community should be leaning into. We've identified three key areas, and a plethora of smaller ones based on *your* survey results.
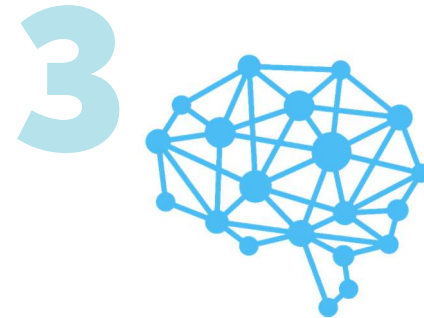
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RPA (Repetitive Process Automation)
75% of respondents believe this to be a key area for 2020 spending

2

Cyber/Cloud Security, & Identity
75% of respondents believe this to be a key area for 2020 spending

3

AI & ML
64% of respondents believe this to be a key area for 2020 spending

2020 Priorities — A Broader Scope

These were the rest of the priorities our network came up with, ranked from left to right & top to bottom

Supply Chain & Logistics	5G	Cloud Adoption	Edge Computing	Privacy	Blockchain	Consumer Data & User Behavior
Next-Gen Payments	IoT & Smart Cities	Interoperability of Apps	Telemedicine	Quantum Computing	Real-Time Fraud Detection	Counter Drone & Drone Control
Autonomous Vehicles	Predictive Analytics	AR/VR/XR	Advanced Visualization	Data Reliability & Authenticity	Consumer Engagement	Usability

The 2019 Corporate Innovation Benchmark
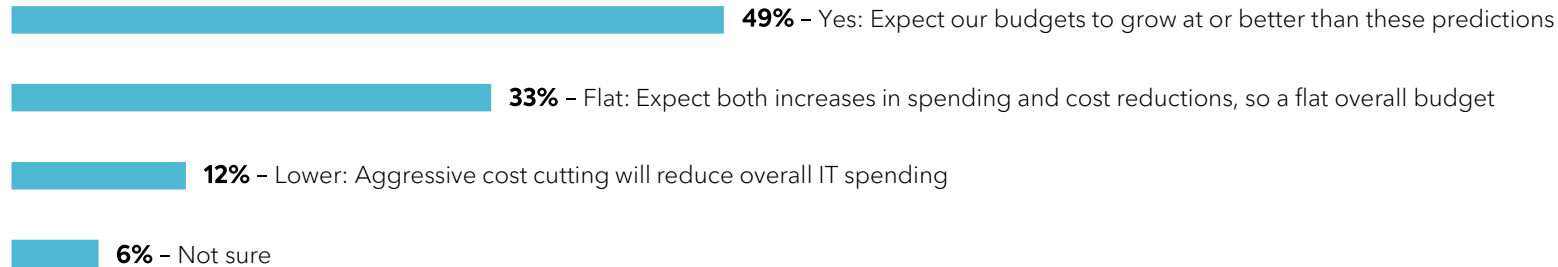## How Does Our Network Stack Up?

Let's Talk About Budget

In addition to the basics, we asked our participants to chip in a bit about their budget predictions for the coming year. Gartner predicted that global IT spend will increase by 3.7% in 2020; IDC suggested a 5.7% growth. Here's where we came out:

49% – Yes: Expect our budgets to grow at or better than these predictions

33% – Flat: Expect both increases in spending and cost reductions, so a flat overall budget

12% – Lower: Aggressive cost cutting will reduce overall IT spending
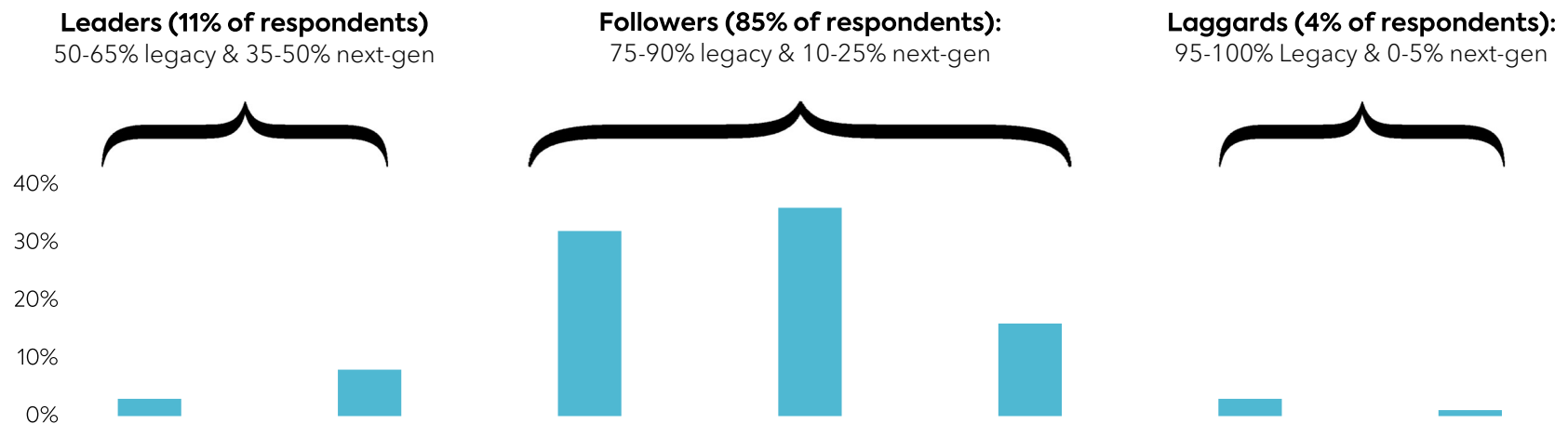
6% – Not sure

The results were mixed – with most participants believing they won't feel the pinch, but only about half in agreement with Gartner & IDC's predictions. Some thoughts on this include:

- Uncertainty in the 2020 tech market could impact spend
- Security spend will outpace general IT
- Capital spending is decreasing across corporations; this could depress any increase IT would have received
- Spending will vary by industry: companies with challenged profits are focused on cost-cutting, those doing well are focused on expansion, except in industries where IT has traditionally been a cost center
- Some of IT spend could get lumped in with marketing or spending from other business units

Budget Allocation: Legacy vs Next-Gen

Aside from just the overall IT budget, we wanted to get an idea of how much of their budget our network was allocating across legacy vs. next-gen software. We ended up with a nice bell curve ranging from 0-50% spending on next-gen (and, conversely, 50-100% spending on legacy). Most of our participants came in at between 75-90% legacy, and 10-25% next-gen, with a small pool of leaders coming in close to half and half. Over 95% of our participants were pushing at least 10% into new technology.

Leaders (11% of respondents)
50-65% legacy & 35-50% next-gen

Followers (85% of respondents):
75-90% legacy & 10-25% next-gen

Laggards (4% of respondents):
95-100% Legacy & 0-5% next-gen

Corporate Innovation Benchmark

To close out our 2019 survey, we included a series of benchmarking questions to gauge how advanced each participant's innovation program is currently. Our focus was on how robust outcomes from the programs looked, and how they were funded and compensated.

The metrics we chose when benchmarking corporate innovation can be broken down into:

- ❑ Volume of startups: How many startups does your team review each year?
- ❑ POC process: How many POCs can your team support?
- ❑ Budget: Does your team have a formal innovation budget?
- ❑ Compensation: Are you compensated for innovation?

Breakout leaders are seeing over 100 startups per year and executing 10+ POCs simultaneously. These are the indicators of future innovation leaders.
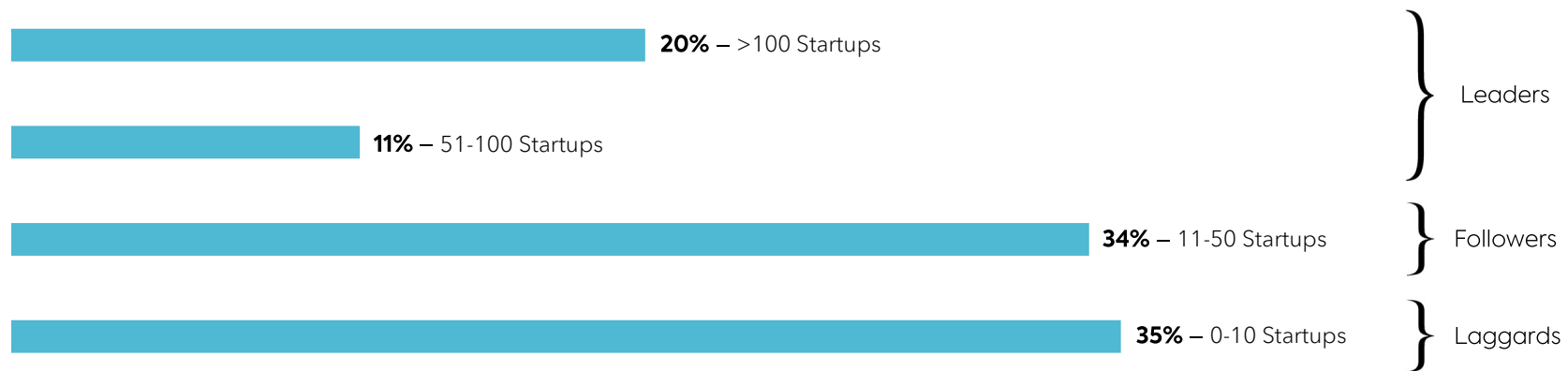
Marc Benioff, Salesforce

"Innovation is a core value at Salesforce. It is deeply embedded in our culture. This starts in the mindset of every person in the company—you must cultivate a beginner's mind. A beginner's mind is the practice of looking at the world with fresh, unencumbered eyes, and avoiding inside-out or homogenous thinking that can lead to blind spots and missed opportunities." [2]

Startup Awareness & Volume

We asked how many startups our participants & their teams reviewed in 2019. Based on the greater number of survey participants coming in at over 100 startups, as opposed to 51-100, it seems that once scalability is achieved, it becomes easy to ramp up the review process. But with only a about a third of our participants hitting that hundred startup mark, there's definitely still room to grow, even in this lean-forward community.

We've partnered with many CIOs and their innovation teams to help them gain access to the startup community. Teams that have a refined set of target focus areas to explore, and even high-level use cases, are often more able to engage a higher quantity of startups in their own pursuit of new ideas. Additionally, teams that move from tourist innovation to regularly scheduled innovation deep dives are the ones who benefit from more focus and access to higher quality emerging startups.

20% — >100 Startups

11% — 51-100 Startups

} Leaders

34% — 11-50 Startups

} Followers

35% — 0-10 Startups

} Laggards

Support for POCs
aka Incubation

A proof of concept (POC) is only part of the puzzle when attempting to test a new technology. Alone, it's not a good measure of success. Innovation is a process that is intended to have impact on the core business while finding new answers to solve current and future problems. But the innovation team must have a process to crawl, then walk, before running with new innovations. The POC process therefore is a gauge to determine the volume of new ideas under development. Some may call this an incubation process: engaging a startup to provide a 'test case' solution as a starting point and giving them an opportunity to prove their viability.

Our results here suggest that a segment of the responses, the leaders, are able to crank through more than 10 POCs simultaneously. We see volume of POCs as being correlated with teams who competitively push for innovation, and who have formalized processes that allow for a higher volume of new ideas.

11% – 10+ POCs

13% – 5-10 POCs } Leaders

66% – 2-5 POCs } Followers
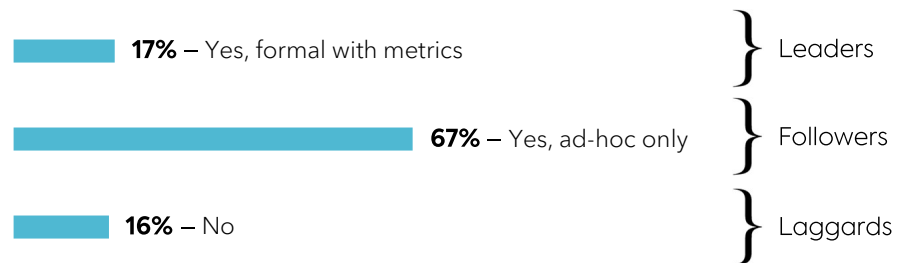
10% – 1 POC } Laggards

Budget & Compensation

Formalizing a budget is another signal that a company is committed to driving innovation. This level of commitment evokes an opportunity for the CIO and the innovation team leaders to encourage startups to work with them. If for instance, an innovation group has a process to incubate new companies, and the funding to support that process, they'll have better access to the best and brightest startups (who likely have limited resources).

Having an innovation budget trickles up into helping the corporate VC arm as well: partnering with startups can become a part of the market scouting process. The bottom line is that from our view, the more formal the process for working with startups, the better access the innovation team will have. Funding an innovation team, an incubation process, and supporting prototypes may indeed be one of the most prudent investments for competitive access to innovation.

Additionally, compensation and its associated metrics are key drivers for individuals, and like an innovation budget, it demonstrates your team's priorities. Leaders who are measured and paid for innovation will be more highly engaged, but we see few individuals who have that built into their compensation.

Do you have an innovation budget?

17% – Yes, formal with metrics } Leaders

67% – Yes, ad-hoc only } Followers

16% – No } Laggards

Are you compensated for innovation?

10% – Yes, formal with metrics } Leaders

34% – Yes, ad-hoc only } Followers

56% – No } Laggards