

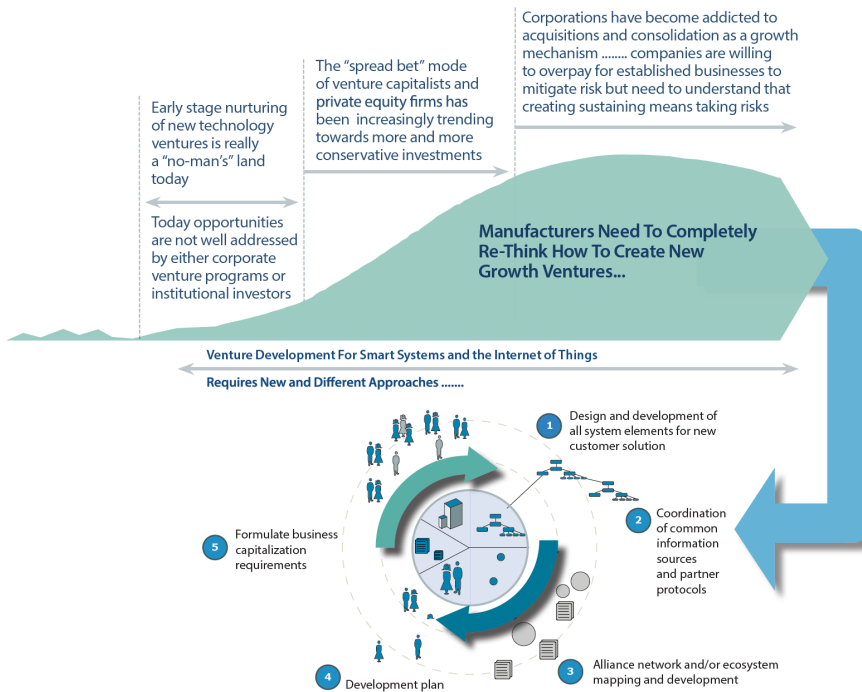
Inside this issue:

How Should OEMs Be Thinking About New Smart Systems Growth Strategies? – a report by Glen Allmendinger of Harbor Research

The last cover story of the INSIDER was supposed to be an analysis piece of the Open Automation movement. Unfortunately, most of the vendors whose opinions I sought were unwilling to be interviewed. So, I went to an old friend,

How Should OEMs Be Thinking About New Smart Systems Growth Strategies?

While many companies continue to use traditional approaches to strategy development and some even succeed in this way, Harbor has seen over and over that the biggest win-



Glen Allmendinger, principal of Harbor Research, and asked if I could re-print an excellent think piece he recently published. If you don't know Glen, or Harbor Research, he was doing IoT when it was still called M2M— Machine To Machine. He knows the new landscape. He's one of the people I follow. So, thanks to Glen, here's a great piece:

ners are those that take firm control of their growth strategy and shape their competitive arenas. These are the companies we call "catalytic." Just as a chemical catalyst hastens the rate of a chemical reaction, companies with catalytic strategies shape their worlds at rates that take the competition's breath away. In chemistry, a catalyst works by altering the sequence of intermediate compounds that

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How OEMs Should Be Thinking... (continued)

leads to the one ultimately desired. In catalytic strategy, then, the strategist must map out the sequence of strategic steps in order to begin thinking about whether a swift-er or more unique sequence can be achieved by catalytic action.

[Download the OEM Growth Themes report here](#)

What does an OEM have to do to make catalytic moves possible? What strategy maneuvers should OEMs consider to leverage Smart Systems and IoT technologies? How can OEMs make their own people, capabilities and partners catalysts, unleashing their power to create, define and master markets?

While we strongly believe Smart Systems and IoT technologies will play a central role in OEMs' strategies going forward, we have also observed how difficult it's been for many OEMs to integrate new digital and IoT technology into their core business. As the pace of Smart Systems and IoT technology adoption increases, many managers will be challenged by the trade-off decisions they will face. Should we invest more in the core business or invest more in new innovations and new growth ventures?

When traditional business practices, company culture and operating models inhibit the required creativity and speed to effectively drive new customer innovation and value creation, or, when traditional operating models constrain the organization's ability to develop new technical skills or organizational capabilities, that is when an OEM needs to seriously consider alternative innovation modes and non-traditional growth ventures. Today, the subject of corporate ventures and related maneuvers does not inspire many executives, especially in the conservative cultures that often exist within machine builders and equipment manufacturers. We believe that like a pendulum swinging, corporate ventures suffered a bad reputation starting as far back as the run up to the Internet bubble burst in the

1990s. However, because the many challenges associated with embracing digital and Smart Systems technologies are now clearer and better understood, we believe the pendulum is likely swinging back. If OEM management teams will need to live in two distinct contexts - running their core business as efficiently as possible while also being able to identify new and novel product and systems innovations, then it is very likely we have entered a chapter in the marketplace where non-traditional growth ventures and vehicles will become more common. Developing autonomous growth ventures in parallel with the core business raises challenging operating model questions. To what extent should a new growth venture re-define elements in the core business? How, when and in what manner should the new business be integrated into the core? How will leadership make critical allocation decisions around skills, people, talent and investments? All of these questions lead to a very basic question, is it better to create new growth ventures or does it make more sense to keep an eye on similar external developments and players in the market and then either invest or acquire the new growth business?

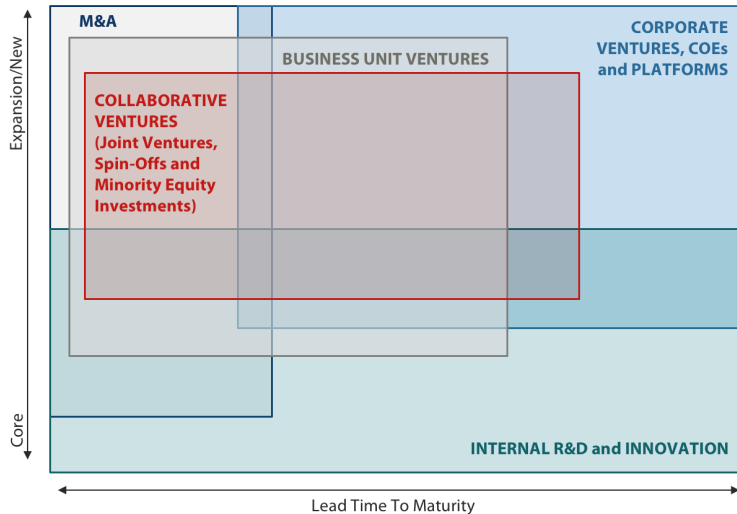
OEMs need to think about new growth businesses in a manner that transcends their core products or services. OEM business strategists need to creatively imagine fully developed application solutions, ecosystems and whole marketplaces. In our experience with clients, most OEMs are significantly challenged in their development of new growth ventures. Today, OEMs willing to act tend to select only one of many potential sources for their new ventures:

Internally via spin-off of sound new business ideas that surface in existing core businesses, but where the culture and operating mode in the core do not permit them to survive beyond early R&D or development;

Autonomous ventures often developed via a corporate venture function or similar for new high potential innovation and business concepts such as IoT platforms;

Externally via acquisitions and minority equity investments; and, Externally via joint ventures created collaboratively with customer and/or partner inputs and development.

Accordingly, the strategies and organizational approaches adopted by many OEMs today reflect their focus on only one source of new ventures. In contrast to these more limited approaches, we



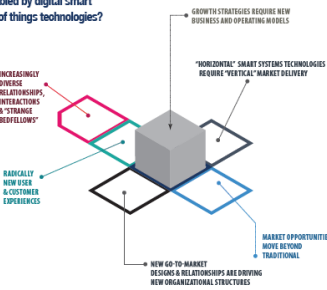
- MERGERS and ACQUISITIONS (M&A)**
Acquisition of developed companies with existing business, innovations or assets
- COLLABORATIVE VENTURES**
Joint ventures, collaborative developments, spin-offs, etc. that drive incremental revenues
- BUSINESS UNIT VENTURES**
Sound business idea that surfaces in core where culture or ops mode limits potential
- INTERNAL R&D and INNOVATION**
Internal core innovation and/ or product development
- CORPORATE VENTURES, COEs & PLATFORMS**
Corporate venture development groups and newer platform innovation ventures and vehicles

How OEMs Should Be Thinking... (continued)

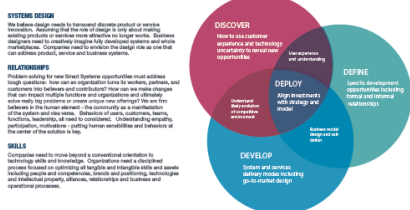
Smart Systems and IoT Growth Themes and Technology Trends To Watch in 2018



how should OEMs be thinking about new growth strategies enabled by digital smart systems and internet of things technologies?



what new dimensions should OEMs explore to create true differentiation?



smart science Harbor Research

ties. In this disruptive age of Smart Systems and the Internet of Things where computing is now migrating towards and embedding itself into the physical world of “things,” a new generation of OEMs are employing catalytic maneuvers to drive customer value and differentiation. Companies like Rockwell Automation, Xylem, Acuity Brands, Fortive and Danaher have learned to actually accelerate the development of markets and use the resulting change and complexity to their advantage. Their unique and innovative business systems work to give them great advantage. Catalytic strategies don’t just hasten market development but help structure markets and competitive environments to give distinct advantages to the business innovator who moves first.

believe OEMs need to move beyond their “comfort zone” and focus on synergistic market opportunities that expand an OEM’s footprint beyond their core with new growth venture development strategies that leverage a more flexible mix of these approaches – determining the best mix and the most viable “vehicle/s” for new customer solution opportunities.

Xylem, the water technology company spun off from ITT Corporation is a good example of a market and technology focused player utilizing smart systems and services to drive growth and value creation. Xylem has focused on bringing together internal [organic] and external [acquisitions] to broaden its portfolio and capabilities to address equipment monitoring, control and data analytics to drive new growth opportunities in the water management systems arena.

Its acquisition of Sensus in the utility metering space as well as a slew of other “augmenting” and “extending” maneuvers are being integrated into a re-structured organization to create new lines of business in software, analytics and smart water infrastructure. OEMs need to take a more holistic view of new non-traditional growth opportunities that can include ventures that address innovations in the core business as well as collaboration with customers and partners. When multiple parallel modes of new venture development and Innovation are correctly applied, OEMs can create new internal growth ventures and engage with external organizations at differing stages of development in a structured manner. New growth modes and ventures establish a more natural environment to enable new and unique customer solutions and nurture the skills required to develop and support them. New growth vehicles can become the “staging area” to creatively embrace new Smart Systems and IoT technologies.

[Download the OEM Growth Themes report here](#)

Contact Glenn Almendinger at gallmendinger@harborresearch.com

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Mind of the Customer™ research, which can tell you what your customers really think, and what they really want, both in products and services.

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Walt Boyes Will Keynote...



Registration is open for the 2018 Annual Calibration Exchange (ACE 2018)!

This education-driven, interactive exchange is designed to equip managers, engineers and technicians with strategies for improving daily calibration processes and tasks. Highlights from the program include:

- Open discussions of the best strategies and how to perform complex calibrations
- How to eliminate calibration paperwork
- Hands-on pressure calibration workshop
- Calibration competitions with prizes

[Watch the video](#) from last year's event to see and hear what this event is all about!

Find out more

beamex
A BETTER WAY TO CALIBRATE



THE WAY I SEE IT

Editorial

This is it...

Well, this is it. This is the last issue of the INSIDER. When David Spitzer and I bought the INSIDER in 2014 we hoped to find a market for news and analysis in the automation industries that was not influenced by advertising spend. We believed there was such a market, and we decided we would keep the INSIDER a subscription only publication. We are proud to have provided you news untainted by advertising dollars.

We believe that we have produced great news, some interesting scoops (that's hard to do in a monthly magazine) and some hard-hitting deep analysis. We have gotten feedback to the effect that we are unique, and we are doing a service to the industry that is needed. But everything comes to an end. We want to thank our readers and subscribers for supporting us these last years.

We literally could not have done it without your support.

David Spitzer, Joy Ward, Ra-

David Spitzer, Joy Ward, Rajabhadur Arcot and I are NOT retiring. Spitzer and Boyes LLC continues to provide the highest quality consulting and advisory services

jabahadur Arcot and I are NOT retiring. Spitzer and Boyes LLC continues to provide the highest quality consulting and advisory services on an individual and company basis. We are always available to speak at events, produce strategic analysis, quality content, and research the Mind of the Customer.

people who supported the INSIDER over the past few years. We will miss seeing all our friends and clients at the user groups this summer and fall.

Right now, we're going to take a few months off, do other things, serve our clients, and take a deep breath. I want to concentrate more on editing and writing science fiction and alternate history. As many of you know, I am the editor of the Grantville Gazette

(www.grantvillegazette.com) and co-editor of Eric Flint's Ring of Fire Press

(www.ericflintsringoffire.com). I will be writing more as a futurist, too. David continues to have his articles in Flow Control magazine. Joy has several books coming out, including a book of interviews of the great writers of science fiction, and a book on the phenomenon of "techno-trauma." She'll also be writing some fiction, as well.

We'll see you around. Keep in touch.

Comments? Talk to me!
waltboyes@spitzerandboyes.com

Read my Original Soundoff!! Blog:
<http://www.spitzerandboyes.com>

The INSIDER will continue to appear, from time to time, in our blog on www.spitzerandboyes.com.

I want to thank David, Joy, Raja, Nick Denbow, and all of the other

The Automation Donner Party by Joy Ward

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Send comments to insider@spitzerandboyes.com. We want to hear from you!

If you know much American history you may have heard of a particularly gruesome episode from Northern California known as the Donner Party. The Donner Party set off in late 1846 to cross over the mountains of northern California during the winter. Bad planning cost most of the party their lives. The survivors only did so by eating their co-travelers in what will be forever known as the Donner Pass.

The automation industry is in the grip of widespread fear. It's not fear of competitors but of letting loose any funds toward building future business. That is the big, bad wolf apparently stalking the industry. This fear is leading much of automation into their own Donner Pass.

Let's back up. General business news is full of flowery praise for an apparently blooming economy. That would be great if it were really true. But is it? Really?

If it is true why are companies,

big and small, holding their corporate wallets closer than a starving badger with his last fish head? Talk to any long-respected advisors and consultants of all types and they will tell you about the financial dearth. So if corporations are doing so well, able to line upper corporate pockets why are they doing so little to make sure their companies will last beyond the new year?

Forward-looking companies spend money on development, planning and research. One cannot plan where to go without maps and the way to draw those maps is through research of all types. Yet, we are seeing more companies deciding to by-

pass strong research and instead pull ideas out of their various physical orifices. This is an obvious extension of the modern practice of foregoing long-term planning to instead take the corporate "crack" of quick fiscal "snorts" designed to placate quarterly reports and investors. This makes the corporate leaders look like weekend heroes but lead to ultimate destruction of the corporation, body and soul.

This seemingly drunken "leadership" seems to be coming especially from a younger generation of MBAs and other assorted business executives. Somewhere in their apparently misguided business educations they have been fed a diet of corporate "junk-food." Sad for them but worse for the companies that depend on them for leadership. Why? Because this kind of short-sighted "leadership" tracks directly into the Donner Pass of automation where companies die and are fed on by scavengers.

Joy Ward is Research Director for Spitzer and Boyes LLC, the publishers of the INSIDER. If you want to know more about the human face of automation, techno-trauma, and how in-depth research really works, and how it can help you discover the Motivators and Barriers you need to understand to maximize your successful sales and marketing strategies, contact her at joyward@sbcglobal.net or +1 -314-283-5251.

