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INSIGHTS AND
LEADING PRACTICES
FROM INNOVABE




AGILE INNOVATION
AND COLLABORATIVE
ECOSYSTEMS

INTRO



Some people say that innovation is a matter of connecting the dots – combining things in new ways to create something that has not been done before. But what are these dots? We believe that these dots are not just ideas or technologies. Looking at it from a broader perspective, these dots can be any carrier of relevant information: companies, customers, employees, suppliers, or valuable data sources. Organizations that can tie all of these dots together begin to evolve from isolated entities into the centers of vast, interconnected ecosystems. With the combined expertise and knowledge of an entire ecosystem at their disposal, they are the ones who will have the speed to actively shape the future, while the slower competition will simply be left behind. This book is about this transformation of companies into innovation ecosystems through the common foundation of Agile Innovation. It describes our perspectives, methods, and best practices for enabling this change and a matching culture of innovation. We want to provide you with the best possible map for venturing into the exciting new territory that is digital transformation.

ON INNOVATION ECOSYSTEMS



It is our strong believe that Agile Innovation is not only the means to increase innovative output or efficiency of a company. Instead, it promises the transformation of entire corporations and the way they interact with their environment. The principles of Agile Innovation are at their core a call for closer ties and cooperation. But what are the relevant connections one should foster and utilize to drive innovation? In this chapter, we want to take a closer look at this seemingly simple question from multiple angles.

If one were to condense all the challenges that companies are facing due to digital transformation into one single cause, it would be “complexity”. Almost without exception, products, services, or the processes involved in marketing them are more complex than they were just a few decades ago. Not just from a technological perspective, but also in how they influence and depend on one another. And even in areas that were previously widely separate from each other. Take, for example, the connection between cars and consumer electronics. Not too long ago, cars used to be mostly independent from whatever

other technologies drivers were using and relying on – except perhaps the radio. It is only a slight exaggeration to say that today's drivers want to start the car's heating from the touchscreen on their fridge in the morning. Some do not even own a car themselves anymore, but instead share one with people they don't know through an app on their smartphone. So car manufacturers must closely look far beyond cars themselves to provide the solutions of the future.

Significant changes or developments in one part of this complex web of connections can cause unpredictable ripples throughout the entire system. For example, blockchain technology started out with a focus on cryptocurrency and data encryption applications and is now turning industries as varied as freight shipping and the energy sector upside down. In the context of product development or innovation management, this interconnectedness creates an undeniable truth: it will become increasingly difficult to amass all necessary competencies for making the right decisions and driving innovation inside one single organization. Companies will not be able to keep up by simply applying internal expertise to external developments – even less so than is already the case today.

Overcoming this challenge and actually shifting the company's role from a reactive element to a driving force requires above all a change in perspective. Aspiring to have all answers and competencies internally is not just an avoidable bottleneck, it's also a considerable risk in an environment prone to quick and unpredictable changes.

To enable an alternative approach, we can once again draw from the principles of Agile Innovation. Wouldn't it be easier to be open for external knowledge and use it to grow or enhance what is already available than to try to painstakingly cultivate it within your own organizational boundaries from the ground up? Wouldn't it be easier to collaborate with external specialists and pioneers than be under constant pressure to catch up with the latest developments internally? We strongly believe that a systematic and comprehensive alignment with the agile philosophy will result in the only way today's complexity can be embraced: an innovation ecosystem encompassing all relevant stakeholder groups and knowledge carriers, from the own employees and suppliers to customers, research institutions, or innovative startups. Overcoming complexity is thus not a matter of internal expertise but rather a matter of utilizing the full capabilities of an ecosystem. The previously mentioned shift in perspective is consequently one that favors understanding the own company as a central, tightly connected hub within a vast network of players, all of whom can contribute with specific knowledge or capabilities.

SPEED THROUGH COLLABORATION

Let's go beyond the argument of complexity to further clarify the importance of an innovation ecosystem. As already mentioned on many occasions in this book, for all business areas, increased speed is, without a doubt, the most immediately-felt effect of digitalization.

So how can innovation ecosystems help organizations adjust to this change in pace? Earlier in this chapter, we compared changes with “ripples” through an interconnected system. In most business scenarios, it is already too late if you get hit by a ripple unprepared. Especially large companies have too much organizational inertia to adapt to these changes on the spot. Even the most optimized, flexible processes often do not allow for reacting immediately. So unless you are causing the ripples yourself, the only truly viable option is to detect these ripples early on, or even better: as soon as they start forming. Making this possible is a question of reaching out and setting up mechanisms to detect change – well beyond the organization’s own boundaries and established business landscape.

Disruptive innovation and radical change often originate outside the scope of established players before spilling over to their sectors and turning things upside down. To refer back to one of the previously mentioned examples: blockchain entered the scene as early as 2008 as a fringe technology in specific circles of the internet. It took several years for established financial institutions to take a serious interest in it and realize its potential. So, instead of shaping and experimenting with the new technology as it grew, the established players were forced to catch up – in many cases through costly acquisitions of startups and talent as well as hastily setting up specialized divisions.

And therein lies the importance of an actively engaged ecosystem. Who better to detect and experience changes in consumer needs than

the consumers themselves? Who better to see the importance of new technologies early on than the suppliers who are directly affected by it or even the startups who conceive them? Who better to understand the most recent advancements in science than universities or research institutions? Well, so far, so obvious. But here is the really important question: how can you funnel the information from all these points into the company and transform them into actionable insights as fast as possible? And especially: how can you motivate others to share their knowledge with you? Think about that for a moment.

There is limited benefit in conducting the occasional survey or analysis. In most cases, by the time the results are fully processed and understood, the ripples will have reached the company. If you can even manage to identify ripples through traditional market research, that is. In other words: while you might understand the problem, you won't have time to act. And this brings us back to the idea of an innovation ecosystem. Searching for relevant information is, without a doubt, necessary and provides useful intel. What sets innovation leaders apart from their competition is that their ecosystem alerts them to the ripples that are coming their way – proactively and in real-time. This is only possible if there is constant exchange and, more importantly, if everyone in the ecosystem perceives sharing information, knowledge, and ideas to be beneficial. While you can artificially create such benefits by offering monetary or other externally motivating incentives, the most powerful benefits tend to be intrinsic, such as pursuing

a shared goal. This is where we close the circle back to the principles of Agile Innovation. They are the key to and foundation for utilizing the whole potential of the ecosystem for innovation. When these principles are fully embraced and embedded in how a company thinks and acts, all groups inside the ecosystem will evolve from mere assets to invaluable collaborators. If all the stakeholder groups, individuals, or information in the ecosystem are the figurative dots, then the Agile Innovation mindset forms the ties that connect them and pull them closer to each other. Of course, such a network has to be supported by the appropriate technological and organizational parameters, but these will only be successful if built upon a common, nurturing foundation. The principles of Agile Innovation are exactly what provides such a foundation.

BUILDING THE FOUNDATION

So let's take a look at how a shared understanding of Agile Innovation can establish close ties to some of the most important stakeholder groups within an innovation ecosystem. For us – and the readers who are familiar with the history of innosabi – our first thought when considering dots to connect is the connection between companies and their customers. We will go into more detail on the various methods and practical uses in the following chapters. But for now, let's stick to our bird's eye view of the ecosystem. Efforts to establish closer ties to customers are widely popular across all industries, more often

than not with the goal of improving customer loyalty. Especially in the consumer goods industry, there is no shortage of initiatives which try to engage customers and gain direct insights. However, the vast majority of these initiatives are short-sighted and lack any long-term perspective. They remain little more than fleeting publicity measures or one-time-only campaigns to convey a certain image to the public, and customers might even feel that the only ambition of such exercises is to sell them more, which is for the benefit of the company not for them as customers. This form of short-term customer engagement is not what we consider “connecting the dots”. The mindset of Agile Innovation emphasizes real collaboration and an ongoing exchange with all customers. True dialogue instead of one-way communication. Large networks instead of small focus groups. Continuity instead of occasional activities. For this to work, it is not only the company that needs to understand the importance of the ecosystem for innovation; the customers too have to understand that their role has changed and involves more than merely being consumers or buyers.

Especially in the online environment, every individual can start a very public conversation at eye level with multi-billion dollar corporations. Even though many companies still fear such an immediate dialogue, it is something to be embraced and utilized. After all, there is no way around it. People talk and loudly share opinions online, whether companies like it or not. So they better join in. Only when all members of the innovation ecosystem engage actively, share their insights

and ideas, and feel like an equal partner in this exchange can the full benefits of an innovation ecosystem be realized. In short: innovating in an agile ecosystem is not the task of one company alone.

Similarly, a shared understanding of Agile Innovation can transform the relationship with suppliers. Given the right tools and mechanisms, they can become far more than external sellers of resources. Especially when considering the earlier argument on “ripples”, one cannot deny that suppliers and producers of specialized components are among the first to get exposed to important developments. They are often directly affected by new breakthroughs in technology or science and, as a consequence, are drivers and accelerators of innovation. Ensuring that suppliers are an active part of the innovation ecosystem means that such knowledge can be absorbed and integrated before it becomes widely known. Of course, this will not happen when the only interaction with suppliers is about ordering meticulously defined components or negotiating over prices. A shared mindset on the side of suppliers as well as the receiving organization has to be shaped; it must enable the integration of suppliers and their expertise long before the traditional procurement process.

We have now briefly outlined what collaboration with customers and suppliers means from the perspective of innovation ecosystems. Both are groups of individuals or entities that are located outside of the organization. This is, however, only one side. The internal perspective is equally important when trying to align innovation activities

with the Agile Principles. Openness does not only mean openness to external ideas. It should also be understood as an openness between teams, departments, or business units. Employees can have relevant knowledge or input for the creation of innovation, even if they are not specifically tasked with it. A creative spark for a new business model can occur outside the structures of organizational strategy and top-level management. Or the solution to a technical challenge might be found outside the immediate innovation team. The principles of Agile Innovation can also be applied to enhance and accelerate internal innovation activities. Once again, this also requires employees to see the future of their company as the responsibility of every single individual in the organization. We will go into more detail on how to actually create such an environment later on in the book. For now, and for the sake of this chapter's argument, the importance lies in the fact that an innovation ecosystem does not only begin at the boundaries of an organization, it should also take shape within.

EXPANDING YOUR ECOSYSTEM

Customers, suppliers, and employees are the most obvious stakeholders to include in the pursuit of an innovation ecosystem. However, there are many more groups and sources of information aside from these major three – even beyond the current reach and touchpoints of organizations. Researchers at universities or other institutions all around the world come to mind. Similarly, startups in relevant fields

can provide the missing sparks for innovation. The same is true for existing online communities of experts or thought leaders. Depending on your specific area or industry, there are surely other groups that can contribute to your innovation efforts. But it does not always have to be groups of people. It can also be raw data. Patent databases or relevant online content are equally part of your innovation ecosystem. Monitoring and analyzing the right sources of information for significant changes or new trends can make all the difference – and might even help to expand your ecosystem by identifying sources behind relevant content which can then be invited to join.

The long list of possibilities described up to here in this chapter roughly outline various stakeholder groups and ways in which they could contribute. However, to actually become an innovation ecosystem, these individual measures and interactions should not be seen separately. A true innovation ecosystem built upon the principles of Agile Innovation is permeable. For one, this means allowing inspiration, ideas, or solutions to move between different parts of the ecosystem. For example, concepts emerging from collaboration with customers could directly be followed up upon as innovation projects with suppliers to accelerate the development of marketable results. Similarly, this also means permeability along entire value chains. The idea of an innovation ecosystem means letting go of the concept of strictly separated value functions. Players up and down the

value stream should be involved in processes that are traditionally outside their area of influence. Take, for example, the development of a new electric car: the classic separation of functions positions the car manufacturers between suppliers and customers. Even with the suppliers contributing critical technological advancements such as batteries or lightweight materials, they rarely have direct contact with the end-users during their development process. By the same logic, interactions happening between the suppliers and their own network – e.g. producers of raw materials for said batteries or fundamental scientific research – are often isolated from the manufacturers. We believe that a large portion of the potential of innovation ecosystems lies in bridging these barriers. Innovation should be a joint effort between all actors in the value chain, regardless whether it takes place at the earliest stages or towards the end. Of course, collaboration between immediately “adjacent” actors is the logical first step in implementing Agile Innovation.

However, the long-term goal should be to also enable collaboration and the flow of relevant data, ideas, or knowledge beyond these immediate intersections. In the example of the electric car, this means that the battery suppliers could interact directly with the manufacturer’s customers for a better understanding of their needs. Or, looking at an earlier stage of the value chain, researchers working for a producer of raw materials could contribute to solving challenges at the car manufacturer’s end. Ideally, such interactions are not exclusive to

technical or product-related questions, but also when it comes to other areas such as business model or process innovation.

MOVING FORWARD

The following summarizes and defines the descriptions and analogies for the idea of innovation ecosystems we have provided so far:

An innovation ecosystem is a collaborative network which connects organizations, stakeholders, users, and other relevant groups of individuals. It spans all stages of the value chain to drive innovation for the benefit of all players involved through a purpose-driven flow of information, ideas, data, and knowledge.

Even though many examples given in this book focus on companies which offer final, tangible outcomes, the argument for innovation ecosystems holds true for any type of organization. Whether they are suppliers, B2B service providers, or public institutions, each and everyone would benefit from understanding and embracing innovation from an ecosystem perspective.

If you have made it this far in the chapter, we hope you will excuse our rather dry and philosophical thoughts. Understandably, you are probably now getting impatient and wondering how this actually works in practice or what it means for your company. Before you put the book away and stop reading, here's the short answer: building an innovation ecosystem means turning your company into the focal

point of such a network. We believe that the future success of corporate innovation activities will become increasingly dependent on their capability to actively create these lasting connections, to shape a shared foundation, and to guide all actors under a shared vision. In other words, those who will succeed are the ones who are able to connect the dots.

The complexity of this task becomes strikingly evident when considering the widely differing types of players, information, and desired outcomes at various points in the ecosystem. Obviously, collaborative innovation with suppliers or research institutions requires other forms of interaction than collaboration with customers or the general public. Tying them all together in a single, united innovation ecosystem requires a common framework that comprises the numerous forms of innovation methods and collaboration approaches. Only with such a common framework can we build the bridges between specific approaches for different stakeholders or between innovation activities at different stages of the process. And this is where we – once again – connect with the principles of Agile Innovation.

In the following chapters of this book, we want to – finally – dive right into the practical applications of Agile Innovation and shed some light on how it can unite established methods and even combine them to create new approaches.

AUTHORS

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