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EXECUTIVES FALL SHORT WHEN LEADING FOR INNOVATION, GLOBAL LEADERSHIP STUDY SHOWS

Leaders Fail to Set a Clear Vision, Recognize and Reward Innovation

NEW YORK – December 12, 2007 – Employees at some of the world’s more prominent companies don’t feel that innovation is well managed or even encouraged by their senior leaders, and it turns out their bosses agree with them. According to a new study, three out of four global executives believe an innovation strategy is critical to their company’s success, yet fewer than half are creating an organizational climate that fosters innovative thinking and leads to innovation success. In fact, approximately 65 percent still don’t have an innovation strategy in place.

The message from senior-level executives is that innovation, an important driver of business growth, isn’t getting the attention that it needs. The results of the study by Oliver Wyman - Delta Organization & Leadership in conjunction with the Economist Intelligence Unit indicate that without leaders who establish a culture of innovation from the top and an organizational structure that supports innovation, companies will falter and look elsewhere for growth.

These and other significant findings are part of the second report in the Global Leadership Imperative series, an annual in-depth look at the challenges of leading in today’s complex, global marketplace. 293 senior executives from large, global corporations participated in the survey representing 17 industrial sectors worldwide. The survey was supplemented with a number of personal interviews.

Executives agree that creating an organizational climate that fosters innovative thinking is the greatest challenge to their leadership and to delivering business results. One major obstacle is a shortage of leaders who demonstrate through their behavior that innovation is essential to their business success. Over half of respondents said leaders in their companies fail to establish a clear purpose and direction for their innovation efforts or create an open and supportive environment. Furthermore, executives believe they are failing in the following areas:

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- Maintaining discipline in the innovation process (82%)
- Recognizing innovation (73%)
- Taking an outside-in perspective (71%)
- Facilitating idea generation (68%)

“Global organizations are realizing that innovation is no longer just about investing in the next big product, nor does it have to begin in R&D,” said Carole France, a Partner at Oliver Wyman - Delta Executive Learning Center. “Senior leadership plays a critical role in fostering the right climate for innovation. A company’s culture, values and organizational structure all contribute to the DNA that supports innovative thinking.”

Respondents are aware that it is essential to establish business processes that translate new ideas into action. However, they state that their companies, for the most part, are not structured to support generation and execution of new ideas.

Companies with Innovation Strategy Report Less Bureaucracy, More Productivity

Approximately 35 percent of executives said their innovation strategies are “well-established.” Companies with well-established innovation strategies are less likely to say that their bureaucracy slows down decision making and hinders innovation, than their counterparts, according to the study.

Respondents with well-established innovation strategies were three times as likely to say that their companies were skilled at both creativity/idea generation and at transforming new concepts into commercial processes or products.

Commenting on who owns innovation at Whirlpool, Nancy Snyder, corporate vice president of strategy and competency creation said, “We do have a corporate-wide innovation strategy; it’s part of our overall strategy for the company. It’s created by our top ten leaders, but it’s owned at different levels.”

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Innovation Is Not Yet Part of the Culture

The survey findings show employees at approximately half of all companies do not believe that innovation is a business priority or that they are expected and encouraged to develop new ideas. According to survey respondents, changes to the corporate culture may be necessary in order to improve a company's innovation capacity. "We don't think of culture and competencies separately," said Neal Kulick, McDonald's vice president of global talent management. "Talent initiatives are tied to, and integrated with, the corporate strategy."

Companies that believe they are successful in this area believe in hard-wiring the importance of innovation and the critical role every employee plays into the company's culture.

About the Global Leadership Imperative: Building An Innovation Engine

Oliver Wyman – Delta Organization & Leadership in cooperation with the Economist Intelligence Unit conducted a survey including 293 senior executives situated in Asia, Europe, and North America, with companies engaged in 17 different industrial sectors. Company annual revenues range from approximately \$1 billion to more than \$10 billion. Just under 40 percent of the respondents held C-Level positions or their equivalents, including CEO, CFO, and CIO, while more than 30 percent were Vice Presidents or Directors, and 30 percent were heads of business units or departments. The remainder were board members.

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Oliver Wyman is building the leading global management consultancy, combining deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. Delta Organization & Leadership works collaboratively with CEOs and senior executives to meet the challenges of building talent, accelerating organizational performance, and driving business success. Our Executive Learning Center provides top-tier executive education around the world, designing and implementing customized programs that develop the leaders companies need to compete and grow.

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About Economist Intelligence Unit

The Economist Intelligence Unit is the world leader in global business intelligence. It is the business-to-business arm of The Economist Group, which publishes The Economist newspaper. The Economist Intelligence Unit provides geopolitical, economic and business analysis on more than 200 countries, as well as strategic intelligence on key industries and management practices. With over 300 full-time professionals in 40 offices around the world, supported by a global network of more than 700 contributing analysts, the Economist Intelligence Unit is widely known for its unparalleled coverage of major and emerging markets. More information about the Economist Intelligence Unit can be found on the Web at www.eiu.com.