Innovating Innovation

Transforming the accelerating pace of change from a challenge to an opportunity

Adapting to Exponential Change

Fundamental dynamics driving change

Hyper exponential growth in the infrastructure

- computing
- communication
- storage

Moore’s law doubles every 18 months

Bandwidth law doubles every 12 months

Disk law doubles every 12 months
Average Lifetime of S&P 500 Companies

But why is this happening??

The Competency Trap!

to produce a product family

to see new patterns

but what blocks one from seeing new patterns?
Why is seeing new patterns so hard?

Conceptual ruts!!!

A Story of a Conceptual Rut
The Clipper Ship Industry
Glenalvon - 1880s
Conceptual Ruts Reign Supreme

Images and story from Richard Foster

But in a rapidly changing world innovation and agility must reign supreme

Ah, then think platforms & ecosystems!
Amazon’s Novel Innovation Model
2 pizza team rule and the platform

Amazon’s Cloud and web services (AWS) creates an ecosystem that enables startups to get going fast and scale quickly.

Cost:
cpu: HP tower 10 cents/hr
storage: 15 cents/gigabyte/month

And monitor your virtual stack by iPhone
Amazon’s Cloud and web services (AWS) creates an ecosystem that enables startups to get going fast and scale quickly.

Animoto startup – (personal MTVs) went viral one day on Facebook: scaled from 50 servers to 5000 servers in just about a day on the Amazon Cloud.

Fine but let’s go beyond just eBusinesses. By going to the logic of open innovation in mature businesses one can get both agility and the predictability that stock markets worship.
P&G’s Stance

In 2000 they lost 50% of their market cap (top line stagnant but profit was still growing) (success rate of innovation was 35%) (company insular)

The Challenge:
5% more organic growth with 10% less money!

P&G

7.5k R&D folks

3 billion/yr new sales generation

1.5 million qualified folks that could be harnessed for innovation in a flattened world
P&G Connect + Develop Vision
Turbo-charge Innovation Through Connections

(35% of their products in last 2 years)

Connect & Develop is cool!
But can we expand the universe of whom we might connect to.
There are millions of ideas and billions of customers out there.
# InnoCentive Solver Networks (broadcast search)

Each challenge must be well defined with an answer that can be readily verified.

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<th>Country</th>
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| China     | In China, InnoCentive has: | - Established partnerships with major Chinese universities, including Beijing University of Chemical Technology, Zhejiang University, and Peking University.
- Established a partnership with the Chinese Academy of Sciences, enabling scientists and researchers to work on InnoCentive Challenges.
- Held a landmark symposium on scientific R&D trends at the National Natural Science Foundation of China, including a press event at the People’s Grand Hall. |
| Russia    | In Russia, InnoCentive has: | - Established partnerships with leading Russian scientific organizations, such as N. Katkov Institute of Microbiology, Moscow State University, and St. Petersburg State University.
- Participated in the 54th Maslov Congress on General and Applied Chemistry in Kharkiv.
- Sponsored the first virtual scientific competition for Russian chemists with Moscow State University. |
| India     | In India, InnoCentive has: | - Established cooperation agreements with the Council of Scientific and Industrial Research, National Chemical Laboratory in Pune, and Indian Institute of Chemical Engineers.
- Sponsored the 31st Indian Science Congress, held at IIT, Chennai.
- Sponsored the 3rd Chemical Research Society of India National Symposium at IIT. |

### The Value of Openness in Scientific Problem Solving (broadcast search vs. local search)

166 discrete scientific problems from labs of 26 companies disclosed to 80,000 independent scientists from over 150 countries:

- **approach solved one-third of the problems that large/well known R&D firms had been unsuccessful in solving internally.**
- **successful solvers created solutions on the boundary or outside of their field of expertise but that triggered ideas/techniques that they had used in their own specialty.**

*Karim Lakhani et al.*
The Value of Openness in Scientific Problem Solving
(broadcast search vs. local search)
166 discrete scientific problems from labs of 26 companies disclosed to 80,000 independent

Summary:
innovation happens at the intersection of disciplines

boundary or outside of their field of expertise but that triggered ideas/techniques that they had used in their own specialty.

*Karim Lakhani et al.

Ah, so if innovation happens at the intersections we need to insure diversity in an ecosystem

But we can do more
The grand opportunity: don’t just adapt – shape!

Shape with strategies that mobilize global ecosystems and transform industries & markets through a positive, galvanizing message that delivers benefits to all who adopt the new terms.

The shaper’s broad ecosystem can use the strategy to create enormous value as they learn from – and share risk with – one another.
Examples of companies that used shaping strategies to shape entire ecologies

Salesforce.com – software as a service
Visa – credit card (payments) business
Google – advertising business
Facebook – social networking
Li & Fung – supply chain orchestration

Three key ingredients to a Shaping Strategy

• Shaping View -- that inspires
• A Platform -- that scales and
• Actions/Assets -- that show trust
Shaping view that inspires
- Provide a vivid idea of what a market or industry would look like in the long term (5 to 10 years) – the big picture...
- Describes fundamental industry forces and attractive economics for participants
- Provides focus direction for participating companies
- Identifies where the opportunities lie

Shaping Platform
- Provides leverage for participants, thereby reducing their risk
- Clearly defines standards and practices to guide the activities of large numbers of participants
- Fosters specialization among participants
- Increases in value and functionality as more participants join
Assets and Actions

- Reduce the platform adoption risks faced by potential participants
- Ensure commitment of and credible access to resources
- Signal a long-term commitment of shaper and emphasis on trust-based relationships

Ecosystem Participants

- Adopt and enhance the platform by delivering products or services tailored to it
- Provide feedback on, and lend credibility to, the view and platform
- Supply missing assets to the shaper

Thereby forming a virtuous circle
The Big Picture:

The purpose of the 20th Century firm:
To minimize transaction costs &
achieve scalable efficiency

The Purpose of the 21st Century Firm:
To accelerate capability building
(getting better faster)

Learning from others as they learn from you:
accelerated bootstrapping in an ecosystem
And think: Ecosystems along with the management skills of husbandry, not control!

because in the right context

“all of us can be more innovative than any one of us”

And finally don’t limit our ecosystem’s thinking to just the private sector. Ecosystem Strategies apply to public sector at least as well!
shifting to a 21st Century learning paradigm: Connected Learning Communities (cLC)

the learning ecosystem fully managed end-to-end solution

Thank You

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