

Managing Innovation and Change, MBA290.T.2 - Spring 2009
Mondays, 4-6pm, Cheit 210

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Course Objectives

Most innovations fail. Yet companies that don't innovate die. Managing innovation thus constitutes one of the most difficult and critical tasks facing a manager. Nor is this solely the concern of high tech companies – companies in traditionally “low tech” businesses such as consumer packaged goods (like Procter & Gamble) find that innovation translates directly into growth in new businesses, and better profits in existing businesses.

The goal of the course is to identify the sources of innovative success and failure inside corporations, and how companies can develop and sustain a capability to innovate. The course will count towards students' Management of Technology (MOT) certificate, and graduate level cross-registrants from the Graduate College of Engineering (*except those still in their first year of study*) and School of Information Management Sciences are encouraged. Undergraduates are not eligible to take this class.

There are two books required for the course: 1) Open Innovation: The New Imperative for Creating and Profiting from Technology (Harvard Business School Press, 2003), and 2) Open Business Models: How to Thrive in the New Innovation Landscape (Harvard Business School Press, 2006). Full disclosure: I wrote both of these books. There is also a **Course Reader**.

Course Structure and Content

Managing Innovation is divided into five modules:

- The first module is understanding **disruptive technology**, a theory of why great companies fail in managing certain types of technological change. This theory was introduced by Clayton Christensen in his book, “The Innovator’s Dilemma”. I taught with Clay for 6 years while at Harvard Business School. While some of you have studied this before, I promise you that you haven’t heard it this way.
- The second module is about **Innovation and the Business Model**. The sources of failure for great companies often lies in what they do very well. The business model that has created great success, is a barrier to change, as well as a source of advantage. For example, **Disruptive Technologies** fundamentally challenge the company’s current business model – which is why they are so disruptive.
- The third module examines **Sources of Innovative Ideas**. Once we understand the barriers to change, we must then find out how companies can overcome their disabilities, and where to look for new ideas. We will examine university research, individual inventors, innovation communities and corporate discovery processes.
- The fourth module considers **Managing Intellectual Property**. Whether accessing ideas from outside and bringing them in, or enabling internal ideas to flow to the outside, managing intellectual property is a critical function in open innovation. We will examine situations in which IP figures prominently in companies’ business models, see what is working, and what is not working.

- The fifth and final module discusses **Creating Innovation Capabilities**. In this module, we will discuss how companies can innovate across multiple projects over time. The goal is to understand how innovation can move from a one-off project to a core capability that is replicable many times in the company.

Course Requirements: 30% of the grade will be determined by Class Participation, 30% will be determined by the final Paper, and 40% will be determined by four short module review papers.

Class Participation. This course will be taught through a combination of case discussion and occasional lectures. Because of this style of teaching, **regular class attendance is mandatory**. I understand, though, that occasions do arise where you have to miss a class. Therefore, I will allow each student *one unexcused absence without any penalty*. Beyond that, any further absences (other than due to illness or family emergencies) will negatively impact your participation rating. So if you expect to be missing lots of classes, this is NOT the class for you. In all cases, I greatly appreciate advanced notice if you will not be in class.

Showing up is necessary but not sufficient, however, to achieve success in the class. Preparation for class each day is also vital. To help motivate you to prepare, I will “cold call” students at the beginning of class, and occasionally at other times, so it is vital that you read the case and any other readings, and think about them prior to class.

Module Review Papers. At the end of each module, I will ask you to write a 2 page (double spaced, 12 point type) paper on one of the key concepts you learned from that module. My goal is to prompt you to reflect back on the cases and readings taught in that module, select one important concept from that module, and discuss how you would apply that concept in your own company (or a company you know well). There will be five such papers required during the term.

Final Paper. Halfway through the course, I will ask you to organize yourselves into teams of 2-4 people. Each team must pick a company at least one of you already knows well (or would like to know well), either from your work before Berkeley, your current work, or a company you intend to join after Berkeley. Your team’s assignment is to analyze a company’s innovation system and business model (using concepts from our class), diagnose issues facing that company, and propose solutions to those problems (again, using concepts from our class). Familiarity with a chosen organization is critical, because many of the concepts in this class are hard to analyze from a distance. The goal of the paper is not to do original field research, but to demonstrate to me your ability to apply our concepts *in a situation of your choosing*. If you cannot think of such an organization, then you probably should not take this course. The paper is to be 10-15 pages (double spaced, 12 point font, not counting exhibits).

Office Hours

I truly welcome the opportunity to meet with you outside of class. I will hold office hours on **Mondays, from 2:30 – 4pm**. If you cannot attend my office hours, please contact me by email <chesbrou@haas.berkeley.edu> to schedule an appointment.

Haas 290.T.2 – Managing Innovation and Change

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Session #	Date	Case	Case #	Supplemental Readings
Module I		Disruptive Technology – Why Great Firms Fail to Innovate		
1	1/26	Course Introduction & Mechanics		
2	2/2	Ecton Laboratories	9-699-018	Disruptive Technologies: Catching the Wave-HBR 95103
		Eli Lilly: Innovation in Diabetes Care	9-696-077	
3	2/9	Hewlett Packard – The Flight of the Kittyhawk	9-697-060	
		Lecture: Recap of Disruptive Technology		
		First Module paper due		
	2/16	No Class – Presidents’ Day		
Module II		Innovation and the Business Model		
4	2/23	Finding a Business Model: Planned and Emergent Processes - The Honda Effect Revisited	California Management Review, Summer 1996: 78-117	<u>Open Innovation</u> , Chapter 4
		Finding a Business Model Part 2: Intel’s Ecology of Strategy Making	Stanford case SM-95	
5	3/2	Ryan Airlines	To be distributed	
		Strategic Dealmaking at Millennium	9-800-032	
6	3/9	Placeware: Structuring a Xerox Spinoff	9-698-001	
		Inxight: Incubating a Xerox Spinoff	9-698-018	<u>Open Innovation</u> – Chapter 1
	3/9	Second Module paper due		
Module III		Sourcing Innovative Ideas		
7	3/16	Lecture: Open Innovation		<u>Open Innovation</u> – Chapter 2 and Chapter 3
		Managing IBM Research in Internet Time	9-601-058	
	3/23	No Class – Spring Break		
8	3/30	Innovation Intermediaries	Open Business Models, Chapter 6	
	3/30	Guest Lecturer: Alex Osterwalder		<u>business-model-design.blogspot.com</u>

9	4/6	Intel Labs (A): Photolithography Strategy in Crisis	9-699-069	
		IMEC – The Billion Dollar Bet	Distributed week before	
	4/6	Third Module paper due		

Module IV		Managing Intellectual Property		
10	4/13	Lucent: The Future of the New Ventures Group	9-601-102	
		Centagenetix (A): Building a Business Model for Genetic Longevity	9-602-087	
11	4/20	PI-x.com	1-601-019	Note on Ocean Tomo – to be distributed the week before
		Intellectual Ventures	<u>Open Business Models</u> – Chapter 7	
12	4/27	Lecture: IP and Innovation		<u>Open Innovation</u> – Chapter 8 <u>Open Business Models</u> – Chapters 3, 4
Module V		Creating Innovation Capabilities		
	4/27	The BP-UC Berkeley Energy Biosciences Institute	To be distributed in class the week before	
	4/27	Fourth Module paper due		
13	5/4	Intel Capital – The Berkeley Networks Investment	9-600-069	Making Sense of Corporate Venture Capital, HBR reprint 020305
		Genzyme: Engineering the Market for Orphan Drugs	9-602-147	
14	5/11	Procter & Gamble	<u>Open Business Models</u> - Chapter 8; Connect and Develop: Inside P&G's New Model for Innovation, HBR reprint R0603C	
	5/11	Final Presentation and Review		
	5/14	Final Paper due, Thursday, May 14th at 4pm <chesbrou@haas.berkeley.edu>		

