# Assessing The Need for Innovation in Your Organization

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While every organization recognizes the need to innovate to move forward, there are huge variances in the understanding of what it means. With many Executives believing “We’re good”, some recognizing “We need to be better at Innovation” (to meaningfully improve business outcomes), and a few who realize “there is a crisis in the making” (unless we successfully disrupt our business or the industry).

The challenge is to know how to assess the effectiveness of your innovation capabilities and future readiness of your organization. This reality check is required to –

1. increase relevance and revenue
2. attract new Customers
3. grow and expand markets
4. attract and retain top talent
5. demonstrate vision / look ahead
6. attract investment
7. create opportunities
8. provide high returns to stakeholders

…. by

A. inventing new products and services with high appeal
B. creating new opportunities, markets, etc.
C. evolving the business model, company culture, etc.
D. developing the Mindset to innovate for impact
E. becoming a more entrepreneurial organization

Question – Is your organization good at innovation to get these significant benefits ?

To help answer this question, please complete the following chart for your organization –

# Organization Innovation Assessment

| Valuation to Revenue Ratio | Valuation to Profits Ratio | Annual Growth Rate | Annual Return to Investors | Innovation Rating | Innovation / Future Readiness Status |
|---|---|---|---|---|---|
| ≥ 4 | ≥ 30 | ≥ 12 | ≥ 12 | **A** | Being a successful Innovator and future oriented company, the challenge is to determine where the money is going to be in 5, 10, 20 years. |
| 3 - < 4 | 20 - < 30 | 8 - < 12 | 8 - < 12 | **B** | Continue improving at II, SI, DI and being future oriented |
| 2 - < 3 | 10 - < 20 | 5 - < 8 | 5 - < 8 | **C** | Need to be better at II, SI, DI and being more future oriented |
| 1 - < 2 | 5 - < 10 | 3 - < 5 | 3 - < 5 | **D** | Need to be much better at II, SI, DI and being much more future oriented |
| 0 - < 1 | 1 - < 5 | 1 - < 3 | 1 - < 3 | **E** | Need for DI in near term (< 3 years) (crisis coming) |
| < 0 | < 1 | < 1 | < 1 | **F** | Need for DI now (< 1 year) (crisis situation) |
| ____ = ____ | ____ = ____ | ____ = ____ | ____ = ____ | ____ | |

____ = Insert number and rating for your organization

Innovation Legend:
II = Incremental Innovation to grow the business / H1
SI = Sustainable Innovation to improve operation efficiencies / H2
DI = Disruptive Innovation to meaningfully evolve / change the business / H3

For examples of applying these metrics to companies in the Fortune 500 to assess how well they are innovating for impact, see the following –

# Innovation Status of selected Fortune 500 Companies – 2024

| | Company | Revenue | Profits | Valuation | Valuation to Revenue Ratio | Valuation to Profits Ratio | EPS Annual Growth Rate 2014 - 2024 % | Annual Return to Investors 2014 - 2024 % | Overall Innovation Performance Rating |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 1 | Walmart | $ 680,985. | 19,436. | 703,799.2 | 1.03 = D | 36.21 = A | 3.7 = D | 14.5 = A | C |
| 2 | Amazon | 637,959. | 59,248. | 2,016,324. | 3.16 = B | 34.03 = A | - | 30.3 = A | A |
| 3 | UnitedHealth Group | 400,278. | 14,405. | 479,080.6 | 1.2 = D | 33.25 = A | 10.5 = B | 19.3 = A | B |
| 4 | Apple | 391,035. | 93,736. | 3,336,853.1 | 8.53 = A | 35.60 = A | 14.2 = A | 26.1 = A | A |
| 5 | CVS Health | 372,809. | 4,614. | 85,418.9 | .23 = F | 18.51 = C | (0.8) = F | (4.8) = F | E |
| 6 | Berkshire Hathaway | 371,433. | 88,995. | 1,148,720.3 | 3.09 = B | 12.91 = C | 17.7 = A | 11.7 = B | B |
| 7 | Alphabet | 350,018. | 100,118. | 1,894,485.5 | 5.41 = A | 18.92 = C | 22.8 = A | 21.8 = A | B |
| 8 | Exxon Mobil | 349,585. | 33,680. | 516,054.3 | 1.48 = D | 15.32 = C | .3 = F | 6.1 = C | D |
| 9 | McKesson | 308,951. | 3,002. | 84,343.4 | .27 = F | 28.10 = B | 15.3 = A | 11.5 = B | C |
| 10 | Cencora | 293,958.6 | 1,509.1 | 53,869.5 | .18 = F | 35.70 = A | 20.5 = A | 11.2 = B | B |
| | ..... | | | | | | | | |
| 491 | Yum Brands | 7,549. | 1,486. | 43,919.5 | 5.82 = A | 29.56 = B | 8.4 = B | 12 = A | B |
| 492 | Fastenal | 7,546. | 1,150.6 | 44,471.1 | 5.89 = A | 38.65 = A | 9.2 = B | 14.7 = A | A |
| 493 | CMS Energy | 7,515. | 1,003. | 22,466.5 | 2.99 = C | 22.40 = B | 6.7 = C | 10 = B | C |
| 494 | Monster Beverage | 7,492.7 | 1,509. | 56,949.3 | 7.60 = A | 37.74 = A | 12.4 = A | 11.3 = B | A |
| 495 | Endeavor | 7,482.9 | (782.4) | - | - | - | - | - | - |
| 496 | Science Applications Int'l | 7,479. | 362. | 5,359.5 | .72 = F | 14.81 = C | 9.4 = B | 10.4 = B | C |
| 497 | Core & Main | 7,441. | 411. | 9,559.9 | 1.28 = D | 23.26 = B | - | - | C |
| 498 | Howmet Aerospace | 7,430. | 1,155. | 52,543.6 | 7.07 = A | 45.49 = A | 3.9 = D | 16.1 = A | B |
| 499 | Ingredion | 7,430. | 647. | 8,678.6 | 1.17 = D | 13.41 = C | 7.4 = C | 7.6 = C | C |
| 500 | Vulcan Materials | 7,417.7 | 911.9 | 30,819.2 | 4.15 = A | 33.80 = A | 16.1 = A | 15.6 = A | A |

* Based on FYE 2024 financial results : Fortune June / July 2025 issue. Amounts in $ millions.

# Innovation Status of selected Fortune 500 Companies - 2020

| | Company | Revenue | Profits | Valuation | Valuation to Revenue Ratio | Valuation to Profits Ratio | EPS Annual Growth Rate 2010 - 2020 | Annual Return to Investors 2010 - 2020 | Overall Innovation Performance Rating |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 1 | Walmart | $ 559,151 | $ 13,510 | $ 382,643 | 0.7 = E | 28.3 = B | 0.6 = F | 13.0 = A | C |
| 2 | Amazon.com | 386,064 | 21,331 | 1,558,070 | 4.0 = A | 73.4 = A | 32.4 = A | 33.6 = A | A |
| 3 | Apple | 274,515 | 57,411 | 2,050,666 | 7.5 = A | 35.7 = A | 19.7 = A | 29.6 = A | A |
| 4 | CVS Health | 268,706 | 7,179 | 98,653 | 0.4 = E | 13.7 = C | 8.2 = B | 9.3 = B | C |
| 5 | UnitedHealth Group | 257,141 | 15,403 | 351,725 | 1.4 = D | 22.8 = B | 14.6 = A | 27.5 = A | B |
| 6 | Berkshire Hathaway | 245,510 | 42,521 | 587,823 | 2.4 = C | 13.8 = C | 12.9 = A | 11.2 = B | B |
| 7 | McKesson | 231,051 | 900 | 31,044 | 0.1 = E | 34.5 = A | 0.7 = F | 10.4 = B | C |
| 8 | AmerisourceBergen | 189,894 | (3,409) | 24,170 | 0.1 = E | (7.1) = F | - = F | 12.8 = A | E |
| 9 | Alphabet / Google | 182,527 | 40,269 | 1,392,562 | 7.7 = A | 34.6 = A | 16.1 = A | 19.4 = A | A |
| 10 | Exxon Mobil | 181,502 | (22,440) | 236,355 | 1.3 = D | (10.5) = F | - = F | (1.9) = F | F |
| | ..... | | | | | | | | |
| 491 | Patterson | 5,490 | (588) | 3,088 | 0.6 = E | (5.3) = F | - = F | 2.4 = E | E |
| 492 | Commercial Metals | 5,477 | 280 | 3,717 | 0.7 = E | 0.7 = E | - = F | 5.1 = C | E |
| 493 | Boise Cascade | 5,475 | 175 | 2,353 | 0.4 = E | 0.4 = E | - = F | - = F | E |
| 494 | Hasbro | 5,465 | 223 | 13,202 | 2.4 = C | 2.4 = E | (5.1) = F | 10.2 = B | C |
| 495 | A-Mark Precision Metals | 5,461 | 31 | 360 | 0.07 = E | 11.8 = C | - = F | - = F | E |
| 496 | Camping World Holdings | 5,447 | 122 | 3,453 | 0.6 = E | 28.2 = B | - = F | - = F | E |
| 497 | NetApp | 5,412 | 819 | 16,176 | 3.0 = B | 19.8 = C | 12.0 = A | 3.7 = D | C |
| 498 | Avis Budget Group | 5,402 | (684) | 5,068 | 0.9 = E | (7.4) = F | - = F | 9.1 = B | E |
| 499 | R.R. Donnelley & Sons | 5,399 | 99 | 290 | 0.05 = E | 2.9 = E | (8.1) = F | (17.1) = F | E |
| 500 | Moody's | 5,371 | 1,778 | 55,885 | 10.4 = A | 31.4 = A | 15.9 = A | 28.7 = A | A |

* Based on FYE 2020 financial results : Fortune June/July 2021 issue. Amounts in $ billions.

# Conclusions

Based on the above metrics, many organizations need to improve at business innovation ! Key to this is creating and deploying at scale new digital services having high value to grow and expand revenue streams, improve the bottom line, evolve the business model, etc. - to innovate for impact.

After producing these metrics for your organization, still think " We're Good " ?
Or, is it time to " Step-on-the-Gas " (to have innovation meaningfully improve outcomes ) ?

To share insights on becoming a more entrepreneurial organization, realizing the significant benefits from successful business innovation, and being a more future oriented enterprise - you're welcome to contact CAIL.