



Productizing Genius

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Management Summary

It is difficult to think of how to make a product out of something intangible, like genius, that cannot be defined until a situation arises where it becomes evident. It is not something you can put in the Yellow Pages. Nonetheless, companies with substantial R&D activities have been looking for ways to get more return out of these undeniably pricey future-focused operations. Many enterprises have constrained the scope of research, or the time frames that the research can take before some tangible prototype must be delivered. IBM has done more. It has created a channel-like structure, which brings the capabilities of free-wheeling think-tank expertise to howlingly-intractable customer pains, and also provides a route to revenue for research ideas that will not be marketed as IBM products. This gives their considerable global research force of 3000 the context in which to work with both exuberance and rationality.

This re-instantiation of the IBM Research Unit started, as so many things did, with the dot-com bubble. At that time, an emerging business unit was set up to define a route to market for the ideas everyone was having, with a gated selection process to winnow out the truly improbable. The value of identifying and grooming nascent ideas was well established when the bubble burst, and the emerging business unit persisted, though it was refocused more strategically, tiering opportunities into businesses, practices and products.

Concurrently, IBM realized that it was useful to break out how opportunities were addressed. There was a 10-year-old category called "First of a Kind" (or FOAK, pronounced "folk") to describe the custom, first-time, bleeding-edge implementation - often optimizations of products for unique situations - which was needed by customers with intractable situations. FOAK is brought to market through IBM's sales and distribution channels, who can identify opportunities that they cannot fulfill by more traditional means. The FOAK engagements often formed the basis for development of more widely-reusable service practices, which are brought to market through IBM's Business Consulting Services Division or by the emerging business units within IBM's other lines of business. These engagements treat the IBM Research Lab organization as a subcontractor, whose expertise is only brought in where it is needed. This situation allows research to be used deftly in the context of the larger engagement.

In its incarnation as a more full-fledged business entity, the IBM Research Unit occasionally has needs for capabilities it does not wish to take the time to develop. Over the past few years, the IBM Research Unit has therefore developed ties with the Venture Capital community to find the components and products that IBM can license to flesh out the offerings that they are bringing to market. The Research Unit has also developed an aftermarket for their own intellectual property that, for one reason or another, will not be brought to market under the IBM brand - a line of business that brought in close to a billion dollars in licensing fees last year.

This is interesting because of how it changes things. IBM has given its R&D a more complete environment in which to thrive. Most immediately, this environment optimizes customer exposure to and use of IBM Research. The build-out of channels changes how such vendor organizations compete with academic research. Ultimately, it improves how research is done. The days of researchers in ivory towers are long gone, but increased opportunities for collaboration are almost always a good thing. IBM's build-out of its Research Unit into a piece of its value chain not only fulfills the need to be more productive, but shows the power of channel to accelerate development and to deliver the goods.



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