

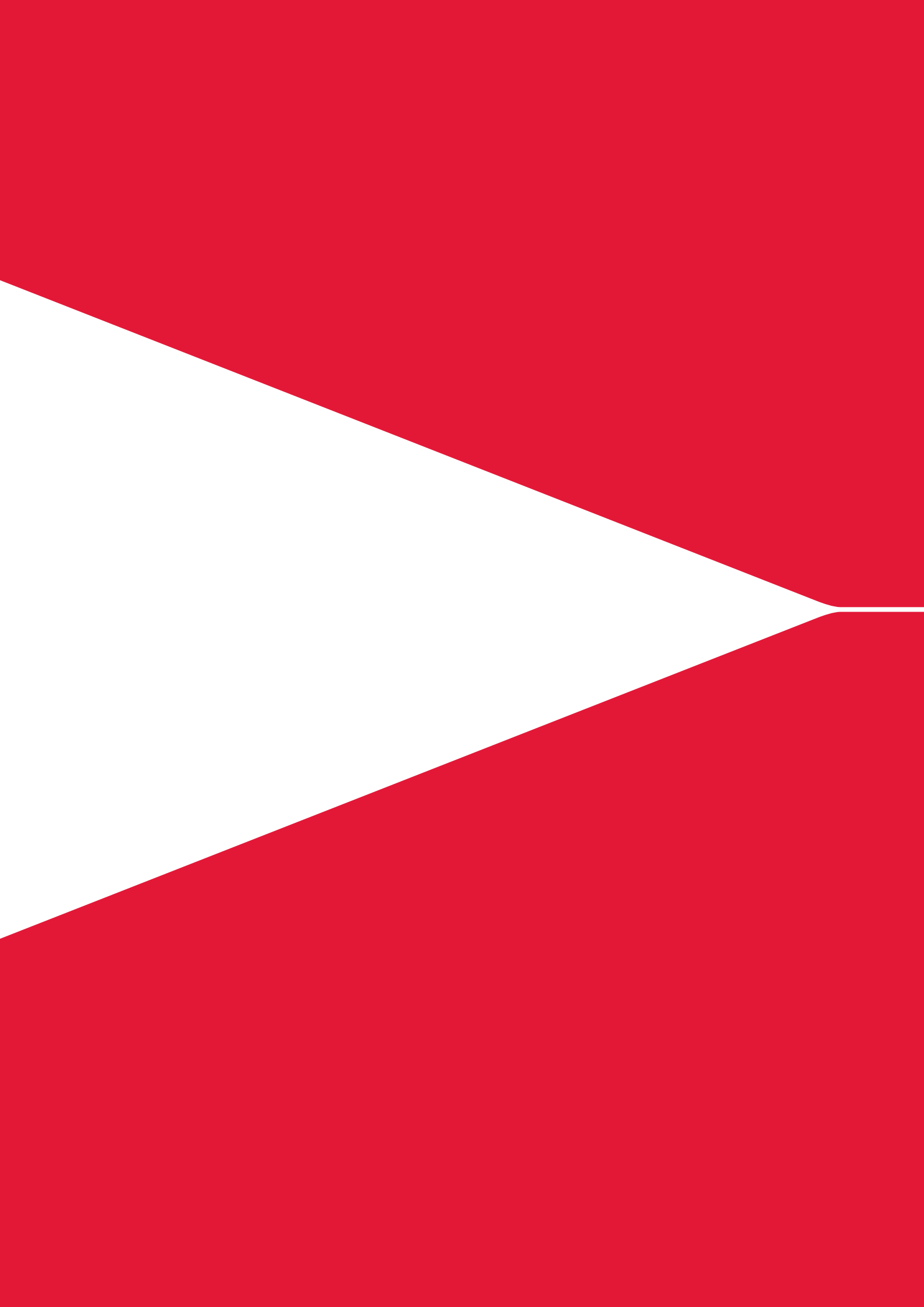
April 2010

**NESTA** Making  
Innovation  
Flourish

A blurred photograph of three people in a meeting, overlaid on a red background. The image is tilted and partially obscured by the text.

# Open innovation

From marginal to mainstream





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# 1. Corporate Connect's mission

**NESTA's Corporate Connect programme recognises that big business, though its relationships with myriad suppliers customers and consumers, is vital to the UK's economic health. Each enterprise sits at the centre of its own ecosystem, producing new value from its links with others. Open innovation is a new way of strengthening these links, making them more productive, efficient and long-lasting.**

These broad benefits are why Corporate Connect has been working with large firms since 2006, investigating how the complex and sometimes difficult relationships between the Goliaths and Davids of the business world can be enhanced. We worked with FMCG companies such as Procter & Gamble, retailers such as Tesco.com, services companies like Orange and Virgin Atlantic and manufacturing firms such as McLaren. This breadth of experience has enabled us to pull together the disparate threads of the emerging open innovation sector.

These programmes have also given us revealing perspectives from both sides of the open innovation fence. Our ethnographic approach to evaluation has brought out key lessons both positive and negative. As a result of these first-hand insights, the Corporate Connect programme has created new methods for successful open innovation which we are launching at Open for Business. We hope this model will help corporates co-create with suppliers, consumers or customers to produce investable propositions and launch these successfully to market.



## 2. A great idea waiting to happen

**Despite the theory that open innovation produces better new products and services faster and at lower cost, it remains something of a minority sport. A world in which business competes more readily than it cooperates and is secretive by nature creates difficulties in embracing this more inclusive and partnership-based form of innovation.**

What barriers can exist? The first is intellectual property (IP). With more companies working across corporate boundaries, protecting intellectual property is becoming a much hotter issue, but there is an imbalance of power where larger companies often take the lead, set the rules and can afford better lawyers. An IP regime that is too strong can be counter-productive. It adds time and other costs into the equation, can put a relationship on the defensive and focuses everyone on ownership rather than making money out of partnership.

The second barrier is complexity. If those involved in Corporate Open Innovation (COI) cannot communicate, collaborate and share information, this new process will be less productive than the old one. Managing diverse teams is a key issue for open innovation projects. There is no doubt that innovations are generated within these new collaborative spaces. However, like the language, culture and distance issues encountered by global teams, this is not so easy to accomplish in practice.

The third barrier is interdependence. Understandably, many companies are reluctant to place their fortunes in the hands of others, especially untried technologies from start-ups. There arise the emotional issues of power and control, yet in practice, companies often operate in markets that are heavily dependent on others.

IP, complexity and interdependence can be thought of as hard structural barriers to innovation. Less obvious challenges are contained in the attitudes of people responsible for innovation. There is a set of 'human factors', which can form a glass ceiling to the innovative potential of a company.

Inertia is one such. Discontinuous innovation involves a lot of effort for a potentially exciting but uncertain reward. Rather than take leaps into the unknown, it is often more predictable to eke out a bit more performance or profit from an existing product or to shave costs from production. Furthermore, there aren't yet that many persuasive open innovation case histories for innovators to take to their boards.

Culture and tradition form another human factor. Companies have much vested in their innovation processes. The innovation funnel and 'stage gate' model are tried and tested and it takes significant bravery to adopt alternatives. This does not often sit well with today's businesses, which are largely managed to minimise risk.

A third factor is that of the mindsets within large organisations. There is a suspicion of outsiders and an ingrained habit of secrecy. Employees are rarely trained to exploit external innovations and open innovation requires a different set of motivations. Will people really get behind a 'not invented here' invention? From the outside, the issue of trust can hinder the flow of high-potential innovations to the corporate machine. Short-term financial metrics also hinder the adoption of open innovation. Innovation as a whole is not rigorously measured, and open innovation even less so.



# 3. Some guiding principles

**Working with some of the world's most innovative companies has given the Corporate Connect programme a set of guiding principles. With our corporate and innovator partners we have formulated these as bridges over the hard and soft barriers that impede a more collaborative approach.**

## Strategy

- Like any innovation process, you should start at the end. Without a clear vision of the sort of relationships you're aiming for in open innovation, you can forget about asking potential collaborators for their skills, ideas or resources. You need to show that you are serious about collaboration and that means being clear about the time, money and appetite you have to see a potential partnership through to the end. We would always recommend starting at the end with a win-win business model in mind.
- A more flexible approach is a worthwhile cultural challenge. There are practical steps that underpin a successful innovation network and can help protect intellectual property such as getting to know your partners better, giving a clear definition of the mutual benefits and establishing performance targets.
- Suspend judgement – being open to new ideas and opinions is a vital component that allows unconventional and innovative ideas to develop

and grow. Worse, being prematurely judgemental will kill relationships.

- Try not to manage risk down to zero. Open innovation is not about selling certainty; it's all about managed uncertainty. Procter & Gamble estimates that only one in a hundred good ideas makes it to market whether they come from within or outside, but external ideas will often have greater potential.
- Measuring open innovation is still an emerging discipline. It needs to consider all the direct and indirect measures of innovation benefits and costs, but from the perspectives of each party involved. It needs to develop useful and predictive measures of the key relationships and reliable methods for valuing networks, in addition to exploring new measures such as the complementarity of products and processes and the mobility of assets.

## Communication

- Many large organisations are trying to become open innovators by first trying to change their culture. Whilst this is rational, it rarely seems to work. Companies will often change their ways of doing things more happily and spontaneously if they see first-hand evidence of colleagues adopting a new approach and it working. Success sells.





- Communicate with the outside world effectively. We've seen many a large organisation get so wrapped up in its open innovation process and goals to the extent that it fails to communicate effectively, thereby rendering the endeavour less effective.
  - If COI requires different structures, it also requires a different way of thinking. The new mindset needs to be more cooperative and less command-and-control – and its new innovators need to be literally open-minded and communicative.
  - If a company is to place open innovation at its heart, management needs to communicate supportively and instigate mechanisms and behaviours that encourage it. Whose responsibility is it? How is open innovation rewarded? When and where does it happen?
  - Setting an innovation culture is also about personal transformation, starting at the top. Do organisations have enough polymath leaders – multi-skilled individuals who combine designer flair, engineering skill and marketing imagination? Training and recruitment will play a part.
- Networks**
- There is a lot of discussion about networked effects and it is valuable to have a large, diverse and engaged network. However the real key is for people to approach you first with an opportunity before they go to your competitor. Their incentive will be financial, but much more important than that is the ease with which they can find you, understand what it is you want and feel that you really would value doing business with them. It's not whom you know, it's who knows you.
  - How many of your customers are inventors too? Organisations tend to think of customers as primarily recipients of products and services however they are often amazingly knowledgeable about your brand and sometimes it makes clear business sense to buy from them as well as sell to them. Buying from your customers can be a two-way flow of value and is too often overlooked.
  - Embrace your critics – your critics can be your most valuable collaborators. We've seen a large company seek to exclude a critical blogger from their open innovation process. In the end we persuaded them to engage in a conversation which was challenging but ultimately hugely beneficial.
  - Networks need active management. Hierarchies work primarily through command-and-control whereas informal networks work through trust. Both are crucial but mixing the two can be fatal.
  - Don't overestimate your own capabilities. Not all the smart people work for you. Find the smart people and listen to what they have to say as combining different perspectives is key to any innovation.



## 4. A new model for innovating together

**As open innovation is an emerging discipline, many executives have little direct experience of how to manage the process and motivate outside partners. When planning an open innovation programme we are faced with a choice of two start-points, best phrased as questions. These two questions are the essence of our new open innovation models.**

The first is the 'what' question: 'What is the specific idea or technology we need?' A need or problem statement can be written as a clear brief whether it is a technical solution you are looking for or a specific new business partnership. This question is a useful beginning when improving existing products and services or innovating in a mature market. It is used if you are looking for new technologies to license or when you have a clearly articulated innovation strategy and a designated road map. In our model we name this style of open innovation 'Discover'. Our OSCR project with Orange is a case in point. Orange had a clear strategic need to unite product offerings across its 'three screens' of web, mobile and broadband. This was the basis of the call for innovative services that we issued.

The second start-point is to ask the 'who?' question: 'Who are the potential collaborators that we can work with to greatest effect?' In this case there is no clearly defined problem statement, rather an area of opportunity that will be refined together with your partners. Such a clear definition would in these situations inhibit the creative freedom needed to create the desired new markets, radical innovations and fresh business models. The 'who question' is also

useful when approaching new sources of inspiration or unfamiliar sectors and markets. In our model we name this style of open innovation 'Jam'. Our V-Jam project with Virgin Atlantic illustrates this form of open innovation. The area of opportunity was defined as how social media could improve the whole flying experience. The partners were lead users of the airline, web developers and social media experts.





## 5. Discover style of open innovation

### Stage 1 – Clear thinking

A successful Discover programme starts with a clear brief that articulates an unmet consumer need or a specific business problem. As open innovation often involves striking up new partnerships, it is important that the brief matters to your firm. This is true of most strategic innovation, but open innovation is often reserved for peripheral innovations and these may not attract the attention or funding they deserve.

A tight and time-bound brief is not enough. An equally important start-point is a clear notion of what collaborative business models are needed. This is often overlooked in open innovation programmes and this oversight is the reason why many initiatives fall at the final hurdle. If the large company is looking for a licensing opportunity, delivery partnership or joint development path, it should say so. Having a clear business outcome also enables a firm to line up relevant internal stakeholders that are empowered to make decisions. Certainty about business models eases the smaller partner's decisions such as how much time to invest in the project, what to include for a viable business proposal and whether investment in costly IP is necessary. Discover programmes tend to result in ideas being taken to market by the large firm, using its reach to achieve scale.

### Stage 2 – Open competition

First you need to identify the relevant supplier, customer or consumer communities to form a competitive innovation marketplace. This audience will often comprise both existing and new people in an attempt to explore fresh avenues whilst including existing partners. Common errors here include underrating or neglecting existing relationships and not allowing enough time to build strong new audiences.

The brief is launched next at an event and preferably online. The event gives entrants a valued chance to meet the innovation professionals and clarify the brief and judging criteria. The online presence creates an easy channel for communication and also demonstrates that the corporate is publicly committed to the process, building trust.

Entrepreneurs from these communities respond to the brief independently and competitively. We have found that short, compacted timeframes of 2-6 weeks impart momentum and a sense of excitement to a challenge for both entrepreneur and firm. This project-led approach is a subtle but important feature of all our programmes and can bring results faster than a more organic, culture-led way of operating open innovation.



## The Discover Model

- Starts with an innovation brief detailing a specific unmet need
- Is a competitive innovation marketplace amongst customers, suppliers or users
- The innovation process is mediated by a Trusted Agent
- Innovations are extracted through a linear process
- Tend to be internal routes to market (e.g. licence deals)

### Stage 3 – The Airlock

The airlock is a term we have coined for the period of judging, developing, protecting and prototyping innovations. It works via Trusted Agents that represent both the corporate and the community. The ideas are not exposed to the firm at this stage. This is a vital stage for building confidence in the process and allaying fears about the protection of any intellectual property that will be presented.

The Trusted Agents perform their most important role in this stage. The firm's representative acts *in loco parentis* and picks those ideas that have most potential for their client. The agent's intimate knowledge of the corporate strategy makes for relevant submissions with minimum potential for conflicts with existing projects. The community representative brings deep experience of the marketplace and an instinctive feel for originality and credibility.

A powerful and unexpected benefit of this stage is the development of a more suitable pitch approach. The entrepreneurs we worked with reported that this was the most useful aspect of the Discover approach as it enabled them literally to speak the client's language, refine the business model and practise answering probing questions. Enterprises reported back that the general quality of thinking and presentation far exceeded the normal standards they were exposed to.

### Stage 4 – The Pitches

The next part of the process is a formal pitch by the selected entrepreneurs. They get feedback within a specified time-frame and a short list of ideas is accepted by the large firm for evaluation. Those ideas that don't make this revert to the originators, who are free to approach other potential partners. This aspect of open innovation helps small firms justify the investment they make in a process with an uncertain outcome.

The short-listed ideas are offered to the large firm, which in effect has the right of first refusal. There usually follows a pre-contractual period during which the innovator cannot present to others and at the end of which the corporate has to make a firm decision either way.

The feedback from our Discover projects has been that they greatly improve the efficiency of the open innovation process. SMEs can find relevant opportunities and can estimate their resource costs. Corporates save time as they see only those ideas that best answer the brief. Both parties are less likely to run into legal difficulties in the future as the process protects them from inadvertent mistakes.

## Case Study: Open Innovation Challenge

# Procter & Gamble

**“In closed innovation we would have paid the same amount to get one project to the position the Open Innovation Challenge got four!”**

**Mike Addison, Open Innovation Director, P&G**

**Regardless of how big an organisation is, R&D departments will always be finite. In 2008, we worked with Procter & Gamble (P&G) to design the ‘P&G Open Innovation Challenge’ to help the multinational manufacturer identify and develop innovative ideas from small UK firms outside its own research labs, bringing fresh ideas and new perspectives into the company.**

In order to encourage participation from a broad and diverse group, we adapted the Open Innovation Challenge of British Design Innovation (BDI) – a competition that invites people to compete to find solutions to a specified problem. Perhaps the most famous antecedent is the ‘X-prize’ launched in 1995 which challenged teams to build private spaceships to open the space frontier. But we wanted to take this idea and apply it to the corporate world, to see if we could open up the R&D frontiers for P&G.

To kick the process off, P&G invited interested designers and universities to respond to two open briefs on Fabric Care and Health & Wellness, with the aim of finding innovations that had the potential to produce new global markets worth \$100 million annually.

The Challenge attracted 170 initial expressions of interest, with 120 designer/inventors attending the launch events. From this group, 72 ideas were submitted by 25 companies. NESTA, BDI and Oakland Innovation mediated between P&G and the designers/inventors to judge and help develop the ideas, side-stepping traditional problems with intellectual property.

The eight most promising applicants were then given access to funding, mentoring and business support, worth up to £25,000, to transform their ideas into commercially viable concepts. These were then whittled down to four, and the successful applicants presented their ideas to P&G.

P&G had ‘first refusal’ on the ideas and three of the small firms were subsequently free to approach other corporates. One is being co-developed.



‘...and the award for best innovation goes to Orange.’

orange™

“OSCR has brought us together to work closer and this type of process has merits for the organisation itself in addition to the innovations we’ve seen.”

Mark Watts-Jones, Head of Product Marketing,  
Orange

**OSCR is a Discover programme that brings together Corporate Connect, Orange, live|work and Wireless Innovation. It is a collaborative fusion which seeks innovative services and business models that will grow audience share, increase customer loyalty and create significant revenues (in excess of €20 million over three years). Proposals for co-investment were sought within the areas of travel, personal finance, style, celebrity, cars and sport.**

Because intellectual property in service innovations is notoriously difficult to protect, the programme aimed to create long-term business relationships between small firms and Orange. These encompassed the business models of licensing, joint ventures or other forms of partnership.

OSCR launched in October 2009, when over 50 companies interested in submitting ideas met with representatives from Orange. Within two weeks, 30 responses to the brief were submitted to the ‘Trusted Agents’ (Corporate Connect, live|work and Wireless Innovation). The most promising six opportunities were passed immediately on to Orange for fast-track development.

Seven further proposals were selected to enter an ‘airlock’, where they received support and advice from the Trusted Agents about how to develop, protect and present their ideas. This refining process was completed in February 2010, when the ideas were pitched to Orange, who then had 90 days to decide which ideas to pursue further. Out of the seven ideas, Orange is now in negotiation with four. Those ideas that Orange does not take up remain the intellectual property of the originator.

In addition to four viable ideas, OSCR delivered Orange some other highly valuable benefits. It fostered internal collaboration to an unusually high degree and led to Orange Labs UK being recognised as a global leader in open innovation.





## Case Study: Open Ventures Challenge

# An ideas-rich community for Cancer Research UK

“It gave us the chance to think beyond our usual boundaries. To me it feels much bigger than just Cancer Research – it feels like the way to do things in the future.”

Bianca Cawthorne, Open Ventures Participant

**Corporate Connect and online collaboration experts mojo worked together with leading charity Cancer Research UK to build a community of people to create new viable businesses which could generate funds of £10 million per annum.**

The challenge comprised four parts: kick-off, community building, ideas creation and business development. At each stage, community feedback was used to judge and prioritise the ideas, leading to the short-listed teams pitching to Cancer Research UK's Venture Board for the chance to partner with the charity and/or receive £5,000 in investment to pilot the idea. The challenge website encompassed over 600 registered users, and generated 160 listed ideas, 23 venture applications and six short-listed candidates.

The three final, supported ventures were:

- Extraordinary Experiences – a national raffle venture that could win punters a ‘money can't buy’ experience of a lifetime.
- Open Gym – a network of outdoor fitness groups participating in weekly exercise classes led by qualified coaches in local parks across the UK. All the profits go to Cancer Research UK.
- Project Rose (started by 13 year old Lizzie McLean when her mother was diagnosed with breast cancer) – a venture aimed at students in secondary schools and colleges. For a cost of £2.50, they can pre-order silk roses that are delivered anonymously on Valentine's Day.

The Open Ventures Challenge proved that it is possible to crowd-source viable new businesses on the web. Uniquely, it was able to build and support a genuine community of entrepreneurs with a common interest in helping to cure cancer.

# Making Shop Direct's virtual mall real fun



“The 100% Open process made our Branding Talent initiative more efficient by focusing our client’s time and attention on pre-selected and pre-developed ideas that were relevant and coherent.”

Steve Taylor, Director of Development & Innovation  
Aegis (UK)

Shop Direct has responded massively to the expansion of online shopping, including the launch of its Very brand in July 2009. Branding Talent '09 was a competition for new generation digital designers to seek innovative ways of connecting with young adult female shoppers to make their online shopping experience not only convenient, but as social and fun as a visit to a real mall.

The competition was devised by Just-b productions as part of bTWEEN, their annual digital media forum. It was run in partnership with Aegis and Corporate Connect, who acted as the 'Trusted Agents' – judging, mentoring and developing new ideas in collaborative workshops before final presentations to Shop Direct. Unlike many such competitions, the main incentive was a commercial commission rather than a cash prize.

Responding to Shop Direct's call for new ways of connecting with their customers, small creative companies and freelancers from across the digital media industry were invited to enter seed ideas expressed in 150 words or less. Each entry was assessed on technical feasibility, response to the brief, format innovation and the entrant's ability to deliver.

Out of nearly 50 entries, five new online services were presented to Shop Direct and are currently under active consideration and trial. The Corporate Connect process delivered viable, relevant ideas, sourced at a fraction of the cost of the usual method of commissioning.





## 6. Jam style of open innovation

### Stage 1 – Picking the right partners

A successful Jam programme starts with a clear idea of the likely sources of new thinking. Much attention is paid to finding a group of people or organisations that will work well together, sharing both their aims and the workload as the relationship develops.

Whilst much open innovation takes place between corporate ‘Goliaths’ and external SME ‘Davids’, our project range contains examples of three other sources of partners. Firstly the end consumers of a product or service are well placed to provide insight. A proportion of them will also have the skills, attitude and experience to deliver a solution. Secondly existing suppliers that already have a transactional relationship with their customer are overlooked. These relationships can be galvanised by sharing innovation projects. Thirdly a company’s own staff is an important resource. Not only will they have extended and relevant networks but there may be venturing opportunities involving employees as innovators.

### Stage 2 – Open briefing

A further consequence of finding new collaborators for inspiration and specialist expertise is the diversity this creates. Our Jam programmes all benefited from the diversity and new viewpoints of the participants. A collegiate approach creates the right conditions for

creating cross-fertilisation between unusual partners.

Building on an opportunity area, everyone in the process helps to author the final briefs, often using research insights or horizon-scanning programmes. Open briefs maximise creative freedom needed to create lateral leaps.

A key benefit of the Jam style comes from the organic way new business relationships between the participants are allowed to develop. This development takes place within a pragmatic approach to intellectual property within a broad and agreed framework.

### Stage 3 – Catalysis

The nature of open briefs places more emphasis on brainstorming and other workshop techniques. The role of facilitator is important in creating a collaborative and status-free atmosphere. But the role of catalysts in the Jam process extends beyond managing creative events. We have found that a crucial part of this role, often overlooked, is follow-up. Innovation events often result in few tangible projects, for want of the relatively simple project management of outcomes.

The catalysis stage can also be usefully augmented by online environments. These complement the high pressure of events and give time for research, reflection and development. Specialised extended teams can be formed in this way and the interactions of such private social network sites can keep



## The Jam Model

- Starts with finding collaboration partners, often to explore a broad opportunity
- Is a cooperative process, with customers, suppliers or users
- The innovation process is facilitated through a Catalyst
- Innovations are built using an iterative process
- Tend to be external routes to market (e.g. joint ventures)

momentum going in between brainstorming whilst building a sense of community.

## Stage 4 – Business planning

In addition to facilitating brainstorming and overseeing follow-up, the catalyst plays a key role in keeping discussions business-focused. At each stage of the programme, which may involve several workshops, the collaborators are encouraged to iterate better business propositions as well as new ideas. Different plans can be prototyped and played out in different scenarios. This process is important as there is less emphasis on passive ownership of IP and more on valuable delivery partnerships.

The aim of the business planning stage is to extract investable propositions. These can be funded by participant organisations or externally by banks or venture capital.

The process culminates in a pitch where teams have the opportunity to make investment or partnership decisions. Jam programmes tend to result in collaborative business models like joint ventures or delivery partnerships. A welcome by-product of these programmes is that the communities stay active long after the programme has ended, keeping the conversations going and value flowing.

# Co-innovating with users



“Longer term, I see V-Jam becoming a franchise and a generic term for ongoing Virgin Atlantic/customer co-innovation.”

Dr Fergus Boyd, Head of IT Innovation,  
Virgin Atlantic

**V-Jam was a project that assembled the mix of diverse partners most likely to deliver new ideas. It brought together Virgin Atlantic (VAA), customers and independent web developers to explore how open innovation can benefit all.**

As with any business, listening to its customers is paramount to VAA's success. Yet its focus on controlling the highly distinct and powerful Virgin brand has meant that the airline has traditionally resisted collaborations with end-users that go further than seeking their views. Engaging their customers in the innovation process was in itself an innovation for VAA.

What we offered with V-Jam was the chance for VAA to gain fresh insights from its customers that led to new products and services in the form of web applications, which the 'V-Jammers' help to develop. V-Jam gave the airline user-led innovations that are relevant and that work, while the developers own their contributions. These concrete gains for company and customer re-balance what is often an unequal relationship, making it an attractive (and exciting) process for both.

V-Jam launched in November 2008 with a day-long workshop to share insights about how social networking can improve the travel experience. Participants were invited to bring with them 'enthusiasm, an open mind and ideas about the future of travel'.

Of all the ideas that the day engendered, six social media projects were selected to receive initial funding from both NESTA and VAA. Virgin then worked with each of the participants to produce prototypes or proof of concept work to develop the ideas and prepare them for further investment. The successful V-Jammers kept the intellectual property of their ideas, and Virgin Atlantic had first refusal on licensing the products.

The successful projects range from the highly functional (for instance Taxi 2, a web-based social network where Virgin passengers can share transport to and from airports) to the highly social (for instance the new Virgin Atlantic Facebook app, a first for any airline).

## Case Study: Corporate Connections

# McLaren's unlikely running mates



“Corporate Connections proved that the most interesting innovations can come from the most surprising collaborations.”

Chris Crockford, Business Development Director, McLaren

**Membership of the H-I Network was the only thing in common shared by the diverse companies brought together by Corporate Connections. The startling yet carefully selected mix provided an environment where innovative ideas were sparked, and then assessed for their probability to generate profitable businesses.**

The creative fusion of companies included AXA, BASF, BUPA, Carbon Trust, E.ON, GSK, ITCM, Kidde, McLaren, National Grid, NATS, Ordnance Survey, Philips, PPP, Premier Foods, Procter & Gamble, QinetiQ, RBS, SEEDA, and Virgin Atlantic. In a series of collaborative workshops, technologies were shared to develop new applications they might all use. They also focused on issues that even the most diverse group of companies confront – such as the sustainable use of resources – to discover how their individual approaches might combine and synthesise into new products and services.

The many opportunities that emerged from the workshops were assessed and analysed. We and H-I Network worked together to ensure that the most promising of these ideas were developed into profitable business concepts.

Perhaps the most striking of these was McLaren and NATS, who have begun a major new business collaboration as a result of the programme. NATS, the UK market leader in air traffic control services, has adapted McLaren's race control computing software, to aid the management of aircraft on the ground. This venture into Airports-Collaborative Decision Making (A-CDM) products could significantly enhance air-traffic efficiency and has strong potential to be marketed on a global scale.

The synergy between McLaren and NATS would have gone unnoticed and unexplored had it not been for the opportunity for unexpected collaborations offered by Corporate Connections.







# Helping Oracle innovate with its customers

“It was incredible to see how successfully people sparked off one another and built on each other’s ideas.”

David Rajan, Director Partners Channels, Oracle

The break-neck speed of business developments means that even the most high-profile UK corporations need to stay one step ahead. This Open Alchemy programme brought together indisputable leaders in a diversity of sectors, all seeking breakthrough innovation. Each participant (Arup, BBC, BP, BT, Cancer Research UK, the Department for Transport, Interbrand, Lloyds TSB, NHS, Pfizer, Rolls-Royce, Unilever, Virgin Atlantic and Vocalink) is a customer of Oracle, the world’s largest enterprise software company.

We devised a method of harnessing the energy of these diverse corporate cultures and their different perspectives to spark radical new ideas. Facilitated by Innovaro, Open Alchemy took known challenges that the near future will throw at business and pooled some of the most innovative minds in the UK to tackle them. The ‘alchemy’ that we provided mixes ideas in a creative environment to transform real challenges into authentic opportunities.

Even the most brilliant innovations will fail to take root unless the workforce of an organisation is fully engaged. So a collaborative innovation site – [www.openalchemy.co.uk](http://www.openalchemy.co.uk) – using multi-media stimulus, an informal style and a conversational approach was designed and launched to encourage contributions.

Open Alchemy has led to several major collaborative projects including Oracle Alchemy, an in-house innovation system now under development with the NHS. Perhaps the most significant outcome was WellBe – an alliance between Oracle, the NHS, Pfizer, BT and others. This is designed to incentivise the public to adopt healthier behaviours in return for discounts on products and services. It is now undergoing rapid development due to launch in time for the London 2012 Olympics.

The success of Open Alchemy has proved to be an inspiration to suppliers who want to be more proactive for their business customers; and to corporations who want to generate from their supply chain something more compelling than just low prices.

# Tesco get a little help from customers and developers



“The day had a two-way buzz: 800 coherent ideas generated by customers, coupled with the anticipation of developers to make them real.”

Nick Lansley, Head of R&D Tesco.com

**Online grocery shopping is a given for all the supermarket giants. Tesco.com wanted new ways to re-invest the now familiar experience with some excitement, while helping their customers weather the current climate by making their online grocery shopping cheaper, easier and faster.**

Creating applications in-house costs time and money. T-Jam gave Tesco access to the creativity of 150+ developers, all with the fresh insight of ‘interested outsiders’. In turn, by being part of an affiliates’ scheme, developers benefit financially from any successful new applications created by them.

Facilitated by Happen, T-Jam was designed to encourage and capture insights from current customers, which were then voted on and presented to the developers, who took them away as their raw material.

The winner was the T-Scanner, a notional key-ring device that collects barcodes to build up a ‘favourites list’ of products which the customer can rely on and refer to.

Other ideas which required applications rather than hardware included a phone app (suitable for any model or make) which greatly simplified mobile shopping. Another front-runner was a 3D virtual Tesco grocery store which the customer could tour as they shopped.

Tesco.com is now busy developing its application programming interface and working with the many successful T-Jam developers. Up-to-date information can be found at Tesco.com’s innovation support forum: [www.techfortesco.com/forum](http://www.techfortesco.com/forum).

T-Jam delivered viable and relevant ideas fresh from the imagination of outside developers and at a fraction of the cost of developing them in-house.





# Faber & Faber – building business beyond books



faber and faber

“We are working with live|work to investigate how to create a high-quality online version of our successful creative writing courses. Working so closely with an agency of this type is a new and rewarding way to do business and one that we could not have undertaken without NESTA’s involvement.”

Henry Volans, Head of Digital Publishing,  
Faber & Faber



**Consultancy 2.0 seeks to create a new kind of relationship between consultants and clients – one that goes beyond the usual transactional elements of such collaborations and explores an approach which brings shared rewards from sharing costs.**

The client is Faber & Faber, the UK’s largest independent publisher. To retain its position, it is responding to the seismic changes in both marketplace and technology by seeking new sources of income beyond the traditional business of selling books. Faber Academy is the publisher’s creative writing ‘hothouse’ where budding writers can seek advice from established authors.

Consultancy 2.0 brings together live|work and Faber Academy to investigate how to build a scalable and profitable service – based on distance learning courses in creative writing – which would grow a healthy customer base independent of book sales.

Faber Academy and live|work first identified what kind of service they could develop by capturing the needs and motivations of users. They then developed it through three iterations of the experience prototype and finally refined it using a service blueprint.

By reducing the risk of innovation in the early stages of developing a new service, Consultancy 2.0 provided an optimal opportunity for both Faber Academy and live|work to benefit. Faber Academy has a feasible and viable business case for the development of the new service, and live|work will remain involved with the project and share in its success.

As the service undergoes user-testing as a second prototype, Faber & Faber and live|work have expressed their satisfaction with Consultancy 2.0’s fresh approach to collaboration. Both intend to continue to use it in the future.



Case Study:

# Discovery Channel

“By opening up to other brands and tapping into their own insights we can keep it [our research] alive and build on it. We understand the challenges other brands face with this demographic – and we can see what partnerships might take place around it.”

Claire O’Conner, Director for Research, Insights and Innovation, Discovery Channel EMEA

**Understanding their audience is a top priority for the Discovery Channel but what if this insight was used as a platform for new collaboration opportunities with other brands?**

This Jam programme began with the Discovery Channel making lifestyle research data available to a number of diverse non-competitive brands with similar interests – including Gillette, E.ON, Royal Mail, Samsung, Sagem Wireless, Do the Green Thing, Microsoft, Campbell’s Soup, Diageo, Cancer Research UK – and facilitated by co-creation agency Sense Worldwide together with NESTA.

The purpose of the programme was to encourage them to use the research insights, add their own perspectives, and to co-create new product ideas and joint ventures. The launch pad for the process is Species, the most comprehensive piece of research ever carried out into the changing lifestyles of young men across Europe, commissioned by Discovery Channel.

A web 2.0 application made the insights available to a select number of complementary brands who are adding to the insight and creating conversations around it. Corporate Connect and Sense Worldwide then ran a series of face-to-face workshops with consumers and category experts in addition to senior marketing, innovation and strategy staff from participating brands.

The programme was launched in early 2010 shortly followed by an alignment workshop and a co-creation workshop. The first phase was completed in early March 2010, with five outline collaborative business cases currently being developed by the project partners. We see this as a model for how big brands can build new innovation opportunities through collaboration based on their consumer insights.



## 7. Conclusion

**The work of our Corporate Connect programme has taken place on the cusp of a new industry dawn. The economics of open innovation have been plain to see for many years. Only now is business getting to grips with the realities of making it happen. NESTA's aim is that we play our part in easing the transition of open innovation from marginal to mainstream, helping to create a more effective market between large enterprises and the wellspring of entrepreneurial talent in the UK. To this end, we have launched the Corporate Connect programme as a standalone company, 100%Open, to help spread the new model in a commercial environment.**

In essence the promise of open innovation is to create new value quicker, better, and at less cost, and so it's no surprise that organisations like Orange, Philips and Hewlett Packard are making it a top strategic priority. But we are increasingly asked 'Who is actually making money from open innovation?' In response we cite our experience of working with Virgin Atlantic, who generated a 10x return on investment through our V-Jam programme and Procter & Gamble who achieved a 4x cost saving through the Open Innovation Challenge programme. Of course the list of open innovators is much longer than that. In fact NESTA Connect's Open 100 competition has attracted several hundred entries from around the globe from IBM, Philips and Lego to Zopa, Linux and Wikipedia.

Open innovation represents – in part at least – a re-invention of the organisational models that we have come to take for granted. In a networked world where knowledge is becoming like water, it is no longer

possible to ring-fence what we know or have invented and to create new value through internal means alone. Rather our networks and partnerships are increasingly becoming the key to value creation, above and beyond our inventive ability as organisations.

Some are making bold steps to open up their decision making, their data and share their processes. Evidence is growing of how open business models can lead to greater value creation for all. In the next few years, as connectivity becomes ubiquitous, the shift to more distributed, more networked and more open organisational models will become commonplace and those unwilling or unable to make the change will be left behind.

**100%Open is a new agency specialising in open innovation. Our offer consists of running Jam & Discover programmes and innovation networks and extends to training and venturing.**

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