A three-page excerpt from our 16-page Best Practice Guidebook:

Open Innovation: Gateway to Breakthrough Ideas

Amway

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Best Practice Guidebook

Open Innovation*: Gateway to Breakthrough Ideas

GUIDEBOOK SUMMARY

Firm: Amway Corp. (Health & Beauty Division)
Industry: Consumer Goods
Headquarters: Ada, Michigan, United States
Geographic Footprint: Global
Ownership: Private
Revenue (2011): Amway is one of a family of companies that reported revenue of $10.9 billion USD

Problem:
Amway needs to develop a process to draw on ideas and technologies outside of the company and increase its capacity for systematically identifying and developing breakthrough innovations.

Solution:
Amway establishes an open innovation (OI) team to capture emerging technologies and support the stage-gate product development process. Key steps include:

- Creating a formal ideation process (discovery process) spanning need identification and entry in the stage-gate development process
- Assessing the technical feasibility and market potential of new technologies
- Instituting project checkpoints for approval, resources, and funding
- Establishing cross-functional engagement points between OI, Product Development, and Marketing

Business Results:
Amway's open innovation practices have led to:

- 17 high-impact products launched in 55 markets
- $700 million (USD) in revenue

Resources Required:

- Dedicated team: a team manager and two or three technology scouts
- Systems: searchable database to centralize technology submissions
- Budget: funding to evaluate or develop the technology

Applicability of Best Practice to Executive Functions:

Function	Applicability
R&D/Innovation	●
Corporate Strategy	◒
Marketing	◒

* Open innovation is based on the tenet that ideas can come from anywhere, that they can be used throughout the new product development process, and that unused ideas can be utilized by other businesses, or new markets—or licensed externally.

SAMPLE

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Amway institutes an open innovation process to identify and develop external technologies that address prioritized research needs

Open Innovation (OI) Discovery Process

1 Identify Needs → 2 Discover Technologies → 3 Evaluate and Refine the Technology → 4 Develop a Solution → 5 Advocate the Solution → Stage-Gate Product Development Process

Need*

Objective

Create a technology map of prioritized needs

Participants

- Technology Planning Committee

Activities

- Identify a list of potential needs for development
- Prioritize needs and build a technology plan
- Assign needs to the appropriate R&D department
- Assign team lead and technology scouts to each need

Technology

Objective

Identify external technologies that address needs

Participants

- Technology scouts

Activities

- Conduct comprehensive research on potential external sources for technologies
- Carry out initial viability screening of identified technologies

Objective

Evaluate each technology's feasibility

Participants

- Technology scout
- Technology Review Board

Activities

- Conduct feasibility assessment based on the relevant development category for the technology
- Submit the technology to the Technology Review Board for approval, resources, and funding

Solution

Objective

Translate the technology into a solution

Participants

- Technology scout
- Brand Manager
- Division's global marketing team

Activities

- Secure buy-in from the business line's marketing team
- Collaborate with Marketing to conduct concept development and testing with customers
- Create a business case to illustrate the solution's commercial and customer value

Objective

Submit the solution for entrance into the new product development process

Participants

- Technology scout
- Marketing
- Business Line Management Team

Activities

- Present the solution to Marketing and the Business Line Management Team for the go/no-go decision on further development
- Place approved solutions in the product development process

Potential Product

Objective

Develop the solution into a market-ready product

Participants

- Product development team
- Marketing
- Project Management

Activities

- Cultivate the project through the stage-gate product development process

* A "need" refers to any unmet customer demand, differentiating technology, or product component.

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Source: Amway Corp.; Growth Team Membership™ research.

KEY TAKEAWAY: Create a dedicated open innovation team and give it a distinct role within R&D

Amway's open innovation (OI) team is a separate department with its own budget and staff within R&D

Business Case for a Dedicated Open Innovation Team

Amway conducted a five-year analysis of its innovation pipeline, which highlighted the organization's disproportionate focus on incremental innovation. This realization spurred the business case for a dedicated OI team.

Business Case Components

- Explain how an OI team can create competitive advantage by:
  - Focusing on long-term projects outside of the stage-gate process
  - Concentrating on breakthrough or disruptive technologies
  - Identifying and incubating emerging technologies
- Differentiate the OI team's purpose from Product Development's role and articulate how it should integrate with Marketing
- Present case studies from companies with successful OI teams (i.e., Procter & Gamble, Kraft, and Pepsico)
- Emphasize that the OI team would consist of six existing research staff and require no additional personnel

Open Innovation Team's Role within the R&D Organization

Health & Beauty Division, R&D Department

Vice President of Health & Beauty R&D

- **Product Development Team: Beauty Division**
- **Open Innovation (OI) Team**
- **Product Development Team: Health Division**

New Technology Manager

The manager leads the OI team, defines the team's role, and manages the OI process.

Technology Scouts*

Technology scouts are veteran researchers with 10–15 years' experience in new product development.

Responsibilities

- Identifying and evaluating new technology solutions
- Scouting for solutions to core business needs
- Developing key relationships with suppliers and other OI sources
- Bringing immature solutions to the appropriate level of technology readiness for transfer into the product development process

Open Innovation Team's Focus

The OI team spends 80% of its time on the discovery process, or the pre-stage-gate phase. The team spends the remaining 20% on managing projects through the stage-gate product development process.

* See page 13 of the Tools & Resources section for a complete technology scout job description.

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Source: Amway Corp.; Growth Team Membership™ research.

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