University of California, Berkeley  
"Open Innovation and Business Models"  
UGBA 196 - Fall 2010

Instructor: Solomon N. Darwin  
Class Time: MW: 11am – 12:30pm  
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Location: Room C335

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Summary:

Open Innovation and Business Models is a project-driven class where student work in groups of five. It is a fun but challenging course that demands a lot of creative energy from your group within a short time frame. The goal of the project is to come up with innovative solutions to a publically traded company that either suffers from lack of innovation or whose business model is showing signs of breaking down or simply not working and falling apart. Utilizing some of the open innovation approaches taught in the class through a series of lectures and case studies, your group’s mission is to come up with an innovative solution to the selected company. Your Final Presentations will be judged by five senior corporate officers: two directors of open innovation, two CFOs and one Big4 partner.

Pre-requisites & Text book: One Financial Accounting class to perform basic research. Students will need to look-up financial statements (some understanding of Balance Sheet, Income Statement and Cashflow) for comparative analysis.

HBS Cases will be assigned during the course.

1. Topics

From the beginning of the dawn of man, starting with the very early human settlements, studies have shown how trade and business innovations have transformed civilizations, cultures and societies. Some innovations have stimulated growth resulting in prosperity but most have failed but yet companies that don’t innovate die on the vine. Managing innovation pertains equally to both high tech and the traditional “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 course starts with a brief review of the historical and evolutionary development of business systems and the increasing role of innovation in sustaining an enterprise. 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. This is a project-driven class and students are required to work collaboratively to foster innovative thinking in considering alternative strategies. The presentations will be judged by two or three partners from the local venture capital firms. The project is detailed below.
Open Innovation and Business Models is divided into five modules:

Module 1:
Introduction and Business Fundamentals: Brief history of multinational businesses and drivers of economic development. This module explores the need for the basic the infrastructure required to foster and promote innovation and innovative ideas. The fundamental accounting and business model will be reviewed along with other business and economic concepts and terms to lay the foundation for future discussions.

Module 2:
Innovation and the Business Model: The module defines disruptive technologies and explores why great companies fail in managing certain types of technological change. The business models that create great success can also be a barrier to change, as well as a source of advantage. Disruptive Technologies fundamentally challenge the company’s current business model.

Module 3:
Sources of Innovative Ideas: Understanding the barriers to change, overcoming disabilities and looking into new ideas.

Module 4:
Creating Innovation Capabilities: Alternative ways companies have tried to escape the limits of their current business will be explored. We will examine these experiments, and look for processes and structures that attempt to sustain a company’s success.

Module 5:
Recap and group presentations to the judges

2. Target Group

This seminar targets students from Business Administration, Management and Economics

3. Application

The course is limited to a maximum of 30 students.

4. Program

A. Introductory session: Participants are required to read the handouts and cases provided by the professor.

B. Group Presentation: Groups of five students need to make a presentation on a publicly traded company of their choice whose business model is failing. The project involves making a case for the business failure and providing innovative solutions to turn the company around. The students are also expected to show how and why the basic corporate balance sheet may need to be restructured to generate revenue under the new model. A packet containing specific instructions and layout of the project along with the required deliverables will be handed on the first day of class.

C. Special Group Project Outline is Attached below
GROUP PROJECT
"Open Innovation & Business Models"

The objective of this project is to further develop your innovative, creative, analytical, research, investigative, critical thinking and presentation skills. Your group’s recommendations of innovative approaches to solving business problems will be put to test. This is expected to a challenging but fun course that demands a lot of creative energy from your group within a short time frame. This assignment involves researching a “Publicly Traded Company” that either suffers from lack of innovation or whose business model is showing signs of breaking down or simply not working. Your group will be well served by picking a company that has: a) competitors in the same geographic markets offering similar lines of products, b) plenty of information available online or in the media, and c) easily accessible financial statements on-line (need to analyze at least 3-5 years of data) to track its performance within the industry and competitors.

Getting clearance from your Professor:
Each group in the class must choose a different organization. Your group should come up with a short list of candidate organizations and make a tentative choice of the organization you would most like to follow. Once your group has made a tentative choice, check with your Professor to make sure that no other group has chosen the same organization. If another group has already chosen the organization, you will be instructed to choose another organization from your list. Be sure to get clearance from your Professor before handing in your organization’s description. The company could be selected and approved before the classes begin via e-mail. During my office hours, I will serve as your consultant in directing your project but the innovative business ideas and models will need to come from within the group – they will not be suggested by me.

Your presentation should discuss:
• Profile of the industry in which the company operates – core competencies etc.
• Internal culture and management philosophy – historical and changing trends if any
• A clear description of the business model of the company and its competitors
• Perceived opportunities and pressures that contributed to the decline
• Basic financial statement analysis (5 year history or more) – some understanding of core assets and financing.
• How innovation currently seems to happen within this company and what needs to change?
• Your specific recommendations

This assignment involves three steps requiring something to be turned into your Professor:
1. Describing the organization and the area of your focus.
2. Analysis of the organization’s financial statements (ratio and time series analysis are required) leading up to the decline or break-down.
3. Presenting your findings and recommendations of innovative approached to turn this company around.
**Step 1: Describing the organization and area of your focus**

**What you must hand in?**
1. Hand in a one page description of the company you had chosen. The description should include the focus of your investigation along with some basic facts about the organization and any other information you think is relevant (e.g., nature of the business, its history, size, products, etc).
2. A list of sources consulted in your research.
3. Copies of two or three key articles you found on the organization - the articles which most helped you to define or understand the issue(s) your group will focus on.

**Step 2: Analysis of the organization’s financial statements**
1. Conduct background research on the organization.
2. Analyze five or more years of financial statements as well as its competitors – this all is done on-line. (Yahoo finance, Edgar, etc)

**Step 3: Presenting your findings and recommendations**
You will make a 20-minute oral presentation to senior executives of local corporations and partners of the Big4. The goal of your presentation is to apply many of the theories, concepts and analytical tools presented in this course. Each group should plan for a 5-10 minute Q&A session conducted by the judges following your presentation.

**What you must hand in to your judges?**
On the day of the presentation, you must hand in a copy of your PowerPoint slides and a 2-page executive summary.

**Grading:**
Peer evaluation is worth 20% of the grade (members will give a confidential grade to one another within their group for their efforts toward the project. This will help everyone to pull their own weight and allocate work accordingly toward the common goal.

- Presentation (60%):
  - Quality of Innovative Recommendations: 10
  - Depth of Research & Analysis: 10
  - Application of Principles Taught in Class: 10
  - Presentation Style and Group Dynamics: 10
  - Peer Evaluation (confidential): 20

- Active class participation during the seminar: 30
- In-Class Quizzes: 10
- Total Points: 100