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Feature

## Are You Ready for the Next Generation of Innovation? A different set of skills is required for open and collaborative innovation by Stefan Lindegaard

It happened again. “Fastener problems to delay 787 Dreamliner test jets,” the press release said, as Boeing ran into another delay on its groundbreaking aircraft. The reason for the delay? The radical approach Boeing has taken in working with its partners. This approach is not just a supply chain that stretches around the world, but a global open innovation process that cranks out new products as well as processes. There has been much trouble, but you have to credit Boeing for taking innovation to new levels.

And look at Procter & Gamble, widely recognized as a pioneer of open innovation. Today, external collaboration plays a key role in nearly 50 percent of P&G's products, and their CEO, A.G. Lafley, has stated that “we've collaborated with outside partners for generations, but the importance of these alliances has never been greater. Our vision is simple. We want P&G to be known as the company that collaborates — inside and out — better than any other company in the world.”

Finally, look at IBM and their Innovation Jam sessions, which have gathered leaders, thinkers, and influencers from around the world. In these sessions, participants have examined new business models and new modes of collaboration that take advantage of shifts in customers' attitudes and behaviors, as well as the economics and emergent capabilities of a “flatter, smarter” world. IBM has run such sessions with partners, customers, and thought leaders for years.

Boeing, P&G, and IBM are just three examples that illustrate how approaches toward innovation have changed considerably in the last few years. Companies worldwide have embraced open innovation and more collaborative forms of innovation. Instead of assuming they can create everything on their own, companies are seeking external partners to co-create future products and services.

This move toward open innovation requires a new mindset and a new set of skills; it is no longer enough to just be a good project manager, researcher, engineer — or leader. These skills need to be mastered:

- **Collaboration:** You have to work across business functions and with many types of innovation to turn ideas into profitable products, services, or business models.
- **Relationship-building:** In a world of open innovation, you need to be an expert at networking and building relationships.
- **Stakeholder management:** You do not need to have everyone on your side, but you need to generate adequate support to champion your ideas and enough leverage to overcome major hurdles.
- **Communication:** You need to be able to craft compelling messages to the stakeholders you want to influence

## **Collaboration**

The way business takes place in most companies is that people are trained at the skills or functions in which they work, such as R&D, production, sales/marketing, and finance. Of course, cross-functional teams exist, but generally you try to excel in one area.

Not long ago, I had the pleasure of meeting with Paul Campbell, who is a true intrapreneur at Hewlett-Packard. Paul is working on his fifth internal startup and is now a vice president in HP's Voodoo Gaming PC business. We talked about what characterizes intrapreneurs, and Paul said that an intrapreneur must have the ability to see and pursue possibilities by piecing together innovations across three or more business functions simultaneously. Paul emphasized that successful intrapreneurship requires this level of innovation to differentiate it from standard business growth initiatives.

This contrasts sharply with the way most people are only trained to do one thing at the time. But in order to be an intrapreneur, you need to think like a composer, not a musician. Not only do you have to think and work across business functions, you also have to innovate across all of the key areas of business as you move from ideas and research to revenue.

The Doblin Group's groundbreaking research showed that 96 percent of all innovations fail to meet their targets — not necessarily because companies perform poorly at the core product or service innovation, but more often than not because companies fail to follow through with innovation in other key areas of their business. Businesses must be able to master all types of innovation — everything from business model innovation to innovation of products, processes, and services. This “whole picture” approach is important in delivering successful innovation, and is another key part of collaboration.

On a more personal level, consider whether or not you are a “T-shape.” Innovation consultancy IDEO uses this term to describe people who are more likely to thrive with innovation. You should bring superior in-depth knowledge as an engineer, sales person, or something else to the table. That is the vertical part of the T. But you should also have the breadth and empathy — the horizontal part of the T — to understand and appreciate the skills that other people bring to the table as you work as a team to become successful with your innovation projects.

As a T-shaped person, you accept that you don't know everything and have the courage to seek help and advice from others. Gain a broader perspective by learning from those whose experience and views differ from yours.

## **Relationship-Building**

As we move towards open innovation, companies have to be able to identify and establish partnerships that complement their own business capabilities. This requires people who are experts at networking and building relationships.

Rob Cross, an associate professor in University of Virginia's McIntire School of Commerce, has identified three networking types that you should pay attention to within an organization: Central Connectors, Brokers, and Peripheral People.

Central Connectors are those people with the highest number of direct connections. They can be formal leaders — or political players trying to be leaders. They may be sought out by others either because they make things happen or because they have made themselves bottlenecks.

The latter can become a major problem with regards to innovation, since a dynamic flow is often needed. Some subject matter experts are also Central Connectors, and these people could become overused if everyone goes to them with questions. Sometimes these experts need to be protected.

Brokers connect people across boundaries such as functions, skills, geography, hierarchy, ethnicity, and gender. Brokers have ground-level credibility and acknowledged expertise in the eyes of their peers, which makes them more likely to be sought out and listened to than a designated expert or leader who might not be influential in the network.

According to Cross, Brokers often sit in “tipping point” positions and so diffuse information faster than leaders and Central Connectors. As such, Brokers have the leverage ability to drive change, diffusion or innovation and they can also act in key liaison or cross-process roles.

You should also be aware of Peripheral People, who could be new people, experts, sales people, poor performers, or cultural misfits. Cross has learned that typically 30 to 40 percent of these Peripheral People, who sit on the edge of the network, are trying to get better connected, but have run into obstacles. These people reflect untapped expertise and are substantial flight risks.

Once you gain a better understanding of these networking types, you should ask yourself what type you are and how this impacts your future goals and your ability to work with open innovation projects. Working with innovation, you will have to deal with all three networking types, so you should try to understand how to work best with each different type. This is especially important if you are a manager or leader.

Besides this introduction to networking types, let’s look at some ways of maximizing the effectiveness of your networking efforts:

- **Only network if you have a purpose:** I strongly encourage you not to listen to the people who say you should network with everyone within sight so as to not risk losing any opportunities. You are already busy and time is the most precious thing you have, so do not spend time on activities that do not serve a higher meaning.
- **Leverage the power of “six degrees of separation” to reach anyone in the world:** This refers to the idea, critical to social networks such as LinkedIn, that if a person is one step away from each person they know and two steps away from each person who is known by one of the people they know, then everyone is an average of six “steps” away from each person on Earth. Think of someone who could really influence the success of your innovation work and see how many steps it would take you to connect with that person. You’ll often be surprised that you don’t even need six steps; it can often be done in just three or four connections.
- **Use virtual tools:** A growing number of online tools and services make networking so much easier. I use LinkedIn to manage my network. The discussion features of the LinkedIn groups tool has also proven to be a powerful and simple way for me to engage people from across the world in productive discussion about my areas of interest. You can do the same.
- **Understand informal versus formal network leadership:** In an open innovation eco-system, you need to know the influencers who are not on the formal organization chart. They are the people who hold disproportionate influence on other people. Get to know the powers behind the throne.

- **Reason, ask, and tell:** Prepare reasons for getting in touch with other people. This goes both ways. Once an interaction, such as a brief encounter or a meeting, is over you should always remember to ask people how you can help them and let these people know of any ways they might be able to help you. Nothing happens if you do not ask.
- **Speak-write-meet:** You can use several means to build your personal brand, which again impacts the kind of relationships you can build. Some people are great speakers, others write very well, while others are great with people. Find your strength and build on that. You should also consider how your team can cover all these aspects – consider it “team branding.”

## Stakeholder Management

You need to understand that the projects you run affect other people. The more people you affect, the more likely it is that your actions will impact people who have the power and influence to make or break your project. This makes stakeholder management a critical discipline for you to master if you want to become successful with your innovation projects.

You can get an idea of stakeholder management by thinking in terms of three steps: identification, profiling, and communication.

The first step is to figure out who your stakeholders are. Think of internal and external people who can affect your project in both positive and negative ways, and people who might feel threatened or who might stand to gain from your project. Think not only of the obvious people such as your boss, but also think of influencers who are not on a formal organization chart. Upon this brainstorming, you can make an early prioritization and place important stakeholders on a short list.

As criteria for placing people on the short list, ask yourself two questions: Does this person hold any impact on my project **right now**? Does this person have a **high impact** now, will this person have a high impact soon, or will this person have a high impact late in the project?

Although working your stakeholders is important, you will often lack the time to work with all of them, so you need to prioritize them early on. However, you should always be prepared to change the status of the stakeholders and add new stakeholders when you learn of people being affected by your project.

The next step is to create short profiles of the stakeholders you have placed on your short list. You can use this information to gain a clearer picture of the stakeholder map that must be navigated to successfully complete a project.

Besides including general information such as name, job function, contact information, and a short bio, you should ask yourself questions such as: Is the stakeholder an advocate, supporter, neutral, critic or a blocker towards the project? Does the stakeholder have a strong, medium, or weak impact on your project and is the impact now, soon, or late in the project life cycle? Does the stakeholder hold a formal/direct or an informal/indirect influence on the project? What are the key financial or emotional interests of the stakeholder with regards to your project? Remember to ask yourself why this is so.

You should also look into what we can call the circle of influence. Who influences the stakeholder generally, and who influences the stakeholder’s opinion of you? To which degree are you connected with the stakeholder and his/her influencers?

The last step is to figure out what you want from your stakeholders and what you can offer them — and then communicate with them.

You might not feel you are ready to do so, but you need to communicate with your stakeholders early and often. This makes them know what you are doing and you can use their reactions to make changes that can increase the likelihood of success for your project.

People are usually quite open about their views and the best way to start building successful relationships with your stakeholders is to talk directly with them. If you have problems getting in touch with the stakeholders, you might have to use more informal approaches such as “random meetings” in which you seek out places with a good chance of delivering an elevator pitch that makes the stakeholder interested in learning more about your project.

You should do your homework before these meetings and interactions. Besides having crafted a profile, you should also know what compelling messages to use with the stakeholder and you should be able to deliver quick and concise elevator pitches based on these messages.

We will look further into communication in terms of the value proposition and elevator pitches next as this is another key skill you need to master as an innovation leader and intrapreneur.

## **Communication**

As an innovation leader or intrapreneur, you always have something to sell. In the end it is a product or a service, but during the development of a revenue generator, you have to sell a vision to internal and external stakeholders. You communicate that vision by developing a value proposition that can be adapted for various stakeholders, and then capturing the very essence of the value proposition in a short and brief elevator pitch that focuses on the recipients of the message.

In Geoffrey Moore’s classic book, *Crossing the Chasm*, he provides the term “value proposition” as a way to choose from among what is presented to us for consideration. Options include choosing nothing at all, if there are no choices that improve our current situation. Here are the six elements Moore says are needed to communicate an effective value proposition:

- For (target audience)
- Who are/wants/needs (statement of needs or opportunity or compelling reason to buy)
- The (product name) is a (product category)
- That (statement of key benefits)
- Unlike (primary competitive alternative)
- Our product (statement of primary differentiation)

Keep in mind that some adaptation of these elements might be required for communicating value propositions for things other than products or services. However, this approach allows you to convey all important aspects without providing too much information. It also enables you to explain your product or service in a few sentences, which is short enough for people to remember.

This framework can also be used later when creating your “elevator pitch.” Here the idea is that if you can convey your message to others in 60 seconds or less, they will remember the majority of the value proposition. Since word of mouth is one of the biggest forms of communication, this is extremely important.

You will most likely never get to use an elevator pitch in the true sense, as you will almost always have more than a minute to make your case when you interact with others. However, if you think that means there is no need to do this, you'd be wrong. Preparation is the key point of value propositions and elevator pitches.

The learning you gain while defining your value proposition and tuning your pitch will make you understand your product, service, or message so well that it will become much easier for you to achieve success. That creates all the reasons in the world to take this very seriously.

Picture this: you have worked on an idea that can really make a difference at your company. Nevertheless, you have difficulties getting in touch with the key stakeholders, and when you do, you keep hitting the wall of indecisiveness.

Then one day you get a break. After having given yet another so-so presentation to people who seem unable to make a decision, you step into the elevator with the person who can singlehandedly decide whether your idea is boom or bust. You know this is your big — and perhaps only — shot. Your pulse quickens. Your body temperature rises. What do you do?

Too few people are prepared to deal with such a situation. They have never given it much thought, let alone prepared something to say or rehearsed saying it. So instead of capitalizing on the opportunity, they just let it walk out the door or mess it up and end up looking like an incompetent fool. Do not leave this to luck. Prepare. Prepare. Prepare.

### **The Leadership Perspective**

Besides the four key skills we have looked into, aspiring and current managers and leaders who are accustomed to working in a closed innovation environment must consider three fundamental questions when embarking on the inevitable journey towards open innovation:

- **What will open innovation do to your business model?** In an open innovation world, you may end up working with anyone—even competitors. How will this impact your business model and alter your competitive landscape?
- **How will your organizational chart change to accommodate open innovation?** What kind of collaborations do you want to engage in? What common vision and mission will you share with partners? Systems, processes, values, and culture across the company will need to be transformed. People who have spent their careers being internally focused now must focus externally as well.
- **What does this mean to my role as manager or leader?** Many organizations have not mastered innovating across different business areas within their own company, let alone doing so across partner companies. As a result, many managers and leaders do not “get” open innovation. They need to understand the impact of this movement — its opportunities and threats — and adapt a leadership style that optimizes follower trust, motivation, and performance.

The open innovation movement asks for a new mindset and a new set of skills. Are you ready?

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## Innovators' Insight

### Sick Economy Visits Doctors

Business model changes may help physicians keep patients who are struggling with medical costs

By Krystin Stafford

Recent [press coverage](#) suggests that the spending trade-offs consumers are currently making as they deal with the current economic climate have changed. Where previously some consumers had been cutting back on their daily Starbucks coffee or nixing their annual family vacation, now some consumers in dire financial straits are trimming healthcare expenses.

Some patients cancel their health insurance, delay necessary medical procedures, or even to forgo medications. Viewed through Innosight's lenses, patient jobs to be done like "keep my mortgage payment current" compete with "take care of my health" for priority, and the result is that some people are not consuming needed healthcare products and services.

This in turn presents a challenge for physicians: how to minimize a drop in their revenues while ensuring that their patients get quality care.

Of course, even before the economy turned sour there were uninsured and underinsured people who were nonconsumers of healthcare due to wealth and access barriers. But with these economic times, these barriers are being felt by more people who are joining the ranks of healthcare nonconsumers. Physicians whose practices are affected by this phenomenon, who wish to combat a potential drop in business and who have the motivation or incentive to promote wellness measures might consider thinking differently about the way they do business.

The first step is for physicians to look carefully at the way their practices are structured and how they prioritize opportunities. Then they can decide whether and how to tweak their existing structures, or consider adopting outside business models. Physicians would be wise to look at a range of possibilities that allow them to maintain quality of care while at the same time changing the way they do business to increase efficiencies and decrease costs.

Looking within healthcare, there are a few solutions already in use in some settings that could address financially ailing patients. Two such solutions are sliding-scale payments and shared medical appointments. These solutions might modify the physician's [payment or appointment structures](http://online.wsj.com/article/SB122333797880409755.html) to offer financially challenged patients more options to continue medical care. If we look outside of the healthcare industry, some interesting possibilities also arise.

Sliding-scale payments have been used for decades as a way to provide care for patients whose financial status might otherwise shut them out of care. Sliding-scale payments are based on the ability of a patient to pay for services rendered. It's probably less common to offer sliding-scale payments to patients who have previously resulted in full fees, but those physicians who have the ability to modify their fee structures could find it a good way to keep those patients who might otherwise stop using their services.

Using this solution, patients could continue to receive care while they make a good-faith effort to pay. And physicians could keep their existing relationships with patients, as well as use payment flexibility as a way to attract other patients who might not be able to pay full fees, but who could possibly fill unused portions of physicians' calendars.

Another possible solution is shared medical appointments (SMAs), which since the mid-1990s have been changing the way some physicians think about patient care. Providers from the [Palo Alto Medical Foundation](#) to the [Cleveland Clinic](#) have offered SMAs.

At the simplest level, SMAs are confidential group medical appointments that provide patients more “face time” with their doctors, allow for patients to share experiences, and give physicians greater access to their patients by increasing time efficiencies. There are several defined models for SMAs, and some chronic conditions, like diabetes, lend themselves better to this model than others. While this is not typically used as a means to provide access to care for uninsured and underinsured patients, the efficiencies that arise from group appointments could potentially be harnessed to provide care for patients at lower prices than one-on-one appointments.

Physicians could also look outside of the healthcare industry for business models that they could borrow and adapt. For example, consider for a moment a subscription-based healthcare model. For individuals with chronic conditions, physicians could offer drop-in office hours for quick check-ups, questions, prescription updates and so forth. Patients could save money by paying a flat fee for a minimum number of visits and an incremental amount for every drop-in visit thereafter.

Other models that might be adapted include a la carte pricing (such as set fees for different services by a primary care physician) or package rates (such as a lower price-per-visit if the patient guarantees a minimum number of visits to say, a psychologist).

Another idea that private-practice physicians might borrow is similar to that which [Minute Clinic](#) uses, in which nurse-practitioners administer routine care. Having a structured approach for the use of nurse-practitioners and registered nurses could help physicians to increase their billings and allow them to offer routine services more cheaply. This would enable these private-practice physicians to provide more specialized services such as house calls to those willing to pay for them, while their practices ensure continued care for patients who have more challenging finances.

Finally, one might hypothesize that smaller medical practices would have a better chance of successfully adapting to changing circumstances. Agility and flexibility lend themselves to evolution. That said, larger medical practices are more likely to have the resources available to provide care at reduced costs due to a larger revenue pool. Decisions about changing the way physicians operate would likely depend in part on practice size.

If the economy continues to struggle, some existing patients will become nonconsumers of healthcare due to financial hardship, and physicians will need to find ways to evolve in response. Those who evolve, not only for financial reasons but in order to continue to provide the best care for their patients most efficiently, are the most likely to succeed.

## Disrupt-O-Meter: Businesses Calling for VoIP RingCentral Digital Line vs Microsoft Office Communicator

By Renee Hopkins Callahan



Skype and Vonage have made most of us aware of Voice over Internet Protocol (VoIP) phone services. Now VoIP solutions aimed at businesses have evolved into “unified communications” services that treat all communications – phone calls, faxes, voice mail, email, web conferences, and more – as discrete units that can all be delivered via any means and to any handset, including cell phones. Two main sets of competitors are fighting it out – one set is focused on VoIP for medium to large enterprises, while another is targeting the small-to-medium business (SMB) market.

In the latter group, Microsoft introduced its [Unified Communications](#) line of Office Communicator servers and software in October 2007, and among other competitors is fighting with Cisco over whether VoIP will be based on a set of software applications or based on a specific network. Meanwhile, good-enough services for SMBs have become quite good, with [RingCentral](#)'s Digital Line service leading this pack. We wonder – is tiny startup RingCentral better positioned for growth in the enterprise than Microsoft, which historically has owned the enterprise?

Microsoft Office Communicator		RingCentral Digital Line
Mid-size to large enterprises	<b>Customer</b>	SMBs -- <b>winner</b>
Software that allows Office apps to perform many of the same tasks as traditional phone systems; requires Communicator server, handsets, and Internet connection	<b>Solution</b>	Private branch exchange (PBX) telephone service delivered entirely over the Internet. Just supply handsets and an Internet connection -- <b>winner</b>
Replace current phone systems at medium to large enterprises with Microsoft's software and servers that offer more-sophisticated services than previously available	<b>Business Model</b>	Provide more-sophisticated phone services to SMBs who could not afford them before and to SMBs cutting overhead costs -- <b>winner</b>
In a fierce struggle with Cisco over whether enterprise VoIP will be apps-based or network-based	<b>Competition</b>	No major companies offering anything comparable for this market -- <b>winner</b>

**Winner: RingCentral Digital Line** Microsoft's Unified Communications [offers](#) the ability to integrate a lot of features into existing Office software, including web conferencing. Microsoft's positioning seems a

little murky – they offer VoIP servers and software that will be interoperable with a company’s existing PBX system to customers who don’t want to replace robust hardware-based PBX services but want to extend those systems’ capabilities. Microsoft also offers VoIP-only solutions that require the installation of Communicator servers.

Part of the murk around Microsoft’s positioning is caused by the number of features offered – in addition to the basic call-handling and routing functions, Communicator also offers instant messaging with visual enhancements, email, and audio- or videoconferencing. This desire to be all things to all enterprises can be partially attributed to the fact that Microsoft is [fiercely competing](#) to own this space. Its most fierce competition is with Cisco, described in this 2007 [BusinessWeek article](#): “[Cisco and Microsoft] agree on a future vision of networked software that will help users access information with the device of their choosing and share it in ever more useful ways. Cisco thinks the key is to build most of these smarts into the network. Microsoft executives believe the priority is still the programs people use to actually get things done.”

In contrast, what makes RingCentral so potentially disruptive is that it offers an inexpensive (\$99 per month per user), web-only solution with no hardware to be installed at all, except for handsets which the customer supplies. [Reportedly](#), with the right handset and a good enough Internet connection, RingCentral offers excellent quality. RingCentral enables small and midsize businesses to have what might otherwise be unaffordable smart-PBX features, including call control, extensions, Outlook integration for dialing and faxing, hold music, call logs, and rules-based call routing and answering.

RingCentral has actually seen its business grow in the recession – a [November 3 article](#) reported record sales in October for the company. A company survey indicated many of the sales were from SMBs cutting costs due to the economic downturn – either getting rid of physical office space and thus needing a unified phone system not dependent on physical space, or SMBs discontinuing landline service and using RingCentral to send some calls to cell phones.

If RingCentral is able to get enough of a toehold into the SMB market for VoIP, it’s possible the company could end up growing into the midsize enterprise market as businesses that use it grow and decide not to change. At that point, it would potentially be a threat to Microsoft, which runs a risk of overshooting the market, by producing features that add complexity and cost without really mattering to many companies.

