THE RISE AND DEMISE OF QUALCOMM’S VENTUREFEST

BY ROBERT K.D. DE BRUIJN
Qualcomm, a Fortune 500 company, manufacturer of semiconductors used in wireless devices has revolutionised mobile communications through ever smaller, cheaper, more efficient processors.

When Ricardo dos Santos joined Qualcomm he was confident he could transform the company’s failing “idea management program” (effectively a suggestion box), into a corporation-wide innovation program. Dos Santos had the support of a visionary CEO, a mandate to create disruptive new products, and the freedom to design a sweeping program to kick-star new ideas.

“I was at Qualcomm from 2003 to 2012. In 2006, the CEO said, ‘Other people have ideas here. How do we create a system to hear from just about anybody?’ I thought, ‘this is an opportunity to do open innovation from within.’”

Because previous efforts had failed, dos Santos searched for ways to teach people how to transform their ideas into experiments to test their validity with the caveat that the program had to be integrated with existing business units where people continue working full time on their current projects.

“I wanted to take these amateurs and turn them into professionals. I needed a way to prepare them, so I started looking for techniques. I found the lean startup method. At the end of the day, what we were doing was similar to what startups do, trying to get investors to give them money. You don’t know if you’ve got something until you start iterating. So I told them to pretend they were startups and taught them the basic principles. They still had day jobs, but they formed small teams and got an education in how to discover opportunities, do quick validation, and build prototypes. So the people who raised their hands saying, ‘I’ll work on an idea on a part-time basis at Qualcomm,’ became the recipients of the lean startup teaching. We brought in Ideo, Steve Blank, Brant Cooper, and others to show them how to do it.”

Between 2006 and 2011, he created a full-bore intrapreneurship program called Venture Fest, including a three-month bootcamp, seed investment, and a hand-off to existing business units.

“It started as a crowdsourced website. Employees would send ideas over the fence and the executives would decide which ones they liked. But then we needed a way to move them forward. So I decided to take an entrepreneurial angle. For version 2.0, I realised that I needed both an idea and a champion, an entrepreneur type of person who would be willing to fight for their idea. When I was at MIT, I’d observed business plan competitions where they got business students working with engineering students to put together a pitch. That was my starting point, and the idea jelled over time. We received ideas from all over the company and selected the ones we thought most interesting.”

“The people who submitted those ideas were invited to form a small team and attend a boot camp where they were trained, coached, and mentored, so they’d have a better shot of getting their ideas heard. Finally, we put on a pitch week for the executives. At one point, we hoped, a business unit would commit the bucks to let the teams move forward with more support. I figured we could propose radically different kinds of things, even technical ideas that started as university research.

We could license patents, buy startups, and we wouldn’t be dependent on whatever R&D project we had underway. Let R&D take its course; here’s a slew of other possibilities.”

Generally Venture Fest was a success, with ideas submitted increasing from eighty-two in the first year to more than five hundred five years later. Moreover, Venture Fest participants identified many potential breakthrough
ideas. His pioneering effort anticipated the vogue for corporate intrapreneurship programs and innovation labs and blazed a trail toward effective enterprise innovation.

“The executives were highly impressed. They never expected to hear well put together presentations and demos and actual feedback from the market.”

But although Venture Fest fostered some truly transformative ideas, a few organisation members outside the program began to question, and even attack, the program. Some managers weren’t happy releasing some of their best people to work on projects not under their control. And from a more traditional management perspective, the Venture Fest projects seemed too open, fluid, and flexible, clashing with Qualcomm’s rational, deadline-driven culture. Perhaps more dangerously, some R&D managers, many of whom felt they owned innovation, argued that the emerging new ideas fell outside the scope of existing R&D programs or didn’t have as much intellectual property as usual.

“There was Zeebo, a low-cost game console intended for sale in developing countries. It was spun off as a joint venture with another company. The employee who proposed it was able to join and he became CEO eventually. Unfortunately, it eventually closed. It did produce and sell some product, but they couldn’t make it as disruptive as it needed to be. Maybe it was an execution issue, maybe it was a flawed concept. But they tried. They put a lot of money behind it, and they learned a lot about the gaming market and making cell phone platforms into other types of appliances. But my favourite example is Blur, which became Vuforia, Qualcomm’s mobile-based augmented reality platform. Qualcomm has put a lot of effort into it, and now it has a huge arsenal of computer-vision algorithms that are optimised for cellular platforms where power consumption is an issue. Now it’s looking for further ways to monetise and grow the business.”

“Beyond those products, the CEO learned about new markets he wouldn’t have encountered any other way. These projects, even if they lived for only a few months, were interesting enough. It was like, instead of paying a consulting firm for a research report, his employees gave him a research report. The CEO was like, ‘I didn’t know cars were communicating with one another via the DSRC pro-
"The other benefit of Venture Fest was that it stirred the pot. It put R&D on the alert: You’d better step up your innovation efforts, because otherwise we’re going to lean toward these amateurs. Lo and behold, over the years, the R&D guys started coming up with some cooler, newer things.”

**Lessons Learnt**

“Ideation by itself is worthless. Ideation plus acceleration is not worthless, because at least people learn a process and something of value about new opportunities. To give the best ideas a good chance of being launched, though, there needs to be an infrastructure for incubation. This can be done in a dedicated incubator, in which case you can expect not-invented-here issues when you make a handoff, or within existing business units, in which case it needs a different set of management skills and tolerance for these types of projects. The execution stage seems straightforward, but that can be complicated unless it’s part of the company’s strategy to diversify into new things.”

“So the lesson is that companies need to think systematically and holistically about how they’re going to innovate. Looking at only one component such as ideation or encouraging entrepreneurship from employees might be a good start, and probably will produce some interesting proposals, but you have to be ready to follow through.” After five turbulent and exciting years, Venture Fest was quietly folded into R&D.

“At the end of the day, the CEO said, ‘let’s give the program to R&D, let them own it and see if things get smoother.’ That erased the political issue. Now they’ve rebranded as ImpaQt. They do a couple of rounds a year and they emphasise high-level challenges that the head of R&D proposes. The R&D department follows through more readily because it owns the program instead of this independent, alien, corporate thing that I started. The danger is that they can’t think outside the box or entertain business model ideas.”

“But it’s still open to anyone in the company, there’s still a prep period, the executives still get to see presentations. So Qualcomm hasn’t given up on asking employees for ideas. They ask employees to step forward, and they understand that it needs to be more than a suggestion in a paragraph, that they need a system where employees get to work on the early stage of the idea before it’s presented for funding. Those premises remain.”

**Epilogue**

*What Qualcomm corporate innovation challenges remained?*

Ironically, our very success in creating radically new product and business ideas ran headlong into cultural and structural issues as well as our entrenched R&D driven innovation model.

**Cultural Issues:** Managers approved their employees sign-up for the bootcamp, but became concerned with the open-ended decision timelines that followed for most of the radical ideas. Employees had a different concern – they simply wanted more clarity on how to continue to be involved, since formal rules of engagement ended with the bootcamp.

**Structural Issues:** Most of the radical ideas coming out of the 3-month bootcamp possessed a high hypotheses-to-facts ratio. When the teams exited the bootcamp, however, it was unclear which existing business unit should
evaluate them. Since there weren’t corporate resources for further evaluation, (one of our programs’ constraints was not to create new permanent infrastructures for implementation,) we had no choice but to assign the idea to a business unit and ask them to perform due diligence the best they could. (By definition, before they had a chance to fully buy into the idea and the team).

With hindsight we should have had “proof of concepts” tested in a corporate centre (think ‘pop-up incubator’) where they would do extensive Customer Discovery. We should have done this before assigning the teams to a particular business unit (or had the ability to create a new business unit, or spin the team out of the company).

The last year of the program, we tried to solve this problem by requiring that the top 20 teams first seek a business unit sponsor before being admitted into the bootcamp (and we raised a $5 million fund from the BUs earmarked for initial implementation ($250K/team.) Ironically this drew criticism from some execs fearing we might have missed the more radical, out-of-the box ideas!

Entrenched Innovation Model Issues: Qualcomm’s existing innovation model – wireless products were created in the R&D lab and then handed over to existing business units for commercialisation – was wildly successful in the existing wireless and mobile space. Venture Fest was not integral to their success. Venture Fest was about proposing new ventures, sometimes outside the wireless realm, by stressing new business models, design and open innovation thinking, not proposing new R&D projects. These non-technical ideas ran counter to the company’s existing R&D, lab-to-market model that built on top of our internally generated intellectual property. The result was that we couldn’t find internal homes for what would have been great projects or spinouts. (Eventually Qualcomm did create a corporate incubator to handle projects beyond the scope of traditional R&D, yet too early to hand-off to existing business unit)

With hindsight, there were four strategic errors and several tactical ones

We were asking the company’s R&D leads, the de-facto innovation leaders, who had an existing R&D process that served the company extremely well, to adopt our odd-ball projects. Doing so meant they would have to take risks for IP acquisition and customer/market risks outside their experience or comfort zone. So when we asked them to embrace these new product ideas, we ran into a wall of (justified) skepticism. Therefore a major error in setting up our corporate innovation program was our lack of understanding how disruptive it would be to the current innovation model and to the executives who ran the R&D Labs.

What could have been done differently?

We had relative success flowing a good portion of ideas from the bootcamp into the business and R&D units for full adoption, partial implementation or strategic learning purposes, but it was a turbulent affair. With hindsight, there were four strategic errors and several tactical ones:

1) We should have recruited high level executive champions for the program (besides the CEO). They could have helped us anticipate and solve organisational challenges and agree on how we planned to manage the risks.

2) We should have had buy-in about the value of disruptive new business models, design and open innovation thinking.

3) We unknowingly set up an organisational conflict on day one. We were prematurely pushing some of the teams in the business
units. The ‘elephant in the room’ was that the Venture Fest program didn’t fit smoothly with the BU’s readiness for dealing with unexpected ‘bottoms up’ innovation, in a quarterly-centric, execution environment.

4) Our largest customer should have been the R&D units, but the reality was that we never sold them that the company could benefit by exploring multiple innovation models to reduce the risks of disruption – we had taken this for granted and met resistance we were unprepared to handle.

The Venture Fest program truly was groundbreaking. Yet we never told anyone outside the company about it. We should have been sharing what we built with the leading business press, highlighting the vision and support of the program’s originator, the CEO.

We should have asked for a broader innovation time off and incentive policy for employees, managers, and executives. Entrepreneurial employees must have clear opportunities to continue to own ideas through any stage of funding – that’s the major incentive they seek. Managers and execs should be incentivised for accommodating employee involvement and funding valuable experiments.

We needed a Proof of Concept centre. Radical ideas seldom had an obvious home immediately following the bootcamp. We lacked a formal centre that could help facilitate further experiments before determining an implementation path. A Proof of Concept centre, which is not the same as a full-fledged incubator, would also be responsible to develop a company-wide core competence in business model and open innovation design and a VC-like, staged-risk funding decision criteria for new market opportunities.

It’s hard to get ideas outside of a company’s current business model, get traction (given that the projects have to get buy-in from operating execs) – encouraging spin-offs is a tactic worth considering to keep the ideas flowing.

SOURCES: This case was compiled using the following sources;

*The Innovator’s Solution*, Clayton Christensen (2013)

*Lean Enterprise*, Trevor Owens & Obie Fernandez (2014)