Maritime Innovation Networks

Perunovic, Zoran; Christoffersen, Mads; Fürstenberg, Sofia

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Zoran Perunović
Mads Christoffersen
Sofia Fürstenberg

Need for collaboration for innovation

About the study

Grant
• Danish Maritime Foundation

Team
• DTU Executive School of Business
• Maersk Maritime Technology

Duration
• Two years

Method
• Exploratory qualitative multiple-case study

Data
• Interviews with more than 100 key informants at 40 maritime organizations
• Analysis of numerous internal company materials, industry reports, publicly available reports about more than 30 innovation networks
• Articles from newspapers and magazines
• Extensive literature review of more than 50 academic journal articles

Turbulent environment for innovation

Market
• Discrepancy between the dynamics of the global trade and the shipping industry
• Trade specialization of ships
• Unpredictable fuel prices
• Efficiency of the existing fleet (Buy or retrofit decision)

Regulations
• Enforcement dates
• Variations in regulations in different regions and countries
• Lack of compliance control

Technology
• Customized solutions for retrofit projects due to the fleet variety
• Myriad of unproven technologies and suppliers
• Contradictory solutions
• Incompatible and uncomplementary technologies
• Scalability of technologies for large capacities
## Stakeholders and innovation

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Role</th>
<th>Role</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulators</td>
<td>Drive innovation</td>
<td>Focused on profit and vessel's liquidity</td>
<td>Indifferent towards innovation</td>
</tr>
<tr>
<td>Classification societies</td>
<td>Repository of knowledge</td>
<td>Insurers</td>
<td>Novelty accepted if coming from respectful owner and shipyard with good historical operational record</td>
</tr>
<tr>
<td>Owners, charterers, and operators</td>
<td>Drive innovation Large - internal R&amp;D capability Small – open for innovation networks Other should innovate Equipment testing First mover concern Performance improvement</td>
<td>Ports</td>
<td>Service providers embrace process and technological innovations to improve efficiency Port authorities embrace innovation to create attractive conditions for users and service providers Hinder innovation if do not monitor compliance with environmental regulations</td>
</tr>
<tr>
<td>Designers</td>
<td>Design to satisfy multiple physical, regulatory, and economical requirements</td>
<td>Universities and institutes</td>
<td>Cradle of knowledge and creativity Strong influence on innovation in industry Present in every innovation network</td>
</tr>
<tr>
<td>Equipment and technology suppliers</td>
<td>Strong R&amp;D, innovation, and networking capabilities</td>
<td>Industry associations</td>
<td>Promote and finance collaborative innovation activities</td>
</tr>
<tr>
<td>Shipyards</td>
<td>Contemporary model – design, engineer, and build vessels Technology push, but opening for networked innovation strategies with early involvement of owners</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Six innovation networks

- **Centralized**
- **Triad**
- **Horizontal**
- **Publicly Funded**
  - Designed centralized
  - Designed decentralized
  - Emergent
  - Experts’ forum
  - Informal
Formation | Management and organization | Evolution | Performance
---|---|---|---

**User-driven**
- Owner-driven
  - Fast and affordable access to knowledge and technologies
  - Formed when needed
- Engine maker and shipyard driven
  - Access to new knowledge, technologies, and market segments
  - Suppliers: Test technology, understand user's needs, get sales with large customer

**Centralized**

- Formal agreements in exploration at engine maker and shipyard driven networks
- Informal agreements for scouting and testing and formal agreements for new builds in exploitation at owner driven network
- Strong ties between central organization and individual partner: little or none formal relationships between the partners (structural holes)
- Ideas and needs shared with partners who are expected to come up with solutions
- R&D unit/entity is coordinator
- Engine maker and shipyard protect IPR through patenting. Owner protects IPR by being first on the market

**Engine maker and shipyard driven**
- Long term
- Growing in number of partners

**Owner**
- Time limited
- Disband into dyads

- Indirect measurement of success
- Objectives met in most cases
- Suppliers may delay the process because of lack of resources and uncertain sales
- Untapped potential of structural holes
- Networking capabilities not regarded as KPI

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**Triad**

Formation | Management and organization | Evolution | Performance
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**Formation**
- Emergent, Formal, Exploit structural holes
- Exploration with fit for exploitation
- Easy to manage
- Governance based on openness, flat structure, and good relationship management
- Trust driven by network size, previous experiences, and personal relations
- Equal distribution of knowledge and information

**Management and organization**
- Time limited
- Allow flexibility for partners to establish new triads
- Can initiate new networks to add more competences

**Performance**
- Successful in achieving objectives
- Acknowledge learning as success criteria

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**Triad**

- Equal distribution of knowledge and information
Publicly funded
Formation

- Stakeholders: Access public funding
- Public funds: Support development of solutions and industry’s innovation and networking capabilities
- Top-down and bottom-up generation of topics
- Relevance of topics depends on individuals
- Rules for formation in top-down could negatively affect enthusiasm
- Negative effect of imposed collaboration

<table>
<thead>
<tr>
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<th>Evolution</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Three variants</td>
<td></td>
<td>Predominantly incremental improvements or conceptual studies with occasional validation through testing</td>
</tr>
<tr>
<td></td>
<td>Designed: centralized, designed decentralized, and emergent</td>
<td>Designed are time limited</td>
<td>Successful commercialization of network results is not captured and disseminated</td>
</tr>
<tr>
<td></td>
<td>Designed types for exploration, Emergent types for development (more open)</td>
<td>Emergent will continue if positive experience with results and management</td>
<td>Universities benefit from academic publications</td>
</tr>
<tr>
<td></td>
<td>Work-package driven</td>
<td>Partners from work packages may establish new exploitative networks</td>
<td>No established measures to capture and follow improvement of members’ innovation and networking competences and capabilities and commercialization of solutions</td>
</tr>
<tr>
<td></td>
<td>Complex and bureaucratic organization hinders innovation. Heavy management apparatus</td>
<td>Natural stability is very sensitive to quality of governance and operational management</td>
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Horizontal

<table>
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<th>Management and organization</th>
<th>Evolution</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very rare and found in the development phase of innovation process</td>
<td>Decentralized with formal agreements</td>
<td>Positive experience spurs new projects and admission of new members.</td>
<td>Small improvements</td>
</tr>
<tr>
<td>Reasons:</td>
<td>Simple and flat management structure due to small size</td>
<td>Small incremental steps increase trust and improve networking capabilities</td>
<td>Main achievement is that competitors learn to work with each other</td>
</tr>
<tr>
<td>Pulling joint experience, effort, and resources to make business case for everyone, to build networking capability, and inability to develop environmental solutions alone.</td>
<td>Each member involved in project management, participation in projects, and decision making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prevention of opportunistic behavior</td>
<td>Top management and work groups jointly make decisions about strategic development of network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classification society initiates formation and manages the network</td>
<td>Efficient knowledge flow due to short distances between the nodes and teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members with different market specializations</td>
<td>Fully committed top management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Experts’ forum

<table>
<thead>
<tr>
<th>Formation</th>
<th>Management and organization</th>
<th>Evolution</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founder and recognition of personal achievements</td>
<td>Closed, designed, and decentralised</td>
<td>Permanent network with temporary groups and members</td>
<td>Advise to regulators and initiators for formation of publicly funded networks</td>
</tr>
<tr>
<td>Expert and access to knowledge and influence on regulators</td>
<td>Experts are organized within working groups Governing body sets topics Knowledge sharing intensive within groups. Information sharing in joint meetings. Little or no formal relationships between working groups (structural holes) Power of single member rooted in technical competency</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Informal

<table>
<thead>
<tr>
<th>Formation</th>
<th>Management and organization</th>
<th>Evolution</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on initiatives developed from personal relationships Partners chosen on technical competences, prestige, expected quality of contribution and added value No contract involved. Trust is guarded and publicly funded behavior prohibited by personal relationships and accepted norms of behavior Mutual benefit for all members is expected</td>
<td>Decentralized Different stakeholders Informal because too much bureaucracy can hinder innovation Light management and strong governance</td>
<td>Successful to get to formal collaboration in exploitation</td>
<td>Result in commercial projects Deep insight in short time frames</td>
</tr>
</tbody>
</table>
Utilization of maritime innovation networks

Uncertainty

- Networking activity
- Low: TECHNOLOGICAL UNCERTAINTY, MARKET UNCERTAINTY
- High: REGULATORY UNCERTAINTY

Innovativeness

- Incremental: Connect for breakthroughs, Centralized, Publicly funded
- Breakthrough: Triad
- Pure incremental: Experts’ forum
- Incremental: Rejuvenate for breakthrough, Triad, Horizontal, Informal

<table>
<thead>
<tr>
<th>NEW Partners</th>
<th>OLD Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>Structural holes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Incremental</th>
<th>Breakthrough</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connect for breakthroughs</td>
<td>Triad</td>
</tr>
<tr>
<td>Centralized</td>
<td></td>
</tr>
<tr>
<td>Publicly funded</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>YES</th>
<th>Incremental</th>
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<tbody>
<tr>
<td>YES</td>
<td>Rejuvenate for breakthrough</td>
</tr>
<tr>
<td>YES</td>
<td>Triad</td>
</tr>
<tr>
<td>YES</td>
<td>Horizontal</td>
</tr>
<tr>
<td>YES</td>
<td>Informal</td>
</tr>
</tbody>
</table>

| NO | |
| NO | |
| NO | |
| NO | |
Utilization of maritime innovation networks

Innovation process

Connectivity between different types of maritime innovation networks

Closed and controlled environments
Partner selection relies on existing ties and the social capital’s mechanisms

Advanced collaborative and final-user driven forms emerge to qualify promising technology

Advanced collaborative networks disband
Industry closes up again

Utilization of maritime innovation networks

Stakeholder participation

<table>
<thead>
<tr>
<th></th>
<th>Centralized</th>
<th>Triad</th>
<th>Publicly funded</th>
<th>Horizontal</th>
<th>Expert forum</th>
<th>Informal</th>
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<tbody>
<tr>
<td>Regulators</td>
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<tr>
<td>Classification society</td>
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<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>Owners, charterers, operators</td>
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<td>Designers</td>
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<td>●</td>
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<td>Equipment and technology suppliers</td>
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<td>Shipyards</td>
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<td>Insurers</td>
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<td>Industry associations</td>
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</table>
### Utilization of maritime innovation networks

#### Result

Innovation networks are relatively new concepts to the industry. Significant innovation-related networking activity despite perceptions about the industry.

Formed predominantly as reaction to regulations
Pursuit of incremental innovation
Dominance of closed networks
Abundance of structural holes in networks and work packages
Underrepresented stakeholders
Lack of understanding of values and risks of different types innovation networks
Different facets of performance of are undermined
Underdeveloped innovation capability on organizational level

#### Performance

- Performance = Network dynamics + Member dynamics
- **Network dynamics** = \( f[ \text{design (social capital, structural holes, knowledge flow)} + \text{management (leverage, appropriability, coherence)}] \)
- **Member dynamics** = \( f[ \text{top management governance, open organizational culture, networking capabilities, innovation capability, absorptive capacity}) \)
Unleashing the potential or maritime innovation networks (1/3)

• **Understand benefits and risks of innovation in networks**
• **Use networks to create standards and influence regulations**
  – Create early
  – Use horizontal, experts’ forums, and emergent publicly funded
• **More breakthroughs**
  – Open and decentralized networks in exploration
  – New partners from maritime and other industries
  – Improved connectivity between members and work packages

Unleashing the potential or maritime innovation networks (2/3)

**Enhance holistic and life-cycle approaches**

• Activate broad set of stakeholders to capture the needs of the entire value chain
• Involve customers of centralized networks early in the process

**New measurement system for capturing value**

• **At network level** (Technology readiness maturation index, Number of patents, Objective achievement, Knowledge receiving/giving ratio, Commercialization probability, Actual commercialization (could be several years after disbanding of network), Number of successor and partnership networks created)
• **At organizational level** (Technology readiness maturation index, Knowledge receiving/giving ratio, New ideas gained/internalized ratio, Number of patents, Commercialization probability, Number of new contacts established (customers, complementary stakeholders, competitors)
Unleashing the potential or maritime innovation networks (3/3)

GOOD INNOVATION NETWORK MANAGEMENT PRACTICE
Respect, learning, trust, transparency, efficient R&D and communications

EACH NETWORK MEMBER

GOVERNANCE
Planning
Policies
Strategy
Staffing
Contracting/programming
Controlling system and activities

FACILITIES

NETWORKING COMPETENCES AND CAPABILITIES
Enhanced within whole organisation

OPERATIONAL MANAGEMENT

ACTIVITIES
Innovation processes
Knowledge flows
Network identity
Appropriability

INNOVATION LEADERSHIP
LEAD ORGANIZATION INTEGRATOR/COORDINATOR

TOP MANAGEMENT
Attitude management and
networking environment

OPEN INNOVATION
Attracting lessons
Flow of innovation

Focus on
PARTNER SELECTION
ENABLING CONTROL POSITION

Focus on
PERFORMANCE

3/3