The Impact of New Business, Economical and Societal Models for the Future of the ICT Industry

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1st Myth: Innovation = R&D

Multiple Dimensions of Innovation Model

- Traditional view of innovation
- New customer opportunity
- New skills required
- New go-to-market approach

Consumerization EM: 85% of world population
2nd Myth: Innovation by Developed Markets, only

Emerging Market Drivers:
- Poor infra
- Low income
- Lack of Education
- Community Influence

Developed Market Drivers:
- Environment Conscious
- Work-Life Balance, Efficiency
- Fashion
- User Power

SAME INNOVATION:
- Green Technology
- Mobile banking
- Micro Commerce
- Community Strategy
- Input Technology
- Zero/No Upfront Cost
- Work-Life Balance, Efficiency
- Fashion
- User Power

Community Strategy

Input Technology

Zero/No Upfront Cost

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### 3rd Myth: Innovation driven by Network Operators

<table>
<thead>
<tr>
<th>A Typical Network Operator</th>
<th>A Typical Web Innovator</th>
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<tbody>
<tr>
<td>• Defensive of traditional revenue streams (Cannibalization!)</td>
<td>• Broad innovations, nothing is forbidden</td>
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<tr>
<td>• Conservative culture, valuing predictability, reliability, quality of service</td>
<td>• Adventurous, radical culture, nothing to lose by experimenting</td>
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<tr>
<td>• Technology-driven innovation such as MMS, mobile TV, Push to Talk</td>
<td>• Risky - many fail</td>
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<tr>
<td>• Favour “innovation” close to existing capabilities, e.g. triple play</td>
<td>• Deliver capabilities not products</td>
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<tr>
<td>• Deliver inflexible products and services</td>
<td>• Design for extensibility and combination, e.g. web services &amp; mash-ups</td>
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<td>• The company identifies the opportunities</td>
<td>• The community identifies the opportunities</td>
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<tr>
<td>• Usage based revenue</td>
<td>• Broad range of revenue models: advertising, subscriptions, transactions, ...</td>
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Stages of making an Innovation real

1. Business Strategy defines goal of Innovation
2. Create
3. Evaluate & Select
4. Prioritize & Project
5. Productize
6. Market

Focus
Key Issues

- You don’t know what you don’t know
- You know what you want but don’t know how to build it
- You just want risk mitigation and business continuity
Key Issues

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Industry Sector Consolidation
Innovation from new and old “Kids on the Block”

Sector Convergence

Media & Entertainment
Telecom Fixed & Mobile
Multimedia Sector
IT

Innovations
Apple iPhone - “Object of Desire”
Microsoft OCS – End of PBX
Joost – Internet based IP TV
Mixi – Mobile Social Community
Nokia ovi – Intelligent Portal
Salesforce.com - SaaS
Objects of Desire — The Innovation Case of iPhone!

- Mass hysteria or outstanding product?
- More than 500,000 units sold in three days (despite being one of the most-expensive phones on the market)
- Enterprises *will* be faced with demands to integrate iPhone into the infrastructure.

Business Strategy defines goal of innovation

Business Strategy: Leadership in design & brand for objects of desire for ICT
Create Where to look?

- Internal
  - R&D
  - Think Tanks
  - Affiliates
- External
  - Communities
  - Research
  - M&A
  - Universities
  - Art Schools

Idea of Steve Jobs and Jonathan Ive

Design Phone with focus on usability
Evaluate & Select

- Define filter criteria
  - Managed *Top Down*
  - Encouraged *Bottom up*
- Test the idea with
  - Internal e.g. Board *Management understanding*
  - External e.g. Communities *IPR issues*
- Innovation needs to address
  - Visceral
  - Functional
  - Reflective

What to fund?

Top Down

Management Evaluation & Selection

“Cool I want one”
“I get my music on it”
“People are jealous”
Prioritize & Project  How to Balance Portfolio?

- **Funding**
  - Money
  - Time
- **Set-up project**
- **Prototype/Pilot**
- **Test pilot with user group**
- **Continuous improvement**

First approach of Apple with Motorola was failure

Control of entire value chain, i.e. device, software, and iTunes

Allow mistakes
Productize

- Production Planning
- Plant
- Sourcing and SCM
- Forecast of shipments

Market

- Branding
- Service
- Price

How to make it real? How to position?

Productize

- Rigorous production and sourcing e.g. Taiwan
- Lean production
- Forecast model

Market

- Leverage Apple’s Brand
- Revenue Share with Carriers
- High Price
Key Issues

• You don’t know what you don’t know

  • You know what you want but don’t know how to build it

• You just want risk mitigation and business continuity
Innovation needs agility

The Lockheed SR-71 “Blackbird”, developed initially as a skunkworks project.

Java was developed by a group who were a small team physically separated from Sun’s bureaucracy.

Facebook founded by a single guy, Mark Zuckerberg, in his spare time at college.

Are you ready to fund money & time outside your organization?
Key Issues

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Proactive Management of Technology Innovation — The STREET Model

**Goal:** Identify and invest in the *right* emerging technologies and methods early enough to gain advantage, but late enough to manage risk.

1. **Scope**
   - Provide focus and scope for investments.

2. **Track and Scan**
   - Track and scan for new technology opportunities.
   - Capture for decision making.

3. **Rank**
   - Select subset of methods and technologies most likely to benefit your business.

4. **Evaluate**
   - Investigate and determine actions on selections.

5. **Evangelize**
   - Influence organization to bring key technologies to production.

6. **Transfer**
   - Transfer knowledge and responsibility to those who'll develop operational systems.
Key Issues

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Recommendations

- You don’t know what you don’t know
  => Solution: Use bottom up innovation
- You know what you want but don’t know how to build it
  => Solution: Use small agile teams.
- You just want risk mitigation and business continuity.
  => Solution: Use the STREET Model

The rising power of individuals will lead to more - maybe disruptive - innovation for all enterprises ... find a way to harness it"
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