

# PHILIPS



High Tech Campus Eindhoven

sense **and** simplicity

## The flavors in corporate innovation

Fred van Ommen & Corina Kuiper

Philips Corporate Innovation Office

## Outline

- Trends in innovation – portfolio mgt
- Granularity of innovation – 4x4 matrix
- How to manage different flavors of innovation
- Philips Corporate Venturing



# PHILIPS

## Philips innovation portfolio leverages a number of critical global trends

### Aging population

The number of people aged over 60 will double from 500m today to 1 billion by 2015.

### Emerging markets

99% of future population growth will be in emerging markets. Emerging markets already produce 28% of global GDP.

### Empowered consumers

Demanding solutions to fulfill their personal needs.

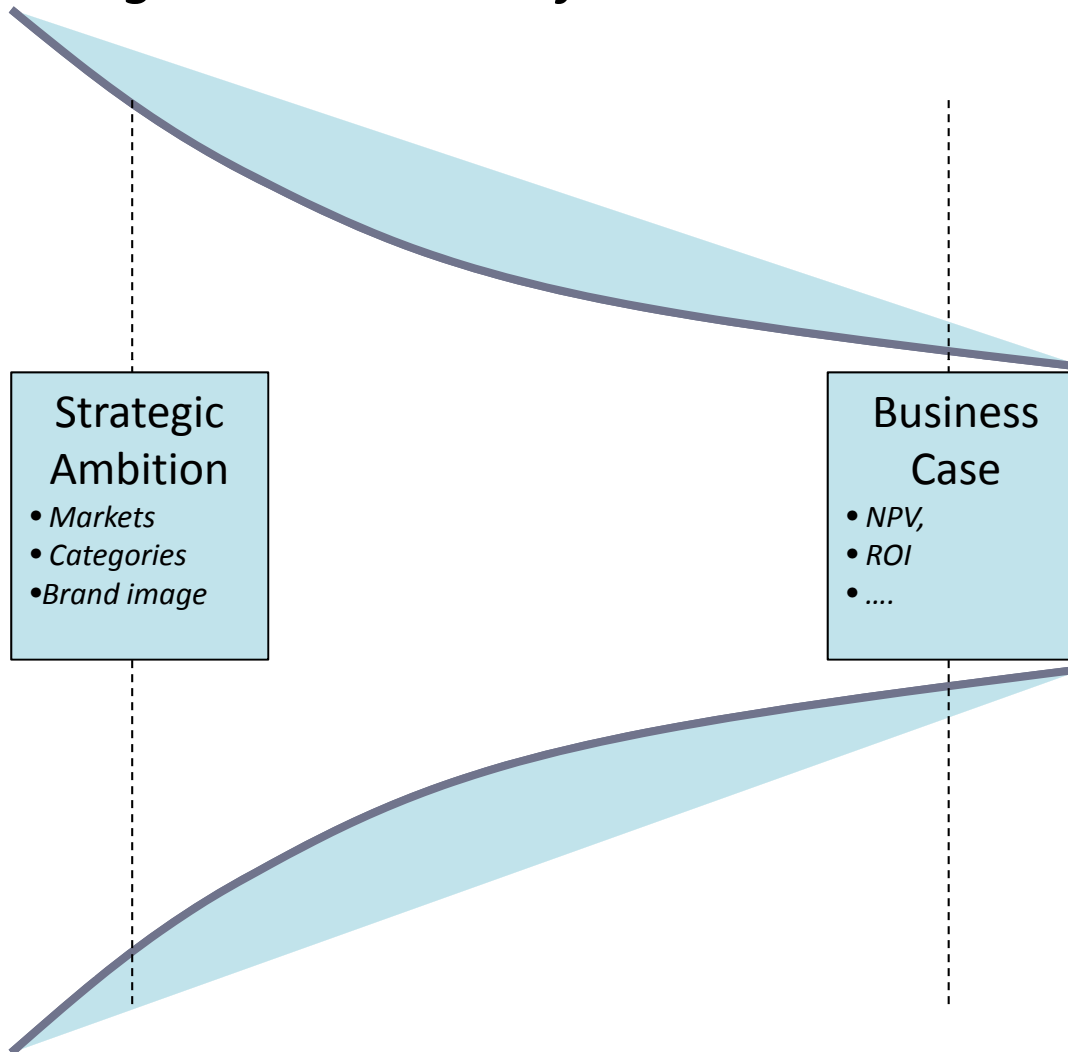
### Climate change and sustainable development

19% of global electricity consumption is used for lighting. We can save 40%...or 600 power stations worth of energy!



# Building innovation portfolios from Global Trends: *Starting with Strategic and Business filters*

Global Trends



**Strategic Ambition**

- *Markets*
- *Categories*
- *Brand image*

**Business Case**

- *NPV,*
- *ROI*
- *....*



**Opportunities**



## Building the leading company in health & well-being

### *Fundamental growth trends*

#### Global trends



Population growth, aging, higher healthcare aspirations and lifestyle related diseases mean that *healthcare costs will become unsustainable*



Increased welfare and changing lifestyles will drive *consumer focus on health and well-being*



The fundamental need to reduce our eco-footprint drives demand for *energy efficiency and sustainability*



The lighting industry will face a massive shift from conventional to *digital, dynamic lighting* and the entry of new, non-traditional players



The relative importance of *emerging markets* in the world economy continues to rise

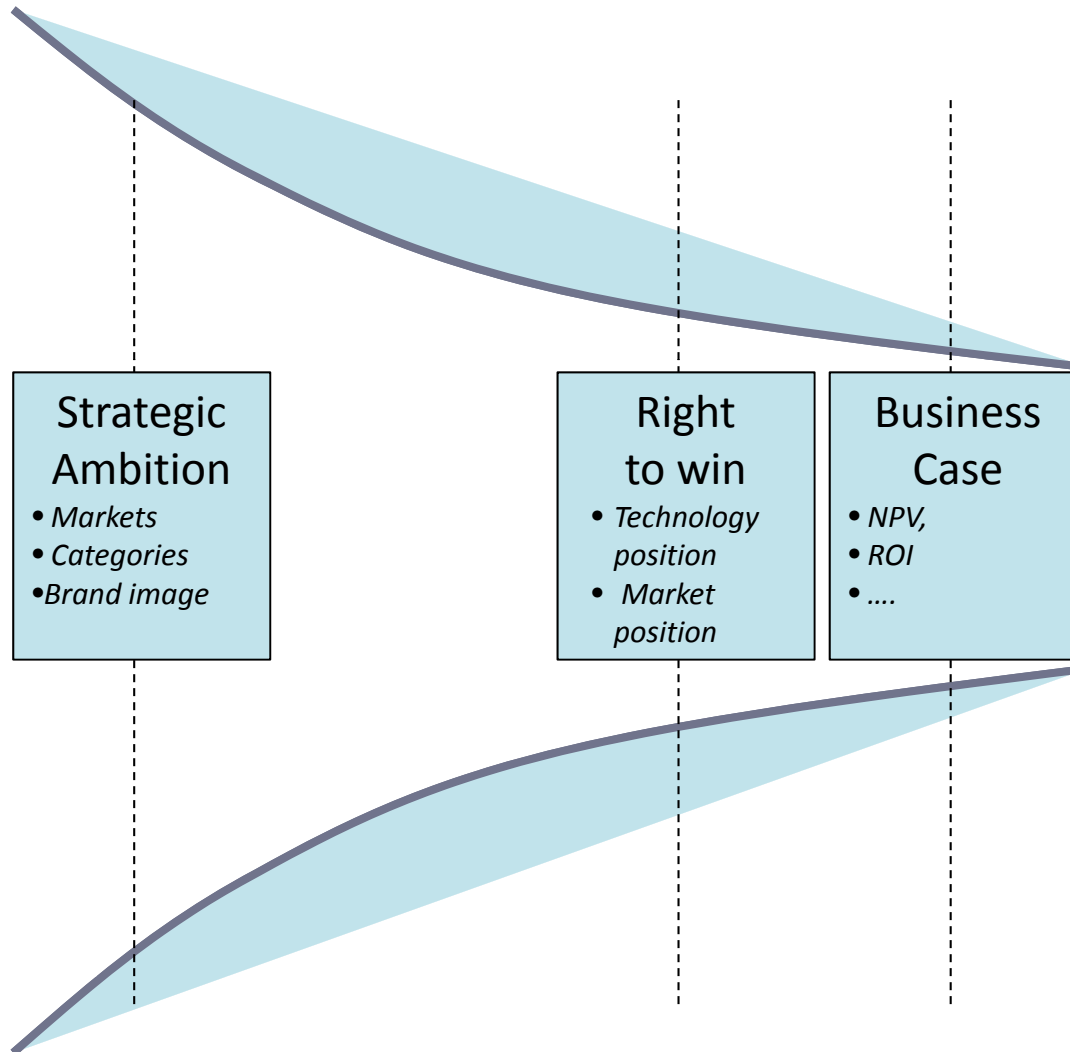
#### Our opportunities

- Efficient health diagnostics and treatment
- Home healthcare
- Healthy lifestyle and preventive health
- Personal well-being
- Light for health and well-being
- Energy efficient lighting
- Emerging markets
- Sustainability

## Adding the right to win the customer

### *End-user driven innovation*

#### Global Trends



#### Opportunities



## We've been listening to people....

### *Experience Labs in Philips Research*



Unique knowledge & insights in an early stage

- **Natural setting** to test envisioned new technologies & applications
- Multi-disciplinary teams
- Unobtrusive **observation & monitoring**
- Complex – but hidden – technology or staged interactions

**PHILIPS**

We've been listening to people....

*Experience Labs in Philips Research*

*HomeLab*

*ShopLab*

*CareLab*



# PHILIPS

This is what they told us...

## Consumer

“I hate waking up on dark winter mornings: I feel tired, lethargic and bit a down. It’s so different from summer, when I wake up easily and with lots of energy!”

## Clinician

“It has been shown that increasing light levels 30 minutes before waking up increases activation and alertness”\*

## Philips Innovation

“By emitting light that simulates the rising sun in your bedroom, Philips’ Wake-up Light gently prepares your body to wake up. “



We've been listening to people... also in emerging markets



**PHILIPS**

We have listen to people... also together with partners  
*Open Innovation*



**!nBev**



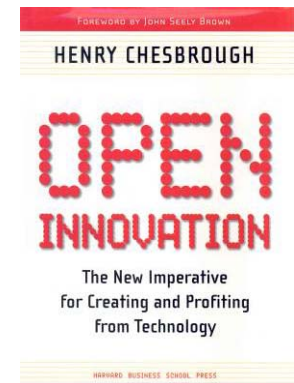
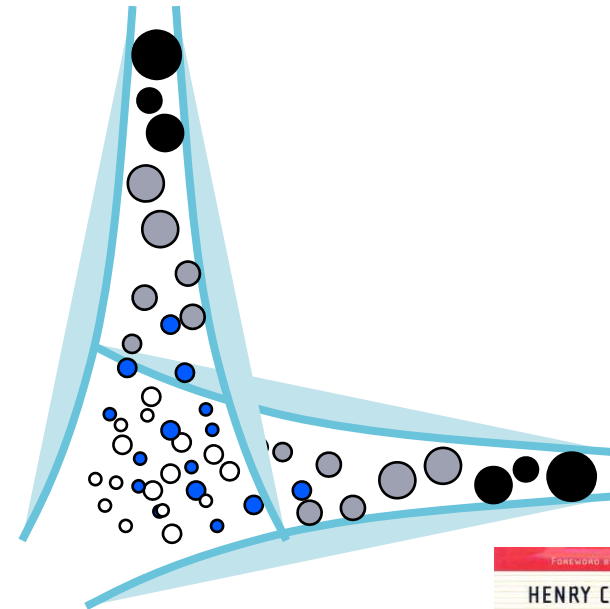
> 15 million sold



sense and simplicity

## Benefits of Open Innovation

- Leveraging joint R&D into different application areas
- Extended reach and capability for new ideas and technology
- Increased IP leverage and income
- Ability to conduct strategic experiments in exploration of new business areas
- Creating an innovation culture with expanded boundaries



# PHILIPS

## High Tech Campus – Open innovation



90 companies and  
8000 people (50 nationalities)  
Philips investment >500 M€  
Now privately owned



**Corporate innovators**

**Research institutes**

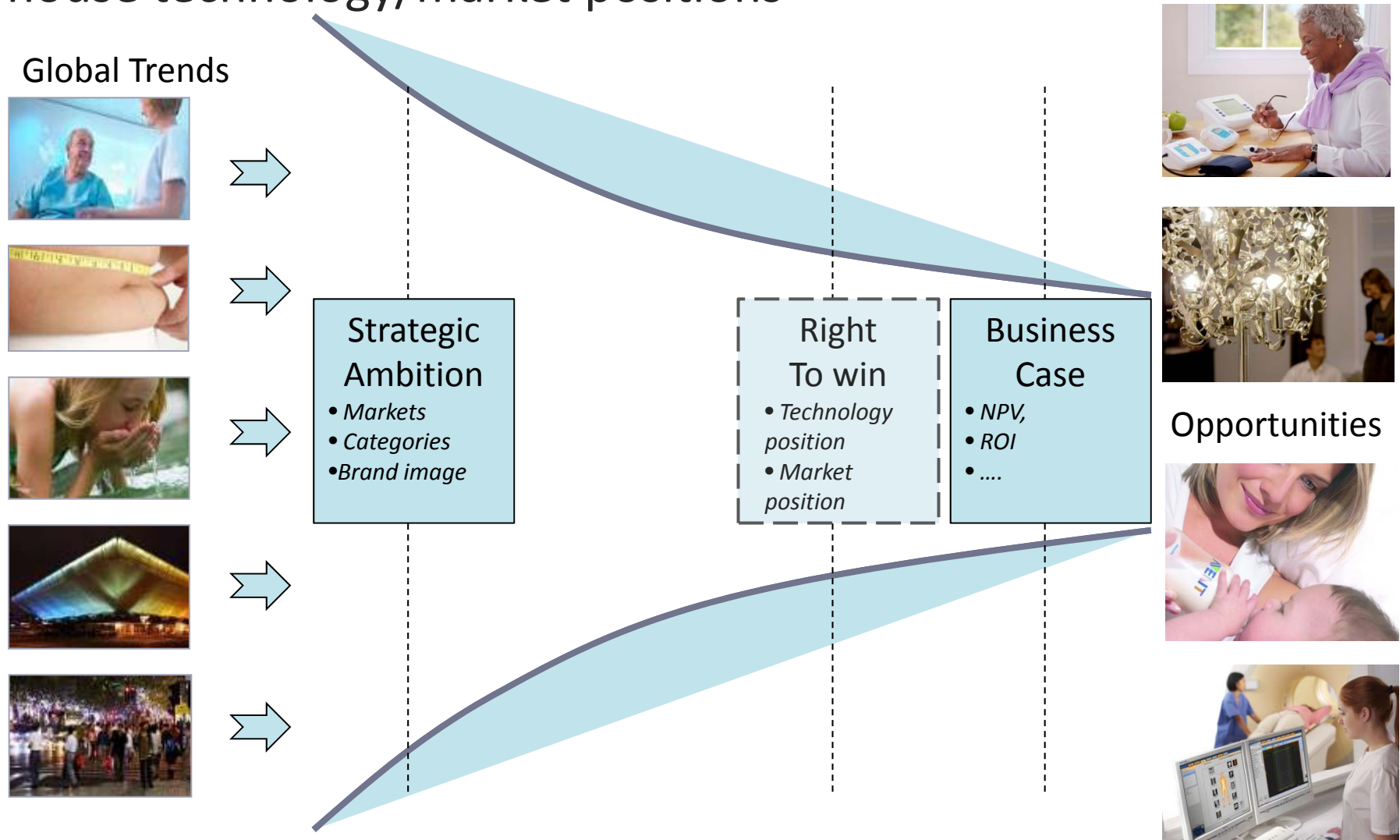
**Start Up companies**

**Consultancy & services**

High Tech Campus Eindhoven

Logos include: IBM, Corus, ASML, NXP, Tyco Electronics, Philips, Agilent Technologies, ZEISS, Océ, ST ERICSSON, FEI COMPANY, DALSA, Atos Origin, TEXAS INSTRUMENTS, TiasNimbas Business School, IAC, imec, Holst Centre, ECN, FOM, ctmm, Embedded Systems INSTITUTE, MiPlaza, Point-One, NewVenture, DELTAPATENTS, YACHT, VEREENIGDE point.one, accenture, VDL, Algemeen Octrooi en Merken Bureau, DSP VALLEY, Biocartis, miortech, amBX, HANDSHAKE SOLUTIONS, iRex TECHNOLOGIES, Polymer Vision, Silicon Hive, intrinsic ID, fluXXion.

With Open Innovation your are no longer limited to your in-house technology/market positions



We've been listening to people...

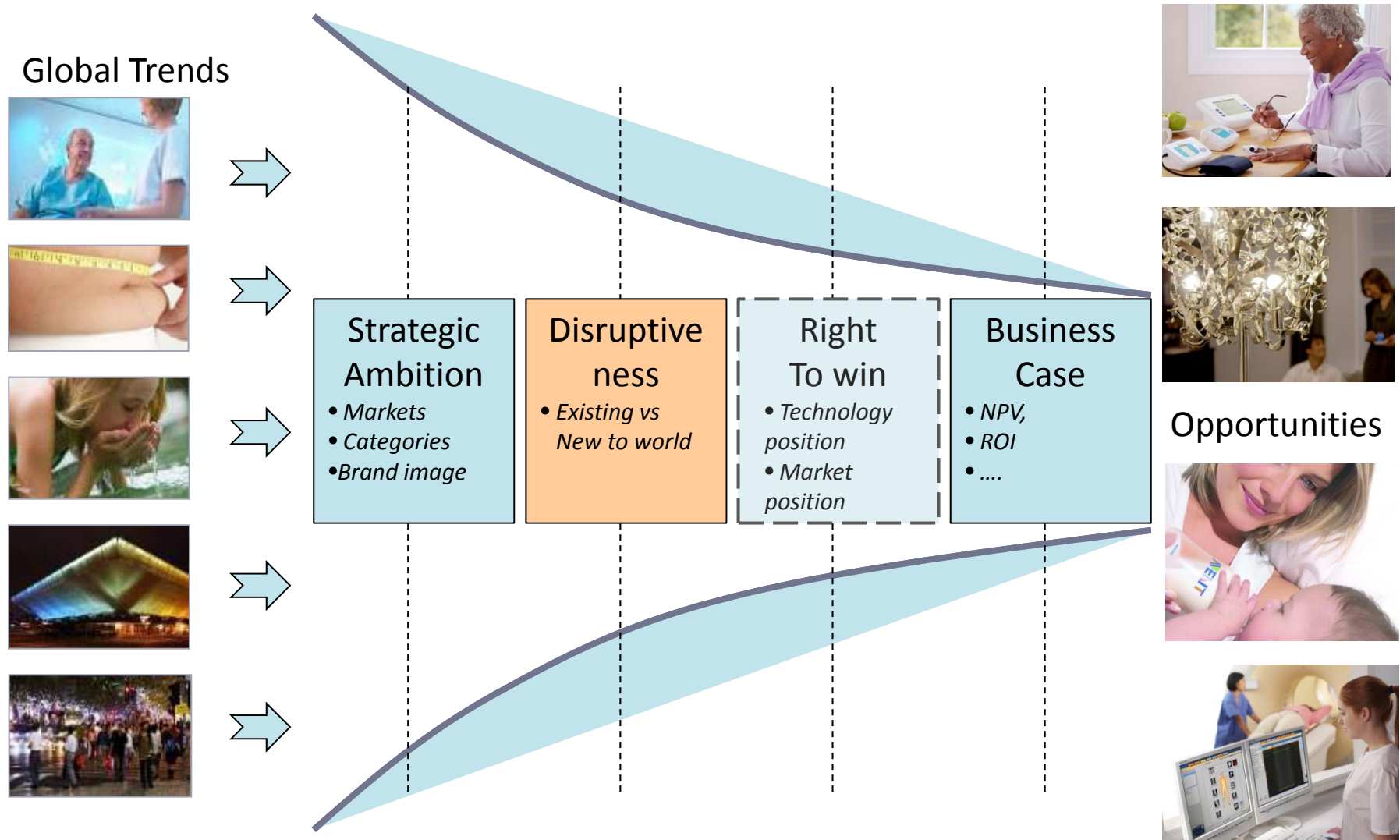
## HeartStart Home Defibrillator

- *80% of the cardiac arrests occurs at home*
- *Brain death and permanent death start to occur in just 4 to 6 minutes*
- *Few attempts succeed after 10 minutes.*
- *Only 5% survives!*



- ***No time to read the manual!***
- Easy to use
- Specifically designed for use at home
- Life saver
- Making a difference

# Disruptiveness to the customer determines how to innovate



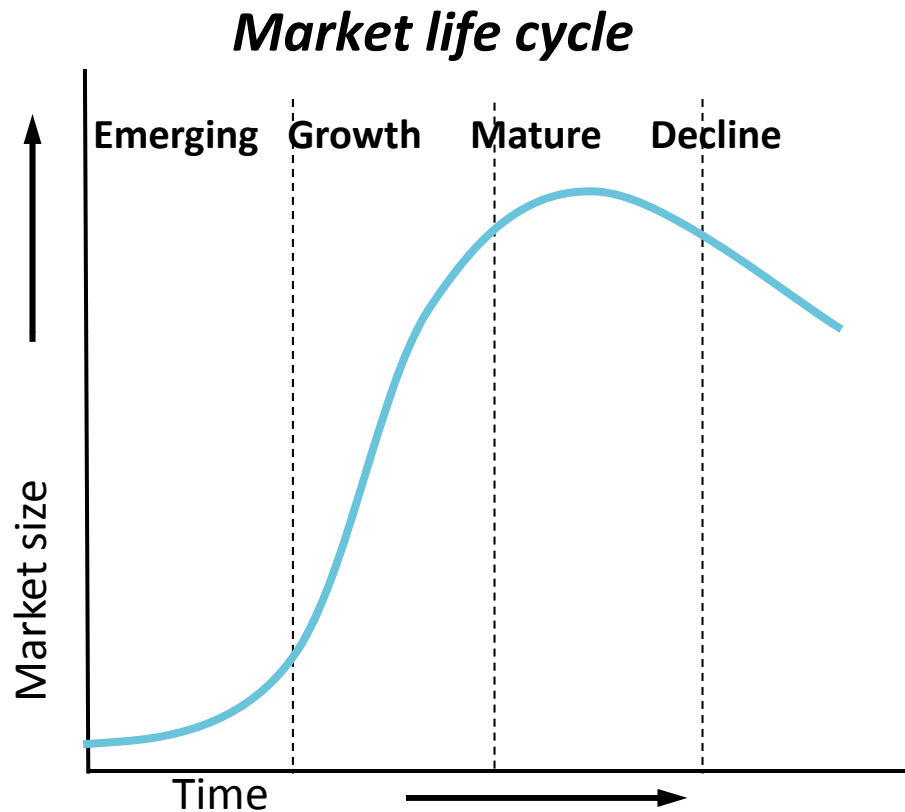
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## Outside-in Innovation:

- *Different Market life cycles and - Disruptiveness to the consumer*

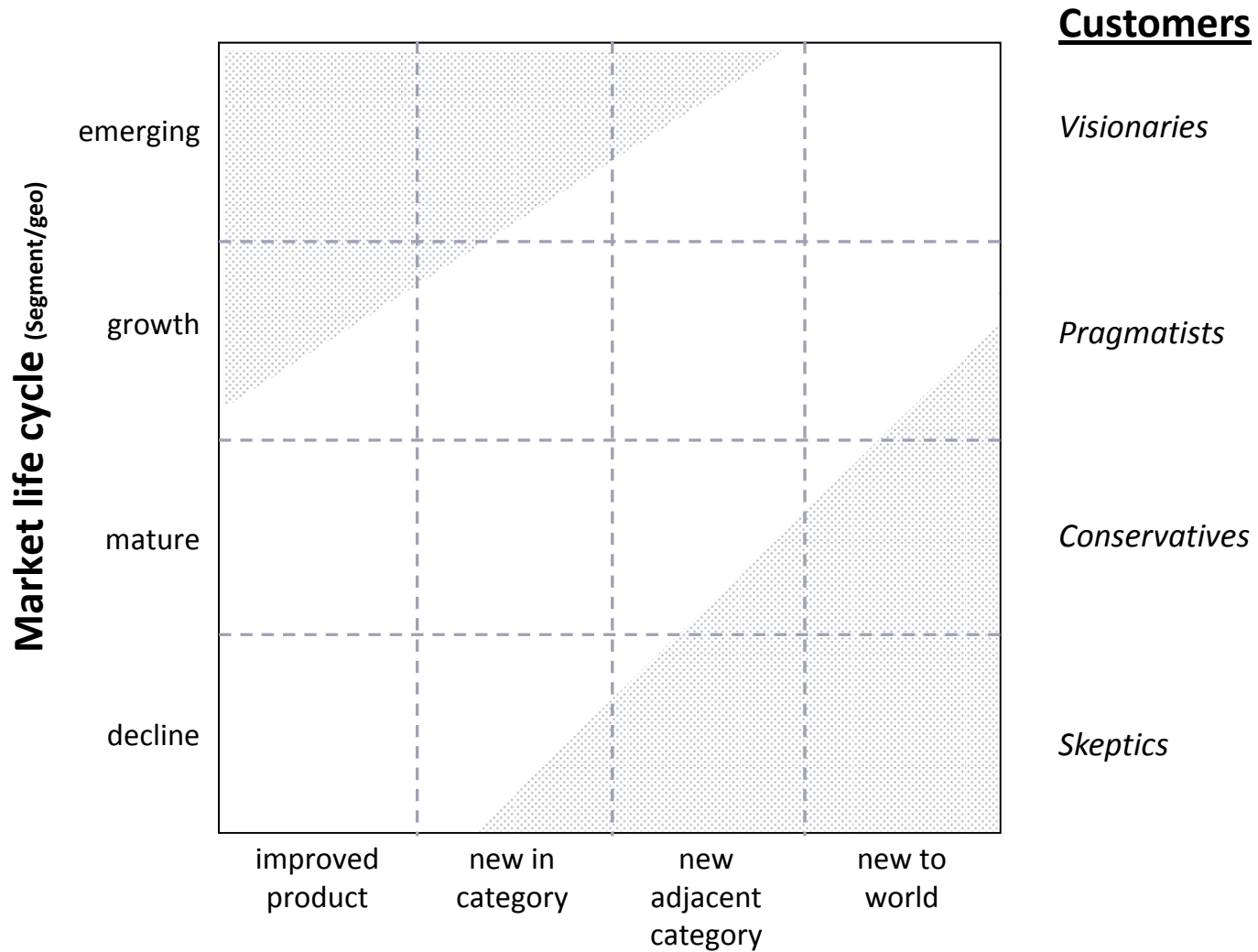


## ***Disruptiveness to consumer***

- New to the world
- New adjacent category
- New in the category
- Improved

*“The Granularity of Innovation”,  
A more granular perspective on innovation types driving enduring company  
performance.*

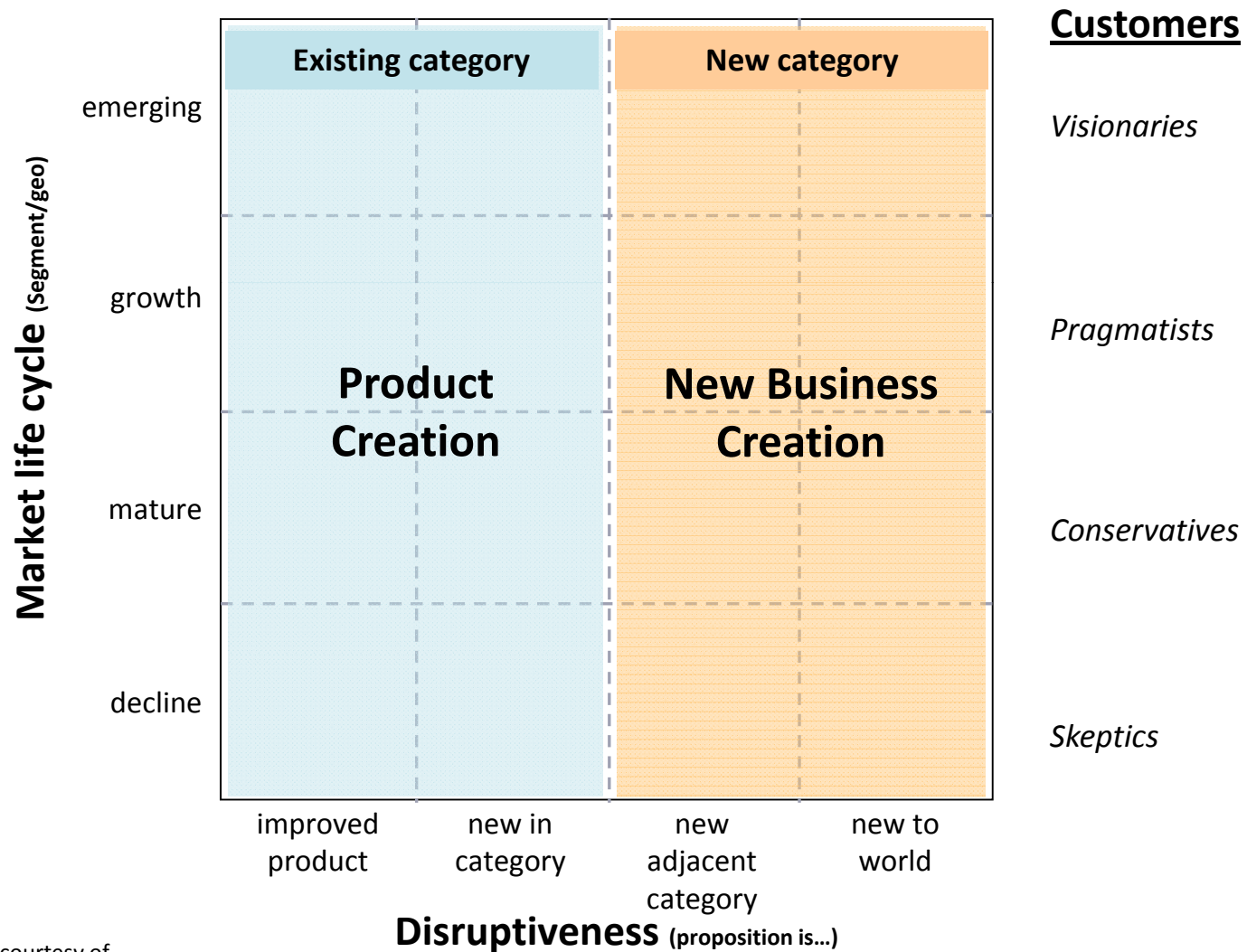
# Two dimensions creating view on different types of innovation



Graph: Innovation Matrix is courtesy of Fred van Ommen, Corina Kuiper, Philips CTO office

.... that enables different innovation perspectives

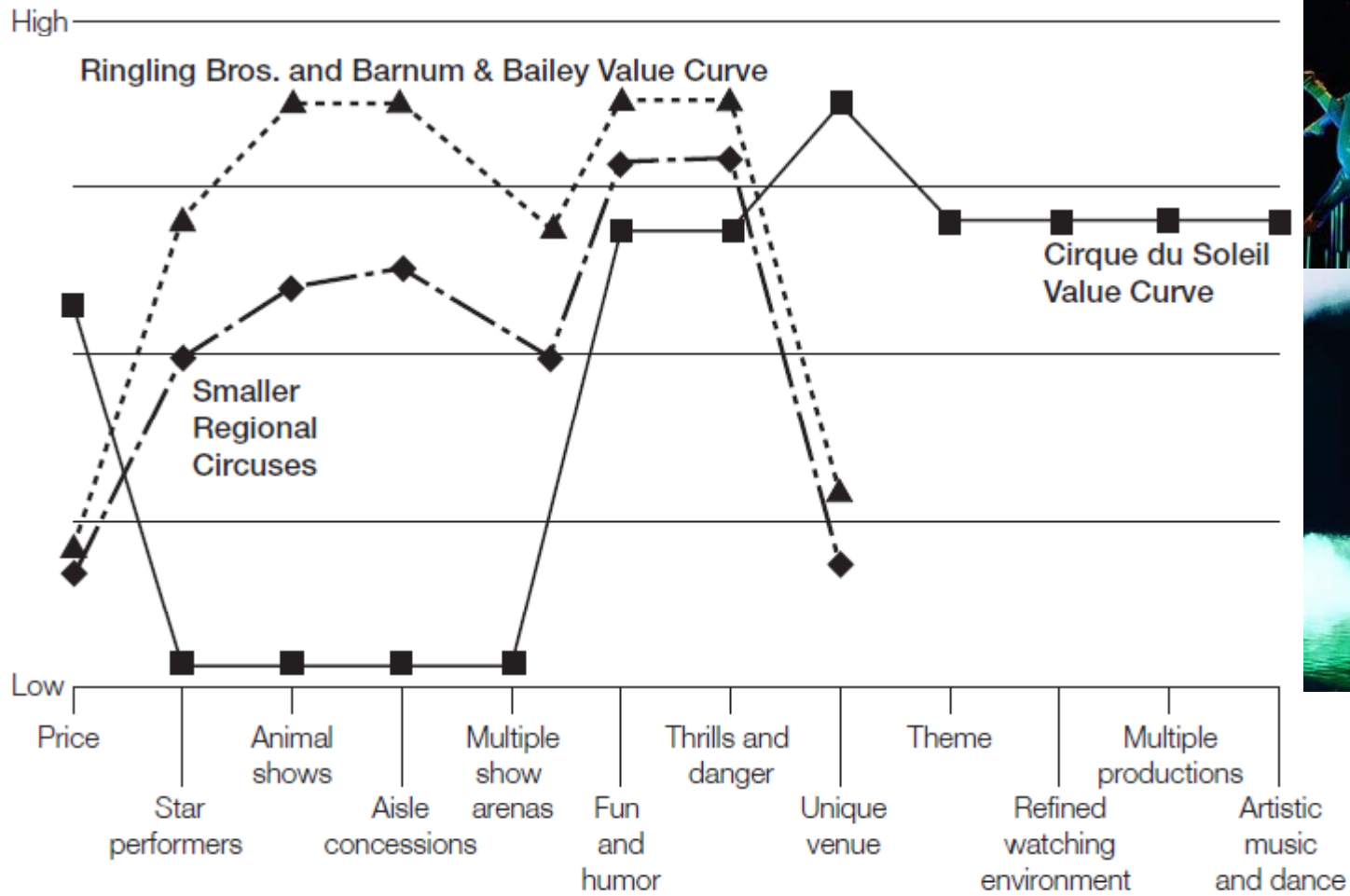
*From market share battle in existing spaces to opening new spaces*



Graph: Innovation Matrix is courtesy of Fred van Ommen, Corina Kuiper, Philips CTO office

# Using Blue ocean strategies: Value Innovation

## The Strategy Canvas of Cirque du Soleil

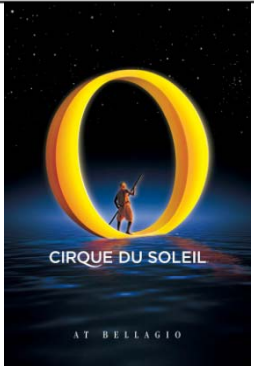


Blue Ocean Strategy, W. Chan Kim, Renée Mauborgne

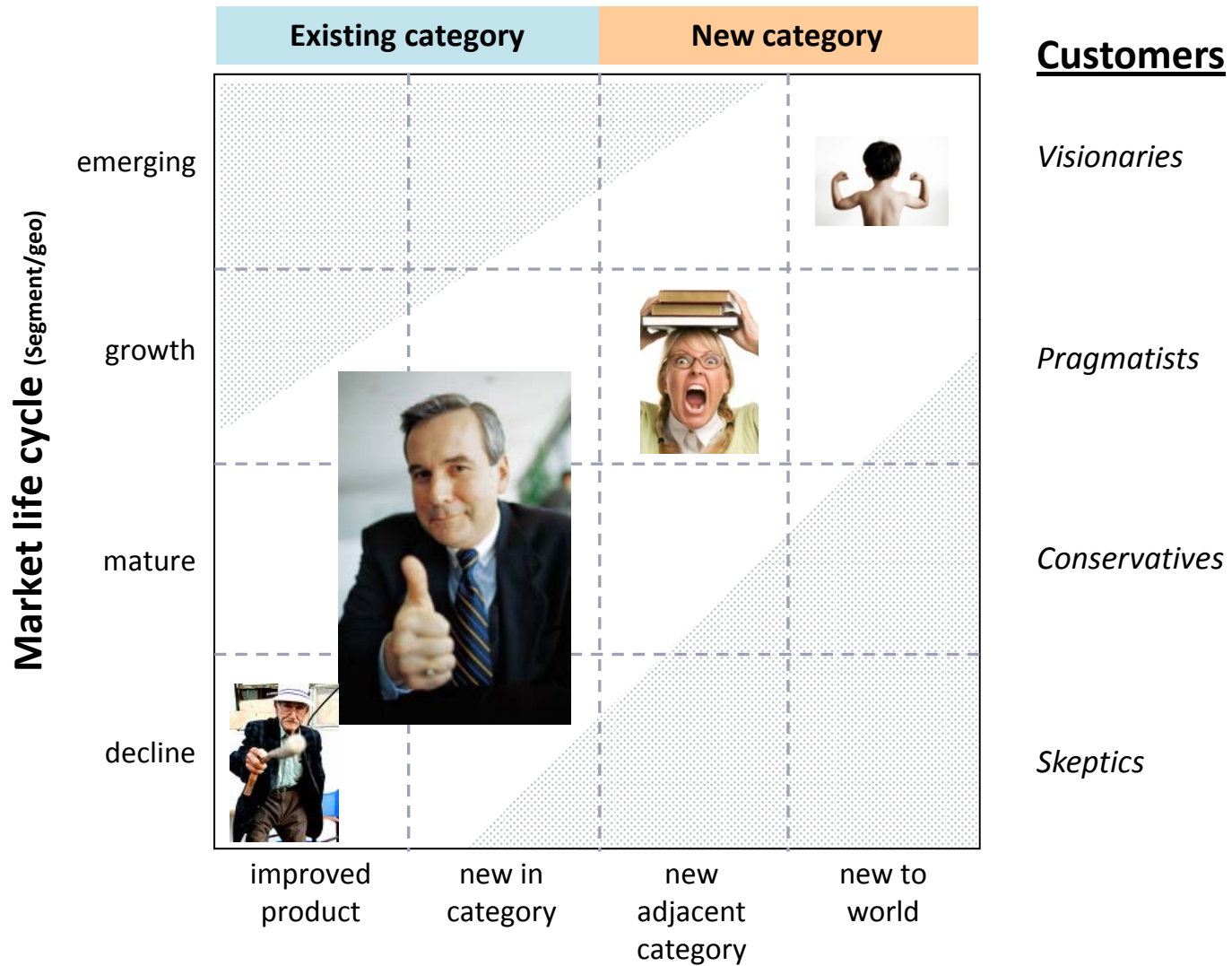
Blue ocean applied:



**Eliminate-Reduce-Raise-Create Grid: The Case of Cirque du Soleil**

<p style="text-align: center;"><b>Eliminate</b></p> <p>Star performers Animal shows Aisle concession sales Multiple show arenas</p>	<p style="text-align: center;"><b>Raise</b></p> <p>Unique venue</p>	
<p style="text-align: center;"><b>Reduce</b></p> <p>Fun and humor Thrill and danger</p>	<p style="text-align: center;"><b>Create</b></p> <p>Theme Refined environment Multiple productions Artistic music and dance</p>	

.... Innovation has different life stages



Graph: Innovation Matrix is courtesy of Fred van Ommen, Corina Kuiper, Philips CTO office

... Innovation is like life with different stages of maturity and risk

## Established business *Product creation*



- Recombine existing resources
- Existing ecosystem
- Market share battle
- Customer insights known
- Leverage existing channels
- Established business models
- Focus on execution/leverage
- Short/mid-term
- Existing organization



## New business *New Business Creation*



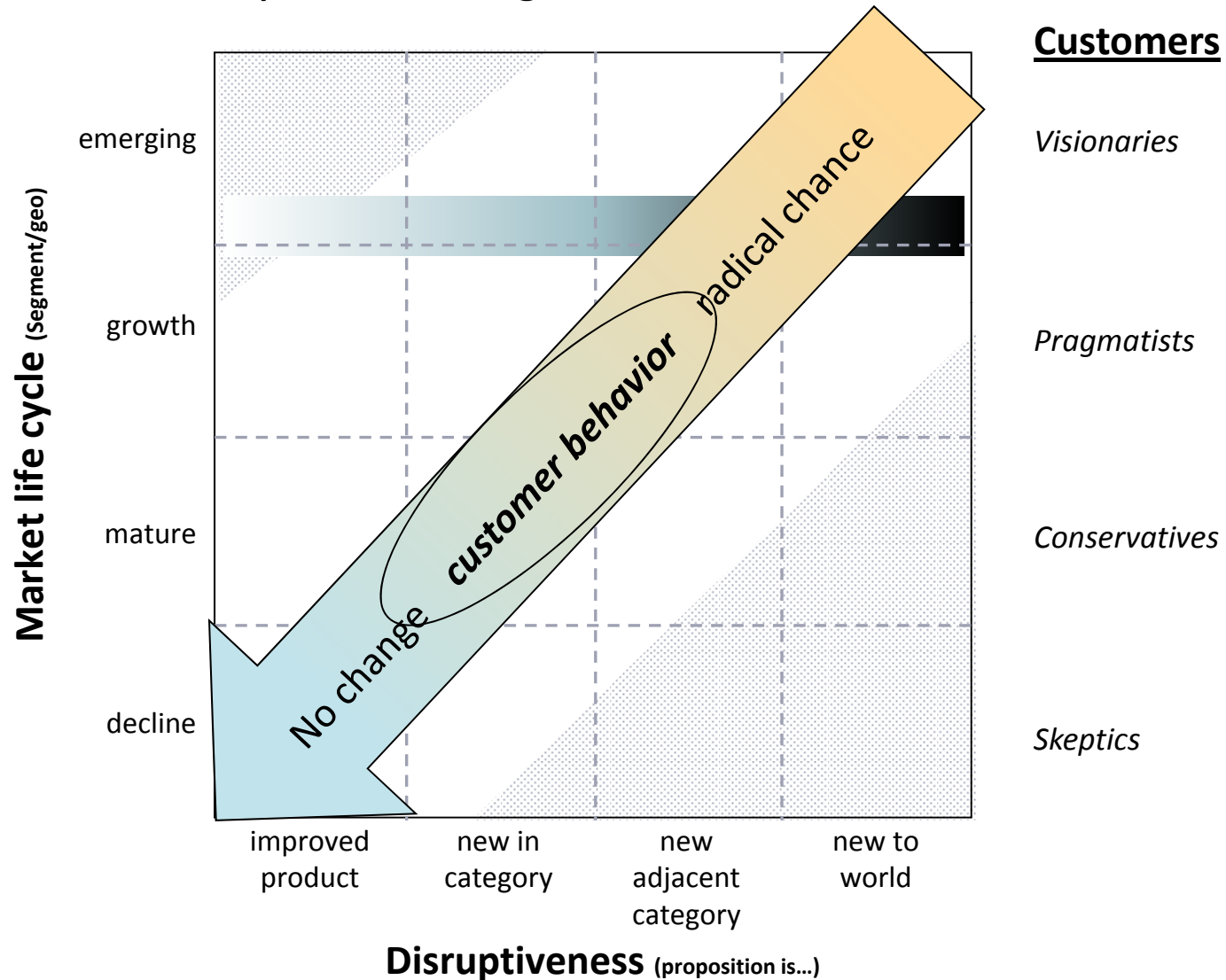
- Generate new opportunities
- New ecosystem
- Crossing Moore's chasm
- Changing customer behavior
- Building new channels
- New business models
- Learning / iterative
- Mid/long-term
- New capabilities



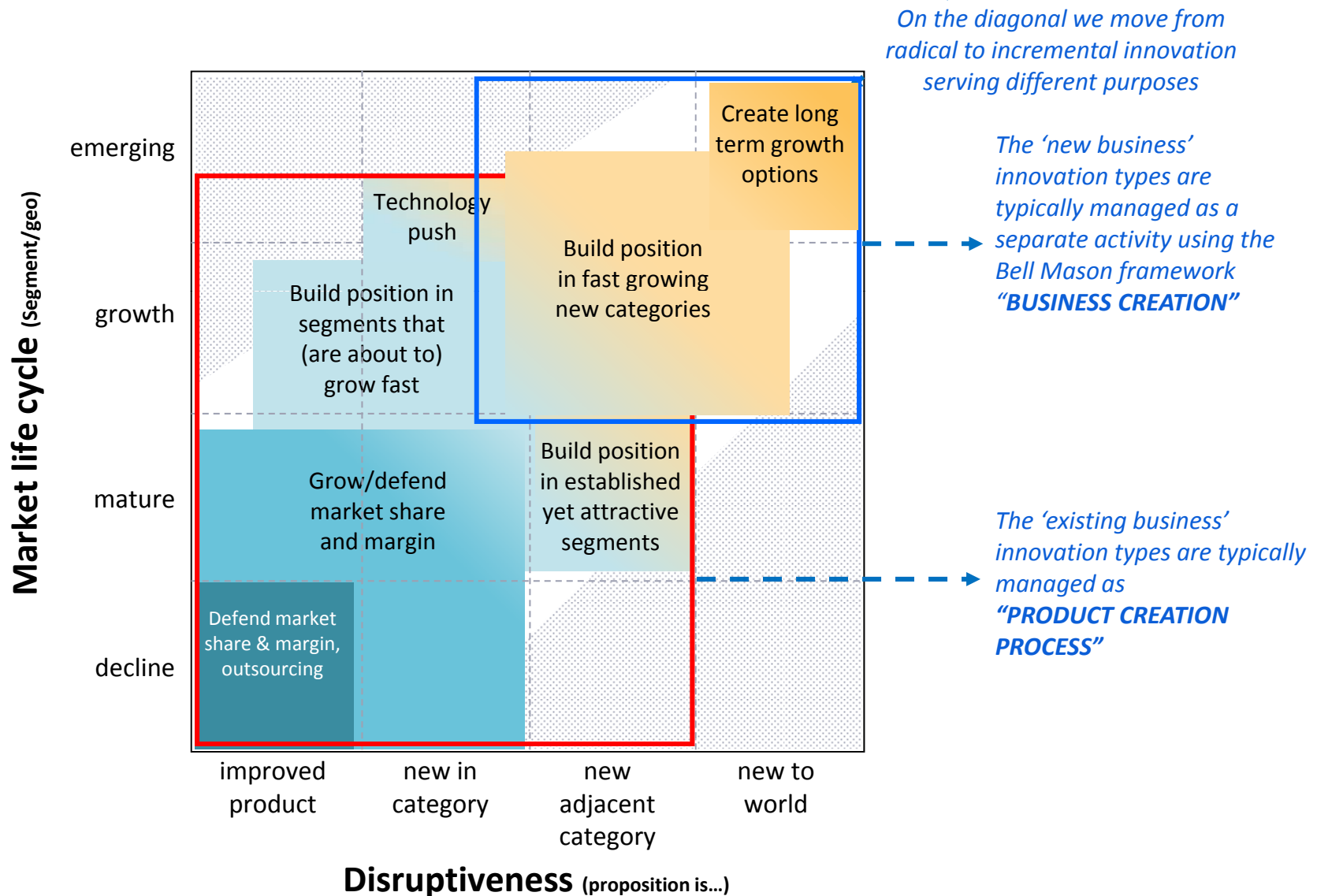
# Effectual Entrepreneurship

	Causation search & select	Effectuation create & transform
Definition	<p>‘Opportunities are found’</p> <ul style="list-style-type: none"> <li>• Achieving a desired goal through a specific set of given means</li> <li>• Static</li> <li>• Prediction (known)</li> </ul>	<p>‘Opportunities are made’</p> <ul style="list-style-type: none"> <li>• Using a set of evolving means to achieve new and different goals</li> <li>• Dynamic and interactive.</li> <li>• Uncertainty (unknowable)</li> </ul>
Market	<ul style="list-style-type: none"> <li>• Predictable market. Capture an underserved or latent market.</li> </ul>	<ul style="list-style-type: none"> <li>• Market cannot be defined. Available information is incomplete and overwhelming</li> </ul>
Logic	<ul style="list-style-type: none"> <li>• Finite set of possibilities to look into</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation of possibilities into opportunities</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Refine prior efforts: strive for perfect business plan</li> <li>• Surprises are bad as goal is predetermined</li> <li>• Success: actual vs plan; execution</li> </ul>	<ul style="list-style-type: none"> <li>• Action and interaction with committed stakeholders.</li> <li>• Surprises are embraced: it provides new opportunities.</li> <li>• Success: valued novelty (are we somewhere that has potential)</li> </ul>

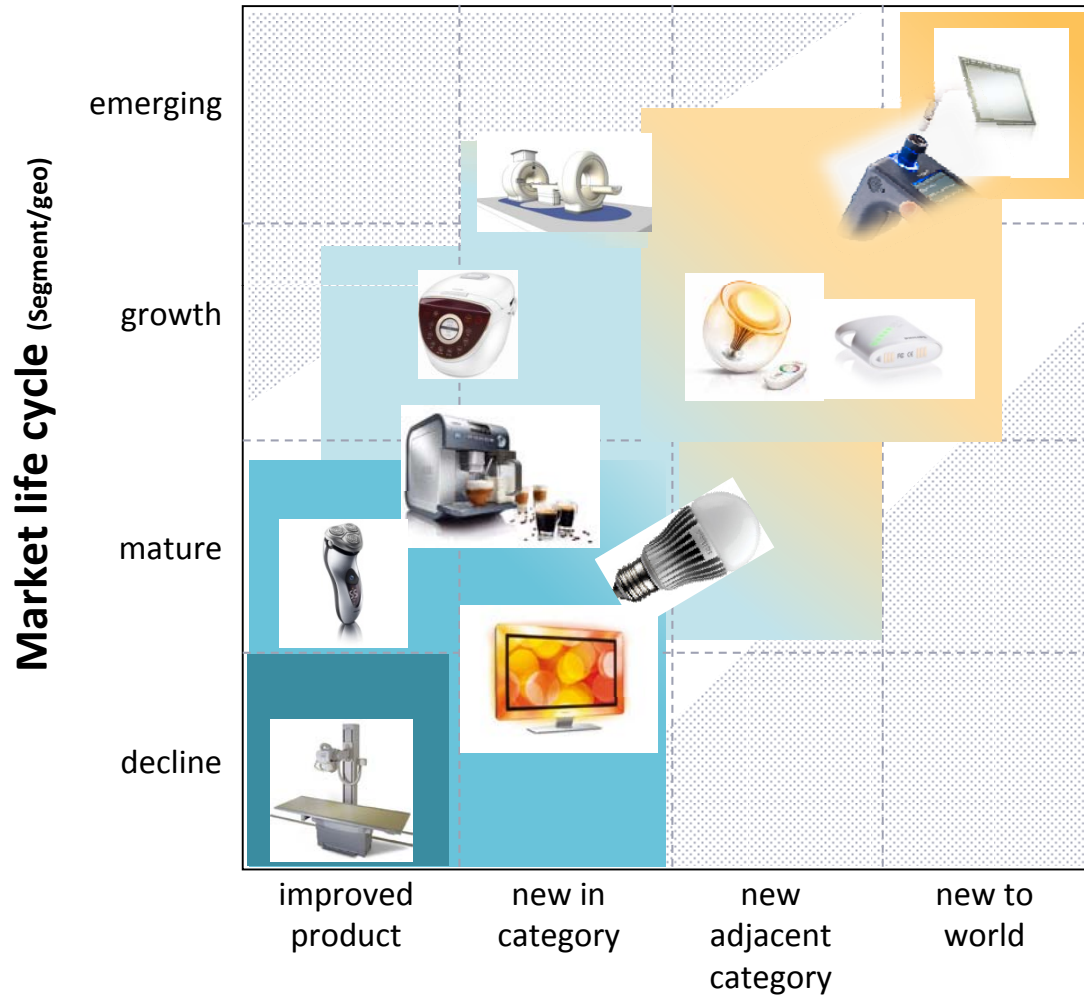
Innovation: Incremental versus break-away innovation  
*main driver is the required change in **CUSTOMER BEHAVIOR***



# Granularity of Innovation: Different innovation types require different frameworks to manage innovation



# Examples



-  • *OLED*
-  • *Hand Held Diagnostics*
-  • *Direct Life*
-  • *Living colors*
-  • *Healthy Chef Cooker*
-  • *PET MR*
-  • *LED retrofit*
-  • *Espresso*
-  • *Aurea*
-  • *Shaver*
-  • *X-Ray (analog)*

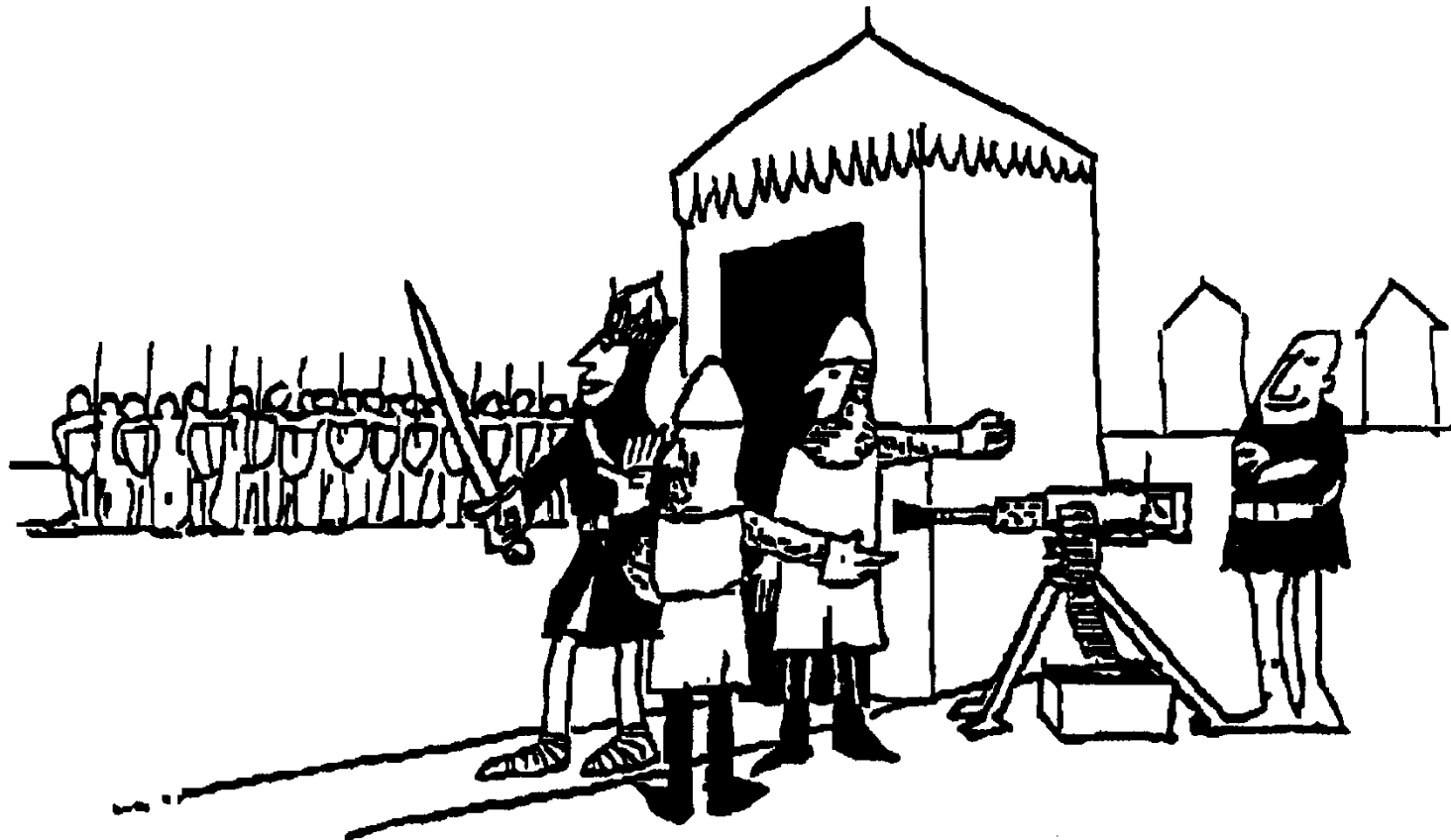
**Disruptiveness** (proposition is...)

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The large-company Syndrome: established businesses have difficulty in nurturing break-away innovations



**"Don't bother me with new ideas, I've got a battle to fight!"**





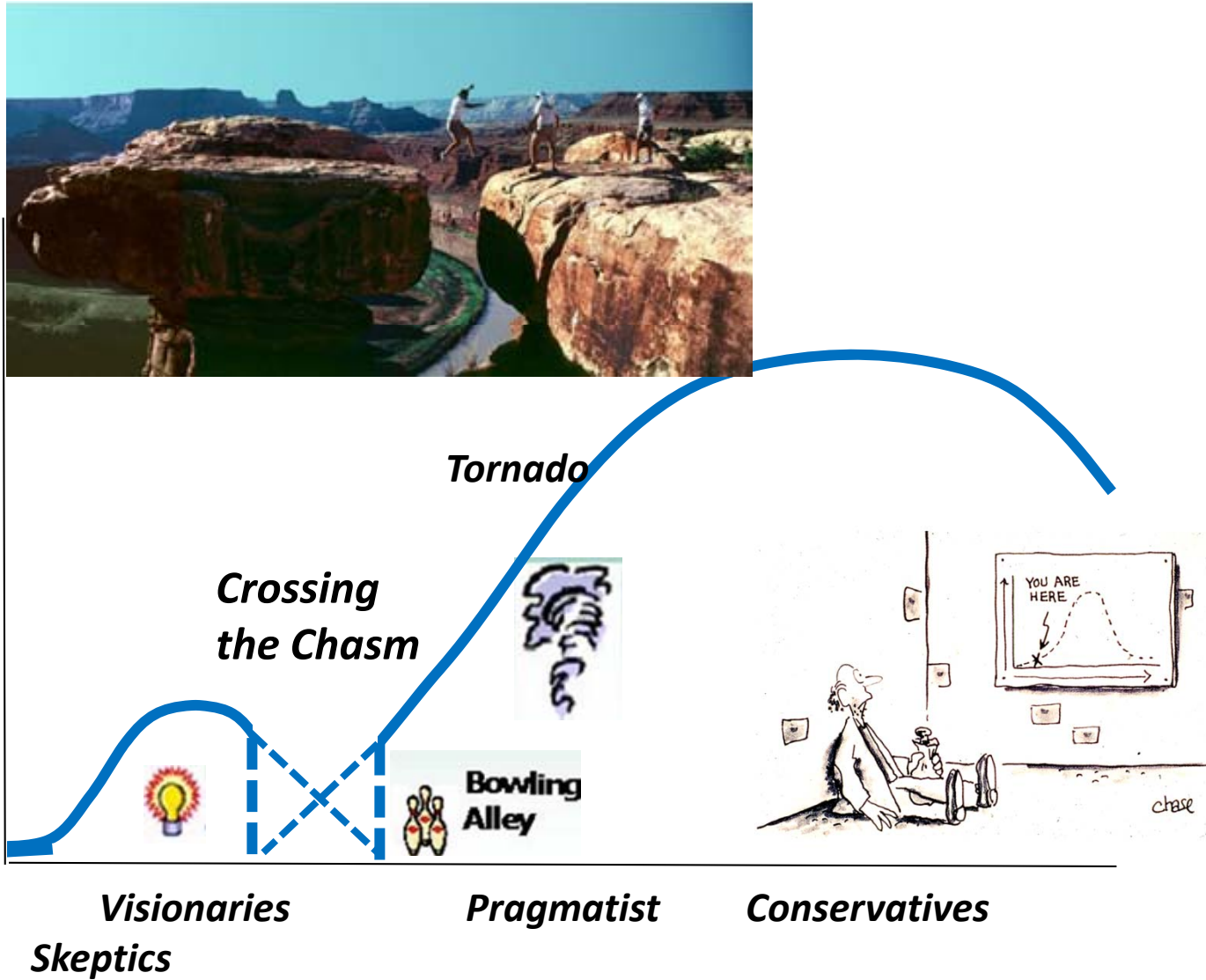
## Why is it so difficult to manage teenagers

*i.e. some reasons why is it so hard for a BU to deal with a venture*

- Predictable, execution of plan versus dealing with the **unknowable**, requiring an **environment to experiment** (risk little, fail cheap)
- **Time horizon**: venturing takes time (beyond company patience)
- Need to deal with the “**Chasm**” in the adoption curves of solution of a venture
- Out of the scope thinking required. The first market is often outside the scope of the BU; although the end game market could be within scope.
- (potential sources of) **Conflict of interest** (esp in the early stages) between venture and BU regarding business model / go to market strategy & channels/ communication / partners (market as well as supply chain) / value network & key control points, etc
- Explore **cross-BU synergies**, which is hard within a BU
- No **dedicated** team as people are asked to combine their current job with working on a venture and often lacking **domain knowledge**
- **Skipping stages** of life and go for first manifestation of the **platform**

Focus, dedication, speed, non-traditional way of working required

# Crossing the Chasm of Moore for Disruptive Innovation



**PHILIPS**

## From LivingColors towards Scene Setting



LivingColors



Scene Setting

**END IN MIND : develop a new Category in Home Lighting = Scene Setting**

# Types of Ventures

*The type of innovation, the extent the sector/BG has to develop new capabilities/ channels/business models and the stage the venture is in determine moment of transfer*

	<b>Roadmap</b>	<b>Integral solution ventures</b>	<b>New business platform ventures</b>
type of innovation	<i>Features, new product for existing category</i>	<i>New category of products</i>	<i>New business platform that is basis for several new product categories</i>
first application/market segment			
next market segments			
business model			
go to market approach in $\alpha$			
go to market approach $> \alpha$			
moment of transfer to BG	<i>N.A.</i>	<i>end of alpha</i>	<i>end of beta</i>
incubation time	<i>2-3 years</i>	<i>3-5 years</i>	<i>5&gt; years</i>

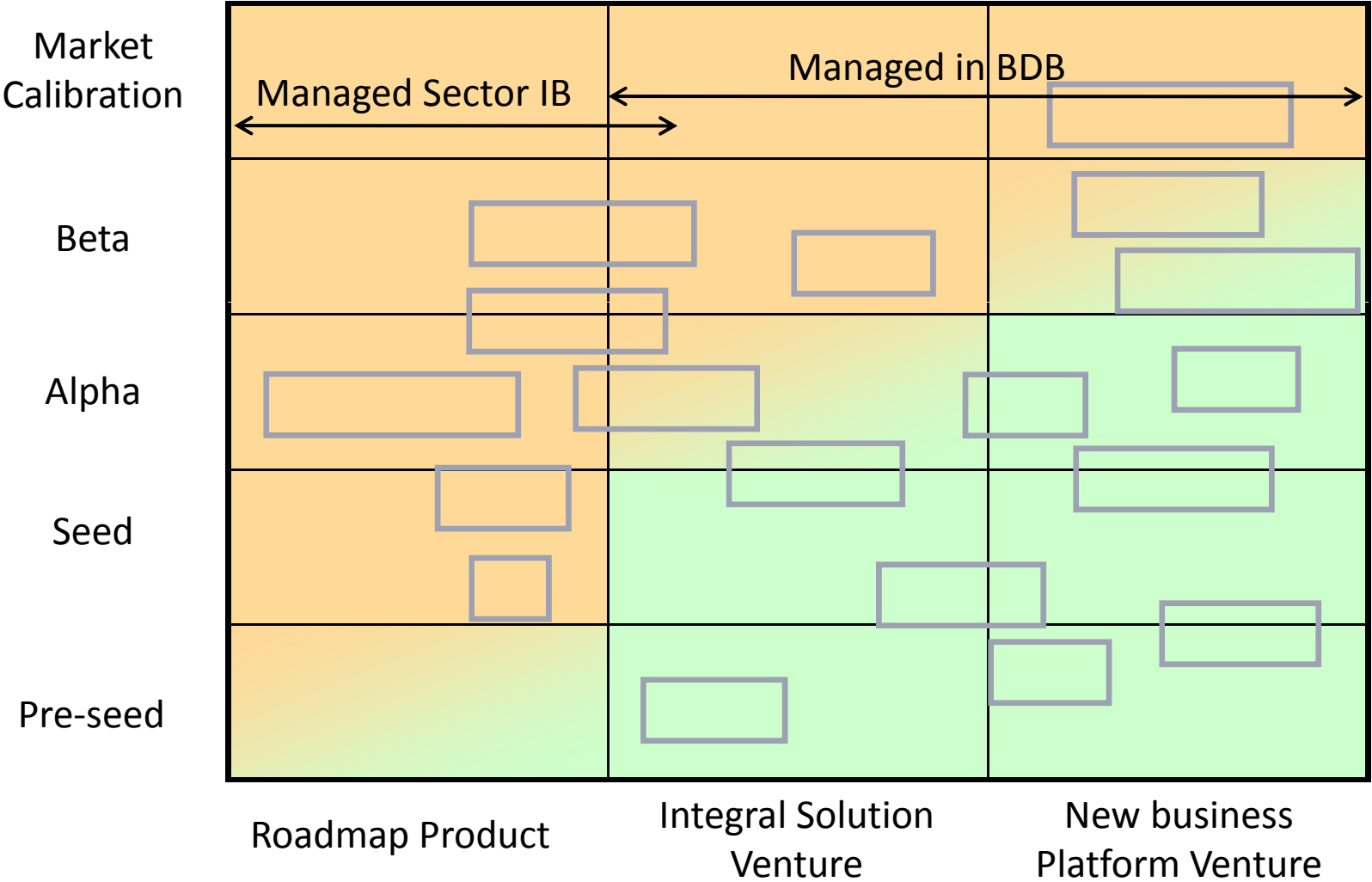
**to be newly developed for sector**

**leverage with sector**

*Note: At the end of alpha the venture has reached proof of concept of the solution in the market after testing it with first customers in first market segment/application. In beta the venture is building the organization which is required to scale the business. In case of a “new business platform venture” a new go to market/sales channel needs to be build and a new business model to be introduced. In case of a “Integral Solution venture” more leverage of the existing organization is possible and less market development is required.*



# Bell Mason: platforms versus single products



## Outline

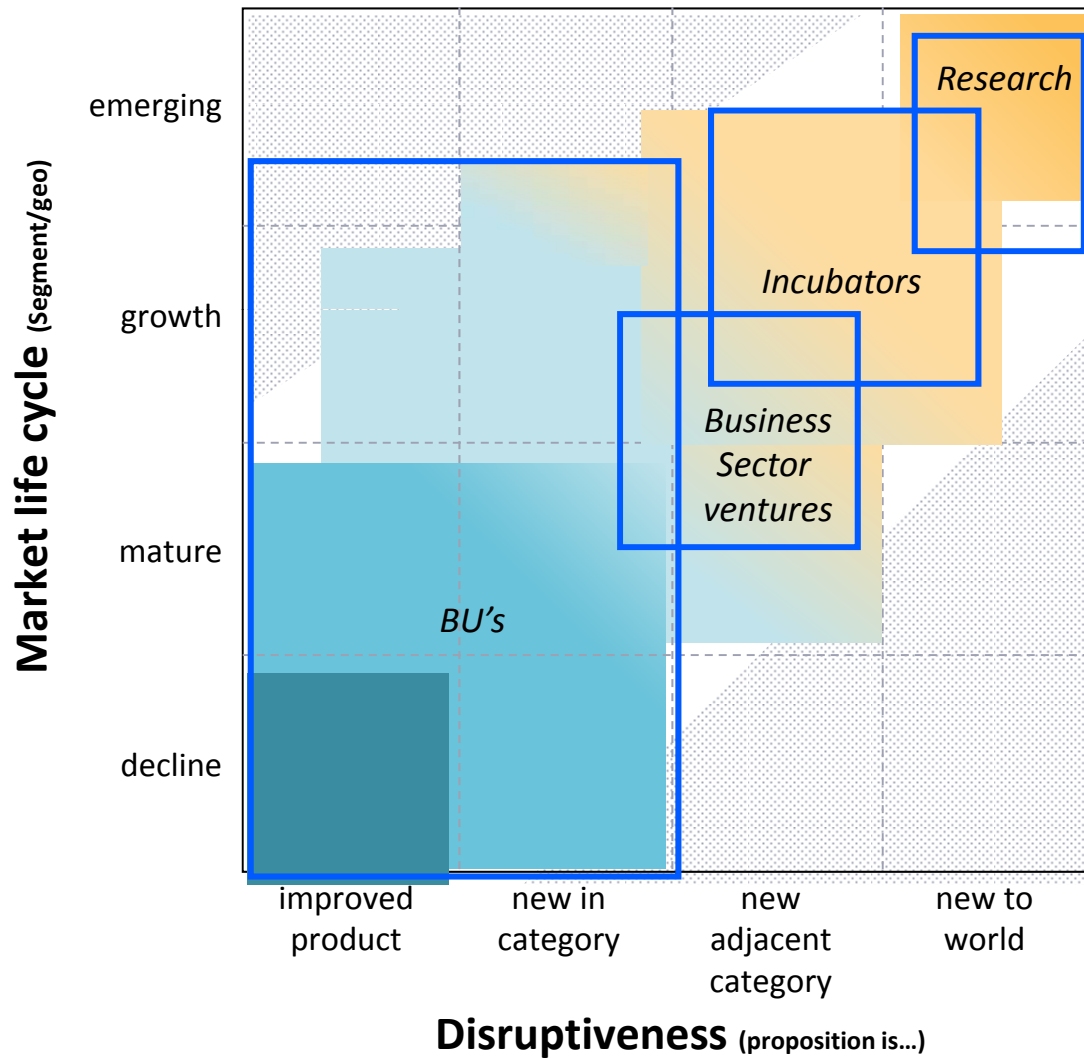
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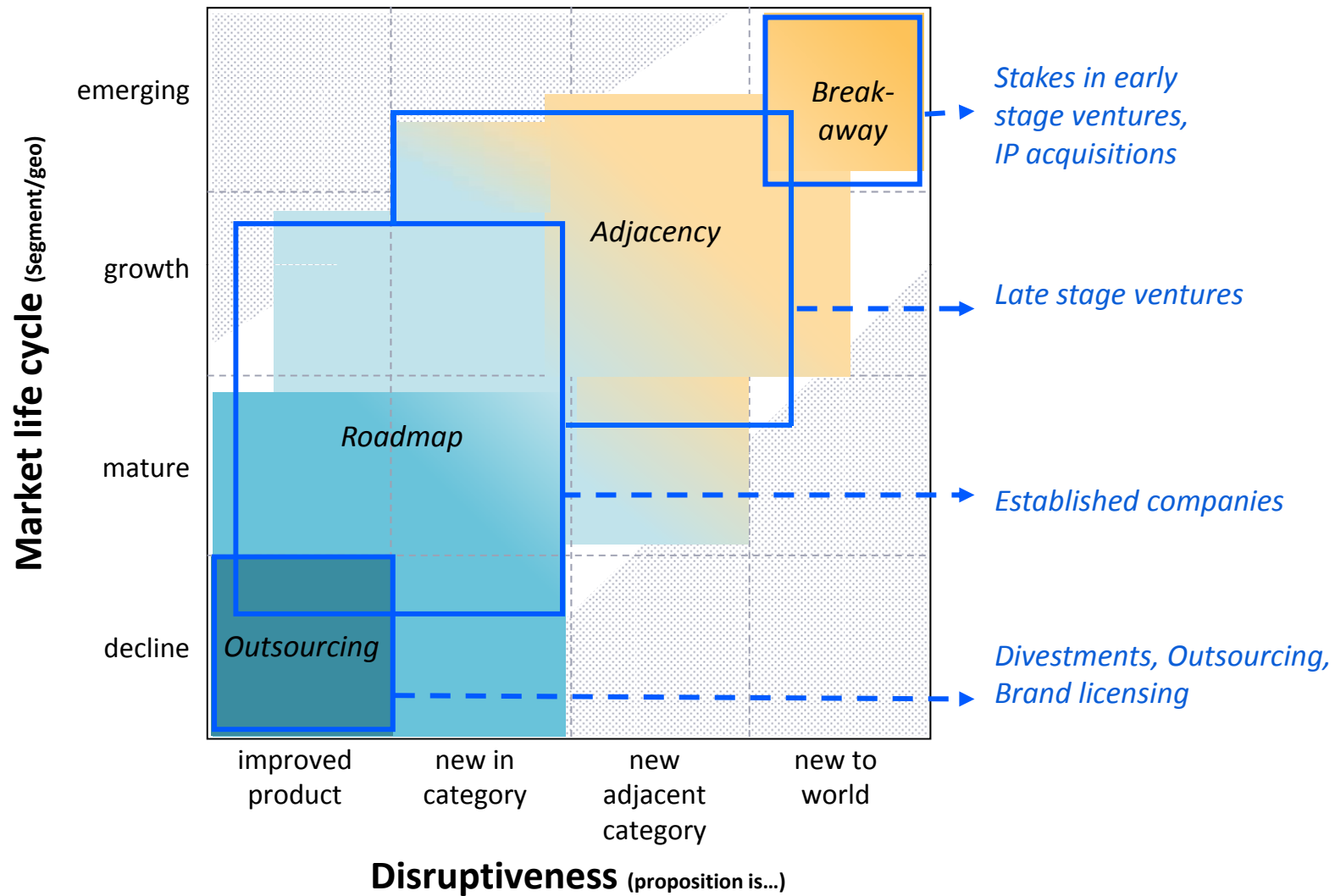
## Key elements of the Philips' approach

- Awareness of different types of growth with the [4x4 Innovation Matrix](#)
- Ventures are [strategic aligned](#)
- Drive [re-allocation of resources](#) to avoid “survival of the fittest”
- Created [environments to allow freedom to operate](#) (Incubators as well as in Sectors)
- [One language and approach](#) for venturing
- [One transparent funnel/portfolio](#) of new business initiatives (ventures)
- Developed a [balance score card for ventures](#), with different type of kpi's per stage
- Ventures governed by [Business Development Boards](#)
- [Cornerstone funds](#) as a complementary instrument (proving window to the market)

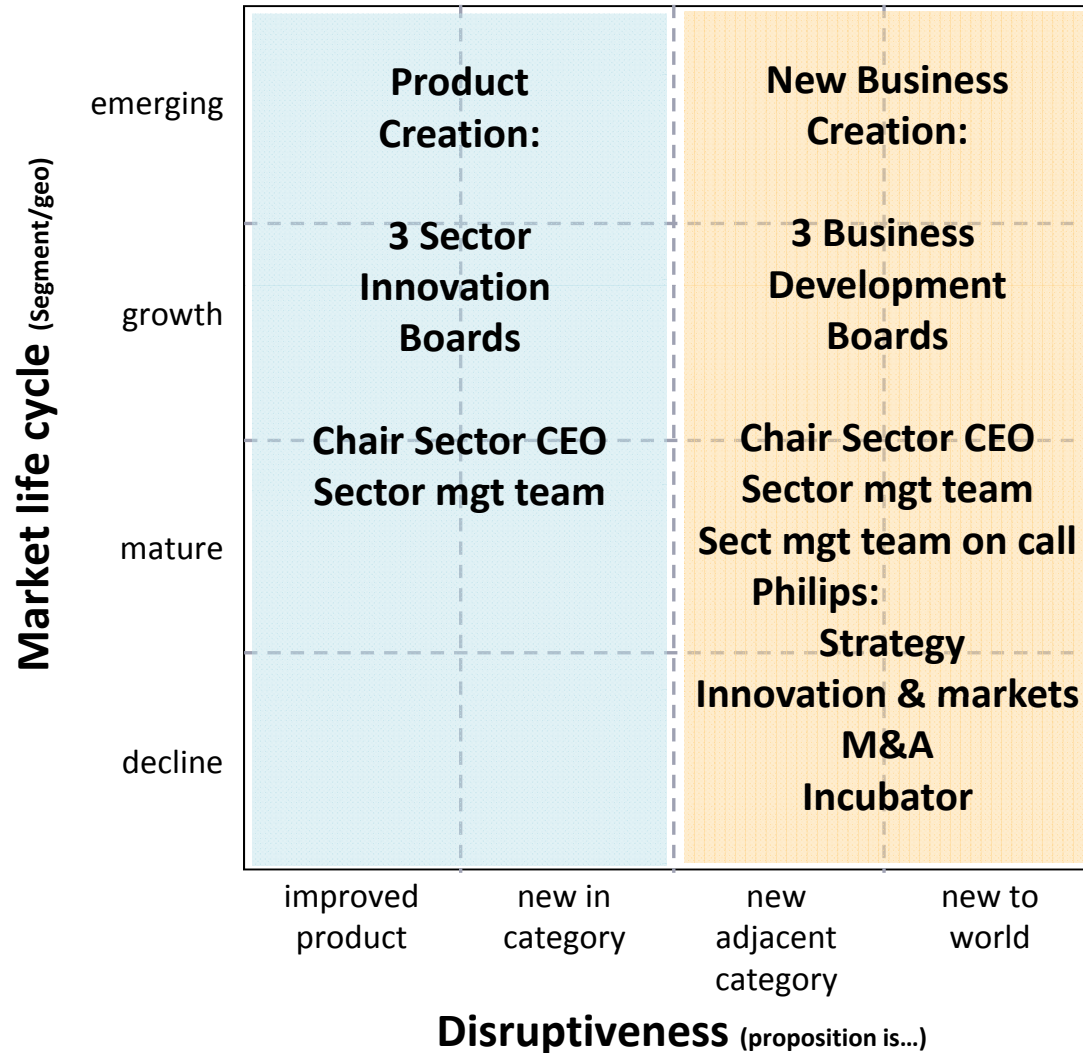
# Innovation occurs in different entities:



# Framework for mapping M&A / partnering



# Innovation management structure:



## Key take-aways

- Profitable growth will require **different flavors of innovation**
- The benefit to the customer is theoretical; the **resistance to change** not
- All about the experiment/ **iterative learning**: Fail fast and cheap
- **Prototype** the **whole venture** not only the product
- You cannot do it alone: **Co-creation & Partnering** is key
- There is no substitute for **experience** on the team and **domain knowledge**
- To **cross the chasm** your need a stepping stone to create the market
- The biggest challenge is often the **business model** not the technology
- You will never get adults if don't create '**freedom to operate**', **protection and 'run-way'** for babies and teenagers

***Think big, act small, accelerate fast***

