CHALLENGED SOLUTION

The Netherlands, pseudonym

A promising market opportunity is not sufficient to become involved in an open innovation collaboration as this Dutch SME found out to its disappointment; an aligned vision among partners is just as important

Executive Summary

This cases involves a software company which works on IT projects with a strong focus on societal challenges. They were invited to join an international R&D consortium consisting of 10 partners from 5 countries and comprising R&D centres, other SMEs and an end-user organization. Despite the strong USP of the ICT service solution to be developed and the chance to be first to market, the project partners lacked shared goals and ambitions which finally led to the decision not to invest in the product's joint commercialization. The case reveals some important reasons why an open innovation collaboration does not always have a successful outcome.

CASE N°: SD11

SECTOR: INFORMATION TECHNOLOGY

TECH INTENSITY: LOW-MEDIUM TECH

LIFE CYCLE STAGE: ESTABLISHED

INNOVATION VECTORS: PRODUCT, SERVICE

01 PARTNERS: PSR, OTHER SMEs, END USER/ CUSTOMERS, PUBLIC FUNDING PROGRAMME

KEYWORDS: IT, software, mobile, lean approach, research, competition

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BACKGROUND

(The interviewed company wished to remain anonymous. Therefore, we will use this project pseudonym 'Challenged Solution' and name of the interviewed company 'the IT Guys'.)

The IT Guys are a team of 30 ambitious, innovative consultants with over 20 years of experience in IT development, with a strong focus on projects that provide solutions for people with reduced mobility or other societal challenges. The company is growing steadily and wishes to keep participating in meaningful projects to serve society.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

The company continuously looks for new opportunities to learn from in order to increase their field of expertise (basis for their IT services) as well as seek out new business opportunities. The team was invited by an existing consortium* to cooperate in developing an app-based solution to increase the mobility of people with physical disabilities. They agreed to participate in this subsidized project because the topic was aligned with their core mission and because of the opportunities to learn.

The market opportunity was not thoroughly researched by the consortium before the start of the project, although all parties felt confident they were tackling a major societal trend.

* The IT Guys were invited to join an existing consortium after the original partner withdrew.

OPEN INNOVATION TRAJECTORY

Concept development

Initially there was only a shared ambition to work on this societal challange but no common vision on how to tackle the problem. Four of the partners engaged in user research to identify relevant cases and needs that should be prioritized in designing the intended solution (user interviews were conducted).

The IT Guys could contribute with their knowledge of developing IT systems for the same target group (those with reduced mobility). They had come with a concept of a back-end system architecture that could communicate efficiently with other applications and publicly available databases such as public transportation information, events, etc.

Other partners engaged in developing concepts of mobile applications and hardware design. An SME in Italy developed graphical interface concepts which were adapted to the needs of the target group.

Overall the whole consortium* engaged in the concept development. They investigated possible user groups in two European countries by carrying out interviews with approximately 20 people with mobility problems. Later on, the consortium engaged in joint workshops to generate service ideas and define full concepts. Together the consortium selected a shortlist of service concepts to pursue in the development track.

*The consortium consisted of 10 partners from 5 countries. Two of the partners were R&D centres, others were SMEs and also one end-user organization.

The development process, IPR and competition strategy

In the first phase, they lost a lot of time in getting aligned and understanding the true goal of each partner in the project. The research institute seemed primarily very interested in researching various goals that might or might not be useful for a viable end product. They were very interested in carrying out desk research into various research methodologies. This caused frustration for the IT Guys who needed to know what would or would not work.

The project coordinator had too little experience of managing such innovation tracks and struggled to keep all the parties aligned with the expected results. Defining the true goal and desired end result of the project proved to be very time-consuming, especially with 10 parties involved, all of whom with strong opinions.

The R&D project lasted for 4 years and led to a viable prototype of the product. The prototype required additional refinement before moving to the commercialization phase, which was not accomplished during the project. Some partners decided to exploit their know-how in new partnerships or in individual next generation products.

Due to a lack of interest in investing in joint commercialization, it was decided to stop the project without pursuing a joint business plan and any further collaborative intentions.

The project partners agreed that all IP that was developed by a specific party would be retained by that party.

The Unique Selling Points that were initially envisaged were:

1. Being the first on the market with this type of solution;
2. Ease of use and full scope of relevant services for their target group of people (a holistic and novel ICT service solution consisting of a system of tools and applications).

At the time that the project started, no real competing products were available. This was a reason to participate for the IT Guys. However, as development proceeded at a slow pace, other solutions and alternatives popped up, leading to a decreased USP. This also ended up to be one of the reasons that the market introduction was no longer pushed by the IT Guys.

Commercialization and follow-up

The actual product was never launched but the project partners agreed to exploit their own learnings and/or IP separately.

The project did not lead to any new organizational requirements for any of the consortium partners.

The IP developed by the IT Guys was no longer useful due to a loss of market uniqueness (caused by delays in the project). On the other hand, the new knowledge acquired as an outcome of the project helped to upgrade existing software solutions.

BUSINESS IMPACT

The company gained additional insights into a specific target group and their different needs compared with other target groups.

In addition to the recently acquired user insights, the company learned to approach subsidized open innovation projects in a different way (fulfilling additional criteria before agreeing to participate).

As the project did not result in an actual market release, there was no monetizing of this app. On the other hand, the upgrading of their existing

portfolio led indirectly to increased revenues.

LESSONS LEARNED

This case is interesting because of a number of common issues that occur in (often subsidized) research and development projects with a variety of partners, namely:

- the difficulty to get everyone aligned around shared goals, which proved to be challenging;
- lengthy communication lines lowering the speed to market that can be critical;
- trust among all partners.

Main lessons learned:

1. The project manager needs to be independent and not represent the interests of only one side.
2. The IT Guys would still be willing to participate in similar development projects, on condition of having one neutral lead partner who coordinates deliverables and goals and drives the project forward. They felt that this task cannot be done by one of the parties who is too heavily biased (as was the case in this project, with a research institute in the lead role).
3. An in-depth goals setting (including business goals) and alignment exercise should take place at the very beginning of the project.
4. Installing transparency and understanding 'why' companies are involved in a consortium is a crucial learning exercise to unravel at the beginning of such a project. It would have saved time and discussions, had this been done in a proper way.
5. Sometimes open innovation is counter-productive to reaching the market quickly. (Communication and inter-cultural cooperation between five different locations and countries made the development work much slower.)