

## BEYOND NETWORKING: NETSTORMING FOR INNOVATION

If you do a Google search on "networking" you will come up with at least 514 million hits! So, what is the real significance of Networking and how can you use it most effectively?

On Feb. 21st, I attended a presentation by UC Davis Associate Professor, Andrew Hargadon, titled "Netstorming: Seeing and Tapping the Real Value of Innovations." The presentation was delivered at the UC Davis Graduate School of Management and I had been invited to attend by an alumnus of the program. If Bill Clinton had delivered this presentation it would have been titled "It's the Network, Stupid." Fortunately, Professor Hargadon was more eloquent and more informative in his explanation. This is the substance of his presentation.

He began with a paradigm shift. We've all heard this famous quote attributed to Ralph Waldo Emerson, "Build a better mousetrap and the world will beat a path to your door." Here are the facts from Professor Hargadon, "If you build a better mousetrap, statistically, you will die." In the United States, there have been 4,400 different designs patented for mousetraps. Of these, 24 have been marketed and 2 have been successful: the familiar spring trap and the glue trap. The other 4,398 have been failures.

Professor Hargadon built on this paradigm shift to make some valuable observations about the significance of Networking in today's business world:

1. **THE NETWORK IS THE INNOVATION.** Ask yourself, are you focusing on the solution or the network that will make it successful? Not only do you have to have a better idea, but you have to have a better network.

Henry Ford, in fact, succeeded, not by inventing the automobile or mass production, but by building a network of business contacts and resources to make its production wildly successful. Many of his ideas on assembly lines came from observing the operations of meat packing plants.

2. **INNOVATION IS ABOUT CONNECTING, NOT INVENTING.** Ask yourself, what are you doing to build a network around your ideas? According to Ron Conway, a well-known, successful Venture Capitalist, "The technology is easy. I invest when I can see the networks that will make the difference."

Apple's iPod was actually the 13th MP3 player to come on the market. What made the iPod unique was the network that Apple built to support it. With FairPlay, Apple's Digital Rights Management (DRM) technology, Apple overcame the objections of the music companies and was able to sell their music through Apples iTunes Store. The iTunes Store originally opened with around 200,000 titles; today it offers more than 6 million for sale.

3. OPPORTUNITIES EMERGE AS NETWORKS CONVERGE. Ask yourself, what networks are converging on your markets right now? In the next 5 years?

Mattel recognized and capitalized on the convergence of Television and marketing in the 1950's. In 1957, the Pop Gun became a hugely successful toy after Mattel advertised it on the Mickey Mouse Club. That event broke both social barriers and sales records because it was the first time a toy had ever been marketed directly to children on television. In 1958, they returned to the Mickey Mouse Club and were the first company that dared to market a doll resembling a grown, sexy woman directly to little girls. They named her "Barbie"... you know the rest of the story.

4. NETWORK INNOVATIONS CONNECT, RATHER THAN CREATE, VALUE. You're not the source of value - you're the conduit. Ask yourself, where is the value in your value chain?

For years, the Lego Corporation was very successful selling regular Lego building bricks for around 1.5 cents per brick. When their sales began to go flat, because children were starting to play with video games instead of building with Legos, they revived their sales by marketing a new line of Star Wars characters. Those play bricks sold for 13 cents per brick. Awakened to the opportunities, they created their own Sci-Fi characters named "Bionicals", which they market for 22 cents per brick - more than a ten-fold increase over their standard products.

Another good example is M&M Candies, which normally sell for around \$3 per pound. Want those custom M&M's with your names on them for your wedding reception? They'll cost you \$27 per pound and they are a very popular item.

Professor Hargadon then offered his NETSTORMING methodology. This methodology capitalizes on the growing importance of Networks and goes beyond the limitations of conventional brainstorming:

1. Identify your solution.
2. For 15 minutes, identify as many types of network partners as you can (customers, suppliers, etc.).
3. For 15 minutes, identify specific people or companies for potential network partners.
4. Go find the connections between needs and resources of these potential partners.
5. Ask yourself, how can your solution enable those connections?

Go forth and Netstorm!

Best Regards,  
Steve Boswell