

Why the New Logics of a Connected World Affect Traditional Innovation Structures from the Bottom Up – and the Role of Open Innovation Networks & Ecosystems in Finding Proper Answers

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Letter from the Industry

2016 has brought us new learnings about ecosystem dynamics and the transformation of design thinking and agile development methods. What most of these methods have in common is a divergent and a convergent phase that allows to think boldly and broadly on the one hand, and to recognize priorities and enable speed on the other hand. But industry logics are very different from theoretical settings as there are complex organizational factors at play which encompass diverse cultural and sub-cultural behaviors. The challenge for the young Swarovski Open Innovation Networks approach is to find ways to manage diversified networks of connections which blur boundaries, collaboration, and interdependence, thus characterizing the real logics of modern innovation ecosystems. The tremendous potential that has been recognized and captured from different R&D efforts of big industry players and research institutes through structured Open Innovation efforts - and how this new value may be transformed into the company's markets - is the central topic of this article.

1 The new ecosystem dynamics

Shortened life cycles of products, speed of technological change and omnipresent availability of information threaten every organization these days. In the area of Innovation Management the year 2016 has brought us a lot of new answers, methods and good practices. But was there any new revolutionary learning? When I met Prof. Bob Cooper, the inventor of Stage Gate, while presenting at the 2016 Stage Gate Summit, he mentioned the transformation of agile methods, such as Scrum and Sprint, proven principles in area of software development, into the area of physical product innovation. In his opinion probably one of the biggest opportunities to increase speed and drive of physical product innovation, and one of the biggest moves since the introduction of Stage Gate logics in the 1990's. A few months later I met Prof. Henry Chesbrough, known for his work on Open Innovation, in Porto at the EU OI-Net conference. He very much focused on understanding the deep societal change of our days and how to find purpose and meaning for innovating in new eco system environments.

Many other innovation methods have been promoted by academics like Design

Thinking, the Lean Start up Model from Eric Ries, the Business Model Canvas from Prof. Oliver Gassmann or “Jobs to be Done” from Clayton Christensen.

When we deeper look into them we find out that industrial experiences have been providing data and management learning, and academics have derived their theories around these success stories and stories of failure, and vice versa. This circle of empirical and theoretical management learning is very important in order to develop new solutions and answers. But industry logics are very different from theoretical ideal settings because they have at times hundreds of people in different organizational settings, encompassing diverse cultural and sub-cultural behaviors. And that's the reason why these processes cannot simply be transferred 1:1 into an organization.

As practitioners we are forced to choose and train the right methods for the right challenge. The more we go beyond our core businesses towards adjacent and transformative innovation we see that the clever orchestration of methods begs a deeper understanding. What they all have in common is a divergent and a convergent phase that allows to think boldly on the one hand, and to recognize priorities and enable speed on the other hand.

We create environments where all these new methods and dynamics are positioned as drivers in innovation ecosystems. Diversified networks of connections, blurring boundaries, collaboration, and interdependence characterize the logics of ecosystems. Innovation ecosystems in most cases consist of a science ecosystem, producing knowledge and technologies in an exploratory behavior mode and a business ecosystem, producing value for customers and companies in an exploitative mode. The definition of ecosystems is coming from the natural world: communities of living organisms interacting within their shared environment, simultaneously competing and collaborating, creating and sharing resources, and adapting together in the face of inevitable external disruptions. The look into these solutions coming from natural systems can provide us with helpful insights as to how innovation could be understood.

2 Changing dynamics

As a company we have experimented with many of the mentioned processes with different success and outcome. We were a quasi-monopolist of the classical crystal business up till 2008 when we suddenly faced an explosion of competition. The need for more agile processes, robust strategies and new technologies was obvious. After the definition of innovation search fields and must-win battle fields, we saw that we had to significantly open up our mindset and orientation towards the outside world.

Based on both our long tradition of incorporating technologies from other industries into the world of fashion and design, and on the founder's spirit - who recognized very early in the 20th century that “development never stands still and that an invention in one field inevitably leads to inventions in another fields” - we decided, among other changes, to allocate dedicated resources to the field of Open Innovation and inter-organizational networking.

3 The foundation of OI Networks

The Open Innovation Networks department was officially established in 2013 in order to implement a foundation for strategic alliances and initiatives with focus on outside-in technical innovation and long-term relationships leading to additional business for both sides.

Our initial mandate was to formally build a network of potential partners who could contribute to any of our innovation categories, with a focus upon outside-in breakthrough technologies for our business-driven search fields, while increasing transparency and culture of openness and trust for all innovation activities both internally and externally. Initially our key stakeholders included all research, innovation and design related internal actors, those responsible for budget & prioritization per innovation category, as well as various internal leading experts, innovators, and department heads depending on the topic or field. Finally, we established an engagement process which tracks all potential partners through our defined stages of engagement. Conclusively, we established a system comparable to the lead generation or conversion process common to traditional sales & marketing functions, and customized a customer relationship management as software support system. With this implementation, our Open Innovation network became an asset in and of itself, allowing for sustainable operation and transparent collaboration, while generating value for multiple business units, reaching far beyond our initial key stakeholders, and providing interested employees access to the data and networking communities that we manage within our portfolio.

4 Creating customer value through open innovation networks

In November 2015, we were awarded with the “Open Innovation Award” from the Zeppelin University in Germany in the category “Best Open Innovation Network”. This helped us a lot in trusting our interpretation of how we see innovation working in future. Involving external partners was not something new for Swarovski, but to do this on different levels of the organization and to integrate such collaboration into our day-to-day work required - and still requires - both a change in mindset as well as acquiring new skill sets.

We very soon realized the tremendous potential in transforming the results from different R&D efforts of big industry players and research institutes into our markets. However, externally we were not perceived as a technology-oriented company and we have not been present in the global science ecosystems. Three years later, we have now spoken with over hundreds of companies, mainly cross industry, and developed a few dozen opportunities based upon new technology integrations. The analysis of our partner pipe-line surprisingly showed us that their research labs operate in 33 different countries worldwide.

The main source of new contacts was realized through speaker invitations and participation at over two dozen global conferences and networking events. Other indirect sources included referrals from existing partners, or recommendations from networking intermediaries. This widened the ability of the organization to integrate

external knowledge in a fast and seamless manner, delivering on our promise to provide access to breakthrough innovation and increased development speed from idea to market.

5 Arriving in the new innovation ecosystems

As with many businesses, we are evolving from traditionally providing our customers with new products to transforming our offers into new comprehensive solutions. That means that the ability to efficiently collaborate with external science ecosystems – openly, quickly, and more often than in the past – is even more crucial.

The industries we serve simply do not allow the time to follow linear development models that require years to make a new technology available for the markets. Rather we see processes that start in corporate laboratories and research institutes very early on, which are then quickly transformed into new product and service concepts by directly involving the customer at the very beginning. Collectively, these participants comprise as what we refer to as the innovation ecosystem, integrating the science and business ecosystems together as shown in the graphic below. Entitled “The Logics of Innovation Ecosystems,” we depict a holistic view of our ecosystem-based approach, a hybrid of the models from Gene Slowinski (Rutgers University) and Katri Valkokari (VTT) in combination with the methodologies we rely upon throughout the various phases of networked innovation development.

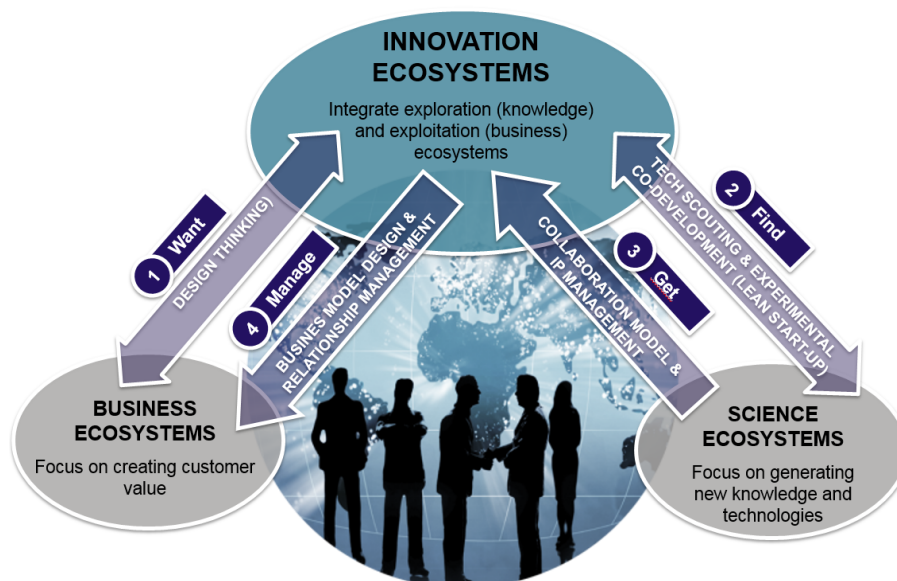


Fig. 1. The Logics of Innovation Ecosystems

6 Our biggest learnings from our open innovation journey

Another shift that we observe in industries today is the so-called “Fail Fast - Learn Fast” and “Experimentation” culture. This is something we can particularly observe in start-up environments, however this has now also risen to the top of the innovation agendas for large corporate environments as well. Our company recently launched a private equity partnership with the community, leveraging the collaborative networking and experimental spirit that the company has been known for since its founding.

Coming back to the previously mentioned agile methods, we see a big focus on design thinking and sprint methods along with a redefinition of the places where - and the processes how - we innovate.

We know exactly how all these methods work, what benefit they can bring at what phase of the innovation development process, and how they can be used. However, in big organizations they must also be combined with the principles of systematic organizational development.

Schumpeter’s theory on creative destruction then gains new meaning and can be seen as a company asset if your employees are encouraged to adopt these new methods of thinking. There are a few companies showing us how creative destruction can be embraced within a corporation, such as Google, Johnson & Johnson, IBM, and P&G. Open innovation then becomes a foundational cultural mindset and behavior, and not a responsibility of a single department.

We want to be the missing link between the tech and fashion industries, we therefore have to develop new practices in combining data-driven systems and design thinking methods. We believe that values along the levels of customers, organizations, ecosystems and society are the common language that determines the likelihood of success. The better the contribution to these four levels and the meaning of our products and services, the better our footprint on society as a whole will be.

With the role of Open Innovation networks we have shown only one facet of Swarovski’s innovation ecosystems. As innovation leader in our industry we have to guarantee the relevance of our technological expertise, our capabilities around inventiveness, and the ingenuity and motivation to further develop the Swarovski DNA of innovation for the next 120 years to come.