

From Pipelines to Portfolios to Platforms*

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“If everything seems under control, you’re not going fast enough.” The words originated with racecar driver Mario Andretti, but the sentiment was that of a senior R&D executive at DSM, the Dutch global life- and materials-science firm. She was defending trading-off what some could interpret as a “loss of control” in favor of the pursuit of getting to the marketplace with more ideas, faster. The result has been organizational innovation with the potential to leverage the more familiar product and process innovation for which the firm has long been known for.

Speed to Market has long been a principal concern of innovators, probably for as long as commercial innovation has been practiced. A bit more than a decade ago, it was probably the single most repeated mantra within the innovation community, but typically limited in meaning to commercialization of mostly internal project ideas. Then, suddenly, the focus changed as a result of the acceleration of competitive change and the higher likelihood of disruption, and soon attention was being focused on the navigation of upstream and downstream value-chain dynamics, so that internal innovation process efficiency would now be complimented by a greater attention to external awareness of new ideas. The innovation community then moved, very quickly, from that point on, from a focus on commercialization efficiency via stage-gating pipelines to an emphasis on greater innovation effectiveness via the management of portfolios of projects. Doing more things, and doing them in parallel, had taken precedence over “doing a few things faster.”

Innovation portfolios sound like a good idea until you realize that by centralizing key decision-making they have the power to slow individual innovation projects down and lengthen the distance between the application of the innovation and its development. For speed and design empathy, a better solution for innovation strategy is to liberate individual projects while relying upon a platform of shared interests, resources and aspirations. This appears to be the next wave of innovation design, and along the way we could well envision organizations that are not only more entrepreneurial as a result of greater business autonomy being divested down to lower levels of the organization, but which are also increasingly “antifragile”[†] as a result of being able to learn more as a result of being a bit more “out of control” and yet having the autonomy to correct and grow as a result of the innovators themselves participating more directly in facing market tests.

* An earlier and shorter version of this originally appeared as: Bill Fischer, “Unlock Employee Innovation That Fits With Your Strategy,” www.hbr.org, October 27, 2014

† Nicolas Mouté, “How Can Companies Become Antifragile?” <https://www.linkedin.com/pulse/20140806210610-69047-the-antifragile-company-a-primer>

Empowerment by now has become a familiar theme in most business conversations with the result that increased project autonomy is increasingly at the heart of many organizational innovations. Autonomy, however, in and of itself, is not necessarily sufficient for innovative success. Earlier research by the author[‡] has argued that maximum innovative output occurs when innovative contributors believe that they have absolute freedom to contribute ideas to new projects [i.e., *increased autonomy*], while top management believes that it remains in complete control – both at the same time. Innovation portfolios fail in this regard because strategic decisions (and decision-makers) typically take precedence over the entrepreneurial instincts of a project team. Platforms, on the other hand, are perfect for achieving both of these objectives.

There are many paths to innovation platforms, but they all have in common the search for downstream independence without sacrificing upstream economies. They promise a degree of freedom and entrepreneurship in delivery, while maintaining many advantages of scale and scope. In a search for a concise description of platforms think about Apple's iPad, which turns a mass-produced consumer electronics product into a value-generating *platform* for other people's independently-produced Apps. Apple has maintained a relatively high-degree of control over how the idea has developed, and how value is captured from that idea, but the use and utility of the device far exceeds anything that anyone at Apple could ever have imagined. In a sense, Apple has become the mass-producer of a commodity item that liberates the imaginations of a developer community, and possibly even its customer base as well. This is a product platform. More interesting are "organizational platforms" which enable somewhat analogous complementarity between upstream economies of brand and resources, along with downstream autonomy of employees.

In many industries, particularly those in B2B industries, speaking about talent "liberation" remains a challenging task. Yet, ideas matter in these industries as well as they do in the more glamorous B2C industries, and we have recently witnessed two very different approaches to building innovation platforms among such less glamorous market contexts. One is the aforementioned Dutch life- and materials-science giant DSM, and the other the Chinese home-appliance global leader Haier. DSM's objective is unabashedly to "build an intrinsically innovative company," and in its approach innovation portfolios have been reinvented to put platforms into the portfolio, resulting in a "clearer front end" and better-defined opportunities at the market-end of the platform. By clustering its projects in platforms of shared affinities, DSM believes that it is creating portfolios of options, rather than projects, and is more likely to build leadership positions in large opportunity spaces as a result. After all, "projects can fail, but not an opportunities or needs."

According to DSM innovation owners, they now "treat the pipeline as a bowling alley of related opportunities," and project adjacencies within platforms have led to a recognition that since they position resource allocation and timing decision-making closer to a collection of projects with common objectives, they benefit

[‡] Andy Boynton and Bill Fischer, *Virtuoso Teams*, London: FT/Prentice Hall, 2005.

from the knowledge of those closer to the action. In this way, the argument can be made that “platforms are better at this since they share the burden for innovating.” Innovation managers at DSM have also seen that innovation success requires: “passion, ownership and drive” and that these are more naturally expressed in a platform environment, where many (rather than a few) individuals are participating in key decisions, often with end-to-end involvement. In at least one instance, a promising collection of projects in the firm’s pre-platform environment “had no visibility because they were individually insufficiently large enough to gain attention on their own in the budget process.” Collecting these same projects into a platform has not only given them visibility, but legitimacy as an innovation focus for the firm. Platforms have also promoted value-chain positioning as a strategic choice for projects where such options would never have previously been considered, even to the extent of facilitating brand-building, and offering exclusivity in markets where the company has historically been an OEM supplier of commodity products. Platforms are even seen as increasing a receptivity to open-source innovation, as project choices are being made by many more actors, who are closer to the action and who feel as if they are running their own businesses rather than protecting their own projects. In the words of one DSM innovation community member: “Platforms always bring choices back to the big picture, making everyone involved in a part of the dream and [inspiring] them to rally around it.”

At Haier, there has been a growing awareness of the wisdom found in the ancient Chinese saying: “When things have attained their strong maturity, they become old.” CEO Zhang Ruimin has pointed out that as major societal trends such as:

- Having access to assets might be more desirable than owning them
- Who & what you know is increasingly more important than what you make
- We are all living our private lives in internet time, but not our organizational lives, and
- We live in a world of endless & abundant interconnectivity

sweep across the global economic landscape, organizations need to respond in kind. Zhang believes that, as a result, organizations should increasingly emphasize design attributes such as:

- Speed
- Openness
- Boundarylessness
- & the pursuit of value-ecosystem opportunity

and, he sees organizational platforms as a natural way to do this.

Haier’s first step towards creating a platform organization was facilitated by its earlier adoption of self-organizing work units & internal labor markets as essential structural elements[§], which in Zhang’s words “created equal

[§] Bill Fischer, Umberto Lago & Fang Liu, *Reinventing Giants*, San Francisco: Jossey-Bass, 2013.

opportunities for everyone, even in a large organization.” The next step, however, was even more ambitious: the decision to remove all organizational barriers. This has taken the form of encouraging the “de-Haierization” of major parts of the organization, moving them from *Strategic Business Units* to *Platforms*. In the case of Good Day Mart Logistics, an integrated logistics arm of Haier, the ability to deliver products, anywhere in China, with a 24 hour promise time was always seen as a major and unique proprietary advantage for Haier. Once Good Day Mart became a platform, however, it could offer that same advantage to anyone in the marketplace, competitors included! This hugely leveraged what had previously been a solely exclusive advantage, liberating talent as a result, but the only way to do this was to liberate the business unit from its only customer, the Haier company, and allow it to act independently; thus, creating a platform.

Platform organizations are the mirror-image of the crowd-sourcing openness that many innovative organizations are benefitting from outside their corporate boundaries, only they operate internally, instead. Instead of inviting others in to help provide the next generation of ideas to fuel a business, platform organizations invite insiders out, to help provide the next generation of ideas and energy that every business needs to sustain itself. Like open-source activities, platforms offer us a big-step forward towards the democratization of work itself

Today, the plan at Haier is for Gooday Mart Logistics to operate as an independent business, in partnership with Alibaba, with the objective of “creat[ing] industry-leading standards for the logistics, installation and servicing of household appliances across the country [China].”^{**} My interviews with Gooday Mart people, such as drivers and warehouse operators, revealed a genuine desire to become real entrepreneurs, and to be *de-Haiered*! When I asked Zhang Ruimin, who had been inspired by Peter Drucker’s admonition to build “an enterprise [where] common people do uncommon things”, how he felt about this – *was it disappointing to see them wanting to go out on their own?* -- his response was: “Of course not! This was exactly the sort of entrepreneurial energy that a platform organization was able to unleash. We are now facing the age of “losing control. We believe that we will lose control, step by step” in the pursuit of, again with Drucker in mind, creating more customers.

^{**} http://www.joc.com/international-logistics/haier-expands-china-logistics-business-3pl-demand-grows_20140827.html