

Disruptive 'Institutional' Innovations (one take on R&D in Asia)

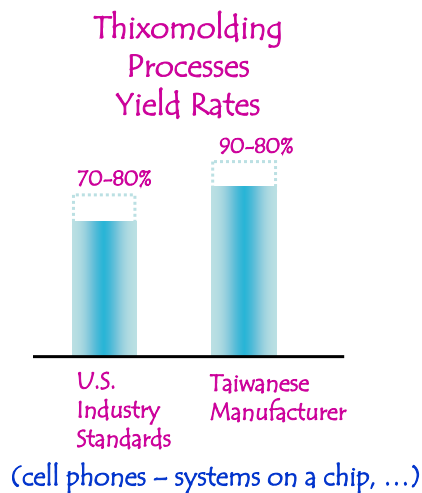


mundaneⁿ = ????



Yeah but disruptive innovation is different from radical.
Is that happening as well??

Offshoring – Not Just Wage Rates but also access to distinctive capabilities in niche ecosystems.



The Chongqing Motorcycle Ecosystem

Locally modular architecture
(based on a focal model)

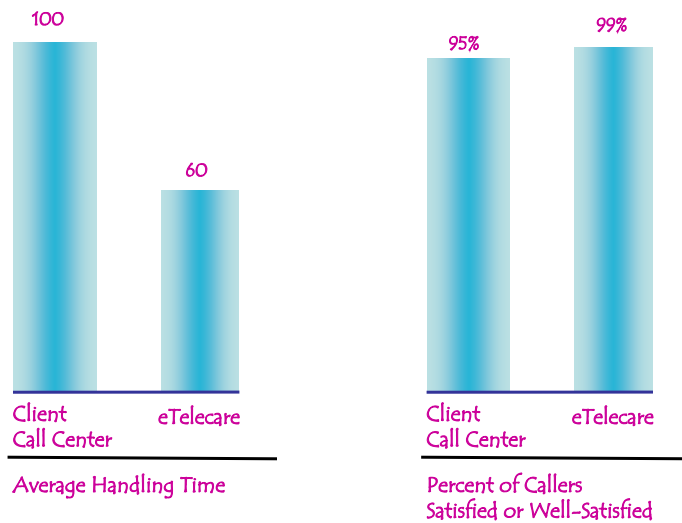
No detailed drawings from the assembler
but rather a bottom up
swarm ecosystems with path dependent practices
Now 50% of all global production of motorcycles

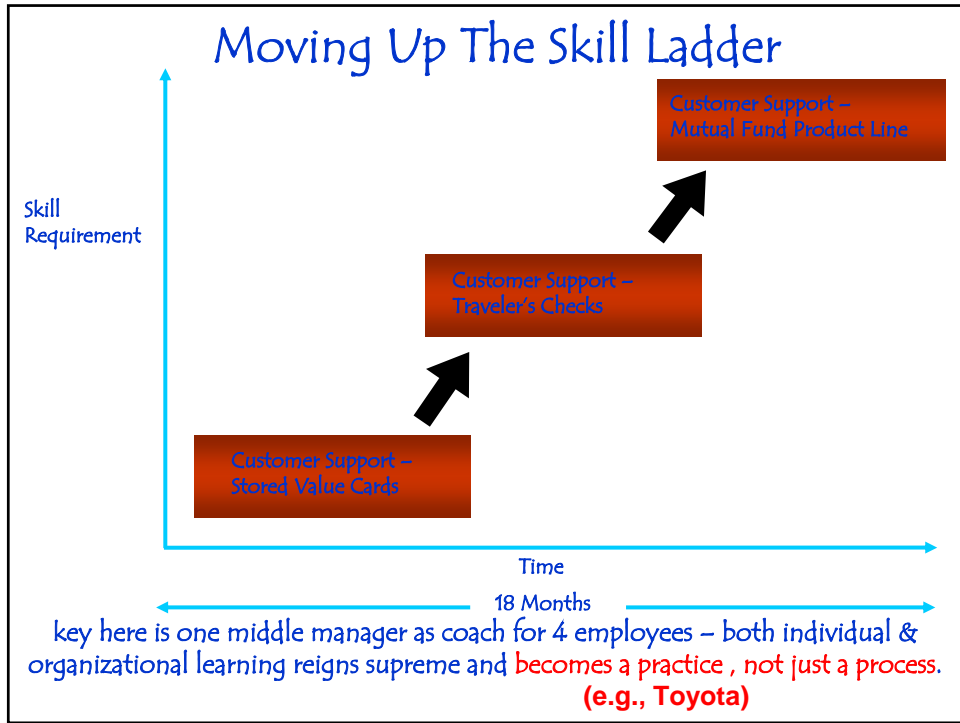
Honda – 90% in 1997 to 30% in 2002 (on Vietnam)



But this sounds a lot like open source development
where focal model is like a reference implementation.

Accessing Distinctive Capability






A key insight – making money will depend less on what you own than on what you can mobilize – orchestrate

Abercrombie & Fitch

ANN TAYLOR


GUESS



Levi Strauss & Co.

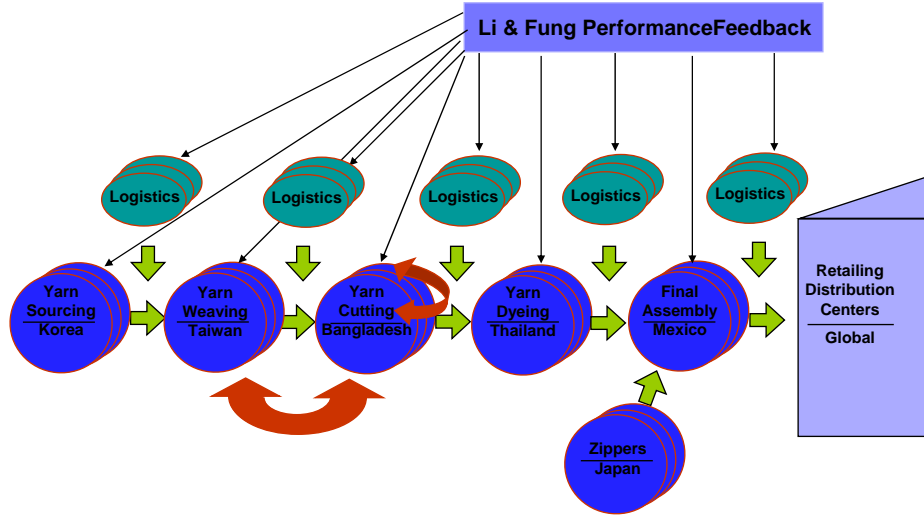
the limited

5 billion rev-2002
1 million/employee
30-50% ROE
7500 suppliers
37 countries



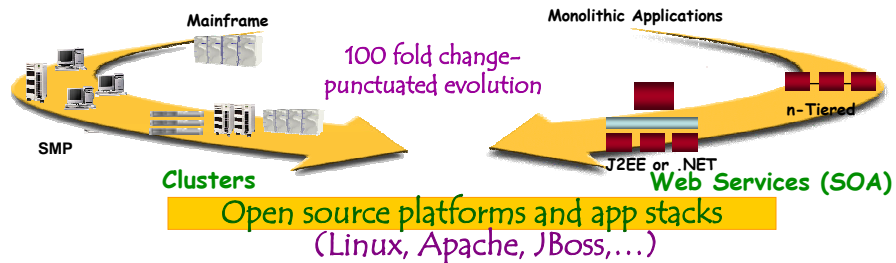
Li & Fung Limited

Li & Fung - supply chain orchestration



Learning, bootstrapping skills and knowledge creation

An Accelerating Confluence: three levels of commoditization all at once.



Enabling 1000s of servers to be managed as one

Virtualization
Monitoring
Provisioning

Standards based!

Web service standards
soap, xml, ...
J2EE protocol stacks

When computing costs approach zero –
material science R&D changes
from combinatorial design to rational design
(ab initio molecular design)

Fuel cells
Pebble reactors.

The law of large numbers:
500k engineers/yr Asia vs 50k(in usa)/yr
5 sigma students in China is a huge number.
(Infosys story)

Thank You
and thanks to
John Hagel
SPRIE

