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## Partnering for High Performance Innovation

### ***XXIII Technological Innovation Management Symposium***

*October 19, 2004*

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

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# Partnering for High Performance Innovation

**The Importance and Role of Innovation Partnerships at the Industry and Country Level — Partnering across Business, Academia and Government**

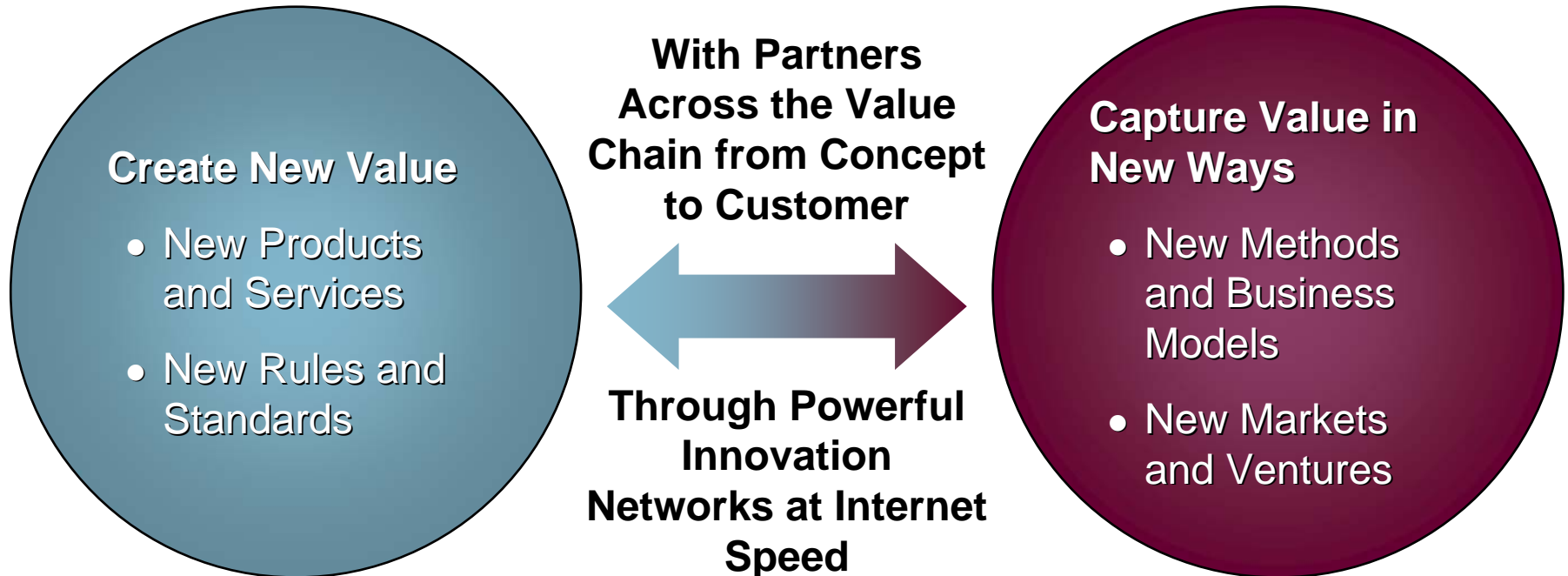
The Importance and Role of Innovation Partnerships at the Company and CEO Level — Partnering across Functions, Business Units and the Extended Enterprise

The Partnering Pathways to High Performance Innovation

Strategic and Operational Choices and Emerging Best Practices

# Innovation Performance is Critical to Industry and Country Competitiveness and Requires Effective Partnering and Networking at All Levels

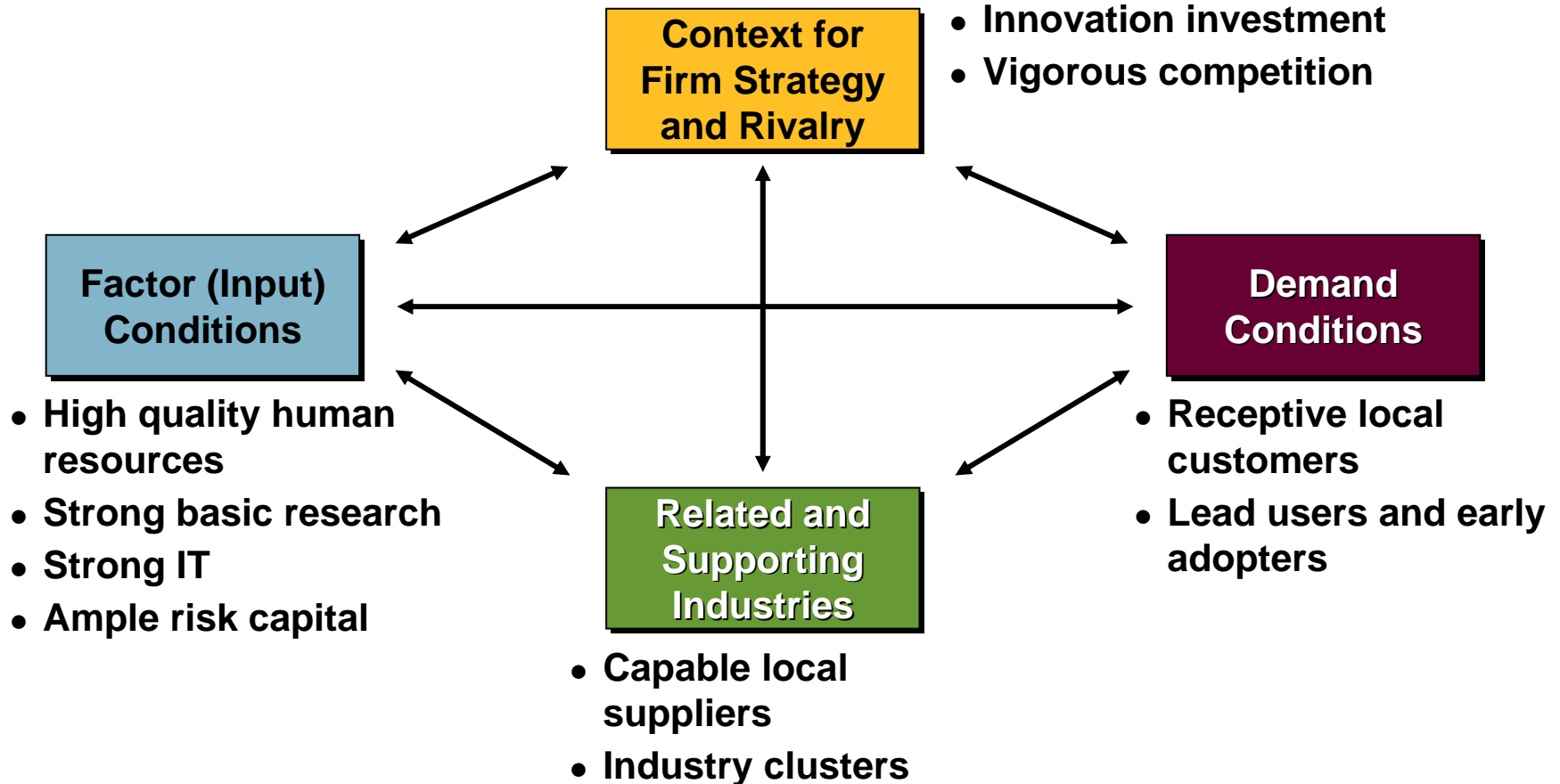
## Industry Competitiveness — The Innovation Dimension



*Leading Industry clusters are creating and capturing significant innovation value across business, institutional and functional boundaries and across the extended enterprise of lead customers, key suppliers, and strategic partners*

# The Critical Role of Academic and Research Institutions

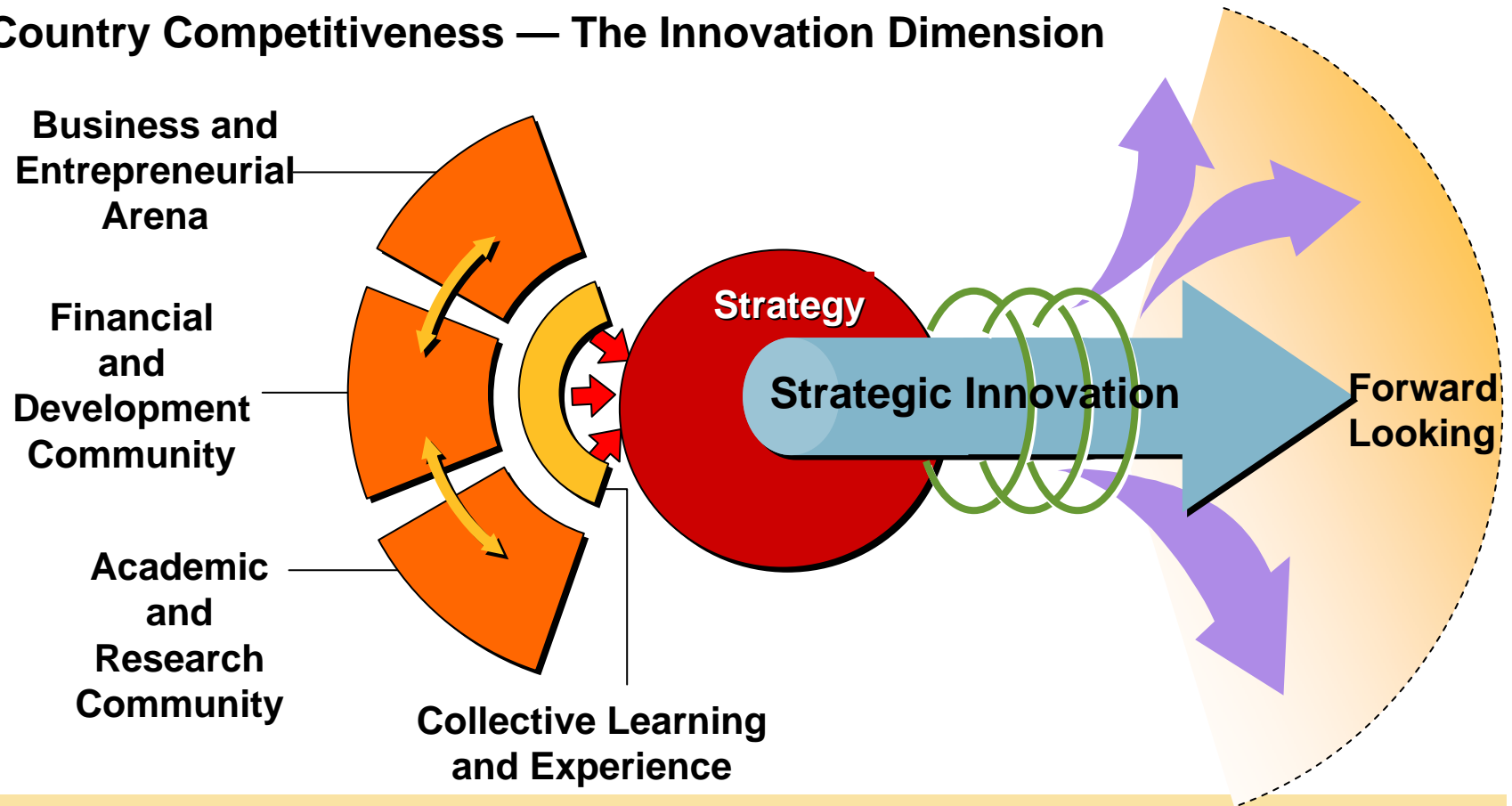
## Industry Competitiveness — The Innovation Dimension



*It is ultimately clusters of firms that commercialize innovations, and institutions can significantly facilitate the evolution and growth of these clusters*

# Innovation Performance Is Critical to Industry and Country Competitiveness and Requires Effective Partnering and Networking at All Levels

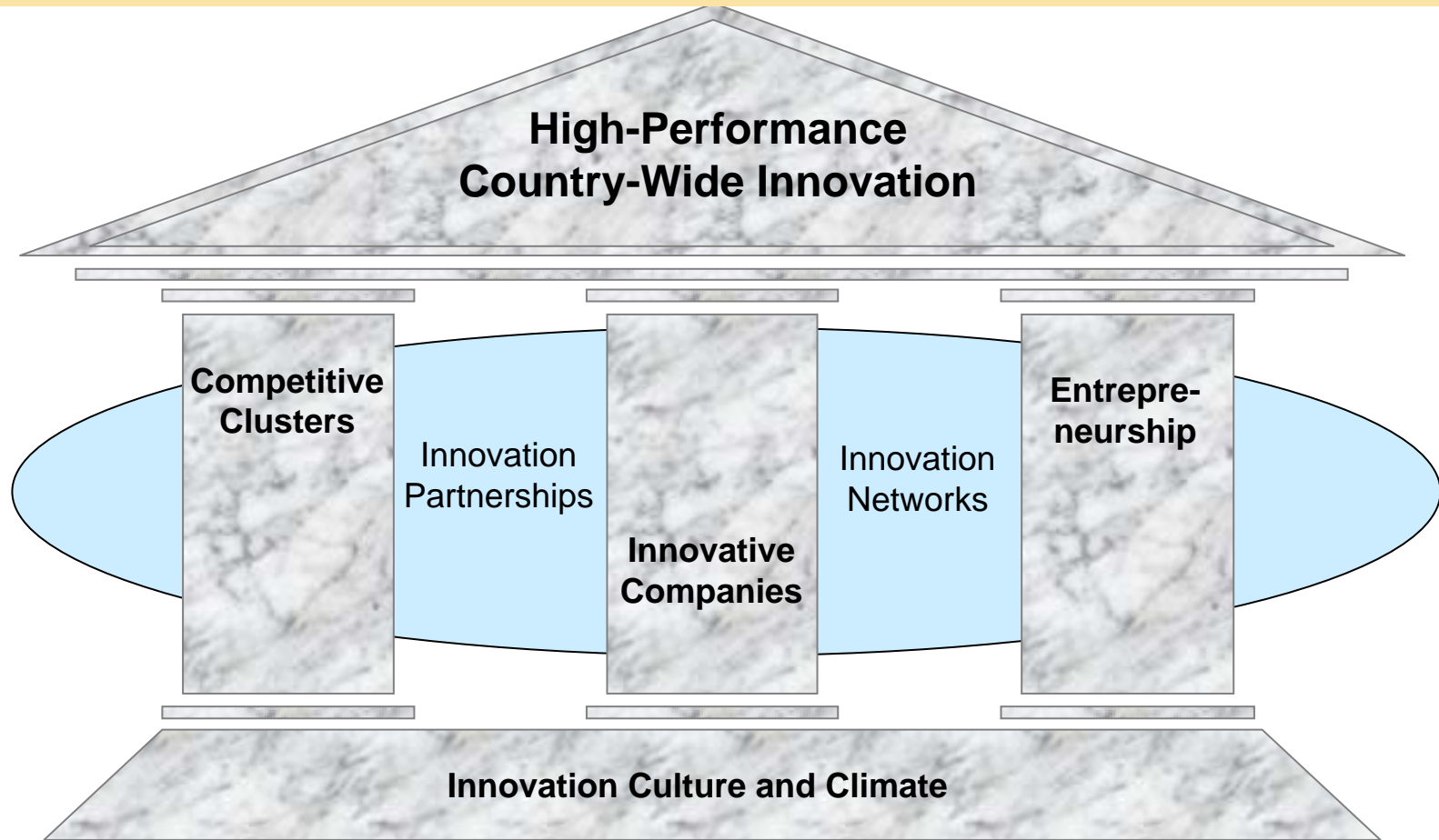
## Country Competitiveness — The Innovation Dimension



*In an INSEAD Symposium on Strategic Innovation, we and others shared views on how corporations, entrepreneurs, venture capitalists, academia and research institutions are partnering in unprecedented ways to drive innovation*

# Innovation Performance is Critical to Industry and Country Competitiveness and Requires Effective Partnering and Networking at All Levels

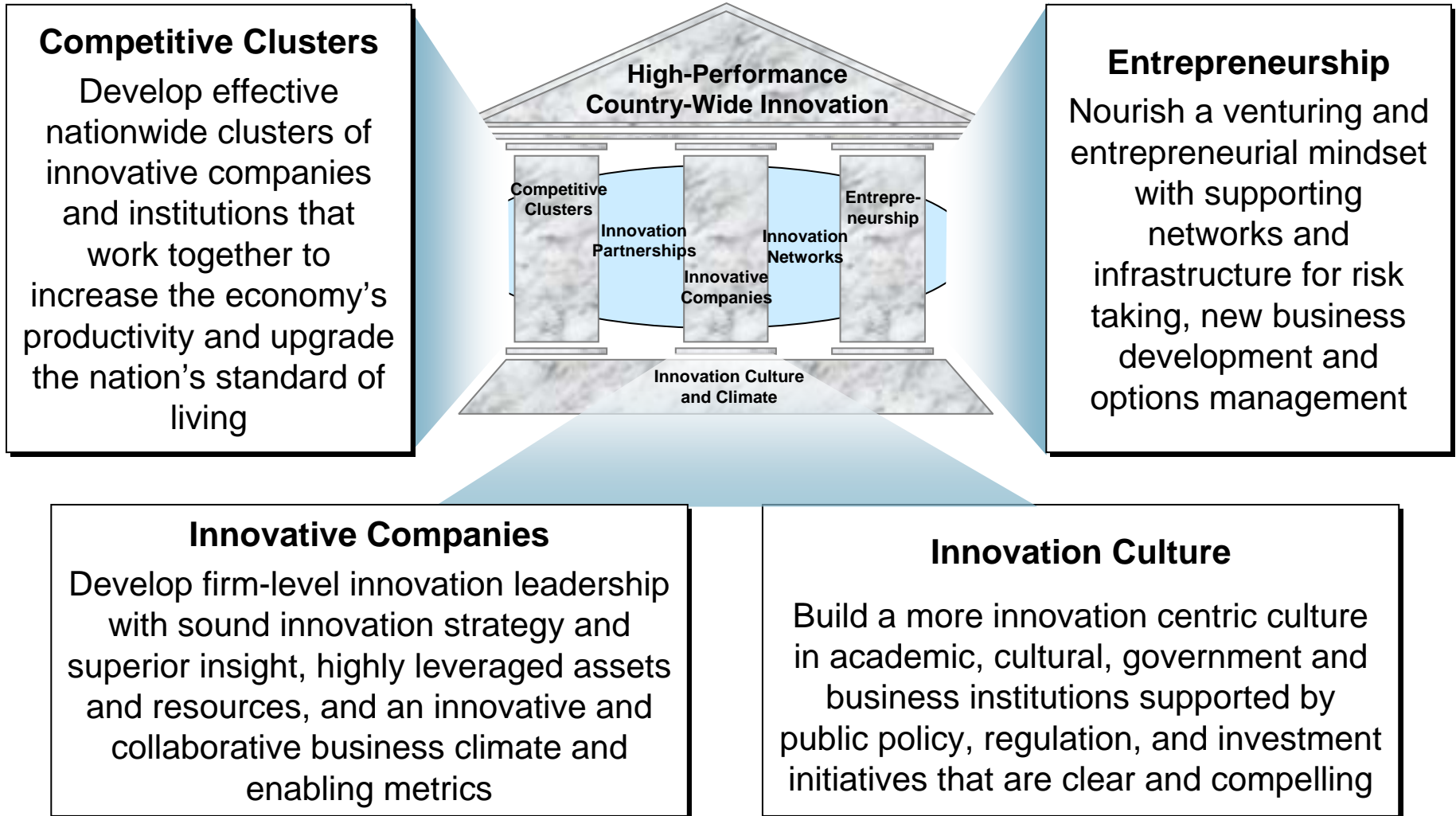
*Innovation has become a strategic imperative for businesses, institutions, and the development community — most recognize that “innovating is less risky than not innovating”*



**Country Competitiveness — The Innovation Dimension**

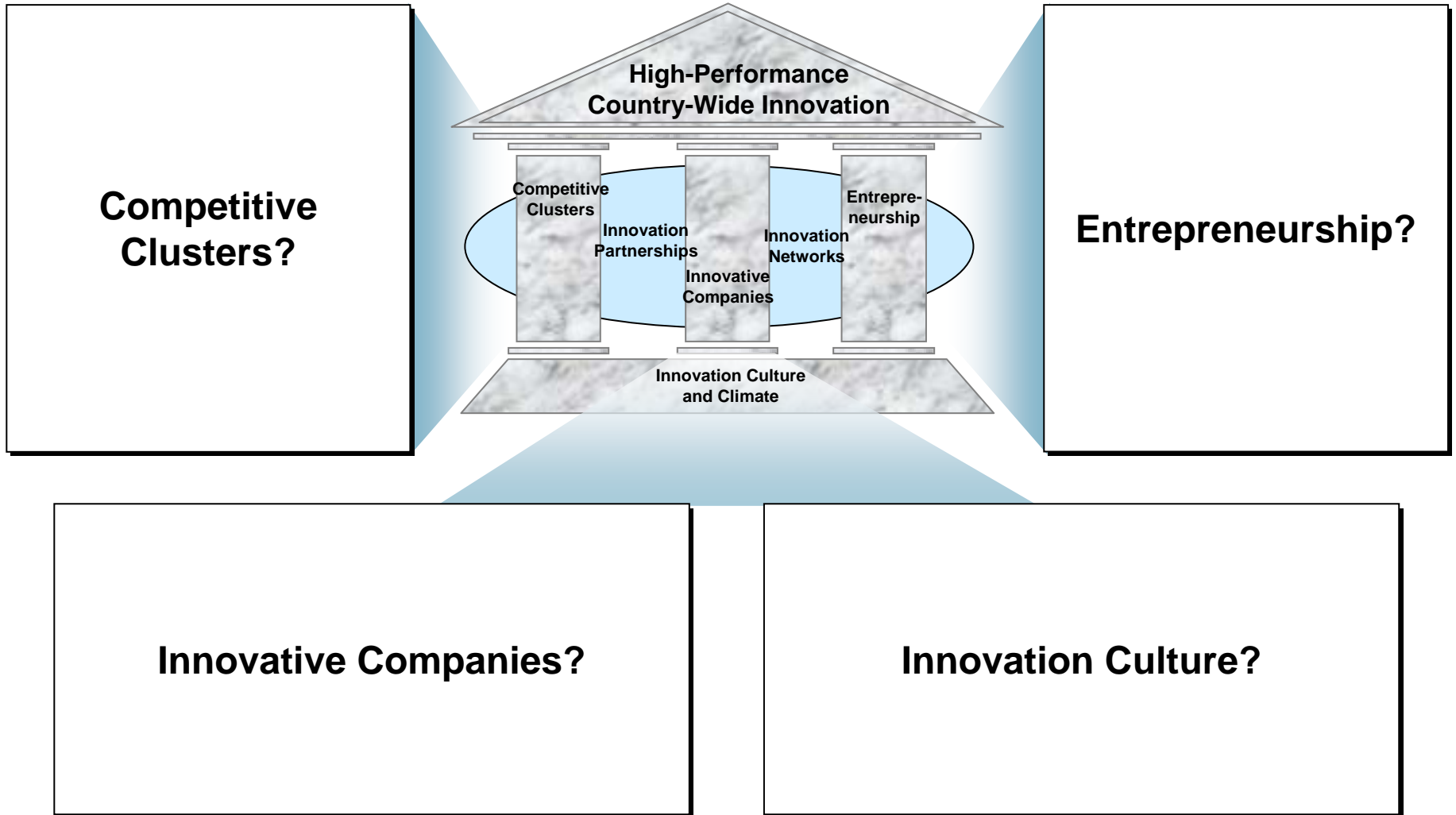
# Innovation Performance is Critical to Industry and Country Competitiveness and Requires Effective Partnering and Networking at All Levels

## Country Competitiveness — The Innovation Dimension



# Innovation Performance is Critical to Industry and Country Competitiveness and Requires Effective Partnering and Networking at All Levels

## Country Competitiveness — The Innovation Dimension Implications for Brazil





# Country Innovation Partnering Framework

## First Generation Characteristics

*“First Generation” organizations and regions face very large gaps between commercial enterprises and public institutions and between science and the humanities and research and business*

### Commercial Enterprises

Research

Business

Knowledge  
Sharing  
Relationships

*They focus on knowledge sharing relationships to support each others objectives*

Science

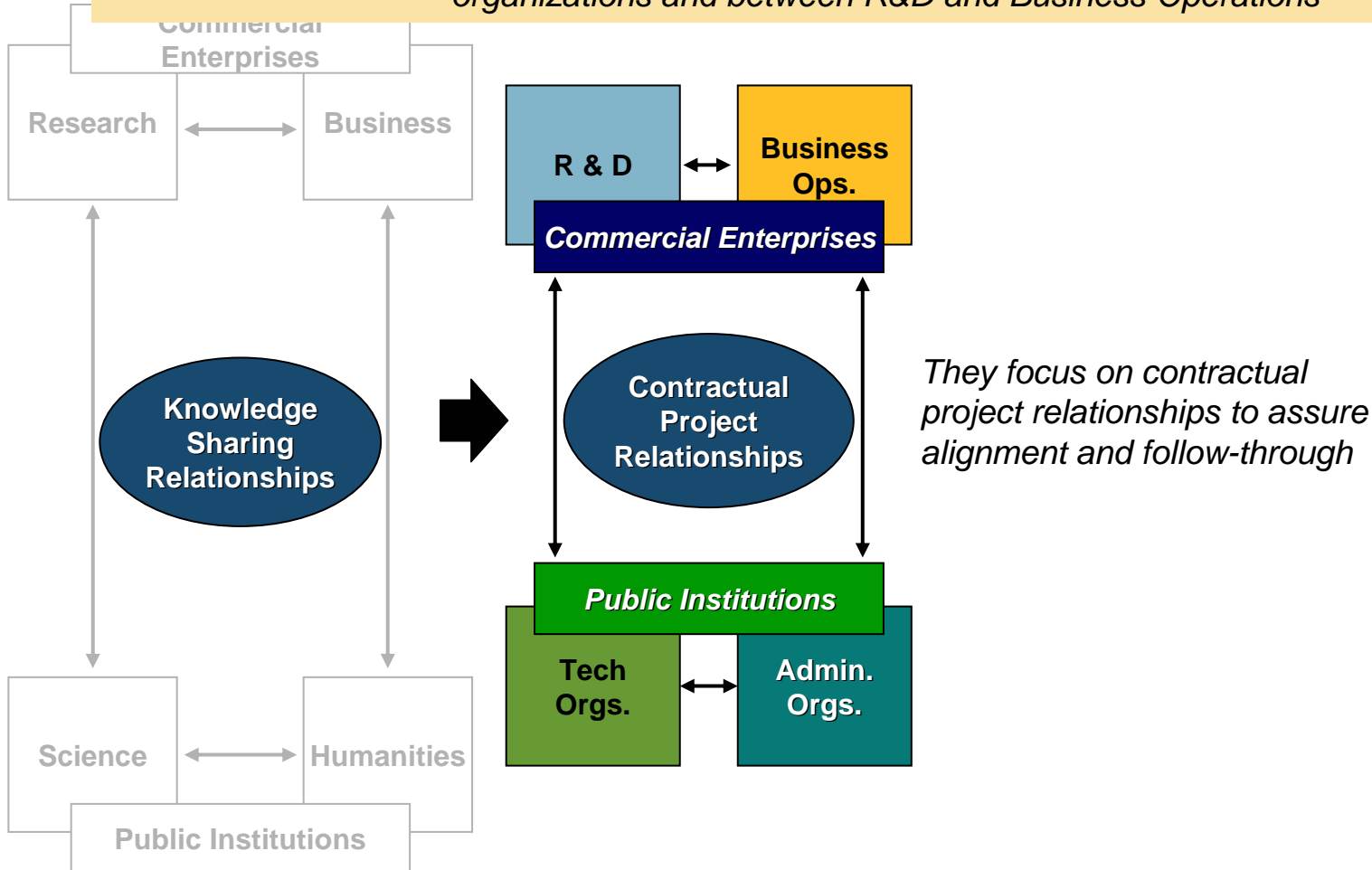
Humanities

Public Institutions

# Country Innovation Partnering Framework

## Second Generation Characteristics

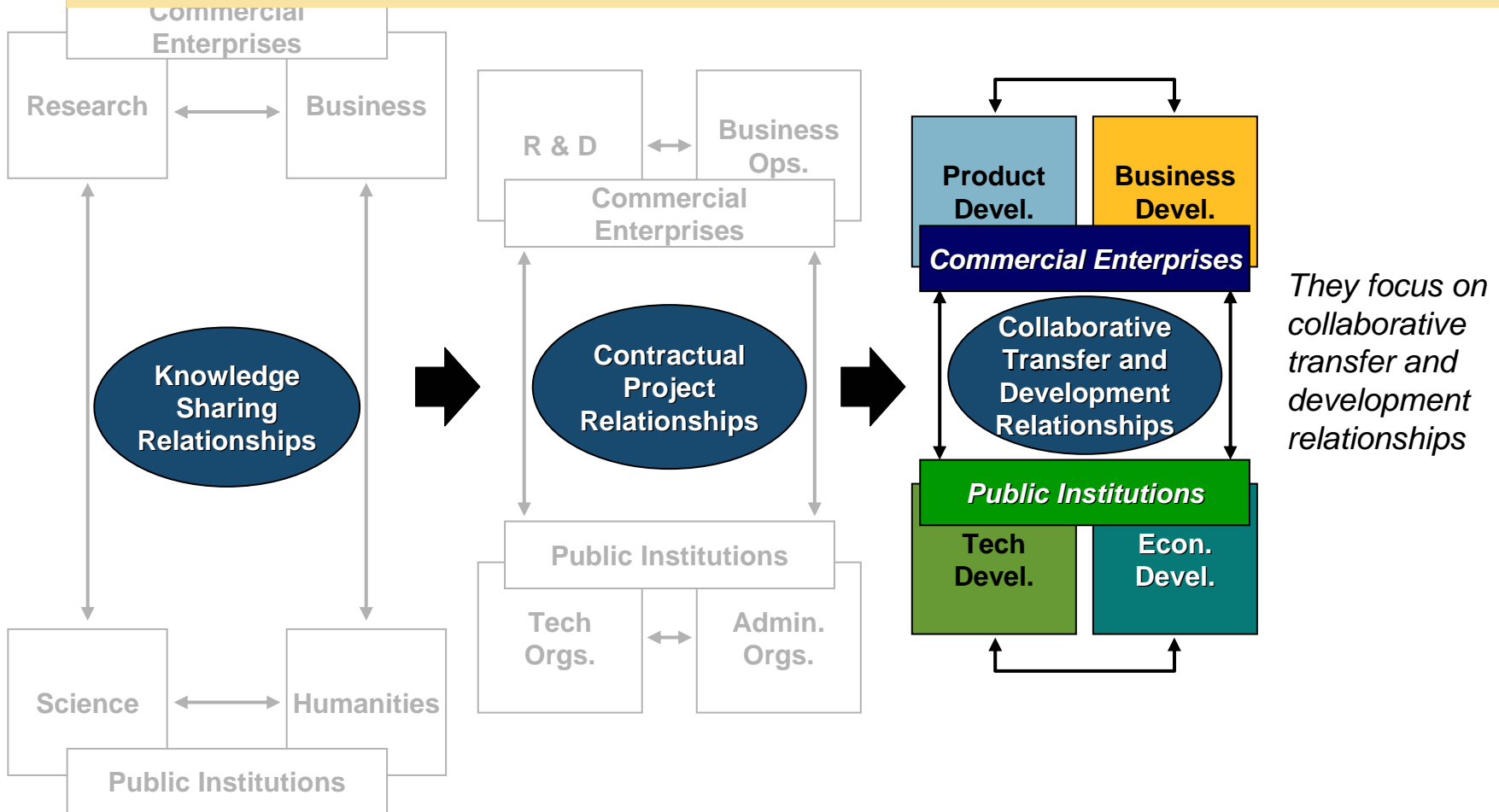
*“Second Generation” organizations face significant gaps between technical and administrative organizations and between R&D and Business Operations*



# Country Innovation Partnering Framework

## Third Generation Characteristics

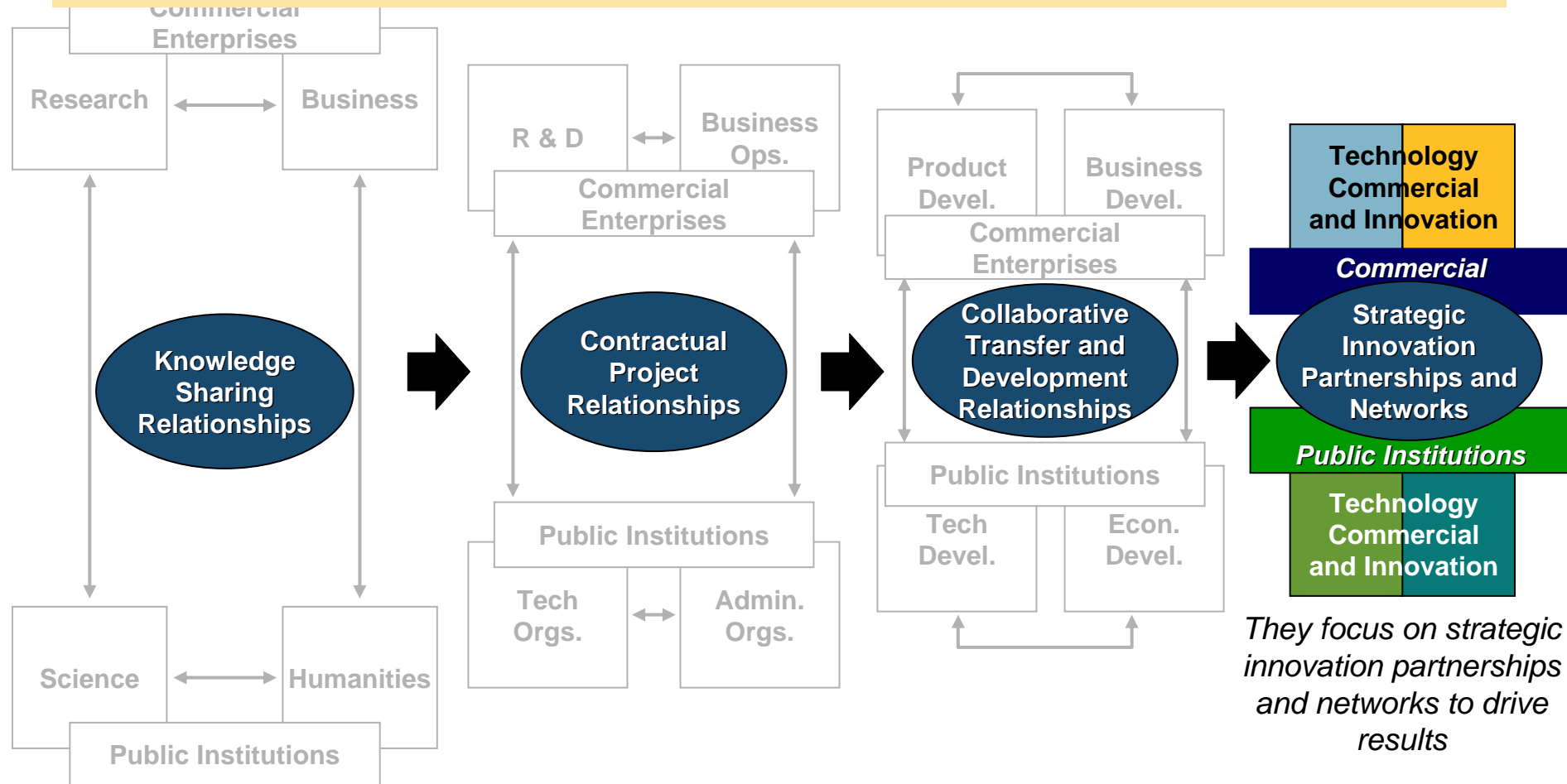
*“Third Generation” organizations and regions build partnerships to bridge gaps between technology and economic development programs and between new product and business development*



# Country Innovation Partnering Framework

## Next Generation Characteristics

*“Next Generation” organizations and regions have strategically aligned objectives for accelerated technology commercialization and innovation and associated social and economic development*

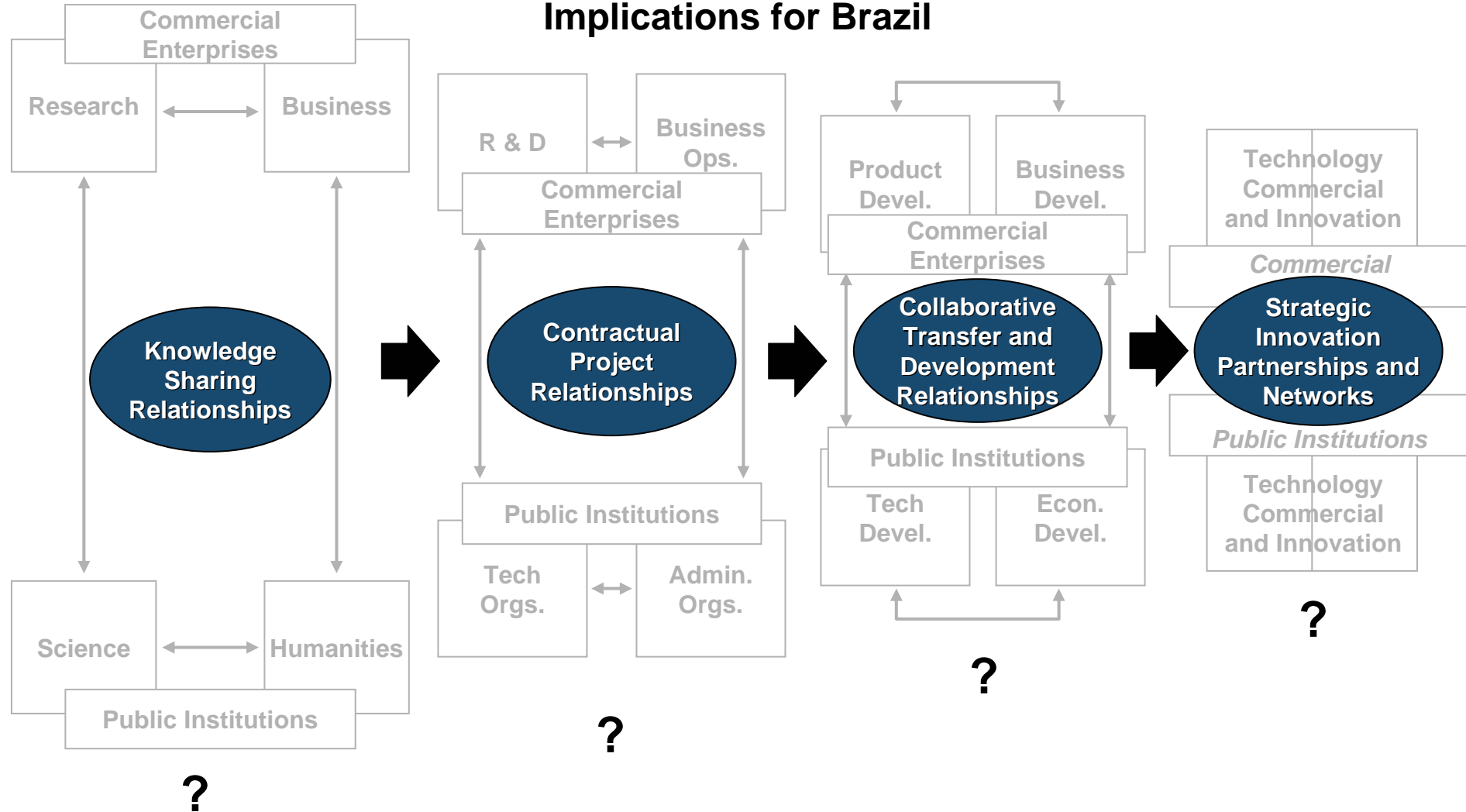


*They focus on strategic innovation partnerships and networks to drive results*

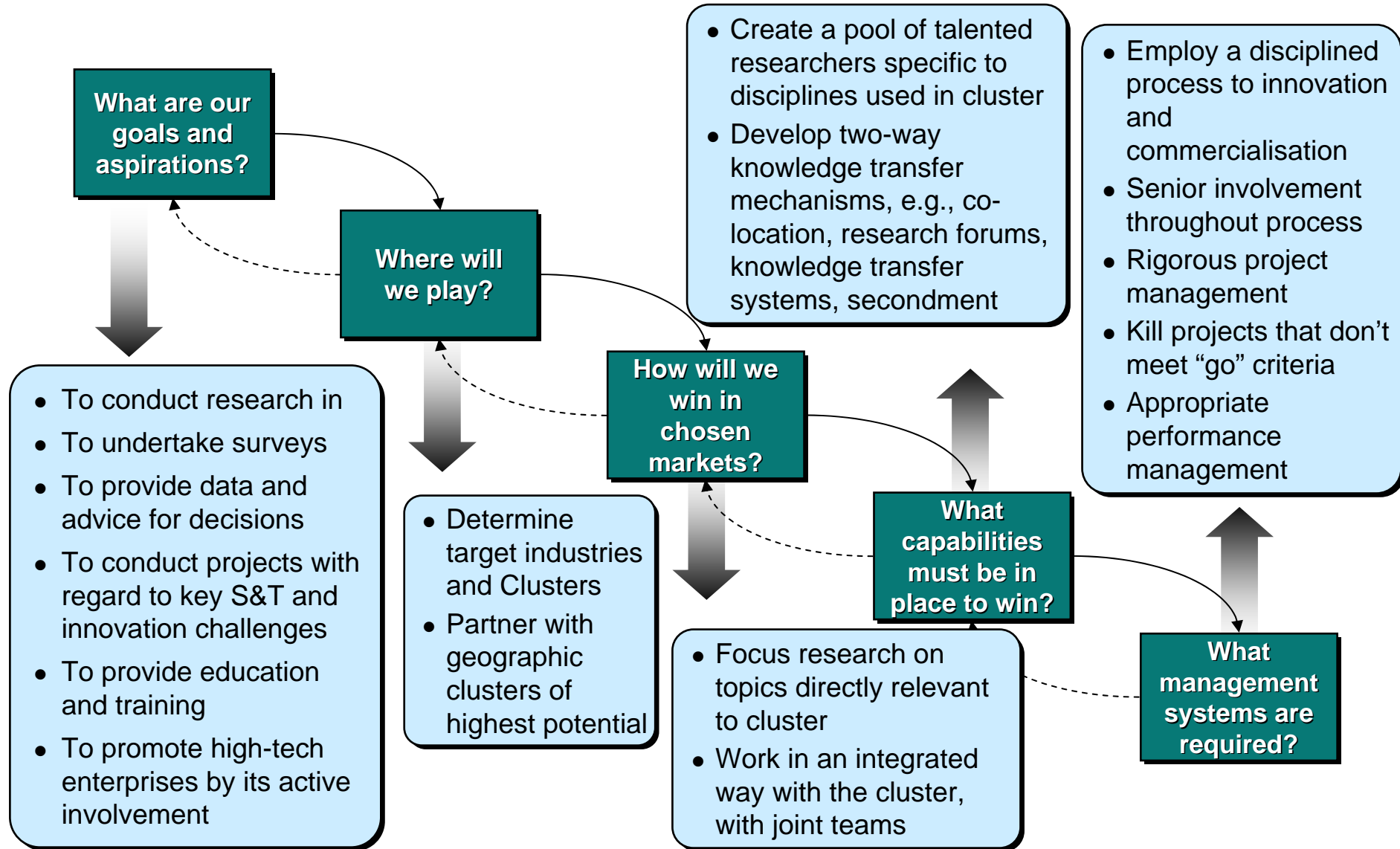
# Country Innovation Partnering Framework

## Next Generation Characteristics

### Stages of Innovation Partnering at the Country and Industry Level — Implications for Brazil



# Implications for Brazilian Academic and Development Institutions (Chinese Academy of Sciences Example)



# Partnering for High Performance Innovation

The Importance and Role of Innovation Partnerships at the Industry and Country Level — Partnering across Business, Academia and Government

**The Importance and Role of Innovation Partnerships at the Company and CEO Level — Partnering across Functions, Business Units and the Extended Enterprise**

The Partnering Pathways to High Performance Innovation

Strategic and Operational Choices and Emerging Best Practices

# 1. Create Sustainable Competitive Advantage and Value for All Stakeholders

*Innovation leaders create extraordinary measurable premiums for all their stakeholders*



**Increased Control Over Rules of the Game and the Industry Value Chain**

**The Company to Invest In**

**Investor Premiums**

- Company Valuation
- Shareholder Returns
- Earnings Growth and P/E Ratios



**Strengthened Customer Attraction, Retention, Loyalty, and Market Share**

**The Partner of Choice**

**Partner Premiums**

- Preferred Relationships
- Win-Win Synergies
- Strategic Leverage

**Company Competitiveness and Business Growth Through Innovation**

**Customer Premiums**

- Customer Excitement
- Value Leadership
- Marketshare Dominance

**The Brand to Buy**

**Enhanced Cost and Productivity Leadership and Margin Performance**

**Employee Premiums**

- Quality of Workplace and Loyalty
- Attracting Best and Brightest
- Recognition and Reward

**Improved Product Plus Performance, Value, and Brand Equity**



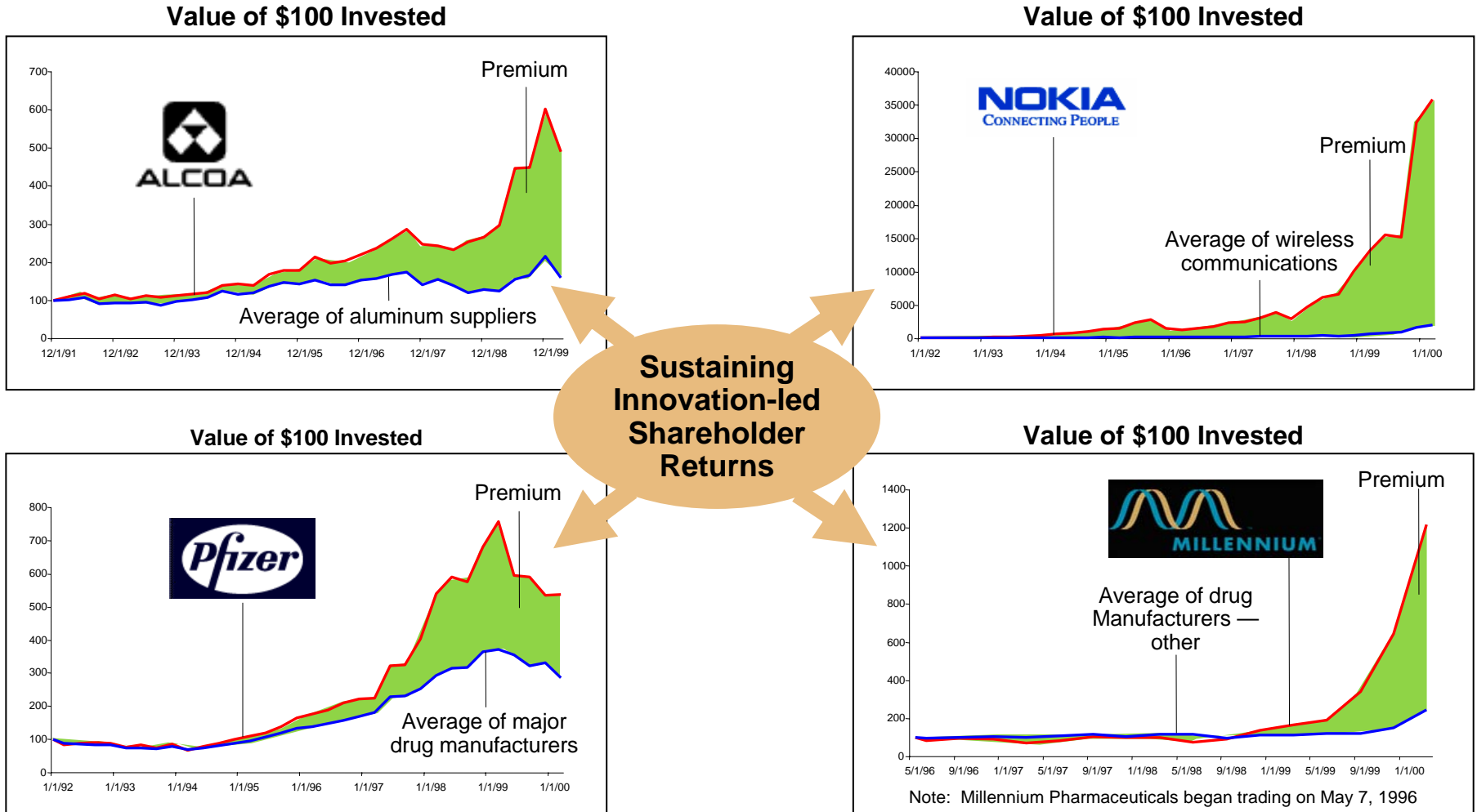
**A Great Place to Work**





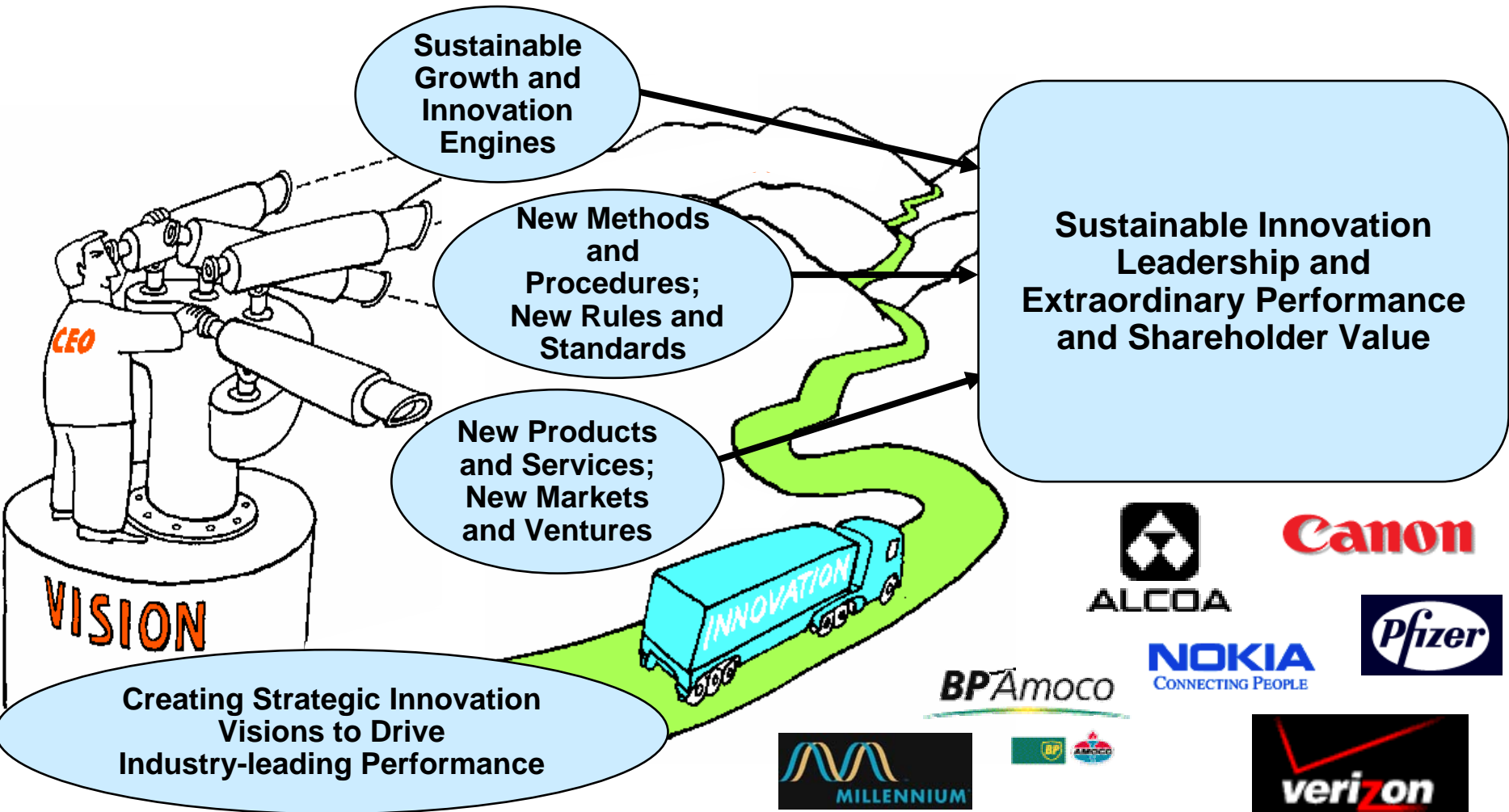
# Innovation Performance is Critical to Company Competitiveness and Value

*Innovation Leaders far outperform the rest of their industry in shareholder value and return*



## 2. Generate Superior Returns for Investors and Shareholders

*Business leaders recognize that high-powered innovation is a prime driver of competitiveness and premium shareholder value in each of their industries*



# Innovation Performance is Critical to CEO Leadership and Success

## CEO Leadership Success — The Innovation Dimension 2004 Global CEO Challenge Survey Results

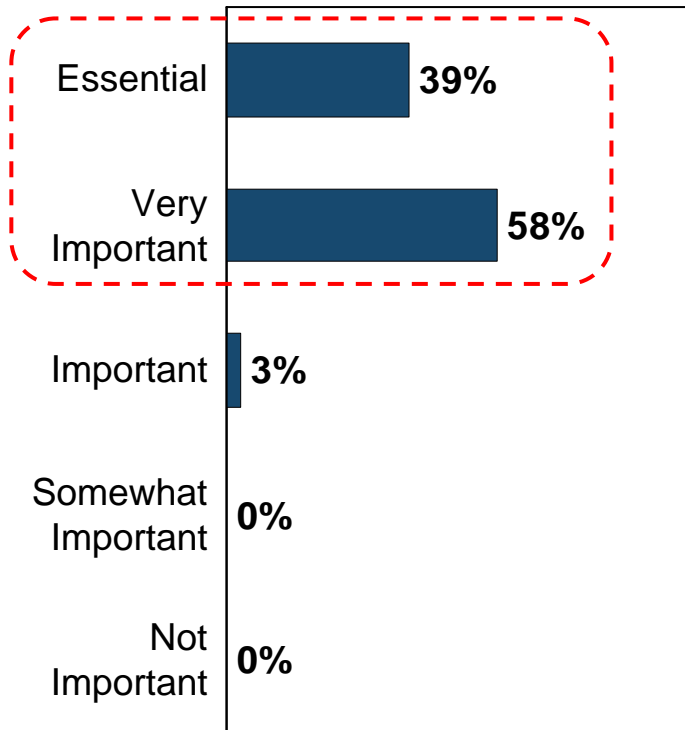


## Brazilian CEOs Also See Innovation as a Significant Challenge

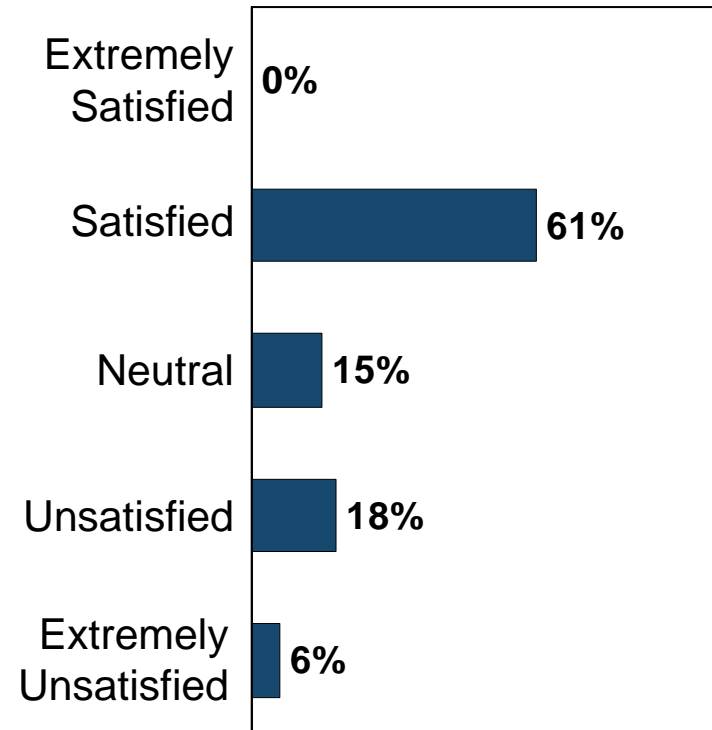
**97% of the CEOs interviewed in Brazil believe that Innovation is either essential or very important for achieving their companies' goals and ambitions . . .**

**But only 61% are satisfied with current level of innovation. No CEO is extremely satisfied**

**How important is innovation for achieving your company's goals and ambitions?**



**Are you satisfied with innovation levels in your company?**



# Partnering for High Performance Innovation

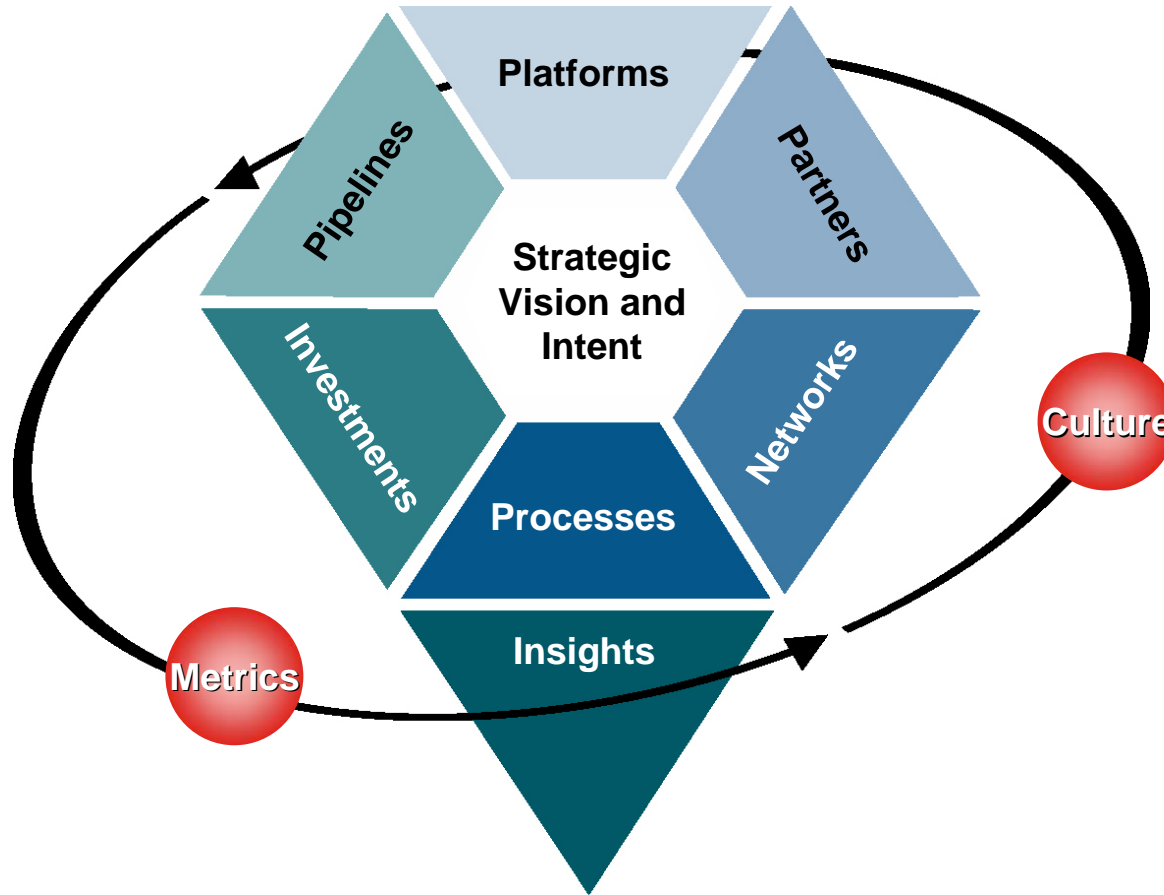
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## **The Partnering Pathways to High Performance Innovation**

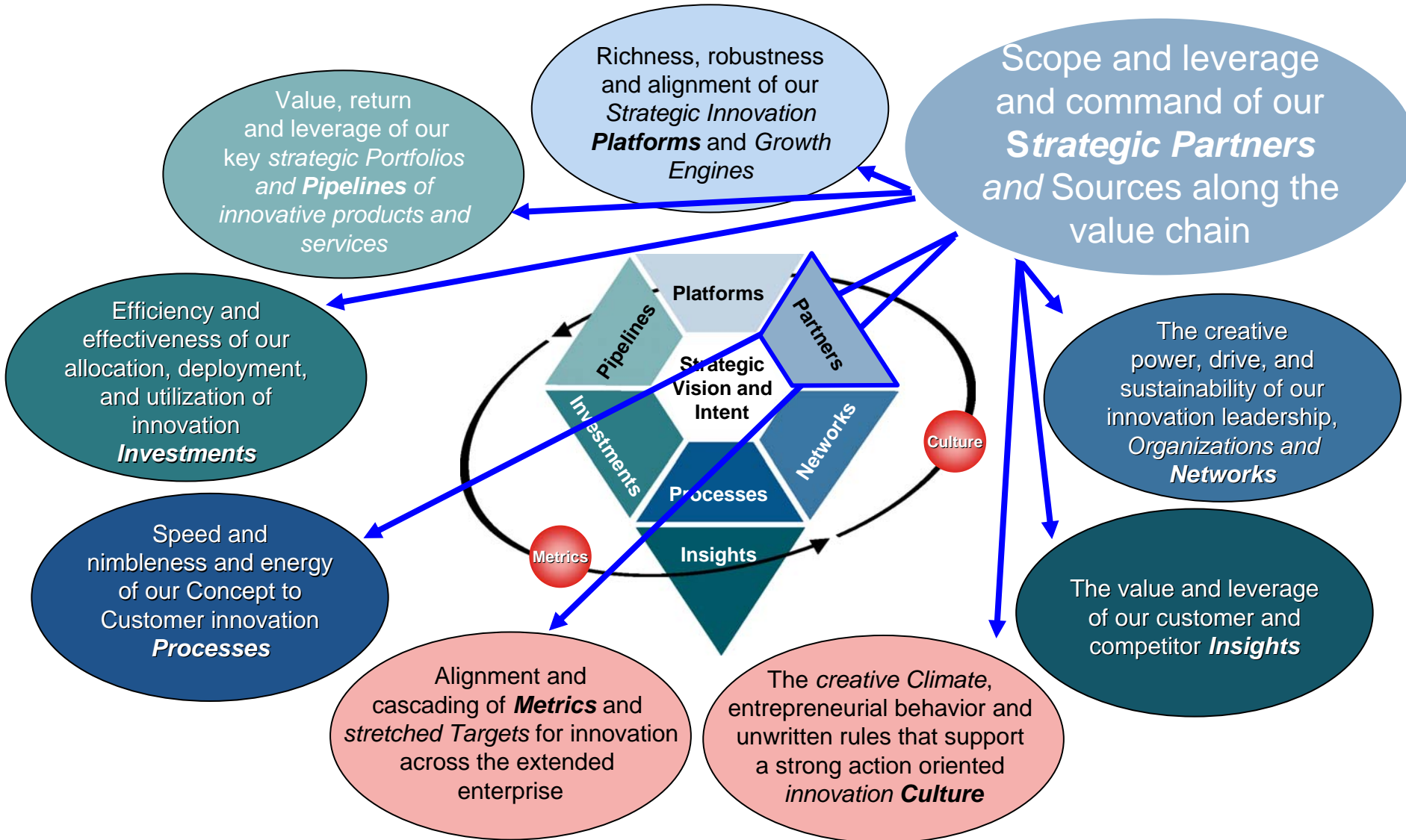
Strategic and Operational Choices and Emerging Best Practices

## Pathways to High Performance Innovation — The Partnering Path



*Successful Innovation Leadership requires strong competencies in all 10 interrelated facets of High Performance Innovation including sourcing and partnering*

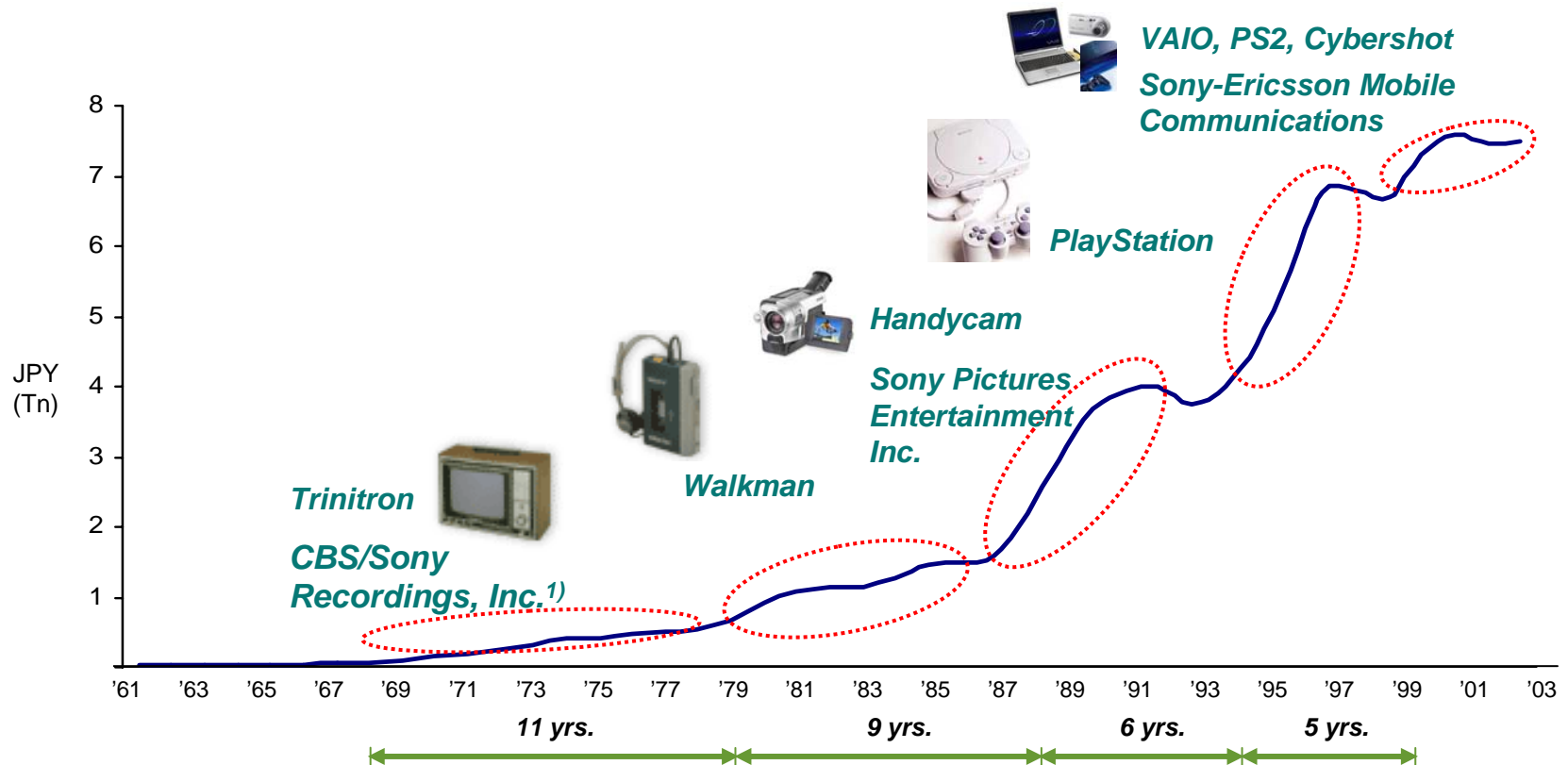
# Pathways to High Performance Innovation — The Partnering Path



*Effective partnering is critical to all aspects of High Performance Innovation*

# Pathways to High Performance Innovation — The Partnering Path

## Sony's Key Breakthrough Innovations and Revenue Growth



*Effective partnering is critical to high performance innovation and partnerships must be continuously recouped and realigned*

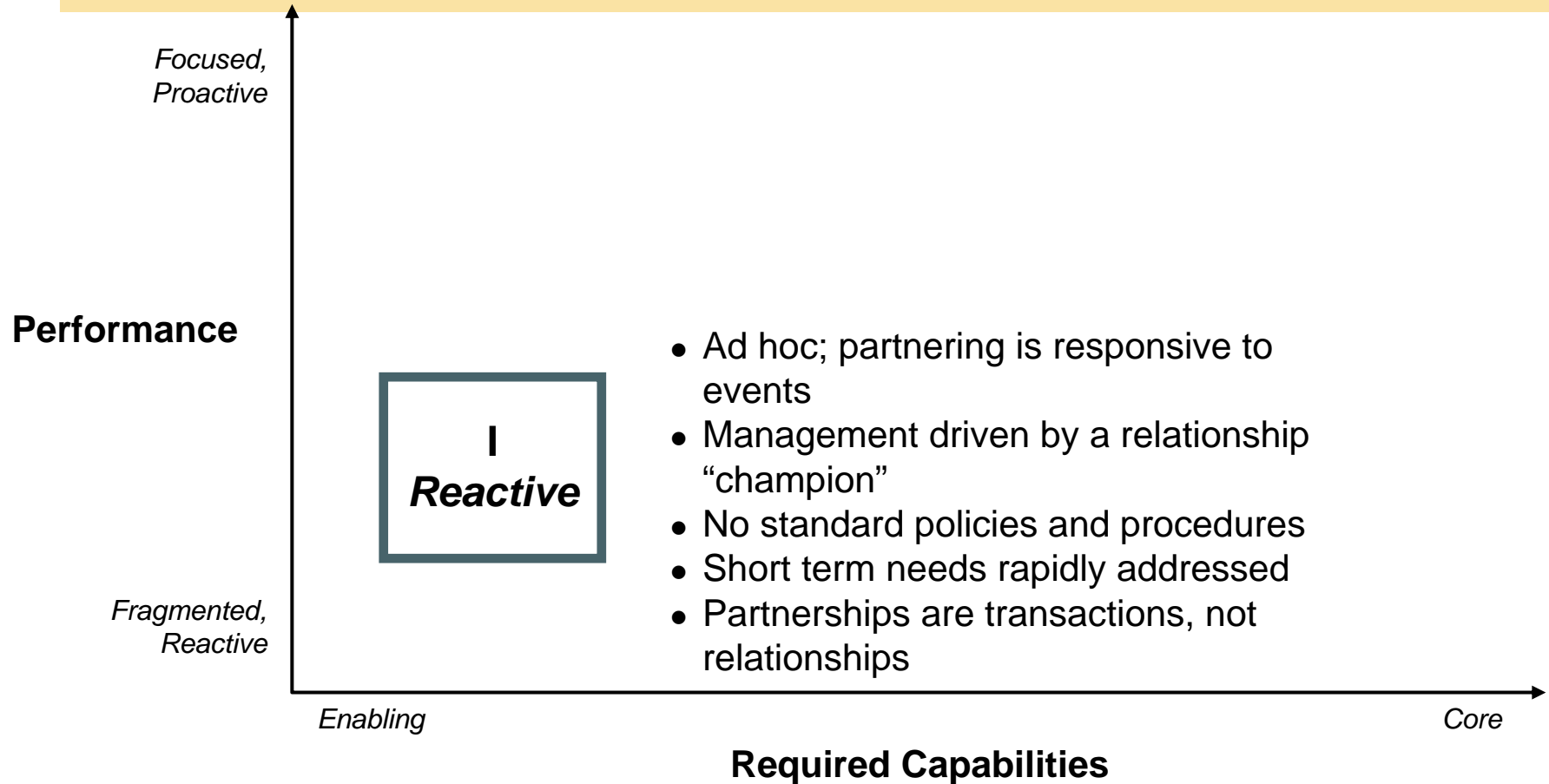
Note: 1) A 50-50 JV with CBS, and later became Sony Music Entertainment Inc.

Source: Sony Annual Reports, Monitor Analysis



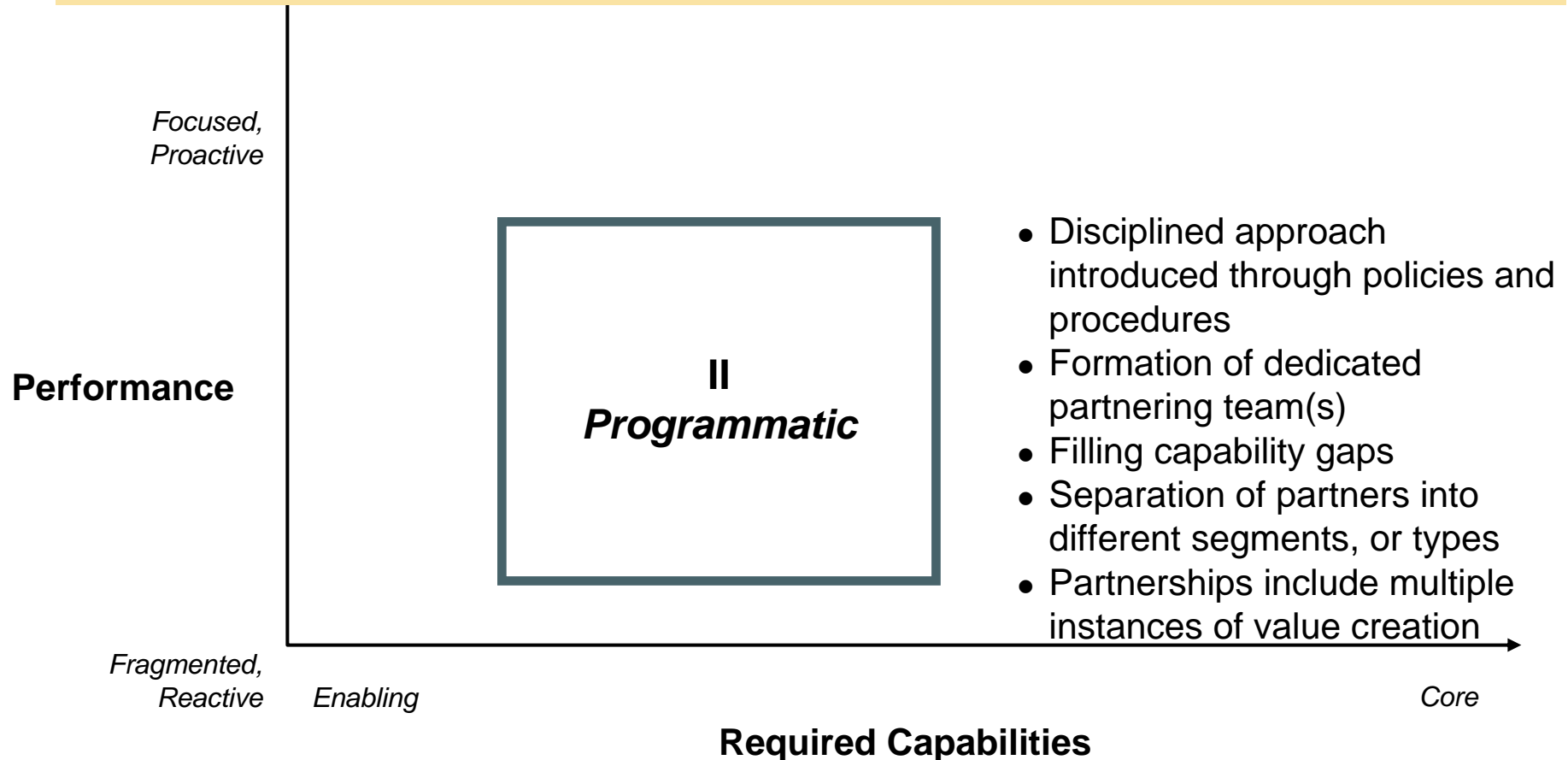
## Pathways to High Performance Innovation — The Partnering Path

*Stage I of the Partnering Path is largely reactive with little systematic management*



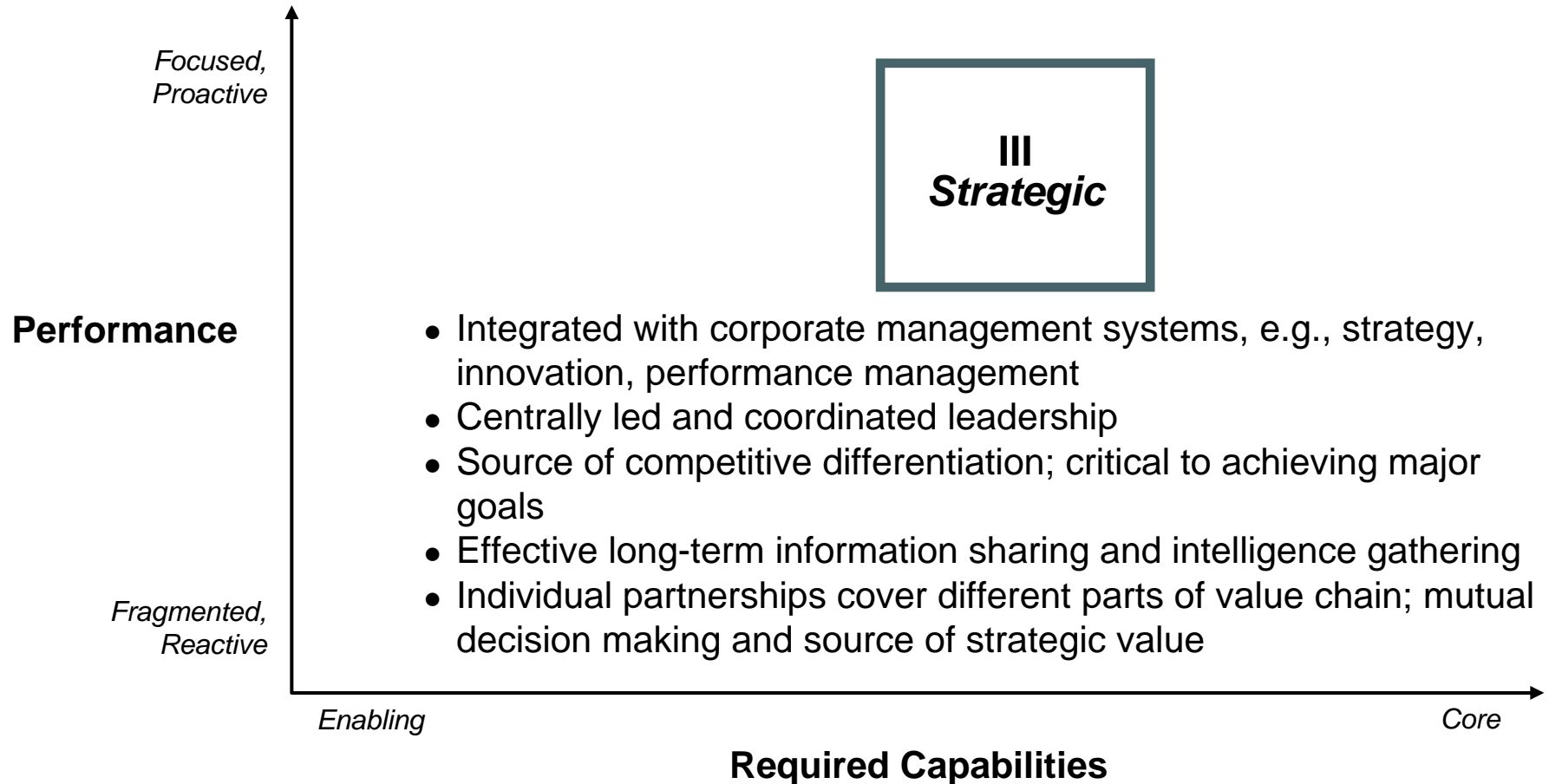
## Pathways to High Performance Innovation — The Partnering Path

*Stage II sees the emergence of a more proactive approach to partnering . . .*



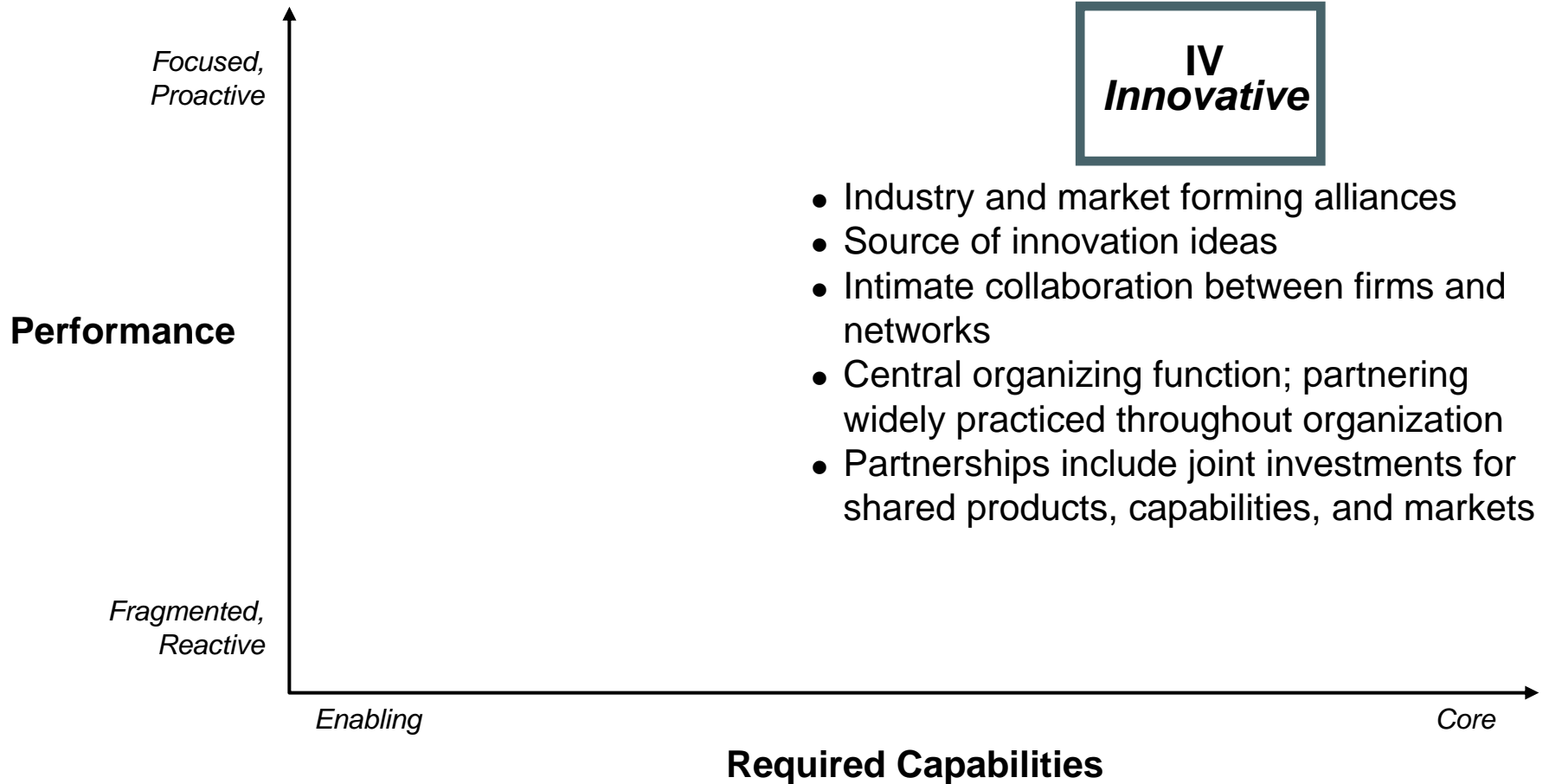
## Pathways to High Performance Innovation — The Partnering Path

*Stage III entails a greater integration of partnering with corporate management Systems . . .*



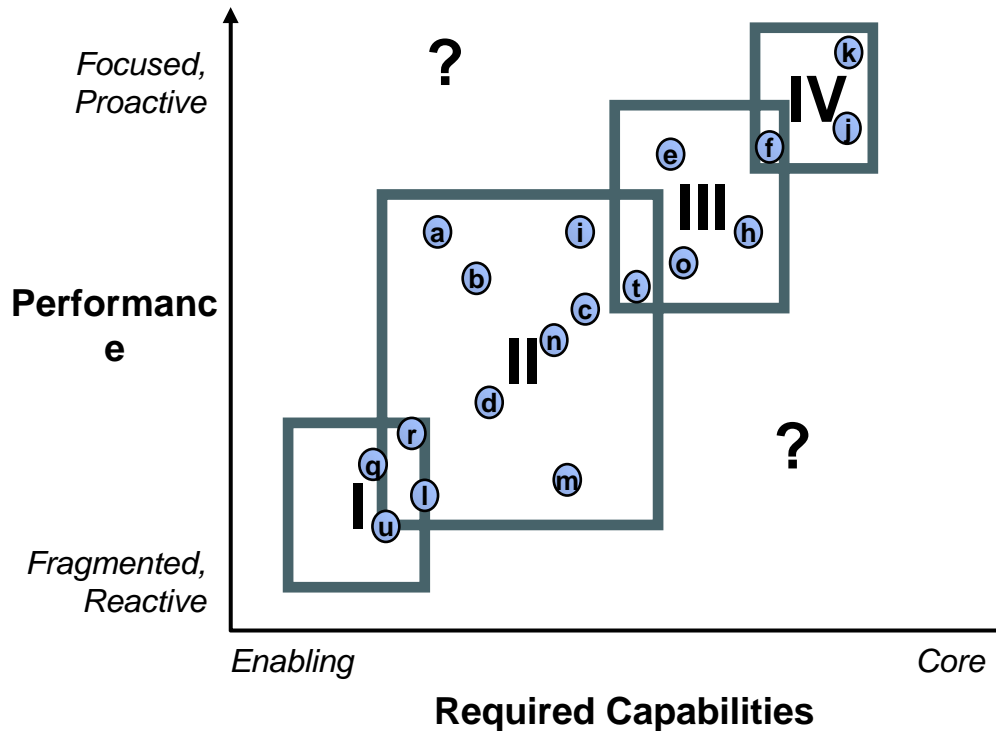
## Pathways to High Performance Innovation — The Partnering Path

... and the final phase positions partners as a source of corporate innovation



# Pathways to High Performance Innovation — The Partnering Path

## Stages of Innovation Partnering — Implications for Brazilian Companies



### Companies improve overall innovation partnering effectiveness by:

- “Professionalizing” relationship — focus on value created, longer term goals, short term successes
- Integrating partnering into business planning processes
- Contributing non-core assets to relationships
- Leveraging corporate investments in communications and IT infrastructure
- Changing organizational models predictably
- Disseminating performance metrics throughout organization
- Expanding relationships beyond the original contact point

# Partnering for High Performance Innovation

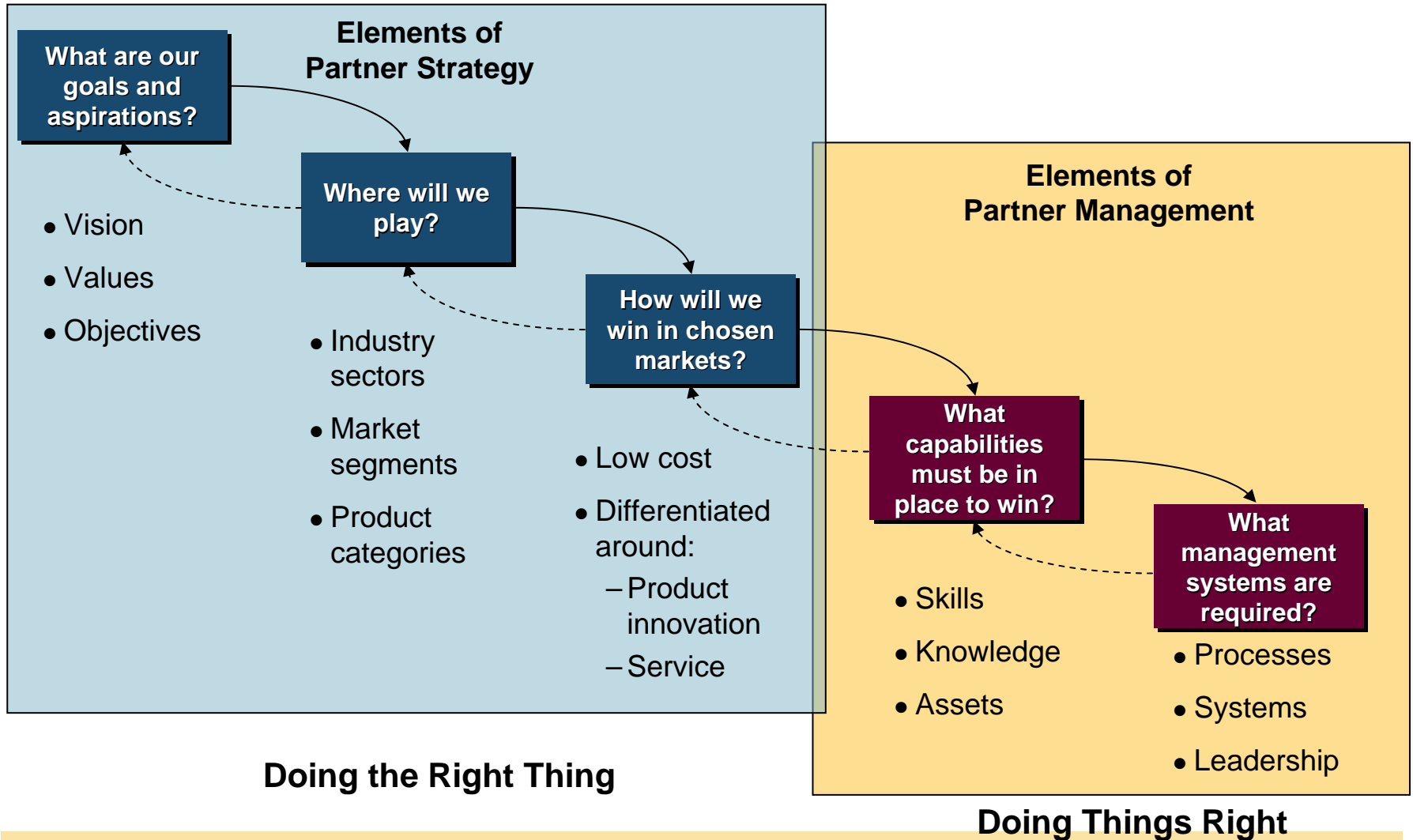
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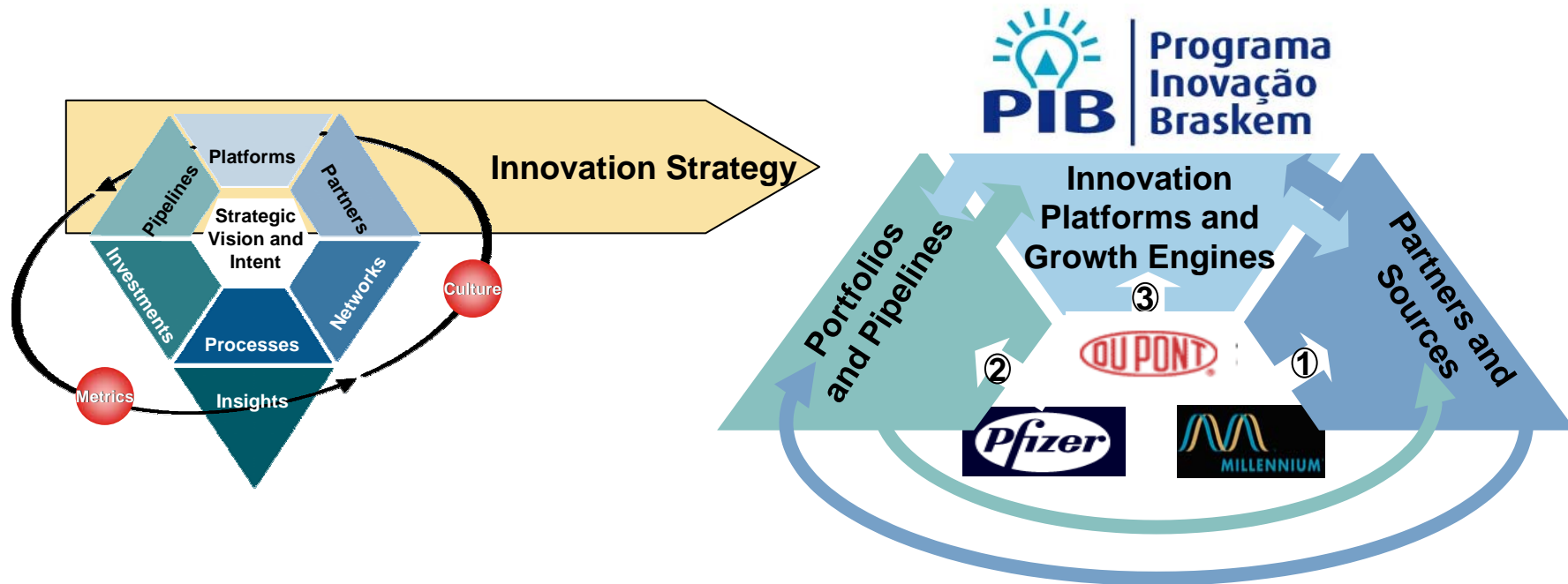
**Strategic and Operational Choices and  
Emerging Best Practices**

# Pathways to High Performance Innovation — Strategic and Operational Choices



*Effective Innovation Partnering is supported by a Set of Strategic and Operational Choices*

## Strategic Innovation Choices — Emerging Best Practices



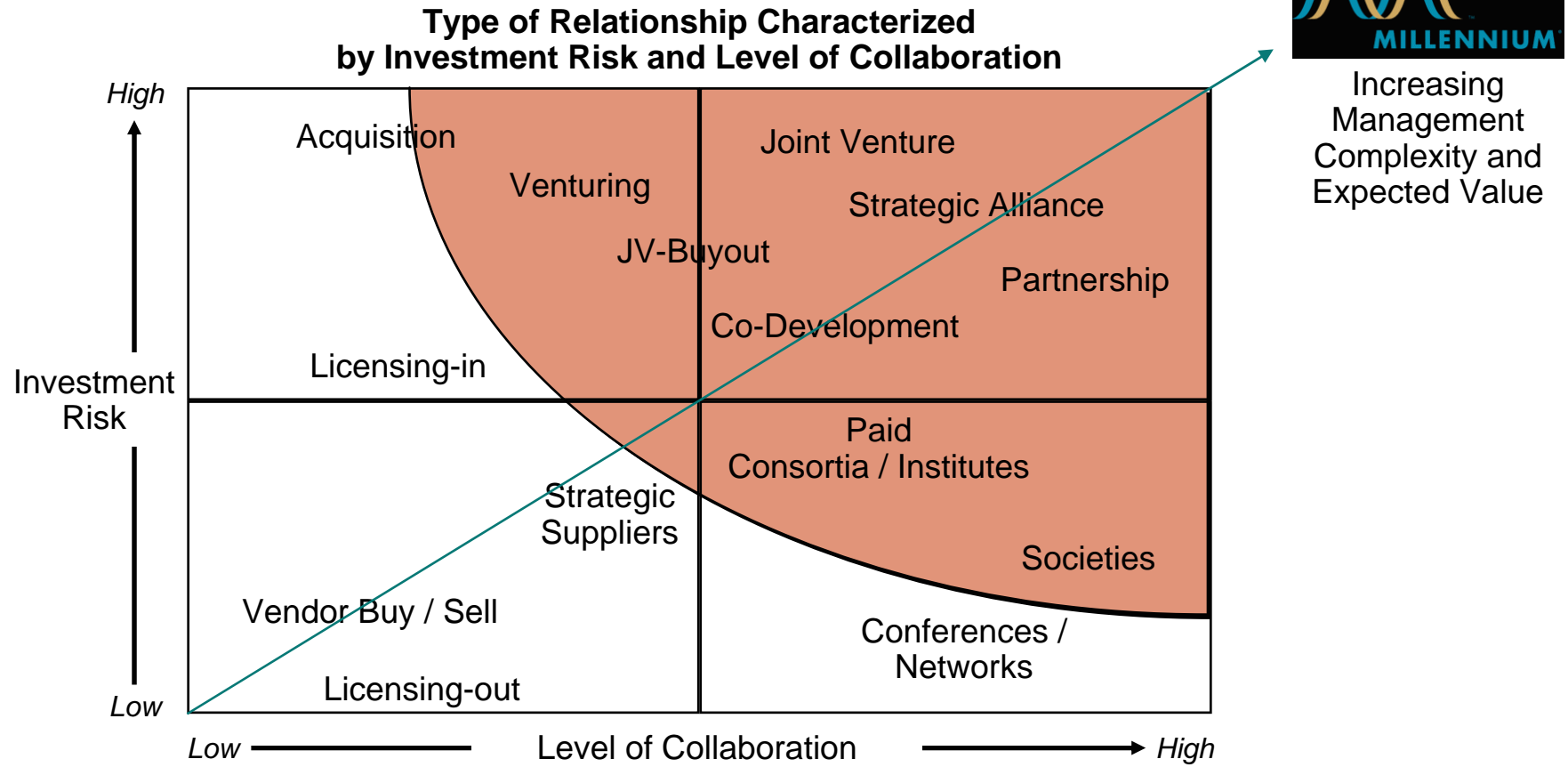
1. Focus Innovation Strategy Choices around priority platforms and growth engines
2. Manage your Innovation Sourcing and Partnering Portfolio strategically
3. Build a rich and robust strategic innovation portfolio and pipeline

*Most companies and CEOs now treat Innovation as a strategic imperative with cross-functional, cross-business unit and extended enterprise strategic initiatives in place*





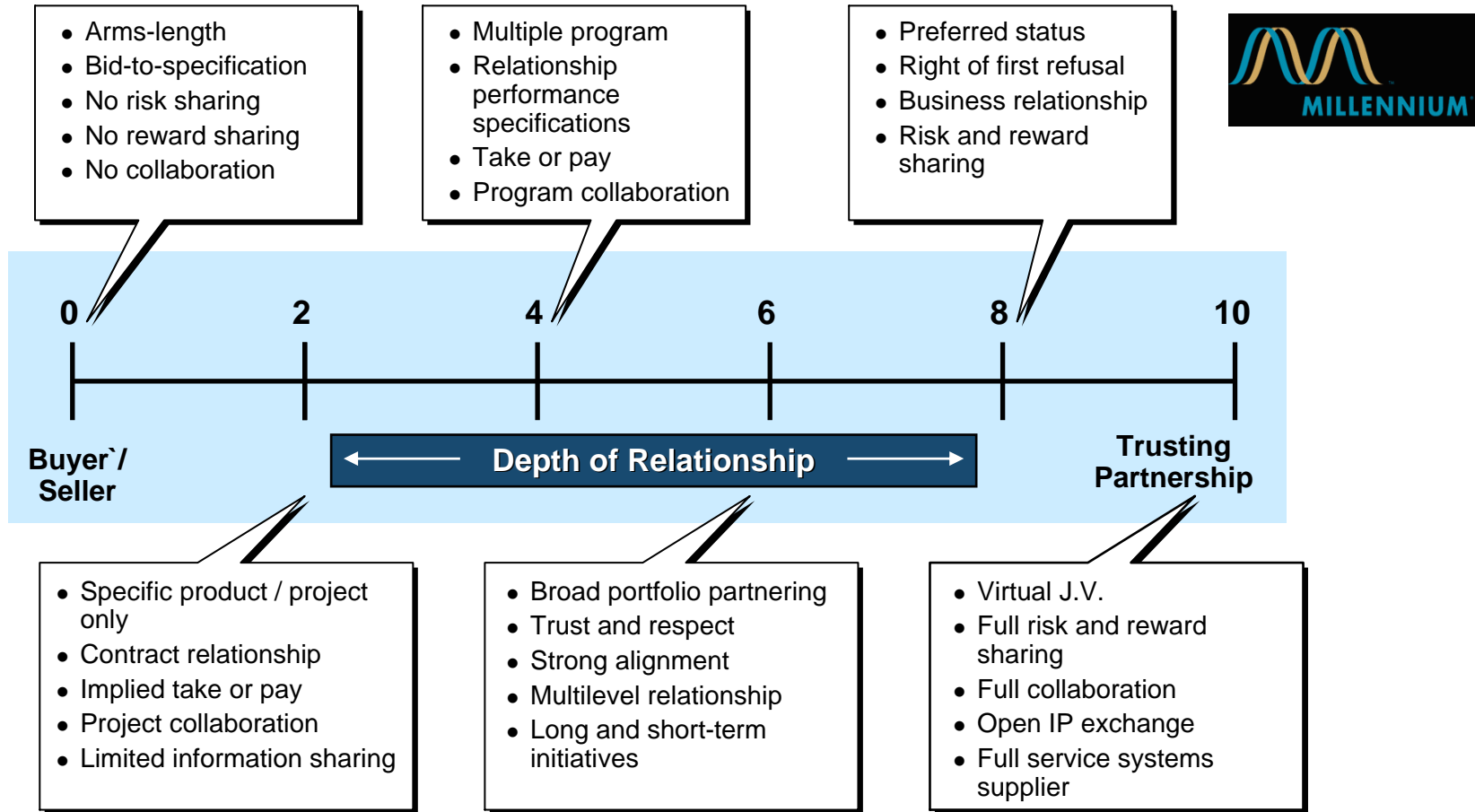
# Strategic Innovation Choices — The Partnering and Sourcing Portfolio



*Innovation Partnerships are Critical for Business Success and requires a mix of different partnering activities*



# Strategic Innovation Choices — The Partnering / Sourcing Continuum



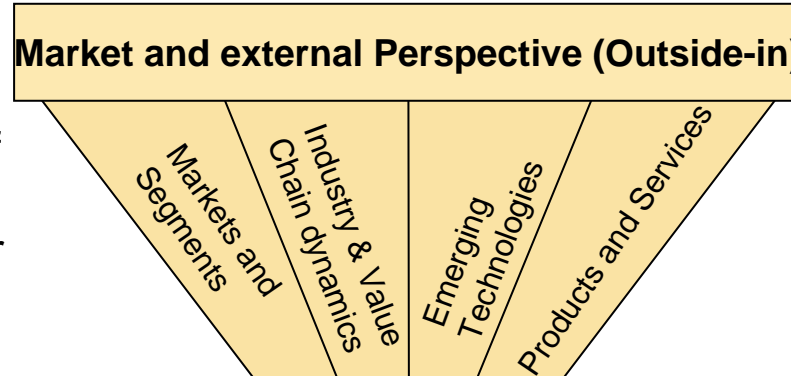
*Innovation Partnerships are Critical for Business Success and involve a wide range of relationships*



# Strategic Innovation Choices — Growth and Innovation Platforms



Multi-sourcing of insights, ideas, and concepts for value creation



*Insightful?*

*Compelling?*

*Meaningful?*

*Winnable?*

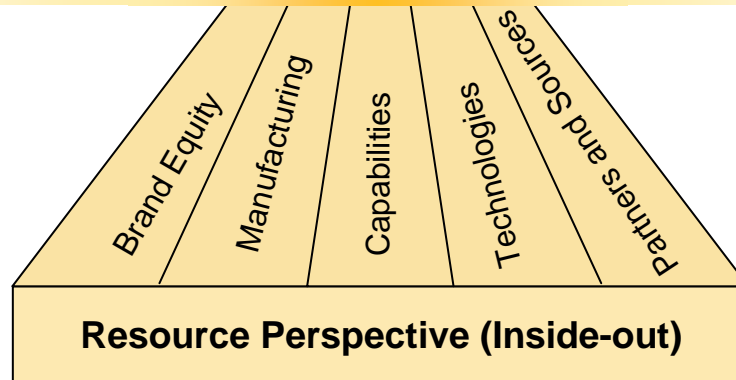
## Innovation Platforms

*Exciting?*

*Differentiated?*

*Actionable?*

*Sustainable?*



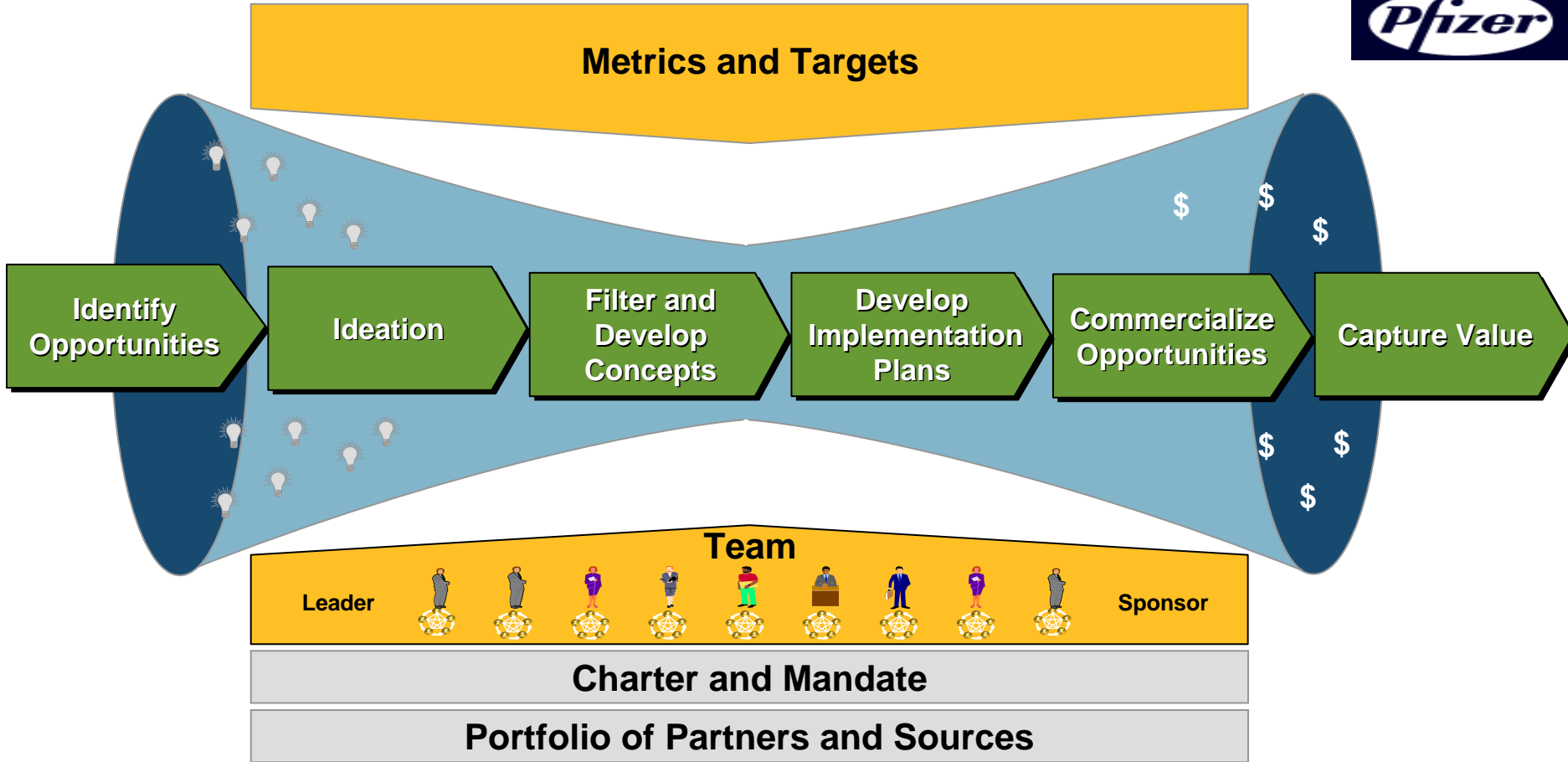
Multi-channeling of pathways to market for value capture



*Growth and Innovation Platforms — more than technology or product platforms — provide exciting and insightful ways to create and capture new value that are both compelling and meaningful to the customer and differentiated and actionable for the company*

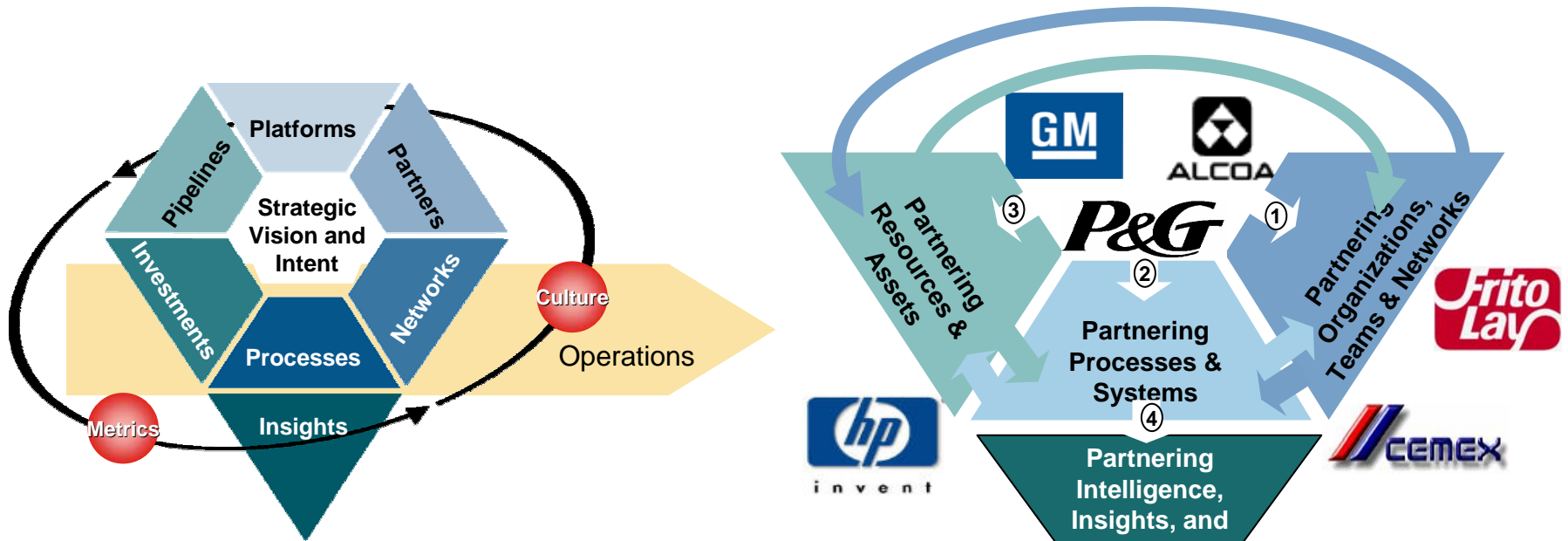


# Strategic Innovation Choices — Growth and Innovation Pipelines



*A Platform must be transformed and translated into clear well-managed Pipelines of projects and initiatives in order to transform ideas into value for the company*

# Innovation Partnering Operations — Emerging Best Practices



- 1. Partnering Processes:** Companies adept at partnering follow a structured, disciplined and flexible approach to effecting closure on partnering agreements and take explicit steps to nurture the relationship over time
- 2. Resources and Investments:** Investments in management systems and technology infrastructure are essential tools to achieving partnering objectives (e.g., partner tracking applications, collaboration tools)
- 3. Organization and Networks:** Companies adept at partnering are tending to migrate away from large formal partnering organizations to virtual teams with a corporate “program office” orchestration. Their emphasis is on installing clear leadership, explicit accountability and strong metrics
- 4. Insights and Learning:** To obtain new insights and learnings, companies actively manage their partnering portfolio across different categories (e.g., Multinationals, Entrepreneurs, Renegades and Universities)

## Innovation Partnering — A recent Benchmarking of Best Practices

- **Everybody's doing it.** For all industries partnering is becoming increasingly important
- **Growing up is hard to do.** Participants appear to have passed through several distinctly different phases while developing their partnering capabilities
- **Don't put all your eggs in one basket.** Portfolio management principles apply
- **More than you think.** Companies are expecting more from partnering and partnerships
- **The future is now.** Partnerships need to be managed with a long term view — think pipelines
- **Hard work pays off.** Being better at partnering **does** yield sustainable competitive advantage
- **You are not alone.** Linking partnering to other management systems is essential
- **Know thyself.** Objectives pursued through partnering are related to competitive position and environment
- **More than you expect.** Secondary objectives often become relationship drivers
- **Pay attention!** Inside each organization, there are natural barriers against partnering
- **Grades count.** Metrics matter



# Operational Choices — Partnering Organizations, Teams and Networks

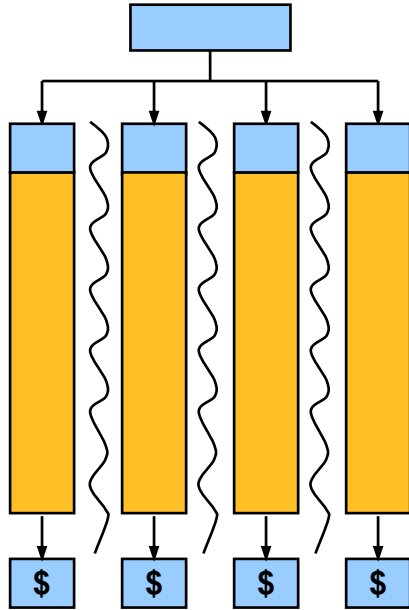


*Top-down command and control project management structures*

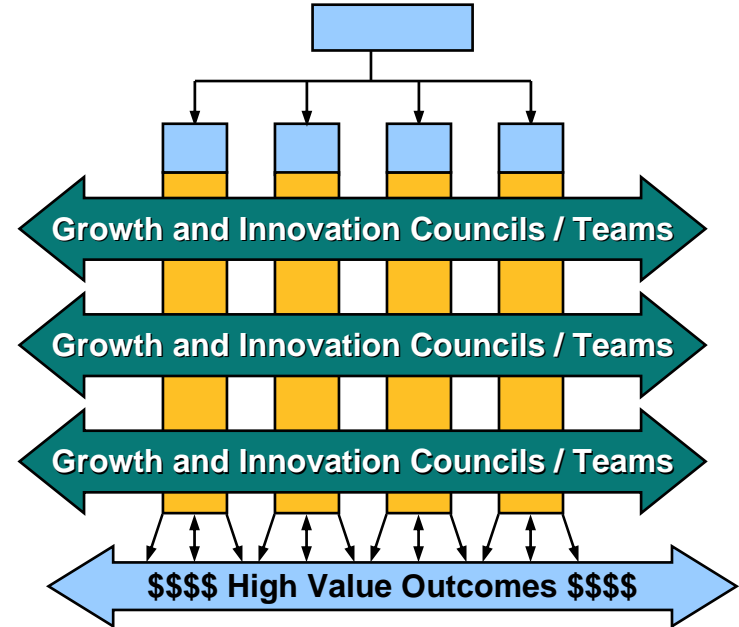


*More fluid and networked innovation management systems*

Project accountabilities for results with boundaries



Innovation accountabilities for outcomes across boundaries



*Fragmented and often unaligned accountability; untapped white space*



*Aligned cross-functional accountability for value creation across the enterprise and the value chain*

*Innovation leaders organize fluid and networked innovation management systems to assure top down and bottom-up coverage of opportunity spaces*



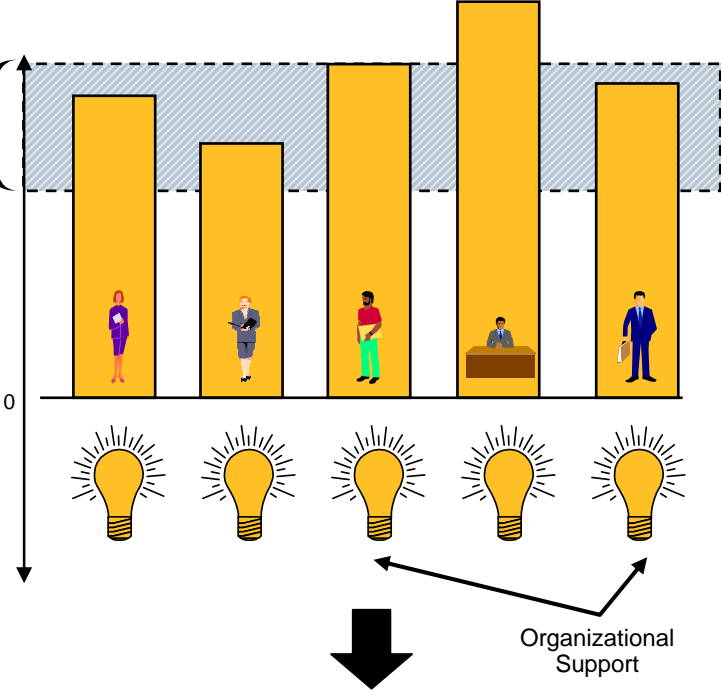
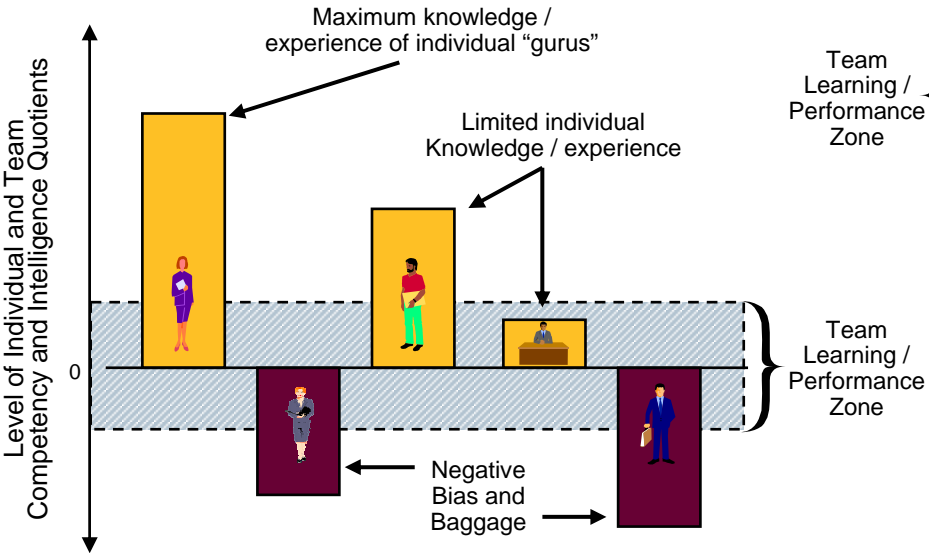
# Operational Choices — Partnering to Build Intelligence, Insight and Ideation



*Multi-disciplinary teams of stand-alone individuals*



*Integrated innovation teams supported by learning- and competency-building centers*



*Frequently dysfunctional and low-performance teams*

*Highly motivated high-performance teams*

*Innovation leaders create high velocity innovation networks and high performance innovation teams that go beyond accelerated knowledge transfer*