Creating a climate in which Open Innovation works

Some personal observations.....

Prof. Roy Sandbach, P&G Research Fellow,
Cambridge, September 2008
P&G: A 70BN$ business with 23 Billion-Dollar Brands
We need organic growth of 4BN$ per year, excluding acquisitions.

A Starbucks business equivalent....

....... every year !!
Historical Growth Through Internal Connections

CONNECTING TECHNOLOGIES - CREATING INNOVATIVE BRANDS - DELIGHTING CONSUMERS

“IT ALL STARTED WITH CANDLES”

PRODUCT CONNECTIONS MAP

03/28/2003
What’s New With Connect & Develop

**Vision**

**Scope**
- Acquire 50% of ideas externally

**Focus**
- Cooked Ready-to-Go Technology
- Cooked Ready-to-Go Products
- Disruptive Technologies
- Commercial Connections

**Rewards**
- Shared Risk/Reward Agreements

**Organization**
- Manage Know-How and Know-Who

**P&G Intellectual Property**
- License, Sell, and Donate Where Appropriate

**Previous**
- <25% of Innovation Externally Sourced
- Mostly Technology Leads That We Reduce to Practice
- P&G Pays and Owns Everything
- Manage Know-How
- Keep It Within P&G
A new approach can’t just happen

- Process
- Organisational Climate
- Individuals as Intrapreneurs

To build a Culture.....where it’s in the DNA.
Organisational Climate.
Key Elements: Trust & Openness

- Who gets the return? Is the big multinational always the bad guy?

- P&G management has defined for us the new culture of openness.

- We still use “fee for service” especially with new partners. Clarity on “who owns what” is vital.

- We construct CDAs & service agreements carefully. The trick is to maintain momentum while this is happening.
Intrapreneurship: Support & Space

- Individuals working in Open Innovation need both of these and struggle with “innovation process control”

- Support in the often fruitless search for workable solutions.

- Space to work on leads.

- And need to have a reward structure that recognises the “distance from the core”
Intrapreneurship: Conflict & Debate

- Skilled “intrapreneurs” must sell well, and....

- They must cope with rejection, and......

- They must be helped with conflict. Just remember Machiavelli.

- Note that external partners often don’t see/feel the trauma of bureaucracy impacting on the intrapreneurs.
Freedom to Connect & Develop

- It has to be given......
  Who are your serial innovators ?......
  Do you know Lotka’s Law ?

- Are you giving your serial innovators special freedom ?

- Do you have Internal/External systems for knowledge/problem sharing ?

  P&G Communities of Practice, “Technology Entrepreneurs”
  Innocentive, NineSigma, NESTA/BDI, Research Councils, Your Encore…..etc,etc

- Knowing the complete operational landscape is vital to effective intrapreneurship. Cross-business unit (and geography) collaboration through “serial innovators” is important.

- We must keep the wide-angle lens on.
A Question of Balance

- Open Innovation is exciting and satisfying. Being in a big organisation is not a negative.

- Goes beyond the base organisational core competencies……but must fit with what we’re good at….and complement internal programs

- Is a culture, needs “climate change” !!

- But can build big revenues………..
Invention, Intrapreneurship and Connect & Develop......
A totally incremental 100MM$ business
Thank you for allowing me to share my thoughts.