

# Innovating Innovation

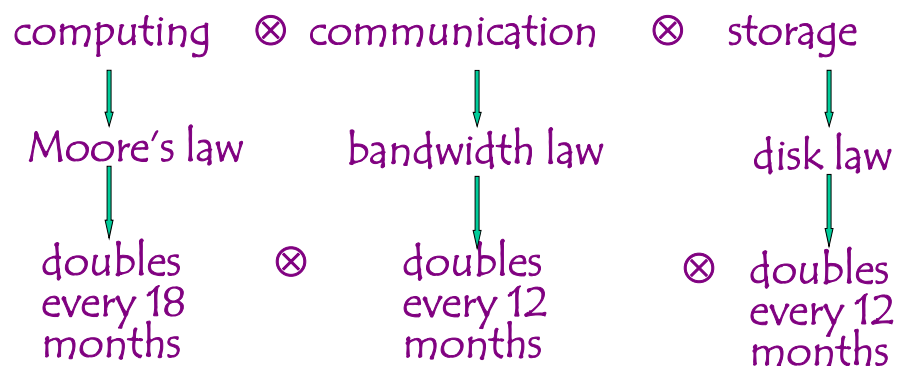


Transforming the accelerating pace of change  
from a challenge to an opportunity

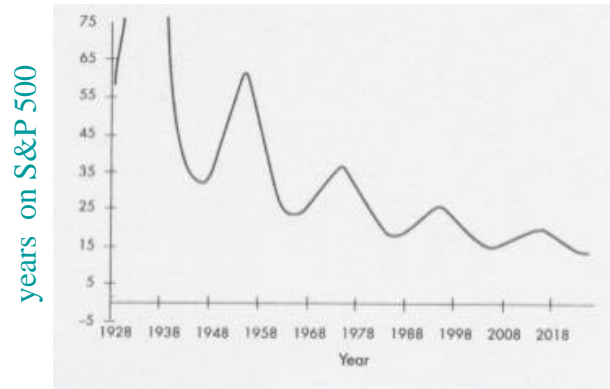
## Adapting to Exponential Change

Fundamental dynamics driving change

Hyper exponential growth in the infrastructure



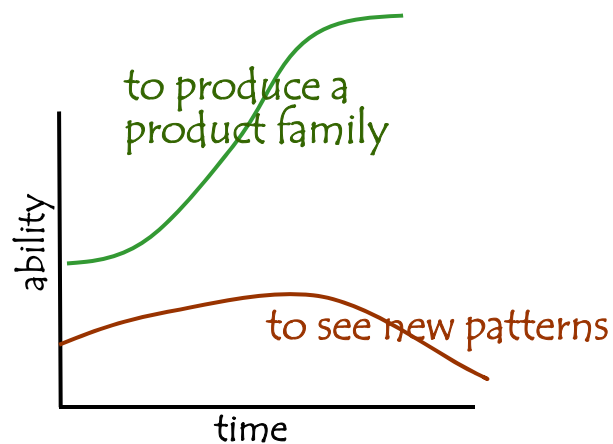
## Average Lifetime of S&P 500 Companies



But why is this happening??



## The Competency Trap!



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



France II



Preussen



Thomas W. Lawson



Conceptual Ruts Reigns Supreme

Images and story from Richard Foster

But

in a rapidly changing world  
innovation and agility  
must reign supreme

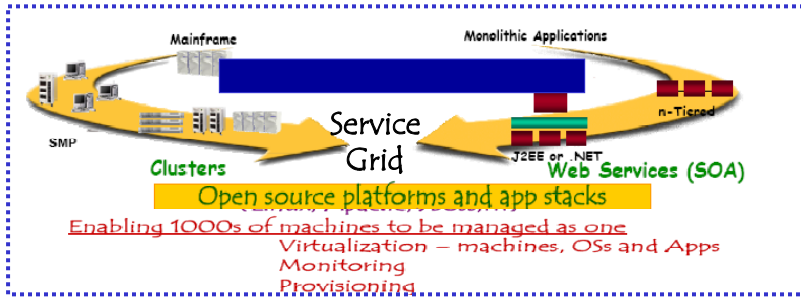


Ah, then think platforms &  
ecosystems!

# Amazon's Novel Innovation Model

## 2 pizza team rule and the platform

Ajax + XML+ SOA 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: 15cents/gigabyte/month

And monitor your virtual stack by iPhone

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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

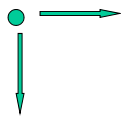
In 2000 they lost 50% of their market cap  
(top line stagnant but profit was still growing)  
(success rate of innovation was 35%)  
(company insular)



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

P&G

7.5k  
R&D  
folks

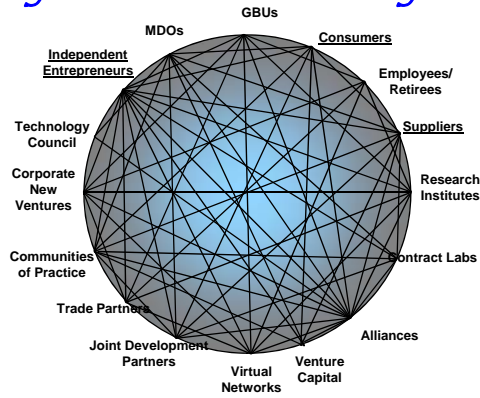


3 billion/yr  
new sales  
generation

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.

## 1 China



### In China, InnoCentive has:

- Established partnerships with major Chinese universities, including:
  - Beijing University of Chemical Technology
  - Fudan University
  - Lanzhou University
  - Peking University
- Established a partnership with the Chinese Academy of Sciences, enabling CAS 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

## 2 Russia



### In Russia, InnoCentive has:

- Established partnerships with leading Russian scientific organizations, such as:
  - Mendeleeev University of Chemical Technology
  - Moscow State University
  - St. Petersburg State University
  - Kazan State University
- Hosted scientific conferences at St. Petersburg University and Moscow State University
- Participated in the XVII Mendeleev Congress on General and Applied Chemistry in Kazan
- Sponsored the first virtual scientific competition for Russian chemists with Moscow State University

## 3 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 9<sup>th</sup> Indian Science Congress, held at Panjab University, Chandigarh
- Sponsored the sixth Chemical Research Society of India National Symposium at Kanpur
- Formed an Advisory Board comprising some of India's most well-respected scientists and researchers to enhance global R&D in India

## 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  
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**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



# SHAPING STRATEGY

## in a World of Constant Disruption

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 purpose of the 20<sup>th</sup> Century firm:  
To minimize transaction costs &  
achieve scalable efficiency

The Purpose of the 21<sup>st</sup> 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!

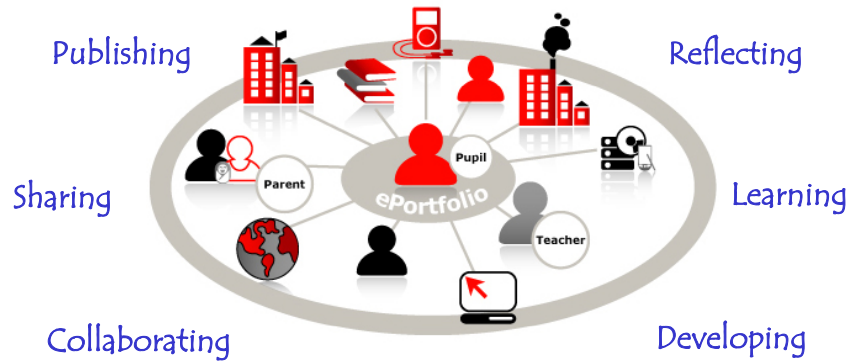
because  
in the right context



"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 21<sup>st</sup> Century learning paradigm:*  
Connected Learning Communities (cLc)



the learning ecosystem  
fully managed end-to-end solution

Powered by:



Thank You

And special thanks to  
John Hagel  
Deloitte's Center for the Edge

