

Innovation Safety Evolves Amid Disruption

Results from UL's third annual survey

INNOVATION SAFETY
RESEARCH STUDY



Innovation safety matures in the face of disruptive market conditions

The global events of the recent past put companies' approaches to innovation and safety to the test. A pandemic, civil unrest and a stalled economy upended businesses across the board. While some segments like grocery, healthcare and collaboration software struggled to keep up with surging demand, others faced complete shutdown, forcing the adoption of new business models and delivery channels. Innovation safety suddenly became critical to companies' ability to survive and thrive in a completely unanticipated environment.

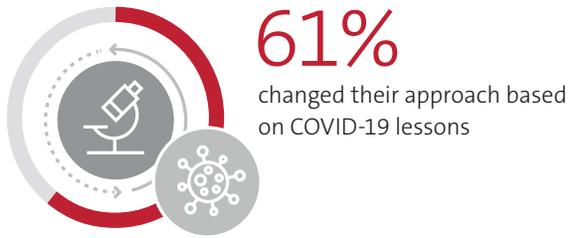
The results of UL's third annual survey, completed in the final weeks of 2020, provide great insight into companies' struggles, successes and the growing importance placed on innovation safety in the year 2020. Many notable shifts in drivers, challenges and approaches to innovation safety occurred. These findings paint a revealing picture of companies reacting to the unexpected in these unprecedented times. Competencies in innovation safety enhance businesses' abilities to achieve continuity and respond with agility to new and emerging marketplace conditions. This study explores the evolution of innovation safety in the face of disruptive conditions.



Top 5 trends in innovation safety

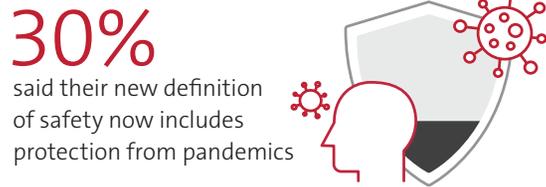
1. COVID-19 changed everything

Forced to innovate, reinvent and improvise, companies in all industries made significant changes to deliver to customers in the middle of a pandemic. The lessons learned have reshaped their approaches to innovation.



2. Expanded definition of safety

The pandemic changed how both consumers and companies view safety and accelerated innovation to combat the spread of disease.



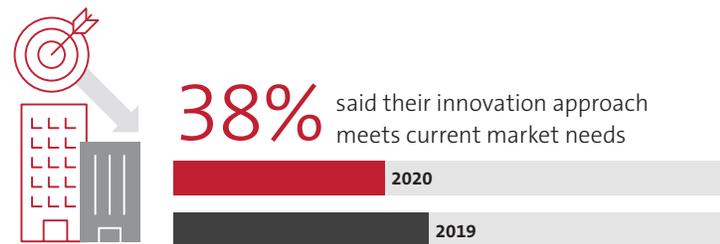
3. Customer expectations still a top driver of innovation safety

For the third year in a row, customer expectations continued to rank as the No. 1 driver of innovation safety.



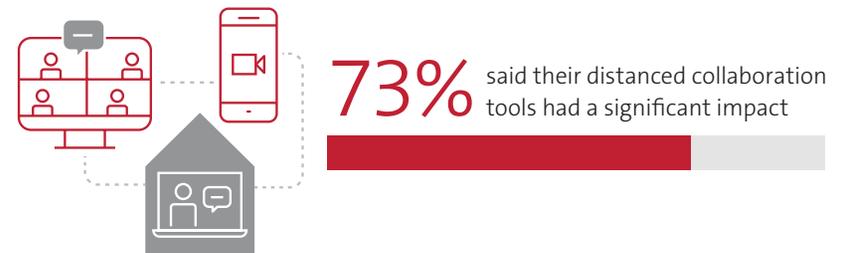
4. Confidence in innovation approaches declined

The events of 2020 put companies' abilities to innovate to the test. Whether launching new product lines to meet emerging needs or deploying technologies to enable operations in a contactless world, companies' abilities to innovate with speed and agility were tested, leaving many to understand areas of improvement.



5. Distanced collaboration tools: a critical technology

Respondents indicated that distanced collaboration tools had the most significant impact on delivering innovation and safety in 2020. Other technologies, including artificial intelligence (AI) and the Internet of Things (IoT), previously identified as critical to enabling innovation safety, ranked lower in importance than a year ago. This may indicate that these technologies have not yet been fully deployed and optimized.





Creativity of constraint

When COVID-19 sparked major shifts in demand and buying patterns, every sector rose to the challenge. Innovation won the day as businesses redirected resources and facilities to meet new demands. These efforts provided business continuity and also allowed businesses to meet critical market needs in an unprecedented situation. Consider a few examples:



Automotive manufacturers redirected facilities to produce 30,000 ventilators to supply to the federal government.



A vast majority (92 percent) of U.S. small business owners said they reinvented themselves during the pandemic, undertaking measures including expanding online delivery, offering new products and adding new virtual services.¹



A startling percentage of businesses shifted to remote working during the height of the pandemic. Several months later, 83% of employers say the shift has been successful, and 52% of executives say employee productivity has improved as a result of remote working.²



Collaborating with governments, academic research institutions and nonprofit organizations, pharmaceutical companies raced to deliver vaccines for COVID-19 in a record 12-month timeframe.



89%

reported experiencing moderate to significant supply chain disruptions

Regulatory guideline compliance jumps on the list of drivers



3rd
most impactful factor in 2020

9th
most impactful factor in 2019

Changing drivers of innovation safety

Monumental changes in the landscape triggered shifts in the major drivers of innovation safety. Customer expectations were the No. 1 driver of innovation safety for the third year in a row, painting a compelling picture that meeting customers' needs is fundamental to business success. Interestingly, however, the top two and three ranking impactful drivers represent a departure from the previous study.

Most impactful drivers of innovation safety

Executives identified supply chain volatility as the second most impactful driver of innovation safety. This stands to reason, as 89% of respondents reported experiencing moderate to significant supply chain disruptions over the course of 2020, forcing businesses to get creative when sourcing critical supplies or identifying substitutes.

Compliance with anticipated regulatory guidelines continued to climb the list of drivers, jumping from the ninth most impactful factor in 2019 to the third most impactful factor in 2020. Clearly, meeting regulatory requirements — whether in the form of environmental, social and governance (ESG) reporting or other testing and compliance — requires innovative safety approaches.

Year-over-year comparison of most impactful drivers of innovation safety

2020

1. Budget/cost constraints
2. Concerns with managing IP risks
3. Rapidly evolving regulations



2021

1. Budget/cost constraints
2. Rapidly evolving regulations
3. Lack of knowledge regarding potential risk resulting from inadequate innovation and safety measures

The definition of safety evolves

As new risks present themselves in an increasingly complex world, the definition of safety continues to evolve. Defined in post-industrial economies primarily in terms of casualty and fire safety, safety has grown to incorporate notions of quality, chemical safety, brand protection, cybersecurity, health and wellness and sustainability. From 1970 to today, the number of regulatory categories and organizations related to safety have increased exponentially. As a result, safety is now intertwined with innovation as companies strive to meet a growing number of safety criteria with every new product and business initiative.

Looking forward

Brand is critical to success

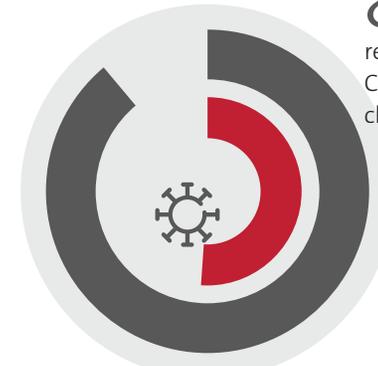
Trust in the brand is evermore critical in a world full of uncertainty and growing distrust. According to the Edelman Trust Barometer 2020, only 58% of global respondents trust business entities.³ According to our survey, brands that engender trust may achieve better performance and results. In our survey, 38% of respondents suggested trust in their brand has enabled them to gain market share throughout 2020. This is a compelling argument for companies to seek third-party validation, transparency and reporting that builds trust among customers and other stakeholders.



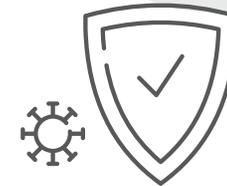
respondents suggested brand trust has gained market share in 2020

Supply chain transparency is critical

Nearly nine out of 10 companies (89%) reported some type of COVID-19-related supply chain disruption in 2020. Almost half (49%) of enterprises that experienced supply chain disruptions in 2020 assumed they had visibility to withstand events but realized there were shortcomings after all. The events of 2020 revealed the importance of supply chain transparency and resilience to businesses in all sectors. Approximately half (49%) of enterprises surveyed indicated that they assumed they had visibility into their supply chain to withstand events, they recognized their shortcomings in supply chain visibility and resiliency. The pandemic clearly revealed the importance of supply chain transparency.



reported some type of COVID-19-related supply chain disruption in 2020



49%

were surprised by the disruptions to their supply chains

Companies are preparing for the unexpected

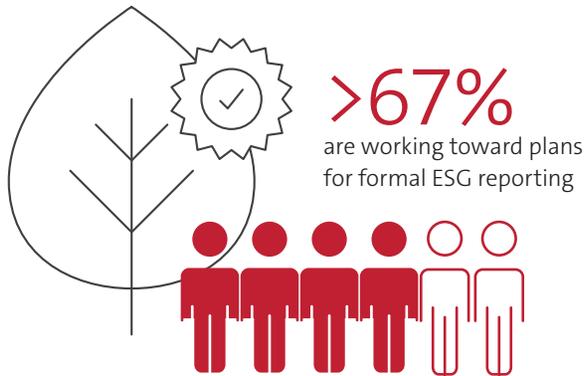
Companies were caught by surprise with the speed and scope of global events in 2020. Previously, contingency planning attempted to prepare for partial and temporary disruptions to supply chains and operations, but seeing the impact of COVID-19, companies are gearing up to “expect the unexpected.” This type of response will require agility, access to extensive data and a culture that supports innovation.

EXPECT
“expecting the unexpected”
to be a continuing
THEME



Sustainability continues to be a priority

Even in the face of economic challenges and disruptive market conditions, companies did not abandon their commitment to sustainability. More than two-thirds of survey respondents either have in place or plan to put in place formal ESG reporting. Moving forward, sustainability will be an innate part of innovation safety and the full range of strategic business decisions.



Reactions from the industry



“Previously, we would work on scenarios where supply chain was interrupted by 60% for a week as worst-case scenario, but now we look at 100% disruption for three months.”



“This year was a nonstop nightmare, and we are determined to not get blinded as we were in 2020.”



“We gained awareness that things may change fundamentally even if not expected.”



To explore more innovation safety insights, visit [UL.com/Insights](https://www.ul.com/insights).

Conclusion

The world has been permanently and irreversibly changed. With the acceleration of technology adoption, new consumer behaviors and greater awareness of the potential impact of watershed events, companies look to establish innovation safety as a competency woven into the fabric of their businesses. Greater awareness and attention, combined with powerful technology tools and new mindsets, will advance innovation safety to a strategic priority for businesses.

About UL

Around the globe, UL works to help customers, purchasers and policymakers navigate market risk and complexity. UL builds trust in the safety, security and sustainability of products, organizations and supply chains — empowering smarter choices and better lives. In all we do, we apply science and expertise to enable the responsible design, production, marketing and purchase of the goods, solutions and innovations of today and tomorrow.

UL delivers services, solutions and education to help enterprises strengthen their brands. Take advantage of our leading-edge insights and domain expertise to position your brand for long-term, sustainable success.

Keep up with innovation safety trends.

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About the study

This report is based on results from a survey conducted in December 2020, collecting responses from 300 respondents from the Americas, Europe and the Asia Pacific. Respondents included executives and high-level management from a variety of departments and a cross-section of industries.

Industry segments



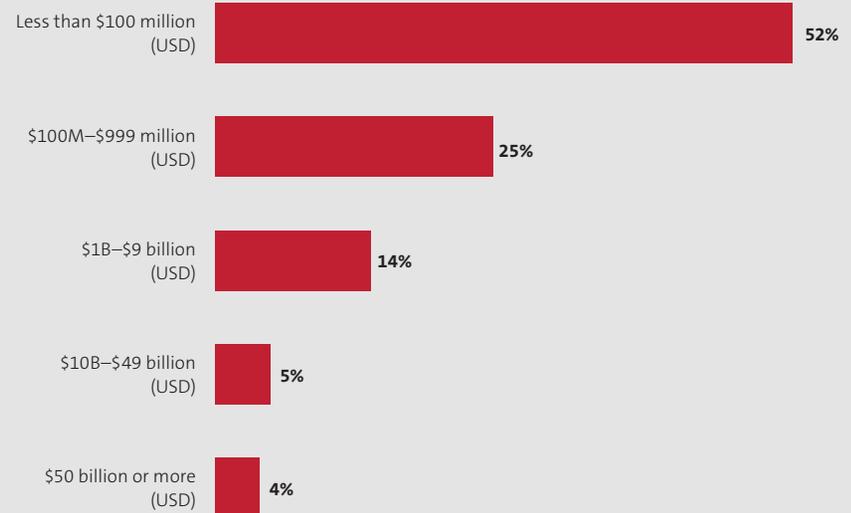
Geographic segments



Number of respondents from each region in parentheses

- North America (152)
- Europe (76)
- Asia Pacific (62)
- South America (6)
- Africa (4)

Company size (by annual revenue)





Sources

1. GetApp, "Business Model Survey," July 2020.
2. PWC, "US Remote Work Survey," Jan. 12, 2021.
3. Edelman Trust Barometer 2020," January 2020.



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