



# PRESENTATION

## THE KEY SUCCESS FACTORS IN DISTRIBUTED PRODUCT DEVELOPMENT – CASE RUSSIA

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# Structure of the presentation

- Background
- Joint product development, key success factors
- Russian innovation environment & business environment
- Potential for co-operation with Russian firms

# Background

- Tighter competition in markets
  - Increased role of innovation process
- Need for efficiency
- More complex products
  - Need for a wide knowledge base
  - Longer and more unpredictable development projects
- Variation in national innovation systems

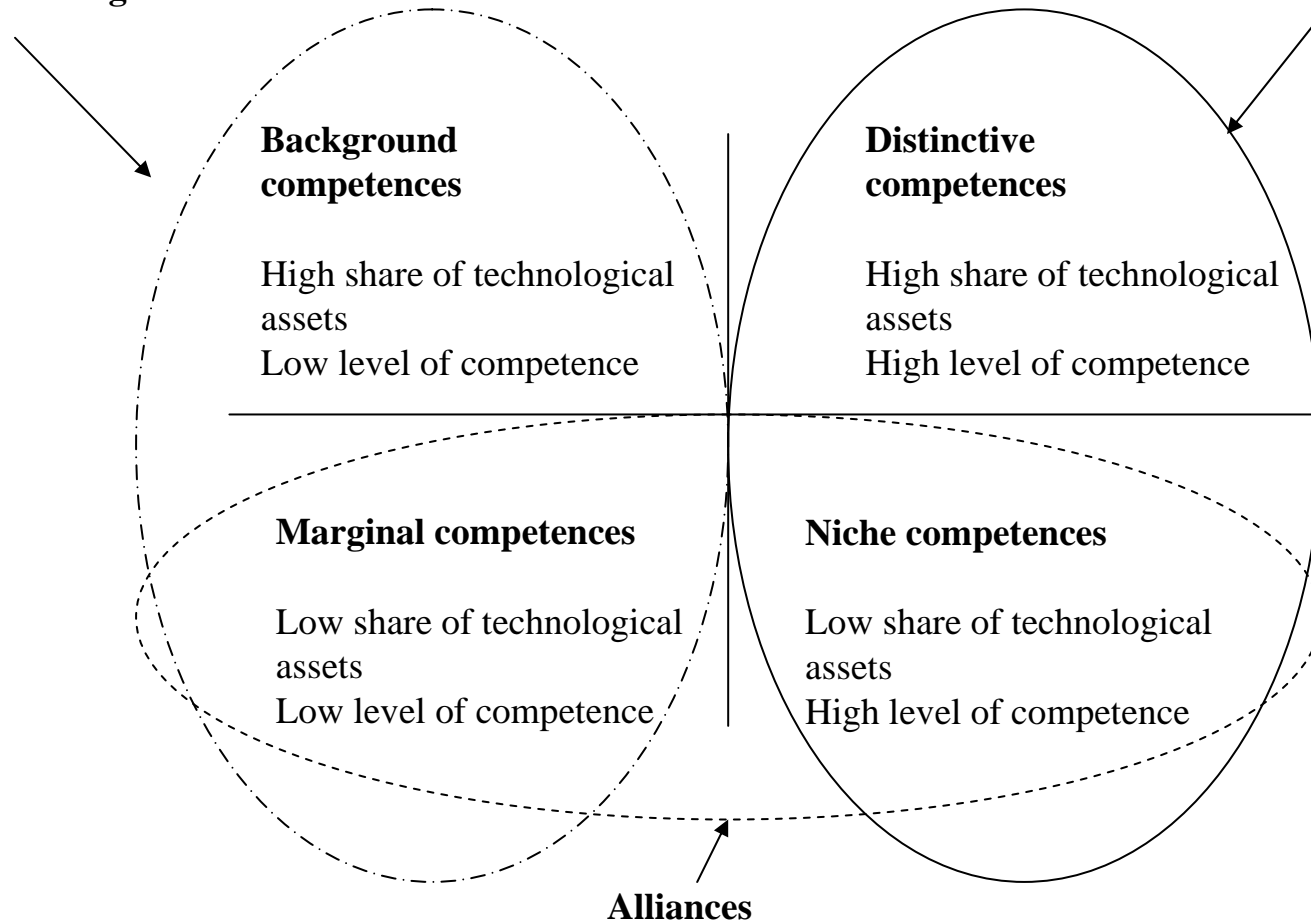
# Research questions

- How distributed product development of Western firms should be executed in co-operation with Russia-based high technology firms?
  - What are the critical success factors and pitfalls of distributed product development?
  - What are the special characteristics of Russia based organisations and how innovation work can be carried out in Russian macro environment?

# Joint product development

Outsourcing

In-house R&D



# Motives

- Financial
  - Cost efficiency
  - Reduced risk
- Functional
  - Access to larger knowledgebase
  - Quicker development projects
- Strategic
  - Gaining strategic capability through co-operation
  - Strategic expansion

# Stages in joint product development

- Establishing joint development
  - Defining the requirements for co-operation
  - Partner selection
- Implementing joint development
  - Building the needed information infrastructure

# Establishing – General success factors

- Short-term returns for both companies
- Clearly defined long-term potential for both companies
- Shared vision of technology and market developments
- Shared destiny of co-operation
- Definition of organisation's place and strengths in value chain
- Establish measurable goals and objectives

# Implementation – General success factors

- Strategic
  - Assign an active executive sponsor for each relationship
  - Support from senior management
  - Define conflict resolution process
  - Maintain mutual respect and willingness to learn
- Execution
  - Define deliverables clearly
  - Continuous measurement for performance
  - Establish periodic fact-based relationship progress review process
- Infrastructure
  - Establish direct communication linkages between teams for both externally and internally
  - Provide real-time information flow system between organisations

# Russian innovation & business environment

- Well-endowed technology and science potential
- Legacy of Soviet educational & research system
- Collapse of research funding followed by restructuring and search for new operational models
- Emerging private sector poorly connected to academic institutions
- Scarce domestic demand for innovation
- Volatility in business environment
- Enterprises: short term focus, private ownership, limited availability of resources, deficient funding mechanisms, restricted transparency of operations, manager-dominated

# International co-operation of Russian firms

- Research focus on market-driven investments
- Research intensive alliances – contractual agreements, manufacturing – equity joint ventures
- Examples from ICT industry: Intel, Sun Microsystems, Motorola, LG Electronics, Siemens
- Russia has become increasingly open to international and scientific co-operation
- Need for conceptual development / commercial application of technological alternatives

# Discussion

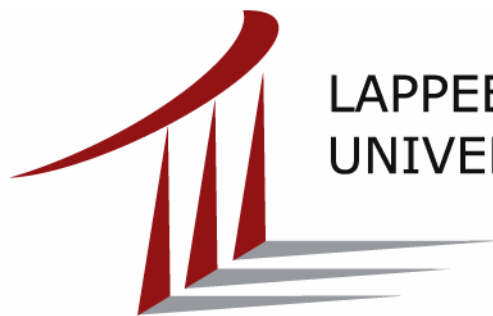
- Accepted level of risk (uncertainties of PD / distributed development / Russian environment)
- Trust versus control -> effect on innovativeness
- Shared vision of technology and its potential use
- Shared practical understanding
- Intellectual property protection
- Russian firms' capability for long-term co-operation in product development ?
- *Careful screening and assessment of partner*

# Conclusions

- Joint product development is challenging
- Russia offers significant opportunities
- Risks are considerably high
  - The process has to be managed thoroughly



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