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Tech Scouting Programs: Build or Buy?

Making the Right Decisions for Your Company's Innovation Needs

Technology and R&D leaders contend daily with the daunting pace of technological change in their core products and platforms. Recognizing both new tech opportunities and disruptive threats, many managers have responded with tech scouting and tech landscaping programs. Building on these efforts, in the past few years a new mainstream has begun to adopt tech scouting as a mission-critical competency.

These efforts have variously been launched and formalized in dedicated scouting teams, or accomplished informally as part of individual staff's duties, or outsourced to specialized firms. Some firms mix these approaches, others choose to focus on one, and still others have experimented with several methods over time. Many companies struggle to identify, create, and maintain the proper scouting infrastructure, expertise, and external networks necessary for innovation success.

Furthermore, these new scouting teams have not always been adequately integrated with other parts of the business, which is key to quickly onboarding any new technology capability they identify. As a result, most organizations have developed some degree of scouting and landscaping processes, but have not yet achieved the gains that are possible with more mature tech scouting practices in place.

At the same time, while companies have been building experience and formalizing their scouting organizations, the winds of innovation have shifted: new disruptive technologies have emerged from far outside core products and traditional competitors.

With companies increasingly required to assimilate a widening array of new technological capabilities, tech scouting remains a critical solution for addressing such challenges. But we find these new innovation requirements are stretching companies far beyond their core competencies.

Therefore, build-versus-buy has become a critical and complex decision for organizing technology scouting and tech landscaping programs, just as in so many other parts of the business.

How can you know if working with an outside firm is the right decision? If it is, how can you be certain which firm will provide the best fit for your company's needs? And what's the best way to build sustainable technology scouting capabilities within your organization, regardless of how much outsourcing you do along the way?

In the remainder of this paper, we will examine the pros and cons of both internal (build) and outsourced (buy) tech scouting approaches. Then we will discuss various hybrid options that combine the best of "build" and "buy," depending on your company's existing structure and level of innovation maturity. Whether you are just beginning to explore the possibilities of creating a new tech scouting function, or are looking to upgrade your existing scouting organization, there is likely a solution that will help you get to where you need to be.

Build: Developing an Internal Tech Scouting Competency

Vast benefits are possible through open innovation, especially with a strong scouting component. Within the first year of establishing a well-designed tech scouting function, a company's innovation capacity (i.e., access to product-relevant knowledge and technologies) can expand multifold. The ability to access millions of external sources and partners not only provides additional choices, but also helps mitigate the risk of investing in a new capability that may soon be overshadowed by a more advanced technology. Having an eye on emerging technologies and markets also provides new competitive insights and presents new investment and acquisition opportunities for the company.

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With a well-connected tech scouting function, the business gains a window to the outside world of innovative possibilities, allowing access to technologies and expertise far beyond the company's core competencies. As innovation demands and digital strategies push the business beyond mere product innovation, access to ecosystems of small startups, laboratories, and experts becomes a necessity. With a robust scouting competency, innovation leaders have the ability to operate at a more strategic level, enabling a more balanced innovation portfolio of both upstream and downstream technologies.

Despite the benefits of establishing a tech scouting function, most companies are struggling to develop the key competencies and associated expert networks necessary for its success. Here are some of the major challenges companies face when building out a new scouting competency.

Personnel: Finding the right people who can develop the requisite skill sets for scouting success; who can build internal and external networks; and who can connect the many dots involved in innovation processes.

Professional Development: Developing a sustainable scouting competency with clear options for career progression and supported by professional development programs.

Intra-Corporate Processes: Fostering cross-functional processes that facilitate the exchange of business needs and solutions to guide scouting activities, while also smoothing the assimilation of new knowledge discovered by the scouting team back into the enterprise.

Key Performance Indicators: Developing metrics, KPIs, reporting capabilities, and rewards systems that enable cross-functional innovation processes.

Knowledge Capture and Dissemination: Establishing a centralized knowledge capture platform capable of supporting disparate workflow and vetting processes.

Scouting Tools: Developing internal tools and templates to enable a more efficient and effective scouting process.

Expert Networks: Developing and maintaining access to vast external expert networks supporting relevant knowledge domains across all strategic innovation initiatives.

Team Scaling: Adjusting the size of the tech scouting function to the actual flow of business needs — to avoid the over- or under-utilization of team resources.

Until these challenges are addressed, your organization will continue to struggle with an in-house scouting team. It takes time, expertise, and a variety of new processes to succeed. The work of technology scouting tends to cross departmental boundaries that are still difficult to penetrate within most large companies. Without top-level support of the business, R&D leadership, and other key organizational entities, the new scouting function will not be able to help the enterprise keep up with the emergence of new and potentially disruptive external technologies.

Buy: Outsourcing the Tech Scouting Function

Because of the myriad challenges in developing a new tech scouting function, companies often look to outside firms for help. In recent years, a number of new tech scouting service providers have emerged, giving companies a growing range of options to fill their scouting gaps. By outsourcing their scouting needs, companies can avoid many of the challenges

that come with building such a function internally. Outsourcing also allows companies to increase or decrease the flow of scouting projects at will, thus meeting the fluctuating demands of the business without the backlog or underutilization that often plagues in-house teams.

Scouting firms, much like consulting firms, invest significant time in creating proprietary tools and approaches. They offer unique approaches calibrated to solve even their clients' most difficult scouting needs. They also create professional development programs designed to continuously improve the competencies of their scouting staff. By pooling resources and professional scouting expertise under one umbrella, they have honed their practices into an efficient, high-powered service.

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However, it is important to vet the actual approaches, tools, networks, and people that these scouting firms utilize, to ensure a proper fit with your company's specific needs. For example, some service providers focus on their own proprietary networks of "solvers," claiming to have thousands of readily-available solution providers to fulfill their clients' innovation needs.

Such providers' networks tend to be strongest in certain technology domains and less so in others. Other firms rely more on proprietary search methodologies, thereby claiming they can find the best solution or expert regardless of the client's particular needs – but they may not have the same level of domain expertise as niche or specialist firms.

Choosing to outsource your tech scouting function carries its own risks and potential deficiencies — some of which we list here. Although it's important to be aware of the possible risks and limitations when selecting a scouting partner, this should not necessarily preclude you from considering an outsourced solution.

Understanding of the Business: Lack of understanding around your company's products, core technologies, and other unique needs and circumstantial nuances.

Access to Content: Limited access to global patents, journals, tech transfer opportunities, and other key content sources.

Limited Networks: Lack of breadth, depth, and currency of the firm's network of potential solution providers.

Business Integration: Inability of the firm to develop meaningful relationships with either the client's business and/or R&D stakeholders.

Institutional Knowledge: Difficulty capturing and retaining key institutional knowledge with a given client from one project to the next.

Methodology Mismatch: Methodology limitations that fail to meet the complex needs of the business.

Process Integration: Outsourcing proves insufficient as a bridge for cross-functional processes between the business and R&D.

Vendor Fit: Rigidity in the provider's engagement model fails to meet the diversity of scouting needs across your company's spectrum of innovation programs.

Innovation Culture: Difficulty building an internal culture of innovation once you've outsourced too many of the supporting functions (such as tech scouting).

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As discussed, there are clear benefits to outsourcing the tech scouting function. However, the risks associated with a total outsourced solution may far outweigh the benefit. Understanding the specific needs of your business, and then matching those needs with your company's current innovation capabilities, will help you make a more effective partner choice. You must also consider carefully whether outsourcing is a stopgap solution or a long-term model for success, and if so, how it will fit into your existing innovation processes, governance, and culture.

Hybrid: Matching Capabilities to Best Serve the Company's Needs

In the real world, decisions are rarely as simple as build-versus-buy. Companies that are determined to build robust innovation portfolios tend to settle on a blended portfolio of tech scouting approaches. For most organizations, the real question is not whether to "build" versus "buy" – but rather how much to do of each, and for which reasons.

A hybrid tech scouting organization is a model that utilizes a combination of internal and external scouting resources — each playing to their own unique strengths and network access capabilities. There are four basic models for hybridizing the tech scouting function, each bridging a specific gap in the company's scouting capabilities.

The Transitional Model

We often see companies that intend to build their own tech scouting function — except they lack some of the key competencies, tools, and/or networks required for success. In such cases, the company may work with a tech scouting firm to teach them best practices, provide them tools and templates, or help build out their network of ecosystem partnerships. In the process, the scouting firm transfers knowledge to the internal team of tech scouts. The ultimate objective is to wean the company from third-party services as its own capabilities increase. While it is not unusual to completely dissolve the third-

party relationship over time, many companies choose to retain their partners after the buildout for a variety of reasons — some of which are described in the next three models.

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The Split-Competency Model

The split competency model is the most common form of hybrid scouting organization, because it leverages the relative strengths of the company's internal scouts complemented by those of the third-party firm. For example, on the front end of the process, the in-house scouting team may work directly with business stakeholders to identify needs and translate those needs into briefs. The third-party firm would then translate each brief into a search strategy, from which they would perform scouting and conduct the development of the target landscape. Then the scouting firm would work together with the internal scouts (and often the business) to vet and select the best solution. The internal scouts thus leverage their deep knowledge of the business and inner workings of the company, while the third-party leverages its search skills and external networks.

The Second-Line-of-Defense Model

Although some companies already have a strong tech scouting organization and cross-functional supporting processes, they may be exploring new technology areas not supported by the company's existing network reach. In this model, the company captures its needs, develops search strategies, and conduct searches on its own. However, if the company is unable to find what it needs through the internal scouting process, there is a handoff to a third-party partner.

The external scouting firm then utilizes its own, typically broader, network of technology expertise to find a winning solution. In this model, it is important for the company to continuously capture the new solutions and experts provided by the third-party service provider. In this way, the company continues to build its own scouting networks over time, repeatedly leveraging the partner's network for future areas of discovery.

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The Overflow Model

The overflow model assumes that a company has an irregular flow of innovation needs and scouting projects. The company maintains a core tech scouting competency that supports the needs of the business in continuous fashion. However, when a surge of new scouting projects enter the pipeline, such that the scouting team no longer has sufficient capacity to serve all the needs of the business, they engage a pre-vetted third-party firm to augment the internal scouting function. In doing so, it's critical to lean on a provider that is familiar with the company's internal processes, systems, and deliverable formats. Companies operating in this model may experience surges in innovation projects as a result of new strategic directives, major changes in a product direction, or sudden competitive disruptions. Under those circumstances, the overflow model has helped many scouting teams to avoid costly project delays.

Regardless of your tech scouting needs, there is a model that will help transfer vital know-how to your team and augment your team's resources to drive efficiency and effectiveness. The key requirements in creating a hybrid model are choosing the right partner based on your company's specific gaps, and bringing the partner up to speed on your company's internal organization, processes, tools, and other protocols to make them successful. Furthermore, it is important to create a centralized repository for knowledge capture, workflow, vetting, and reporting – to avoid creating siloed pockets of knowledge that will lack the scalability needs of a growing innovation portfolio.

There is a reason that hybrid models are becoming the norm. Carefully choosing the right model and partner for your situation is the best way to achieve lasting innovation success.

Summary

It's high time for companies to manage core innovation competencies the same way they manage core product lifecycles. As in any mission-critical business function, leveraging external resources is an essential ingredient in tech scouting success. Third-party tech scouting providers augment and strengthen your team while bridging innovation gaps that might otherwise cause you to miss key opportunities. Finding the right balance between internal and external tech scouting resources will lead to a more efficient, effective, and expansive team, equipped to take on any innovation need presented by the business.

Regardless of the mix of internal and external resources, knowledge capture must be seamless and centralized. As you spread innovation competencies more widely across various internal and external entities, it becomes increasingly essential to uniformly capture, route, evaluate, and report on new knowledge, regardless of the source. Rather than tradition-al knowledge management, a proactive knowledge supply chain approach will better enable the assimilation and retention of new knowledge, technologies, and subject-matter expertise into the company as renewable innovation assets.

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With the rise of hybrid models, "build" and "buy" are no longer the only two options for a new tech scouting buildout. Know that there are many tech scouting firms out there, and that each has its own set of key strengths and weaknesses. Make sure you are deliberate in choosing the firm and partnership model that will best support the continuous development of your company's innovation capacity and reach, so that you may optimize the efficiency and effectiveness of your technology scouting program.

About the Author

Matthew Heim, Ph.D. is Executive Vice President of Customer Success and Innovation Services at Wellspring. Matthew has helped many organizations design results-driven innovation strategies and implement core innovation systems and programs. To support such efforts, for many clients he has also led the development of cross-functional innovation teams, technology scouting programs, and innovation leadership coaching initiatives.

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