

Innovation Outsourcing

Leverage on Innovation Success

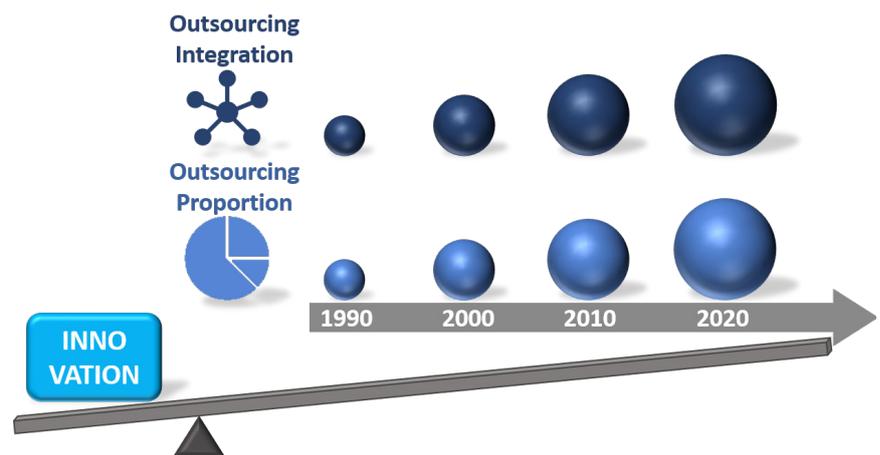
Significant parts of the innovation value chain are outsourced to service providers and the proportion of those external activities has constantly grown over the last decades. Depending on the industry and the actual stage, up to 70% of innovation activities are externalised and the fully virtual start-ups depend totally on the executional muscle of service providers.

While most managers are fully aware of this trend, not all of them contemplate the consequence – outsourcing has a tremendous leverage on innovation success. Superior outsourcing performance will drive innovation performance, while any outsourcing deficiencies will be poorly tolerated. As long as innovation outsourcing continues to grow, this leverage will become more and more important.

Proportion and Integration

To some extent innovation resembles playing with a jigsaw puzzle. Hundreds of pieces are put together, developing over time and with any luck into a consistent picture. As soon as 70 pieces out of 100 are taken from external boxes, chances are high to end up with the innovation equivalent of Neuschwanstein Castle sitting on top of London Tower Bridge. The sheer proportion of outsourced innovation activities has a tremendous leverage on innovation performance, opening a lot of space to really mess up the entire process.

Jigsaw puzzles are highly integrated – hundreds of weirdly shaped little pieces, each exactly fitting four neighbours, which in turn fit to a total of 16 neighbours and so on. Innovation process results are integrated as well, supposed to fit and supposed to do so in several dimensions – result, quality, timing, matching pieces already there and defining space for pieces yet to come, to name just the most relevant.



„Message to Management: Outsourcing drives Innovation.“

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With 70% of pieces coming out of external boxes, making them fit in all required dimensions is a significant challenge and a frequent cause for dissatisfaction with innovation outsourcing, directly followed by poor innovation performance. The necessity to integrate an ever-growing number of external innovation activities is another tremendous leverage outsourcing has on innovation performance.

Key Skill Innovation Outsourcing

Management should be aware that innovation outsourcing has a tremendous leverage on innovation success and requires smooth processes and professionals with the necessary time and the necessary skill set to really perform well. Since the proportion of innovation outsourcing constantly grows, the leverage on innovation success will grow as well.

Organisations still lacking outsourcing professionals would be well advised to invest in this important function and train likely candidates. Strategies how to select the best service providers would be a skill high on the training schedule.

More to that in one of the next issues.

*“Management
Awareness
Required.”*