

# **Innovation Without Borders**

*Bhaskar Chakravorti  
Harvard Business School and  
McKinsey & Company*

*Beijing Leaders Program  
November 12, 2009*



**What is Innovation?**

# INNOVATION IS . . . BOLD ASPIRATION

*“I want to put a ding in the universe”*



**INNOVATION IS . . . A “WHY DIDN’T WE THINK OF THAT BEFORE” IDEA**



# INNOVATION IS . . .



**...FAILURE...**



# ... AND LATERAL VISION...



**... AND EVEN LONGITUDINAL VISION**



# INNOVATION TRANSFORMS LIVES...



- Kenya has 38 million people
- Only 1.3 million Kenyans have access to the electricity grid
- In June 1999, Kenya had 15,000 mobile phone subscribers.

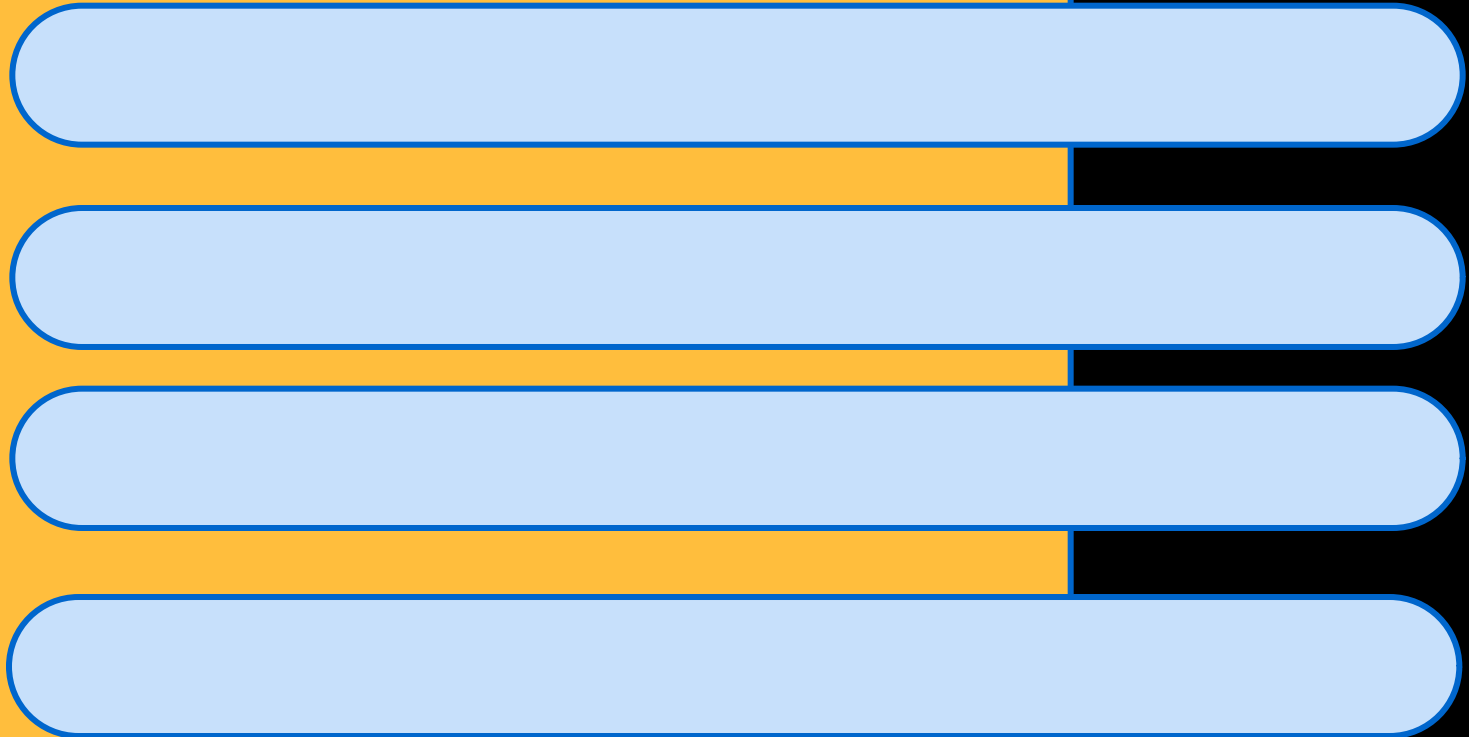
# INNOVATION TRANSFORMS LIVES AND LIVELIHOODS



- Kenya has 38 million people
- Only 1.3 million Kenyans have access to the electricity grid
- In June 1999, Kenya had 15,000 mobile phone subscribers.
- Today the number of mobile subscribers is 18 million

**Adding an additional ten mobile phones per 100 people boosts a typical developing country's GDP growth by 0.6-0.8 percent**

# **INNOVATION-AT-SCALE – NOT INNOVATION PER SE – IS THE REAL UNTAPPED OPPORTUNITY**



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## **Innovation-at-Scale is**

**Sizeable**

**Leverageable and Extendable**



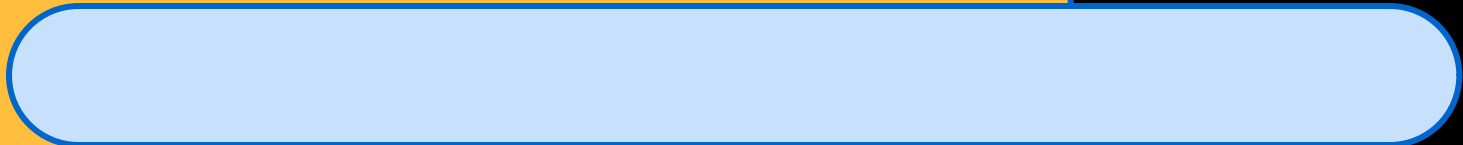
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**Organizationally Sustainable**



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## **Innovation-at-Scale is**

**Sizeable**

**Leverageable and Extendable**

**Organizationally Sustainable**

**Capable of Disproportionate Value Creation**

# KEY MESSAGES

1

Never let a serious crisis go to waste...



Use disequilibrium to break from conventional wisdom

2

Stop trying to force-fit innovativeness into your organization...



Reach beyond the organization to connect with innovators

3

Emerging markets are not just targets for “trickle-down” products...



Nurture innovations from these markets that can “trickle-up” to disrupt global markets

4

The game changing players will be innovators without borders...



Leverage information technology to play and win this new game

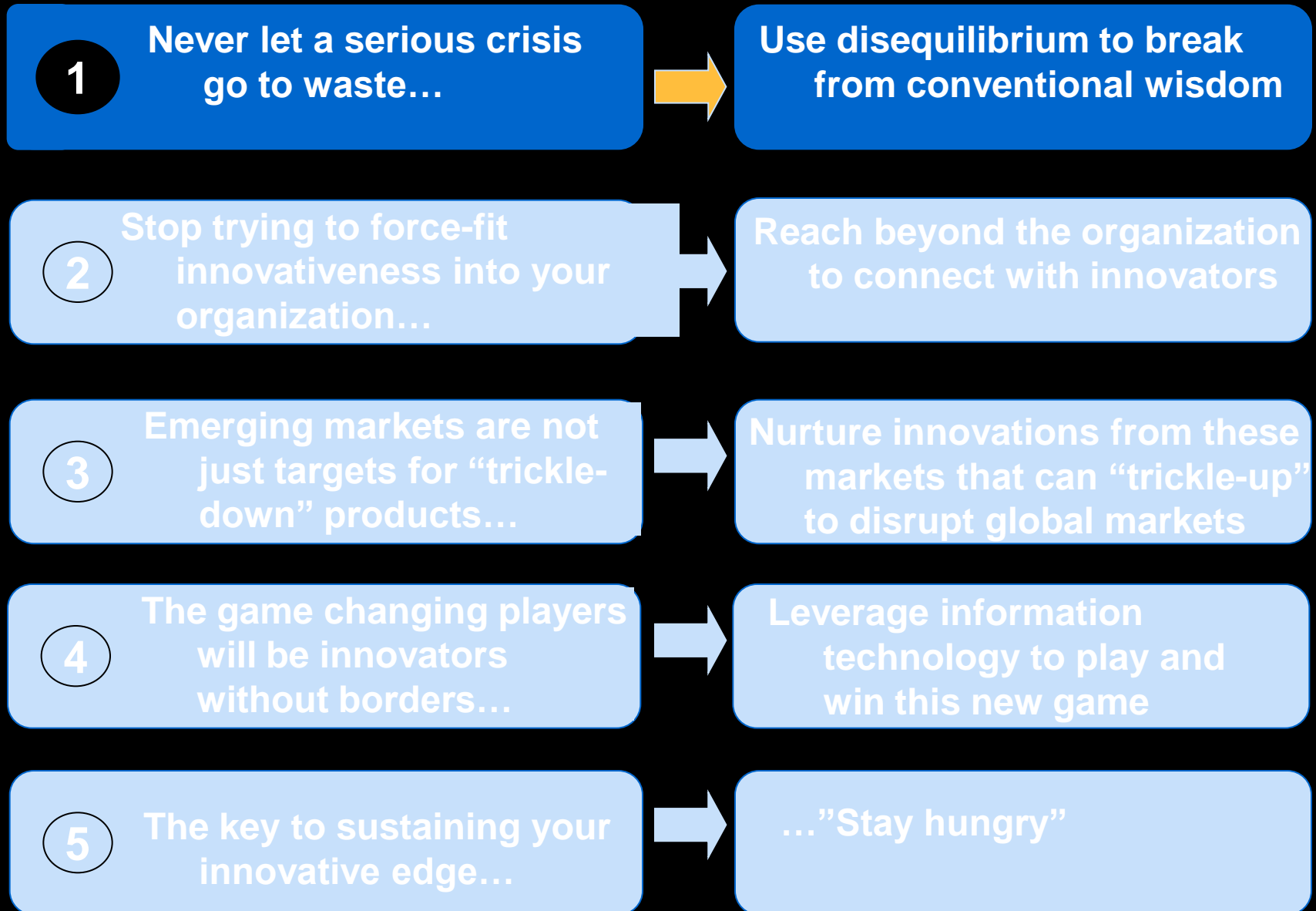
5

The key to sustaining your innovative edge...



...”Stay hungry”

# KEY MESSAGES



# THE INNOVATION EQUILIBRIUM

**“We don’t have a corporate innovation strategy beyond ‘Innovation is good’”**

**“We are too short term oriented and rarely think about capturing opportunities from long term trends. I cannot afford to take risky bets; if I fail once, my career is over”**

**“We suffer from ‘Not Invented Here’ disease”**

- **“Money is allocated to businesses based on size and how they did last year, not based on potential or opportunity”**

- **“Execs are measured only by this year’s earnings. The sales force is not interested in selling unfamiliar products”**

- **“New Ventures doesn’t attract the best talent” “Since we are sub-scale, we get little senior management attention.”**

- **“Short-term customer driven projects constantly trump investments in longer term projects”**

**“We are measured using financial metrics that the core business uses. This guarantees failure.”**

- **“These new businesses can cannibalize the cash cows...In tight economic times that is the first place I will cut”**

**AN ALL TOO FREQUENT RESULT: JUST DID NOT DO IT**



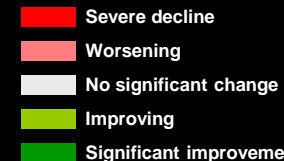


# IS IT REALLY OVER?



# GREEN SHOOTS?

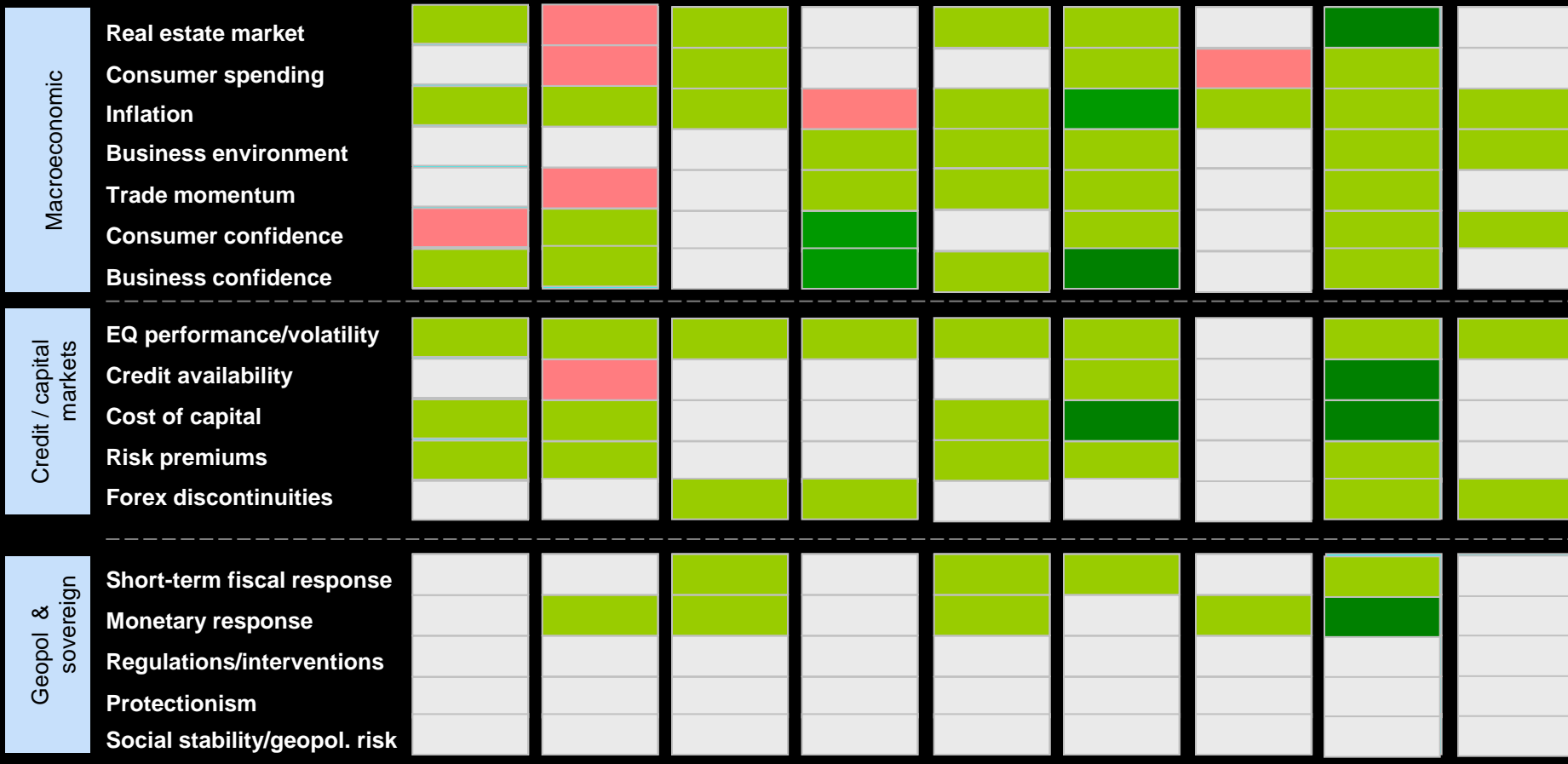
## McKINSEY HEAT MAP JULY 2009



Change from previous month

Developed economies

Developing economies



\* Measuring change, not absolute value; detailed descriptions of each signpost category, along with supporting data, may be found in the corollary monthly CCI signpost report(s)

\*\* Social stability is a qualitative assessment based on a combination of observed increase/likelihood of social unrest or geopolitical tension - assessment is provided as generalized trend only

\*\*\* Cost of capital based primarily on central bank interest rates and CP spreads; risk premiums based on industry specific interest rates, bond spreads, or CDS spreads

危机

?

*“Never let a serious crisis go to waste. What I mean by that is it's an opportunity to do things you couldn't do before”*

-- Rahm Emanuel, US President's Chief of Staff



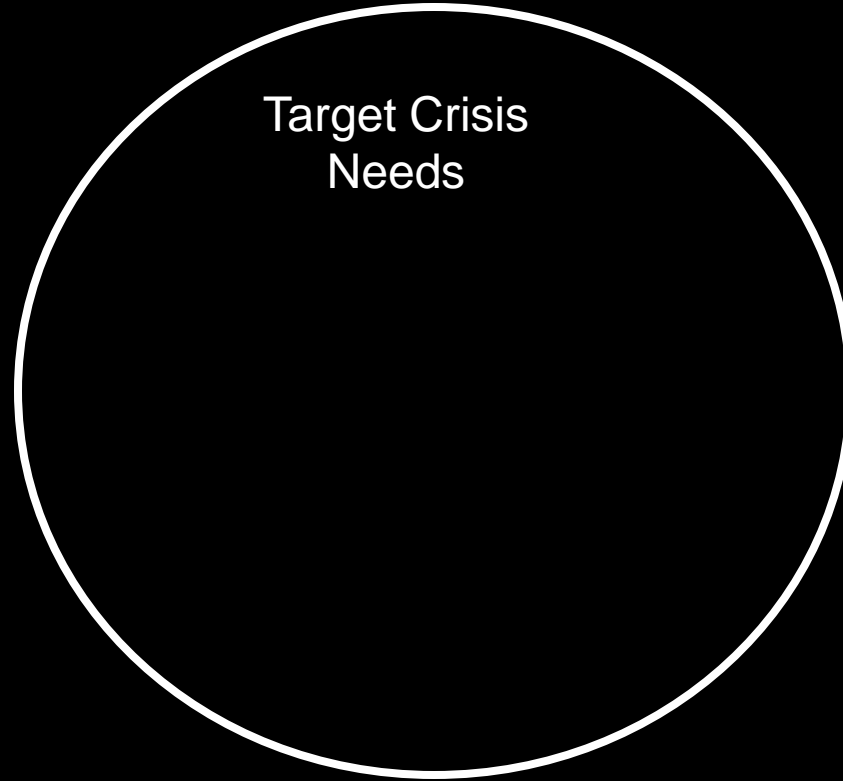
*“Never let a serious crisis go to waste. What I mean by that is it's an opportunity to do things you couldn't do before”*



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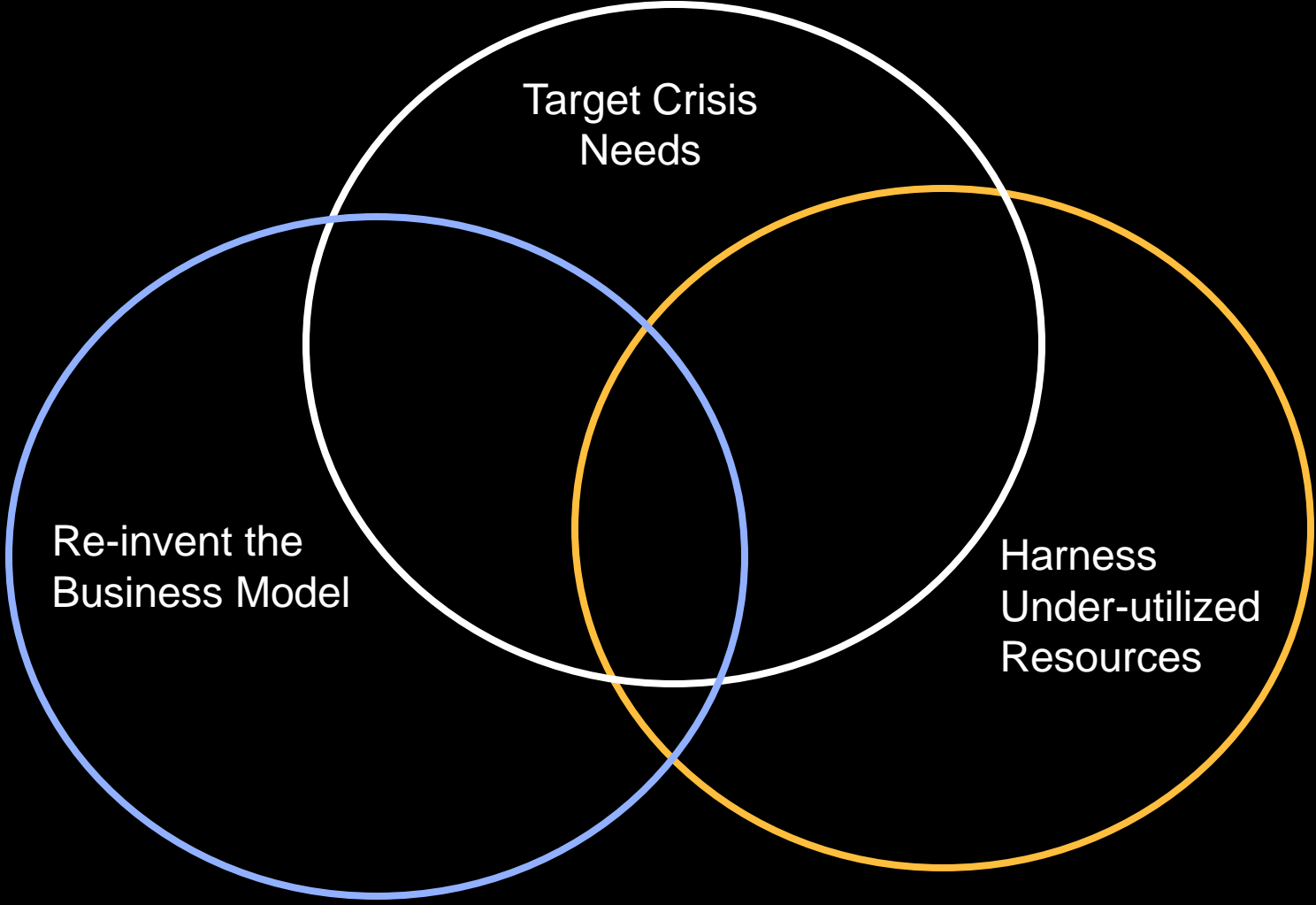
# A MODEL FOR SPOTTING DISEQUILIBRIUM OPPORTUNITIES



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# A MODEL FOR SPOTTING DISEQUILIBRIUM OPPORTUNITIES



Target Crisis  
Needs

Re-invent the  
Business Model

Harness  
Under-utilized  
Resources

# KEY MESSAGES



# BEYOND THE ORGANIZATION - I

**INNOCENTIVE**

Using the Website | My InnoCentive | Seeker Companies | News & Press

Chemistry | Biology | Awarded Challenges | Login

### Current InnoCentive Challenges:

We maintain a diverse portfolio of scientific challenges from reputable Solution Seeking companies. And we've made viewing the InnoCentive Challenges easy. Simply click on the InnoCentive Chemistry or Biology Featured Challenge or select view all challenges to see the full list.

#### Chemistry

**Featured Challenge:**

CCN **INNOCENTIVE 991141**  
SYNTHESIZE  
HEXAMETHYLENE-1,6-  
DIISOCYANATE  
POSTED: JUN 27, 2003  
DEADLINE: SEP 30, 2003  
\$10,000 USD

[view all challenges](#)

#### Biology

**Featured Challenge:**

### Awarded Challenges:

To view all awarded InnoCentive Challenges just click on a challenge below.

**SOLVED** **AWARDED!**  
Jan 13, 2003  
PROPERTIES OF CMC  
\$3,000 USD

**SOLVED** **AWARDED!**  
Jan 07, 2003  
1-AZABICYCLO [3.2.1]  
OCTAN-3-ONE  
\$65,000 USD

**AWARDED!**  
Jan 06, 2003

**INNOCENTIVE**

**Solve Challenges**

**Receive Awards**

**COMPANIES** **SCIENTISTS**

Companies contract with InnoCentive as "Seekers" to post R&D challenges. Scientists register as "Solvers" to review challenges and submit solutions online. The Seeker company reviews submissions and selects the best solution. InnoCentive issues the award amount to the winning scientist/Solver.

## Key elements

- Business venture of Eli Lilly & Co. and spun-off
- Used by companies like Dow, BASF, P&G, Boeing, Nestle (including 50 blue-chip companies) to speed up their innovation process
- Over 95,000 registered scientists from 175 countries from which to source ideas
- Nearly 40 "seeker" companies
- Up to \$100,000 awards for solutions
- Has awarded 250 solutions a total of \$1.5M
- Higher success rate (35%) for solving problems than internal R&D and cost is 1/6 that of internal R&D

# BEYOND THE ORGANIZATION - II

*goldcorp* inc.

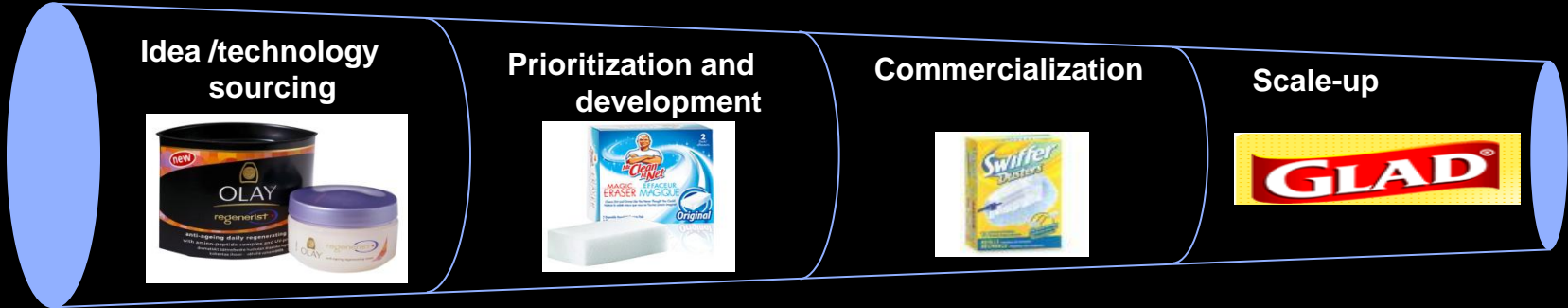
- **Goldcorp** publicly shared 52 years of geological data from its **Red Lake mine**
- In year 2000, Goldcorp offered \$575K in prizes to **identify where the next 6 million ounces of gold could be found\***
- 1400 entries were received from **individuals, businesses and universities in 50 countries**







- Three of the finalists identified more than **100 exploration targets**, half of them new to GoldCorp
- As a result, the **Red Lake mine** is now yielding **10 times more gold at 1/6<sup>th</sup> the cost** of production in 1989, when the company acquired the site
- The winners, Fractal Graphics (of West Perth, Australia) **never set foot in the mine**

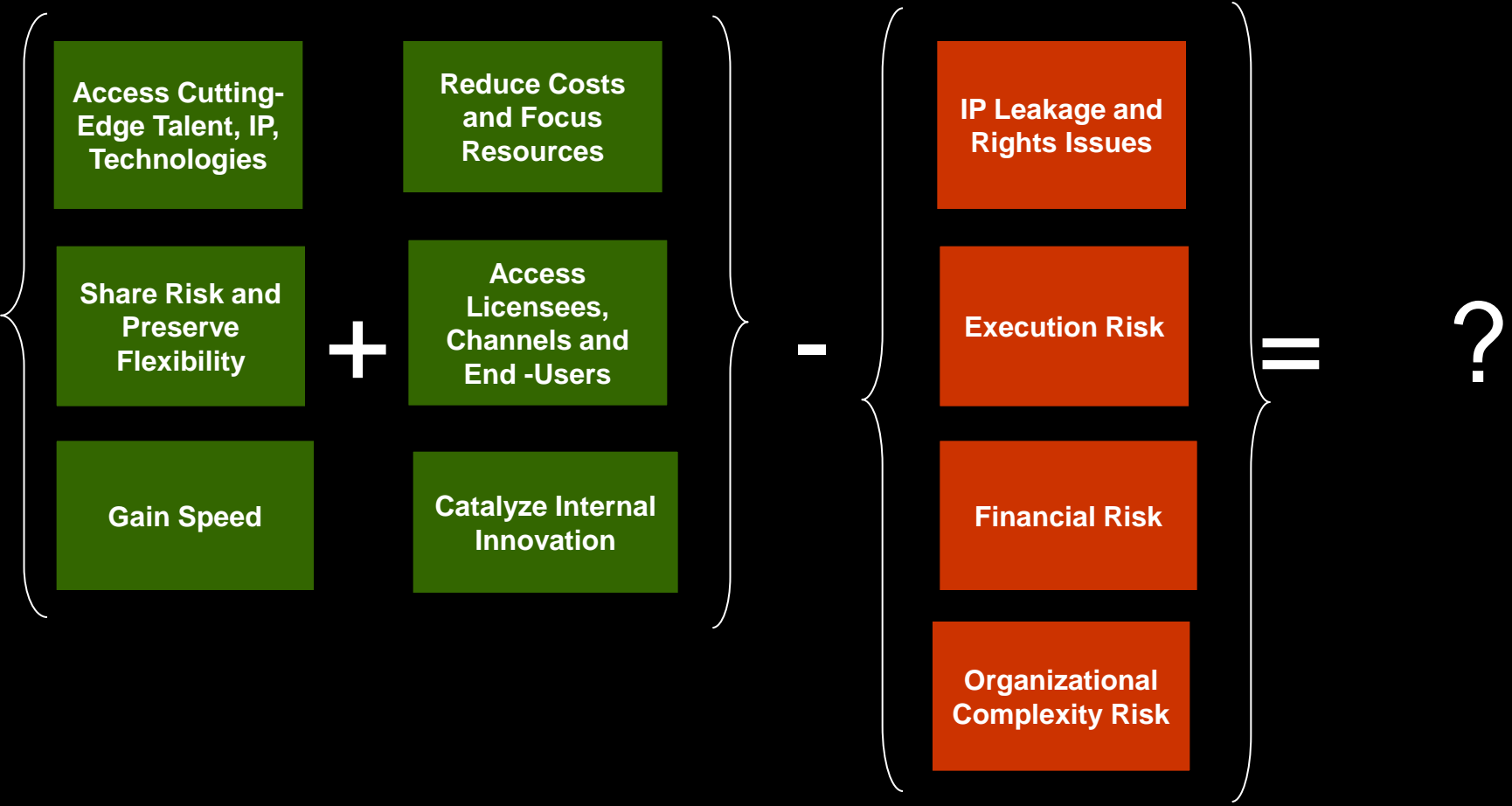
Barrick Gold is offering a 10 million USD US prize in 2007 to anyone who can figure out how to extract the silver from the ore at its Veladero gold mine in Argentina

# BEYOND THE ORGANIZATION - III

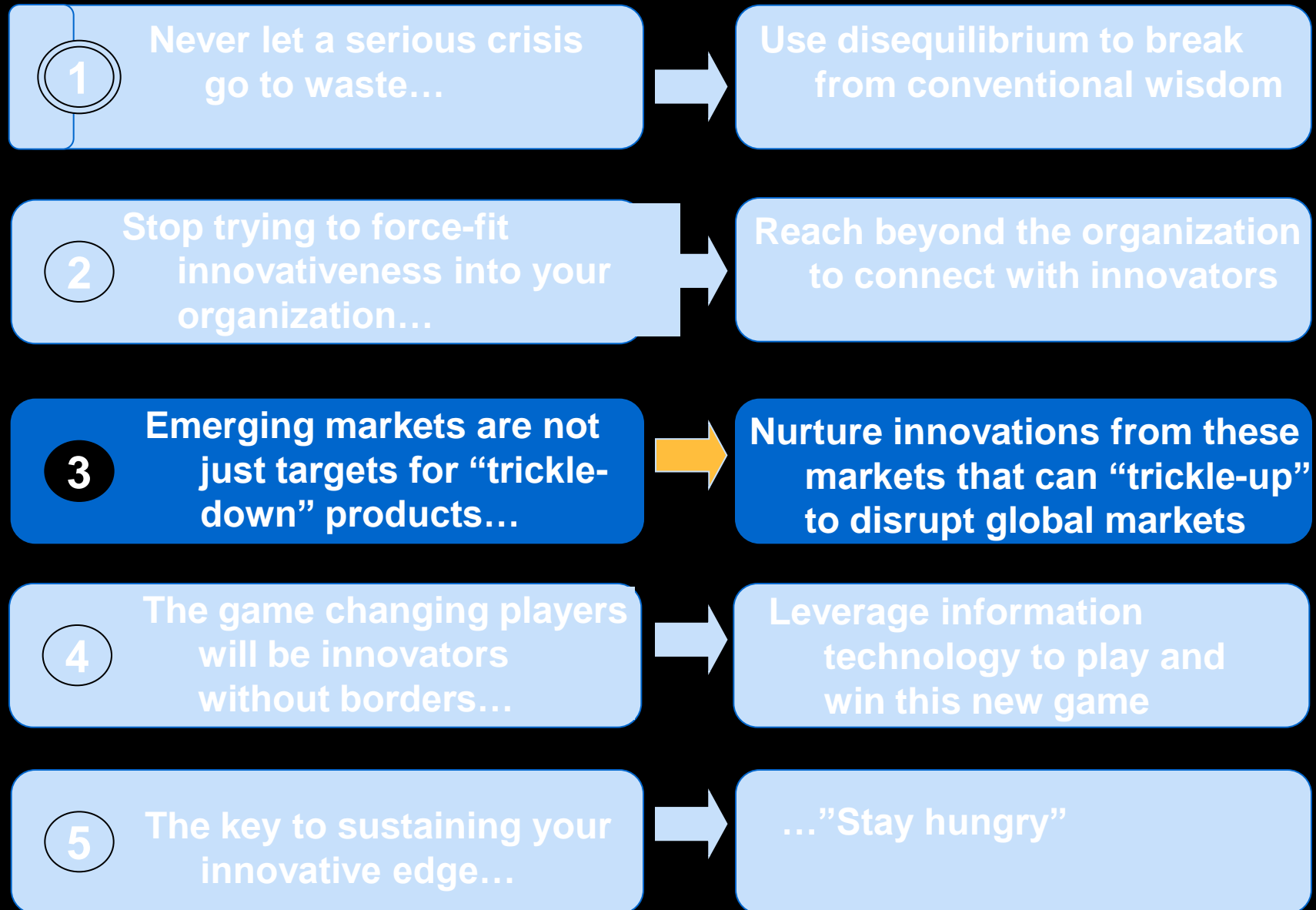


	Idea /technology sourcing	Prioritization and development	Commercialization	Scale-up
Product	<ul style="list-style-type: none"> <li>Olay Regenerist</li> </ul>	<ul style="list-style-type: none"> <li>Mr.Clean Magic Eraser</li> </ul>	<ul style="list-style-type: none"> <li>Swiffer Dusters</li> </ul>	<ul style="list-style-type: none"> <li>Glad</li> </ul>
Partner	 <ul style="list-style-type: none"> <li>Small French company working on skin care actives</li> </ul>			
Approach	<ul style="list-style-type: none"> <li>Sederma presented data on wrinkle reduction at technical meeting</li> <li>P&amp;G secured exclusive version of peptide for Olay</li> <li>Launched as Olay Regenerist</li> </ul>	<ul style="list-style-type: none"> <li>Found product on the shelf in Japan</li> <li>Consumer research discovered that product was viewed as eraser, not as cleaning sponge</li> <li>Supply agreement with BASF</li> </ul>	<ul style="list-style-type: none"> <li>Decision to develop/ design externally to improve cost effectiveness</li> <li>Licensed product from Unicharm for sales outside Japan</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;G developed and test launched wrap product</li> <li>Anticipated high cost to compete against established brand resulting in “race to bottom”</li> <li>Approached Clorox with R&amp;D portfolio in exchange for equity</li> </ul>
Direction	<ul style="list-style-type: none"> <li>In-bound</li> </ul>	<ul style="list-style-type: none"> <li>In-bound</li> </ul>	<ul style="list-style-type: none"> <li>In-bound</li> </ul>	<ul style="list-style-type: none"> <li>Out-bound</li> </ul>

# “OPENING” BEYOND THE ORGANIZATION REQUIRES DECISION-MAKERS TO CONSIDER A VALUE EQUATION



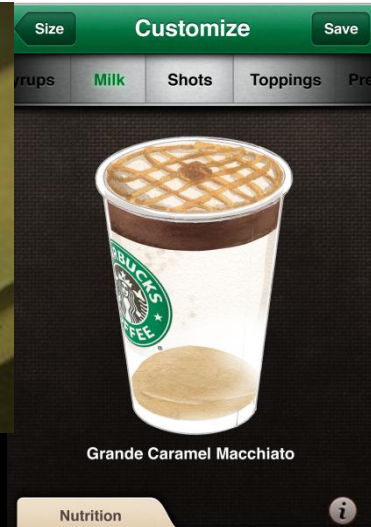
# KEY MESSAGES



# TRICKLE-UP INNOVATION - I

## Starbucks Debuts iPhone Apps, Tests Mobile Payment

by [Mark Walsh](#), Wednesday, September 23,  
2009, 11:10 PM



# TRICKLE-UP INNOVATION - I



M-PESA,  
Kenya  
2007



M-Paisa,  
Afghanistan  
2008



GCash,  
Philippines  
2007

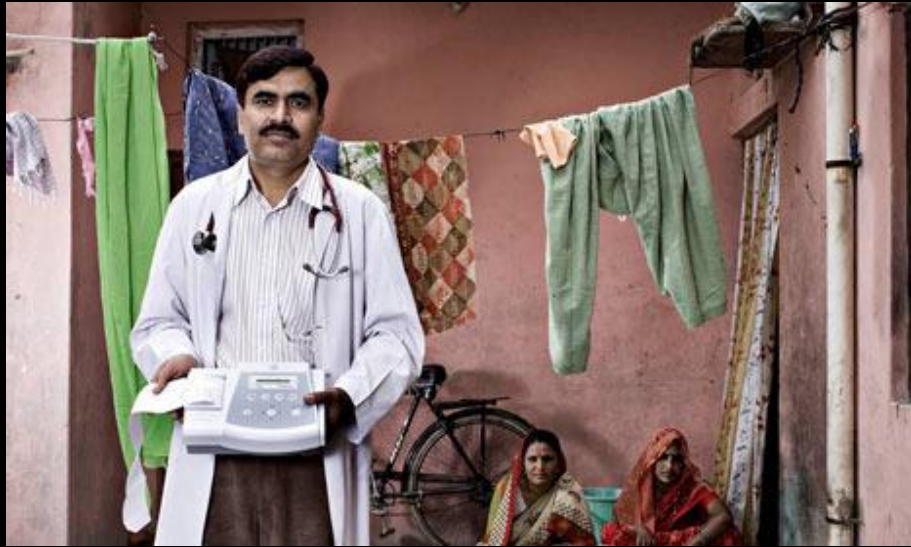


SmartMoney,  
Philippines  
2000

# TRICKLE-UP INNOVATION - II



# TRICKLE-UP INNOVATION - III



# TRICKLE-UP: A NEW LOGIC FOR INNOVATION

What are key elements of a winning value proposition?

**Affordability**

**Appropriateness**

**Accessibility**

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Appropriateness

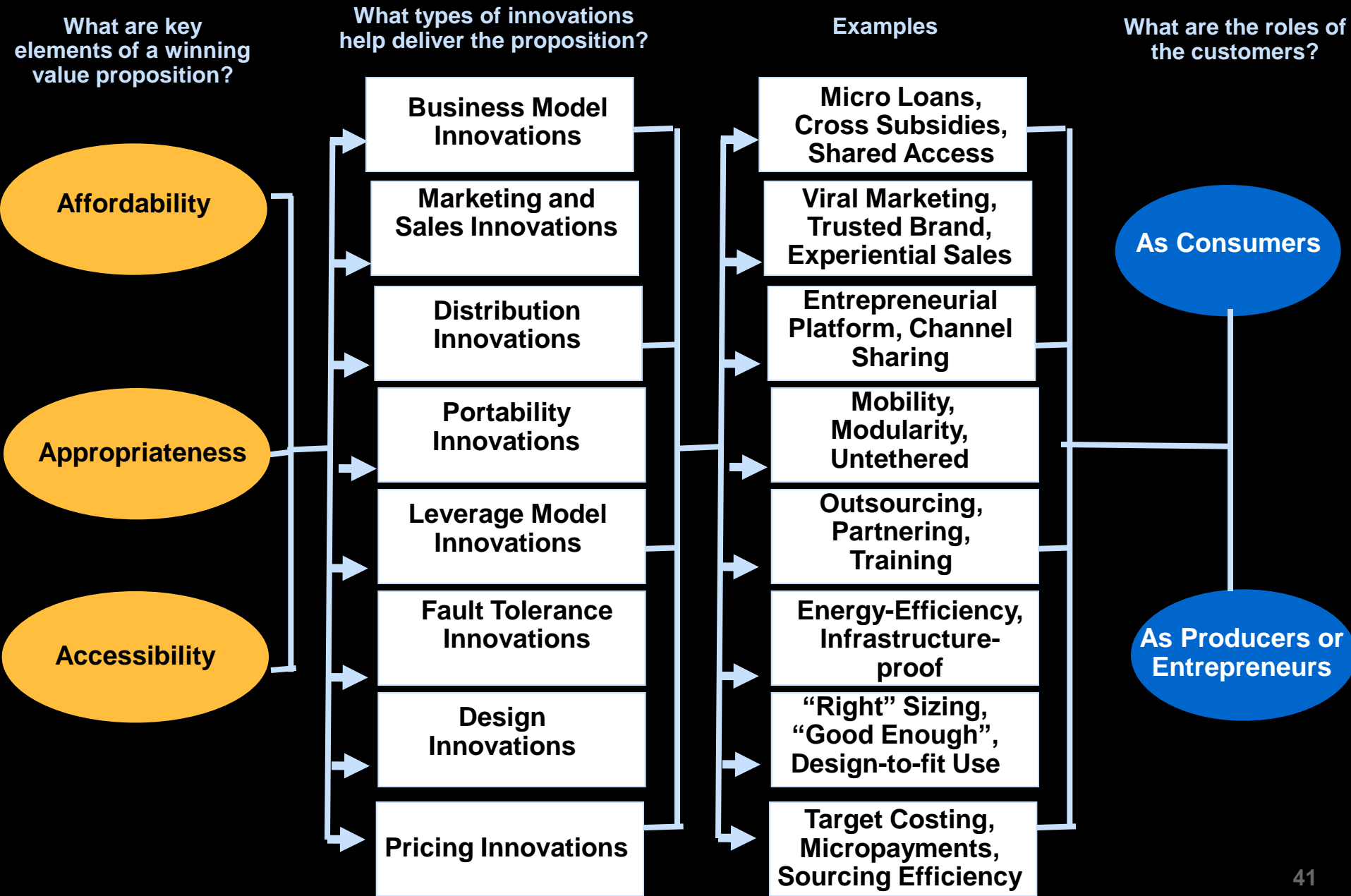
Accessibility

What are the roles of the customers?

As Consumers

As Producers or Entrepreneurs

# TRICKLE-UP: A NEW LOGIC FOR INNOVATION



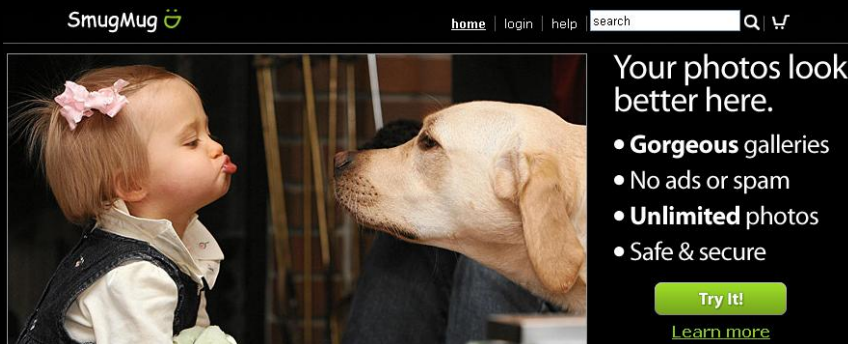
# KEY MESSAGES




# HOW TECHNOLOGY HELPS - I

- Amazon's web services enables access to world class storage, computing, and database power to businesses outside of Amazon
- Amazon now has 330,000\* developers using its various web services
- Web services now uses more bandwidth than all of Amazon.com's global websites combined

**Smug Mug, a Web 2.0 company, is adding about ten terabytes worth of photos every month and estimates yearly savings of almost 500,000 USD in storage expenses by using Amazon's S3 service**



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Your photos look better here.

- **Gorgeous** galleries
- No ads or spam
- **Unlimited** photos
- Safe & secure

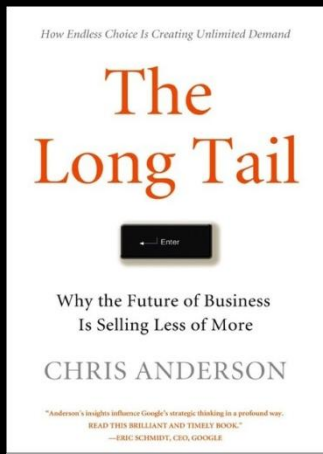
[Try It!](#)  
[Learn more](#)



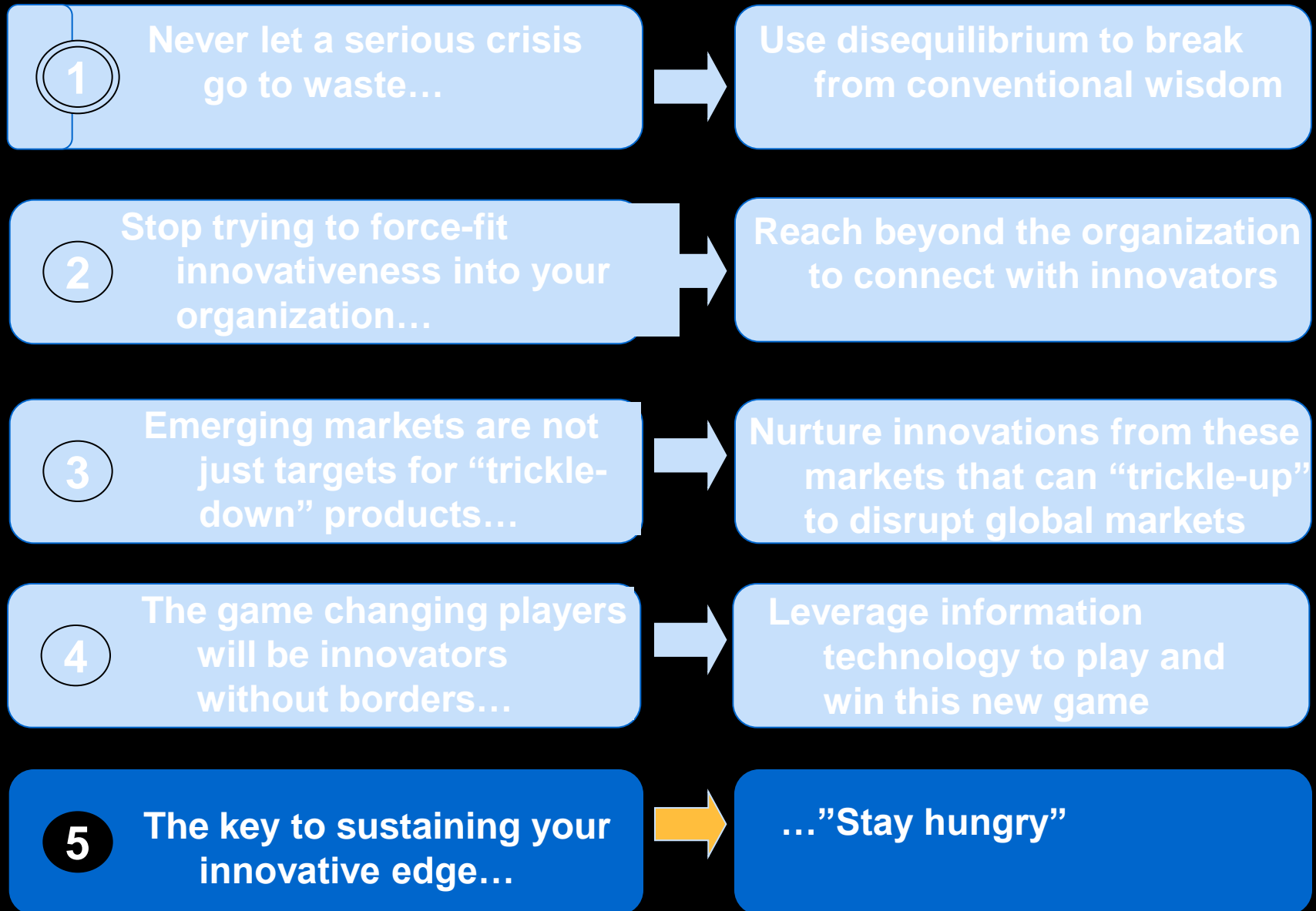
# HOW TECHNOLOGY HELPS - II



# HOW TECHNOLOGY HELPS - III



# KEY MESSAGES



# WHOLE EARTH CATALOG

*access to tools*



Fall 1968

\$5

**WHOLE EARTH CATALOG**

*access to tools*



Fall 1968  
\$5



***Stay hungry.***



**WHOLE EARTH CATALOG**

*access to tools*



Fall 1968  
\$5

*Stay hungry. Stay foolish.*

