

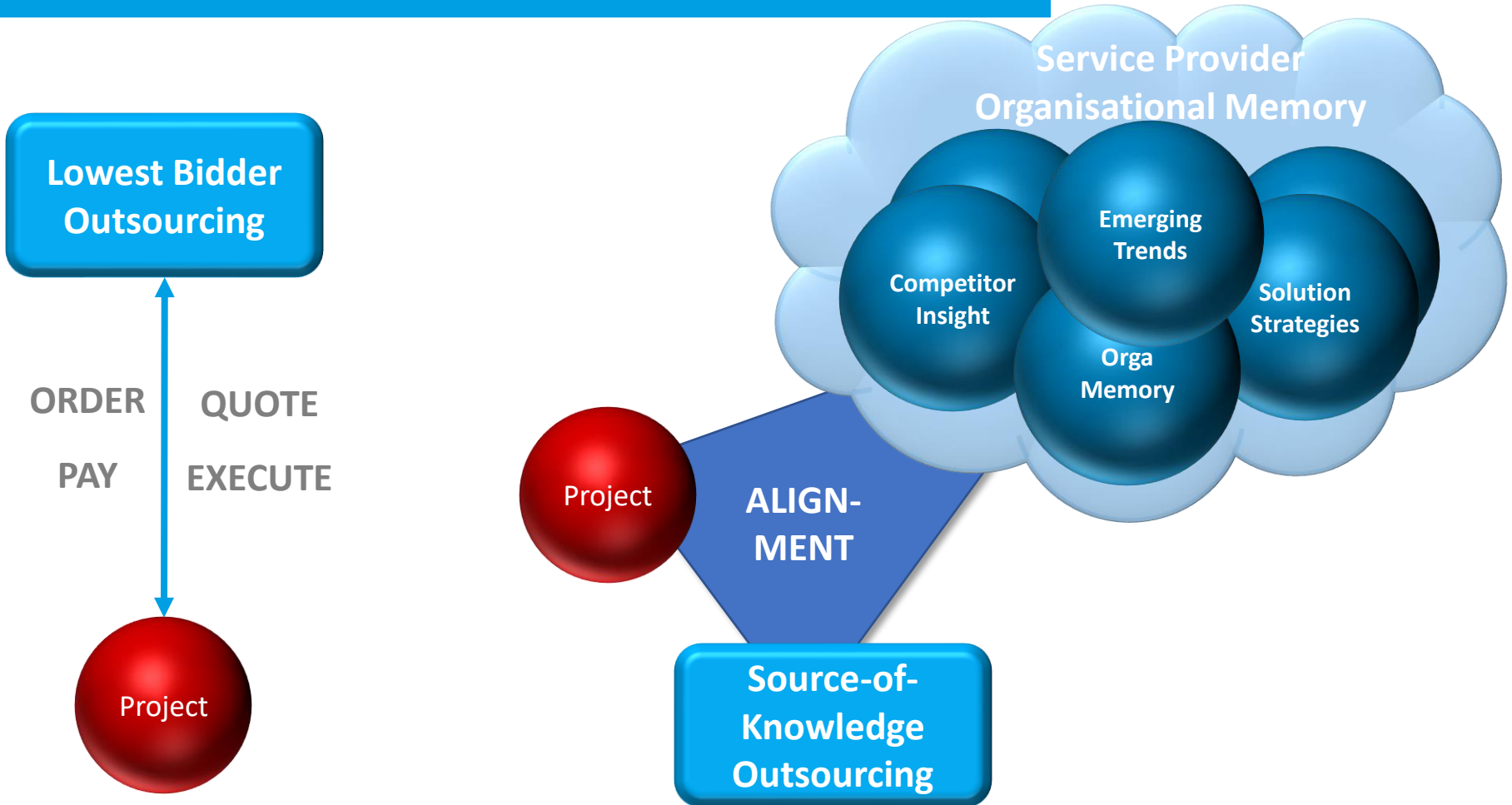
Innovation Outsourcing – Part 1

Boosting Innovation

Executive Summary

- ▼ Service Provider's experience often exceeds Client's experience
 - ▼ Depth of experience – decades in business
 - ▼ Breadth of experience – multiple clients
- ▼ Service Provider's insight often exceeds Clients insight
 - ▼ emerging industry standards
 - ▼ emerging trends and patterns
 - ▼ competitor challenges
 - ▼ competitor solution strategies
- ▼ **Aligning Service Provider's full capabilities with the Client's needs will boost innovation. And save Time and Money.**

Full Alignment



Good Service Provider

- Expert in a limited area of science/technology having
 - substantial organisational memory in this area
- Great depth of experience
 - decades in business
 - historic background allows to forecast upcoming trends
- Great breadth of experience
 - multiple clients
 - insight to a multitude of solution strategies
- **Service Provider's expertise frequently excels Client's expertise.**

Outsourcing Techniques I

- Lowest-Bidder Type of Outsourcing
 - commodity approach
 - strictly reduced to contractual obligations
 - job gets done – but nothing else
- Sourcing model – quote, order, execute, pay
 - scientific challenge remains with Client
 - creativity challenge remains with Client
 - selection of the best, the fastest, the most cost efficient way forward remains with Client
- **Service Provider's capabilities not fully aligned with Client's objectives.**

Outsourcing Techniques II

- Source-of-Knowledge Type of Outsourcing
 - boosting innovation
 - objectives beyond contractual obligations also in focus
 - significant upside potential – “Hidden Value”
- Source-of-Knowledge Outsourcing
 - scientific challenge shared by Client and Service Provider
 - creativity challenge shared by Client and Service Provider
 - selection of best/fastest/most cost efficient strategy supported by Service Provider’s organisational memory
- **Service Provider’s full capabilities aligned with Client’s objectives.**

- Service Provider collects industry insights
 - emerging trends and patterns
 - industry standards
 - regulatory focus
- Service Provider collects insights from Client's competitors
 - challenges competitors are facing
 - solution strategies applied by competitors
 - that work
 - that frequently fail
- **Service Provider's insights in industry and competition frequently excel Client's expertise.**

Alignment Pays Off

- Lowest-Bidder approach not ideal for Innovation Outsourcing
 - service reduced to a commodity
 - Client will receive a commodity
- Perfect alignment between
 - Service Provider expertise and insights
 - and Client needs
 - will boost Innovation performance and success
- **Source-of-Knowledge Type of Outsourcing is not the cheapest but the most cost efficient.**

Innovation Outsourcing – how to get better by focusing on 4 action fields. Topic of one of the next issues