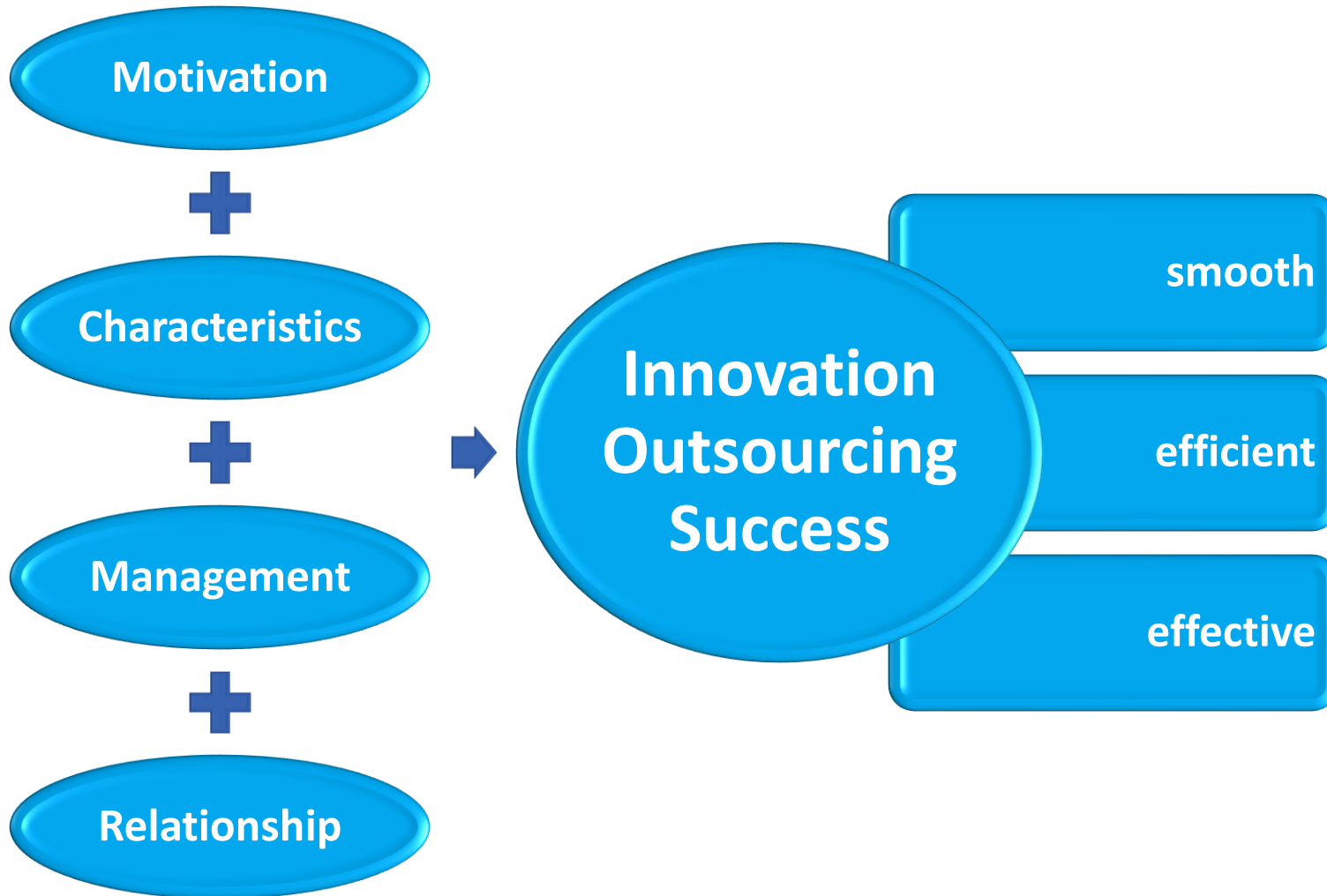


# Innovation Outsourcing – Part 2

## Four Action Fields

- ▼ Disappointment with Innovation Outsourcing
  - ▼ up 30% of Clients
  - ▼ equalling billions of \$US of wasted resources
- ▼ Consistent challenges
  - ▼ inhomogeneous Outsourcing motivations
  - ▼ neglected Outsourcing characteristics
  - ▼ deficiencies in Outsourcing management
  - ▼ neglected relevance of individual relationships
- ▼ **Four fields for action to improve in Innovation Outsourcing.**

# Four Activity Fields



# Outsourcing Paradox

- Innovation Outsourcing is a routine business process
  - should work reliably
  - should operate at peak performance
- Reality
  - impressive failure rates
  - mismatch between services and requirements
  - disappointment with quality
- **Innovation Outsourcing should run smoothly but frequently fails to do so.**

# Outsourcing Motivation

- Innovation Outsourcing is motivated by
  - fixed cost reduction
  - total cost reduction
  - access to technology or expertise
  - quality compliance
  - flexibility of scale
  - focus on core competence
  - ...
- **Organisations need to agree on motivation. Inhomogeneity within one organisation leads to inefficient Outsourcing.**

- Innovation Outsourcing comes with built-in characteristics
  - increasing dependency on 3<sup>rd</sup> parties
  - no control over process team, management or incentives
  - increasing challenge to transfer generated know how
    - “intellectual innovation ownership”
  - innovation specific complexity, uncertainty and risk
  - innovation specific lack of specifications
  - Innovation specific lack of expectation values
- **Built-in characteristics require proactive management.**

# Permanent Challenge

- Outsourcing Management
  - pressing issue for decades
  - permanently on top of listed challenges in management surveys
  - main cause for failure and waste
  - requires high calibre people
- **Outsourcing Management and Outsourcing Managers are key contributors to Innovation Outsourcing success.**

- Relationship performance is key to success
- Relationship performance not driven by organisations
  - identical organisations observed to perform both perfect or poorly when paired together
  - different individuals made the difference
- Overall relationship performance depends on personal relationship performance on both sides
  - Individuals matter
- **Individuals and personal relationships drive performance.**

Outsourcing has a tremendous leverage on Innovation Success. Why? This will be topic of one of the next issues.