

**NETEVENTS**

## **EMEA PRESS AND ANALYST SUMMIT**

**FINAL**

### *Keynote Presentation*

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Well good morning, everyone. It's a great pleasure to be here. It's an interesting entrance player, coming in with that type of music. It's almost like you know when you see these boxing fights and you have these kind of theme songs. It's quite interesting.

It's a real pleasure to be here. I had some very interesting conversations already with quite a few of you over the dinner yesterday and breakfast in the morning. I was asked to give a bit of an overview of some of the broader trends we've seen over the last eight years. We've been working in this innovation co-creation lab, focusing on business model innovation around the world, trying to understand what are the kind of success patterns and failure patterns we've seen across industries, particularly also in IT but also other sectors, and what can we learn from that. And I hope to share some of the insights with you that hopefully will be helpful and relevant. And then I think there will be different panels and speakers afterwards to break down some of these themes.

So to kick that off, talking about innovation in the broader sense and then diving deeper into it, I guess you're aware of some of the broader challenges we're seeing out there, so this idea of a networked economy emerging. I don't have to tell you about trends like the cloud and other things that allow us to be much more networked, to have people from day one, scaling solutions as freelancers, as people who usually would have made an apprentice-type learning curve for 20 years and only then set something up. Now actually you have people who are 22, coming directly with their solution and being able to build networked businesses from day one.

We see new ways of organising, so these more networked structures, but also new markets. And one of the markets we're most interested in is actually the base of the pyramid. So that's a billion people who so far have been thought to not be a market

because they were too poor, both in developing countries but also in developed economies, but now, because we can do these more co-creation-type solutions, where we give them simple tools, and I'll come back to that later when talking about our labs, where we give them simple tools and they can become now part of supply chains. And so we open up complete new markets.

We see that technology not only helps us to build ideas into global solutions from day one, but it also allows us to enhance transparency and accountability on all levels, which we'll talk about later as well. And then the one I'm most interested in, which is the shift in mind-sets and the shift in the articulation of these mind-sets and what that means for employee productivity and so on. So to kick that off, but basically it all somehow requires us to innovate across the organisation.

So over the last eight years particularly we have been working with a lot of people around the world who have been considered lead users or people who have been considered the ones pushing the boundaries in different fields. Four of them you see here from across different fields. This gentleman, for example, travelled the whole African continent on the search for unsung heroes to understand what are the trends and patterns emerging. He saw very interesting solutions emerging. Some of you might be aware in Kenya, for example, when the whole mobile banking started or microfinance solutions coming out of these types of contexts and so on, he was one of the people helping to spread the word and discovering this. And then you see some other innovators here who set up different types of businesses that scaled very quickly due to different type of technological solutions, including cloud.

The interesting thing is that if you look at these different people, from very different fields, some people in IT, some people in agriculture and other fields, what struck us was that while they are in very different industries, they have something in common, what we call 'Generation Why?'. Generation 'Why?' is a mind-set – not the age group. Not the 20 to 35-year-olds, but the mind-set, the mind set of people who question things, the mind set of people who now not only want to first work and have a career and then somehow – and put some meaning later, but who want to do these things at the same time.

The interesting thing though is when you look at companies these days, they are still explicitly or implicitly based on this very old Maslow's hierarchy of needs. Have any of you come across Maslow's hierarchy of needs? So maybe 50% [of you]. So Maslow used to say, back in the '50s, '60s, he said, well, look, humans have very similar needs that they fulfil after and after. So they first have material needs, so they first, in our – when we translate that to today, they need some kind of material protection, they need money and all these different things. Then they have safety needs, then emotional needs, esteem needs. And then when they still have time in the end, they self actualise. That's when the real purpose comes in. That's when all this quest for meaning comes in. That comes in when you have everything else fulfilled. So it's, in a way, a relatively linear approach.

You see someone like Bill Gates first setting up Microsoft, making a lot of money, then setting up a foundation and giving it all back. You first do well, then you do

good. It's a relatively linear approach to life. This generation 'Why?' though wants to fulfil these needs at the same time. They want to have material success. They want to make money. But at the same time they want to have a certain meaning to it. And they don't want to do this after work; they want to do that during work. [We see a 'circle of needs' emerging].

And so what I always find interesting when working with particularly bigger companies in the banking sectors and consulting sectors, where you have a lot of extremely bright people, extremely driven people. But what you see is that their productivity is relatively low in some occasions where they, during the day, work on something and in the evening they work on their passion project. And the passion project, the start-up they want to set up, the NGO they support, that's where their heart is. Their mind is in the day job; their heart is in the passion project.

And so what we're really interested in is to see how do we get that into the company that these people actually are there with heart and mind, which not only increases productivity but also creativity, innovation and so on.

The other interesting thing is that in a networked economy, where I have to cater to others, where in a knowledge economy we need to share information and ideas, it is in our enlightened self-interest to be not to self-interested, because in a way the more I can give to other circles of needs, so to other people, the more they can cater back to me and the more they are willing to cater back to me. So we also see emerging this kind of – I don't want to call it the giving economy. But in the sharing economy you see these patterns where people build reputation by being the ones providing information, by being the ones helping each other out in communities, because they built this karma over time.

And so the interesting thing is that we, in the work over the last years, have seen different patterns emerging in companies, where it seemed that if they tweak these different pillars, they went more and more towards high-performing organisations. The first one is around the action-driven purpose. So there's no news that an organisation that has a purpose can do a lot in terms of getting people more interested. So the action-driven purpose is really all about the question 'Why?'. A lot of people, when you ask them about themselves or when you ask them what they do, they are very good saying 'I do this'. 'My company does this'. 'We produce this and this software. We produce this and this hardware'. So it's very easy to say what one does.

But the question is – what really gets people excited is why something happens, why a company is there, what is the real purpose behind that this endeavour actually happens. There's a beautiful TED talk, those of you who are interested, by Simon Sinek, who talked about exactly this, that a company like Apple would not say what they do, they just produce basically a computer, but why they do it. It's a lifestyle. The expression of something bigger than oneself. It is cool. So it is more about experience than it is about anything else.

And so there's a very interesting clip. I don't know, who of you came across the 'dancing guy' on YouTube? No? It's one of these videos I highly recommend. If you have like a couple of minutes in the breaks, it's called 'dancing guy'. And what it

does is it shows in a very simple way a movement is built around something very simple. So it's basically one person dancing in a park.

He probably is drunk or nobody really knows. He's dancing around. And then everyone sits there and everyone thinks 'oh my god, this dude is crazy'. Then after a couple of minutes another person joins him and they both dance crazily. And then what happens, the second person asks his friends to come in. And then these friends come in as well. So you have now four people crazily dancing. And then they asked their friends. And what you see within a couple of minutes is that half of the park runs into the middle, in the music, and dances with them. Because now actually the out-group became the in-group. The crazy dudes became the cool dudes.

So what we see there is that in the end, leadership and action-driven purpose-driven organisations is not any more about the charismatic leader, the Steve Jobs type person. It is about people who actually have followers, the first two, three, four, who are actually so excited about what is happening that they drew other people in. So the dancing guy video is in a way illustrating the new type of leadership, which is about not the charismatic individual but having the next type of individuals coming in.

There's some kind of interesting examples around the World Economic Forum's global shapers. They set up an organisation for the 20 to 30-year-olds where they select the most interesting people at that age, 20 to 30-year-olds, to give them a voice in Davos and so. And what they do is they have company partners who then plug into these communities and have these young leaders, for example, compete with different types of ideas, for different types of challenges or other things. But what is different now from how usually people would work with individuals in communities is usually would go to Berlin and you would say 'who's an interesting person in Berlin'? And you would come up with them.

What [a global company] and the shapers, for example, did is they directly worked with global communities who then have local ambassadors in different cities and [cope] up around content and other things. What it does is you, in a way, establish credibility as a company by not working with individuals around challenges, but working with whole communities and plug into these ones, which increases legitimacy and so on.

So let's say there's the bigger purpose. The bigger purpose is around 'why do we do what we do?' 'How do we get the right people on board by leadership that excites people and how do we work with existing communities and get them excited?'.

The second one is around genuine values. I did a workshop a couple of years ago with a multinational. And they had – I asked them, 'what are your values? So what do you stand for?' There was complete silence. Everyone looked very busy and everyone looked on their phones and so on. And I asked again, 'come on, can someone tell me what are your values?' And then at some point, one of them said, 'let me quickly Google this'. And so he went on Google, and he said, 'okay, yes, our values are innovation, creativity', and a third one, which made very obvious that for them value statements were about the PR department putting something on the home page rather than actually standing for them in the company.

And the interesting thing is that this ‘Generation Why?’ understands this. They not only feel it but they see it. They see it in recruitment interviews. They see it when people get promoted, who gets promoted and so on. So genuine values actually is around the question how do you take values, whatever these values are? If it's about reciprocal relationships, well then what does that mean for the actual company practices? Introducing that into the selection process, so really in the selection process already having the company and the potential new hire being – having that already brought up. It is about promotion processes, not only promoting the people who are doing really good at the bottom line but also the people who actually have shown reciprocal relationship building, so people who actually live the values, identifying these role models and so on.

So to give you an example. This is Holstee. Holstee is an enterprise in New York City. And they wrote a manifesto around five years ago where they wrote down their values. And values including that you should live your life to the fullest and very creative-type-inspired values. And nothing happened for a couple of days. And guess how many times it was downloaded by today? A hundred million times. A hundred million times. That was one of the most interesting viral campaigns ever because it was genuinely driven by what they now use in their company. Everything they do in the company is somehow informed by these values, from the supply chain to how they work with people. It's all about somehow having this feeling of ‘look, we're sharing our passion. We actually live what we – or we practise what we preach.’ So it's not only an interesting thing in terms of positioning, but it's also an interesting thing in terms of getting interesting exposure.

The third one is around – we had some discussions in the morning how the cloud obviously enables decentralisation, how the cloud enables to, if you have subsidiaries around the world, to be more empowered with their own solutions. And you see that also in a lot of different other fields in terms of thinking about how you actually decentralise not access only to technology but also making ideas happen.

Who of you remembers the volcano, Eyjafjallajökull? Is someone from Iceland here who can pronounce it? Would you mind saying again? That's much better actually. E13. Okay. So this unpronounceable name volcano, E13, broke out. And so what happened was at that time when the volcano broke out, there was a conference in Oxford and Cambridge happening, so the Skoll World Forum and another forum had a big event. And it broke out and all these people were stuck in London. And so all these people had their schedules completely cleared.

And so I got a call in the morning by a member of our community at that point, Nathaniel, who lived in San Francisco but came to London for these conferences. And he was like, Christian, I want to organise a conference. All these amazing people are stuck here. I want to organise a conference. So within 28 hours he put together a full-fledged conference. He called up TED and said, ‘hey, give me your brand.’ He called up the Hub and said, ‘give me your place’. He called up Sandbox and said, ‘give me volunteers’.

Within 28 hours he organised TEDxVolcano, which was one of the most successful TEDx events, with 10,000 people on the recorded livestream, hundreds of people on the wait list, people like Jeff Skoll speaking. And the interesting thing about this was that the reason he was able to do that, pull together a conference in a city where he didn't know anyone apart from two people or three people, without cost, and in such a short period of time was that he leveraged the power of communities. He leveraged the power of being able to decentralise, using not only technology but also using existing brands, like TED and so on, to actually pull something up at that scale.

So we see this kind of decentralised connectivity where global brands empower locals to make stuff happen, within organisational boundaries but also beyond these organisational boundaries.

The fourth one I don't have to tell you a lot about. I guess that will be a lot of the conversations over the last – the next days and also you're the experts in technology. But some of the things I find most interesting on the technology side is actually not only how you can use things like the cloud and other things nowadays as platforms, so less as solutions but as platforms, but also how these allow us to hold people accountable, so to make peer-to-peer accountability much more probable to happen.

I've seen some companies we work with, for example, using very simple wiki pages where the one simple thing they did was what they changed was that usually some subordinate would report to their people who are up in the hierarchy. And what they would do is they would very simply turn that around and say the CEO also has to report to the rest. So the CEO would be like 'okay, this week my goals are this. This week this and these are my deliverables.' And in the next week they had to justify why they did what they did. And they would do that transparently on the intranet. And what that did was that people developed a buy-in to say, oh yes, now if this person is accountable to me, I want to be more accountable as well.

So what you do is you not only democratise structures but you actually democratise processes as well. And technology helps us to do that very easily nowadays.

The last one is obviously around how do we also better measure things that we can't capture that easily, right. So it was always very easy to capture profits. It's very easy to capture sales growth. But how do you capture things like meaning? How do you capture things like the social impact that is to be had? And those of you who are interested, I think there's a lot of briefings today, I'm very happy to dive deeper into the matrixes, for example, of Acumen fund, where they're extremely good at saying 'how do we track the outcomes in the long run of what we actually do?'

So if you have, for example, an IT-enabled education initiative, like MOOCs or other things where, in the end, you only so far a lot of times track how many people were educated. But what's actually really interesting is to understand hey, what happened to these people three years after and what was the actual impact we had on this? And so really not measuring only the outputs, how many people were educated, but the outcomes. What did that actually do to them in the long run in terms of empowerment.

So [to implement these five pillars], there's four action steps that always come up in a lot of the work we've been doing. Also the companies we've been building on the side, I think there seems to be four actions steps that always are very interesting. The first one is around the culture of innovation. One of the things I always enjoy is you know when you go to conferences or when you go to companies, you traditionally used to have the water cooler, the water machine. That now sometimes is like the snack place or other kind of – basically the place where employees meet when they're within the company.

And what I find interesting there is that if you go into some traditional companies, a lot of the conversations at the water cooler are around 'what is this person doing? Did you see they messed this up?' So a bit of a gossipy-type tone and a bit of a tone which is, in a way, looking out for what other people did right or wrong. But then you have other – especially we talked with JB earlier, the whole Silicon Valley spirit in some parts where people talk about ideas, right. They would be like 'oh, I was in this meeting and I heard this idea so I want to develop this idea.' So people talking about ideas rather than about people.

And who said that actually was Eleanor Roosevelt, the wife of the president. She used to say that 'great people talk about ideas. Average people talk about things. Small people talk about people.' And the interesting thing is when you think about corporate culture, that is very true. What you see in a lot of organisations is if it is the focus on the individual and like what they do right or wrong, that's not necessarily a culture that allows failure. That's not necessarily a culture that allows for people to get really excited. But if you have an ideas culture where people can actually talk openly and exchange, that actually brings that forward, which also is driven by some of the interesting developments in design thinking, which is how do you actually execute on that culture and how do you actually manifest the products.

So some of the companies we worked with, what's always interesting is that one bank, for example, we work with, what they would traditionally do is they would traditionally survey their customers and say, hey, which type of teller machines or which type of ATM would you want next? And then people would fill it out. But usually they would do that in formats which would be either saying 'do you want an ATM that does – that also helps you to do different types of banking transactions or other things?' So usually you would click things or you would have some kind of questions.

What this bank does is though, they use design thinking. They have people who stand close to the ATMs and actually observe people, how they do it. There's obviously always a kind of question of how to do that in a way that people don't feel threatened. So that's an intricate question. But it obviously has to be transparent. But actually observing what people do rather than asking them what they do.

We had a – those of you who are interested also in other markets, we had a very interesting example of this. A colleague of mine went to India. And they had surveys. And they went to people and they asked them if we would give you a hundred dollars, what would you buy for a hundred dollars? And so people would usually say the

things that are expected. They would say we would buy better food for our kids. We would buy better things so that we can live better. So they would say that. And what a company usually would do, most of the companies we work with, what they would do is they would then take that survey and say ah, we learnt that people need better food. We learnt that if we make good food cheaper that they would actually buy that food, or similar in other sectors.

But guess what they actually bought with the hundred dollars? What's your guess? A mobile? I'm sure if they would have spoken to you and you would have made them excited, they would have bought a mobile. But actually they bought a television. And so the interesting thing is that even when you are in poverty and even when you are in a situation where you can't afford a lot of things, there are some things that are more important than other things. And in that constellation, for example, the TV is a great – it's a measure of showing that you can afford it, but also it's something where you're now the only one who can talk about what's happening on the news. So in a way you're the one who the conversation is around.

And so the interesting thing is that what people tell you and what people then actually do is very different. And design thinking for us has been a very good way to actually try to understand how do you come from really emphasizing with people, observing them, seeing what they really do, to then fast prototyping and then to actually test the [inaudible] and really go through this iteration of really understanding people by observation, and not only by asking them, and then actually really quickly identifying patterns, prototyping and so on.

So those of you interested in these kind of streams, the Stanford Design School is really good in diving deeper into how you can use that approach not only for products, but also for whole ecosystems. So they reengineer whole education systems using that simple design thinking approach.

And the third one is around then, from these learnings, develop interesting business models. I guess I talked with some of you yesterday around those who set up their own companies, like how to actually come from a problem to a real business model. I won't bore you with this. I'm sure there's those of you who are interested, we could definitely dive deeper into it. But what's interesting about this is a very simple toolkit to say, hey, if there is an idea or a problem, this is how we can very easily develop a customer value proposition and then a revenue model around this and going through that step by step to actually put that purpose into action.

But anyway, so that comes to the whole business model of innovation. So how do we actually – if you have business models, what do we see out there? What's actually happening? And what I find interesting is that most companies nowadays, where you see this big resistance to change, so it's great to talk about innovation as the idea of like improving things, but how do you actually – how do we integrate that in companies. And I think a lot of the IT companies we work with, IT obviously, for good or bad, is also a sector where people are used to more change happening than in some of the sectors we work in, like the more traditional hardware, more hardware-based sectors. [Innovation] is seven tougher to push through.



But in especially – so the IT sector, what we see obviously a lot is to see that people use trips to different types of occasions as a way to get people really excited and really map the different types of stakeholders and understand like when we initiated a new change, who are the stakeholders that are really interested and interested in motivating and how do we get them interested and excited and build that local capacity?

So in a way, what I found very interesting, I don't know who of you came across the different types of innovation communities, discussions over the last years. There's been this kind of emerging movement around innovation communities, communities of practice. So the whole question being how do you actually, when you develop a company and you understand that organisational boundaries are now more and more fluid, so if you look at the traditional boundary being there's a salesperson and this salesperson sells something to someone else, but now in a network world, we see these boundaries are more fluid. We see that actually the customer becomes the co-creator. We see that actually there are communities of people who try to together develop solutions.

And so what we've seen emerging over the last years more and more is that existing companies, bigger and smaller, try to curate communities of innovation, where they actually enable people to co-create things together. And some of the most interesting and successful ones, Nike and others have tried around with this quite a bit. And we've seen that some of the more interesting ones do that usually trying to understand what are the core values not only of the company or the organisation, but if we build a community or an ecosystem around the organisation, how do we define that? Like what are the core values that define this boundary if there is no clear organisational boundary any more? Who are the key people, the key multipliers who are actually interesting and relevant, who could actually help us to either deliver a message or learn from it?

So you see people are not assigning any more only sales people, but they say hey, who are the people who are credible in a certain content area, like with the global shapers, for example, a company would say hey, who are the local people in this community who have a reputation for something? And how can we work with exactly these people as brand ambassadors, but not as traditional organisations used to do. Traditional organisations used to say look, this is our brand, go out there and spread the word. But more in terms of hey, let's think about relevant content that you co-create with your people and then actually be a part of this journey that is your own journey now and now only our journey. So really empowering these kind of ambassadors and in a way also create this idea that people hold each other accountable.

So where does that leave us? It's one of the interesting things, I feel, that when we look at the more – the strengths we just talked about, that we get away from just product innovation, right. Product innovation used to be okay. How do we create the next best operating system or the next best shampoo or the next best whatever the product is, to more system innovation. How do we now understand the whole supply

chains and the value chains of different companies to then understand how do we get the model for everyone right?

To give you an example from another sector maybe to illustrate that, some of the projects we've been doing in Kenya were around agriculture. And in agriculture, what they – there is this one company that traditionally manufactures beehives, so a very boring, traditional kind of – it's an exciting company but a relatively boring product. And so you have this beehive. And what they will do is they go to farmers and they want to sell the beehives to the farmers and then they buy back the honey and then they go to Tesco and others and sell the honey. So they are the intermediary.

So traditionally what you would do is yes, you would try to find customers that can afford the beehive so that the farmers then can afford the beehive and make honey from it. What they do though is they think about their value chain but also the value chain of the farmers. And they say, okay, we need to obviously enable the farmer to buy it. So they bring in the world banks to enable the farmer to buy the honey – the beehive in the first place. They bring in other partners for the farmer that enable the farmer to actually effectively go about the land and how to install the beehives and so on, in a way that the farmer himself or herself can build a whole business model around it.

So what we see is things that iTunes and Facebook and others did, they built platforms upon which other people can build their own business models and help them build these business models. And you have this amazing network effect where the more the one can sell, the more the other can sell. So we see the iTunes and Apple store type effects we see in a lot of sectors. And they are now more about system innovation and less about product innovation.

One of the things I feel interesting also particularly in the IT and the technology sector, we talked about security. I feel another thing is also really about reputation. How do you take the reputation of someone who has a great reputation on Uber, if you have 4.9 stars or 5 stars on Uber, and is there a way to translate that to Airbnb and is there a way to translate the ratings of Airbnb to how you get your next mortgage? So what are the transferable bits of reputation across the net and what are the bits that cannot be transferred and having platforms built for this?

A third one which is really interesting at the moment is the whole question of reverse innovation. So how do you actually learn from low-cost innovation in developing countries and then transfer this back? General Electric and others, for example, some of the most interesting technologies come out of India, where they could, for low cost, experiment and then bring that back into the west.

And then tackling the really bigger societal issues. We talked about earlier how this generation Y is more about meaning. And a lot of meaning comes also by tackling real issues rather than just developing new markets, which also then has a big indication for which new markets could be opened up, because we would see people not as vulnerable in some areas, but we would say hey, actually, they could be potential co-creators if we find good ways to do that.

And with this I think JB is eagerly awaiting to come over. So I want to close very briefly with my favourite or one of my favourite quotes, which is by Goethe. And as a German I have to – Germans always have to somehow have a philosophical note, I guess. It's the way we grew up. And Goethe, in Heidelberg, the city where I'm from, there's a Philosophers' Way. And Goethe used to write some of his poems there. And he said that 'if you take man as he is, you make him worse. But if you take man as what he could be, you make him capable of becoming what he can be.'

And I believe it's very true that if we look at organisations, ideally they not only take people as they are, but they show them, hey, these are the possibilities, these are the opportunities, and then they get them the tools or give them the tools to actually get there.

Thank you.

### **Jean-Baptiste Su, Tech Columnist, Forbes**

Grazie. Grazie, Christian. Hi, everyone. I'm Jean-Baptiste Su and I write about technology at Forbes Magazine in San Francisco. And I'd like to thank you, Mark, for the opportunity of being here.

First I want to say that I really love NetEvents. There's a lot of energy, great people and lots of things to learn here at NetEvents. And as you mentioned, Manek, this is NetEvents' 20th anniversary. Personally I will have been 19 times. I didn't make it to the inaugural at Juan-les-Pins at Monaco Bay. I was not a fan of Formula One at that time, but that has changed, believe me.

But I've been attending at NetEvents ever since. Last night we were talking about Faro and Montreux and Innsbruck and Sardinia. Yes, Sardinia. Because NetEvents is actually much more than just what's happening here in this room. And it's more than the briefings and the bar, the restaurant. And as you say, Manek, this is a family and I'm really, really happy to be part of that family.

Congrats, Mark, and the NetEvents team for putting an amazing job year after year with NetEvents. So I know it's not been prepared, but please join me by thanking Mark and the team for this.

So as Manek said, Rome is the first stop at this 20th year. Then we go to Singapore and then head back to Silicon Valley this fall. So again, I'm Jean-Baptiste but my friends call me JB. So just call me JB as we're family now. We can be friends on Facebook if you want.

And I cover disruptive technology trends at Forbes Magazine in San Francisco. And as you can tell by my accent, I'm French. Yes. Nobody's perfect. But I've been living in Silicon Valley for the past 17 years. And using the Silicon Valley speak, I've lived through several booms and busts, the euphoria of the late '90s, the total collapse of technology in 2001, then a comeback thanks to Google and Facebook, and again implosion in 2008.

So now what's happening in Silicon Valley? Well it's kind of a boom and bust at the same time. Yes, we are – in Silicon Valley we are a bit bipolar. It's a very

schizophrenia culture. So on the one hand you have Uber, which is the largest start-up ever, with \$60 billion valuation. And on the other hand you have a lot of the other unicorns, the \$1 billion plus companies that have valuations falling like a rock. I'm sure you've heard of Dropbox, [Xenofit], Jawbone is laying off, Sidecar kaput.

So yes, the question now is is the tech bubble exploding? Is Silicon Valley going to disappear, kaboom? Well after several months of talking with shakers and movers in Silicon Valley, this is not going to happen. So don't worry, we're not going to disappear again.

What's going to happen this year in Silicon Valley is valuations are coming down and it's going to be a great opportunity to buy technologies and start-ups at a great discount, so a great M&A year. Great technologies coming from Silicon Valley. IoT, as Manek mentioned, but also artificial intelligence, all those self-driving cars, drones, virtual reality, for example.

So having said that, let's talk about disruptive innovation with Christian. And because I'm from Silicon Valley, well originally from Paris, but now after 17 years I can say I'm from Silicon Valley now. I'm going to be very practical and I'm going to try to make sense of all of this. But as we're also a little bit running a little bit late, I'm going to open the floor to questions. So if you have any questions already, raise your hand and I'll be calling you.

So Christian, coming from the valley, do you think that it's possible to recreate the innovation, the cadence of innovation that we're finding in the valley elsewhere? Is it possible after – in France we tried. Dubai is trying, Singapore. Is it possible to do another Silicon Valley elsewhere?

### **Christian Busch**

It's interesting because I just came back from Chile. We talked yesterday with a gentleman from Chile who are actually trying, by start-up Chile and other programs, have been trying to recreate a Silicon Valley type feel. And we've been working with them in Saudi Arabia actually last year on some of these questions as well. And it's interesting because I'm a big believer that because this is so much about the interplay between different things, right, it's not only the university working with employers, but it's the culture that is underlying it. It's the sharing idea that you can actually, in a way, collaborate rather than be more isolated in your doings.

And so I think the failed efforts that we've seen over the last years seem to be those efforts where people try to copy individual parts. So they said let's build a great university like Stanford. Let's build a great incubator like Y Combinator. Let's build a great company like Facebook that can actually employ these people and that's it. But I think what people then miss is the underlying culture of saying if you do this, you also need to have some implicit agreement.

In Germany, for example, we have an apprenticeship system that only works because people agree that when you train a person in a company that costs a lot of money, you don't directly hire – the other company don't directly hire that person from that company because they are aware it costs a lot of money. So you have an implicit

understanding of look, we need to have a culture of and where investment actually can happen and where we understand the interplay of the two.

So I think recreating that culture means not only understanding the interesting different institutions, but also the underlying culture. And I think in Chile, for example, when you try to build that from scratch, what was really interesting to see that the start-up Chile program that they designed, which was all about incentivising entrepreneurs to come globally to Chile, the reason why it worked on some levels really well was because it gave them the small ecosystem. But I think the next step then is how do you sustain that. So the setting up is not the real problem. I think the sustaining it is the bigger.

### **Jean-Baptiste Su**

So you've talked about culture. And Silicon Valley, the culture is very simple. It's take risk and don't be afraid to fail. And if you fail, fail fast. Do you think this could be replicated here in Europe or elsewhere, because I've heard here in Europe, if you fail, now you're on the corner and nobody wants to talk to you or not even talk about lending money? So what do you think needs to change in terms of culture here in Europe? And knowing that we're in Italy and Apple just decided to open an innovation centre for all their mobile apps earlier this year, so it's obviously changing. But what do you think it needs to improve even more?

### **Christian Busch**

Well I feel there's two questions on that. The first is do we actually want to have that? And the second is if yes, then how? The first one to me comes to if you look at Germany, so I'm German, and in Germany, Germans were never about radical innovation. They were always about incremental innovation. They were always about how do we develop the next better process and then make that better and better and better. And it's doing pretty well because people are very process-focused. And you will never see the next big idea emerging from there, but you will see a very stable economy and you will see that development. So I think it can – I think for a more entrepreneurial high-risk approach, that is certainly not the breeding bed, but it is the breeding bed for incremental innovation.

So if you want to create that, I've been in Paris a couple of weeks ago where we had this big discussion because you know they do this FailCon sometimes, where people can talk about their failure and then in a way people can celebrate it, about the failure, and then in way making that okay. I feel it's probably healthy to talk about this and just say, look, we need to allow for failure. But I also think we shouldn't glorify failure; we should glorify the learnings from the failure. So it's about if you failed, well that's okay, but what did you really take from this? And I feel sometimes people, in a way, focus a bit too much on either it is really cool that you failed or it is really bad that you failed, rather than saying, look, actually, it's part of life. It's part of development that you fail, but what did you take from that?

And so I think in order to change that, it starts in the institutions. It starts in high school, where what I love about [DS] is you present your teddy bear in the

kindergarten, right? You present your teddy bear to the other kids and say this is my teddy. So you get used to the idea that you stand in front of people and that you present something. It can go wrong or not, doesn't matter. But you get used to that over the years. In France or Germany we don't do this. We're not used to publicly owning something, talking about it.

So I think it starts much earlier with how do we let people feel comfortable in front of other people. How do we then accept that that can't always go right? Maybe sometimes it goes wrong. And I think from this it will be less about success and failure. It will be more about like look, we're all humans and we all somehow do good things and bad things. So I think it starts from kindergarten on and then in high school, ideally people would already pitch ideas and they would learn that it's normal to have some good ideas, some bad ideas in universities, having people get used to the idea that you fast prototype solutions and some will work, some won't. So really getting in the culture of, hey, look, it's perfectly normal to.

### **Jean-Baptiste Su**

To fail. But it's – yes, if it's from kindergarten, so it's going to take a long time. Yes. Okay. So a question?

### **Gary Bolton – Adtran**

Yes. Hi, Christian. This is Gary Bolton from Adtran. Excellent talk. Very insightful. So I think you're right on as far as culture. But how do you – if you look at Europe, there's a lot of history and looking back, and how do you fail to institute a culture where you're looking forward? For example, on Friday here there's going to be a big strike by the tax cab companies because of Uber. So if you're looking at – or if you go to the UK, it's preserve our taxis and the way of life that we've always known. So how do you move forward when you have labour laws and you have things of how do we preserve our past versus how do we do things differently and more efficiently and change those processes? And as Chris says, how do you get to the airport on Friday?

### **Christian Busch**

Uber. That's a really interesting question. It's a discussion actually we've had also on the company level in terms of when you have big corporates who think about setting up an innovation centre within the corporate. How do you, in a way, allow for new thinking to emerge that also could be taken over in the company that isn't threatening others. So I feel like the example you just mentioned is a lot around hey, there's something new coming and it might be threatening existing institutions, existing privileges of taxi drivers or others.

And so I think like the – at the company level what I've seen, that comes back to the stakeholder incentives in terms of how do we actually understand better how to integrate those people that might miss out in the process of value creation, because at the moment when I look at companies like Uber in Germany, the reason why there was a big debate was that you had existing taxi drivers who felt they were completely pushed out of the system rather than – if I were Uber, maybe I would go to them and

say, look guys, we make you an offer that we give you a 20% mark-up and we'll integrate into the system and we'll pay the difference, or whatever it is, just some kind of credit solution that you say we make you part of this value chain rather than closing down and say now you're on your own, find it out.

Because I feel a lot of this, both on the company level but also on the more national level, comes from fear, right? It's the fear of the unknown. It's the fear of losing out. But if we take that away, that fear, and say hey, look, there might be an opportunity for you as well and have a practical opportunity, I think then we pragmatically go about this. So I don't think we can change the culture, but I do think we can change the incentives. And these incentives over time then will become culture, if that makes sense. But I don't know if that answers 100%.

### **Gary Bolton**

But even if you take a look at – you'd see the taxi drivers taking 20% value proposition, and then in three years you've got the driverless car coming and they're out of the 20. So it's how do you keep people involved going forward if it is a big threat? So we've got to move forward but [inaudible] part of that process.

### **Christian Busch**

It's interesting because we had this discussion in a slightly different way when it came to refugees in Germany. We took a million refugees. And this can be a big opportunity because it's young people, you have the old demography and you ideally integrate it. But now it is more and more positioned as oh my god they are threatening some of the jobs of the incumbents. And so in a way, to me that comes back to the question how do you organise society in a more system-orientated way to understand how do you need to upskill or down-skill or side-skill to understand what this population could do now.

And I feel sometimes in these discussions we don't think enough about what is actually the alternative for them now? We just leave it there. We say this is the new cool thing and you now find out your way. But I feel like if we would be better at understanding what their trajectory is then that would be more effective. But it sounds like you've thought a lot about it. Do you have a solution or–

### **Gary Bolton**

Actually we've spent a lot of time at our company doing R&D. We do about [all but] 22% of our revenue goes back into R&D. And that's one of the biggest challenges of how to create a culture globally with distributed R&D workforce to be able to continue that innovation. So it's a big challenge. But it's not just – it's a little easier corporately. But when you look at across how it affects everybody that will resist technology innovation because of the threat to the way they've lived and their jobs and their future. So it's a challenging question.

**Jean-Baptiste Su**

So I think one expression I've learnt in Silicon Valley is it's better to ask for forgiveness than permission. And so what happened with Uber and all the on-demand economy is ultimately what they're doing is illegal, but they just did it. And in Europe I think it's with all the structure, the more of the formalities, you just can't do it. You just cannot – there's the taxis, I'm just going to go and get them out of work. In the US and in California and Silicon Valley in particular, it's all – we're behaving like cowboys. It's greenfield, okay. Let's do it. And if things are not working, well I'm sorry, I'm going to try to do it better and let's talk.

And obviously this mentality, this culture is not working well. It's not working well in Europe and in the rest of the world actually. But even in the US, Vega, Uber was not allowed in Vegas and Chicago and so on. So I think it's very Silicon Valley-centric.

I know there's a question. Telecom Italia Sparkle?

**From the floor**

So I think there is another challenge in Europe. If we're talking about especially countries like Italy, France, Germany, there is – the government has created a situation where they're all very protected with the unions and so on. So the people are not in the same situation like in the US that they need to run for a new job and if it doesn't work they go somewhere else. My father worked for the same company for 40 years, never changed. And the mentality in those countries is okay, have a job. And anyway why should I look for something? Why should I take a risk? So the risk taking in those countries is very much pushed down by the whole environment, especially the law, the local laws and so on. This is the challenge.

I want to say so you were you talking about – the question you were making is can we have another Silicon Valley in those countries? Yes, the government are trying. In Italy, for example, they are doing special investment or special treatment in terms of taxation and so on to try to avoid the brains are going away or bringing their project in the US and so on. But the fact is it's not just about a few people but the mentality will not change in at least overnight.

So I think it's just a consideration. I think it's not just about can we do it or not? Do we have enough brains? If you have been in Rome and there is a building, I don't know if you read it, okay, there is a famous building here in Rome that is Italian, a population of navigators, inventors and art, artists. So yes, we are inventors. So what? To start up in Italy, apart the cost to government and so on, but the people are going away because there is too much constraint.

**Christian Busch**

Yes. It's interesting because in a way it comes back to JB's point probably in terms of how much forgiveness do you ask as an entrepreneur when it comes to questions like regulation, other things. So bottom up versus top down, does it have to come from the entrepreneur or does it have to come from government?



And what I found really interesting is we've been doing a year-long project in Kenya. And in Kenya you have relatively conservative government usually. But what happened was one of the entrepreneurs we worked with, he around 10 years came up with organic fertiliser. At that point people were saying oh my god, it's witchcraft or it has to be synthetic. It can't be organic. It can't be nature.

So he was thrown in prison for two days because people were, A, afraid that this could be some weird thing outside the control of humans, or it could be just it has to be something synthetic, because there was no regulation, there was no understanding of this kind of product. There was no understanding of this kind of thing. Then he worked with some organisations and the government on introducing new legislation that would make organic fertilisers legal, that would make organic fertilisers the kind of thing that actually is now understood and regulated. And now you have this regulation across the whole country.

And I think Uber is doing similar things where, as an entrepreneur, you go into the country and you say we try this now. We look for the reaction. We look what happens. And then once we see what happens we then react again. So in a way you don't wait for them to say – I couldn't imagine someone like Merkel coming up with the next big regulation around Uber, but I could imagine that the more there is these test cases, this fast prototyping of different types of regimes and Uber, the more you actually will see interesting solutions emerge.

So in a way I would say exactly that the culture in the end is also for us, in a way, trying to experiment where are the boundaries of this culture and how can we push it so that as many people as possible jump on that bandwagon at some point?

### **Jean-Baptiste Su**

So I know we're running out of time, but just you have a great point. Silicon Valley did not or could not have existed without the government, without the US government, without the military who funded all the weapons, the radars and so on. HP, yes it was born in a garage in Palo Alto, but they were doing test measurement equipment for the military. The internet was funded by the government.

So you're right. Government are key for innovation. Then entrepreneur and risk-takers have to take that to the next level.

Thank you so much. Thank you, Christian for your insight.

[End]