CENTER FOR THE FUTURE OF ORGANIZATION | DRUCKER SCHOOL OF MANAGEMENT Claremont Graduate University

# Innovating Corporate Innovation | Recording Transcript

## CFFO Virtual Round Table | March 29, 2024

in partnership with [Developing Leaders Quarterly (DLQ)]

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Panelists
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**Roland Deiser**

Hello, and welcome to everybody, to this webinar, to this roundtable from the Center for the Future of Organization in collaboration with Developing Leaders Quarterly, which will focus on Innovating Innovation. Innovation is of course on everybody's agenda these days and has been for a while. But in many organizations, we still have outdated ways to think about it. We think innovation is maybe just a great R&D department or a great product development.


But a lot has happened in the last few years. Especially driven through digitalization, innovation has entered the realm of co-creation, of innovating together with customers. And there are challenges, of course, with organizational innovation. We're going to focus today on all these things.

By the way, this we have covered this topic in our most recent issue of Developing Leaders Quarterly, which is called Innovating Innovation, and Andy Binns, and Michael Nichols who are here at with us today have contributed to this booklet. We also have Valery Jakubowich here from Wharton Business School who leads the Mack Institute for Innovation - representing the "A", the Academia, in this ABC Round Table. Andy Binns represents the "C"; he is the co-founder of Change Logic, a consultancy that has been working on innovation for 15 years and is famous for its work on ambidexterity. And then there is Michael Nichols who represents the "B". He is a former executive with Bosch and now with a German mid-sized company called MANN+HUMMEL. They will all talk a bit more about who they are and what they do when we start. And let's start with a simple question - who are you? And what made you develop a passion for innovation? Because you all have a passion for innovation, right? So, what is it? What made you develop this passion for innovation? Maybe we will start with our practitioner here.

**Michael Nichols**

I guess that's me. So, I'm Michael, I run corporate venture capital at MANN+HUMMEL. Actually, somebody asked me just yesterday, why don't you go to startups? And my answer was - and this goes to the question of passion - I am fascinated by the puzzle why corporates that have so much capital resources and people capacity are unable to do a particular type of innovation that we're going to talk about. They're very good in the core; every business I've ever been at - particularly these Mittelstand/SME German companies and Bosch - are great at scale. But the question is, what's next? So, for me, that's always driven me. How do you solve this puzzle? Everybody can get you to MVP these days. There are consultants galore for that. The corporates themselves know how to do that. We know how to do scale. I think it's that in between part where we really struggle, right?

So, I spent my career working on that question. When I first came to Bosch, I joined a department called Corporate Business Model Innovation. I came in with this typical intellectually arrogant MBA mindset. I had to unlearn everything. I was thinking in terms of verticals and core business, where everything is known, the business model is known. But when you go into the world of exploratory innovation, a lot of times you're talking about wild problems, really undefined problems, that we're trying to figure out. Can we even create a new business model? Do we even know which problems for which customers to solve? And can we repeat that, scale it, and beyond? Because that's the ambition, right? Not just to have a one-off, but to figure out how to systematically do innovation. So I spent a lot of time at Bosch and the Bosch accelerator program. I'd say it's a great program to figure out how to run corporate innovation testing adjacent and beyond at scale. I think we did a pretty good job there. We were really good on the governance side. But I have to admit, we still have not answered that puzzle piece how to go from early validation to scale.

At MANN+HUMMEL, I went from the internal piece to the open innovation piece, to corporate venture capital. But essentially, it's always the same question. Whether I'm investing in an external business, or I'm doing M&A, or I'm doing internal business - you always run into that central question: I have found something - what happens now? How do you scale it? Should it be an existing business unit? Should corporate be doing it? Should it be spun out? There's not one set of answers, no final conclusion I've come to. But I'm gonna hand it to Andy Binns now. Because Andy got me on this journey of thinking very early that innovation is not about technology. It's about the organizational setup, it's a people problem. And let me hand it over there.

**Roland Deiser**

There is a relationship between you guys, apparently, so maybe you want to briefly relate to that as well.

**Andy Binns**

Yeah. Hi, everyone. Delighted to spend some time with you talking about these topics. I'm Andy Binns. I have written some books - Corporate Explorer, and Corporate Explorer, a Field Book, to which Michael is one of the contributors. along with many other academics, businesses and consultants, to follow your model, Roland. How did I get into innovation? The only answer is an honest one, which is - I'm a terrible employee. I'm just like the worst employee, I just couldn't really hack it in a corporation. And for the first 10 years of my professional life, I puzzled with the question of how could I be a better employee? How could I be more motivated in what I was doing? The thing that I wanted to do was to help to move with the organizations I was a part of. I wanted to do new things, and to be able to break down some of those highly complacent assumptions and practices that existed; break down that corporate speak of denying reality, of thinking the world is entirely positive when actually it's somewhat less than it appears.

I got that opportunity to do this when I was working at IBM, maybe 20 years ago. IBM had these Emerging Business Opportunities, which was a great breakthrough moment in my career. Suddenly there was a moment when this large corporation was willing to do some of those things. And then, as we've built Change Logic - a firm that helps organizations to do this in practice - I had the enormous privilege of working with Michael and his colleagues when he was a Bosch.

Bosch is one of a handful of firms that have made this extraordinary commitment to ideate and incubate new ventures inside established organizations with discipline. Because we have this sort of mythology about corporate innovation that is all about risk aversion. That's just not the case. Right? Yeah, risk aversion exists. But actually, more often, corporations are enormously wasteful, enormously wasteful of resources. You don't have to spend $4 billion, as Goldman Sachs did on this failed attempt to create a Consumer Bank to believe that, or the few billion that GE did to see your firm being a top 10 software company. You've got lots of areas where they waste resources. The issue is not lack of resources or risk aversion. The issue is lack of discipline. And I think Bosch is great at discipline.

But there's still this puzzle that Michael puts out there, which is the scale part. And this is actually what corporations are all about. Right? They're operating at scale. 90% of startup exits are to a corporate, so they can scale in a corporate. So even startups think that corporations are the answer to the challenge. And yet we haven't quite solved this in corporations. There are some answers, there are some examples that we can talk about. But that's the challenge we're all in.  Absolutely, Michael.

**Roland Deiser**

Let's move over to Valery. Valery, you come more from the academic side to that. Tell us a little bit about your history and why you are so infatuated with innovation. Because this is really something that drives the Mack Center, which is one of the most foremost Centers on the planet dedicated to better understand innovation.

**Valery Yakobuvich**

Yes, Roland - thank you for inviting me. I'm glad to be here and share my thoughts about innovation. Talking about the path I took to come here, I would say it's more on the people side - although our institute is focused on technology driven innovation. My journey started back in the Soviet Union where I grew up. It was pretty much a closed system where there was a lot of talk about innovation, but there was not really any innovation. Then, almost immediately after graduating from the university, I faced these changes that started happening. And change became part of your everyday life, right? You adjust, you explore uncertainty - a lot of uncertainty - then the whole system collapses. So, I dealt with change. I had to be pretty innovative and entrepreneurial in that environment, from very early on in my career.

And then, when I became interested in this change, and I pursued social sciences, I ended up doing a PhD in the US. My dissertation was about the evolution towards the market economy, at the individual and organizational level. So I came to innovation first from my personal perspective, how to adjust to change. Second, from an organizational perspective, how to adapt to these shifts in the environment. And gradually, I became interested also in organizational innovation as technologies. Because we always have this tension when you change the structure. For example, my earlier research was on the role of social networks, in organizations and markets. We know that the original story of the Silicon Valley was all about social networks. Now it's presented slightly differently. Ecosystems became another popular approach.

But we know it's about humans, relationships among them, how they thrive. How do you accomplish something in uncertain environments, right? Innovations come from such interactions. And then I started paying attention to the fact that, actually, technologies shape how people interact. In the 90s it became really big thing. When I ended up doing my PhD at Stanford, it was the birth of the Internet. So eventually, organizational innovation became much more technological in terms of being driven by technologies, which brought me into technology driven innovations. And here I am, in this role, leading and supporting research on technology driven innovation at Wharton. We have a great, great group of faculty who are doing pathbreaking research in this area. And I hope it will be helpful for our discussion here.

**Roland Deiser**

Maybe you want to talk about what you are doing right now. In your area of research, what is your focus right now?

**Valery Yakobuvich**

Well, it's interesting. In preparing for this meeting, I revisited and reflected a bit on how we are approaching this whole agenda, because we are supporting research and trying to shape this field. We are 25 years old as a center, we became an institute about 10 years ago. Early on, my predecessors articulated a set of four major research questions the institute is supposed to focus on. I don't think these four questions are changing, and they don't need to change, because these are the challenges established companies face. So, first of all, it's about how do you identify opportunities or risks? Then - How do you develop your strategy? And what kind of strategies are winning strategies in innovation management? Third, how do you organize for innovation? And the fourth, how do you capture value?

Those are four areas of research about innovation management for which we find support, and then try to translate it into business practice for companies and experiential learning for students. And- going back to the topic of this meeting, innovating innovation - we see some changes in how we answer these questions these days.  So that's what our research is about, we have some interesting stuff going on. And I'm happy to share as we continue to move along here.

**Roland Deiser**

So, I take myself back a little bit, because it really should be a conversation among the three of you. But briefly adding to this: The Center for the Future of Organization, which I run since 10 years, had as its very first project how social technologies enable transformation, enable collaboration, and enable innovation. This brings me to a point that maybe we will talk about as well. Because you, Valery, mentioned Organizing for Innovation being one of the four elements you do. And when we talk about organizing - the concept of organization also has evolved over the last few years.

Especially when we think about clusters of value creation, of ecosystems that work in a very different way than organizations as they have different governance and all kinds of other features. A lot of what we see right now in organizational innovation, but also in new business model innovation, new product innovation and so on comes out of an ecosystem engagement. Andy, you look at organization - how organizations adopt innovation or reject innovation and their interplay with the entrepreneurial system, either within or outside with startups. Maybe we talk a little bit about that, because I think organizing for innovation is a key challenge these days. We know that a lot of innovation fails because we don't organize right for innovation.

**Andy Binns**

I think, Michael, your essay in this excellent booklet, which it is great not only in its content, but I also have to admire the production values. Superb. The design is superb. And also the form factor. You know, this fits in my back pocket (laughs).  Yeah. -- So, Michael, I'd love to hear you talk about this, because you put out a perspective about the different approaches to organizing for the outcome of innovation, the different ways in which corporates do this.

**Michael Nichols**

I think Valery said something very interesting. Everything - and I think this is sold short in corporations - everything depends on the strategy, right? And what I found - because I've talked to multiple external corporations and innovation professionals struggling with this, and Andy, you hit on it - there seems to be this mythology out there. That if you just take big risks, burn a lot of money - and it doesn't really matter what the strategy is - that's innovation. But that's not how actually innovation works. Even when you go to the Valley, right? They don't do that. They have innovation theses that they're testing. And if they're not landing, then they cut things. So that's one thing I have to say before we talk about anything else - the strategy piece is so often missing. And there's even a misunderstanding. People think that innovation and strategy are somehow contradictions, right? Because innovation is seen as like you really go into wild creation and ideation. But the way we end up thinking about innovation is how can you take your capabilities and the core business and apply them beyond?

Now, I've listed in my piece just several vehicles that you could use here. I've come to the conclusion - probably from Andy's influence - that there is no silver bullet. Corporations need to try a variety of vehicles to see what works for them and to place multiple bets. Because we know the probability of this type of innovation, of finding success, is quite low. So, you need to find different ways of doing that. And then you have to think in time horizons, which is difficult, right? So classically, when I think about M&A, I need to generate business in the next 1,2,3,4,5 years. And when I think about my department CVC, or I think about some of these internal bets of internal venture building, it's five to 15 years, right? Although - executives expect revenue yesterday. That's part of the learning, I think we have to get back to setting strategic ambitions that are realistic on the right time horizon.

You have to start today, but the actual scale, the benefit of scale, you're going to get down the line. Now, coming back to Roland's thing about organizing for innovation - I listed those out. What are the sorts of vehicles you have - internal venture building, external venture building, which you see really a lot of now nowadays. You see the mix of the two, you see CVC, see M&A, you see partnerships. My concern about this new trend - and I'm intentionally trying to provoke you, Valery and Roland, is that we never figured out ourselves how to innovate through our organization. So, let's just outsource that. This is my concern about it, that we're sort of putting off the harder questions and outsourcing it to the ecosystem. And then I just wonder, what is the outcome there? Is it the same ambitions or something else? Is it? Is it just more theater? Hey, we're so innovative or cooperating in the ecosystem and in all these partnerships! Because I remember the words of one very famous Stanford professor - how on earth will these partnerships and ecosystems work when you can't even collaborate inside your own department?

So yeah, I did write about those things. There are many very different vehicles. My conclusion is, try them all. I'm not going to denigrate any of them. But are we just sort of shifting the blame somehow and pushing it out by outsourcing? Because it's too hard for ourselves to make hard choices? Well, maybe...

### Valery Yakobuvich

It's a good moment for academics to step in, give some structure to this conversation, and take a longer historical perspective, which for practitioners sometimes gets very frustrating. Our time horizons in academia for figuring this out are much longer. But if you look back, let's start with 100 plus years ago. When Schumpeter published his first book, he talked about creative destruction. Basically, startups coming, wiping out incumbents with new technology, with a new way to produce the same thing - or slightly different things - more.

Then, in our discussion at Wharton now, we have John Paul McDuffie, a professor in management who thinks closely about this in the context of the automotive industry, which we know now is full of new technologies, with all kinds of innovation taking place. He calls Schumpeter of the old 1911 mark one. Then in 1945, which is less known, Schumpeter published another book where he claimed, essentially incumbents with R&D are the ones who are going to drive innovation, right? The time of big business came up after the war, it was actually 1945. So, this has been going on for a while. And in fact, in the 40s 50s, large American companies were very innovative, and very creative. They drove industrial change, social change, tons of different things.

Then, Silicon Valley started taking shape. At the same time, large corporates lost steam. And in this age, at least in the US, the concern emerged about Japan taking over, with other models of innovation and with industrial production still within big business groups. That's mark two, how my colleagues call it. And now they're claiming - and they use the automotive as a case study- that we are facing this mark three, which is neither startups nor incumbents. What we are dealing with - and we see tons of examples, not only in automotive but across all big tech related innovation - is that you need to engage in different ways. We can discuss reasons for that. But basically, it's neither startups nor incumbents. It's some form of interaction, what we call co-opetition. They compete with each other, but they also collaborate. And there is no way to ignore it, you need to figure it out. Last week, we had our conference on this topic. We are doing a big study this year on corporate venturing and startups, pretty much trying to map what kinds of practices are out there. And there is a lot of innovation going on in that sense.

**Andy Binns**

Yeah. It's a great lens to look at this with Valerie, partly because once you look at the history, you get some of this sort of sense. I remember graduating university and starting to come into business at the point at which Japan was going to take over the world. I sat with my father-in-law who was a VP at DuPont. And this was his view of the world. It was Japan is going to take it all. And it's not quite how it turned out, right?

There's another piece of that history, though, which I think is really pressing for the United States today. When I go to Japan - I just had my fifth or sixth week in Japan over the last couple of years - I see that Japanese companies are finally moving. They're like 'oh, boy, we really need to shift on this innovation story, because we got no growth. And if we don't move, we're not going to be anywhere because we've got to figure out how to deal with low-cost competition from China. And with these platform businesses from Silicon Valley and so on. Where are we going to set?' And so, when you look at NEC - one of that old-fashioned Japanese corporations - it's now really moving ahead, taking its assets and doing oncology research using AI in the process. We could talk more about why, but I think that's such an interesting example.

They've done it in a very deliberate way, the way that Bosch has done, or Panasonic, which has Yoky Matsuoka in in the Valley leading Panasonic as an innovation group. Or AGC, the materials glass company that now generates 25% of its profits from businesses it has started in the last 10 years. So, Japan is moving. Europe - well, there's a lot of activity in Europe, in Germany, Austria, and so on, because they've noticed that EVs might be important. Unfortunately, the Chinese have already won the EV battle. I'm not quite sure what's going to happen with Germany, and that is a crisis. I think Germany needs to move an order of magnitude faster than it is currently. And this question of scale! There's no question of ideas; Germany has all the ideas and the innovation capabilities and technical insights or whatever it needs. What it lacks is the organizational commitment to actually move on new areas of opportunity. And that's why I think it's behind.

But I see America as being even worse. I see a real looming crisis for the next 10 years, leaving aside the potential electoral, political, sociological implications of having a fascist as president. The real problem is low growth - that is where we're going to end up. Because over the last couple of months, I've spoken with senior teams in three different consumer goods companies, consumer facing companies in America - firms that everybody would know which I can't name. And their attitude is - we are okay at failing at innovation. We're okay, because we know that the pressing demands of generating profits in our current business is where our attention belongs. And this innovation stuff that we know we should do remains unrewarding enough in the timeframe that will allow us to act on it. They are basically saying we are where Japan was 10 or 20 years ago. And that's where we're going to end up.  I think American business needs to get it. Asia got it, Germany and Europe are getting it. America just doesn't get it - because we believe Silicon Valley will solve it for us.

**Michael Nichols**

Or private equity.

**Andy Binns**

Yes, or private equity.

**Roland Deiser**

This is a good point to mention, by the way, that people from 44 countries have signed up for this roundtable, which excites me very much. Because if you have 44 countries, it means we've got a lot of countries from the Global South. And speaking about innovation - a lot of this stuff is going on in Africa these days, or in countries where there is growth, where they're anticipating a lot of growth in the next couple of decades. And these countries are leapfrogging as China was leapfrogging right back then, because they don't have all the legacy infrastructure. So, in the bigger picture, we may also have a look at these regions. And then, everybody's talking about AI these days. You mentioned, Valery, that technology is driving so much innovation. We also see societal innovation that is going on right now, and we see political innovation going on right now. The West is losing its hegemony as we are moving towards a multipolar world.

So, there is innovation on many, many layers. On the micro layer it's maybe a new gadget. And on the macro layer, it's really a new way to organize this world. And between that, companies are somehow trapped. They must return money to shareholders, at least those who are in the public space. Speaking about public space - Michael, both companies you were working with are actually a family business or a foundation business, right? They're not listed. Bosch has more than 400,000 people but is not a public company; MANN+HUMMEL is a family business. How is it different - having the pressure from Wall Street versus not having that pressure?

**Michael Nichols**

Yeah, I mean, as MANN+HUMMEL's corporate venture capitalist, in our aftermarket business, we're going heavily into Africa as well, for obvious reasons. We have to start today if we want to figure out how we're going to work on that continent. I think my answer to your question, though, is a little bit disappointing. I think the bias towards the present exists, regardless of if you're public or private. It's because of the obsession with the core that Andy was talking about. The European and particularly German SMEs have been dominating niches forever, right? And so they are so shaped by that niche and the related core business model that they automatically think in the present.

I talked to a CEO of an SME in Germany just a few weeks ago, and he said that attitude had been here forever: Oh, great - here's the next technology hype. There's IoT, there's data, there's whatever - you can name it with the hashtags that you see now on LinkedIn or Twitter; the hashtag strategies, right? And their attitude was - and it was true - this one will pass. This one will pass. Because they knew they were dominating a niche, and the hardware that Germany specializes in, that will always be there somehow.

I want to relate this to the automotive point that Valery brought up. It depends on how you define those industries. I think the industry definitions are blurring and changing. So, when you come to automotive, you have to cooperate if you're a startup that goes at a traditional OEM. Because the capital requirements are enormous. But what if you come in from the side? And this is what the SMEs are starting to see. They have pressure from the Asian producers where the quality is good enough - and good enough kicks your butt these days, right? It's no longer that you have to be perfect - perfect quality, perfect efficiency. Good enough beats you. But what if in a Musk comes in from the other side, right. He does not even define his company as a car company? It's basically a software company. What if you are Nvidia? Nvidia just destroyed all the interfaces that suppliers were providing. To this day, I think Mercedes and BMW are struggling with it, but we need this massive interface. And then you go to the other side - Google and Amazon and others are penetrating the car, extracting value. So, what is even automotive? Exactly! It's not clear to me what it is. And then if you go to the aftermarket, oh, my God, it's ripe for disruption. Anyway, I just throw in a bunch of bombs there...

**Valery Yakobuvich**

This is exactly what drives this. Now another popular term is *vertical*. We are trying to avoid industry boundaries and think in terms of verticals, whether they will capture what we need to capture. Going back to research: research on innovation ecosystems was pioneered in part at Wharton. We have great people like Rahul Kapoor, our Chair of the Department of Management, who's done this stuff. So, what do we see in this ecosystem now? What is the ecosystem defined by a corporation? Right now, each company wants to have an ecosystem, what does it mean? Basically, you have your core value you create; now you try to identify complementors, who come in with a complementary value proposition and enhance your value, because they add something to it. Platform is one way to create an ecosystem, but it's not the only way for a corporation.

What happens now is that suddenly these complementors - for example, the electric battery makers who you work with - create a software defined vehicle. What we also notice is that the trend is not only for vehicles, but for other products, too. Software drives the requirements for the product rather than hardware. So, you create this kind of dominating software, then these platforms and the business becomes kind of modular. For example, our colleagues created an open-source software for electric vehicles that can be used at different scales. Basically, the electric vehicle itself becomes a platform, gets a modular structure. With the same technology you can create a little cart or a huge truck. It's basically the same thing, only on different scales. But then suddenly, the complementors, who are working with you, turn into competitors. I made an electric battery, suddenly I can turn around and say that now I assemble vehicles. Because they're modular. That creates a very new dynamic in this whole industry, which is also quite innovative.

**Michael Nichols**

Can I emphasize Valery's point there? Because if that's the new definition of the solution, then Germany's in trouble. Why? Because now hardware is less valuable. And in fact, you need less of it. This is now what the German SMEs in this industry see - this time it's different. Because even if Tesla does not succeed, the way that we're now thinking about automotive is forever changed. Just like when Uber came into taxi. That's what they now see. I think there's a panic mode. They weren't thinking about the future, even though they were private businesses in the past, because they were so dominant. Now, it may be too late. Andy was hinting at that earlier. Because they're not software companies, their DNA is hardware, close to the machine. So how will they add software competencies? If they're not even willing to pay for the software people?

**Andy Binns**

Right, I think it's true that they need to go much more towards their strength. This complementing ecosystem, the adoption chain, as Ron Adner talks about it, this is hugely important in the life of an innovation, But most value is captured at the point of integration of an experience in front of a customer, right? That is the great strength of your BMWs, your Audi's, your Mercedes's. They integrate an experience that I continue to want them to deliver to me. The trouble is, today they are not actually consumer experience companies; they just happen to have great brands on the front of their fantastic engineering. And this is where they need to break this culture, this arrogance that they have, that leads them to believe their own stuff, right. And understand that the activities of a consumer experience company are really quite different from those of an engineering company that owns a fantastic brand. That's the place that I'd like to orient BMW, Audi, and others towards at this time.

**Michael Nichols**

And worse - the younger people growing up don't seem to care about those brands anymore. Even owning a vehicle, right? The problem definition is different now.

**Andy Binns**

Yeah, if they lose that because they are not capturing the new customer segments, then that's going to be the time bomb that they don't see - because they are not. I think some of them see this. But it's interesting to me. I wrote an article last year about this fantastic BMW innovation of the color-changing car, the iPhone technology, a great example of open innovation, developed in a co-funded lab brought into R&D in BMW. This car can change its color with the flick of a switch. And of course, the question is - what customer problem does that solve?

So, my issue with them is, you are still in an R&D mode that allows this multiplicity of ideas and possibilities to explode across your organization, rather than focus on really solving the problem that you have. Which is, how do you deliver an experience which is delightful and compelling to your consumers so that they reconnect and continue to connect to your brand?

**Roland Deiser**

May I add something here?  You mentioned electrification, and battery companies evolving from a complementor to a competitor. And that is all true. If you look one step further, we also can see that the concept of the car as a product is becoming less important versus the network mobility infrastructure of which the car is just one element.

So, the real question is - what is the customer experience? Is it getting into a great car, the ultimate driving machine, is that what it's all about? I think the entire automotive industry has been built on that experience of driving a car and having fun driving a car. Now we're moving in terms of value creation, and also in terms of what's coming up in technology - you mentioned IoT and all that stuff - to connected networks, where the players who drive those networks are further away from the automotive core than ever. So, it's not just the Googles that have some software in the car. It's something where a smart city or a smart infrastructure is innovating. That's more than just the

The interesting thing is, that there's suddenly innovation power - and I want to get back a little bit to our topic innovation and not just talking about industries - something that is happening without me doing innovation. The question is - how do you catch up on that? There is stuff going on that is innovating. And still, I'm sitting here with my legacy business, and I can try now in an ecosystem strategy to connect with that, or I can buy into startups, I can do some venture building. But I'm trapped in my mindset that is built on product, service, and a specific customer value proposition.

**Andy Binns**

Let's start with ambition. What is it that you want to achieve in this market? And how do you then assemble the assets to deliver that and reframe innovation as being the solving of customer problems to realize your growth ambitions.

My case study for this is in the United States a publicly listed company working in retail. This, by all logic, should not be possible - to do innovation in retail in a publicly listed company, competing against Amazon. But that's what BestBuy have done. Right? Best Buy, a large box retailer. Now, Best Buy helps connect people who have left the hospital to receive care at home rather than remaining in hospital. Better health outcomes, better economic outcomes for the hospital systems. They do this by applying innovation that exists partly in partnerships, partly in acquisitions that they made, but partly also in something what Michael said - leveraging the capabilities that they have. They leveraged their Geek Squad - this is the in-store, home installation crew that does your home entertainment systems. They trained them to have empathy skills, so that they could go and work with people who were coming back from hospital and maybe elderly who were sick. They enabled them to set up remote patient diagnostics, so they could be treated by doctors who were physically removed from them.

This is a great case study of starting with an ambition we want to achieve, and they stated their ambition. We want to treat 5 million people at home by 2025. I don't actually know how close they are to that number, but they are at like 500 million dollars of revenue. So, this is can be done. But what it takes is dropping our obsession with the techniques of innovation and focusing ourselves on the outcomes of innovation. What do we want to achieve? Where is the opportunity? Where is the market moving to? Think how we are going to be present there and stop trying to pull rabbits out of a hat in terms of great, brilliant ideas. That's not what innovation is about, I think.

**Valery Yakobuvich**

Andy, I just want to say that what you've just described kind of slightly contradicts what you said before - that US corporations are hopeless. In fact, I would like to reinforce this. At our conference last week, we've had a few companies talk about how they innovate and engage with startups. There is quite a bit of activity there. Of course, to show what delivers value at the end, we still need to do more research. But they are full of ideas. They understand now that if you engage your startups, you need to share value, don't capture the whole. There's a famous paper on killer acquisitions, how far a big pharma acquire startups in order just to shut down their technologies. About 20% of cases are like this. Now, they are learning they have to share value.

Going back to your earlier comment, Michael, about time horizons and different types of engagements - they see the whole continuum of options. From building your own venture to M&A of ventures as an outcome of CVC activity. And there are many things in between. Going away a bit from automotive - think about OpenAI and Microsoft as a partnership, which is another way to proceed. Who knew what it was going to turn into? And how big is the role of this partnership! It's not just a big corporation becoming a strategic partner for a startup or a strategic client - it's also about moving innovation forward together, protecting each other. All what we saw in this whole set of controversies around OpenAI.

So, there is a whole spectrum that companies actively explore. They also talk about time horizons in terms of short-term innovation that can be commercialized quickly - versus five, seven, ten years. They try to have a diversified portfolio of these engagements with startups. And what I noticed - they don't want to accept the same kind of ratio as VCs. You know, if 10% of my investments are successful, that's great. For corporations, they believe it has to be much higher. Because they start with a lot already: data, history, understanding of their clients or their products. It might be a trap, but if you open up a bit, you can actually build on your resource-driven, abilities-driven innovation. That makes total sense. The question is how to identify these opportunities. Here, we have interesting research on the role of AI, how this generative AI might help you generate opportunities and brainstorm. Which shows empirically that generative AI can generate great product ideas, not worse than humans, and in many cases better. So, we have some interesting research about where the innovative ideas might come from.

**Andy Binns**

Yeah, turn off the idea competitions and just give it over to Gemini.

**Valery Yakobuvich**

Exactly! We have randomized experiments - research by my faculty co-director Christian Terwiesch which was covered by the way in Wall Street Journal - how quickly this model started improving. Now they can generate ideas. And what's interesting about it: we complain about AI because it's hallucinates and constantly misleads us. But for innovation is great. It's not a bug. It's a feature, right? Because we want it to hallucinate to be creative. Christian has done interesting experiments with increasing the variety of ideas. You get a lot of bad ones. But at the same time, you just need a couple of very good ones, away from the average, to be successful, right? There are a lot of ways in which we can experiment and explore these new technologies for innovation management purposes as well.

**Michael Nichols**

I guess the question is, listening to what Andy said, and what you're saying, Valery - there are very few corporations with enough cash to treat innovation like a molecule collider. Like we just throw a bunch of molecules together and we get some nice, new pharmaceutical product out of it. Microsoft is probably one of the few that could afford to do it. Who knows how many are in the graveyard behind OpenAI, who failed? And it's still not even sure if OpenAI is something they can really monetize, or if it is just an enabler for their existing business. I think those are open questions.

I think that on top of what Andy said about ambition, market definition for me is the most crucial thing. So, Roland, that discussion on industry verticals versus markets, that's the crucial thing, because so many people are trapped in their current market definition. It's because they're thinking in verticals, they're not thinking in terms of customer problem definitions. So Best Buy, why did it succeed? It changed the problem definition. How has Barnes and Noble succeeded - they changed the problem definition, right? How did Hilti start dominating construction sites? They changed the problem definition. And that's the problem I see when we're trying to innovate. If our strategy is stuck around market share, we're still defining the market in the wrong way. If we're unable to take from the problem definition, then most of our strategies are going to fail. Now, I'm not ruling out, Valery, that through random experiments we will discover something. Of course we will. But if you're in one of these SMEs, or a smaller company with not very many resources, I'm not sure how that's going to work. Because you only get a few dollars, a few euros to make it work the first time.

**Valery Yakobuvich**

Just a couple of things. quickly to respond to...

**Roland Deiser**

Before you do that, hold your thoughts, Valery. Because Michael, you're speaking about redefining the problem definition. Add to this your own current experience at MANN+HUMMEL. Because you changed it from being a filter company to being in the business of separating good from bad. And that is something that shapes a totally new opportunity space. Make it concrete for the audience.

**Michael Nichols**

I try. And if I fail, you'll tell me. I'll come to the MANN+HUMMEL definition that we've been working on. And I think it's true for a lot of these SMEs that have dominated niches, that they end up now being commoditized. They have Asian competition coming in that can produce things at a high enough quality. And a lot of them have defined their markets by their products. I've seen market definitions by the products that they have, not by the customers that they have. So, my product - I'm not saying that we do this, but if I use my example, for my company - my product, my market is filters. Now if I think that way, all of my KPIs are about how many filters I sell? Right? But if I change the word - which is what we're experimenting with - to filtration, the brain automatically thinks in terms of a process. It thinks of maybe forward integration, backward integration. And it gets us out of this commodity-hell thinking.

And if you go further, and you say, ah, we're not just filtration, maybe we're a separation company. Maybe because we separate the useful from the harmful. Just the vocabulary change. I know, I'm still on the solution side. But it does start to suggest maybe the problem definition is different. And if I can find a problem for which that is true, then I'm out of commodity hell, I'm now into something that's more of a sustainable - we love to use that word sustainable - repeatable, defensible model. So, for me, that's what's needed: how do we redefine problems in a way that we can create repeatable, profitable, sustainable business models that aren't just commodities? Because if you're a commodity with a German or American cost basis, the game's over. It's already over, you already know you're going to lose, right? I mean, from day one. I hope that was concrete enough.

**Roland Deiser**

Yes Andy, thanks. Valery - I cut you off...

**Valery Yakobuvich**

No, no, it's very relevant what you're talking about. To push a bit the positive side of it - there is this method of design thinking, which is supposed to overcome the constraints of your current products. And companies are learning. I'm pretty sure there is quite a bit of this kind of thinking going on. Of course, in the Best Buy case, they managed to move very far from the original product. Based on the idea that it's home - before it was for A, now it's for B. But this is what really many companies are trying to generate. This kind of ideas with a design thinking approach. Then, of course, I see some questions in our chat about how you move CEOs in that direction, so they're willing to entertain such ideas and strategies. I still believe what I also learned at the conference last week, that you need to portfolio things right. Some of them are short-term, some of them are longer term, you build a strategy accordingly, diversifying.

What I also noticed visiting India - I was there one a trip a couple of weeks ago with our corporate partners - in India, there are a lot of family businesses. In terms of carrying this risk, for example, the corporates invest in startups that need resources. For renewable energy, for sustainability, for AI and so on you need immediately huge investments. Angel investors won't help. So, on the corporate side, they provide in-kind resources pretty much to help startups launch. The family office invests. It has its pros and cons, and we can argue about it. But I see this as an innovative form how you share risk as well.

**Andy Binns**

Yeah, I think that's a good example. We have a client doing that right now in the same way. It goes back to your point about open boundaries. The point is there's not only one way to do this stuff. I think instantly innovation, venture capital, entrepreneurship gets religious. They are a religion. You happen to mention design thinking - that's probably a more open religion than some others, certainly than most. I have met folks who have a religion around startups -innovation does not happen in corporates, we are the only ones doing innovation! I don't know what THEY - meaning the people who actually pay for them and who they're investing on behalf of - what THEY think they're doing. I think this kind of religion is part of the problem.

Actually, if you think about the issue of where do I think the market is moving - how can I get involved in things like care at home, or electrification, or various other different problems in the world that we know we're going to solve. If we say well, that's the ambition, then by all means, let's work back and say: okay, what assets are we going to need in order to reach the customers in terms of building the capabilities for solutions, in terms of having the capacity to do this at scale? And when you do that, some of those will be leveraged - the brand of Best Buy, the Geek Squad, and so on. But some of them you're going to buy, you're going to acquire, you're going to take. Hey, Michael, what have you got in the portfolio that might help us achieve this outcome? Or what could you get invested, involved in? And then yeah, what can we come up with new? How can we apply design thinking tools to reimagine experiences for assets we've already got. This sort of more open, less religious kind of approach.

A great example of a firm getting this is Analog Devices. Analog Devices is a 55-year-old semiconductor company that has for 45 years of that history made the world's most advanced analog to digital technology. So, taking real world information, converting it to a digital signal that could then be processed and used. Digital to analog and analog to digital converters were their bread and butter. And ever since he came into the office in 2013, CEO Vincent Roche has reinvented this company. His philosophy has been really significant in the way he thought about it. What he says is move up the stack. In other words, go beyond merely the base technologies we have and think about what problems they can solve in the world. And he defined a number of areas where he wanted to do that. One of them was healthcare.

And this month, they announced FDA approval for a device, a finished device, a little case that you stuff to your chest. It will give you three days warning that you're going to suffer from congestive heart failure, because of the readings, the algorithms and the data they assess. And it proved efficacy to the point where it's now a medical device, FDA approved. Now, ADI has just demonstrated to the industry what innovation is. But they've done it at a strategic level where surely a semiconductor company doesn't belong. And I think how that story unfolds, and how they capture value from that is going to be really fascinating. I think that that story will be very illustrative to everybody else.

The other thing they're doing is this analog catalyst. If you go to Limerick in Ireland, they have this collaborative innovation center. Multiple customers coming in to solve a problem: a systems integrator, a manufacturer, a robotics company, all collaborating, how can we solve this problem? Together. That, I think, is part of the future as well - blurring these industry boundaries quite deliberately in the way in which we construct our innovation projects. And sure, there are IP issues, there are issues down the road as to how you'll commercialize some of these things. And do you block yourself off from market opportunity when you do this? There's a lot of issues with it. But I think it's a very powerful model and way of thinking.

**Michael Nichols**

May I jump in and ask a question from Chris (from the audience) here, because I think it's totally relevant. I wanted to connect design thinking and what Andy just said, and this idea of ecosystems. What I have noticed is that even if you do design thinking right, you do a redefinition of the customer problem, or you find even better problems with your current customers, or you find a new customer that we missed all along and we should have known about - we find this in practice a lot of times, and that's great, right? Except - when you take this idea to an existing business unit, their targets are what? EBIT, revenue, almost always! And as long as that's the case, then changing anything is a cost to them.

And if you think from their point of view, I wouldn't do it either. Why would I do it? Why would I take a risk on something? It just cost me, and I'm going to miss my own targets. I have no incentive to do that. Even if they have incentives for revenue, the way they're compensated inside of that works against it. For example, if I take a new SaaS model to salespeople who are used to selling components, that directly conflicts with the way they've been selling one. They may not know how to sell two, they're not used to selling software. And maybe they're compensated by the piece, and not by subscriptions.

So even if you do everything correct - I think Andy you were hinting at this - it won't work if you don't figure out the right incentive model in the core. Or maybe we shouldn't do it in the core - I'll ask that question too. Maybe we shouldn't even do it in the core, maybe it should be separate. And the question there in the in the chat is, do we need Boards to be less tolerant of Horizon 1 CEOs? Do we need new incentive models for this type of ecosystems to work? Because often the real test is how much money are you spending on this, and who owns it. Who owns it? And often you see manager-level people and interns running this stuff. So, how serious are we really? That's a big question. I thought I would hand it to both of you. Maybe what you've seen Valery, and then Andy, I think you have strong thoughts on this.

**Valery Yakobuvich**

What I see from talking to companies - the CVC units of big companies, when they consider new projects, they're trying to get buy-in from general managers. They work with them and try to assuage their concerns and, at the same time, move forward to some investment. Thinking they need them on board. How this conversation plays out, I guess, depends a lot on the context, on the investment time horizon, and so on. But there is this attempt to do it. And if we go from CVC to partnerships, a lot of companies just move it to general managers. These things are very much distributed across the company. So, if a company wants to build a partnership with a startup, it is very often driven by general managers. And they see some value.

For example, what startups often get from this is access to the company's clients. It's kind of a complementarity value for clients. Then companies must persuade their salespeople that it's a good idea to bring a startup with some product or service that is complementary to theirs and promote to their clients. And they found a way. I talked to one company that managed to frame it for salespeople as not just selling something to clients but solving their problems. They actually found it a helpful way for them to interact with clients, when in addition to their own services and products they also bring in the products of their startup partners. So, this is the work going on - trying to bring on board the right audiences within a large corporation to move this innovation forward.

**Andy Binns**

Yeah, it's brilliant. On this incentives question, building a little bit on what Valery and Michael said: you got to split it up. There are organizational incentives, there's managerial incentives, and there are individual or what I would term 'corporate explorer' incentives. By corporate explorers I mean those individuals that lead the new ventures inside established corporations, who do things that seem kind of counterintuitive, but they are very successful. We should never discount the importance of their passion and commitment to solving the customer problem that drives them. In the cases I write about, they had no differential incentives, no differential. There is no evidence that it makes any difference to their behavior that we paid them more. None at all. I think that's really, really significant.

**Valery Yakobuvich**

At this point, I have a couple of observations, based on what I saw when I talked to companies about this in the context of our study of corporate ventures in startups. One company told me what they do: If an employee comes up with some idea, finds then a startup who can be brought in in partnership to implement this idea, they tell him: okay, we support your partnership, we move it forward, but it's your initiative, you work on the product, you lead on our side. And they engage. It's like you brought it in, you have an idea, all the resources were implemented.

Now, you might also have dealt with so called Venture Builders. There are companies and individuals who come to corporations and tell them: look, we'll design a startup you need. This practice was pioneered back maybe more than 10 years ago - they call this spin-ins. The employees start a startup, the company puts resources behind it, and then announce an investment, additional hundreds of millions of dollars into the startup of their employees. What they found is that other employees got really freaked out. This incentive issue is very strong in Venture Building. You are totally right Andy, there's a big incentive issue.

This issue has been resolved for example in India. There are also Venture Builders who come to companies and tell them we'll help you. First you don't need to invest, but you do have a right to do it later if you find it successful. So, what they basically need is a real need of the corporation. They say we'll design a startup to meet your needs to find a solution. If it takes off, if you find it promising, then you have the first right to invest. This way they separate this from employees. They take the need of the company but don't immediately engage with employees of the company, which solves the incentive and conflict of interest issue. But the company can later benefit.

**Andy Binns**

That are fascinating stories - I want to learn more about this. One more thing before we move on. Somebody said you need to give freedom to these individuals - you do. But the funny thing is that these corporate explorers actually teach the organization what's needed. Don't imagine that CEOs are blessed with perfect knowledge; they need to be taught what's required sometimes. And that's one of the things you see the best of these people do.

**Roland Deiser**

This is a really, really fascinating conversation, and we could go on forever. But we have a limited time. We've got about 20 minutes left, and we have this kind of practice to bring in somebody from the audience to make our chat even more lively. I see a few people here that may be interested, or also interesting to contribute to the conversation. And, you know, we were criticized for lack of diversity a little bit, which looking at the four of might really be a point. So, I thought - maybe Fernanda, if she's still here. Yeah, she is. I hope, Fernanda, you are willing to come in. Are you interested to join a little bit and say something?

**Fernanda Carapinha**

Sure, I'd be happy to. I can't be on camera because I'm traveling.

**Roland Deiser**

But we see your picture, which is kind of cool. That is fine. And maybe you'll say a couple of words, who you are and what relates to you so much that you can spend here an hour and 10 minutes listening to a talk about innovation. Why is that so?

**Fernanda Carapinha**

Yes. Well, first of all, I want to congratulate you. This is probably one of the best discussions I've joined in about two years. So very interesting a topic, and great contributors. I am Fernanda Carapinha, I'm the founder of WE Global Studios where we are innovating innovation. My goal was to democratize access to entrepreneurship to underserved founders around the world. The question is, how do we help hundreds of thousands of entrepreneurs globally to build and scale their businesses. I was fortunate enough to be invited to contribute to the most recent issue of Developing Leaders Quarterly, where I talked about what I feel is one of the barriers to entry - the obsession with the equity model.

I come from the Hollywood side of the equation. I'm a former studio executive in charge of developing content and producing content. I'm also a writer, so I'm a very creative person. I also have a psychology degree, so I'm very human-centric in the work that we do. I really felt that there's a lot of lessons to be learned from the Hollywood model. Because over the past 100 years, whether you like Hollywood or not, they've really mastered the manufacturing of ideas. And I think it's interesting when you look at different industries that have nothing to do with the industry that you're in, you look at the processes and the systems that are put into place, and how that can be applied in a completely different industry.

What we've been focused on is to create a very modular system that breaks down innovation building, steps back, and assesses what is the best way. Is there a best way? How many different ways can there be to successfully ideate, build and scale a business? Because I do believe there are certain biases in the system as to the right way to do something. We created an assessment tool, and then mitigation support, and then a focus on top line growth, to be able to observe as well as to lead. It's a dual effort. I oftentimes get pushback from our management team about the data behind some of the rubrics we're creating on the assessment side. And while you always have to feed the system, if it's an ML system or an AI driven system, I am at the same time approaching this as a scientific experiment to see how innovation is explored and successfully executed in Africa or in the EU, in tiny businesses or in certain industries, and is there something to be gleaned from that and to remain open to that. We run a SaaS platform which allows us to not be equity focused and to align with the founders and the stakeholders for the length of time that is required to build a successful business. Because we don't believe you can do so in three to six months, which is typically what is expected.

**Roland Deiser**

And to relate what you're doing maybe also to the overall conversation we had before, say a few words how you see the relationship of your founders - it's primarily female founders, I must add - to the corporate world, and the challenges that founders face in order to get connected with their ideas. And maybe also something for you guys to comment on. So, let’s continue in a two-way conversation, or a three-way or four-way.

**Fernanda Carapinha**

So, we're very focused on ideation to 2 million, which we call the Valley of Death where most startups die. One of the things that we're obsessed with is driving top line growth, because at the end of the day, you need those metrics in order to drive your business forward. The question that we ask is: okay, how can you deliver top-line growth without going out and raising equity driven capital, which really negatively impacts your business at that very early stage, and attract other forms of revenue, or other forms of capital. Whether it's revenue financing, whether it's debt, whether it's grants, whether it's crowdfunding, if that's what's appropriate for the business. It's a very analytical process, depending upon the kind of product or service that a founder is building.

We're industry agnostic, but we are specific to tech driven companies, or tech enabled companies, and we've spent over two and a half years working with 250 female-led companies. So, we've done a ton of research and have a lot of insight, both here as well as abroad. In fact, we just launched a pilot program with the largest Venture Builder in the world that's based out of Sao Paulo, Brazil. And what I see is that there's so many mistakes that are made pre-build, pre-MVP, pre-prototype that negatively impact the ability of that company to later scale efficiently. I think there's not enough discipline around the legal structure. And by that, I mean promising people equity but not papering that equity. Then, once you become successful, it becomes a real problem. It derails the attention of the founder, and you start to get into litigation issues.

It may be not having done enough customer discovery and research and not really understanding the problem space, or not really thinking through the financial model, what the needs would be when a company scales. We see a lot of problems where all of a sudden, a company has huge demand, which is great. For example, you have Whole Foods and Petco in this one case, which is a pet food company. You have high demand, but you just don't have enough operational capital. You don't want to go out and raise VC money because you want to hit 2 million in revenue first, and you haven't quite gotten there. You don't want your valuation to be impacted. But at the same time, you're trying to drive those revenue numbers. And it's really a problem, because there hasn't been enough infrastructure support around non-dilutive sources of funding. That is a key component that needs to be flushed out, that we're very committed to. And a third problem that I see is that a lot of founders early on do not have the social capital to bring in domain experts in certain areas of the business that are critically needed. Therefore, they're making strategic decisions in a bit of a void, especially early on. So - I'll stop there.

**Roland Deiser**

That's a whole lot of challenges, looking from a very different perspective on innovation. Some comments from you guys? And I just want to mention that also Hartmut is in the chat, who mentioned something about the impact of AI on that whole thing...

**Michael Nichols**

I can jump in here because my job is interacting with startups. So, all those things you mentioned are undoubtedly true. Let me maybe throw some problems that I see at you and that you comment. I think the main value that corporates could provide - and I say it's a potential, it's not that we do it very well yet - is scale, right? Particularly the channels. Most founders that I see severely underestimate the go-to-market. They're fixated on technology, on prototyping. Even if they get to 2 million, there's no guarantee that if they don't solve their go-to-market channel problem they will ever scale. That is where I think corporates can help. But I will not claim that I know the right model for that. Because it's difficult to work with existing sales channels inside of a corporate, even for internal startups. If you add the complexity of a not-invented-here, with an external startup, that's already a thing. And then I've seen this problem - they get to the operation stage, they're solving a real problem, but they cannot possibly produce to the volume of a Home Depot or Whole Foods. That is where a corporate could come in. But that requires the corporate to start thinking about their production lines differently. There's so much capacity, and maybe I can dedicate some of that to open innovation. Some of them can actually use that right now, but I don't think they're there yet in their thinking.

And then, let me tell you the other side that I see founders making mistakes. Even if we figure these issues out, for them to get access to the corporate opportunities they have to be willing to give up some equity. I see the mistake of being overly obsessed about their own equity at the expense of the business model. If you don't give up some equity, you'll never scale. And I know, they're concerned that the corporate is going to take too much of that. But they must be willing to give up something. Otherwise, they're just going to remain small forever. I've seen startups right in front of my eyes run out of cash because of that one overly obsessive concern. Then the question is, would you rather have all the equity and go bankrupt or give up a little bit and scale?

**Valery Yakobuvich**

I have a little example regarding this. Procter and Gamble, for example - they claim they have the third way. They bring in startups into the ecosystem. They say look, if you go with a VC, you lose equity. If you go with a corporate from M&A, you lose everything, right? We find the third way. We'll bring you in with some business, which is complementary to ours, where we are undeveloped, and we are working with you to build your brand. And as you grow, then, potentially, we'll benefit in the long run. Corporations are aware of this. They are used to share some equity, but it doesn't need to be now. It can be over the long run.

**Michael Nichols**

It could be supply agreements or development agreements. In place of equity. That's true.

**Andy Binns**

And I think what we need to do is to bring more of those examples, to explain them more. That's why I liked your article, Michael. Sort of codify the story - what are the different models and link them to successful outcomes. Outcomes. Billion-dollar revenue, not valuation.

**Michael Nichols**

Yeah. That's bait and switch to Venture Builders. They changed it from billion valuation when corporate executives need revenue. They need it.

**Roland Deiser**

That's actually a very good point, the one that Fernanda makes in her contribution in our magazine. That valuation is not the same as revenue. And that there is too much obsession on the valuation element of it. And we see then absolute disasters like WeWork. Well, we're soon coming to an end, we've got just six minutes left. I think it doesn't make much sense to bring in somebody else. Maybe we do a final round, because six minutes is not that long time.

I find that this conversation was very interesting in terms of looking at the very, very big picture of innovation. And then we have Fernanda here at the end, talking about the lives of people who try to make a difference with a startup - and 90 or 95% fail to do that. And we need, as we know, also entrepreneurial cultures. Let's have a connection, as a final round, between the micro world of innovation and macro world of innovation, as we discussed it. Maybe a brief round from everybody here on the table to wrap it up. Maybe you want to start Valery?

**Valery Yakobuvich**

Connect the micro and macro? Well, I think, at least these modern communication tools allow us to scale these micro interactions around innovation on an infinite scale. When our colleague mentioned this hundreds of thousands of startups immediately to cultivate in an ecosystem - these brainstorming sessions, open innovation models, implemented at a large scale - we have the tools, even with AI agents. We're quickly moving from just the AI chatbots to something more, for better or worse. There are a lot of interesting new issues that emerge. What kind of picture we're getting - synthetic data versus real data, real customers versus AI customers. It's still a brave new world in that sense. But we can reach a large scale with smart and micro-level interactions in a variety of ways.

**Roland Deiser**

Yes. And we can also wrap up a bit of what you all found valuable in this conversation.

**Andy Binns**

What I would take away is that I think we're at this moment with AI, where we're playing to learn and try figure out what kinds of problems it solves, how it could be useful. How it would generate value. As we go through that, we must all be conscious of this risk of investing ahead of learning and doing the old corporate game of spending far too much money without any real discipline on this. The other thing we need to be savvy to - and I think some of these examples have pointed to it - is that we're probably going to see a fundamental shift in organization as well. Roland has been working on this in his research. He sees this certainly in terms of ecosystem-based organizations starting to evolve, but also organizations that fracture, not based on industries and product, but maybe along the maturity of business models. We apply this notion of ambidextrous, but the problem with ambidextrous is, it implies two things. But it's not two, it's always about multiplicity.

**Roland Deiser**

It's Polydexterity!

**Andy Binns**

Yeah, let's make the word even more complicated, my friend. But the point is right, it is poly. It's about how can we be in an organization that is able to manage these different things. And part of exploring is not overspending. It's not overcommitting, and actually not getting trapped in this fallacy of equity-based models. Well, so yeah, great, great discussion. I learned a great deal. Thank you.

**Michael Nichols**

I'll wrap up on my side. Yeah, great conversation. I always like doing these. I am learning a lot, just from listening to Valery. I've also realized I probably need to talk to him after this, about some of the stuff. He seems to know things that I don't know, best practices, maybe I'm not using. But absolutely - connecting the macro-micro, you have to. Innovation is a weird thing. You do need to start with the macro when you're talking about these organizations, the ecosystem, the network. At the micro, you must start with a customer problem, of course, otherwise, there's no innovation. But for innovation to function at a corporate, there must be, as Andy said, ambition. There must be strategy. I talked about the redefinition of problems. And once you get there, then you must have a serious conversation about organizational structure. Because if you don't have the right structure, just like a particle collider, nothing ever will come out, if you don't have that setup correctly.

Innovation is one of those things where you have to place lots of bets, but nobody knows upfront which bet will work. Then, when you go to what I wrote about, make sure you have multiple mechanisms to test new ideas, whether it's ecosystem building, internal venture building, external venture building, M&A, the whole gamut. You must have tried out all, and you still need focus despite that. That was Andy's point. But here's the thing - and I think he and I are very strongly on here - you must have discipline. There's so much social waste embedding too early and thinking that for innovations you must take huge risks. But Silicon Valley doesn't take huge risks, they take smart risks, they distribute risks, and then you test these ideas. And if they're not working, you must stop them.

That's the other set of corporate innovations - we create zombies by not stopping early enough. We can't tell you what will work, but we do know pretty early what's not working, right? We do know what those things look like. Not a good customer problem - those things we know. We do know what not scale looks like. So have that huge ambition at the macro, set it up correctly so that you're able to produce both failures and winners, but have the discipline and governance to run it as disciplined as the core. That's the thing I see. We treat innovation like it's an intern task, like it's Hawaii, sunshine, rainbows. But it needs to be as serious as the core. So that's how I like to connect the macro and the micro. And I think we've talked about all that in this conversation.

**Roland Deiser**

Thank you. Thank you, thank you, to everybody who is still on here also for listening, and of course, thanks to you guys for contributing such an interesting conversation. To wrap it up on my side - you know, I just love these roundtables because they're unpredictable. We have recorded the session, so people can also revisit if they want to. We are also going to have a transcript of all that and highlight in a slightly edited form the key insights from that conversation.

And maybe just for those who are still remaining here - there will be another roundtable actually happening on innovating innovation. This one was the first, and we do two of them, because there's so many perspectives on that. For the second one, we will look at innovation ecosystems in terms of Silicon Valley as an ecosystem, the German UnternehmerTUM as an ecosystem, and there is an ecosystem in Egypt for Middle East and North Africa. We will discuss how geographical ecosystems help economies, and what they need to foster innovation. You will be invited to this one as well.

For now, I thank everybody for your time on Good Friday, which is not the best day to choose. Thanks, guys. And also thank you, Fernanda, for chiming in. And that was it. Goodbye from the Center for the Future Organization and from Developing Leaders Quarterly. Have a great Easter weekend. Bye bye. Bye to all. Ciao.

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Visit [www.futureorg.org/#videos](www.futureorg.org/#videos) to watch the original recording of this Round Table.

Read the articles of Andy Binns and Michael Nichols (and more) in issue #43 of Developing Leaders Quarterly (requires subscription)

- **Andrew Binns**: The Hidden Power of Corporate Explorers
- **Michael Nichols**: Corporate Innovation – Quo Vadis? Incubate and Accelerate Exploratory Innovation



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