

Bridgemakers:
Guiding Enterprise
Disruption through
Open Innovation



High performance. Delivered.

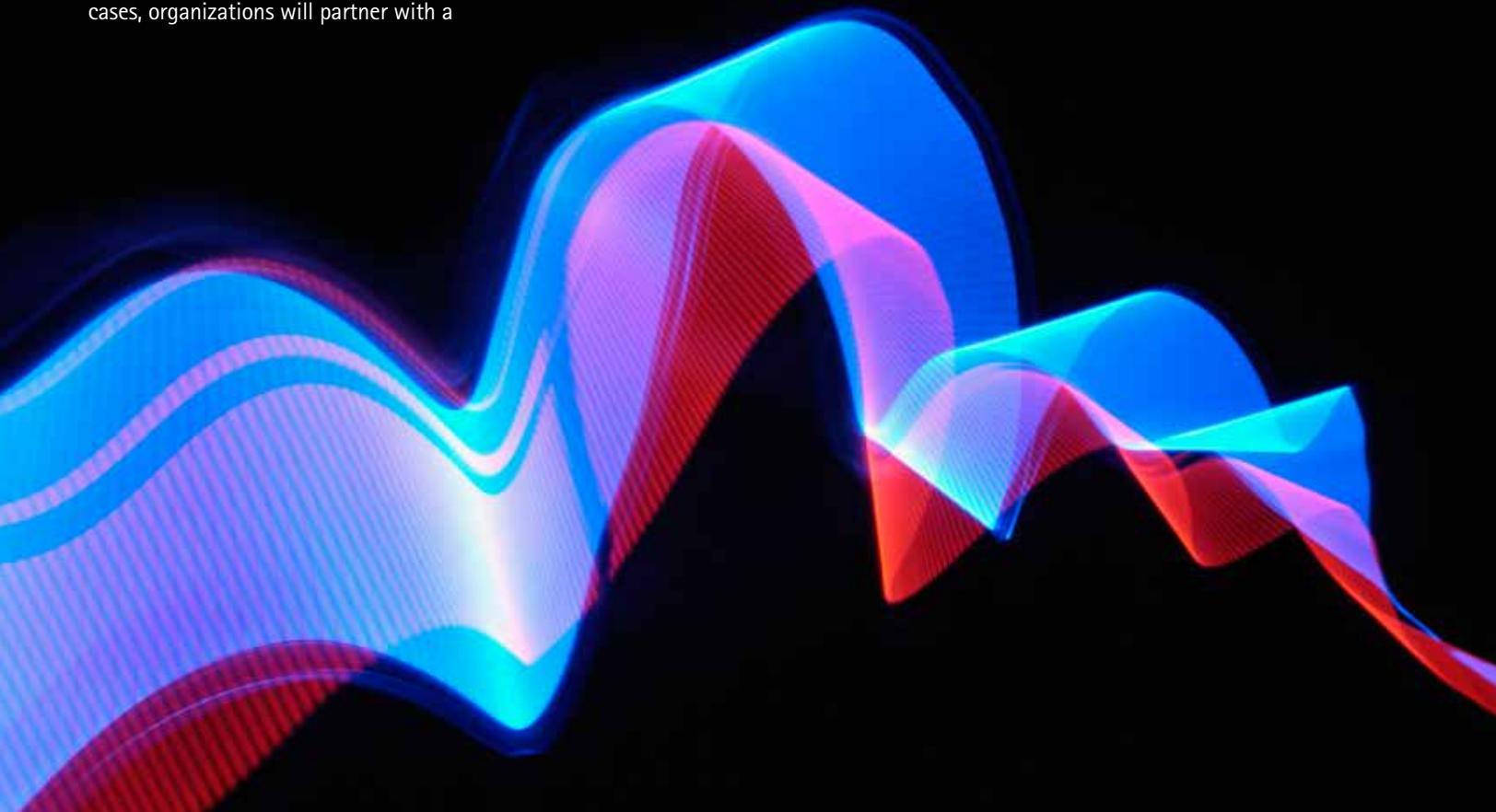
Introduction

Enterprises today are embracing new ways of doing business to reimagine and reinvent themselves in an increasingly technology-driven world. They are becoming "digital businesses," using new technology to provide customers with better products and services, more relevant information, and personalized and seamless experiences. They are also developing new technology and leveraging the advancements of others to disrupt existing markets and penetrate new ones.

This trend toward digitalization has raised customer expectations across every industry, with enterprises increasingly influenced by and interconnected with innovations outside their traditional industry. Companies are seeking many different partners to create innovative solutions and together position themselves at the forefront of this new market. In other words, they are participating in Open Innovation.

Open Innovation is a model in which organizations utilize external technology, solutions, knowledge capital and resources early in their innovation processes. In many cases, organizations will partner with a

range of players in a global ecosystem to jointly develop new platforms and applications, enhance core offerings, or expand into new markets. This concept allows enterprises to look beyond their four walls to bring in ideas more quickly and frequently in order to enhance their operations—and also save time and money. Rather than using their own budget in research and development, enterprises can leverage the investments of venture capitalists and integrate a technology solution in an accelerated time frame.



Open Innovation today

The term "Open Innovation" was first coined in 2003 by Henry Chesbrough, an organizational theorist from the Haas School of Business at Berkeley, and has been evangelized ever since.¹ The idea itself has been practiced for much longer and has proven to be successful time and time again. So why has Open Innovation become so important—and why now?

At Accenture, we see a convergence of factors that highlight a need for enterprises to make this part of their core strategy. Technology advancements such as increased computing power, access to cloud infrastructure, open source code and platforms, and application programming interface (API) building blocks have reduced barriers to entry for new companies in many industries. New ventures are moving from ideation to deployment much more rapidly than ever before, causing entire industries to compete with a new league of digital innovators. For example, Airbnb, Inc., a company founded in 2008, was on track to be the world's largest hotelier as of November 2013, forcing the established players in the hospitality industry to rethink their business models.² In Asia, Baidu and Ola are changing the way people use taxis, which is having a profound impact on the regulated taxi service industry. And, in four short years, Xiaomi has risen to become the world's third-largest distributor of smartphones, putting many traditional mobile device manufacturers on notice. The change in competitive landscape requires changes in how large enterprises innovate and compete. Traditional models of costly long-cycle in-house R&D can no longer keep up with the threat posed by thousands of innovative start-ups.

Through Open Innovation, however, Accenture sees enterprises reclaiming the role of "digital disruptors" because they have the capacity to work with emerging companies, and have the scale and resources to achieve their business transformation objectives that the smaller players lack.³

While Open Innovation activities were previously ad hoc and opportunistic, large corporations are moving ahead to incorporate Open Innovation into their business, and are recognizing the value of collaboration as exceeding the threats of sharing information. This fundamental shift in philosophy has led to a systematic and structured effort to include Open Innovation as part of a company's overall business strategy, and an evolution in culture toward co-innovation, open ideation, and sharing of technologies and information externally.

Clearly there is an imperative for enterprises to embrace Open Innovation, but the model does pose some challenges. Cultural differences, technological risk, security threats and the inability to scale can hinder organizations from realizing the full potential. Open Innovation is a major undertaking, but it also has the potential to lead to success and disruption. To fully realize the benefits,

Accenture recommends collaborating and innovating with internal bridgemakers that act as the gateway to the external innovation ecosystem, as well as with external companies that act as bridgemakers. When looking externally, an enterprise may benefit most by working with a bridgemaker such as Accenture that can make connections between major players in the innovation ecosystem; bring an understanding of both industry-specific and cross-industry trends into the discussion; and follow a methodology to guide an enterprise through the process to build, test and scale a series of solutions that transform the business. (See sidebar "Meet a Bridgemaker.") We call this accelerated approach to Open Innovation performance "guided disruption."

Working with an internal group or external bridgemaker, enterprises can adopt the Open Innovation model, collaborate with an extended ecosystem of partners and more quickly incorporate emerging technologies into their operations to drive business transformation while minimizing risk.

Translating Open Innovation into guided disruption

Accenture's clients have long sought IT solutions for back-office efficiency; now they are also looking for a slew of innovative technologies to help meet their digital business goals in front-office functions, such as Marketing and Customer Service. In order to disrupt their industry and maintain leadership, our clients must be able to manage this magnitude of change. This requires IT to bring a partnership mentality to enable all business functions across the enterprise through technology. In many cases, our clients seek Accenture's help to take action on the technology innovations, leading the entire organization through the multi-phase process of guided disruption to convert the innovation into an enterprise-ready solution on a global scale.

Meet a bridgemaker

Bridgemakers play an important role in the Open Innovation ecosystem by enabling enterprises to more easily practice Open Innovation.

Enterprises need a constant, fresh supply of innovation to drive their businesses forward. Bridgemakers connect this demand side with the supply side, composed of the universities, R&D centers, start-ups and entrepreneurs who develop innovations that meet the needs of the market.

Bridgemakers can act as an intermediary to help connect an organization to the appropriate partner, act as a buffer between partners with conflicting cultures, provide support in mitigating risk, and assist in piloting and deploying technologies.

There are many different entities that can act as bridgemakers.

Enterprises can develop internal functions that act as the eyes and ears of the external innovation community, and bring a fresh supply of innovation into their organizations. These internal functions have deep insight

into the needs of their business and technology, but they may not have a view into the broader innovation landscape across other industries.

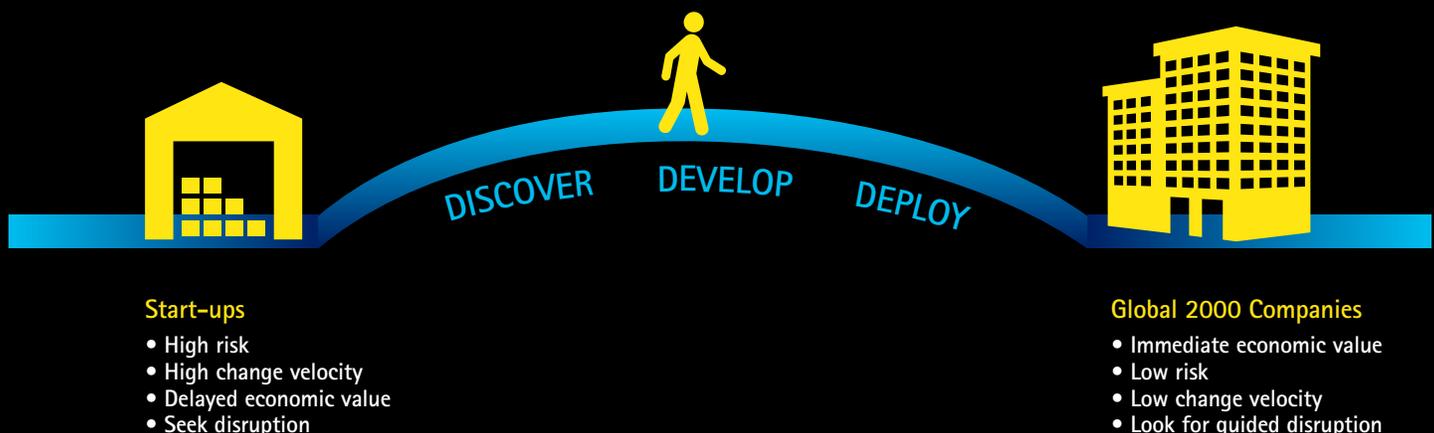
Venture capital firms and accelerators can assist in connections and introductions across many industries, and provide insight into trends they are seeing. However, they are limited in their ability to help an organization take action. In fact, venture capitalists are increasingly hiring business development partners in order to meet the high demand of businesses looking for the right start-up.

Third-party bridgemakers, if qualified, may be uniquely positioned to assist companies throughout the process—from discovery through deployment. Accenture uses the principles of Open Innovation coupled with cross-industry knowledge, technical expertise, global resources and change

management experience to help clients lower their risk and improve success in Open Innovation endeavors. For example, Accenture helped Grupo Globo, the largest media group in Latin America, maximize Globo's potential as a digital disruptor by identifying the emerging technologies and market trends most likely to change the game for its business and the media industry over the next five to ten years. Accenture then designed a forward-looking technology vision to drive Globo's business strategy and provide a foundation for the continuous selection, implementation and delivery of new technology ideas to the business—the ideation process through which breakthrough innovations are achieved.⁴ Ultimately Accenture helped shift the mind-set of the company that, if managed correctly, working with start-ups could lead to real, tangible outcomes.

Figure 1: Bridgemakers are a fundamental part of the global technology ecosystem, linking the supply side of innovation with the demand side.

BRIDGEMAKERS CAN BRIDGE THE CHASM between supply and demand by curating the best innovations to meet enterprise needs, mitigating risks, deploying at scale, managing change and ultimately guiding disruption.



Bridgemakers connect enterprises to the external innovation ecosystem

The innovation ecosystem includes start-ups, universities and other companies—all sources of ideas that can fuel an enterprise's research agenda, identify trends that shape strategy and roadmaps, develop new products and solutions, and explore new markets. In each case, a bridgemaker can serve as a critical facilitator between the players.

As the nexus between multiple players in the Open Innovation ecosystem, the real value of a bridgemaker comes when they make connections across multiple start-ups, universities and large corporations, bringing them all together to create a more powerful solution that can realize greater outcomes for all involved. Roles within an ecosystem are fluid and can change constantly too. In one initiative, an external organization could play the role of a bridgemaker, and in the next, the role of a partner or vendor. As enterprises develop their Open Innovation practice, it is important to examine the best way to leverage their internal or external bridgemakers to achieve their objectives.



Start-ups

Start-ups are newly established businesses that have developed a core technology, product or service, and are ripe for rapid growth. They are in a good position to co-innovate with enterprises who want to utilize their technology to enhance existing work, co-innovate to build new solutions and jointly go to market. An enterprise's Open Innovation engagement with start-ups will vary on factors such as business model, maturity of start-up team, technology features and, most important, their stage of growth.

Early-stage start-ups are focused on finding the right markets, honing their business model and sales strategy, developing their product further and testing their products in industry. In the early stages of the company, frequent course corrections are common. The best start-ups are learning and adapting with investors that are funding their evolution. This early experimentation can provide a risky environment for enterprises to engage and partner for definitive business results.

However, by engaging with early stage start-ups, there is a good amount of "art of the possible" thinking that can be incorporated into how enterprises think about their own transformations. In aggregate, early-stage start-ups can represent a crystal ball into the future

representing the minds of the best entrepreneurs and investors who are willing to take the risk. As a result, enterprises often work with them on ideation efforts. By continually scanning the market, bridgemakers can help enterprises identify the gems, diffuse the risk of working with an early-stage company and act quickly.

Growth-stage start-ups are companies that have a mature and established product, a targeted market and a sales strategy, and are ripe for growth. They are strong candidates for partnership because they provide less risk than early-stage start-ups because they have already demonstrated success with customers. They are also more likely to be able to support the scale required by a large enterprise, and have developed support functions to address technical issues.

Based on a bridgemaker's understanding of technology trends and knowledge of client needs, they can proactively bring the most promising technologies to their enterprise clients. Bridgemakers can also help enterprises recognize opportunities to grow beyond traditional go-to-market alliances and join forces with growth-stage start-ups to co-innovate, share information and technology, and explore new business models together.



Universities

Similar to early-stage start-ups, universities provide a looking glass into the future of business, outlining trends and concepts with long-term potential for a corporate setting. Enterprise R&D groups can augment their efforts by working with universities to apply technical and scientific research to solve business challenges, shape their research agendas and ultimately define future products and services. Schools that specialize in business or law can also provide a new perspective on tackling problems for corporate areas such as Marketing or Sales.

For universities, forming connections with companies offers the opportunity to test their research in real-life applications. Recently, universities have begun developing more programs that are entrepreneurial in spirit and lead to many spin-off start-ups. MIT Media Labs, according to its website, has spun off over 140 start-ups in the past 30 years.⁶

When enterprises work with universities, there can be significant culture differences—university labs tend to conduct conceptual research, while enterprises tend to prefer applied research that has evident business outcomes. While all bridgemakers do not have a footing in this area, it can be helpful to work with a bridgemaker that does, in order to translate a university's concepts into ideas that are relevant to specific industries. Bridgemakers can help the company incorporate these ideas into its future business goals and innovation agenda. They may also guide enterprises through pilot projects and broad, implementable solutions based on the research, potentially bringing other external groups into the mix. These bridgemakers can be dedicated internal resources that manage the relationship and pilots, or external bridgemakers with strategy capabilities and a vast network of connections (or a combination of both).



Two or more large companies

Enterprises with innovation or R&D centers can join forces to create significant growth for all parties involved by co-innovating toward a common goal, and then developing joint solutions and offerings for market. In many cases, enterprises will pursue research projects with technology vendors. Sharing overall direction, product strategy, customer data and use cases will create synergy in the relationship and lead to co-innovation on top of core platforms and offerings, in ways that can benefit both parties and potentially lead them into new markets. In order to remain competitive and seize new growth opportunities, companies of all types must identify new partners outside of their realm. For example, Royal Philips N.V. announced a

strategic alliance with Salesforce.com to create clinical applications available through an open cloud-based digital health platform, on top of which Philips built several applications to help care providers deliver better patient-centric solutions and care experiences, as well as improve personalized service for patients.⁷ While these two companies are not a traditional match, together they are significantly changing the healthcare industry.

A bridgemaker can serve as a valuable connection point in these dynamic scenarios, helping companies of various types develop R&D strategies, recognize opportunities for co-innovation and reach across industries to form alliances.

Transforming from product to platform

Some enterprises are augmenting their core competencies by using start-ups to grow their business. Leading examples include Apple® iOS platform®, Salesforce's AppExchange and the SAP® Hana platform. SAP® Hana is an in-memory database and application platform that has established a start-up program to create new applications that take Hana to the next level. The program supports the community of start-ups with forums, a development accelerator, go-to-market support materials, events and revenue opportunities. This model leverages Open Innovation to strengthen and promote SAP's offering. One start-up, Convergence CT, combines SAP Hana technology with its wealth of clinical data and expertise in healthcare to provide healthcare analytics and insights about one million cancer patients who underwent radiology and breast cancer procedures.⁵

Elements of successful Open Innovation

There is a rich ecosystem of players that can supply new solutions and technology to enhance the innovative work that large enterprises do internally. To begin practicing Open Innovation and utilize these resources effectively, there are many factors to consider. Figure 2 outlines an approach and some ways it can be done:

Build the foundation

At the most fundamental level, the organization must foster a culture that supports Open Innovation and backs it up with investment. The larger a company becomes, the more difficult it can be to move quickly through new ideas, and the more important it is to create an environment where this can happen. At an Open Innovation event, a leader from LinkedIn's Marketing Solutions explained that as LinkedIn grew into a much larger company, they became bound by their size and corporate structure. LinkedIn found that pursuing a culture of Open Innovation

allowed them to maintain more of a start-up mentality, and enabled them to accelerate pilots and innovate more quickly.⁸

The investment is key. This includes leadership sponsorship as well as proper incentives and rewards to help employees become comfortable sharing knowledge and technology with external parties. Many organizations establish a structure to support and incentivize Open Innovation practices, as well as external-facing programs and tools to successfully work with external collaborators. This could range from time allocation for workers to participate in pilots, establishment of R&D

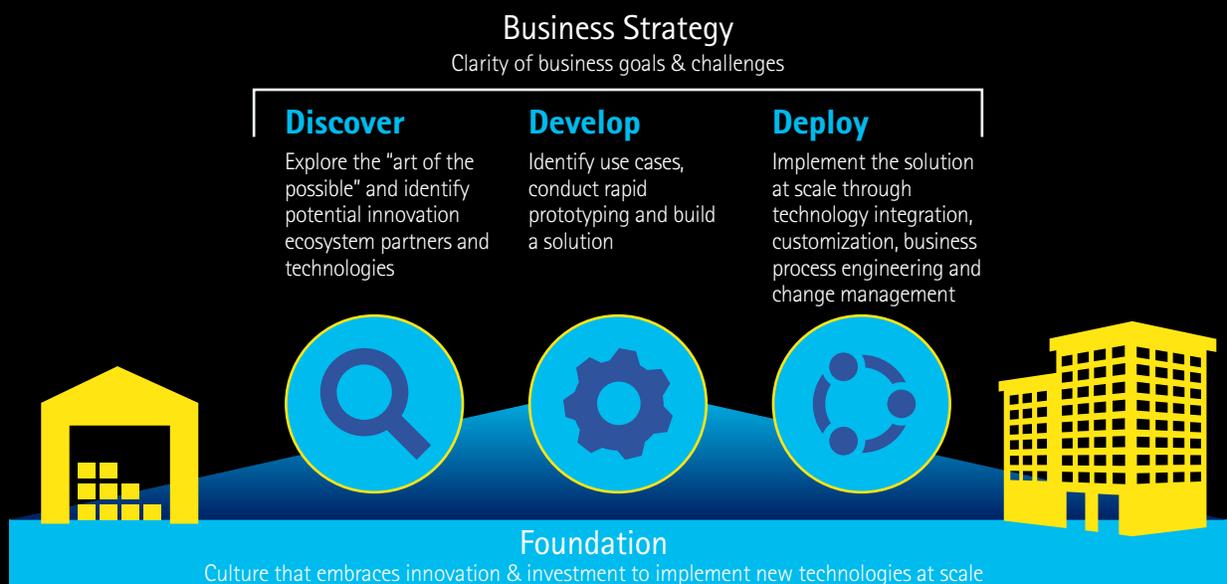
labs, or development of tools and technology platforms that can enable collaboration. Once the foundation has been established, an organization has the means to develop a high-level business strategy and successfully discover, develop and deploy new ideas with other parties.

Define business goals

The next step involves understanding the market and assessing how digital disruption in other industries could apply to the enterprise. Those on the outside can help identify what trends are happening in other industries, and how they may impact the

Figure 2: Elements of successful Open Innovation

To create an environment in which Open Innovation thrives, enterprises must establish a strong foundation, which includes a vision for the future, a culture that embraces innovation, and the human and budgetary resources—aligned to clearly defined business goals. With these fundamentals in place, the Open Innovation process can unfold through the three stages:



“A strong foundation along with clearly defined business goals is important to maximize the potential of Open Innovation in each innovation initiative.”

enterprise. Based on this knowledge, the company can define high-level business goals and the technology innovations that will drive it. Ideally these goals should span all business functions instead of focusing on a single function or silo in the business; it can take time and investment to get this process right. Once complete, the enterprise will be able to tackle the overall goal in phases, delegating different parts of the organization to manage smaller initiatives from discovery to deployment.

Discover

In the discovery phase, the enterprise has an opportunity to develop relationships with various parties to make the vision a reality. It is up to the enterprise to identify who the right players should be in a given initiative, and what role they play. They can work with an internal bridgemaking group, an external group or both. It is important that those involved in driving the discovery phase can offer an Open Innovation methodology and framework to guide the exploration. A successful discovery process entails the enterprise learning and modifying its business goals as it learns about the “art of the possible” from the ecosystem. The output of this stage is identification of partner(s) and technologies use case formulation, simple business case analysis and strategy, and lining up of internal stake holders. In many cases, multiple technology innovations and partners are identified that together can create an even more powerful solution. Accenture Open Innovation, for example, worked with a large bank in the discovery phase to define the ecosystem of digital banking and identify start-up players that could help the bank accelerate the transformation. By combining this with Accenture's experience in social, payments and analytics from other industries, we developed a solution for the financial services industry that specifically helped the client adopt new banking operations, services and products.

Develop

In the development phase, the focus is for the business, alongside internal and external bridgemakers, to choose the most promising innovation players from the discovery phase and begin exploring the possibilities. They

cycle through several ideas using a rapid or agile development model to find a winning formula. The beauty of practicing Open Innovation is that many solutions can be tried without much internal investment of time or money, and many parties can be involved in the co-innovation process. The goal of this stage is to confirm that the proposed solution addresses the stated problem from both a technology and an end-user perspective, and most important, that the business goals can be achieved. Once this happens, stakeholders look to deploy this early and small implementation toward a broader deployment across the enterprise or their customer base. They assess that the solution, with some support from the organization, has the ability to scale, and find ways to mitigate the risk factors in deploying the solution, including resilience, security, support availability and trajectory of the start-up company.

Deploy

In this phase, much of the work is done to take the initial success toward a broader deployment of the innovation for the enterprise or its customers. Many organizations breeze through the discovery and development phases, but get stuck on the deployment stage. Deploying a solution at scale involves a new series of factors—from how the technology innovation impacts internal systems and business processes to how it changes brand perception and user expectation. To prepare, enterprises should detail the work involved to integrate the innovation with the existing technology architecture and business processes, customize it, and roll it out across the enterprise. It is also important to plan for the change management required at all levels of the company to help employees adopt the innovation into daily work processes. This typically includes modifying internal systems, reengineering business processes, redefining roles and job descriptions, and conducting employee training. An effective bridgemaker can be helpful in the deploy stage, guiding the enterprise through the pre-planning, change management and process to scale and deploy a comprehensive solution that supports the defined business goal for the enterprise and customers.

Conclusion

Accenture Open Innovation is optimistic about the quantity and quality of solutions supplied by the global technology innovation ecosystem. Partnerships with universities, early- and growth-stage start-ups, corporate R&D groups and other companies can accelerate overall growth of an organization.

As the innovation ecosystem becomes more deeply interconnected, it is vital to the long-term success of enterprises to participate. With Open Innovation, they can unlock new possibilities that did not previously exist within the walls of their organization and move ahead boldly to transform their business. Working systematically with the ecosystem, using a clear methodology, will make it easier and more effective for enterprises to find the best external innovation to solve business problems, develop a comprehensive strategy, execute successfully and manage the risk along the way.

Accenture Open Innovation functions as a vital bridge between Accenture's Global 2000 clients and the start-up community. We work with top-tier accelerators, start-

ups, venture capitalists, universities and corporate R&D labs, leveraging our technical depth and widespread industry knowledge to build and bring to market innovative solutions. We are going to market with several and introducing selected early-stage start-ups into Accenture's R&D pipeline.

As a bridgemaker, Accenture Open Innovation helps established enterprises tap into the pool of innovation offered by the start-up ecosystem to find new ideas and rapid low-cost solutions to large business problems. To do this effectively, however, requires a rethinking of how enterprises approach new ideas, experiment with them and absorb the results. It also requires an understanding of how a given innovation fits in the very large and complex infrastructure of an existing organization.

We then provide our consulting, technology and operations skills to help our clients meet their business transformation objectives. This might include assembling point technologies (from various big data, mobile, cloud and data visualization start-ups) into a "string of pearls" to create groundbreaking digital solutions. Our bridgemaker capability allows our clients to benefit from Open Innovation activities while remaining focused on their core competencies.

We also connect our global innovation ecosystem partners with compelling opportunities and growth, such as joint R&D engagement discovery sessions with several corporate R&D labs.

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