

The Role of Collaborative Networks in Business Model Innovation



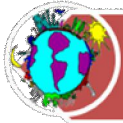
PRO-VE'10

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IKERLAN Technological Research Centre



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Context



Objective



Methodology

Role of CNOs in Business Model Innovation



- Determining the interface with customers
- Defining the value proposition
- Establishing infrastructure
- Specifying the profit equation



Conclusions

the context

IKERLAN is a technological research centre with different business units and different knowledge areas

PRODUCT DEVELOPMENT

- Mechanical engineering
- Mechanical design
- Control engineering and power electronics
- Electronics
- Communications
- Sensors
- Microsystems
- Software technologies

DESIGN AND PRODUCTION PROCESSES

- Strategic innovation
- Design and production technologies
- Information technologies

ENERGY

- Alternative generation systems
- Combustion technologies and thermal processes



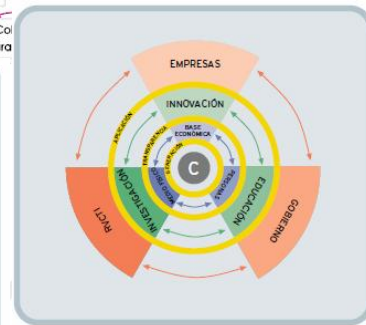
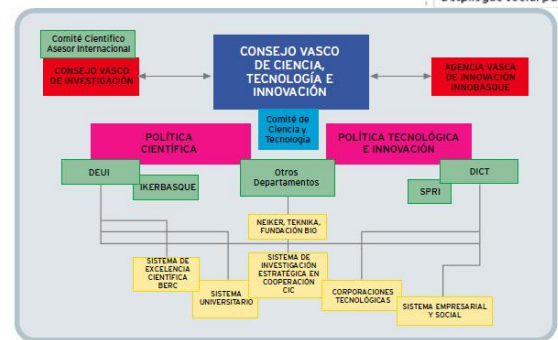
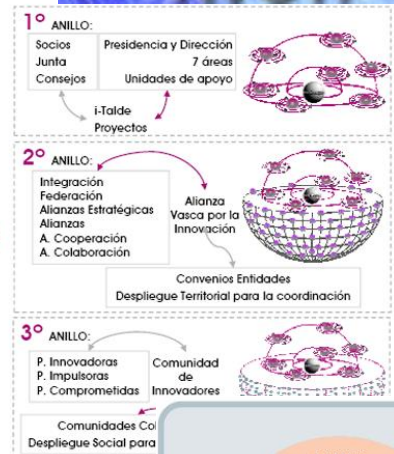
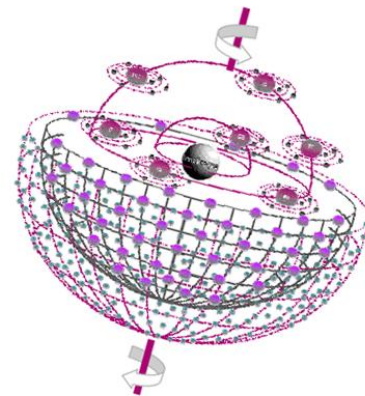
the context

IKERLAN is part of IK.4 a research alliance among 7 different Technological Centers.

IKERLAN is part of the Basque System of Innovation.



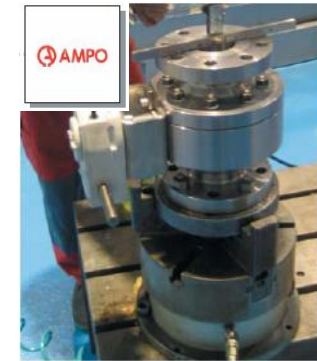
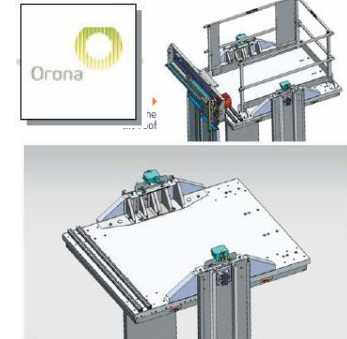
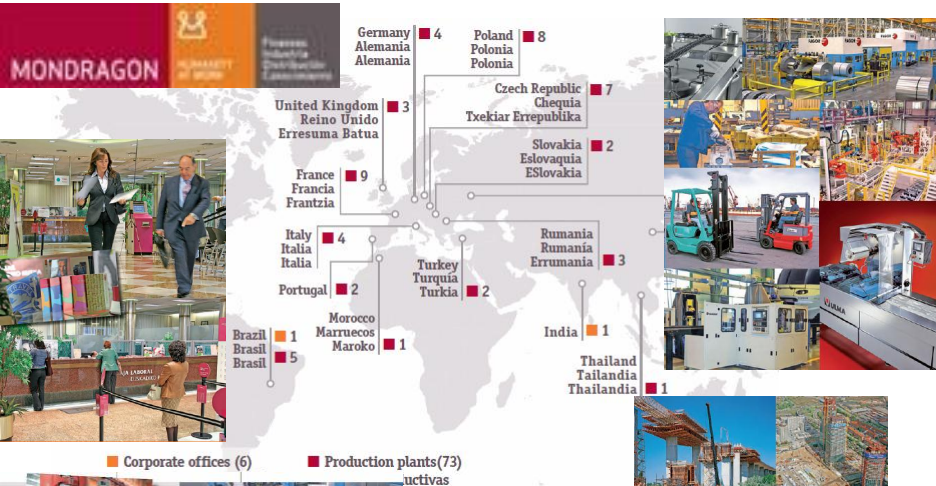
Red Vasca de Ciencia, Tecnología e Innovación RVCTI



the context

IKERLAN is part of MONDRAGON a group of 106 independent companies in financial, industrial and distribution areas

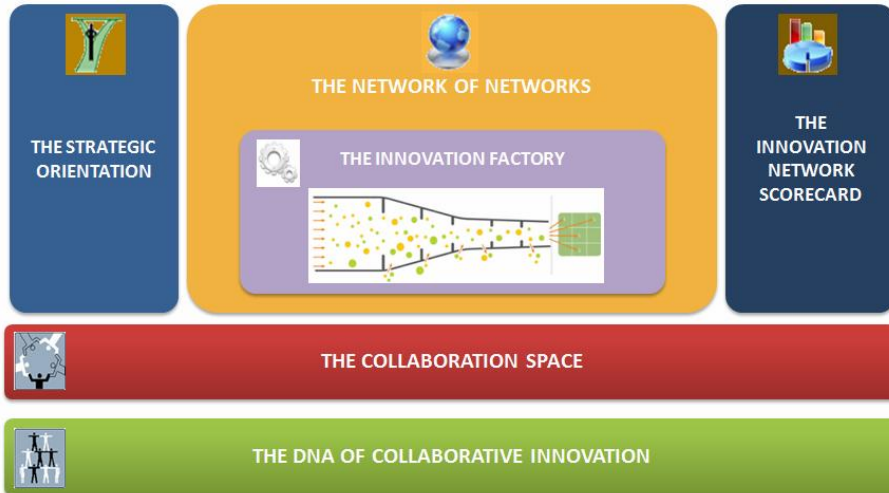
IKERLAN is part of several industrial networks.



the context

So ...

... we are interested in Innovation Networks...
because it is the way to survive IKERLAN
and
because is the way to make survive our partners



the context

37 Possible Innovation Targets

business structure
alliances
capital formation

administration
information flow
automation
insourcing / outsourcing services

organization
structure type
facilities infrastructure
IT infrastructure
employee / contractor mix
employee experience
decision making processes
facilities effectiveness
process to improve processes

customer experience
communication process
crm
brand / image
advertising
feedback

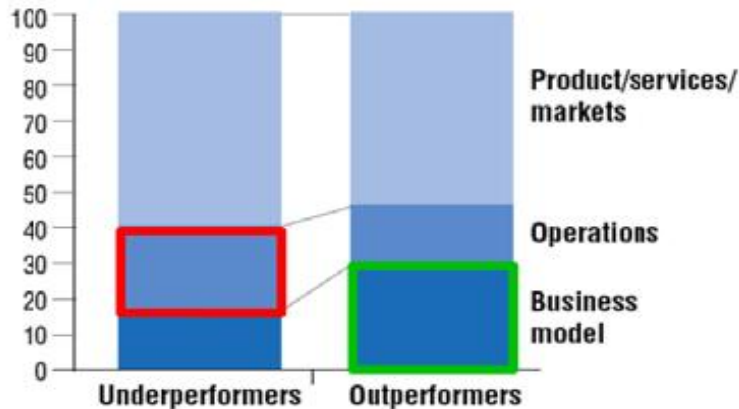
customer service
service process
communication

supply chain
distribution system
manufacturing

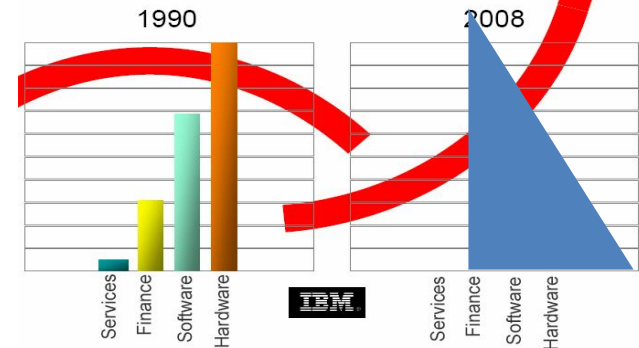
Innovation is not limited to technology ...

Innovation priorities of underperformers versus outperformers.

(Percent of emphasis)

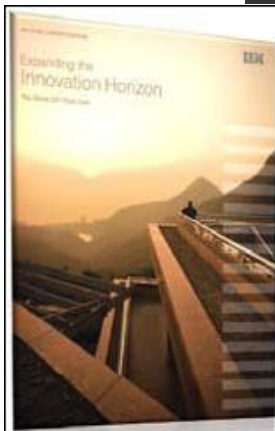


Note: Based on operating margin growth over five years as compared to competitive peers.



Beneficiarios:

Apple
Microsoft
3COM



“

In the operations area, much of the innovation and cost savings that could be achieved has already been achieved. Our greatest focus is on business model innovation, which is where the greatest benefits lie.”

IBM Global CEO Study 2006



“

Nearly all CEOs are adapting their business models — two-thirds are implementing extensive innovations. More than 40 percent are changing their enterprise models to be more collaborative.”

IBM Global CEO Study 2008

the objective

... is not...

to analyze, or define new business models for collaborative networks ...

but

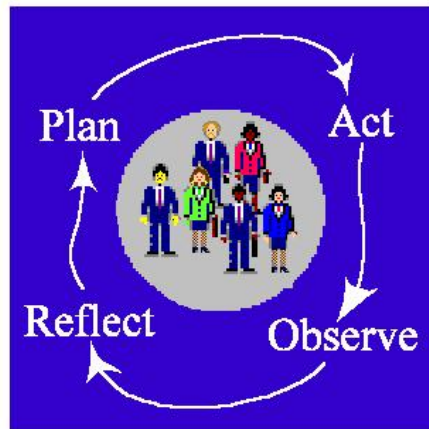
to define the role that partners of a Collaborative Network can play in defining a new business model.

the aim

... to help organizations (or networks) to select the appropriate partners to participate in business model innovation processes.

... to collect and analyze a set of experiences based on collaborative business model innovation action research activities.

the methodology



HINCO- Fittings and hinge systems



CARCO- Automotive components



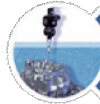
VALCO- Valve manufacturer



ELCO- Elevation systems components



LIFTCO- Elevation systems



MACHCO- Machining supplier



COOLCO- Refrigerators

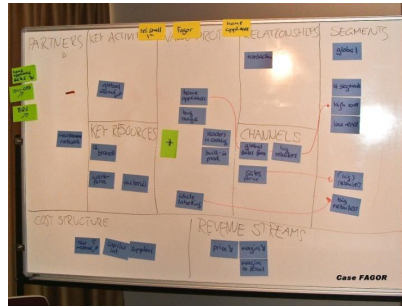


COACHCO- Luxury coaches

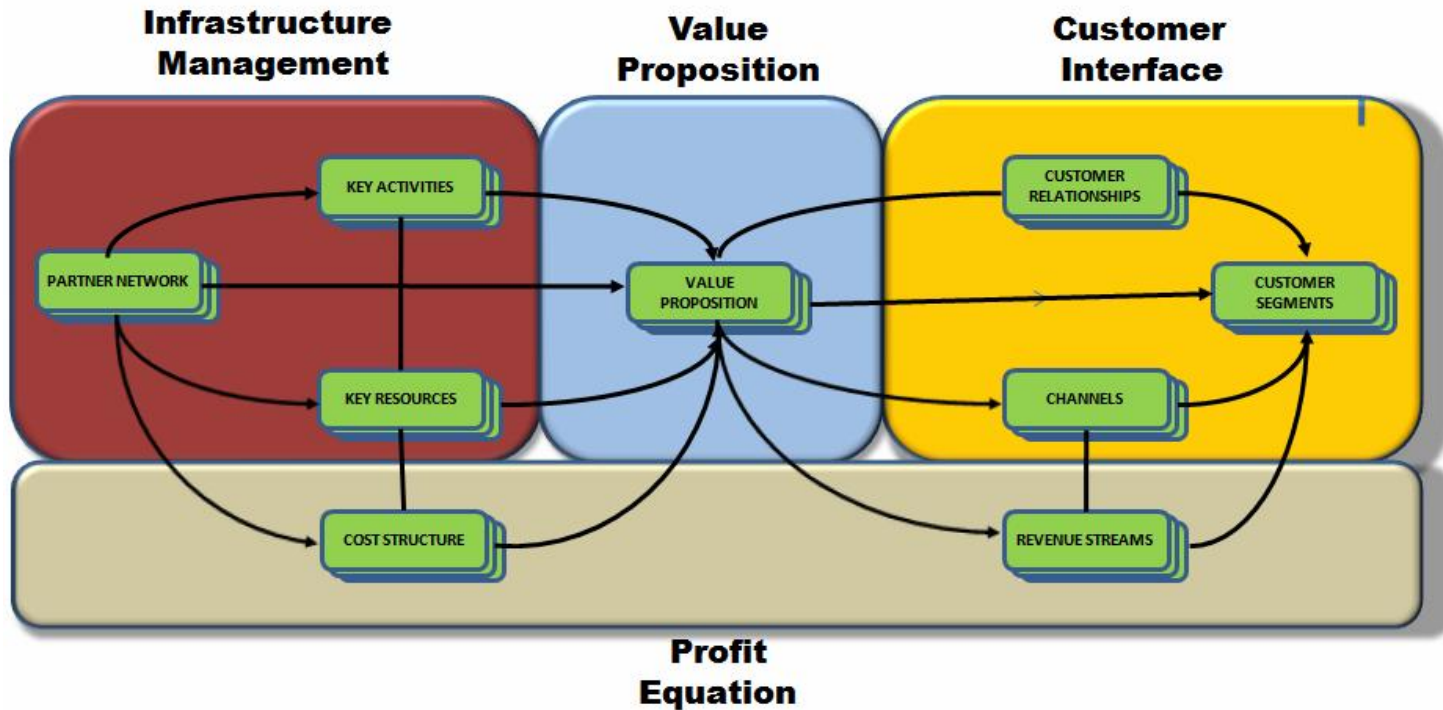
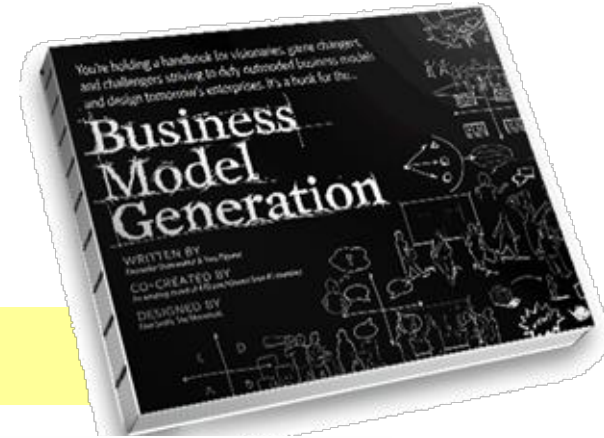


RAILCO- Railways

the methodology

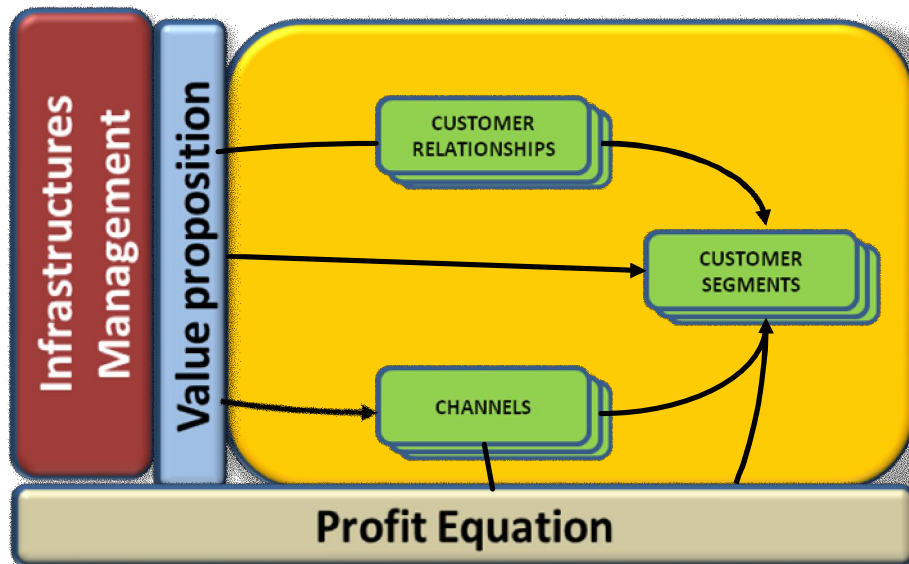


Osterwalder, A., Pigneur Y.: Business Model Generation. ISBN: 978-2-8399-0580-0 (2009)



Role of CNOs in BMI: Determining interface with customers

Customer Interface



Alone?

- 1) Customers restricted to current ones.
- 2) Segmentation criteria related to the current value proposition.
- 3) Analysis of needs constrained to existing products-services.
- 4) Identification of needs and opportunities based on a single stage in the product life cycle.
- 5) Not consideration of induced needs derived from other value propositions based on technologies, provision of services, or new forms of communication and distribution.

Customer Interface:

•The Customer Interface area covers all customer related aspects. This comprises the choice of a firm **Target Customer**, the **distribution channel** through which it gets in touch with them and the kind of **relationship** the company wants to establish with its customers.

Role of CNOs in BMI: Determining interface with customers

- a. Analysis of the segments, needs and opportunities with a broader customer-related issues approach.
Wider vision and better identification of opportunities.
- b. Analysis of needs along the whole life cycle.
Avoidance the failure to meet the needs of stakeholders in product life cycle .
- c. Identification of successful innovation opportunities coming from technology partners and service providers in the same market segment.
Identify product features, accessories or services that customers had not even thought about.

Within a CNO



Role of CNOs in BMI: Determining interface with customers



COOLCO

when using functional analysis starts from the "preserving food" concept, and includes partners of its value network related to the distribution of food.

HINCO

includes assembly, distribution, exhibition-sale and end users partners.

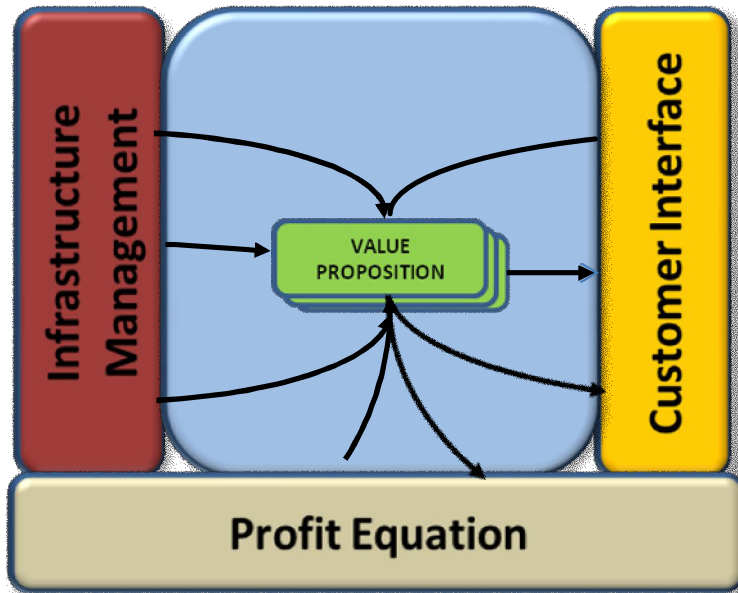


LIFTCO

incorporates into its innovation network technology centers and universities in order to identify new potential needs derived from the state-of-the-art technology.

Role of CNOs in BMI: Defining value propositions

Value Proposition



Value Proposition:

The Value Proposition is an overall view of a company's **bundle of products/services** that together represent value for the customer. It describes the way a firm differentiates itself from its competitors and is the reason why customers buy from a certain firm and not from another..

Alone?



- 1) Specifying value propositions that just cover only part of the customer's needs and consequently not having the necessary appeal to capture its buying decision.
- 2) Missing other potential value propositions that go beyond the current skills of the organization.
- 3) Not visualizing correctly the form of value proposition that customers want to perceive.
- 4) Not taking into account value propositions coming from the supply chain processes.

Role of CNOs in BMI: Defining value propositions

- a. Use a compromise between market-related issues and those related to technology and production processes domain.

Demanded and induced value propositions.

- b. Identify the value propositions based on the participation of different stakeholders providing a functional vision throughout the life cycle.

Value propositions for all stakeholders.

- c. Identify the value propositions based on the participation of partners that could provide the necessary competences.

Feasible value propositions

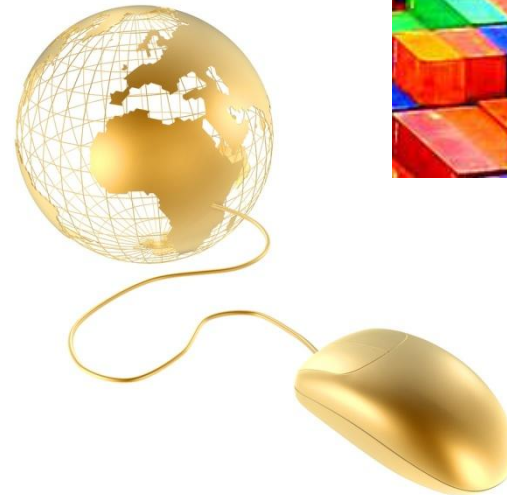
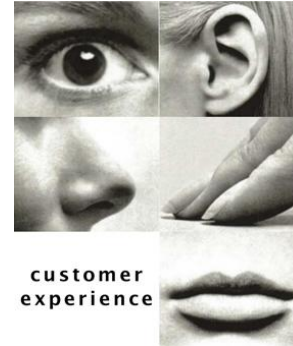
Within a CNO



Role of CNOs in BMI: Defining value propositions

Within a CNO

- d. Promote the participation of customers and users.
Visualize the form of the value proposition.
- e. Promote the participation of key suppliers that add remarkably high value technology, components or functions to products and services.
Translate suppliers innovation into new value propositions.
- f. Don't forget that the value perceived by the customer can also come from substantial changes in the supply chain in the form of more agile and profitable channels for communication or distribution.
Value propositions based on channels and interfaces.



Role of CNOs in BMI: Defining value propositions



CARCO

the introduction of the electric car, incorporates customers and users, as well as partners from the insurance industry and charging stations.

HINCO



is involved as a partner in the innovation network of its oven manufacturer customer, providing innovative solutions for the opening mechanism. In turn, the oven manufacturer participates in the innovation process of HINCO incorporating into the process a functional vision from the field of home appliances.

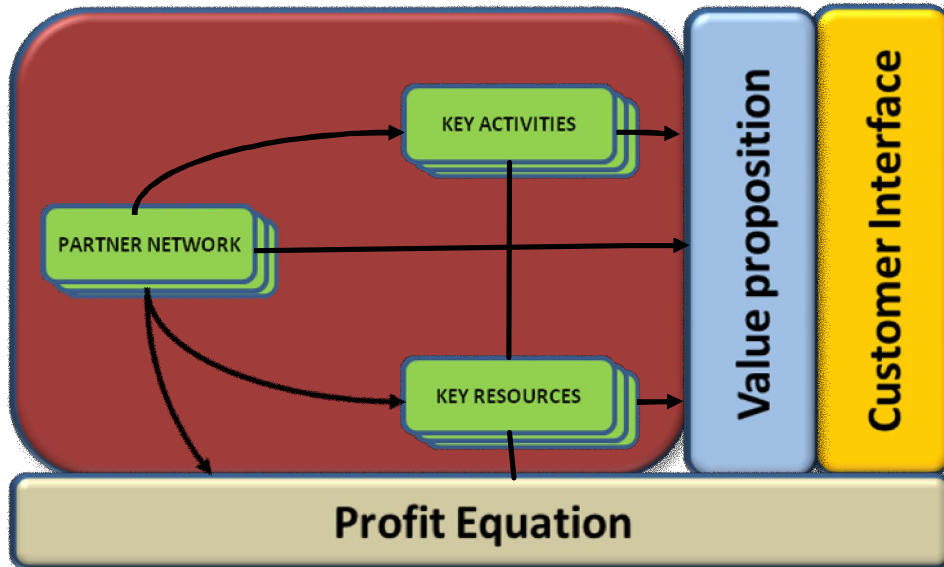
MACHCO

The introduction of a commercial product-service configurator, and the implementation of a production monitoring open system with its mold automotive supplier customers, allowed MACHCO, to greatly revalue its offer.



Role of CNOs in BMI: Establishing infrastructures

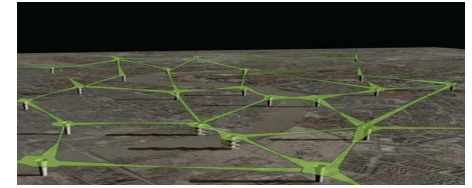
Infrastructure Management



Infrastructure Management:

•The Infrastructure area describes how a company creates value. Describes the value system configuration that is necessary to deliver the value proposition and maintain customer interfaces. This comprises the **activities** to create and deliver value, and, the relationship between them, the in-house **capabilities** and those acquired through the firm's **partnership** network.

Alone?



- 1) Requirements related to activities and/or resources impossible to deploy
- 2) Activities for outsourcing without contrast and commitment
- 3) Activities without sense of integration in the business
- 4) Activities and milestones without the required resources
- 5) Not having the required visualization of the necessary and available partners for the implementation of activities or for complementing resources/capabilities.

Role of CNOs in BMI: Establishing infrastructures

- a. Promote the participation of experts in the key processes needed for the creation, supply, and distribution of value propositions.

Consistent business processes definition

- b. To draw on existing partners as antennas for search, referral and even for managing external networks with the necessary skills (see Case 9 in Table 1).

Outsourcing of activities and resources not founded in the network

Within a CNO



Role of CNOs in BMI: : Establishing infrastructures



HINCO

To offer a value proposition based on customization and highly flexible production systems promote the participation of partners with high competences in the adaptation of production systems for mass customization.



RAILCO

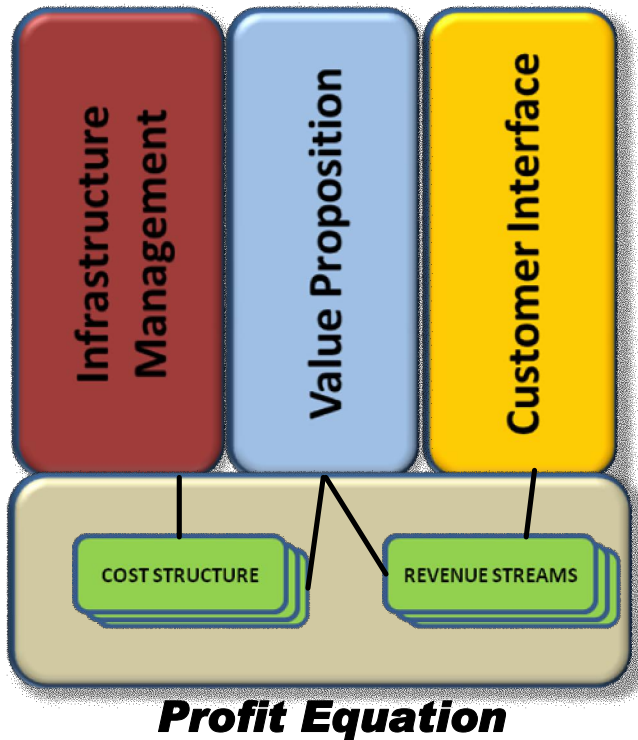
Promote the participation of technology centers and universities within the specification of resources. The role in this network is twofold, the estimation of resources and time involved, as well the development of new product technology.



COACHCO

The need for advanced technical materials knowledge in the design of steel structures has been routed through one of the technology centers in its network. The role of this partner is the identification and management of new external partners not directly involved in the core group of the network.

Role of CNOs in BMI: Specifying profit equation



Alone?



- 1) Disappointment regarding the return expectations of the network partners.
- 2) Underestimation of some proposals that may not generate direct income.
- 3) Specification of a model of revenue streams not commensurate with the cost structures of the partners.

Profit Equation:

- The Profit Equation area is composed of a company's revenue model and cost structure. Together they determine the profit or loss making logic and therefore the ability to survive in competition.

Role of CNOs in BMI: Specifying profit equation

Within a CNO

- a. Establishing channels to collect full information about the revenue generated

Criteria for sharing

- b. Validate that the sustainability of the business

Not only at the end of the implementation

- c. Creation of mechanisms for ensuring that the different partners achieve their return expectations

Maintain cohesion in the network.
Analyze possibilities



Role of CNOs in BMI: Specifying profit equation



- 1- Involvement exclusively in defining the business model
- 2- Involvement in implementing the business model

- Expectations of the partners not centered on operation.
- A satisfactory economic remuneration combined with experience and recognition is adequate.



- 3- Contribution on activities not directly related to the customers

- a) Satisfied with being visualized as a preferred supplier (replaceable contribution).
- b) Demand a long-term agreement (i.e. providers of development capacity under contract)
- c) Direct involvement in the business
economic results (sufficient added value)



- 4- Contribution in activities directly related to the delivery of the value proposition to the customers

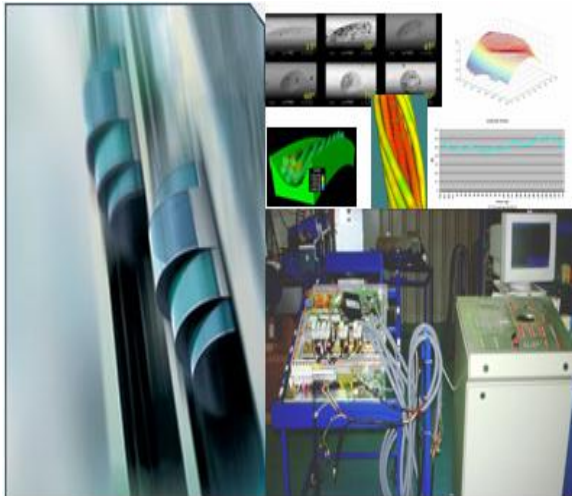
- a) Participation in the revenue by delivering value propositions.
- b) Concerned to the value contribution. Especially relevant when value propositions don't generate direct revenue, or the income is collected through other value propositions.

Role of CNOs in BMI: : Specifying profit equation



VALCO

Has the support of several technology centers for the task of specifying a new business model based on maintenance and remote diagnosis. Neither of these partners expects to have a stake in the new business.



LIFTCO

ELCO

Has based its NPD strategy on a long-term agreement with universities and technology centers. These partners do not benefit from the exploitation results of their technical developments.

By contrast, within the same network, ELCO, manufacturer of elevation systems components, has an agreement with LIFTCO for sharing business results.

Conclusions

- Business Model Innovation needs also collaboration
- It is important don't forget to select the appropriate partners in any of the areas and blocks of the business model definition.
- Take into account the expectations of the partners along the definition, implementation and exploitation of the new business models.

Finally

This is not the final result of the research work. It is necessary to continue with more real experiences and collect more existing cases to define a more tuned framework for collaborative business model innovation.



*Thank you
very much !*



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