Tip of the Iceberg in Global Competition

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The open-innovation bandwagon continues to gather momentum. As companies look for new ways to cut costs, many seem to be opening up their kimonos and letting outsiders in. Being one of those outsiders, this delights me. As an American, I am disappointed in our slow adaptation to the requirements of a world in which innovation is becoming the main driver of every economy. In this country, we are continuing to lose traction in the innovation race.

The INSEAD/WIPO annual Global Innovation Index uses what appears to be a measured analysis with a number of contributing factors to determine how various countries are doing with regard to innovation. INSEAD, a well-respected international business school, has campuses in France, Abu Dhabi and Singapore. WIPO stands for the World Intellectual Property Organization. The index measures:

1. Institutional environment.
2. Political, business, regulatory and human capital.
3. Research, infrastructure, market and business sophistication (whatever that means).

The index captures actual evidence of innovation results that are then divided into categories of knowledge, technology and creative output. After all those calculations, it determines the most innovative countries, per capita.

The results are somewhat unexpected, but not all that surprising if you think about it. Switzerland is at the top, followed by Singapore, Finland, the United Kingdom, Netherlands, Denmark, Hong Kong (China) and Ireland. The U.S. fell from seventh to

10th place.

I'd be willing to bet in a gross measure of overall inventiveness (if there is such a thing), America is still in the lead, but this measure should merit our attention. It is almost an inevitable characteristic of human nature that, when faced with loss, our tendency is to first deny what is happening, then to grab, clutch and push others away in an effort to ensure that what little remains is ours. As a nation, we want to deny that we are losing our innovative edge, but sadly we are. Paul Simon sums it up nicely in his classic lyric, "the nearer your destination, the more you're slip slidin' away."

The open-innovation movement is a piece of the puzzle that can help, but on its own cannot create jobs. Innovation and intellectual property (IP) do not make jobs, and I have to remind my people of this fact often. Commercialized innovation creates jobs. Alas, the path to commercialization is so difficult and fraught with risk that IP alone is almost worthless. When Edison said that innovation is 1 percent innovation and 99 percent perspiration, I think he was being overly optimistic.

Recently, I visited a company that seems to be on the right track, and could demonstrate how innovation and IP can lead to jobs and profit. My company is now involved in the food business, working on processing, controls, and other kinds of mechanical/electrical things involved with preparation and storage. Because of that, I have had the opportunity to immerse myself in all things food technology, including a weeklong course in food science at Rutgers University, and a series of visits to ingredient makers and blenders both here and in Europe.

One of those ingredient suppliers has developed a model that, I think, has the potential to change the game for part of that market.

Innovative Food Processors (IFP), a firm out of Faribault, MN, is a leading commercialization company of functional powder products and specialty ingredients. They develop concoctions that mix and blend proteins, fibers and vitamins into materials that don't normally blend properly, and they do it with proprietary processes and supplies that allow them to make things others simply cannot. While they do this for many recognizable companies, they find that their time to market is hampered by the inherent complexities of the traditional product launch process. A project that could be completed and brought to the market in 12 months may take years due to the glacial speed at which their multinational partners make decisions.

My initial reaction to this was absolute empathy. I often tell clients that if they want to bring a product to market quickly, they should simply get out of the way, because their stage-gate processes can be appallingly rigid, and their budgeting cycles make no one happy, including their own accountants.

If there is a solution for this conundrum, my friends at IFP seem to have almost found it. They've created a platform in which they do all of the upfront work with core competencies in product design, formulation, scale-up on large plant units and final product packaging with optimum quality systems. All a multinational has to do

is sign up, prepare the marketing campaign, ready the distribution channels and advertising, and sell the product. The multinational has to make only one decision: Can they sell the product?

I call this the “Sears model” of doing business. While Sears may be searching for an identity today, at one time, they dominated retail in this country, and they made nothing. They did not manufacture, they sold other companies products or had things made for their own house brands. They owned the distribution channel and they became huge. Then, the competition caught up and now who knows how they will end up.

As for IFP, they are attempting to lead the big multinationals into the Sears model, and I am absolutely certain they will succeed. They most certainly will evolve past the multinationals, and this speaks to the future of open innovation.

Multinationals maintain their grip on the market because of their grip on the distribution channels. Grocery chains decide what products they want to sell, charge for space on the shelves and sell. What happens when other factors come into play? What happens when it’s not the multinationals that decide what they want to sell? What happens when demand from the market forces a multinational to carry a product? Red Bull happens. Red Bull grew by word of mouth from a connected generation of consumers, and retail outlets had to follow if they wanted to ride that wave. That piece of innovation bypassed the normal supply chain and took everyone by surprise.

Perhaps that is the lesson: Open innovation is simply the tip of the iceberg. Innovation is not enough, since innovation is worthless without commercialization. However, innovation with commercialization, through a distribution channel that bypasses slow-moving corporate dinosaurs, is really the end goal of the open-innovation movement.

Open innovation will be required to keep up with the increasing demand for new products. The big guys may see it, but because of their supertanker size and inability to react quickly, the solutions will likely just keep slip slidin’ away.

What’s your take? Please feel free to comment below! For more information, please contact Rainone at mrain1@pcdworks.com [1] *or visit www.pcdworks.com* [2].

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