

April 2016 - How partnerships can change the world... is this Purpose Economy in the making?

## How partnerships can change the world...is this Purpose Economy in the making?

It's been evident now for perhaps 15 years that Open Innovation is the way forward. Innovation partnerships have the potential to create access to a wide array of external capability, fundamentally change categories, transform communication within organisations, and impact our society through environmental and social initiatives. So what's stopping us?

Innovation and leading a complex debate between senior industry figures. Together we explored how brands are using open innovation to disrupt categories, how this relates to the Purpose Economy, and what happens when two industry giants begin working together.

**Graham Cross** joined us for this month's Honey Buzz, presenting a compelling argument for Open



### Our Guest Speaker: Graham Cross

Graham has a BSc and PhD in Chemistry from Imperial College London and studied post-doc in the Netherlands. He is now the Director of Commercial Alliances, deal architect and relationship manager for a portfolio of global innovation alliances across the Unilever portfolio.

He is also known for co-designing current Unilever stage gate driving innovation process excellence, implementing and executing major innovation alliances, and facilitating collaboration between businesses through open innovation partnerships.

## The Buzz evening highlights ...

### 1. Is the future of innovation in the hands of brands or consumers?

The assumption is that collaboration leads to innovation, but what about when consumers drive the evolution and creation of new products? Five years ago, people would have thought it was a silly idea to put a phone on the end of a stick, but now selfie sticks are everywhere. If you started designing a new product from scratch, you wouldn't end up here.



### 2. Is there a link between change and the scale of human endeavour?

The scale of human endeavour is when enough people decide they want it to happen. Drones have been around for years, but when a group of people got behind the idea they finally took off! In reality, drones create many ecological challenges. But now they are available, hospitals and even delivery companies like Amazon are finding a use for them.

Yet selfie sticks are really just a natural evolution of the self-timer feature on cameras. The demand for this function was already there, but now people have more control over their photographs. This example is a result of consumer demand, but there are still industries, such as luxury fashion, where consumers want brands to come up with the next trend.

In the case of drones, the solution came first and then people figured out what to use them for. This is the same as Apple inventing iPads, and yet the process is still counter-intuitive to many businesses.

“ We use drones to forecast crops in the fields. In the past we would have used a helicopter, but when drones came out we understood the need. ”

Dorota Szafalowicz,  
Head of Procurement and Non-Retail Sales, G's

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There is now a movement of people who want 2016 to become the year of virtual reality, maybe this is the next trend to disrupt businesses whether we like it or not?

There has to be better ways of communicating. At Unilever they are now using visuals in place of complex legal documents to simplify communication and unburden people from unintelligible legal jargon that prevents collaboration. We've collectively inherited a tool kit from a previous time in history and every business now has a vested interest in reinventing it.

“ This line manager in a car manufacturing plant introduced a hair dryer to speed up the paint drying process. His boss didn't even know he was doing it, so this would have happened anyway. ”

Richard Simpson,  
Business Development Director at Food Utopia

### 3. We have a vested interest in reinventing the way businesses communicate

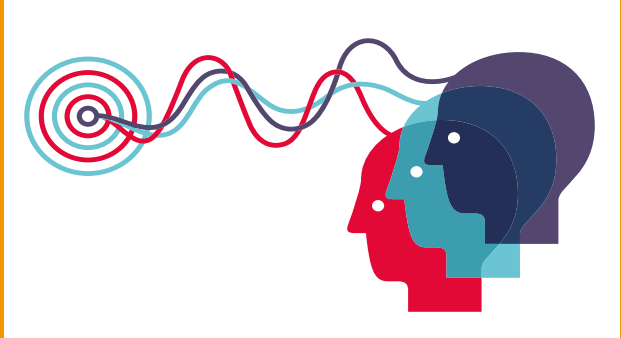
The moment ideas processes are in place for employees, ideas drop by 75%. Formal processes can stifle ideas that happen naturally and discourage people talking to each other in person. Large organisations often apply left-brain thinking to create formal innovation funnels that result in unimaginative products – like shampoo bottles that all look the same.

“ Henry Ford supposedly asked all the motor manufacturers what they should put in a car. People said that some of these items don't belong in a car, but Henry Ford replied that people don't know what they want until you give it to them. ”

Steve Honour,  
Design Leader of Innovation & Futures at Diageo

“ Most businesses start with the Why. This is starting with the What and then figuring out the Why. ”

Greg Vallance,  
Creative Managing Partner at Honey Creative



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## 4. To succeed at partnerships we must understand what makes them fail

Open Innovation is the process of brands moving from transactional relationships towards working together to make magical things happen. Partnerships demand trust and honest communication, but 70% of failed alliances actually fail because of a breakdown in communication internally within one of the companies i.e. between marketing and R&D.

To illustrate issues in communication Graham once built a double-sided whiteboard where two people can each write down the project objective, then spin the board. He asked one team to write down five things they could do to promote the relationship, and the other team to write down five things they could deliberately do to destroy the relationship. Both teams wrote down, "To give absolutely false information." or businesses to move beyond transactional relationships, trust and clear communication needs to be established early on.

“ In 2005, Ford marketed a car as an accessory for an iPod. It's hugely insightful and all they needed was a connector to leverage the brand value of Apple into a Ford Fiesta. ”

Graham Cross,  
Director of Commercial Acceleration and  
Commercial Alliances at Unilever

“ People go into partnerships with excitement, but so many innovations fail. Most people don't understand the fear of failure, but if you don't embrace failure then you can't build trust or an alliance. ”

Steve Honour,  
Design Leader of Innovation & Futures at Diageo



## 5. What do we really mean when we talk about partnerships?

Perceived inequality in partnerships is a common problem, with businesses often keeping each other at arms length until the last moment. A supplier might invest in developing a new chemical only to find they need the help of a large organisation to help them understand the customer base. If the supplier has done 95% of the work, but the other 5% is critical to its success, then do they both share risk and reward? Is one more valuable than the other?

Unilever has an event called Partner to Win where they bring around 200 suppliers together to build more equal partnerships. This transforms relationships that were just transactional into something more meaningful. Incredible sharing of knowledge and trade secrets happens on this day, but then who owns what when these ideas comes together?

One innovation that came from Unilever was figuring out how to put unseen air bubbles into plastic to make it much lighter. The implications of this were good for profit margins, but also good for the planet. Unilever decided to develop this for a restricted period before allowing the whole market to benefit – a decision that helps reach goals for the Unilever Sustainable Living Plan.

“ A partnership might be exclusive, but then somewhere else in one of the companies someone might be unknowingly working on the same thing. If this happens, both companies should pool their knowledge into the partnership. ”

Graham Cross,  
Director of Commercial Acceleration and  
Commercial Alliances at Unilever



“ Without a goalkeeper there is no team. The top companies all have cultures based on trust. ”

Lulu Laidlaw-Smith,  
Commercial Director at Honey Creative

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## 6. There has to be a level playing field for collaboration to work.

“ The best deal I ever did was on a beach where we drew up the agreement in sand with a stick and photographed it. What culture would allow you to do that? ”


Graham Cross,  
Director of Commercial Acceleration  
and Commercial Alliances at Unilever

In the most creative companies people are given permission to express themselves freely and openly in a group. In teams this can be quite a challenge, not just because of cultural differences but also perceived inequality. But if companies can level the playing field and break down barriers of mistrust and fear of competition, imagine what they could achieve.

There is an Apple keynote where Tim Cook actually invites a developer from Microsoft up on the stage to share their expertise.

“ In Scandinavia people have the freedom to communicate on a level playing field, and they give each other permission to do so. ”

Douglas Orr,  
CEO & Founder at Novastone



“ Uber and Spotify don't have a 300 page manual on company expenses, they just hire employees they trust. ”

Alastair Buckle,  
Director and Owner at Digital Sherpa

## 7. Open Innovation has the potential to fundamentally change categories

From Superbob's taxi drivers that turn up on a folding bike and drive you home, to Rocket Internet's online laundry service, some of today's most disruptive brands are fundamentally changing categories by re-imagining outdated business models. The online laundry service makes detergent brands irrelevant, because now nobody knows which brand was involved.

In the camera world, manufacturers were so caught up in the existing paradigm that they would spend huge amounts of money trying to save grammes of weight from a multi kilogram SLR camera. Then someone came in from a different industry and put a tiny camera in a phone at just a few grammes of total weight. Today, phone cameras are often better than an SLR as they are more convenient and always with you when you need to take that 'perfect' image.

In the food sector, brands necessarily create heavily processed foods (safety) and then design packaging that makes them look fresh. Companies like Nestle and Unilever spent a lot of money trying to improve the freshness and quality of processed food, but what happens when someone else finds a way to preserve fresh vegetables for up to three weeks? Doesn't this sound like Canon trying to reduce the weight of their cameras rather than inventing one that goes in a phone?

“ Twenty years ago big companies would buy, control and destroy innovators. Now they seek to invest and enable. ”

Richard Hall,  
Chairman at Zenith International



“ Google spends a couple of hours every week in the boardroom talking about the industry that will disrupt them. ”

Graham Cross,  
Director of Commercial Acceleration and  
Commercial Alliances at Unilever

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## 8. How are companies adapting to the new Purpose Economy?

Companies are going through an interesting stage where reducing their impact on the environment is also a good business decision, but they will reach a point where it starts to incur costs. To adapt to the emerging Purpose Economy, businesses need to appeal to people's hearts and minds to create a higher driver that is about more than just profit.

The main motivations for sustainability right now are consumer preference (although they won't usually pay more), requirements from partner companies, or cost saving. A good example of this is when Persil created a concentrated formula that took up reduced space. Now they can ship many more bottles with the same carbon footprint and less packaging.

However, this only represents a small percentage of the overall supply chain. Even companies the size of Unilever can't do it alone, so they are actively crowd-sourcing ideas to help make a difference and rewarding people for their contributions. But what would happen if P&G and Unilever came together to tackle the big challenges we face today?

“ There is a massive shift in consumerism. If you give people ownership, they become more productive and HR cost goes down. It's about creating civilizational wealth rather than individual wealth. ”

Lulu Laidlaw-Smith,  
Commercial Director at Honey Creative



“ It goes beyond sustainability. Brands can also partner with charities and this contributes to the purchase decision, providing there is no difference in price or quality. ”

Greg Vallance,  
Creative Managing Partner at Honey Creative



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## 9. Partnerships reveal opportunities that neither company could previously see

Any lack of capability within your own business is contributing to what the consumer will see. If a camera company lacks the ability to make phones, then how do they invent the camera phone? Although ultimately it was never really about the phone or the camera, it's about removing traditional barriers and changing the way we think about Open Innovation.

At some point margarine evolves from something you spread on bread to something that lowers your cholesterol. Right now we think that toothpaste is for cleaning your teeth, but we actually have the ability to absorb nutrients through the mouth. So why not invent toothpaste that keeps your whole body healthy? Let's share ideas, create partnerships and collaborate to find out what magic is possible when companies truly work together.

“ I'm not sure we have the right tools at the moment. We're experiencing endless evolution. Even the concept of ownership is changing. ”

Douglas Orr,  
CEO & Founder at Novastone

“ I believe in the richness that comes from dialogue. The challenges mankind faces today are easy to address if we can get our acts together and talk. I'm trying to remove these communication barriers. I have no doubt we can do this. ”

Graham Cross,  
Director of Commercial Acceleration and  
Commercial Alliances at Unilever

**What do you think?**  
Join the discussion and tell us your thoughts ...

Want to read more about how partnerships can change the world?

Interested in speaking at Honey Buzz? We're always on the look out for guest speakers with a different angle on brand and communications. If you're interested, please do get in touch.

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