

**Business models in Open Innovation  
and Commercialization –  
a static and a dynamic approach**

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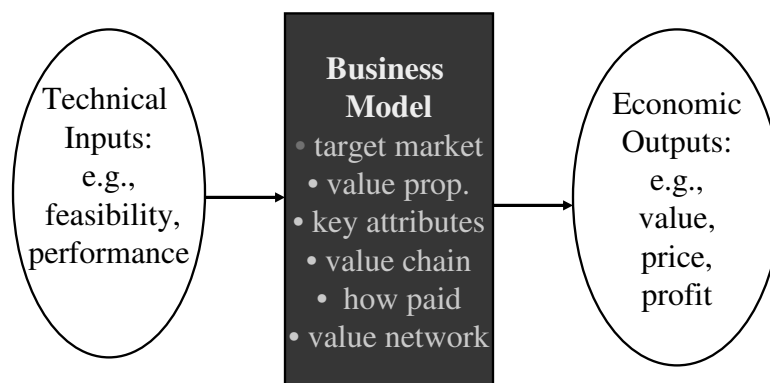
The static approach :  
Understanding the role of BMs in OI

## Technology has no value in itself Value is determined by its BM



- \* **DYNEEMA: DSMs strongest fiber** (20 times stronger than steel)
- Customers are not interested in technical characteristics of the product
  - Translate **product characteristics** into sales arguments  
= show value of the product in the customer's value chain  
(e.g. Dyneema in fishing nets: stronger, smaller fibres, less resistance, less fuel costs, OR higher speed, higher fishing productivity)
  - Make sure you can convince the whole value system  
the final customer (Dyneema in airbags)

## Why business models are hard to manage: Mapping across domains



Measured in technical domain

Measured in social domain

## The Business Model

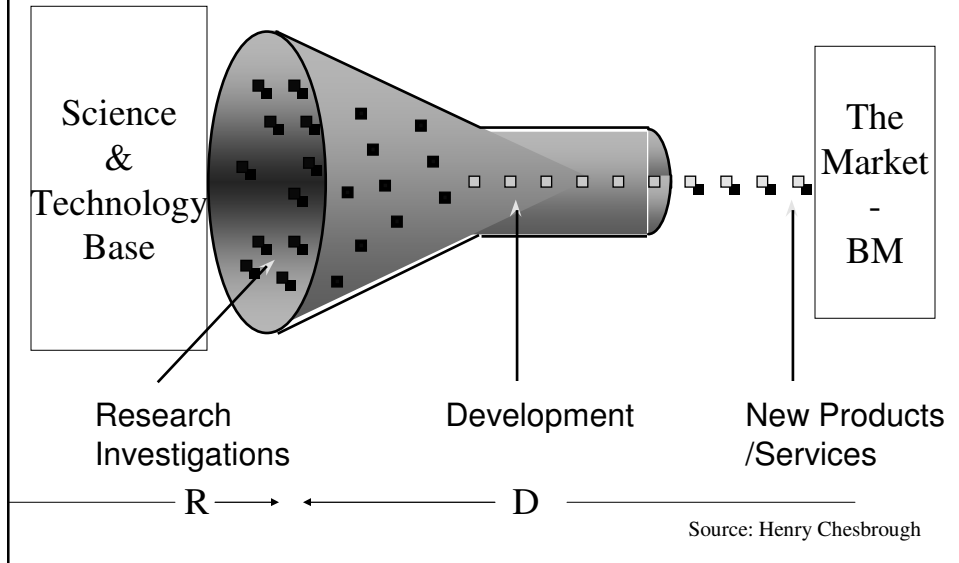
- Identifies a market segment
  - ◆ Users to whom the technology is useful and the purpose for which it will be used
- Articulates the value of the proposed offering
  - ◆ Value created for users by the offering based on the technology
- Focuses on the key attributes of the offering
- Defines the value chain to create and deliver that offering (+ complementary assets)
- Creates a way for getting paid
  - ◆ Cost structure and target margins
- Establishes the value network / eco-system needed to sustain the model

## What is Open Innovation?

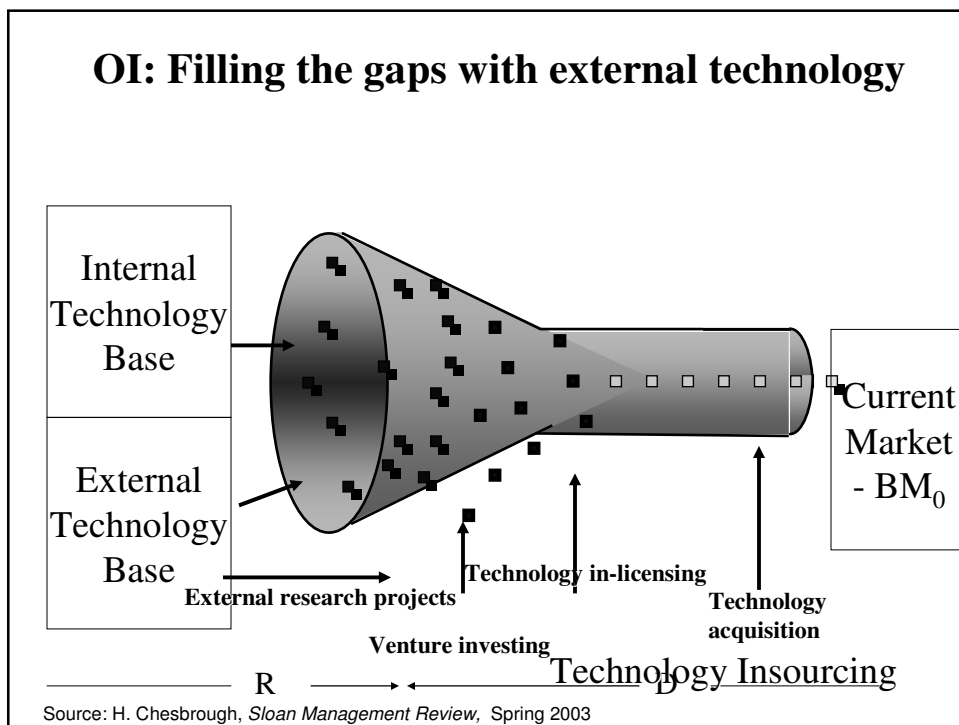
“Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively.”

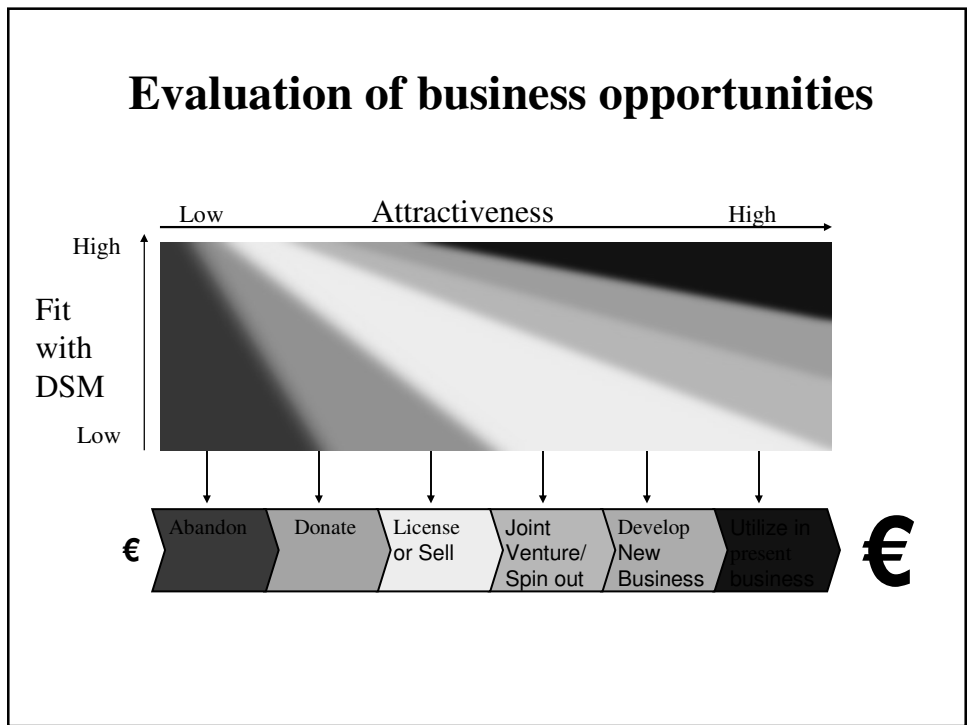
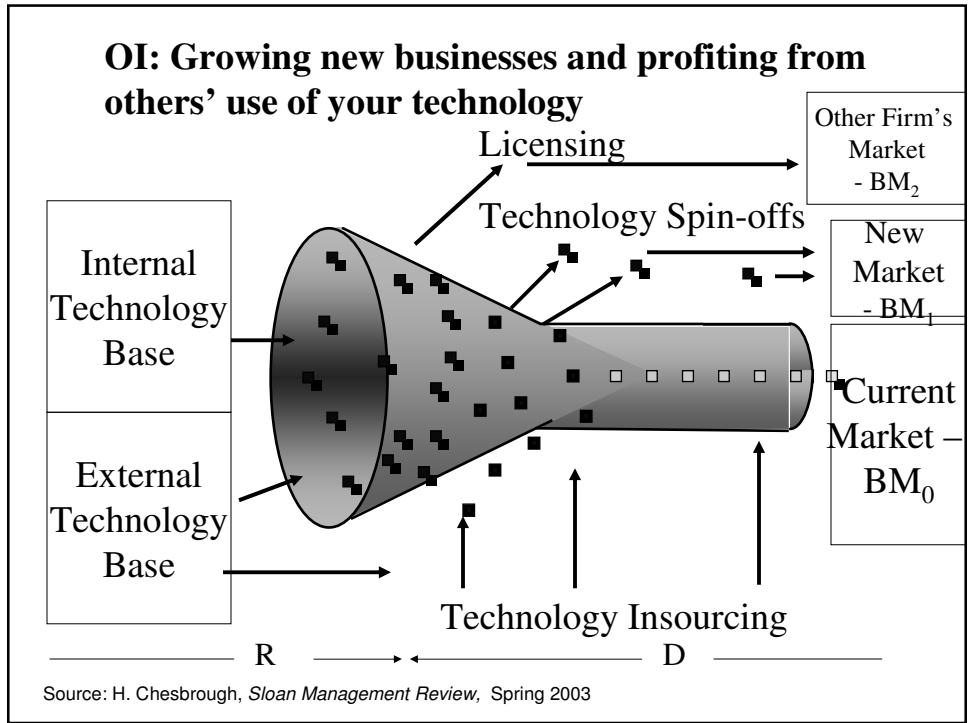
Chesbrough, Vanhaverbeke, West  
*Open Innovation: Researching a New Paradigm* (Oxford, 2006)

## A Closed Innovation System



## OI: Filling the gaps with external technology

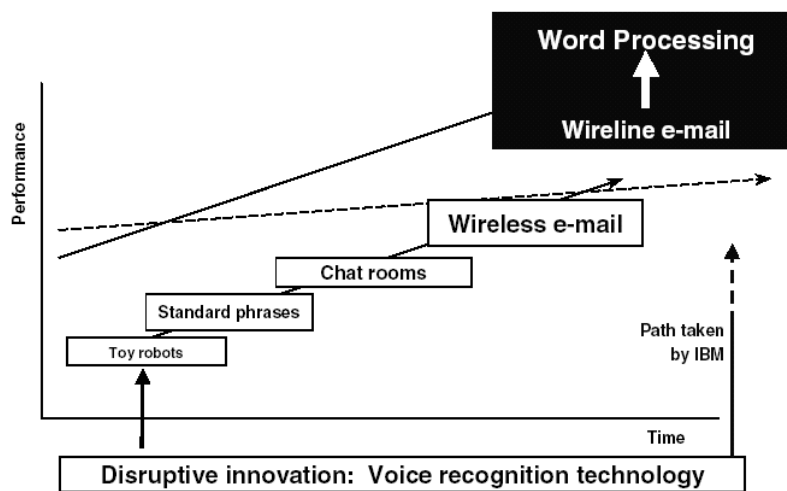


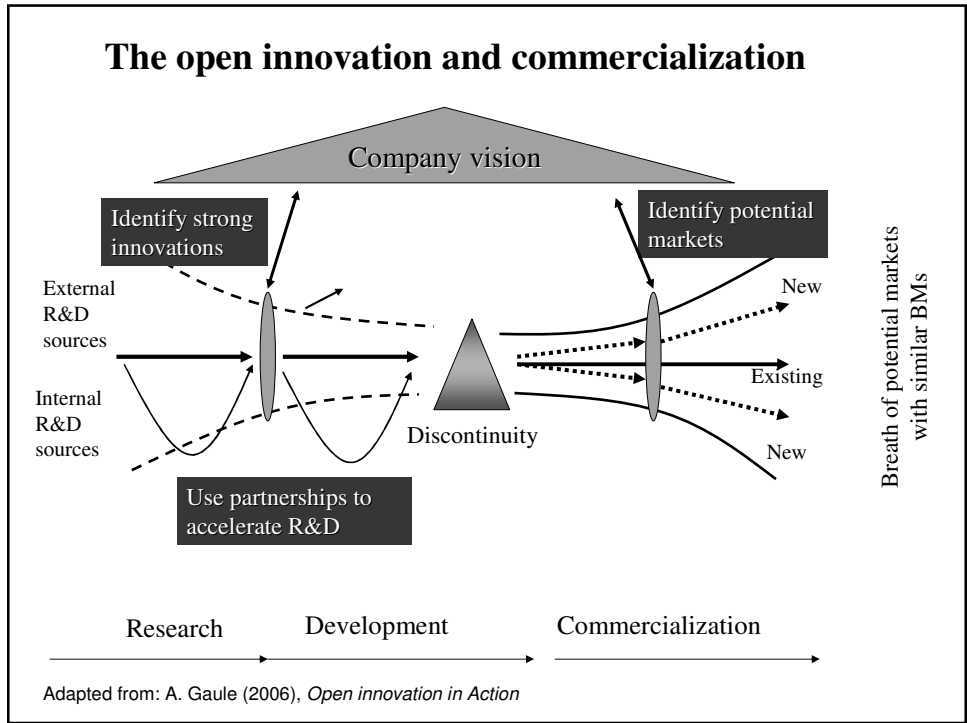


## The best BM for a technology?

- Glowing carpets: LEDs in carpets
  - ◆ What is the best application / market? Hotels?
  - ◆ JV with one carpet manufacturer?
  - ◆ Creativity: wisdom of communities
- Different BMs / application as a technology becomes less experimental
  - ◆ 3D TV
  - ◆ Quick detection substances in liquids: first not in medical applications but interesting for traffic controls

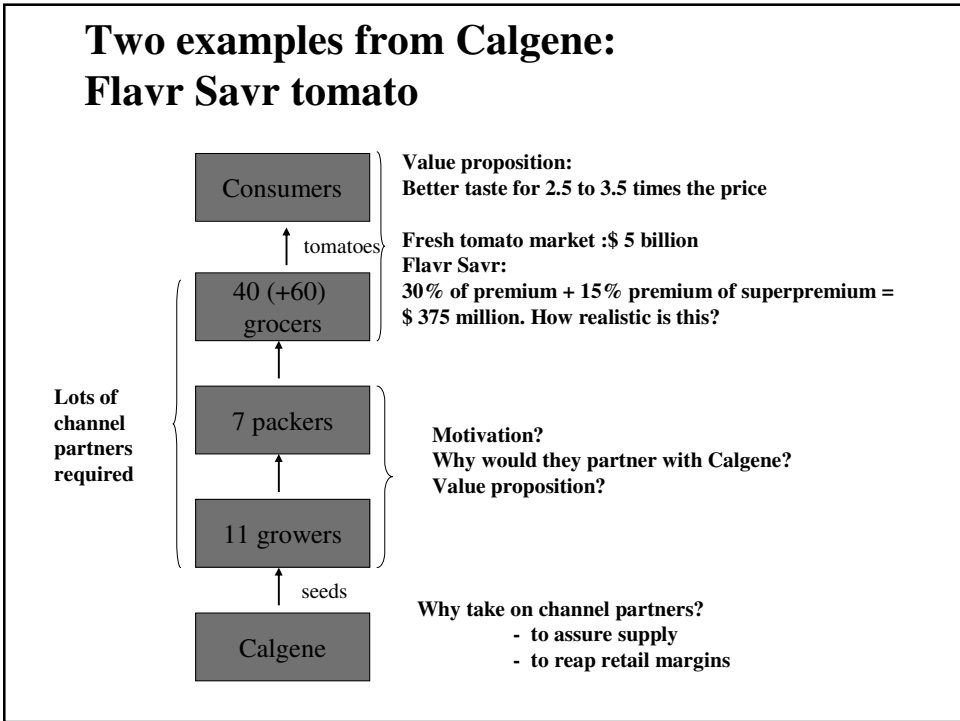
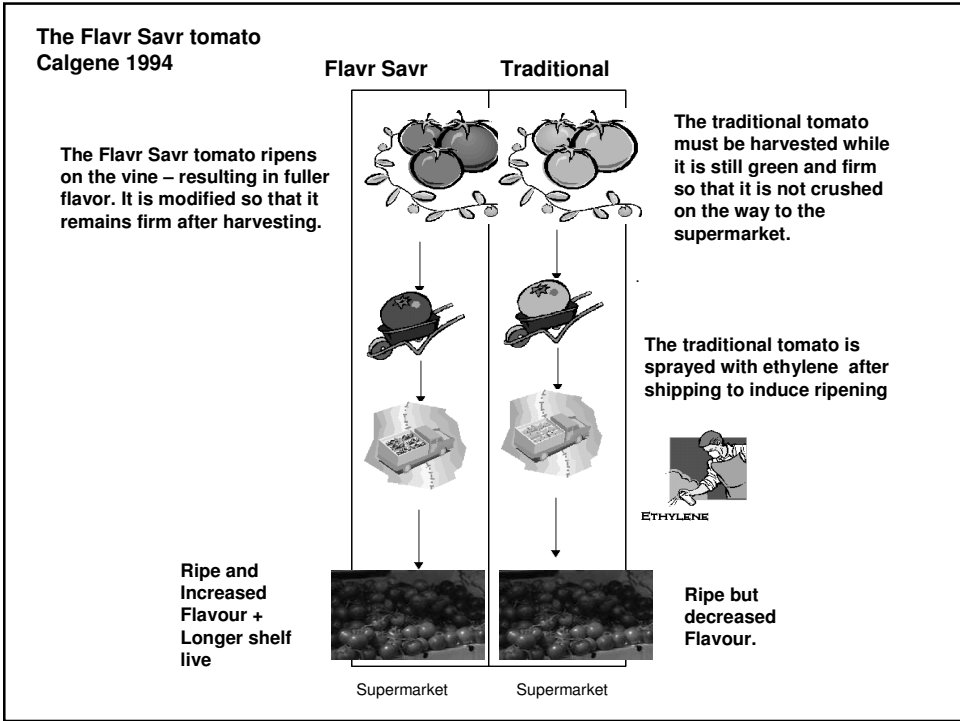
## Non-consumers are the ideal initial target





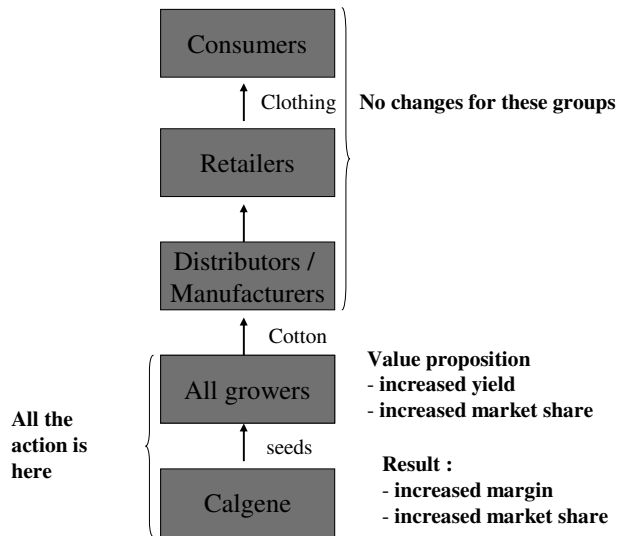
## Open commercialization

Value added created by a value network:  
group vs. group competition

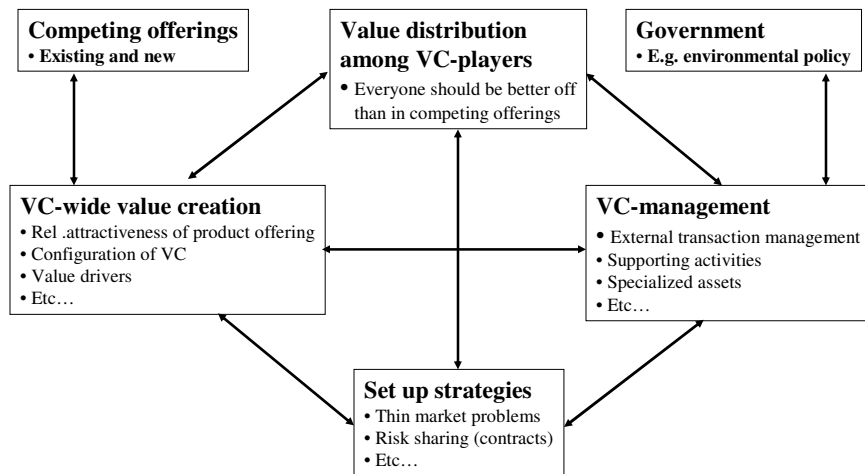




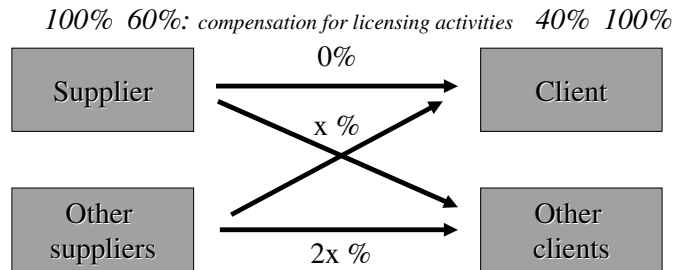
## Two examples from Calgene: Bromotol Cottonseed (herbicide resistant)



## Value constellations from a management point of view



## License scheme of Bekaert & Continental (technical standards)



### Proposal:

- $X = \dots\%$  of net sales value of supplied product
- Supplier collects royalties
- Cross-license agreement between client and supplier implying:
  - Supplier to supply "other clients" at  $X\%$
  - "Other suppliers" to supply the client at  $X\%$
  - Supplier grants sublicenses to "other suppliers". The latter can supply to "other clients" at  $2X\%$

**The dynamic perspective:  
Linking OI to long term growth**

# Linking OI to long term growth

## Starting with:

### *Corporate growth strategy*

#### *Philip's objectives*

Sales in 2005 30 billion Euro

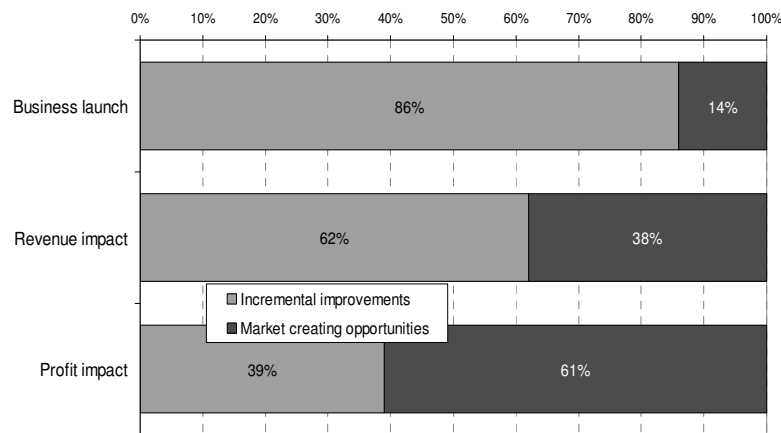
5-6% CAGR

2-3% average organic growth in the next 5 years  $\approx$  3.1 – 4.8 billion Euro

10-15% operating profit

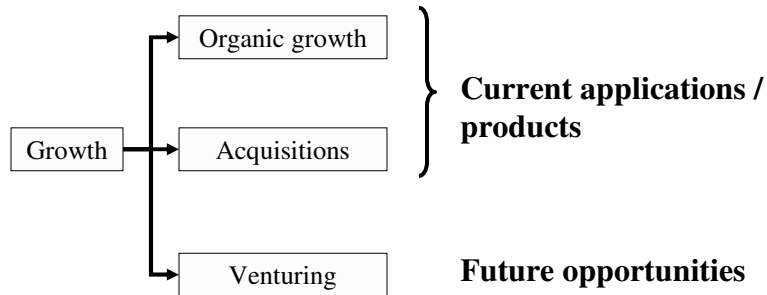
## Profit & growth consequences new launches

### Based on business launches of 108 companies

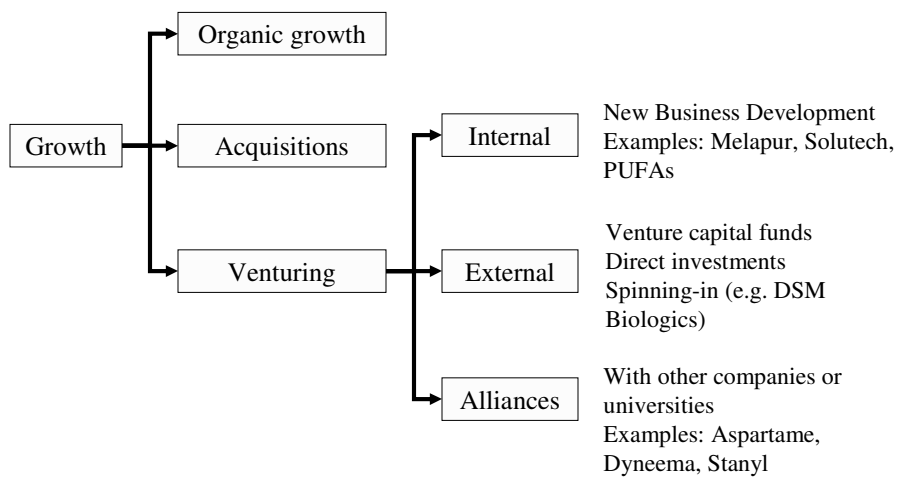


Source: Kim and Mauborgne – Blue ocean strategy

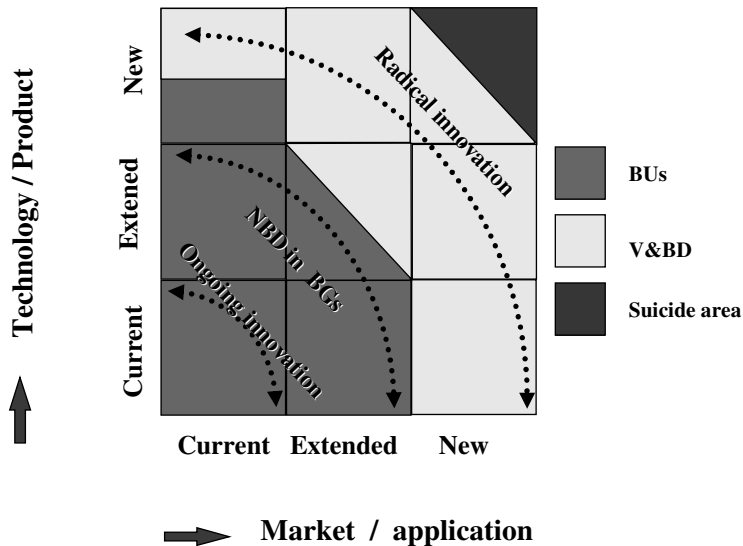
## Corporate growth strategy



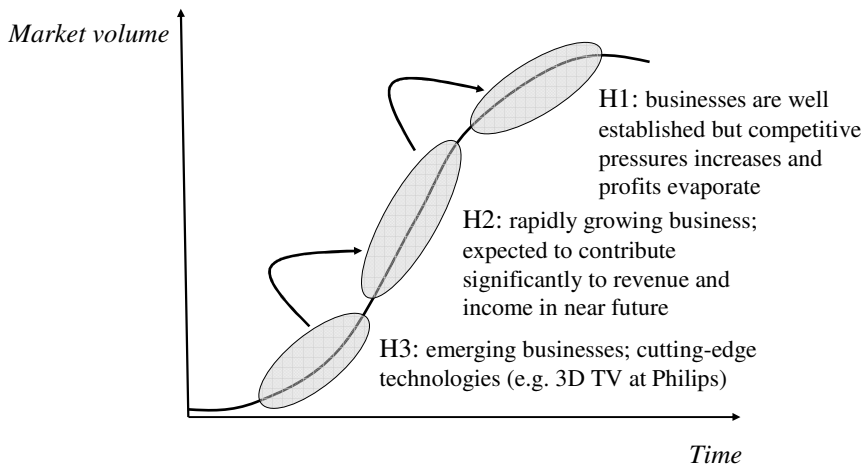
## Venturing as an integral part of the growth strategy



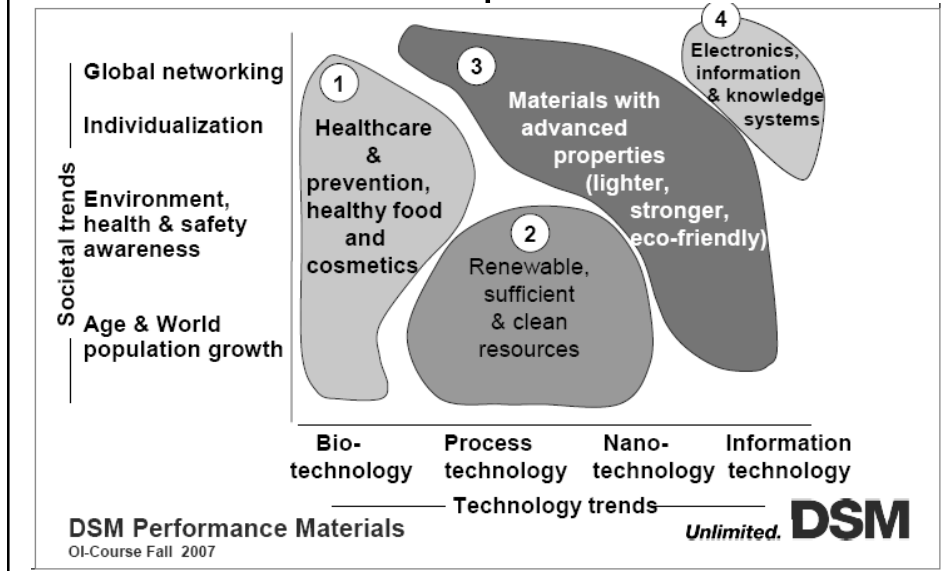
## Creating new businesses



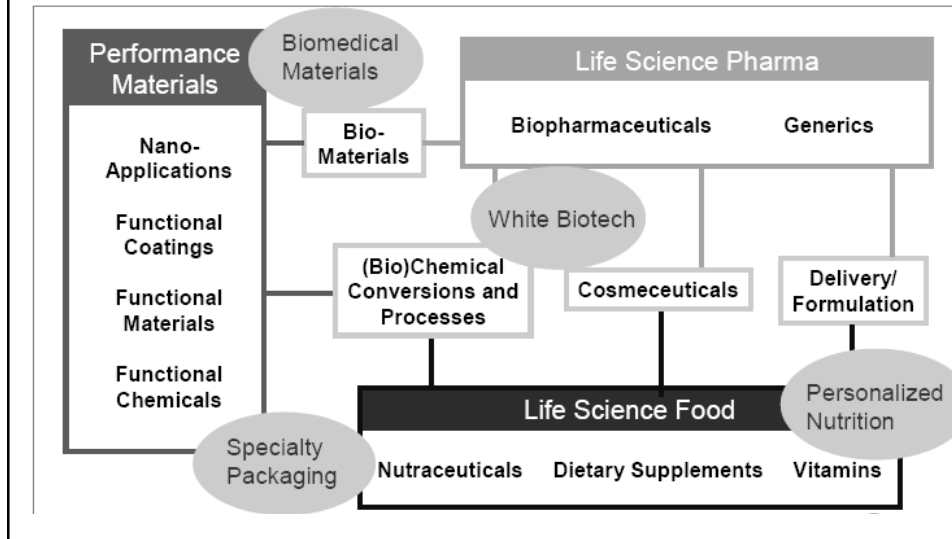
## Structuring dynamically new businesses



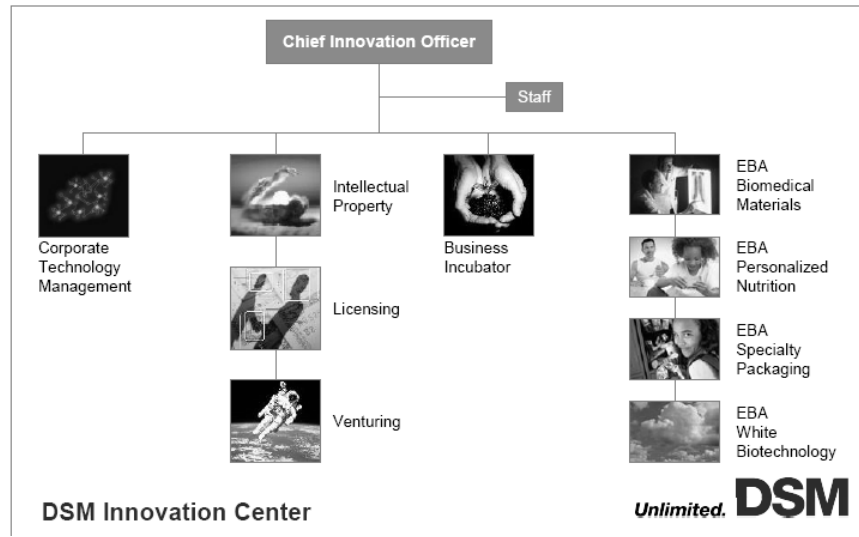
## LT strategy at DSM: Four innovation pockets



## Strategic scope – DSM 2005-2010 Defining the EBAs



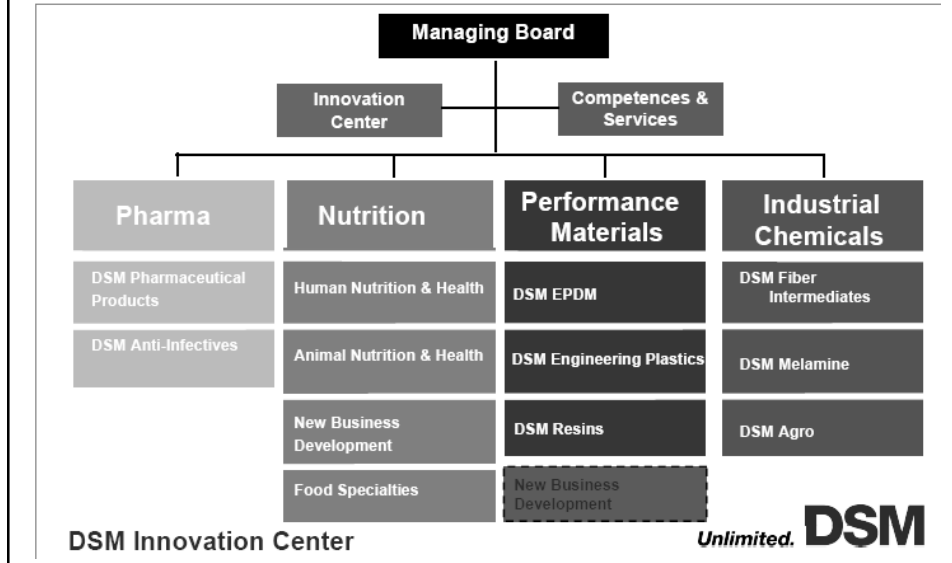
# DSM Innovation Center



## Selection criteria for EBA

- Field driven by global mega and technology trends
- Building upon DSM capabilities: market and technology
- Perfect fit with the corporate portfolio priorities
- Generate multiple business opportunities
- Positive impact on DSM profile

## Organizing for ambidexterity: DSM Organization

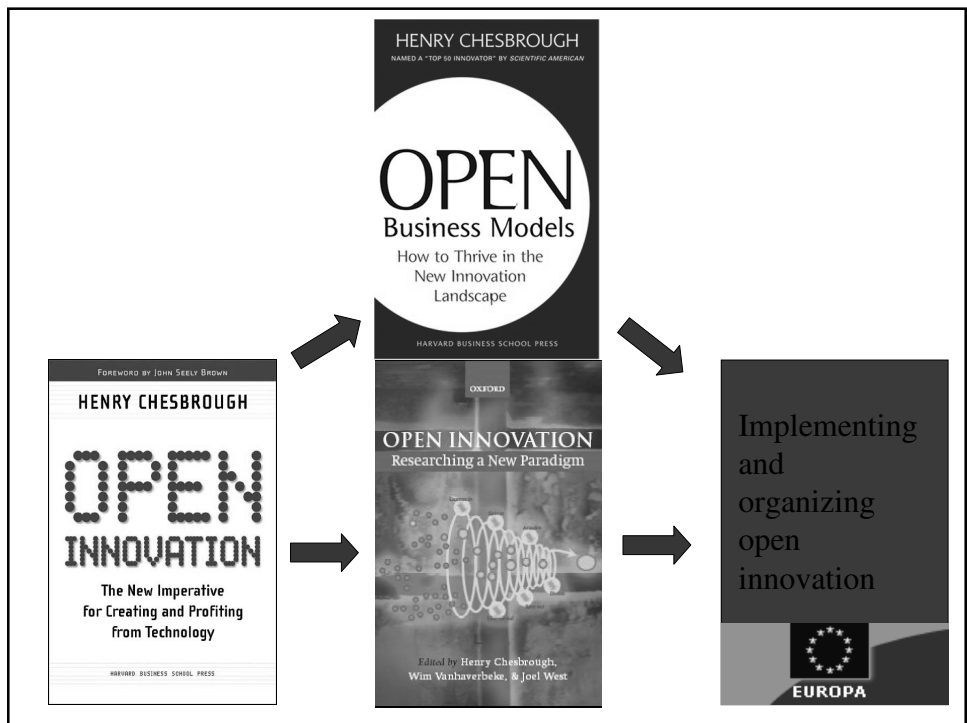
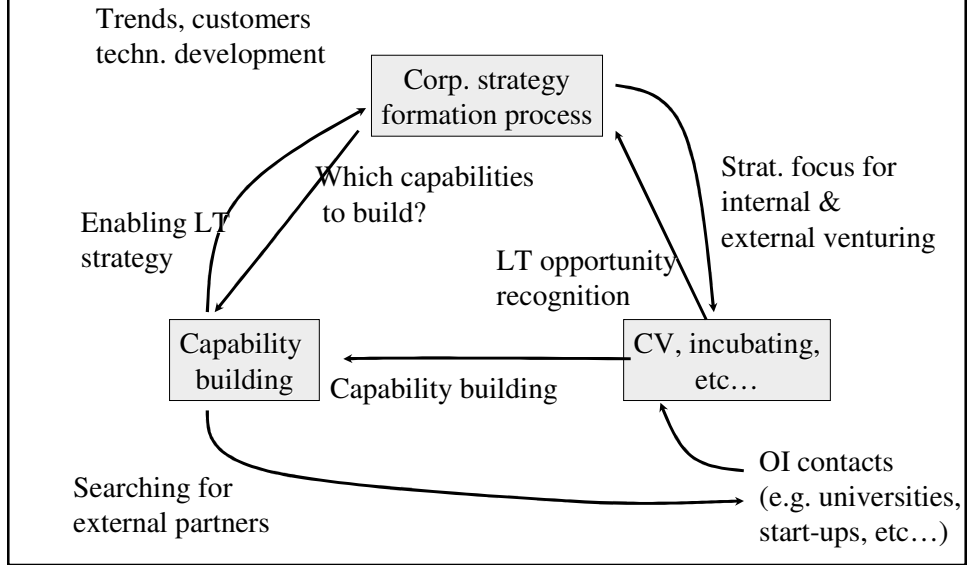


## Different time frames

- Business Groups:
  - ◆ Launching products to exploit unmet market needs
  - ◆ 1-4 years.
- Cluster NBD:
  - ◆ Extending business / technology into emerging spaces
  - ◆ 3-7 years.
- EBA's/Incubator:
  - ◆ Exploring and developing options for the future
  - ◆ 5-10 years.



# How to understand LT OI strategy?



# Practicing Open Innovation

## ■ Websites

- ◆ <http://www.openinnovation.net>
- ◆ <http://www.openinnovation.eu>
- ◆ <http://www.openinnovatie.nl>

- ◆ On-line open innovation scan

## ■ Seminars

- ◆ Customized management courses about OI
- ◆ Cases and management tool development

## ■ European Center for Open and Collaborative Innovation

## ■ Masterclass CE and OI at High Tech Campus (24-28 November 2008)

Welcome

Home Feeds (3) Print

# OPEN INNOVATION.EU

## Welcome to OpenInnovation.eu


### Recent updates

**Training Open Innovation: Foundations and Best Practices**  
On the 8th of April, Le CRP Henri Tudor organizes a training about the foundations and best practices of Open Innovation with Prof. Dr. Wim Vanhaverbeke. The training will take place at CRP Henri Tudor | 29, avenue John F Kennedy | L-1855 Luxembourg-Kirchberg.


For additional information: <http://www.sitec.lu/cms/sitec/content.nsf/ldgen/GBEA-77GFZH?opendocument&language=fr>

**The Fourth Masterclass Corporate Entrepreneurship and Open Innovation**  
From April 17-23, 2008, the fourth European course on Corporate Entrepreneurship and Open Innovation will take place at Conference Hotel Willbrodhaeghe in Deurne in the Netherlands. This course is organized by Ronald Wolf (Philips) and Wim Vanhaverbeke (Hasselt University). Keynote speakers are Henry Chesbrough (UC Berkeley) and Kenneth Morse (MIT).

Additional information can be found on the Corporate Entrepreneurship website at:  
<http://www.hitech-projects.com/masterclass/spring2008/>

**Call for Papers IFIP WG 8.6 2008 Conference on Open IT-based Innovation**  
We would like to announce that the Call for Papers of IFIP WG 8.6 2008 Conference on "Open IT-based innovation: Moving towards cooperative IT transfer and knowledge diffusion", that will be held in Madrid on 22-24 October 2008, is ready. For more information and to view the call for papers, click  cfp.

You can find all the updated information about the event at the Conference web site at <http://ifip8-6.ceditec.etsit.upm.es/>.

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Henry Chesbrough, ...  
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