

## **EXECUTIVE SUMMARY**

### **WORKSHOP #46: COLLABORATING FOR INNOVATION June 6, 7, 8, 2006 Hotel Père Marquette, Peoria, IL**

Innovation and product development become more and more complex as competitive cost advantage and new centers of excellence increase the pace of their geographic dispersion and the outsourcing of both hardware and software development. Successful dispersion and outsourcing both call for high levels of competency in collaboration, a competency very few organizations have yet developed. Workshop #46 explored this competency through exercises, case presentations, benchmark reports, and many lively discussions.

Professor Corey Billington of IMD in Lausanne provided the academic and experiential framework for this workshop on collaboration. Billington distinguished between “invention” (a creative task requiring hard work, intelligence, and luck) and “innovation” (which he describes as basically an input-output activity). Invention is usually carried out internally and requires less collaboration; innovation works best when individuals and firms are able to access potential solutions on a wide scale.

To illustrate both the risks and the potential benefits of collaboration, Billington led workshop participants through structured real time experiences that demonstrated how we often complicate and undermine collaborative projects, and how we may alternatively contribute knowledge and skills to provide better solutions collectively than we could ever come up with on our own.

The costs and benefits of collaboration were made real to participants as they played “Swiss Time” – a game that simulates design outsourcing. After several hours of team discussion and negotiation, the players discovered that they emerged with solutions that provided less overall value than they started with. The very real risks and hidden costs of collaborative ventures have to be managed in the context of their often potentially enormous value.

Jill Panetta of InnoCentive described how her firm connects corporations (“seekers”) with inventors and scientists (“solvers”). Knowledge brokering of the kind that is facilitated by InnoCentive allows firms to innovate by finding solutions rather than inventing them. Billington gave participants the opportunity to experience the power of “collective intelligence” by having groups of about seven work together on a difficult problem presented by one of the group members. After just a half an hour, there were a number of “hits” – suggestions that were good enough to merit further exploration.

Knowledge brokering and collaboration can be local as well as global. PeoriaNext is a collaboration of universities, hospitals, corporations, and other educational, community, and governmental institutions. Peter Johnsen, who serves as Chairman of the Board of Directors for PeoriaNext, described a number of collaborative projects that were made possible by “knowledge brokering” among the different players. He described how Firefly Energy combined

an innovative technology developed by Caterpillar scientists with the experience of local entrepreneurs to create a multi-billion dollar global opportunity.

How can we collaborate when projects get so big that they defy the efforts of human beings to manage or control them? Chuck Greco of BP and Bruce Tipton of Caterpillar described huge – even “impossible” -- projects and the skills and approaches that made them possible. A key learning was to find a few simple principles that could tie the work of many players together.

Metrics to assess the value of collaborative ventures are in an immature stage. Wayne Mackey of PDC described a benchmarking study which shows that if collaborations are “designed for measurement” it becomes more feasible to track and measure results. David Vondle and Mike Ransom of Lilly’s Office of Alliance Management differentiate between finding the right partner, negotiating the contract, and managing the alliance. They use tools to measure the “health of the alliance” and to support Lilly’s alliances in the execution phase.

The group’s visit to Caterpillar’s demonstration facility showed the need to integrate market understanding and technology/product development around the entire world to produce machines in globally dispersed locations. These machines literally dance with each other as they take on ever more value adding work for Caterpillar’s customers.

What tools best support collaboration? Larry Levine of Sikorsky outlined an evolution of collaboration tools used in the aircraft industry. Participants then “benchmarked themselves” to discover the tools and practices that they find work best. The workshop closed as Professor Billington took us on a journey into the future of innovation and collaboration. “The future is already here, it’s just unevenly distributed.” We explored the possible expansion of current trends into a highly integrated and dynamic scenario where collaboration continues to be an increasingly critical competency for individuals and companies alike.