



WHAT IS THE NEXT BIG INNOVATION IN INNOVATION?

The secret just might be out!

By Professors Stuart Read and David Robertson - September, 2008

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Engaging users is among the many secrets that underlie successful innovation. The newest innovation in innovation is the use of rich media and online interactivity to involve broad audiences in the process.

The technology that underlies Web 2.0 enables full bi-directional conversations online, putting users into the creation seat for the bulk of new internet content. From the perspective of firms creating new products and services, this can open innovation to a community of millions of possible innovators, people who may be more likely to adopt the resulting offering as they had a hand in developing it. This suggests that Web 2.0 might offer firms both more leverage on the enormous global corporate expenditure on innovation - US\$879 billion in 2006 and increase the likelihood of innovation adoption at the same time.

How communities boost innovation

The founding principle behind community innovation is the same logic that underlies popular social networking sites such as Facebook and MySpace. If you provide an environment where people can contribute, interact and engage, the community does the creation, regardless of whether they are users, partners, suppliers or employees. There are four core reasons why this approach is working to solve today's toughest innovation problems.

1. More ideas

A website can interact with a nearly unlimited number of individuals, each with a potentially innovative idea for the firm, 24 hours a day, 7 days a week. New ideas can come from virtually anyone, anywhere, any time.

2. Better ideas

In his book "The Wisdom of Crowds", James Surowiecki offers numerous examples of diversity outperforming expertise. Consider the television game show - Who Wants to Be a Millionaire? Contestants are asked questions and have the option of answering directly, consulting the audience or calling a friend. Calling a friend comes up with the right answer 65% of the time, compared to 91% when asking the audience.

3. Closer connection with the customer

Enabling interactive electronic dialogue with user communities is only one way of getting closer to the customer. And while it is not a replacement for face-to-face interaction, we searched the online forums of power tool manufacturer DeWalt and found that even in the blue-collar community of power tool users, thousands of blogs and discussion groups exist ranging from product ratings and discussions on www.amazon.com to directories of parts and repair tips for discontinued machines on www.contractortalk.com.

4. Lower cost

With the low cost of computing and software, these technologies offer a high return on investment, particularly when considered on a cost per individual interaction perspective.

Storm force

Dell Computer, an organization recognized for innovation on many dimensions, was an early adopter of online interactive technologies in the innovation area. Its IdeaStorm site (<http://www.dellideastorm.com>) offers at least three features that other companies might benefit from. First, anyone can log on and offer an idea. Second, users can “promote” ideas they think are good, both by offering comments on them and by voting for them. This helps Dell prioritize the inputs it receives every day on IdeaStorm. Third, Dell has devoted three employees specifically to managing the interaction on IdeaStorm.

At the time of writing, the Dell community had contributed 8,958 ideas – a statistic that Dell lists at the top of every page in the IdeaStorm area. This is a good return on an investment of just three employees and a website.

So what are the risks and difficulties of managing innovation communities? Here are three of the most common questions asked:

1. Is it complicated?

Much of the complexity lies in the governance issues associated with a community like reviewing new ideas, responding to the community and addressing complaints. Clearly, managers have to think through the range of topics they want to open to the community, and how they might respond to a variety of different inputs.

2. Does it generate genuine differentiation?

This depends on the industry. In the software world, where innovation communities are becoming a standard way of doing business, the answer is no. In other industries with less technically sophisticated users, there are still opportunities for competitive advantage.

3. Will I put my intellectual property at risk?

Not if you plan ahead. One clear guideline is to spend as much time ensuring that you have the rights to ideas coming in as you do to protecting against potential losses. A few conversations with an intellectual property lawyer early on and the posting of the appropriate caveats, assignment of rights, and non-disclosure agreements can save a lot of trouble later.

Some questions to ask when opening up innovation:

- Are you already behind? How can you respond to your competitors?
- What type of ideas do you need? For example, ideas focusing on products, services or supply chain operations.
- How do I coordinate with my internal innovation efforts? What are the key innovation projects going on inside the company? What help could the outside community provide?
- Do you have enough ideas, or do you suffer from too many? If you're suffering from an avalanche of ideas, then consider including some self-filtering aspects – for example, allow user voting and give prizes to the ideas that users select as best.
- How will you evaluate ideas?
- How can I protect myself? As mentioned above, a little legal advice can save a lot of money and trouble later.
- How do you determine the right place to go for an idea? When is it best to keep work inside, go to outside design firms, go to “crowdsourcing” networks like InnoCentive or look to your user base?
- How do you recognize and encourage your community? Will you award prizes? Will you create new roles conferring certain users with special status?
- What internal roles do you need to ensure that your users are listened to, responded to and feel like they're cared about?
- Where do you start? Our advice is to start small, spend a little, test what response you get and constantly build and improve.

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This article is based on the authors' chapter in the 2008 OWP book, "Riding the winds of global change".

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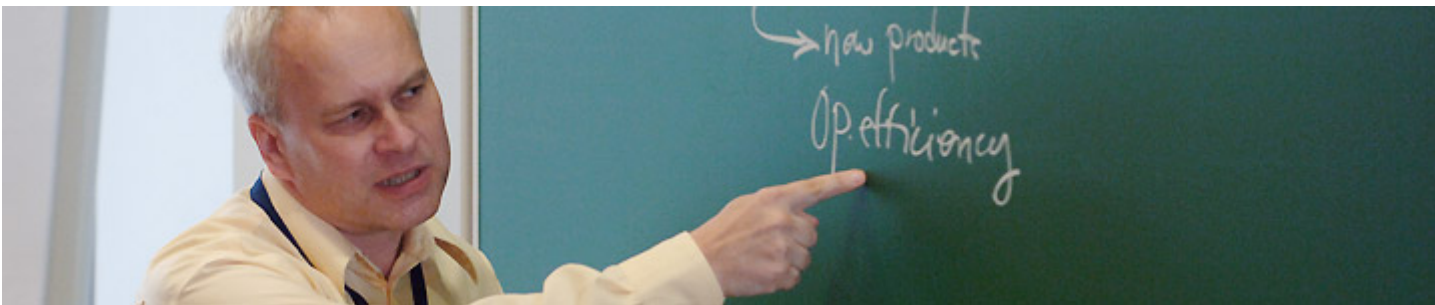
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