

The Rise Of Innovation Empires: Companies Set Out To Defeat The New 'Kodak Moment'



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<https://www.forbes.com/sites/briansolis/2016/12/08/the-rise-of-innovation-empires-companies-set-out-to-defeat-the-new-kodak-moment/#2fb76c3079bb>

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There was a time when the words, “Kodak moment” meant something powerful and nostalgic. They were the epitome of a brand and the relationship between consumer and product. Today, the Kodak moment means something completely different. From now on, the Kodak moment will be taught in business school and shared by consultants, authors and speakers everywhere as the moment when businesses and executives miss technology trends and ultimately what consumers value.

Kodak is hardly alone. Since then there have been a number of iconic brands fail with many more bidding time on any given dead pool list. In fact, 52% of the Fortune 500 merged, were acquired or had gone bankrupt since 2000. And, in 2015, it's reported that 55% of the Fortune 500 failed to make a profit. This comes at a time when enterprise companies face disruption not only from evolving markets but the threat of startups upending established sectors is also greater than it has ever been.

How can companies avoid this fate? The answer is: innovation.

In today's highly competitive economy, innovation is more critical than ever. One survey found that 65% of senior executives face increased pressure to innovate. However, to innovate is easier said than done. In 2014, for example, around \$1.6 trillion was spent on R&D globally. Despite this substantial investment, the results are dismal. In consumer goods, for instance, research shows that more than 85% of new products fail.

What's the problem? Money sure can buy a lot of things, if not innovation. The challenge though is that larger organizations often work against themselves when it comes to identifying and investing in emergent technologies. Often, they can be constrained by legacy perspectives, organizational models, risk-averse cultures, and rigid processes. Since R&D centers are not producing necessary yields and startups represent increasing threats, companies are investing in innovation centers as an offense or defense to the new Kodak moment.

In 2015, [Capgemini's](#) Jerome Buvat and I partnered on the first research project that studied how, where and why companies were

opening [innovation centers](#). We learned then, that companies such as Ford, Target, Levis, Visa, McDonald's, BMW, Huawei, Deutsche Bank, Nestlé, among many others were doing so to pioneer and test new disruptive solutions, understand digital customers, and test new business models and technologies that advance market positions.

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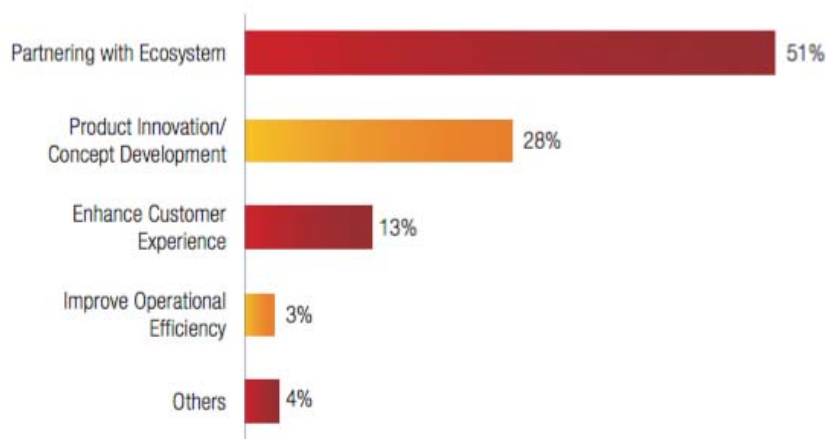
In 2016, we updated our [innovation center](#) research to better understand how these centers were progressing and more so, to what extent they were contending with the threat of startups. Investments in corporate innovation is accelerating. From July 2015 to February 2016, 67 new innovation centers opened or were announced to be opened across 20 countries between. Silicon Valley remains as capital with 58 of these innovation centers. But other cities around the world are also on the rise with London, Paris, Singapore and India representing the top areas for setting up shop.

If You Can't Beat Them, Accelerate Them

To stave off the dreaded “Kodak moment,” companies have to go beyond opening an innovation outpost in Silicon Valley or in any startup hotbed around the world just to have a presence.

Industry leaders are starting to realize the value in partnering with relevant startups and ecosystem players, rather than simply gaining access to technology. “Partnering with ecosystem” emerged as the key objective of new innovation centers. In our previous research, gaining access and exposure to latest technologies, was the main mission. This change in focus suggests a significant shift in how some organizations treat startups. They now see them as partners who bring value to the table.

Figure 8: Key Objectives of New Innovation Centers

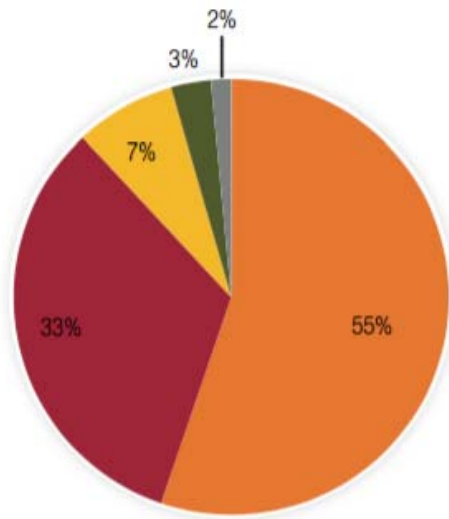


Note: The percentages may not add up to 100% since the innovation centers may have multiple objectives: N= 67

Source: Capgemini Consulting and Altimeter analysis

Between 2015-2016, most (55%) of new innovation centers took things a step further to operate as full-fledged startup accelerators. The primary focus now is to cultivate relationships with startups and provide them opportunities to work actively with the company on technology development. These accelerators literally plug companies into startup ecosystems, allowing them to cultivate relationships with startups and provide them with opportunities to work on targeted technology development.

Figure 6: Categories of New Innovation Centers



Accelerator (55%) emerges as the most common type of innovation center followed by **In-house Innovation Lab (33%)**

- Accelerator
- In-House Innovation Lab
- Innovation Outpost
- Other
- University Residence

N= 67, a total of newly opened and due-to-be-opened innovation centers

Accelerator

Cultivates relationships with startups and provides them opportunities to work actively with the company on technology development

In-House Innovation Lab

The innovation engine for their companies, these centers are typically large in size, and perform all innovation activities from inception to prototyping using an in-house approach

University Residence

A center set up at a university campus to drive innovation through university researchers

Innovation Outpost

Small teams based in technology hubs, typically Silicon Valley, with an idea to be involved in the tech community, without committing significant investment

Source: Capgemini Consulting and Altimeter analysis

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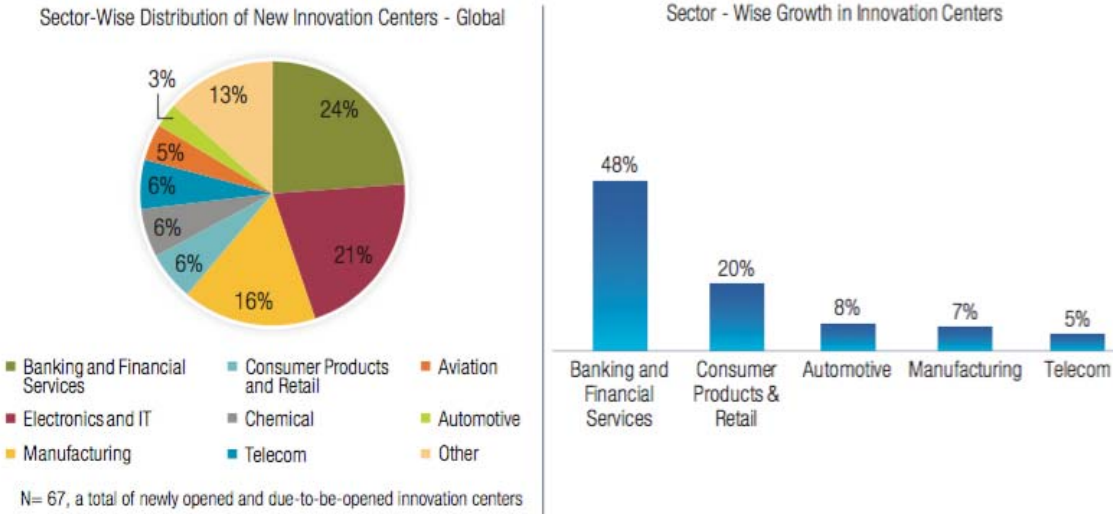
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In addition to accelerators, companies are establishing in-house innovation labs (33%). These labs serve as the innovation engine for their companies perform all innovation activities from inception to prototyping new technology using an in-house approach.

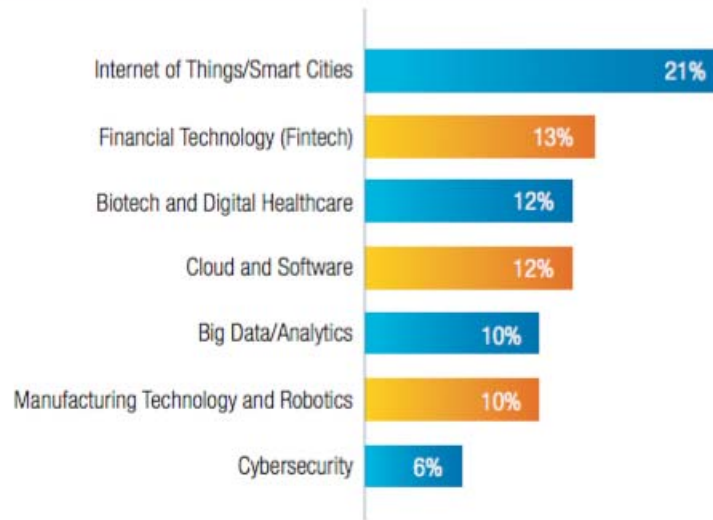
In our previous research, we found that manufacturing companies were the most aggressive in opening innovation centers. Our latest research shows that 42% of leading financial services organizations now have innovation centers compared to 28% in 2015. Between July 2015 and February 2016 however, financial services experienced the greatest growth in innovation centers (48%), overtaking manufacturing (which only grew by 7%) and Consumer Products (which grew by 20%). As a result, Fintech emerged as the second-most important focus area for new innovation centers, with 13% of new centers focusing on this domain. The top priorities (21%) for innovation are Internet of Things and Smart Cities technologies.

Figure 5: Financial Services and Electronics & IT Sectors Lead Others in Opening New Innovation Centers



Source: Capgemini Consulting and Altimeter analysis

Figure 7: Focus Areas of New Innovation Centers



Note: The percentages may not add up to 100% since the innovation centers may have multiple focus areas: N= 67

Source: Capgemini Consulting and Altimeter analysis

By virtue of being standalone units, these centers must constantly prove the value that they add to the business. Successful innovation centers are establishing clear space between themselves and everyday operations. Yet, they're on the hook to nurture breakthrough innovations that can be turned into commercial reality. This challenge is exacerbated by the fact that innovation centers typically work on projects with significant gestation periods. Leading innovation centers overcome this challenge by demonstrating early wins. However, most report having an impact on the overall organization as a top challenge and priority. Already, companies are reporting a range of benefits such as, accelerating the speed of innovation, providing a fresh source of ideas, enhancing risk-taking ability, attracting talent, driving employee engagement and helping to build a culture of innovation.

Innovation centers have very quickly become an audition stage for technology startups that are looking to showcase how they can help some of the world's biggest companies compete for the future. The point though is that slower-moving companies see startups and their ecosystems as the key to unlocking new opportunities. So much so, that they're moving into tech neighborhoods to become part of the community. To thwart the Kodak moment however will be

defined by how quickly and well companies identify key trends, incubate new products and services and test and learn.

The mantra for the future is now a matter of [innovate or die!](#)

Brian Solis is the author of [X: Where Business Meets Design](#). Follow him on [Twitter](#) and [LinkedIn](#).