

Window of Foresight

by Lanny Vincent

Getting insiders to look outside is sometimes not as easy as it might seem, even when they are considered forward-looking thinkers. Internal mindsets can bias perception and outlook.

Several years ago we facilitated an Opportunity Foresight process with U.S. West, who was large enough in its market to be the dominant player. The division we were working with had responsibility for the Yellow Pages business. As we prompted the group to express their individual diverse beliefs about future external factors, we noticed a tendency toward a certain mind set. Like a car that needs its front end realigned, part of the group would tend to veer off into expressions of what the company should do. It was sometimes difficult for these insiders to put their industry analyst hat on and detach from the immediate concerns of the company's present circumstances.

As these forward thinkers looked out the metaphorical window into the company's future, it was difficult for them to avoid becoming distracted by the

company's own reflection in the window pane. Partly this was due to the relative position and size of the company in its competitive environment. Partly it was due to a chronic impatience to get to the strategy question (what are we going to do?) before answering a prior question—what do we see happening in front of us and around us?

Our colleague Jim O'Shaughnessy reminds us of the power of mindsets with a parable from the book, *The Black Swan*, of the domestic turkey prior to that fateful period in late October, early November. Imagine yourself a turkey. All your experiences with humans thus far would lead you to believe them to be benevolent caregivers. Every day one of these humans shows up with more food and water. Some days they clean up after you, give you medicine, even arrange for you to have sufficient exercise. This daily routine is part of the very fabric of the life of the turkey. The turkey has every reason to expect that the next 100 days will be the same as the last 200 days. Then, along comes Thanksgiving. External conditions change.

To avoid the fate of domestic turkeys, most
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Complementary Innovation

By Jim O'Shaughnessy

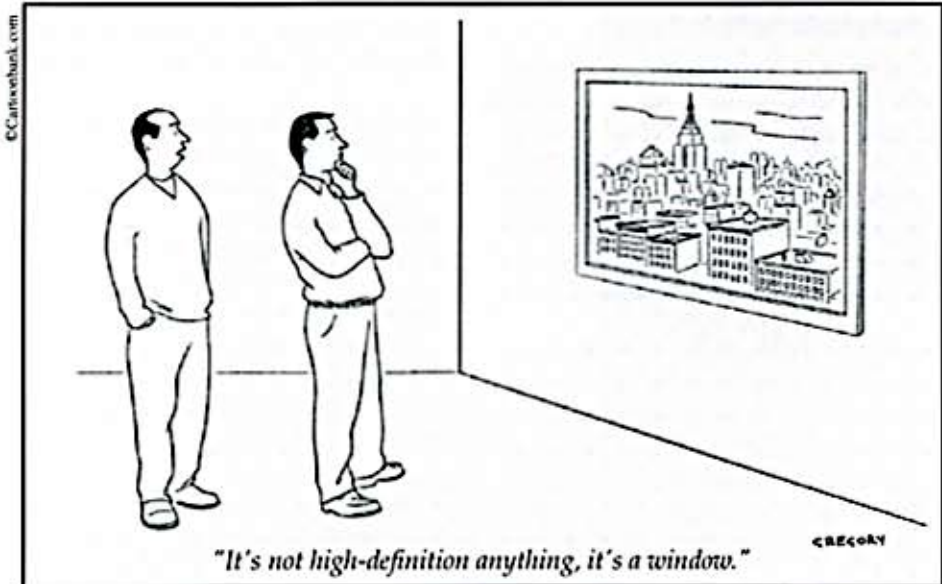
Targeted invention efforts complement a company's organic innovation processes and thus have come to be dubbed "complementary innovation" or "non-organic innovation" to compare or contrast them with the former, more familiar innovation activities. The rationale for these complementary activities is rooted in the practical: no company can possibly afford to address every innovation challenge confronting it through its normal resource allocation process, yet no company can remain fully exposed to the innovation threats imposed by vigorous competition. This gap between necessity and affordability is the niche of complementary innovation.

The technique was born with a specific challenge in mind. In the early 1990s, Advanced Micro Devices was on the horns of a dilemma. It was paying Intel very substantial patent license fees it could ill afford but required the license from Intel as a market enabler. Intel's portfolio was size dominant and AMD was compelled to true up the balance with cash.

This situation inspired the first targeted invention effort. Over a reasonable period of time AMD was able to complement the patent portfolio realized from its ongoing investments in organic innovation with new additions from this complementary process to achieve its goal of a strategic patent balance with Intel. AMD eventually cross-licensed with Intel at par. The complementary innovation strategy met its intended objective there—bulking up the size and diversity of the AMD portfolio to be found economically equivalent to Intel's portfolio.

Similarly, at Rockwell we were disadvantaged for years in cross licensing in the field of telecommunications with

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of our organizations have some formal or informal process to periodically "look out the window" to see how economic, competitive, market, user, regulatory or technological conditions may be changing. Because this is done often enough, we might want to consider the 'window' itself, and how we are using it; our outlook or competitive environmental scanning process and competitive intelligence capability.

Some of you may be familiar with Johari's Window developed in 1955 by Joseph Luft and Harry Ingham, which has become a staple for understanding interpersonal communications and interaction dynamics. This four-paned window may also be useful for thinking about our organization's outlook process. Try this thought experiment: Use Johari's Window as roughly descriptive of the possible views through which your organization views the external future landscape.

Johari's Window

	Known to Self	Known to Others
Known to Others	Open	Blind Spot
Known to Self	Hidden	Unknown

The four quadrants contain an Open pane, which is filled with what you know and your competitors and external analysts know (the 'known knows') about the future. The Hidden pane contains the insights or "foresights" that are known to your company, but may not be known to competitors or analysts (these you should regard as proprietary). The Blind Spot pane is filled with what competitors and analysts are likely to know but your organization may not. These may be 'orthodoxies' or mind sets that may be discernable only with the help of a detached observer. And finally, the Unknown pane contains those future factors that are yet to emerge and are currently outside of the awareness of anyone who may be interested.

For each of these panes in the window, the implications are different. For the

Open frame we would want to make its contents explicit and widely disseminated throughout the organization. For what is in the Hidden frame we would want to both increase the quality and quantity of its contents to grow a competitive advantage as well as maintain its propriety character (i.e., trade secrets, proprietary user insights, and other intellectual assets). Clearly identifying what may be proprietary should be well understood by those who are aware of this frame's contents. For the Blind Spot frame the challenge is to discover what may be known by competitors or others of which we ourselves are unaware—or as Mark Twain said, "It's not what you don't know that hurts you so much; it's what you know for sure that just ain't so." And finally, for the Unknown frame the challenge is to discover factors before your competitors do or before they are generally recognized.

To gain a complete and balanced picture,

all the panes of the window must be considered. The blind spot and unknown frames are particularly of interest in our Opportunity Foresight process. The process helps companies clarify a shared outlook on the emerging external factors shaping their future. It is a more agile, cost-effective and robust process than scenario planning.

Having the organizational capability to see into the future and more quickly identify, understand and time opportunities, threats and strategic shifts is no less important for any company today than it was yesterday. However, exercising this capability in more varied contexts may become more of a necessity than an optional luxury, particularly if we want to avoid the fatal mistake of the turkey. The trick is, of course, keeping the window clear enough to prevent it from becoming a mirror. □

Complementary Innovation

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AT&T and its patent successor, Lucent. We broke the paradigm in a way different from the approach we had previously adopted with AMD but based on certain principles that became evident in our work there.

Targeted invention efforts can contribute considerably to the negotiation calculus and dynamics. This can be exemplified by Rockwell's negotiations with Lucent, assuredly a dominant party in telecommunications, where we used workshops to build quickly the size of our communications portfolio in comparison to historical organic innovation efforts. This had the added benefit of increasing patent velocity dramatically. In crafting the portfolio, and mindful of the typical lognormal value distribution that comes from historic practices, we determined to add to the portfolio based on a simple but powerful premise: patent things important to others, in this case, Lucent.

We took this aphorism one step further: determine where Lucent was vulnerable and patent into its weaknesses. Patents applied to points of vulnerability or weaknesses have greater blocking potential and can be felt by the other party to have greater relevance to its business. And, because we had a more favorable leverage ratio in the implicated market, the negotiation turned an important corner that favored Rockwell over the then dominant party. This result did not occur overnight either in crafting the necessary portfolio, negotiating the cross license more favorably to Rockwell, or eventually in realizing the benefits of the investment.

Complementary innovation is often used as a hedge. On the premise that no company can afford all the organic innovation it needs, here targeted invention can populate the portfolio with patents useful later as the company negotiates its entrée to the market otherwise foreclosed by competitor's patents except perhaps at very high costs. The technique can also be used well in advance of market entry to begin developing a portfolio capable of sheltering the investments to be made as part of the strategic plan. I have worked with many companies in many countries in many and diverse industries that use these and like practices to target gaps in their portfolios when assessing the capabilities of their patents to secure the desired or necessary objectives. This is a hallmark of complementary actions. □