How to create an atmosphere for innovation

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Dr. Christoph H. Wecht

BGW AG
Management Advisory Group St. Gallen – Wien
www.bgw-sg.com

St. Gallen Office
Varnbüelstrasse 13
CH-9000 St. Gallen
T +43-1-798 98 97, M +43-676-94 60 488
christoph.wecht@bgw-sg.com
What is innovation?

Innovation = Idea + Need + Execution

IDEO
Innovation cycle – “RPM” increasing

- Innovation
- Commodity
- Competitive advantage
- Imitation
Current challenges in business

“Today, innovation is about much more than new products. It is about REINVENTING BUSINESS PROCESSES and building entirely new markets that meet untapped customer needs. Most important, as the Internet and globalization widen the pool of new ideas, it’s about selecting and executing the right ideas and bringing them to market in record time.”
Core elements of innovation management

- Innovation strategy
- Innovation process
- Innovation culture
- Innovation structure
- Innovation communication
- Intellectual Property (IP) Management

Open innovation

Innovation management

Core elements of innovation management
Overview innovation process

Technology and market trends

Creativity process

Strategy

New concept

Product development

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Opportunities

Ideas

Concepts
Change of innovation paradigm

Trends
- Faster innovation cycles
- Shorter product life cycles
- Technological change
- Globalization of markets
- Increasing competition
- Changing customer demands

Source: based on Chesbrough (2003)
Open innovation, example Procter & Gamble

From R&D → Research and Development to C&D → Connect and Develop!

Integration of external partners to optimize *Innovation-to-cash* processes at P&G

Fuzzy front end (FFE) model

Characteristics of FFE

Nature of work
Experimental, often chaotic, one can schedule work - but not invention

Commercialization date
Unpredictable or uncertain

Funding
Variable, projects may be “bootlegged”

Revenue expectations
Often uncertain, with a great deal of speculation

Activity
Individuals and team conducting research to minimize risk and optimize potential

Measure of progress
Strengthened concepts

Source: Koen et al. 2002
Innovation leads to higher profits

Source: Chan, Mauborgue (1997)

<table>
<thead>
<tr>
<th>Type</th>
<th>Distribution of types</th>
<th>Sales</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radical innovation</td>
<td>14%</td>
<td>38%</td>
<td>61%</td>
</tr>
<tr>
<td>Incremental innovation</td>
<td>86%</td>
<td>62%</td>
<td>39%</td>
</tr>
</tbody>
</table>
Just 0.6% of all ideas for innovation are successful

1,919 Ideas for Innovation
- 1,550 eliminated (about 81%)

369 Basic Project
- 193 eliminated (about 52%)

176 Products
- 124 eliminated (about 70%)

52 Still on the Market

Result
- Total loss: 24
- Avg. perf.: 17
- Success: 11

Source: Kienbaum Survey (1993)
Iridium – great but too expensive

1998: 66 satellites, 5 bio $
2000: bankrupt
Innovation flops

Factors that lead to failure:

- Electronic mouse trap: 28%
- Me-too-product: 24%
- Technical weaknesses: 15%
- Competitive weaknesses: 13%
- Price deterioration on the market: 13%
- Problems in the environment: 7%

Source: Kienbaum Survey
Apple iPhone and App Store success

Apple to boost iPhone sales 35% this year… sold a record 11.3M in 2009's final quarter, will sell 37.3M in 2010, predicts Wall Street analyst.
[Computerworld 2010]

Apple responsible for 99.4% of mobile app sales in 2009.
[arstechnica 2010]

WHOA: Google Android outsells Apple iPhone in the U.S.
[Silicon Alley Insider May 10th 2010]
More money does not guarantee innovation success

Higher spending on R&D does not automatically lead to an increase of performance parameters such as sales growth, profit or shareholder value.

Innovation by chance or management?
Strategic dilemma: how much discipline?

- CREATIVITY
- DISCIPLINE
- Creative tension
- Organizational slack
- Cost-cutting
- Process management
- People management
Three elements of creativity

1. expertise
2. creative-thinking skills
3. motivation

We can influence this.

Pablo Picasso, Three Musicians (1921)
Amabile (1998)
Motivation

Too much money makes us nervous!

Experiment 1:
high bonus - low performance

Experiment 2:
high bonus - high performance

Source: Ariely, Gneezy, Loewenstein, Mazar (2009)
Gore: commitments, no assignments

Tasks can't be assigned, they can only be accepted
How effective is your organization?
Trust as core of cooperation

Cooperation Spirit

- Positive
- Negative

- Enthusiasm
- Cultural Shock
- Cultural Assimilation
- Stability

Institute of Technology Management
University of St. Gallen

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Judging risks in change projects

- Skeptics: 40%
- Promoters: 5%
- Opponents: 15%
- Delayer: 40%

Objective risks vs. Personal risks

Low vs. High Risk Levels
Don’t fear failure

You need to encourage innovation when your company's doing well. At Dell, innovation is about taking risks and learning from failure.

Michael Dell,
Dell Computers,
2002
What can you find in a company with a strong innovation culture?

1. alignment
2. self-initiated activity
3. unofficial activity
4. serendipity
5. diversity
6. communication

Source: Robinson & Stern
Source of all innovation is the human being

Innovation champions are frequently
- egocentric
- impatient
- unadaptable

Are we looking for them and are we encouraging them?

Success factors: promoting a culture of innovation and recognizing the potential of lateral thinkers
Entrepreneurship as source for successful innovation

Triggers for Entrepreneurs:

1. Money
2. Autonomy
3. Creativity
4. Passion

Transforming the idea into a successful business as challenge.
Overcome the orthodoxies of the company
Vision driven Innovation

“We choose to go to the moon in this decade, not because it is hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one we are willing to accept, one we are unwilling to postpone, and one we intend to win”

- John F. Kennedy 1961
Innovation requires an element of chance, but good management increases the likelihood of success.

Chance favors only the prepared mind!

Louis Pasteur
Attachment: background BGW AG
BGW AG – Service portfolio

Advise and in-house seminars:
- Strategic business development
- Innovation management
- Intellectual property (IP) solutions

- Widespread partner network
BGW AG – Current focus topics…

Your success relevant subject areas

- Corporate development
- Innovation management
- Intellectual property (IP) solutions

Selection of our current work focuses

- Business model innovation
- Creating Blue Oceans
- Culture of innovation and leadership

- Open Innovation und crowdsourcing
- Early innovation phase and Lean Innovation
- Service innovation

- IP strategy and processes
- St. Galler Patent Value Index (SGPI)
- Evaluation and exploitation of IP

We help you to shape and secure your future!
BGW AG – We offer …

- ... proven practices and methods
  Methods developed in practice, tested and applied for over 20 years.

- ... approaches adapted to the particular situation
  There is no rigid standard method used, but the approach individually tailored to your goals.

- ... scientific anchoring of methods and concepts
  Research, promotion and teaching of the team at the Institute of Technology Management at the University of St. Gallen (Professor Gassmann).

- ... sound understanding of business and technical issues
  The members of the BGW team have extensive practical experience beside their HSG-doctoral degree.

- ... comprehensive perspective
  The BGW assists in the conceptual planning and operational implementation of joint projects.
BGW AG – Experienced team of founders

Dr. Martin A. Bader, Managing Partner
- Intellectual property and innovation management expert
- European and Swiss Patent Attorney
- Former Vice President and Chief Intellectual Property Counsel, *Infineon Technologies*

Prof. Dr. Oliver Gassmann, Partner
- Professor of Technology Management and Director of the Institute of Technology Management at the University of St. Gallen
- Member of numerous economic and scientific advisory boards
- Former Vice President Technology, *Schindler*

Dr. Christoph H. Wecht, Managing Partner
- Innovation management expert
- Long-term international experience as project manager and product developer in Austria, Germany and the U.S.
- Former head of Knowledge Management & Innovation department, *Continental*
BGW AG – Overview

- The BGW AG is a spin-off from the Institute of Technology Management (ITEM) at the University of St. Gallen (ITEM-HSG)
- Offices in St. Gallen and Vienna
- Development of custom, well-fitting solutions in the areas of strategic business development, innovation management and intellectual property (IP) solutions
- Comprehensive project management and support: from the definition of the objective through feasibility studies, analysis and concepts to the action plan and the subsequent implementation
- The close connection to the Institute of Technology Management provides access to current and relevant insights into international innovation management and strategy research
- International team of founders with extensive experience from practice and research: Dr. Martin A. Bader, Prof. Dr. Oliver Gassmann, Christoph H. Wecht

Office St. Gallen: Varnbüelstrasse 13, CH-9000 St. Gallen
T +41-71-840 08 31, F +41-71-840 08 32, martin.bader@bgw-sg.com

Office Vienna: Jacquingasse 49, A-1030 Vienna
T +43-1-798 98 97, F +43-1-798 98 97, christoph.wecht@bgw-sg.com

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