

Innovation through collaboration

How to address the biggest challenges of our time, with a positive return on investment while doing so.



Innovations that aim to have a real impact in a complex and fast-changing world require a collaborative approach. Is your industry, as many others, dealing with value chain overarching challenges? Often these larger questions can only be solved by building solutions greater than the sum of its parts. Living labs and open innovation ecosystems thus offer a method to combine knowledge, ideas and perspective in an effective way and to create comprehensive solutions together with partners. This article shares what to keep in mind when taking this approach, and provides solutions for the most common challenges.

Our world is being reshaped by disruptive changes in technology, climate, geopolitics and demographics – more than ever before. We therefore need to transform the ways in which we live, travel, work, and how we produce and consume food and energy. We must find new and creative ways to deal with shortages in labor, housing, and raw materials, and build a more sustainable, equal and inclusive world. In other words: we urgently need new solutions of an unprecedented scale and complexity that will have a major impact on people's way of living. That is - solutions that address a societal need, while being economically viable too. No single company, government agency, or knowledge institution can possibly provide such solutions on its own. These solutions call for a new way of looking at innovation. One that harnesses the power of collaboration between a wide variety of participants. Open innovation ecosystems and living labs can help us connect the dots.

Setting the scene: innovation ecosystems and living labs

Innovation ecosystems are a network of partners - corporates, start-ups, government agencies, knowledge institutions, investors and end-users - that join forces in the co-creation and exploration of innovative ideas and scenarios. Each partner in an ecosystem has something to gain from this form of collaboration, because the contributions from others enable them to solve challenges or go after opportunities in a way they could not pursue on their own. Living labs are an increasingly popular concept to put these ecosystems to work in the real world. Often set up as a public-private-people-partnership, living labs provide a physical location with a population (e.g. a city, a sports stadium, a campus) where the innovative ideas generated by the ecosystem can be experimented with, scaled-up and evaluated. In addition to the synergetic effects that occur when creative people from diverse backgrounds start working together on the same problem, a main advantage of living labs is how they tend to smoothen the wide adoption of innovative solutions and thereby improve the return on investment and societal benefits.



Out of the lab and into the world

There is an increasingly vivid interest in a collaborative approach to innovation. Many established companies realize that in order to find solutions to the challenges they're facing, they need to look beyond the walls of their proverbial research labs and move into uncharted waters. The idea of partnering with others who might be a source of new knowledge and ideas is often appealing at first. Indeed, when we are invited to talk about living labs as a form of open innovation, we usually see how this generates enthusiasm. The example of a successful living lab we are proud to have been a partner of from the start, is the Johan Cruijff ArenA Innovation Center, in which some 50 partners large and small work on a multitude of innovation programs. Sander van Stiphout, Director International at the Johan Cruijff ArenA (see text box for a Q&A), recalls the initial steps for setting up a living lab: "We knew the world around us was changing. To figure out in what ways we had to adapt is not something we could do from behind our desks only," says. "We had to go out and actively engage with our external stakeholders to understand the developments at play and how these would impact us."

Introspection and inspiration to get started

It should be realized however that the ArenA ecosystem wasn't created overnight. It took years to build and let it grow and prosper, but every beginning is difficult. Before companies can identify with whom to partner and what to collaborate on exactly, they have to go through a more introspective stage and answer a number of fundamental questions. What is our purpose, why are we in business and how can we change the world for the better? How will all the changes we see happening today reshape the markets we operate in? What could we contribute to solve these problems ourselves, and who do we need to partner with in order to make this a reality? These are no easy questions, and it might be difficult to translate the answers into action. The answers should be broken down into smaller, more manageable parts that can be tackled tomorrow. We facilitate inspiration sessions around certain themes - e.g. the future of mobility, or the transition to plantbased food - where the relevant parties can meet and where they generate concrete actions to start their collaboration.

Overcoming worries and inviting others in

Another obstacle to actively seeking partners with whom to collaborate on innovation is that this requires companies to open their doors and let others have a look inside, not only in a figurative sense but often literally too. To many organizations this can feel downright scary. Not only do they have to show that they are facing a problem, but they also in effect admit they cannot solve it on their own and require help from others. However, the important thing is that they also hold part of the solution, even if they themselves and outsiders may not yet be aware of that. That part by itself may not be enough to solve the problem, but in combination with the parts that others hold it could be. All it takes sometimes is bringing these partial solutions together.



KPMG has been instrumental in setting up the Johan Cruijff ArenA living lab and building it into the successful innovation ecosystem it is today. Throughout, they have provided specific expertise and skills at the moment we needed those, which has given us a lot of flexibility. With their professional approach they have helped create an environment that many of our innovation partners trust and value."

Sander van Stiphout, Director International of Johan Cruijff ArenA

Becoming a hub for innovation



Q&A with Sander van Stiphout, Director International,
Johan Cruijff ArenA

Q

What challenges did you face when setting up a living lab?

A

A main challenge was to interest our partners to collaborate in innovation projects with us and to commit resources to those projects. On our side that required a thorough understanding of what the most relevant innovation themes of our partners were and how to find common challenges and goals. It also meant to convince them of the added value we had to offer as a living lab.

Q

How did you overcome these challenges?

A

A lot of that comes down to building understanding and trust between the partners we work with. For all your external stakeholders you need to analyze in-depth what their challenges, goals and ambitions are and make sure those are lined up and re-main so. We've become a lot better at that. It helped to start working with some of our important existing partners and find a right mix of government agencies, knowledge institutes, scale-ups and corporates for that. Then you can start to build, which is what we did together with KPMG, an environment and a structure that is attractive for others to join.

Q

What have you learned from setting up a living lab?

A

That trust between partners is very important, and such trust derives in part from the professional approach we took to create a living lab. We have also learned that many parties are very interested to collaborate with others in our ecosystem, but they find it hard to organize joint projects. Our role therefore is to act as a matchmaker for such collaborations and to offer an environment that facilitates those. That's a very valuable role to play, and again one that has to be based on trust.

Q

What do you see as the added benefit of approaching innovation challenges through an open innovation ecosystem and a living lab?

A

When innovations fail it is often at the interfaces between the various parties in a value chain. So it can be immensely valuable to line up all these parties from the start and work together on an all-encompassing solution. Second, the fact that the Johan Cruijff ArenA offers a controlled, real-life environment to test such solutions on a sizable population really fills a need. It offers our partners the opportunity to fine-tune, scale-up and de-risk their innovations before they commit themselves to major organizational changes or investments.

Further challenges along the way

If every beginning is difficult, the next stage of setting up and maintaining a living lab or open-innovation ecosystem brings a number of challenges too:

- **Different strategic priorities between partners:** Multiple parties in an ecosystem means multiple different objectives, cultures and priorities. Each party may struggle with its own internal challenges too, for example how to find a balance between open and internal innovation activities.
- **Different cultural norms can create barriers to successful innovation:** Given the diverse background of partners in an ecosystem, different views can exist on a number of issues. A lack of awareness of such differences of opinion and a failure to find common ground can easily doom what might have become successful innovations.
- **Data collection and measurement:** The systematic collection and sharing of data is essential to let living labs succeed. Without target setting, a living lab has nothing to aim for, and without performance indicators there is no way to measure and optimize the process. Failure to do so is common in living labs that fail or remain limited to isolated bouts of enthusiasm or one-off initiatives.
- **Key stakeholders are often missing:** In order to develop a working solution that can be tested in the real world of a living lab, it's critical to have all the pieces of the puzzle put together and to have all stakeholders on board. If one or more are missing, innovations may be expected to fail or run into obstacles when put to the test. This would negate one of the main advantages of living labs: the smooth and speedy adoption of such innovative solutions.

Living labs: no cure-all, but tremendous potential benefits

Living labs are not a cure-all for any organization that needs to rethink how it innovates or that needs to find new ways to grow profits. Not every living lab succeeds: some are too ambitious, some are not ambitious enough, some aren't able to overcome one of the challenges described above, some of them just peter out. However, the process allows companies to bring extremely diverse ideas, skills, and resources together to solve ecosystem-level problems at astonishing speed. It also helps them build the innovation capabilities needed for a digital age and the collaboration skills to capture the valuable opportunities that sit at the intersection of products, companies, and industries.

Do you recognize facing increasingly large challenges, and the necessity to partner with other organizations to tackle these? Is your organization investigating, or already well underway with, building an innovation ecosystem to solve value chain overarching challenges?

With 7 years of evidence-based success, low-risk and proven way-of-working, allround expertise and relevant network, KPMG knows how to successfully set up, maintain and improve an innovation ecosystem (and living lab), together with you. Please contact us to know more.



Living Labs - Turning innovation into a profit center



Q&A with Wilco Leenslag, Senior Manager Strategy & Innovation, KPMG Netherlands

Q During the Covid-19 related lockdowns, when all income-generating activities in the ArenA had to be cancelled, its innovation center remained a source of income. Is the Arena an exceptional case in exceptional times, or does it hold lessons for other organizations?

A The profitable model that the ArenA developed over the years can work for other organizations as well. That's quite a bold statement perhaps, but I really think it's true. It only works that way though if a living lab is set up with that objective and its own P&L from the start. Also, the idea should be that there has to be a positive business case for the solutions that are being developed. Additional sources of income for a living lab are subsidies available specifically for innovation consortia, and the fees and project funding that participants contribute.

Q Who should take the lead in creating a new living lab?

A I would say that is primarily up to the larger corporates, because it's more difficult for smaller companies, start-ups or public sector parties to get it started. All it takes at the beginning may be a dialogue between a corporate that wants to explore ideas to become more sustainable and a government agency looking for new ideas and resources to remedy a societal issue. Living lab partners may come from different worlds, speak different languages and may have a limited understanding of the ideas and issues the other is working on. But there is little point in talking about collaboration to yourself - you have to start a dialogue.

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