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*Keynote Presentation:
Connectivity and Business Model Innovation
in a Rapidly Changing World*

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Hello there. Good morning everyone, It seems like everyone nicely survived the jetlag over the last days, so, great to see you all here.

I have the pleasure to talk about "Connectivity and business model innovation in a rapidly changing world," and hope to give you some of the broader trends we are seeing.

To give you a bit of context, I'm co-leading the Innovation Centre at the London School of Economics, where we work with companies and governments around business model innovations, where we try to understand what are the bigger trends, what are the kind of most interesting organizational models, what are the most interesting systems we see emerging, and then try to, you know, give that to our students, to our executive MBAs, and do a lot of workshops around this.

And so today I really want to talk a little bit about, what are the bigger global trends and challenges that we are seeing? So what can we, kind of, what do we understand in terms of technological changes, behavioral changes, mindset changes? And then, what does that mean for us in terms of innovating organizations? What does that mean in terms of how we kind of design networks to really foster organizational innovation? Then looking briefly into the future.

May I ask who of you is from APAC region?

Okay. Fantastic. Nice. So we have mostly APAC and a couple of visitors who are also great.

So we are kind of looking at the bigger challenges we're seeing. Obviously we have three broad areas.

The first one, I mean you are the specialists in, which is kind of the technological changes. We see the question of how human intelligence is more and more transferred to machines, so, artificial intelligence. We see the Internet of Things, of physical objects being connected. We see augmented reality, offline and online coming together. And we see of course the cloud, which is helping us to decentralize our data.

And so we kind of have these kind of technological changes. At the same time we have the network economy and new markets. So we see network models emerging, we see new customer segments, particularly also in developing countries, were previously unknown kind of demographics, particularly also in poverty contexts, become more and more interesting as both consumers and producers. And then we have shifts in mindsets and needs, particularly in terms of the millennial characteristics. And so all of this kind of in a way triggers us to somewhat rethink how organizations work.

In terms of the first broader development we're seeing, is obviously the kind of technological change, and I'm sure there's a panel later on on this where people will probably deep-dive into the technological implications. But over the last years we've obviously seen the kind of cloud emerging, particularly also in combination with mobile.

And what it feels to us as more and more coming up now is the cloud in connection also with artificial intelligence. So if you talk with Eric Schmidt and others, when they look at their companies, Google, Alphabet, and so on, they will tell you that their money and their bets are in artificial intelligence, machine learning and so on.

So the interesting thing is we see these kind of new, you know, operating systems and infrastructures emerging. We are aware of Amazon obviously with the Alexa smartphone device. We've heard recently that Mark Zuckerberg is trying to fit his whole house now in a kind of, you know, intelligent way, so that does -- that he -- I don't know who of you came across his kind of, he constantly does these simplicity mechanisms so that he can completely focus on his work. So now he wants his home completely artificially intelligent.

He obviously has this thing where his shirts, he always kind of tries to have similar shirts so that he doesn't have to choose in the morning. It just kind of goes for the same thing then, which Obama did as well by the way, to kind of really reduce complexity wherever possible. So hopefully they will actually reduce complexity for us rather than adding to it. We've seen Google with Home and Apple now kind of with Siri-type systems as well.

And so the interesting thing obviously is we're seeing there's a market of potentially competing operating systems emerging. It's going to be really interesting to see which entrepreneurs will flock to which system.

Then what I found really interesting is to see that even Microsoft, as a kind of more incumbent company, already has over 20 cognitive services in the cloud. So that is everything from analysing images, to language translation, and so on. Then obviously Amazon Web Services has started to kind of integrate these predictive analytics, so, in a way to kind of do deep data mining and to somehow then forecast trends and do that in the cloud.

So there seems to be a lot of potential in terms of how we can combine the cloud and AI. So far we're seeing that AI is mostly used for more simple things, you know, when you call the bank, you have a kind of system that allows you to communicate with them.

I read yesterday in the newspaper when I came over here that Singapore has this toilet system introduced in now 50 locations I think, where you can, according to the smell, know whenever it needs to be cleaned. And so you see there's a lot of different applications across fields, across things. Obviously also, you know, some pizza deliverers starting doing it that way, and so on.

So, more the kind of, so far, relatively simple applications, but what we're seeing is probably in the future more and more voice AI services that integrate different types of sources. So, maybe online maps, digital diaries and so on. And then somehow directly coordinate meetings and directly take that off your chests, in a way a kind of artificial intelligence secretary, personal assistant, everything in one. I'm not sure if we want that, but it's for sure one of the bigger things that might happen.

The interesting thing about artificial intelligence and the Internet of Things and so on is it obviously both pronounces the advantages and the disadvantages of the cloud today. So you're obviously all experts in cloud, so I don't need to dive deep into it, but we've obviously seen that the cloud so far, on the benefit side, allows for more mobility, flexibility, potentially cost-efficiency. There might be hidden costs, but more or less it seems to be more cost-efficient and also enhances collaboration.

And then on the negative side, obviously the question of the perception of loss of control, the reliance on the internet, security questions, I mean we have some experts here I think who will later dive deeper into this, in terms of the whole question of how security now becomes a real big issue at the forefront. And then also the question of compliance and, you know, compliance to regulations, compliance to different environments and so on.

So I feel this -- a lot of these different things, when you imagine that the cloud now comes together with artificial intelligence, imagine what that means for security, for control, and so on, where at some point your life might be more controlled by something and someone, and really kind of thinking about the repercussions of it.

And then, so in the future, as said, I think we will see more and more kind of cloud and AI combined. We might see crowd-sourced data in the cloud, then directly analysed and directly kind of distributed to wherever it makes more sense, so in a way becoming a really interesting automated thing.

Very recently the Financial Times did a very small overview of like the global revenues of enterprise cloud computing. So you see here North America, you know, in 2014 still being around \$30 billion in revenues, and then 2018 being kind of estimated to be over \$60 billion. So you see there's clear growth.

The EU, kind of also growing but quite behind. And then Asia Pacific also in a growth trend, estimated to, in 2018, be around \$28 billion. So we see a relatively positive trend.

Rest of the world, Africa, South America and so on, being really kind of less clouded yet, which obviously comes to a lot of questions around, you know, is there the right infrastructure for it in terms of broadband internet in general, government regulations, and so on. So there's obviously -- it's contingent upon quite a few environmental factors, but so, in general, we see that APAC is also more and more coming into that direction.

So let's say we have this kind of technological change, one of the things I found extremely interesting over the last years is this huge trend towards the sharing economy, which enables in a way this whole kind of more shared idea of the cloud for customers and for companies, and the whole idea that we have this kind of socioeconomic ecosystem that is built around the idea that we don't have to own everything but it's all about access. We just need access to services rather than ownership of the particular property.

And so you've probably seen all these terms around the sharing economy. Rachel Botsman had this whole thing around collaborative consumption, where people, you know, trade their CDs with each other or where they kind of help each other out with their cars and so on, to co-creation where you see more and more companies from day one work together on business model innovation, product innovation.

And the interesting thing is that the reason why this can happen is that there's \$3.5 trillion in idle resources around the world that aren't tapped. So if you're for example producing cars, let's say, overnight your assembly line isn't used, so, imagine if that could be used whenever it is idle, the same that if you have a crane, if you're a construction company, that crane isn't used overnight, if someone else could use that overnight, pay for the maintenance, pay for the depreciation and so on, how much money there is in that space. And so in the car industry alone, for example, there's \$10 billion of idle resources.

So we've seen that there's over 7,000 sharing platforms nowadays around the world who in a way mobilize underused resources and cut -- try to cut costs.

Who of you came across the book 'Spider versus Starfish?' It's highly recommended. The idea is basically that we see organizations shifting away from the spider, so it's a big head, a lot of legs, and once you cut the head all the legs are dead. Towards the starfish, which is kind of the self-sustained ecosystem where you cut one part but the rest is still alive. And in a way, the cloud does similar things, where you become less dependent on a big head and more kind of contingent upon the different parts of the system.

So, examples of the sharing economy in B2C, we've seen Lending Club where people lend to each other; TaskRabbit where people fulfil tasks for each other; Shared Earth, where people help each other to garden their garden. So you see all these different kind of applications of people who have idle resources, being dead, sitting at home, doing nothing, being dead, a garden that isn't used, and then people who are actually interested in that, and then platforms emerging that allow to do that. So, rather than just being a service provider, becoming a platform provider.

And then examples in B2B, a similar shift from ownership to access, so really this question of what are our real core competences and just, instead of just outsourcing as it was always the case in the past, really saying how do we, you know, we work, how do we create a co-working environment where people co-work; Floop2, that take whole supply chains and try to deconstruct where, which company could fit into a supply chain and could use the idle resources and so on.

So this is for example Floop2, which is all about the idea, if you have let's say a construction company that doesn't use their cranes during the nights, then they figure out which other company might need these cranes during the nights. They figure out, if you have a car company, if you don't use your assembly line for some time, when it could be used and so on. So what they do is really thinking about the whole supply chain, thinking at which time are there idle times, and then really going in and say which other companies could plug into this.

And so the interesting thing is that this whole sharing economy is based on and enables the kind of new technology and technological change, but most importantly, the thing we are most excited about, which is the behavioral and the mindset change. Over the last years we've worked with a lot of innovators around the world. And what we've seen with them is this generation emerging, and it's not an age group, it's not the 20 to 30-year-olds. But it's a mindset. It's the mindset of people who question things, who want to put meaning to things. And we call it 'Generation Why?'

And this generation is people who are still kind of facing this very old 'hierarchy of needs' in most companies, or kind of in most lifestyles. Who of you came across Maslow's Hierarchy of Needs? Yes?

So I'm surprised it's still taught at business schools, because, so, basically, Maslow in the '60s or '50s came up with this idea that human needs are universal and we all first fulfil material needs, you know, we make money. Safety needs, we need to protect our family, ourselves. Emotional needs, friendship and so on. Esteem needs, prestige and so on.

And then if you still have time one day, we self-actualize. That's where the meaning comes in. So, someone like Bill Gates, he first sets up Microsoft. Makes a lot of money. Then builds up a foundation and gives it all back. We first do well, then we do good.

Our companies are structured that way, right? For-profit companies focus on, let's make money, let's make a career, and then, you know, in the evening we work on our

passion projects or, you know, in 20 years I'll go into microfinance where I really have a purpose.

So it's a very self-centred approach and it's relatively linear. And if you, you know, have a car accident before or something else that cuts you short, then you never got to that level.

We've been working around the world, including in poverty contexts. And what we've seen emerging across the world, across countries, across social demographic strata, is that people actually have nowadays, in that kind of realm of the most innovative people, on those people who actually make things happen, an enlightened circle of needs.

It's the idea that people want to fulfil these needs at the same time. And they also realize it's relational. In a knowledge economy where what I can provide helps me then to achieve more it's in my enlightened self-interest to be not too self-interested.

So it's really about, in a knowledge economy, understanding that meaning and money need to kind of be implemented in the company at the same time, but at the same time we also need to cater to the needs of others.

And so what that means is, if we take that all together, so we have the big technological changes happen, we have the sharing economy emerging, we have this kind of behavioral shift from, first, money, then a bit of meaning later, to, let's combine money and meaning: [we realize], we need new types of organizations.

And so the kind of organization we've been developing over the last years, we called it the Impact Organization. So we've worked with a lot of companies across fields and we've seen five key pillars that companies can adapt and that companies can focus on to really become both financially and socially successful and to really combine money and meaning. And then at that point, say, okay, have both more productive employees but at the same time also, you know, make more profit and have a certain social environment benefit at the same time.

So, rather than saying, we first build a company and then an NGO; we say, how do we integrate that into the same company?

And so I'd really start with the first pillar, which is around the action-driven purpose. It's all about the question, why is it relevant what we're doing beyond our immediate realm? What is it relevant for the society we work in? Why is it relevant for the people we work with? But particularly also, what does it mean for the employees and their own personal purpose? So, what is the purpose of the organization and the purpose of the company?

Those of you interested in this, there's a beautiful TED Talk on this by Simon Sinek, who talks about how companies like Apple and others shifted away from the "what they do," 'we produce computers', like Dell -- well, Dell is a great company, but as Dell used to do, and Apple saying, "no, no, but why do we do what we do?" 'Because we believe we want to create a new lifestyle of radical innovation, questioning everything'. And then kind of developing this idea of there's a specific lifestyle, a big why.

And then the way we actually live that, the way we do that, is, 'we produce computers' (the how and what). But in a way first comes the purpose, then comes the product, and not the other way around.

Another thing that we've seen with a lot of companies, particularly those that scaled fast, is this whole idea of that it's always great to have a charismatic leader or a leadership team, but then also the question is, how do you empower the followers so that they become brand ambassadors, that they become people who actually champion the organization?

There is a beautiful video, I mentioned last time briefly - who of you, apart from those who have been there last time, have seen The Dancing Guy? The video? No?

So The Dancing Guy basically is this - it's a park set somewhere in the US, nice park, and a crazy guy dancing around, you know, he's probably drunk or on some kind of narcotics, dancing around, and then people sit around him and they're all like, oh, what a douche, like, that's weird, what's going on there.

And then at some point a second person joins him. And the first person embraces the second person. So they both dance crazily around. The second person then asks his two friends to join in. So then you have four people. And then they ask their friends to join in.

And what happens, within two minutes, and I really recommend you to check out that clip, there's a beautiful YouTube clip on this, within the next five minutes you see half the park running into the middle and dancing with them. Because what happened is that the out-group became the in-group. And now it is uncool to be outside. Now it is cool to be dancing inside.

And so this shift of actually saying, you know, crazy ideas, they always look crazy at the beginning, and they usually come from places where, you know, people need to be crazy first, they need to kind of build a certain following. But once there is this kind of critical mass of people who buy into it, who champion it, then actually it develops from being a crazy idea to a practicable thing that can be done.

And so we've seen them in companies as well that, if it's not only the CEO or the leadership team or a kind of person bottom-up coming up with an idea, but people who can actually build communities around themselves, people who are actually inspiring people around them to do it, that's actually when real change happens. And I'll talk about this later when talking about how do we create and facilitate social networks and particularly also communities within organizations to actually enable that change to happen.

The second pillar [of the Impact Organization] is really about genuine values. We had a great discussion earlier with Grant, I don't know if he's here yet. Yes. But we had a great discussion around the whole question of, how do you actually, across the organization, implement values, particularly genuine values, and make sure that everyone in the organization relates to that?

I -- there's this one kind of occasion which I will never forget, and it's one of my absolute favourites, a company I used to work with a couple of years ago. And they

used to -- we did an exercise, hey, our employee productivity is down, our customers don't really get excited about our company, and so on. And so I asked them, okay, what do you actually stand for? I mean, apart from all these different products you just told me about, what do you actually stand for? And what do your employees stand for? Are they proud working for you? And, you know, there was a bit of silence. I was like, come on guys, what are your values? What are your corporate values?

Silence, everyone pretending to, you know, have something important to do on their phone and things. And then at some point one of them said, well, let me quickly Google this. And so they literally went on Google, went on the homepage, where the marketing department put up the values of the organization.

Well, that obviously is it's a marketing exercise. Nobody within the organization or outside the organization believes that, so, nobody really believes it stands for anything.

What we've seen in those organizations that are actually able to, from the selection process to the promotion process, to the question of how people interact within the organization, are able to implement genuine values, it's a huge, huge feat. It's actually something that makes people proud, makes people more productive, and gives them meaning.

To give an example, this is the Manifesto. Guess how many times this has been downloaded on the internet? It's a manifesto that has been written by three guys who set up a company in the [inaudible] area and kind of wrote down their kind of ideas of what they want to stand for. Guess how many times it was downloaded when they uploaded it on the internet? Any guesses?

Wow. Okay. You started high. You make no small plans. I like that one.

Say again?

You guys really start high. I like this. Usually when I ask, it's like, 1.5 million, 2 million. Here it's like 1 billion, 1.5 billion.

No, 120 million times.

And the interesting thing is, so the reason that became viral and that really kind of became a viral campaign, it was because there were people who said, we really try to bring into one document what we really believe in, and then everything we do within this organization, has to be directed by these kind of values: simplicity, passion, authenticity, and so on. And so it worked really well because they, from day one, kind of implemented that.

In bigger organizations what we see a lot is that it's the smaller practices that actually make it happen a lot. So for example, when people have meetings, we briefly talked about this in the morning, what some companies now started doing is, Monday morning meeting, the first thing they do is they ask two people to briefly report on the last week, on two colleagues that they were grateful for doing something.

So it puts them into the mood of thinking about, what can I be grateful about in my team, how can we champion each other, and then also some people reflecting on what

didn't go well, but then reflecting on their own and kind of sharing the learnings rather than what went wrong.

And so in a way, instilling a culture of the idea that you can't fail, you can only learn, it's all learning experiences, it's fast learning. But also the idea that you are championing each other, you're not competing internally but you're actually championing each other. If you champion someone this week, it's very likely that they will champion you in a couple of weeks as well. You know, that's human nature. If you give, you will get, and so on.

So you see a kind of real sharing culture emerging with very simple things like starting meetings with a gratitude action or starting it with a very simple other things. Some companies go very spiritual, you know, starting with meditation, so it's obviously a very individual choice. But I think it's kind of more gratitude enhancing mechanisms, for example, a real focus on values.

The third pillar [of the Impact Organization] is around governance. We talked in the morning about the question, how do, when you see emerging, what we just described, a kind of more networked economy, where organizational boundaries are more fluid, how do we actually organize how we work around products, around services, around business models? And we see that companies open up at some point.

You know, Tata for example, the way they work now is that, from day one, when they come up with something like the Tata Nano or other cars, they try to bring in all the different partners to co-create the product over the lifecycle, rather than to say, oh, we'll just take them in once, anyway, it's too late. Right?

And we talked about this in the morning also with Gerry around the question of how, you know, if you look at companies like Ericsson and Cisco, for example, or Vodafone and O2, how they tried to figure out: at which point in time do we compete and at which point do we actually complementary kind of cooperate and help each other out?

If you take the example of O2 and Vodafone, they would, for example, say, well, we're stupid if we compete on all levels, because there's a very kind of expensive infrastructure, you know, all these masts you need to build physically. You don't compete on masts. There's no competition around the question if you have the most beautiful-looking masts. But there's a competition then on, you know, how do you provide data services to your customers and so on?

So what they would do is they would do a joint venture simple on the physical infrastructure and say, look, this is where we're not competing on, we'll put it together, we'll save costs together, this is the pre-competitive space. And then afterwards there's the competitive space where we, you know, compete with data packages, with all the different kind of packages and services you can imagine.

And so these are kind of some examples of how we see kind of the idea of co-creation and different types of governance model taking over.

And then obviously technology we talked about has a big influence. Having said that, if you look at some of the really interesting companies that scaled, particularly also

that scaled from bottom-up, technology a lot of times is actually the least important thing.

If you look at RLabs for example, former drug addicts in the Cape Flats who said we don't trust the government, we don't trust multinationals, but we trust each other. So they used simple mobile phones to text each other whenever they had a problem, then use the one computer in the Cape Flats to teach other how to use social media, to sell their things outside the Cape Flats, to also then tell their stories globally. They then kind of develop the consulting service where they consulted Microsoft and others on how to tweak their products and services. And they now scaled them to 20 different countries around the world. A very simple education methodology on social media and related services.

And they didn't do this with [a very frenzied] technology, but they did this by understanding local contexts, working with local community leaders, trying to understand what are the non-used, undervalued assets here, being the human capital, social capital, and so on, and really tapping into this and say, if there's a local hospice where people just hang out and do nothing, why didn't we go in there with our education methodology, look for whoever local kind of leaders within this, and then they can teach their families, develop a feeling of pride, become our franchisees, and by this, kind of scale our solutions, and so on. And they again do that with very simple, even phone-based solutions, and now reached over 12 million people.

The last pillar [of the Impact Organization] is obviously, how do we measure all this? What are the OKRs, or those who use key performance indicators?

What we've seen a lot over the last years is that companies tried to shift away from only measuring outputs. So if you are, you know, if you are doing education for example, how many people did we educate? Or if you're in selling solar lanterns, how many solar lanterns did we sell? Changing to outcomes: How did this actually improve the life of the people we serve? So, how did it increase their income? How did it have a tangible impact on their productivity and so on? To really then measure the things that matter to people, which is both important obviously for the sense of meaning for people within the organization, to feel they did something meaningful, but then also from a communications perspective, in terms of this is our actual outcomes that actually benefit not only the company directly but also the society around us. So, really kind of thinking about impact measurement as well on the broader scale.

So then there's, if we look at kind of, we said, these are the kind of key challenges, the key trends we're seeing, this is kind of like the model of these organizations emerging, organizations tweaking these different parts of becoming a more impact-driven company. You know, some organizations working more on the governance bit, others more on the purpose bit. And then the question, how do you actually then put that into practice?

And so we believe there's three key steps. The first one is to shape a culture of innovation. So it's always interesting, you know, when you -- so we work a lot with larger companies. And when you go into a larger company and you go to the

equivalent of the water cooler. So in a lot of companies nowadays, it might be a table tennis yard or it might be the cafeteria, or whatever it is where people hang out, you very quickly get a grasp of the culture in the way people talk about other people or in the way people exchange things or ideas.

So, basically at healthy companies, what you will hear is people saying, oh, yes, I just came from this event and I thought about this idea, hey, shall we do this and this? Shall we -- so it's an idea-based interaction.

In companies with a less healthy culture, you will have people gossiping. They would say oh, did you see this guy, he messed again up. Or, did you see this lady, she slept again with this guy. And so on. So you have people talking about people and you have people talking about usually what went wrong, because that's what's gossip and that's what's news.

And so in a way, as a corporate leader, our responsibility is shaping a culture where people talk about ideas rather than people and what didn't work out. Eleanor Roosevelt used to say it nicely, great people talk about ideas, average people talk about things, small people talk about people.

The second step is really, how do we move from product to experience? If we look at things around, you know, the cloud and so, the data center or kind of the particular products within this used to be our -- used to be products. But now it's about experience, right? It's the experience of 24 hours access to information, 24-hour access to collaboration. Unlimited freedom and autonomy. So, really kind of redefining how we think about what we manufacture, what we produce, less in terms of the physical artefacts or the kind of artefact themselves, more in terms of what is the experience, how do people really relate to that emotionally and cognitively. And which obviously needs to be viable, feasible and desirable.

Those of you who are interested, we talked about that earlier in terms of how to, in an organization, use things like design thinking, to from day one really dive deep into how people actually want to see a product, see a service, and then go from there, from empathizing, to fast prototyping, to really testing and creating experiences. Those of you interested, the whole design thinking approach, the Stanford Design School has an amazing homepage where they have a lot of resources around this, which is really all about, if there are kind of some new challenges, how do we now get a team to fast-prototype and really come up with something innovative together co-creatively.

And then the third step and last one is really about, how do we build effective networks, effective communities?

It's always interesting, you know, we do mapping with companies. And if you ask people for the formal hierarchy and then ask people to map how decisions actually are made, it is very different, right? So there's a formal hierarchy where, oh yes, he's the boss, but actually the boss might be completely out of the loop.

And so the interesting thing is, as a corporate leader, particularly when you're kind of like in mergers and acquisitions, particularly when you're kind of trying to figure out how to integrate different parts of the company, it is less about the formal hierarchy.

It is more about mapping the informal hierarchy, understanding who are the key nodes, and then focusing on the key nodes in terms of messaging, in terms of getting them onboard, in terms of building communities [who'll] practice with them.

So one way to do that is, again, building kind of communities of practice around shared values, around shared ideas, around getting something done together; identifying and empowering people who might be these super-nodes, and really kind of also giving them visibility; facilitating also kind of then trying to shift the formal hierarchy a bit more towards the informal hierarchy, to be able to kind of get that also into sync; and then also having people holding each other accountable.

So, you know, some companies for example use very simple Wiki pages where, rather than democratizing the structure, which a lot of companies focus on, they try to democratize process. So they say, okay, if the subordinate is accountable towards the leader, maybe the leader should also be accountable towards the subordinate. So they for example have a simple Wiki page where people put their three goals for the week, and then every week, everyone including the CEO has to put down how they achieved them, or if not, how they didn't achieve it.

What that does is, a) transparency; b) visibility; and c) it actually gets people into the mood of, hey, we're in this together. The CEO is actually accountable. And for the first time in my life, I actually know what my CEO is doing. Same with the leadership team as well.

Usually when you ask people, what is your leadership doing? Well, you know, they went to this conference. Right, they had this thing. So it actually helps people to understand what people are actually working on, but also kind of develop respect for - that there's a lot more actual work happening in the executive suite.

So I want to close with something I've been extremely interested in during the last months, with just the whole idea of, when we look into innovation, when we look into progress, pushing things forward, a lot of times we don't know the outcome yet, but we know that there are means in how we can accelerate the process.

If you look in chemistry, for example, if you look at something like Viagra, it's all a coincidence, right? Nobody was looking for Viagra, yet it became one of the most successful drugs in history.

So the way now in chemistry people try to make that more probable, that they find these positive coincidences (serendipity), is actually to accelerate the process of discovery. So, by making that process of discovery faster, it is much more probable that some kind of positive coincidence will happen. And we can do that in companies as well, via creating the right types of communities. So this here on the slide is a very simple example.

Yes, I have to ask for forgiveness. I mean with a lot of tech geeks in the room, my tech capabilities are very limited. But basically if you look at this, so this is myself on the right, this is John, who became the CEO of one of the organizations I founded. Usually in the world or if we would have been within a bigger company, our spheres of influence or our ideas would probably never have overlapped. We wouldn't have

met. But if we curate a community around John, around myself, then one of these people at some point will probably tell us of the other's ideas if they were any good.

So what we create is really, we curate serendipity. We accelerate the idea that, if there is a good idea, a good person, if a lot of people know about this, then it is actually much more probable that they connect with other people who have similarly good ideas, who can put that together, put people together, and so on. And so in a way, kind of use a similar process like in chemistry to accelerate serendipity within companies, within communities, and hopefully on a broader level.

So, how you can leverage is, obviously, building that corporate culture that allows for it, identifying the right multipliers, developing visibility, and having this kind of open mindset and the openness to do that.

On that note, I kind of -- I want to finish on a very brief idea of what I believe comes next.

The first thing I think is, we discussed it in the morning briefly with [Gerry] and others, around that I think we're moving away more and more from only product innovation or only technology innovation, to business model and systems innovation. As I mentioned earlier, like companies trying to co-create whole value chains together, trying to understand how they really tap into other's competences, how they are complementary.

I think, particularly in the kind of realm of artificial intelligence and so on, we'll see a kind of competition of which operating system might be most interesting, when you have new entrepreneurs coming up with new hardware and new software, they will look for the type of app center type where they can plug into, so it will be interesting to see which platforms could actually become the more interesting kind of operating systems that can build that infrastructure.

Also, reverse innovation, really learning from developing country context for other contexts as well. And frugal innovation, producing products at 1/10 of costs.

And then most importantly, really understanding to tackle bigger issues. I think this whole Generation Why?, one of the big things is looking for real challenges and real social issues rather than only working on the next app. And I think if a company is able to provide a setting where they're actually working on real challenges, real problems, real societal problems, that's actually where people will be most attracted to, particularly probably also in poverty contexts or contexts where traditionally people wouldn't have thought to build consumer or producer bases in.

On that note, I want to close with a quote. As a German, I have to finish on a philosophical note. So I want to close with Goethe who said, "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 our responsibility as leaders is to show people where they could be and then give them the right tools to actually get there. Thank you.

Manek Dubash

Jerry Caron, Current Analysis, will come down and ask you a few questions. I think if you want to go and sit down over there, he'll ask you some questions.

Jerry?

Jeremiah Caron

I like that, Ca-rown, sort of the more Italian version. The name is actually a shortened Italian name so it's appropriate.

How are you doing, Christian?

Dr. Christian Busch

Hi.

Jeremiah Caron

Thank you very much for that. That was excellent. Very thought-provoking, to say the least.

I think in our industry, the networking and telecoms industry, I think that one of the key things that I hear over and over again is how do we get there from here.

So, you know, at a conceptual level, what you've been talking about is actually understood. You know, you have a conversation about how do we need to change as a company, you know, what do we need to be doing. At the C level, everybody gets it. It's actually not even a debate, you know.

But the question is, how do we get there? I think, you know, I guess, to ask a philosophical question, can people change? Can people move from what they're doing now and what they're companies are doing now to the kind of environment that you described?

Dr. Christian Busch

It's a fascinating question. I mean we've seen that a lot in, particularly, larger companies where you have this resistance to change, and which then turns into politics. So where you have kind of inspiring leaders coming in, particularly new CEOs or new leaders, who have all these ideas for change, and then they get shut down, because, you know, like a lot of people feel their territory is threatened or so.

And one of the things that I've seen that seems to work really well is to say, how do we frame them in a way that it really looks as an opportunity on all levels? So I think a lot of times, kind of particularly the executive team, has an idea and kind of frames it only in terms of this is why it's good for the organization. But I think if for every kind of the key employees there's also an idea of: what does that mean for us individually in the kind of opportunity sets?

To give you an example, Unilever, Paul Polman. He did one of the most radical things he can do. He went into Unilever, an old company, and said, "Look, guys, we

have to become more impact focused, we have to do more." If you would only have done that top-down, he would have failed. But what he would do is he would have his middle managers now in different types of programs, where they learn about like what that means for them, what type of opportunity that future holds for them, particularly in their divisions, particularly in their kind of environment. And then actually people turn more and more towards the idea of, hey, actually there is an opportunity here, not only for the C suite to look better but actually for every one of us to also shine and to also do something.

And so some of the ways some companies we work with do that is, A, really kind of employing a design thinking approach, to really say, if we have a particular thing that we need to implement, a particular innovation, how do we go about this that from day one all the critical stakeholders on all levels, being that the CEO, being that the middle manager, being that the lower-level employees, that they are part of -- becoming part of the process and not only being there once the decisions are made.

So I think giving ownership in terms of the idea and the kind of solution-making process, making people not feel radically kind of how there's a new thing, but rather getting them incrementally into the solution, I think is the approach we've seen work more. So, really kind of engage people from day one in the process.

Jeremiah Caron

Yes. I mean, I think there might be scale issues, or again bringing your idea to the industry that -- where there's a lot going on in the telco area, and tomorrow we're going to dive into that a little bit.

But one of the things is, you know, what is -- what can they -- what do they need to do to survive and transitions to new kinds of networking, software-defined networking, and everything like that, requires a cultural change. We're talking about big, big companies. Is it that -- is it possible for companies at that size to change -- you mentioned Unilever -- really, and still remain profitable? Or really, is -- are they doomed to being sort of taken over by outside agents, etc.? Is it really possible for companies to change, you know, that are large-scale?

Dr. Christian Busch

It's interesting, because I think an example that's both good and bad at the same time is probably Google, because it's, in a way, it's more fresh company but yet at the same time it's this huge colossal-scale organization.

Jeremiah Caron

Yes.

Dr. Christian Busch

And it always had this like idea of constantly innovating. But I think one way they keep it fresh is through constant acquisitions, not only on the level of, hey, this is a new product that could help us, but also on the level of, hey, how could now this and

this area take over more of other areas of the business? And really what they did with Alphabet and kind of like breaking down the companies into different layers was really that, that they said, look, we need to find better ways in terms of governance to understand how we'd break that down, like big huge organizations into kind of more [supple] organizations that fulfil a certain purpose. But at the same time, how do we constantly innovate by bringing kind of new people, fresh blood?

And in a way, I talked with -- I don't where, if Grant mentioned -- oh yes, there he is - - mentioned that earlier. I mean I love what he said earlier. I mean, Anaplan, obviously scaling at the moment and getting really into that. And really the question of how do you, on a micro level, on a day-to-day level, integrate and build that corporate culture by having people -- I mean the example Grant mentioned was to really kind of have people practice these values directly, if authenticity is a value, or if collaboration and other things are values, how do we get people to, in their day-to-day interaction with each other, do that?

And I think -- I see that, and Grant, you can probably elaborate much better on that later, but what I've seen with companies is, particularly larger-scale companies, what happens is that the change itself shouldn't be thrown in as the change, but it should be first kind of like incrementally by having, you know, let's say there's a division and the division meeting of like with the employees, starting meetings again with like an idea of, hey, guys, which opportunities do you see, what are you grateful for at the moment, which opportunities we could take on, and so on and so on. So in a way building a positive climate, and then in a way scaling this via having, you know, people do that in all day in the meetings, in all practices they have, framing that.

Jeremiah Caron

Yes. So at the heart of that is this willingness to embrace openness and to share. And you mentioned the dynamic of the millennials and a lot of people talk about that, you and I discussed at breakfast. We're not talking about any age group, we're talking about a mindset. What is the sort of soul of that mindset that is different than previous generations? And again, you know, a person of my age, I'm keen to point out, it's not about the age, it's about the mindset. But what is the central element there?

Dr. Christian Busch

Yes, yes. It's interesting, for the 35-year-olds among us. No.

Jeremiah Caron

Yes. Hey, I'm wearing Doc Martens. Come on, man.

Dr. Christian Busch

No, it's interesting, because I feel it comes back to, A, what we talked about, this kind of circle of needs of saying people want to have meaning and money at the same time nowadays and they in a way kind of, because the internet has given us this transparency, you know, when you grow up nowadays, you grow up with an idea of

how people live differently their lives. If you were -- like if you grew up in a village, when I think about my dad for example who grew up in a village and he was aware of the careers that his parents had and maybe his neighbours had, so that was the visibility of what you could do with your life.

Nowadays we have this big visibility of how we can live lives differently, how it's possible to actually combine this and this, how it's possible to become this person if you want to. And because you see all this around you, you actually then also develop this idea of, hey, look, maybe there is more than just like following this linear path that my family has been kind of accustomed to.

And I think what comes with this is really questioning what does it mean to be human and what does it mean to have success in our world nowadays. You know, success traditionally was career success, it was having a baby, it was having a house, right? It's very kind of prestige and kind of, in a way, very practical things, right? A baby, you can -- it's very tangible; a house, it's very tangible; a good job, it's relatively tangible. Yes?

But now it's actually more about experiences. It's more about the idea that you don't necessarily ownership. You want actually just the access. You want just the experience. You want to create something. You want to co-create that with your friend.

So I think what we see is a shift from ownership to access, and from a kind of the idea of prestige being based on money and career, being more prestige also based on what do you actually do with your life in an impact sense, what do you do with your life in other parameters of success.

Jeremiah Caron

Yes. So this is an issue that is just historically extremely important and obsessed about in the networking and telecoms area, is this idea of openness. So the, I guess, the question I have is, what is the role of proprietary development in this open sharing world?

I'll give you a quick example. This software-defined networking thing that's so important to the industry right now is really originally thought of as this big open idea. It was an academic exercise and it was great. Google was a living, breathing example of it, and all that sort of thing. But the openness, all the standards involved, is really slowing things down. It's very, very -- it's not optimal, put it that way.

And I guess it's an issue that the industry is dealing with. What are your thoughts about the role of proprietary development in this world?

Dr. Christian Busch

It's really interesting because I feel it depends very much on the respective goal of the organization. So in terms of if you look at, you know, this kind of continuum between control and openness, and if you look at kind of the movement-type things, everything from Wikipedia, the whole kind of like crowd intelligence bits which are -- we kind of

like, we combine the knowledge, we put it together, and the incentive is to be part of that movement in a way or to have an impact.

And a lot of social enterprises for example want to scale social impact. They are probably more on the kind of side of, look, let's have least as possible -- actually have as many people as possible take up that knowledge so that they can create more impact, right?

Jeremiah Caron

Yes.

Dr. Christian Busch

So that's kind of like I think with social goals, and particularly also in more collectivist context.

And then I think you have the more kind of like traditional organizations that say, well, we need to define our core competence and we need to identify what is our USP that is non-negotiable that we have to protect, right?

So if you -- we talked about Apple earlier where Apple in a way, you made that beautiful example, where Apple is extremely secretive about some aspects, you know, how they develop their infrastructure. But then, at a later stage, they become extremely open where then developers can plug into their app store and can plug into different things.

And I think that is actually exactly this continuum to say, every organization has to figure out, where is this cut-off point where this is now the non-negotiable core competence that cannot be outsourced, that cannot be opened up, and then what is the thing that helps us to scale that up?

To give you an example, from a completely other industry, just to make that example. Who of you came across TED? Yes?

So, TED obviously, they shifted a couple of times back-and-forth on the control continuum. So they basically, you know, they have this super-selective type conference with Bill Gates and Bill Clinton, so on, in Monterrey first. Two thousand people. Extremely elitist.

And then they said, okay, now we do exactly the opposite, we build TEDx, which is extremely open, where people can curate on their own locally, where they can organize their own things, and the only thing they need is they get our brand and then everything else they can do.

But then actually very quickly, people abused the brand, and like a lot of people came in and kind of like, you know, put on speakers who were not really reputable, and so on. And so TED lost a bit the control of the brand. And so they had to go back on that control continuum and say, no, no, no, we have to be careful to, A, not, you know, now you have to go through the whole process of how to become a curator and so on.

And so it's, A, the kind of question of brand and how the brand can become inflated, but also, B, again, like how much of this can we capture as value. So, TED for example charging for some of the content, charging for some of the conference, but not really charging for the local things. But maybe at some point they want to charge for this, so they might again need more kind of like protection.

So, point being I think it's really, A, a lot of organizations are trying out where's the right point to IP or how people can use your brand or how people can kind of play around, but at the same time, what is the non-negotiable things? So it's in a way scale versus kind of competitive advantage protection, in a way.

Jeremiah Caron

Yes. Sure. Yes, actually, are there any other questions from the people assembled here? I don't need to ask them all.

There's one here. Go ahead.

Ashwin Jaiswal, Reliance Communications

Hi. Ashwin Jaiswal from Reliance Communications, Bombay, India.

The last [bit of] slide that you showed, you had mentioned a word called jugaad. I think many of us missed it, but I just noticed that. What do you mean by that? It was something about reverse something, and then jugaad. What does that mean?

Jeremiah Caron

Yes. So it's interesting, so, jugaad, innovation, and also kind of reverse innovation.

So, jugaad innovation, really this idea of when you think about in India, beautiful, the example, Tata Nano or other things. So, basically organization is saying, how do we innovate at one-tenth of the cost? How do we innovate radically cost-centered and really try to understand how we strip down everything, but at the same time keep the idea that this is something selective, right? Nobody would buy a Nano if it wouldn't be a cool car.

So it's kind of like figuring out how do we, via collaborations, via co-creation, via kind of rearranging the supply chain, have low-cost innovation? And then -- that's the jugaad. And then where the reverse innovation comes in, what can we now learn from this?

What General Electric for example did. General Electric would test out in India, very low-cost health for hospitals for example, and then take that back into the West, into other context, to actually then kind of put that into the mainstream.

And so, kind of really we were used to having the West kind of throwing the innovations and things, and I think now we actually learn more from developing countries and from kind of established economies like India how that actually is reversed and how we can learn from that context more.

Maybe also, so India I think is really a nice context. Something also we discussed over breakfast with some of the panelists in the panel now, was around this whole idea of we work a lot in Kenya. And in Kenya, the beauty is that people don't have to unlearn. So what happens is that people come up with mobile banking, they come up with like really cool stuff, or in Bangladesh, microfinance, because you don't have to unlearn that, you know, there's no ATM, and so the innovation then is, how do you make a better ATM? It's incremental innovation. If you don't have a banking industry that works, you actually directly come up with, hey, there's a phone, and we can text each other our money, we don't need the banking ATM stuff.

And so the interesting thing really being what we can learn is not only the product innovation but whole kind of ecosystem innovation in terms of what is actually a completely new idea of how we think about how we solve a problem, getting away from all the socially-created artefacts that we have out there.

Thanks a lot for that question.

Jeremiah Caron

Yes. So I think we're going to wrap it up. Good way to end there. It's not about products. It's -- oh, I'm sorry. Okay.

From the floor

So it goes to the question you asked before, in terms of what actually drives large organizations to change, right? So, having spent ten years in telco, right? Do we actually have to, as an industry, kind of facing to the abyss, in other words, genuinely obtain, so, the fundamentals of our business model have to change. It's so fundamentally broken that we really have to -- that we have to get to that point before we innovate or is there a step before that?

Because if you look at like Microsoft, we know that meeting happened. They all sat down in a room and said our business model is no longer valid, we have to change. And that drove the change in Microsoft. Now you can question whether that was successful or not. But do we have to get to that point in the telco model before we move?

Dr. Christian Busch

It's a really interesting question. It actually reminds me, I had a red wine conversation two days ago with a good friend of mine who's in politics. And he said, Chris, the only way you can change society is by war. And the interesting thing was, you know, we discussed about exactly this. You know? Change a lot of times needs crisis. Change a lot of times needs the idea that people feel panic, and that panic then, whatever solution comes, they might take, because it's actually better than a void.

And so I think the interesting thing is that, what I've seen CEOs do is, A, creating -- I mean, again, you know, this is maybe also more a one-on-one conversation because there's obviously some kind of modes which are 100% ethical, others that are 90% ethical.

To give you one example, which I don't 100% back up but which I found interesting is, CEOs artificial panic. So literally you see them in start-ups, right, where a CEO would come in and say, "Look, we're bankrupt next week, come up with solutions." And you wouldn't believe how quickly people completely changed their mindset. Because now you completely changed the parameters. You said, no, no, no, it's not about if you get 10% wage increase next week. It's about if you actually lose your job or not.

Again, like, I think this kind of more radical modes are examples, but I think what you've seen in a lot of organizations is kind of creating this culture of urgency and creating the idea of, hey, we need to do something quickly, comes a lot of times exactly by, A, there's this whole thing around how you honestly kind of integrate people, that comes back to the ownership question, in the process of, look, we face a certain abyss here, so we need to do something, and really giving them the urgency, and then using some of the concepts.

But I'm actually a big believer in the idea of not manufacturing your crisis but actually figuring out how to bring in that urgency and bring in that thing, because I 100% agree with you, it's, you know, if you get people comfortable in a certain position, to change is always very difficult. But once they feel there's more at stake, it actually gets easier.

Jeremiah Caron

Okay. I think we're done. Thank you very much, Christian.

Dr. Christian Busch

Thank you.

Jeremiah Caron

Excellent stuff. Appreciate it. Yes.

[End]