10 rules of Open Innovation

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by Finnovating

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INTRODUCTION

From the invention of the wheel until now, technological revolution has been gradual, reflecting the shift from evolutionary innovation to disruptive innovation. Digital disruption came from **Moore's Law** which states that, every two years, computational capability and processing power is multiplied by two. This means that in 2045 a computer will have the same capacity as all the brains in the world.

Looking at the future, the acceleration of adaptation processes of new technologies is governed by four rules: first, everything that can be digitized is going to be digitized; second, everything that can be connected will be connected; third, everything that can be automated is going to be automated; and fourth, everything that can be analysed will be analysed.

These four rules are changing most of the sectors forever. Such sectors are **media**, **retail**, **banking**, **insurance** and **many others**.

Additionally, there is another big change. The client is driving innovation now, as they are asking for and consuming the latest technologies. In the past, armies led the invention of technologies such as the GPS or Internet, civil use coming slowly but surely. Now the **BigTechs**, **telephone companies** and **retailers** work to offer customers the best artificial intelligence algorithms or augmented reality, leading to worldwide innovation.

In this new reality, large financial companies have been forced to renew services and business processes based on **internal** and **external innovation**. But we must differentiate between those who really work in that change and those who only do what I call "The Theatre of Innovation".

Most corporations insist on making noise through actions or projects with technological startups and scaleups that barely have between 1% and 5% impact on real business, such as **competitions**, **hackathons**, **incubators** and **accelerators**. With this, not only do they hardly impact the business and the income statement, but they frustrate both their innovation teams and the FinTech they try to work with.

For example, in the financial sector in Europe, the average time to close a collaboration agreement between a bank and a FinTech, according to several Finnovating analyses, is one year. This is something totally excessive, startups cannot bear these deadlines and banks are not having the right time to market. As a result, we can realise that the real average collaboration is lower than three FinTech a year.

However, open collaboration focused on pilots and Fast-Track methodologies with startups or scaleups is between 2 to 10 times cheaper and infinitely faster. The time to incorporate them is as important as being the first, but we must always focus the real impact of the company, either by **income**, **efficiency**, **sustainability** or **user experience**. Everything else will be the "**Theater of Innovation**".

But with a global ecosystem of more than 50,000 **FinTech**, **InsurTech**, **PropTech** and **RegTech**, and more than 500 new business models, the possibilities are so many that it is practically impossible to keep up. And it makes it totally unfeasible for any entity to analyse and value all of them, not only if they can have a real impact on their business, but if they are mature enough for collaboration. So, how to achieve success in the new open innovation environment? We need to follow the following 10 important rules.

1. Create a **culture** of open innovation in the organization: innovation begins with people, so it is necessary to create an ecosystem within the company where innovation is encouraged and generated. To do so, **create spaces to innovate**, stimulate the innovation of your employees, share and look for ideas anywhere.

2. If we want to innovate, we must start with the **leaders**, who must be the ones to encourage innovation, changing their way of thinking and seeing things. Innovation leaders must come from every business area.

3. To innovate you need talent. Identify the **talent** in your organization and give them the necessary tools to innovate.

4. Start analyzing inside the company the **needs, opportunities and challenges** of the different areas and focus in two lines: the impact on the current business (in terms of increasing the sales and reducing the costs) and the impact of the future business you want/need to offer.

5. Be part of the **ecosystem** and participate actively. Study the new actors, learn about new services, products and business models: FinTech, InsurTech, BigTech... and know where and how they can be integrated into your companies. Anticipating is the key.

6. Open Innovation should be **"Open"**. Open innovation and open technology. Don't be afraid to share knowledge and technology, with the right partners you can grow exponentially and the benefit will be much greater. Open your data and technology to third parties that in a more agile way will make your business scale.

7. **Co-opetition**: stop looking askance at your competitors and ally with them to grow your business. If the market evolves, be the leader of that evolution with new allies.

8. Create a **sandbox** where everything is allowed, where there are no stoppers and teams can let their creativity and imagination flow without barriers, where mistakes are allowed and learn from them. Innovation is not about impacting your P&L, at least at first. Create a place where collaboration with startups is not destroyed by the company's antibodies.

9. Find the best open innovation **platforms** to access all of the best innovation and technological solutions as well as the best trends of the world. Scouting is not a simple analysis of the public maps, it is being part of the ecosystem and having the right contact with the real decision makers of the company.

10. Think about launching **pilots, PoC, Co-creation and investment** projects involving Tech startups. The rest doesn't matter.

To successfully accelerate your company's open innovation processes, It is important that you carefully follow these rules. And if you want to speed up the process, join the Finnovating platform, the best option to discover and be discovered. Can you imagine having the possibility to connect and do business with more than 70,000 global companies? And remember this is not about theatre, this is about business, results and sustainability.

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