



Interview with Frederic Ramiouille, Vice President, Business Innovation Center, Honeywell



Frederic Ramiouille was named Vice President of the Aerospace Business Innovation Center in June 2005. He leads the organization responsible for developing business activities that present significant growth opportunities beyond the company's core aerospace businesses. Before joining Honeywell, Frederic was an Associate Principal for McKinsey & Co. from 1998 to 2003, serving large corporations in the United Kingdom, South Africa, Switzerland and the United States. From 1996 to 1998, he was Research and Marketing Director of Plastic Omnium's Fuel System and Blow Molding Division in Compiègne, France. You can reach Frederic at Frederic.Ramiouille@honeywell.com

Interview conducted by Doug Berger, INNOVATE LLC. www.innovate1st.com

Doug: What was the urgency or the opportunity driving Honeywell when it began to think about creating the Business Innovation Center?

Frederic: When you reach a certain size, growth becomes exponentially more difficult. We needed ways to become more systematic about developing new places where we could take our capabilities and build real businesses - businesses that could have a material impact on the top line of the corporation. We are sitting on such an amazing portfolio of technologies that this was a natural thing for us to do at that point.

Doug: What was the initial idea of success for the Business Innovation Center? Did you have a particular number of projects, or projects that would have a certain minimum hurdle rate in mind?

Frederic: It has evolved. At the very beginning, simply developing the organizational capability to accept small groups that would develop those new business activities was considered a little victory. We didn't put too much of a burden on ourselves to immediately reach for the moon. We first focused on organizational constructs, cultural changes, the ability to co-exist with the rest of the organization, and the bridges we needed to build to get the right support and make progress on new ideas.

Then, as we became more mature, we started to really think about, "How big can the Business Innovation Center be? How many business launches should we be targeting? How big should those businesses be?" We haven't put a hard stake in the ground, but we're typically looking for marketplaces where there is the potential for a billion dollars that will be exchanged between vendors and buyers. We would aspire to capture ten to fifteen percent of that space within five to seven years without acquisitions. Then each one of those has to meet the financial hurdles of Honeywell - ROS, ROI, etc.

Doug: In what year did you start the Innovation Center?

Frederic: As a concrete business idea it began in late 2004. The Business Innovation Center was officially created in July 2005. We'll be closing our second year anniversary this summer.

Doug: In those very early stages, the end of '04 and into '05, what were the few critical things that Honeywell felt it had to get right?

Frederic: At the very beginning, it was instrumental for us to launch and attract the right level of internal support. We focused on demonstrating that the new ideas we were pushing were creating real customer interest and we focused on getting some of those customers to make various forms of commitment to the effort in which we were investing. That initial customer focus was critical and has remained the key driver for all of our activities.

The second key element was to attract the right people. These ventures were a little odd and risky. It is tricky to constitute and build the leadership team needed to do something like this. We needed to find the right balance between new domain expertise and the right representation of Honeywell's technical strengths and capabilities. Fortunately, there are quite a few people at Honeywell who have that kind of innovator, entrepreneurial fiber buried deep down inside them. We just needed to find a way to help them express it and join the team.

Doug: Are the projects sponsored by the Business Innovation Center outside of the lines of business in Honeywell or do they have a home base in an existing business unit?

Frederic: They are not wild departures from what we do; however, there are enough elements making it very hard for the existing organizations to care for them. As a result, they are often challenged to survive without providing special care.

Honeywell is a multi-industry company. Every customer that we are chasing is already a Honeywell customer. The activities that we have in the Business Innovation Center service existing customers in aerospace, agricultural, industrial and automotive. These customers know us, although they may know us for different reasons, through a different business model or a different product or service offering, but they all know us.

Doug: Perhaps we can jump ahead to some of the successes that you have had over the past couple of years and then fill in any missing pieces.

Frederic: As of right now, the way we characterize our early successes is by the momentum we are gaining with customers who are interested in our new offerings ... the contracts that we have signed ... the technologies that we are able to repackage into completely new applications.

One such success is a robotic vehicle. We gained the commitment from a large industrial vehicle OEM to co-invest in this program and build a vehicle platform that is now reaching a demonstrable stage. This demonstration will take place some time towards the early part of this summer. At that point, we will be seeking additional commitment from our customer as we lay out the roadmap towards a full production launch. We started from nothing and we now are essentially launching our first platform in the area of robotic ground vehicles.

The second arena that has given us a tremendous amount of momentum is providing system engineering services for vehicle OEMs and helping them with the development of next generation electronics systems. Many vehicles across multiple market segments have a growing need for more sophisticated

electronics. We have received a warm reception with every customer whom we have visited in the last 9 months, and we are already busy delivering services to a number of them. We had just one person working on this in January of last year, and we will probably close the year with close to a hundred people.

In a third area, we have been able to take Honeywell's hardware sensing capabilities and technologies and recreate a product in a much lower cost bracket. We are also learning how difficult it is to launch a new product-based business, as you need to work through years of product design, product validation, manufacturing process development, and manufacturing process improvement before you can realistically hope to sign real production contracts. As of December '06, it will have been almost three years, and we are now finally shipping samples to customers.

Doug: What are the major roles that the Business Innovation Center is playing in the individual businesses that you are bringing to life?

Frederic: The Business Innovation Center is essentially a shell that initially helps build the business case and seeks financing from the corporation. Once this is done and the leadership team is recruited, they become part of the Business Innovation Center and the Business Innovation Center becomes the sum of its pieces. The individuals who participate occupy a variety of roles, including working with the core organization and creating the right execution teams to ensure that we pull the best of Honeywell together. The Business Innovation Center facilitates the entire process and makes sure that the right organizational structure is developed over time, with the right connections and bridges to the core organization.

We continuously reassess where we are and what we do to consider the new information we are always collecting. When you start something brand new it is difficult to figure out the right recipe on day one. From the business model to the revenue and income projections, everything is very dynamic and requires constant attention.

Doug: How do projects come to you in the first place?

Frederic: Because we are fairly young and we had such a rich starting point to work from, I would say that all of the current projects were picked up because customers were already expressing interest.

We had a customer inquiring with us years ago, who wanted to do something because we had unique capabilities but we were not interested at that point. Before the Business Innovation Center came into existence we asked ourselves, "Are we still as good as the customer thought we were back then?" Well, it looks like we are even better now. Then we asked, "Well, how does the market look?" And the answer came back we won't be the first, but we think with our capabilities, we might actually be able to find our piece of sunshine in that market place. So, we decided to enter almost four years after we received the customer's initial request.

Doug: What do projects look like when you first start them?

Frederic: We start with a very small dedicated cross-functional team with additional participants on a part time basis. We often try to recruit from other businesses to get the best that Honeywell has to offer. That team sorts through the first set of critical questions, they run the first set of very critical customer meetings, and make sure that we are really reading the market and understanding the opportunity correctly. Each new team will then go back and look at how the

previous one did it, and they will try to improve on it a little bit, adapting to the specific nature of the beast they are trying to catch. Typically, it takes six months or so, and then we sit down again and say, "Okay we've gone through all those steps, we've collected that and done this and talked to the right customers. We feel good about this. Let's put a business plan together and let's get funded." That is when we ask for a more substantial funding commitment when compared to the initial six months, which often is not a great consumer of cash.

Doug: What are the few things that we might see in one of your business plans?

Frederic: There is a huge amount of very specific customer detail, customer feedback and customer discussion. Our business plan includes the names of the customer executives we have spoken to, what they said, which workshops we conducted with the customers, etc. We also include a detailed description of our value proposition, a comparison to the competition, a technology and capability roadmap to stay relevant, a detailed organization and staffing plan for the first 18-24 months, and a set of marketing assumptions with the related projections of the potential financial performances.

Doug: By the time you get to that business plan, you have a pretty firm idea that this is a "go" project. The business plan provides the structure and substance for execution.

Frederic: Yes. When we are done with the first six months and if we didn't quite get the kind of customer feedback we were expecting, or the value proposition doesn't make sense, or we just discovered that there are dependencies that we are not really willing to put up with, we simply don't go any further with the writing of a business plan. We simply kill the idea or set it aside.

Doug: What are the things that you are really excited about and in which you think that you are really paving new territory?

Frederic: What we've been trying to do, which is quite exciting, is to find clever ways, inexpensive ways, to explore the rest of the world and use our technologies and capabilities. I think that everybody in the group has been very energized by that. I also believe that it is very exciting for people outside of our group, who are here in our core organization, to see some of the work that they've been doing for 20 years now, being applied in brand new spaces. They get a kick out of it.

Doug: What would be some of the lessons or key learnings that you would like to pass on to others who are considering doing something like this?

Frederic: My first thought is around striking balances. This kind of activity can be very ambiguous, so there are a number of things that we always need to do everyday to get it to be less ambiguous. At the same time, we resist the urge for too much structure. Structure helps people to be more comfortable because now they know exactly what they are going to be doing for the next six months. However, if people keep their heads down for too long they can sometimes miss the signs. They miss the clues that may come from the left or the right ... from the market or internal organization that says, "Hey, maybe we should rethink what we're doing." We need to find that balance and be comfortable in an organized chaos.

My other thoughts are around visibility and how much of the story you need to tell to feel good about what you are doing and to get people to join the team.

On the other end of this spectrum, you can easily go too far and oversell the whole story, create too much hype around it and get people aggravated.

Then finally, there is the lesson of managing expectations and dealing with the clock. The cycle time will be very different from what the traditional businesses are accustomed. It is always important to over-communicate. It is time well spent. People should not get impatient. They should avoid setting unrealistic expectations and run the risk of having the leadership teams of those new ventures check out on you.

Doug: You are touching on something else that I wanted to look at - the touch points that you need to have with the operating executives who ultimately make the decisions about funding, commercialization, etc. Is this something that you and the Innovation Center staff primarily do or is it done by the ventures themselves?

Frederic: It's something that I do. We try to make sure that the right executives are sponsoring the activities and that they spend enough time with the members of the leadership of those new business teams. We create the steering committees for each one of those groups. They may be different depending on the nature of the beast and the support we really need from the organization.

We try to meet every quarter to report on progress, get feedback and help from the executives. We also recently created a broader advisory council that is helping with the soft side of things. They understand what we are trying to do with the portfolio and they help address problems related to recruiting, staffing, funding, composition, localization, infrastructure and so on.

Doug: When it actually comes time for serious funding, is there a formal process?

Frederic: We have formalized gates. There are typically two time periods during the course of a year when we have those discussions - one is midyear and the other is at the end of the year. Typically, as I said, defining and incubating the idea will take six months.

In the end, it works out fine with the more traditional cycle that we have at Honeywell; in June or in November, there are discussions around strategies, long term planning and annual budgeting. We can add to the entire portfolio some of those things that have completed the first stage and are ready to be launched. Implicitly, there is a notion that says we'll try to launch two per year.

Doug: Is there anything else upon you would like to touch?

Frederic: Doing this requires a different mindset, a unique approach and a specific type of person. It is important to recognize that trying to fit these activities into the more traditional models present important issues. People's disposition is one of those issues. Many large organizations will expect a lot of mobility from their top performers. With these new ventures, it is very impractical. To be successful, it is important to create a cohesive leadership team that will stick to the idea for the long run. I mean, some of those businesses will take five, six, seven years to grow to maturity. People need to lead this with passion; they can't disappear after two years. They need to be motivated by different things; they need to have the passion for building something new, they need to be willing to accept the risk of complete failure, they need to be willing to take this path instead of getting in line for the next promotion in the core organization.

Doug: Is there anything about the mentality that the executives need to adopt as they are scrutinizing the different ventures?

Frederic: There must be a need to step outside of what we do traditionally to continue to grow and create value. If the leadership does not have this conviction, then it will not work. If you are an executive leading an organization that is far from reaching its first growth plateau, you wouldn't want to get distracted by looking at new business activities. You would stick to your core and surf the growth wave for as long as you could. The difficult part is to recognize when sticking to the core won't get you the growth you are looking for anymore.

Beyond that, the key executives need to accept that there will be many differences ... some existing rules won't apply, some new behaviors will need to be accepted or promoted, leaders will need to be passionate about it, they will need to step in, help, protect and nurture the future. I am passionate about the idea that ten years from now, we will see Honeywell in places never seen before and our group will play a role in making it happen.

Velcro Points

1. Early-on it is critical to demonstrate real customer interest through various forms of commitment.
2. Start with customers who know you, although they may know you through a different business model or a different product or service offering.
3. Look for clever, inexpensive ways, to explore the rest of the world for potential business markets.
4. Prepare people to make a longer term commitment to the venture than traditional career moves.