

TEN TYPES OF INNOVATION

THE DISCIPLINE OF
BUILDING BREAKTHROUGHS



FINNISH INDUSTRIAL INTERNET FORUMIN (FIIF)
BUSINESS MODELS – 25.04.2019

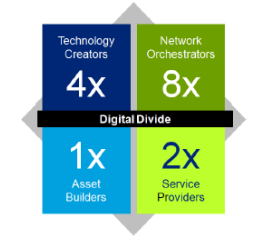
Digital DNA enabled Innovation & Growth

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Energy, Resources & Industrials

Valuation

Innovation journey

Digital DNA as enabler



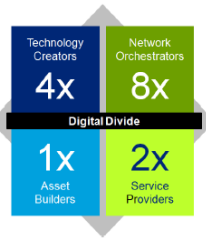
How companies are valued has changed

Technology is changing how we view industry & value companies, ... and how we should develop strategy

... we're seeing a new trend of companies being valued differently ...

... based on recent research there is strong correlation between valuation and business model ...



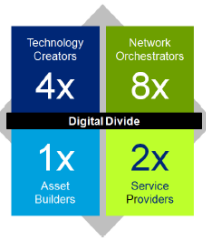


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... the differences among four foundational business models based largely on companies' management preferences, and investment and product/service strategies ...

Business model	Description	Definition	Unit of measure	Examples
Asset Builders	Make one, sell one	Use capital to make, market, distribute, and sell physical products	Production	<ul style="list-style-type: none"> Manufacturing Hospitals Hotels Retailers
Service Providers	Hire one, sell one	Use people who produce billable hours for which they charge clients	Billable time	<ul style="list-style-type: none"> Consulting Financial services Insurance
Technology Creators	Make one, sell many	Use capital to develop and sell intellectual property (IP)	Code or IP	<ul style="list-style-type: none"> Software Biotechnology Pharmaceuticals
Network Orchestrators	Many make; market and sell to many	Use digital networks of businesses or consumers to create, market, and sell goods, services, or information, with the company acting as organizer	Network size (number of participants)	<ul style="list-style-type: none"> Credit card companies Stock exchanges Social networks



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... industrial-era firms were driven by **supply economies of scale**, with high fixed costs and low marginal costs, and could increase volume and lower prices.

... internet-era firms are driven by **demand economies of scale**, where users create value for users, which attracts more users, which in turn creates more value, ...

Firm	Start year	Employees	Market capitalization (billion \$)	MC/E	MC/YO
BMW	1916	131,000	51	0,4	0,5
Uber	2009	16,000	76	4,8	7,6
Marriott	1927	177,000	39	0,2	0,4
Airbnb	2008	10,000	38	3,8	3,5
Walt Disney	1923	199,000	163	0,8	1,7
Facebook	2004	35,000	473	13,5	31,5
Wärtsilä		18,000	8,9	0,5	

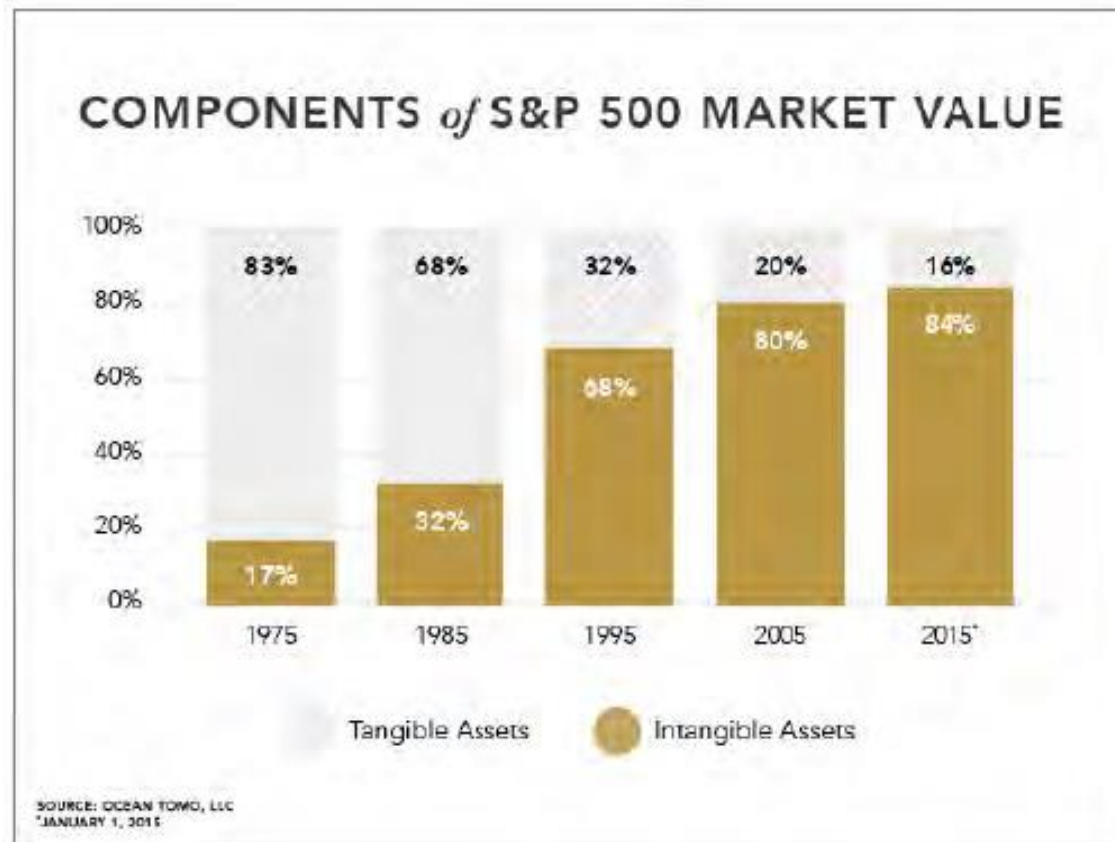
innovate and grow faster & operate with fewer employees

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... the market value has shifted dramatically *from physical to intangible* ...

... by 2015, only 16 % of market value in the analyzed group (subset of 300 S&P companies) was related to net book value or physical assets such as factories, equipment, and inventory ...

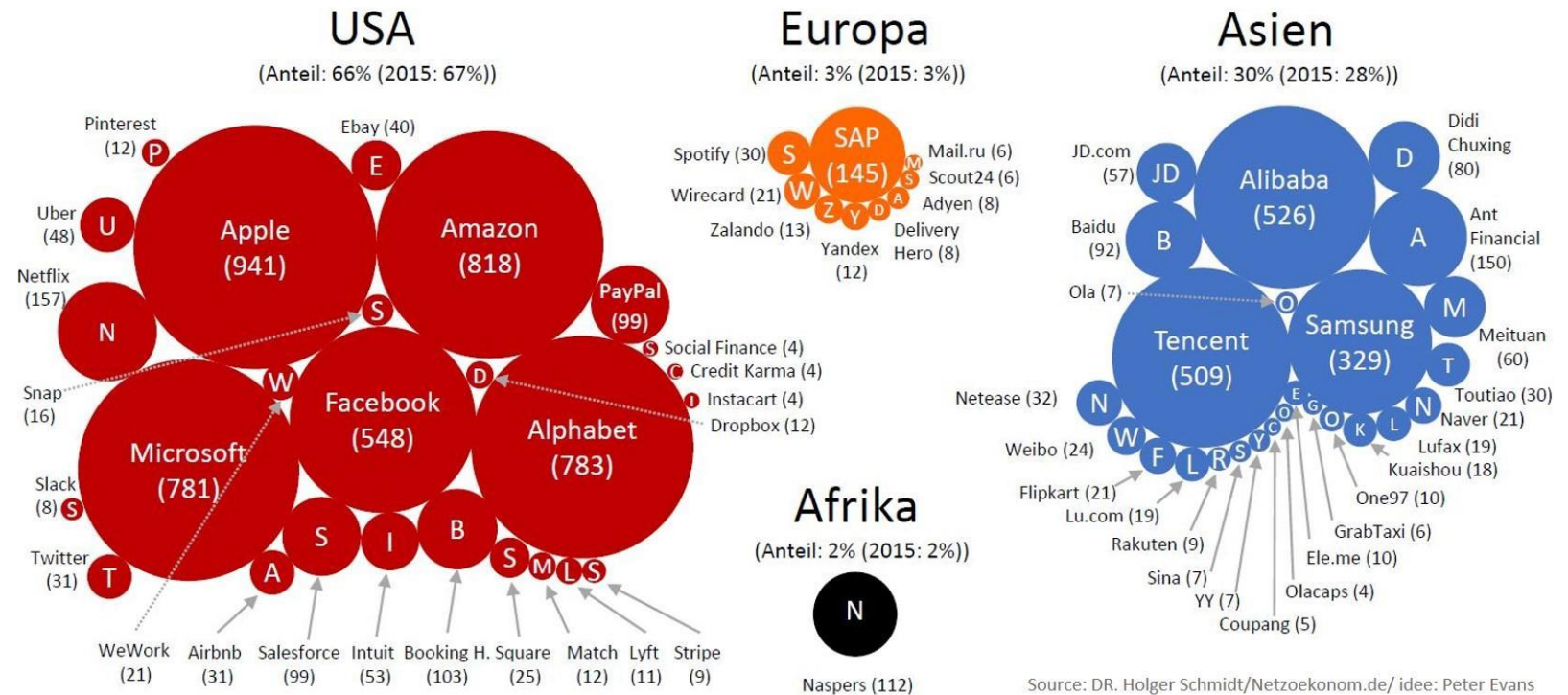


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... with this new perspective, management can begin to look toward shifting business models to **monetize these intangible assets** and further grow a business's overall value ...

... successfully introducing a new business model to an organization requires a **mental shift** ...

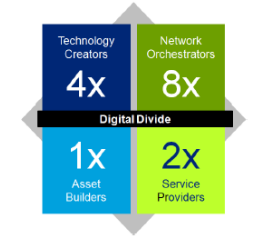


~~How do we make money?~~ "How do we create value?" -> "How do we share in that value?"


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INNOVATION**

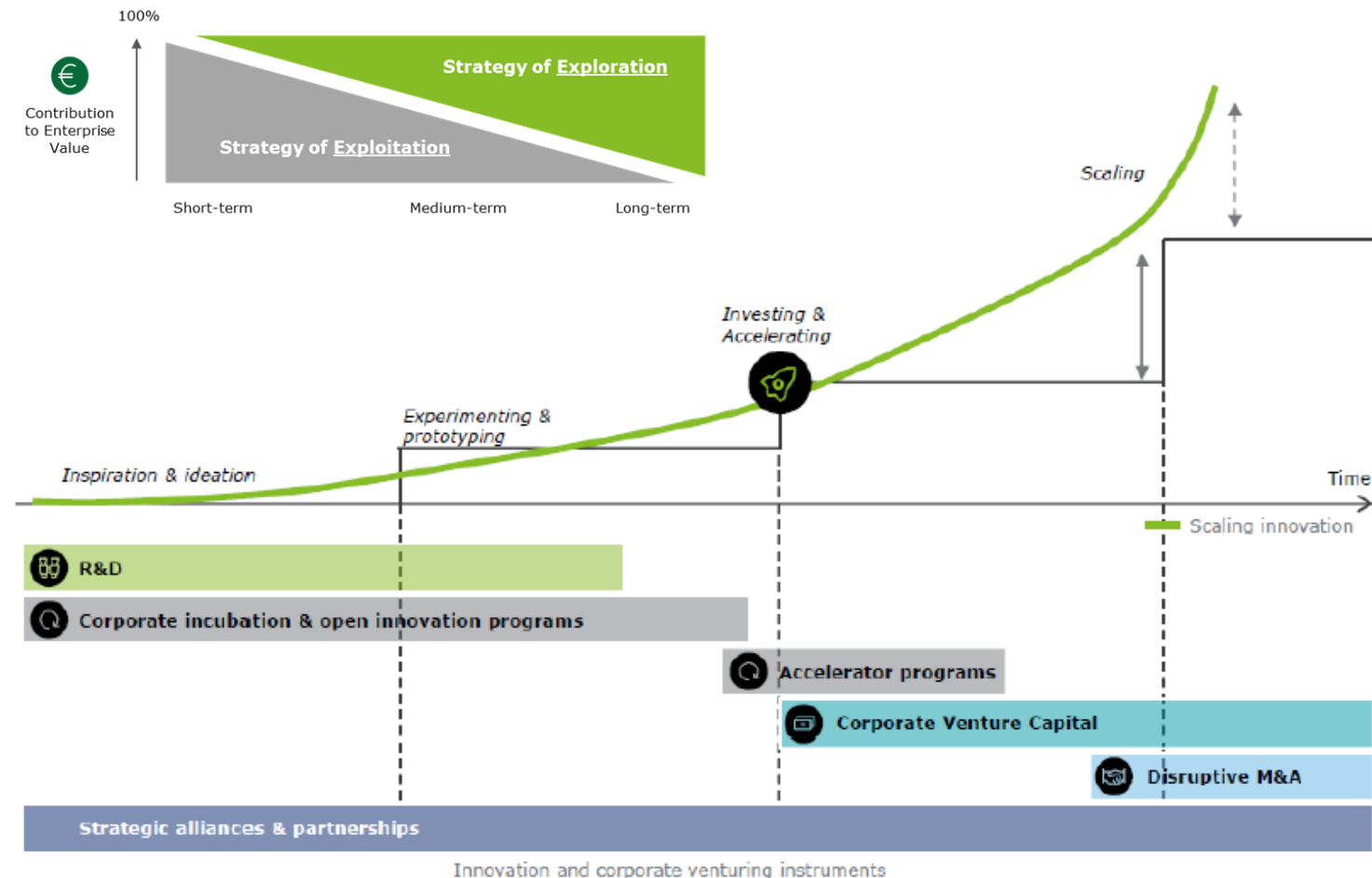


THE DISCIPLINE OF
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How companies are innovating is changed

Great innovator understand the importance of exploration, ... and creates long-term shareholder value

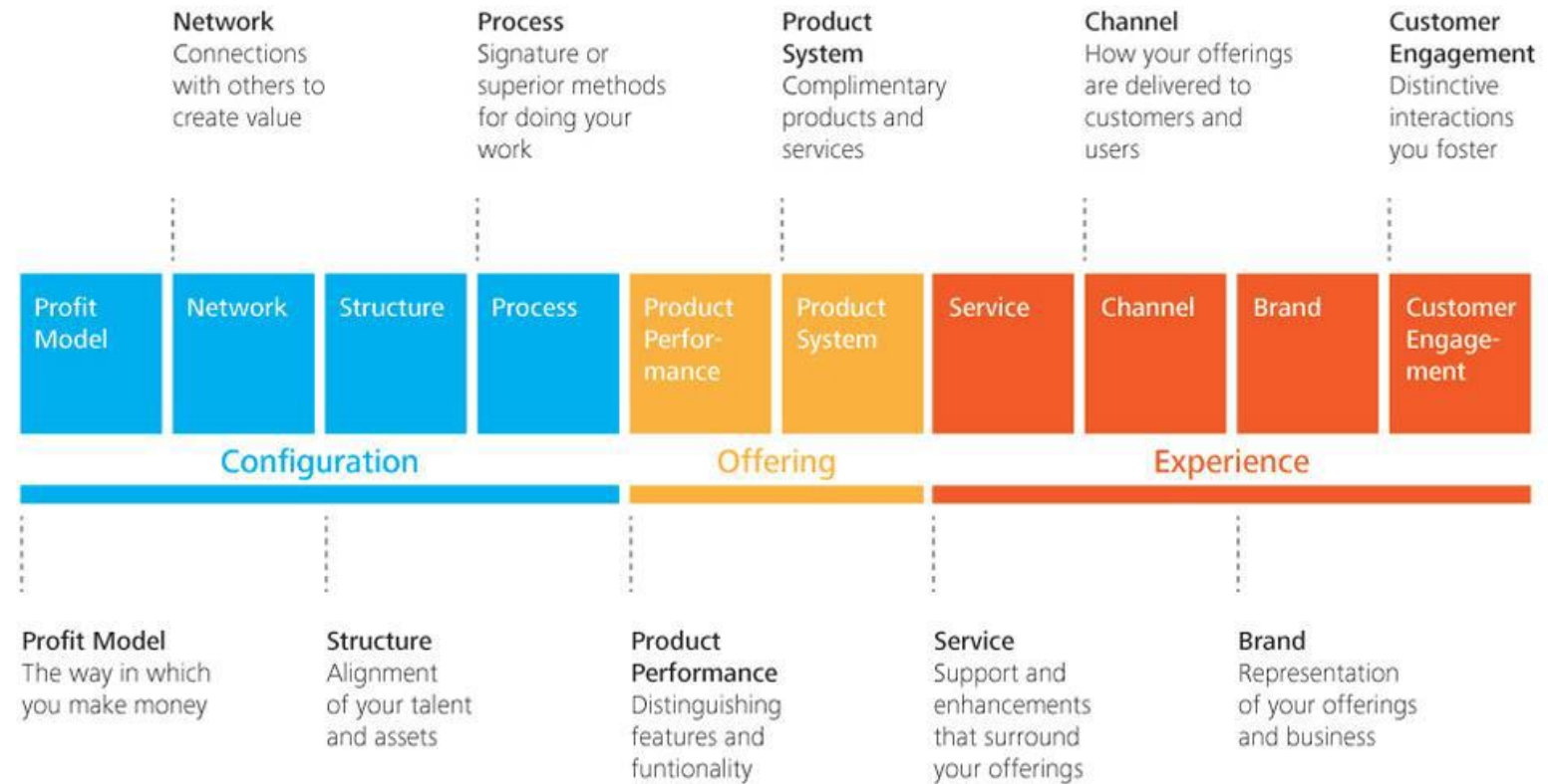
... leading companies are building the innovation strategy as a *balanced portfolio of value creation opportunities*, including both internal (the company) and external (the ecosystem) perspectives ...



How companies are innovating is changed

Great innovator understand the importance of exploration, ... and creates long-term shareholder value

... the average innovator tends to pursue no more than 1 or 2 types of innovation ...



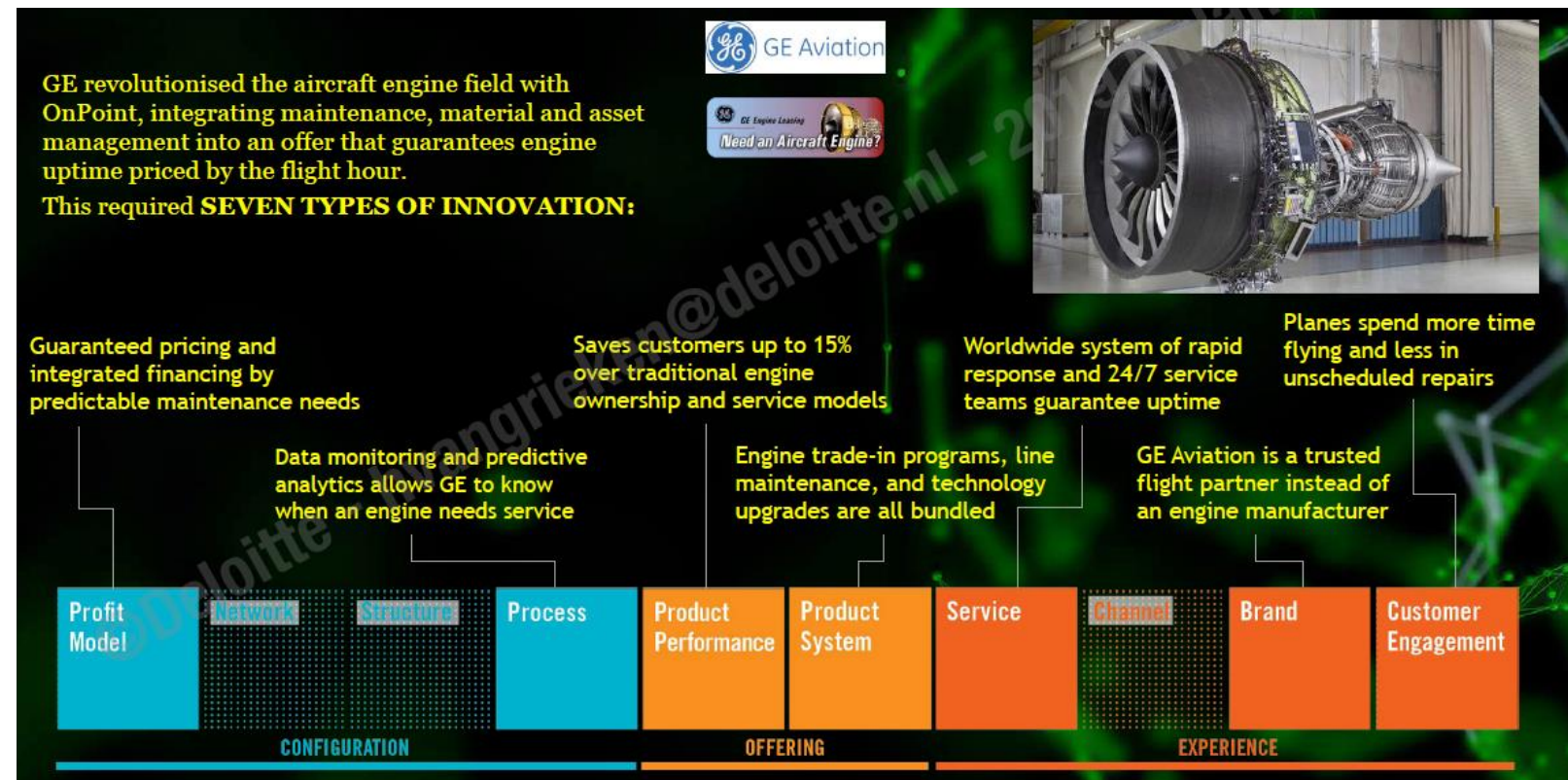
How companies are innovating is changed

Great innovator understand the importance of exploration, ... and creates long-term shareholder value

... you need to be more disruptive to existing business models and need to think about combining innovation strategies and types

...

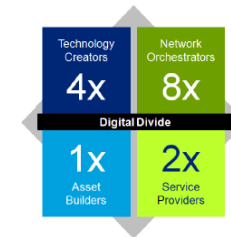
*... successful innovators find ways to **integrate many types of innovation** (> 3) ...*




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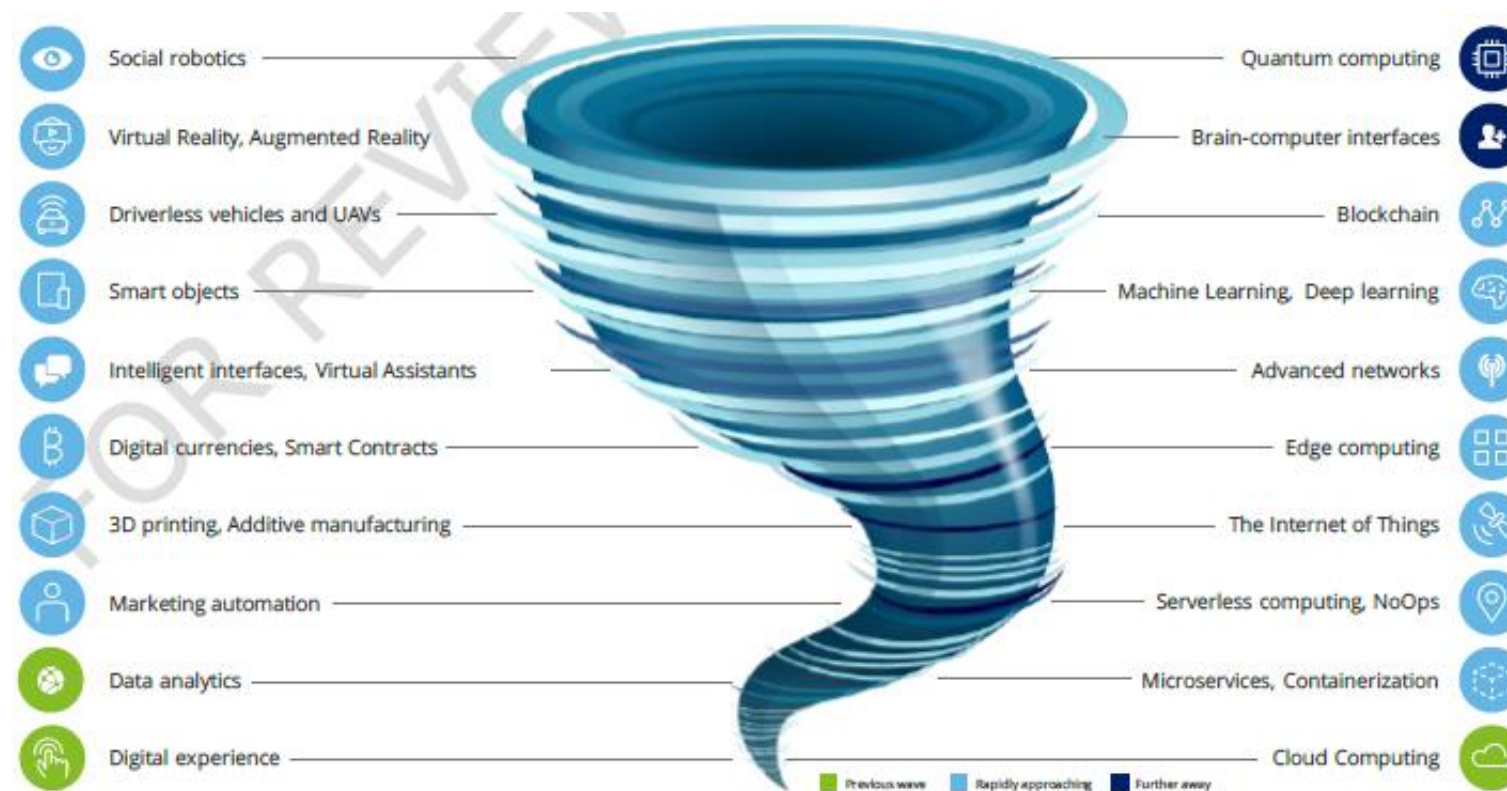




Digital DNA as an enabler for innovation and value creation

Disruptive digital technology will impacts every part of the company - from strategy to operations

*... in the digital era,
businesses cannot
predict every new
technology in
advance, but need to
futureproof their
Technology
Operating Model
(TOM) to allow them
to **react to changes**
as they arise ...*





Digital DNA as an enabler for innovation and value creation

Disruptive digital technology will impacts every part of the company - from strategy to operations

... three big shifts

- *Ways of working*
- *Resources*
- *Technology*

describes how enterprises need to adapt to leverage the potential of the technology ...

3 Big Shifts in 'Ways of working'



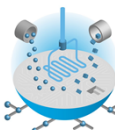
1.

Agility and speed become the new norm. Organizations learn and adapt by experimenting and fast deployment.



2.

The **boundaries** between business and IT blur, business-led IT increases, and tech fluency is vital for all.



3.

The rise of innovation **ecosystems** with joint risk taking, and value creation among quickly engaging and disengaging partners.

3 Big Shifts in 'Resources'



4.

The **workforce** transitions as digital, data, AI, and robotics create new jobs and cause existing jobs to disappear.



5.

Organizations adopt the vision, **values, culture, and leadership** required to build **digital DNA**.



6.

Innovation and experimentation require **governance** and a larger share of resources, with fit-for-purpose funding mechanisms.

3 Big Shifts in 'Technology'



7.

Cloud becomes the dominant IT delivery model, with highly **automated** IT processes.



8.

Competitive advantage shifts in favor of **data and algorithms** fueling algorithmic business.



9.

Information technology (IT) and operational technology (OT) **converge**.



Digital DNA as an enabler for innovation and value creation

Winners align their strategy to execute in an investor-driven, agile, and insight-driven way

... as only few companies are immune to the influence of technology driven disruption, innovation, or value creation ...

... companies need to *change the way in which they configure their operations* to execute on their business & technology strategy ...

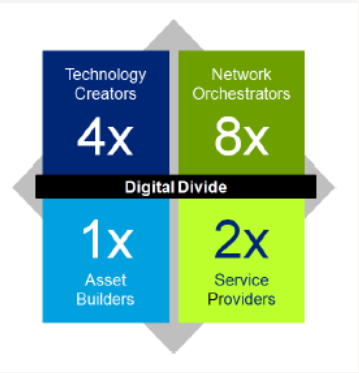
There are four levels of Digital Maturity: Exploring, Doing, Becoming, and Being



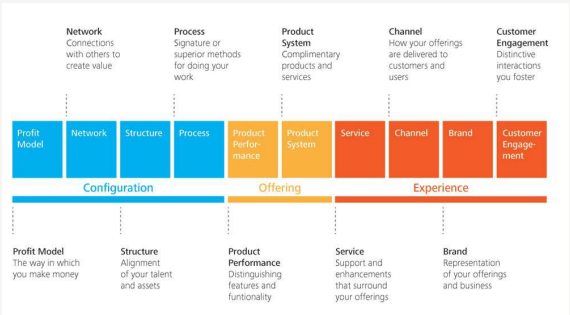
Being “digital” is expressed as digital traits and characteristics. They are present in all areas of the organization: business models, operating models, customer interaction, organization structure, talent, technology, cyber-security, culture, etc.

Q&A

Valuation



Types of Innovation



Digital DNA

