

# Leveraging Open Innovation to create Sustainable Business Models

Nike - Haas School of Business, Center for Open Innovation

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*Cole Haas*



NIKE GOLF



Hurley



# WHAT WE WANT TO DO TODAY?

- 1. Discuss how systemic sustainability challenges are disrupting current-day business models**
- 2. Talk about how new business models, partnerships & eco-systems are required to address challenges**
- 3. Discuss how open innovation combined with strategic investing is a powerful tool to source & scale-up sustainable business models**

# CONSUMER COMPANIES ARE FACING SOME TOUGH QUESTIONS

- How can we maintain margins if we reflect the true cost of materials and externalities in our supply chain?
- How do we secure supplies of increasingly scarce natural resource, against competition for essential human needs?
- How do we decouple consumption of materials from the value consumer's desire / expect?
- How can we grow and create value without an increasing input stream of virgin natural resource?

# MANY NATURAL RESOURCE INTENSIVE BUSINESS MODELS ARE UNRAVELLING ...

- Assumptions around bountiful and cheap natural commodities (i.e. oil, water etc) are no longer true
- Entire new models of design, manufacturing, supply chain and selling will be required to maintain growth expectations
- Consumers are not willing to bear the increased costs of rewiring business models or building new supply chains
- Increasing regulations are forcing manufacturers to absorb true costs of current day externalities

# BECAUSE MOST COMPANIES DON'T KNOW HOW TO RESPOND TO SUCH SYSTEMIC CHALLENGES

- *“What can our apparel company do if the price of oil or cotton goes up? The tide is rising & falling for our whole industry – we can just be better prepared for the new cost of business”*
- *“We don’t look that far upstream – our suppliers work with those commodity traders. We don’t have core skills in that space, even if it could threaten our business model.”*
- *“This probably needs policy change. At the least it needs an industry consortium. It will take too long for us to do.”*

# SYSTEMIC CHALLENGES REQUIRE NEW WAYS OF ATTACK

## Systemic Opportunities

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... are long-term

... are ambiguous and uncertain

... have no single answer

... involve many stakeholders

... need many minds to solve

New ways of attack

proactive & strategic approach

different risk appetite

portfolio of solutions

extensive collaboration

open innovation i.e. GX



# IT NEEDS THE LEVERAGE OF NEW PARTNERS & RESOURCES

## NEW PARTNERS

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## NEW CAPITAL & RESOURCES

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<b>INVESTORS</b>	.....	Financing / venture capital
<b>COLLABORATING CORPORATIONS</b>	.....	Intellectual capital / knowledge
<b>MULTILATERAL AGENCIES &amp; GOVT</b>	.....	Financing / Incentives
<b>SERVICE PROVIDERS</b>	.....	Solution design & delivery
<b>ENTREPRENEURS</b>	.....	Solution delivery

# **LAUNCH – AN OPEN INOVATION PLATFORM FOR SUSTAINABILITY**

- **An open innovation partnership between NASA, NIKE, US State Dept and USAID**
- **Surfaces & nurtures the 10 most disruptive sustainability-innovations from across the world**



# **POPTECH LAB – PROBLEM-SOLVING WITH UNLIKELY PARTNERS**

- **A yearlong, open, collaborative investigation of a critical area of disruptive innovation in a domain of vital importance to business, society and the planet**
- **Brings together a network of innovators and decision-makers, brilliant and unconventional, to explore new ideas and identify areas for collaboration**

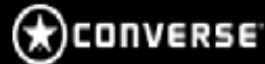


# SUSTAINABLE BUSINESS LAB

Combining Strategic Investing & Open Innovation to  
catalyze Sustainable Business Models



*Coletta*



NIKE GOLF



Hurley



# WHAT THE SB&I LAB BRINGS TO NIKE

## **1. Accelerate procurement of sustainable innovation**

Help Nike sign up and secure the big disruptive sustainability innovations that will jump the curb.

## **2. Dramatically reduce current cost structure**

Create new business solutions & partnerships that can fundamentally alter our supply chain cost structure.

## **3. Create options for sustainability-driven growth**

Help create new sustainability-driven markets & business models for Nike's current and future products & services.

# WE ARE A **SERVANT** OF NIKE'S BUSINESS STRATEGY

**Directly serving Nike's 40% growth by 2015 goal  
through Sustainability strategies:**

- 1. Reduce costs** – advanced sustainable materials, disruptive, lower-impact manufacturing & product recycling
- 2. Increase revenues** - new markets for Nike products & services

# BY STRATEGICALLY INVESTING TO **ACCELERATE OUR 2 GOALS**

Strategic & focused investments, partnerships and business development that can move the needle.

## MORE ATHLETES

Catalyze new markets, ecosystems & business models that create a sustained increase in sport & activity by

**ACTIVATING THE INACTIVE**

## BETTER PLANET

Help Nike business procure disruptive innovations that can transform our environmental footprint through

**CLOSED LOOP**

# **THE SB&I LAB WILL ACCELERATE & AMPLIFY NIKE'S WIN IN THE 2015-25 ECONOMY**

**Increase the scale, likelihood and pace of Nike's wins by complementing internal Nike efforts with:**

1. Focus only on large-impact opportunities
2. Focus on sourcing external & collaborative innovation
3. Using different tools (i.e. investments, JVs)
4. New partnerships to multiply Nike investments with ripple effect
5. Playing by higher risk / rewards ratio

# A DIFFERENT APPROACH

We use an aggressive, outward facing approach to drive business model innovation.



## VC MENTALITY

Multiple bets, high risk / high reward, active participation.



## INVESTMENT TOOLS

Equity investments, research grants, supply chain guarantees, etc.



## BROAD PARTNERSHIPS

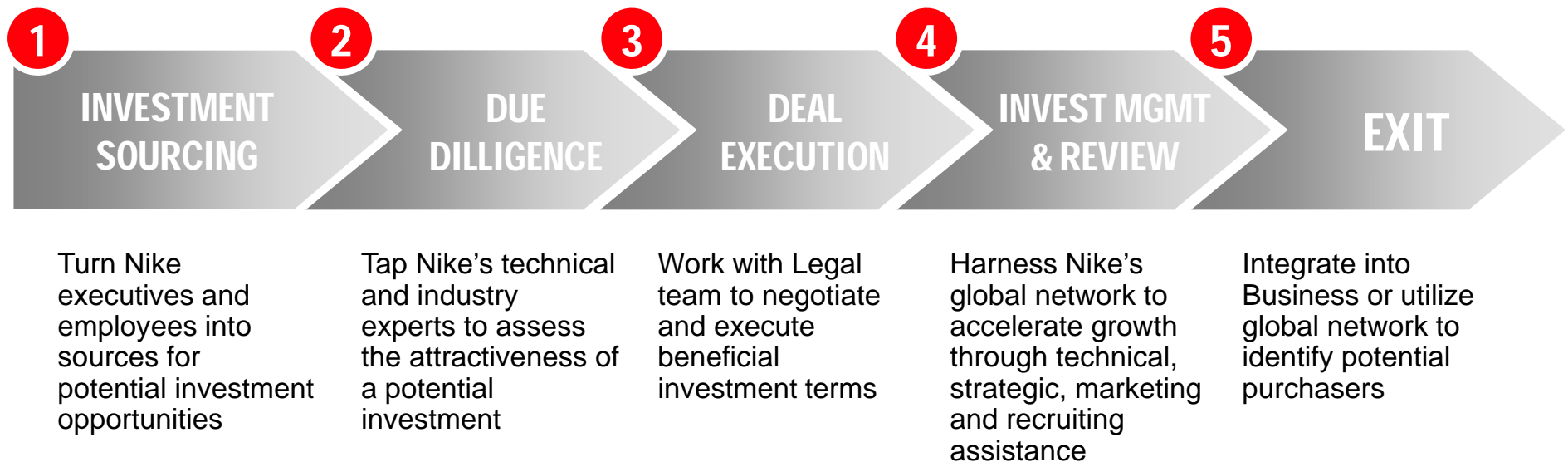
Governments, other investors, incubators, academia, etc.

# SEVERAL TYPES OF INVESTMENT TOOLS

- 1. Equity Investments in companies (primary tool)**
- 2. Research grants to Institutions**
- 3. Guaranteed purchase orders**
- 4. Joint ventures**
- 5. Facilitate initiatives & collaboration**
- 6. Internal incubation / venturing**

# PARTNERING WITH NIKE TEAMS AT EACH STEP

The Lab will tap Nike's expertise in everything that it does.



# LEARNING FROM OTHERS

Numerous leading companies take a similar approach to sourcing new growth & business models.

The logo for Procter & Gamble (P&G), featuring the letters "P&G" in a blue, serif font.The logo for Kodak, featuring the word "Kodak" in a red, sans-serif font, centered between two horizontal yellow bars.The logo for Intel, featuring the word "intel" in a blue, lowercase, sans-serif font, enclosed within a blue circular swoosh.The logo for Disney, featuring the word "Disney" in its iconic, black, cursive script font.The logo for Time Warner, featuring the words "Time Warner" in a blue, serif font.The logo for Nokia, featuring the word "NOKIA" in a bold, blue, sans-serif font, with the tagline "Connecting People" in a smaller, blue, sans-serif font below it.The logo for Cisco, featuring a stylized graphic of vertical bars of varying heights above the word "CISCO" in a bold, red, sans-serif font.The logo for General Electric (GE), featuring the letters "GE" in a white, cursive font, enclosed within a blue circular border.

Lab is the first corporate strategic investment group focused on sustainability-driven growth models.