INNO®ating.NET beyond 2005

Werterhaltung versus Mehrwertschöpfung versus Pfadabhängige Innovation

The faithful and the wicked servants {Saint Matthew 25, 14 - 30}

14 "It will be as when a man who was going on a journey called in his servants and entrusted his possessions to them.
15 To one he gave five talents; to another, two; to a third, one--to each according to his ability. Then he went away. Immediately
16 the one who received five talents went and traded with them, and made another five.
17 Likewise, the one who received two made another two.
18 But the man who received one went off and dug a hole in the ground and buried his master's money.
19 After a long time the master of those servants came back and settled accounts with them.
20 The one who had received five talents came forward bringing the additional five. He said, 'Master, you gave me five talents. See, I have made five more.'
21 His master said to him, 'Well done, my good and faithful servant. Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy.'
22 (Then) the one who had received two talents also came forward and said, 'Master, you gave me two talents. See, I have made two more.'
23 His master said to him, 'Well done, my good and faithful servant. Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy.'
24 Then the one who had received the one talent came forward and said, 'Master, I knew you were a demanding person, harvesting where you did not plant and gathering where you did not scatter;
25 so out of fear I went off and buried your talent in the ground. Here it is back.'
26 His master said to him in reply, 'You wicked, lazy servant! So you knew that I harvest where I did not plant and gather where I did not scatter?
27 Should you not then have put my money in the bank so that I could have got it back with interest on my return?
28 Now then! Take the talent from him and give it to the one with ten.
29 For to everyone who has, more will be given and he will grow rich; but from the one who has not, even what he has will be taken away.
30 And throw this useless servant into the darkness outside, where there will be wailing and grinding of teeth."

Jesus condemns the wicked servants who return just what they were entrusted with

'Take the talent from' …(who has)' dug a hole in the ground and buried his master's money' .. 'And throw this useless servant into the darkness outside, where there will be wailing and grinding of teeth'…(he) knew that I harvest where I did not plant and gather where I did not scatter' …

Banking and farming would have produced higher returns

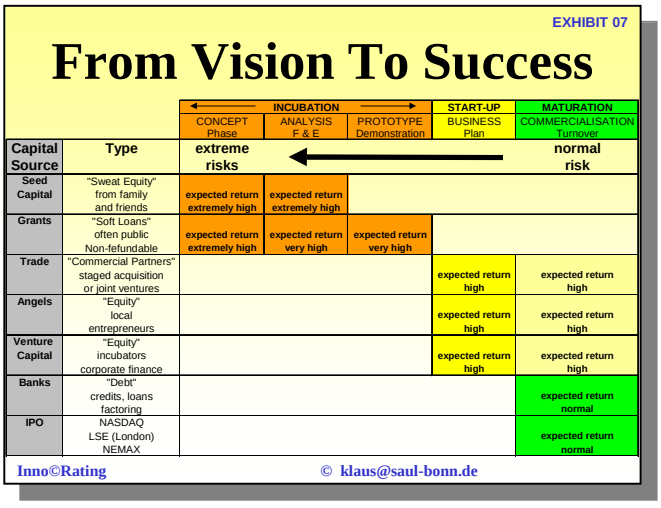
(Since) 'you knew that I harvest where I did not plant and gather where I did not scatter'.. Should you not then have put my money in the bank so that I could have got it back with interest on my return? '

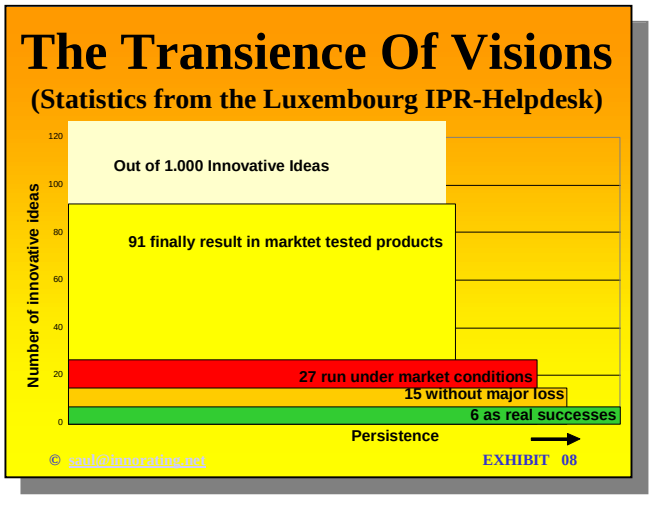
But the Lord's real joy is with the servants who trade with high performance:
'Well done, my good and faithful servant' ..'who received five talents went and traded with them, and made another five. Likewise, the one who received two made another two.'..
'you knew that I harvest where I did not plant and gather where I did not scatter'..
'Since you were faithful in small matters, I will give you great responsibilities. Come, share your master's joy.'

But how to achieve the necessary performance ?

There must be more than just a positive difference of value between the investment and the return. The latter can be achieved by simply investing some resource and harvesting a manifold return from it later. According to Matthew this is like putting 'money in the bank so that' (you can get)'it back with interest on (my) return'. In all these cases, the identity of the input and the output is broken but the correlation between the values of input and output (the interest rate) remains valid.

According to Matthew, however, the Christian's trading has to reach a higher performance than that requested from farmers and bankers. The Lord asks, indeed, to 'harvest where I did not plant and gather where I did not scatter'.



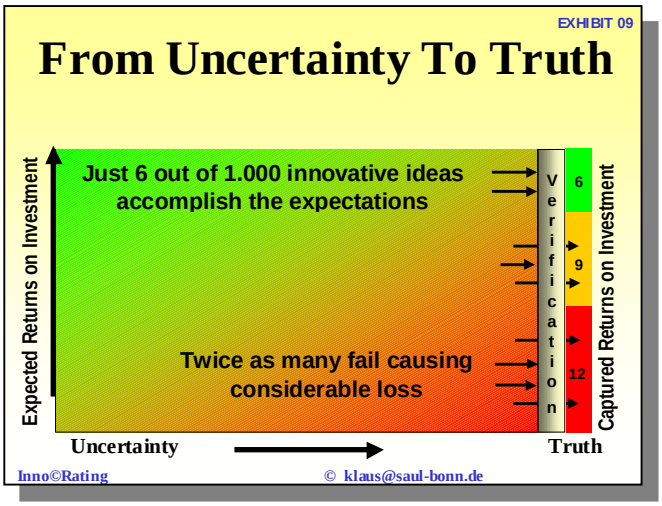


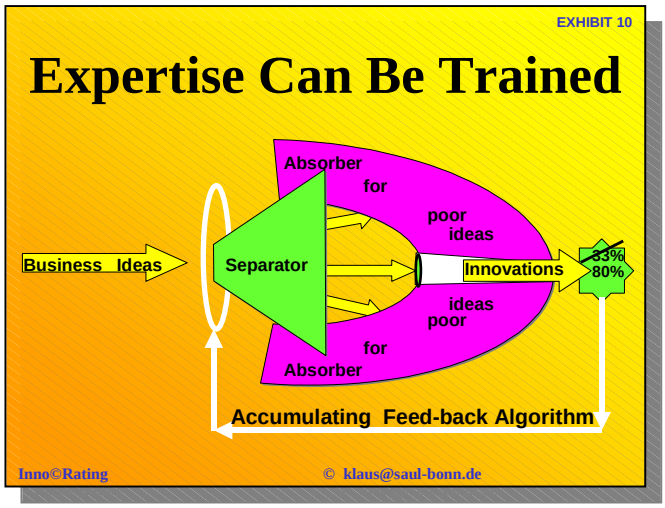
Fortunately some innovation managers who know how to fulfill that demand. They understand the incredible discrepancies between the successful and unsuccessful prospects of innovative paths [EXHIBIT 08]; and they know how to obtain enough insight into the relevant paths. The discrepancy, indeed, is so extraordinary [EXHIBIT 09] that all classical methods of mathematical statistics fail.

This is why experienced managers apply the mechanism of the recurrent conclusion. Recurrent conclusions means: recording observations and establishing a history of the past which auto-poietically differentiates into operationally closed cycles. The cycles allow to extrapolate the conditions of the systems into a probable future.

By applying recurrent conclusions on numerous innovative business cases managers gradually have learned to identify patterns of predictive significance

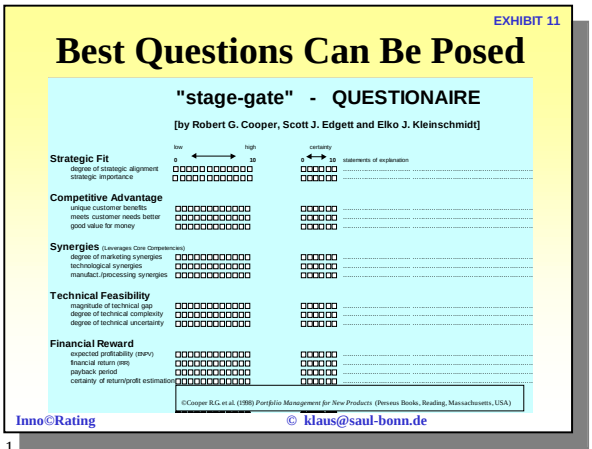
One of the most successful pioneers was R.G. Cooper1 [EXHIBIT 11]. He systematically analyzed the empirical data of product innovations. Cooper and collaborators were able to identify patterns enabling them to predict [EXHIBIT 16] forthcoming success with a reliability of up to 80%.

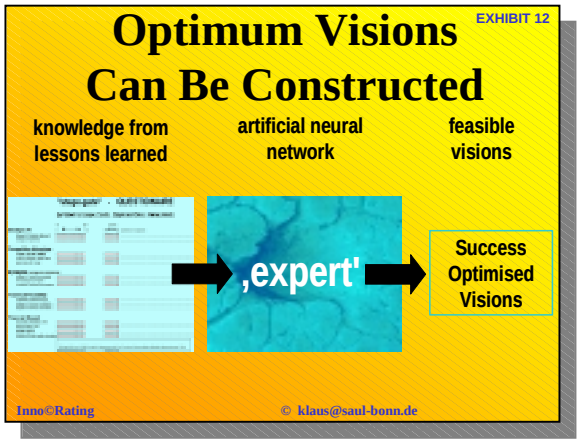




The various procedures of recurrent conclusions will now be compared, extended and tested with the aim of developing a universally applicable benchmark for assessing the potential of innovative ideas [EXHIBIT 10].

One of the most promising approaches builds upon artificial neural networks (ANN) derived from developments in „Artificial Intelligence“ (AI). ANN have proven extremely powerful in working out the essence of accumulated information from observations. This is why it can be used to identify the content of potential innovative ideas and to predict start-up business opportunities. In a most elegant way ANN accumulates significant observations to training itself





1 Cooper, R.G. "*Winning at new Products*" Perseus Publishing books, Reading Mass. (2001)

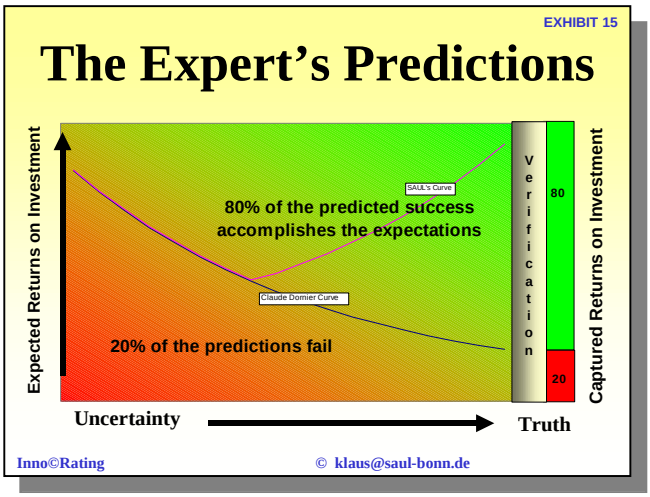
to become an ‘expert’ according to the lessons learned from earlier observations [EXHIBIT-12].

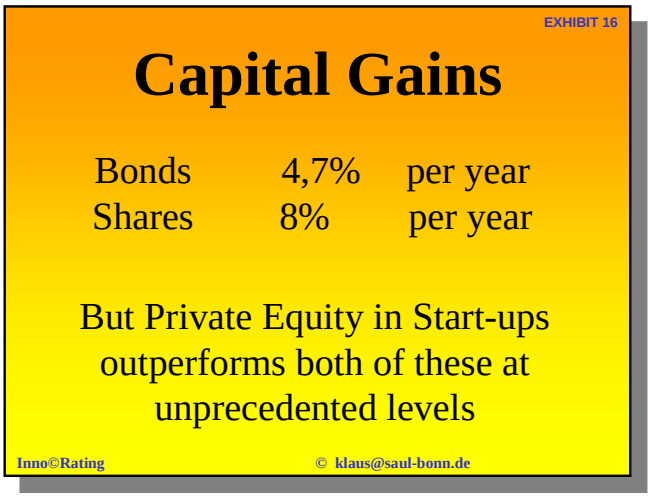
The so called ‘expert’ is linked exclusively to the knowledge and skills derived from real world observations. He operates independently from any heuristic approaches or statistical procedures. This independence allows him to establish an optimum coherence between the lessons learned and derived target expectations [EXHIBIT 13] of maximum predictability.

By comparing the visionary target expectations with real world business plans the ‘expert’ can identify deviations and provide guidance to substantial improvements finally leading the best possible business[EXHIBIT 14].
Since the ‘expert’ is free from any hazardous influence he can moreover develop the most meaningful questions [EXHIBIT 10] entitling him to explicitly enlarge his expertise, skills and insight implicitly contained in the accumulated reference of observations. He thus can overcome many of the limitations of Cooper’s heuristic approach and quantitatively control the quality of the continuously growing content of his expertise.

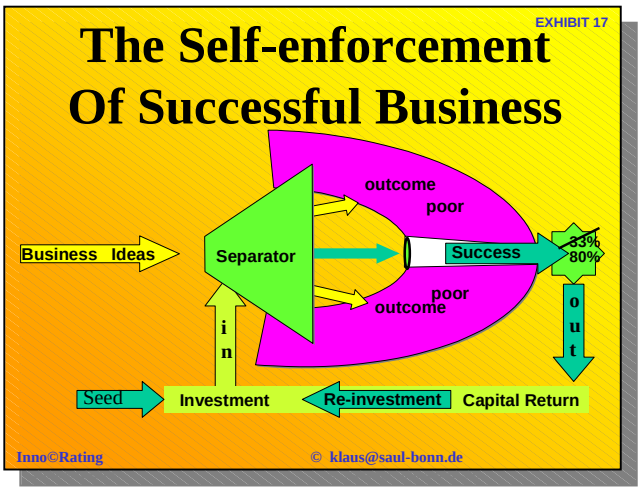
Outlook

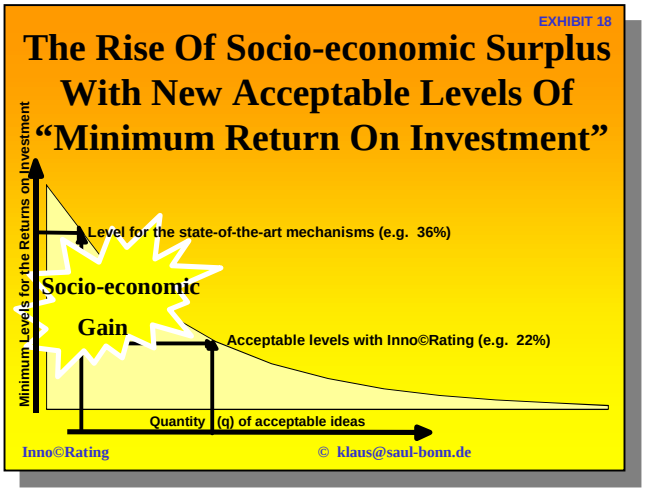
The new approach of INNO ® ating.NET approach is unprecedented in its provision of insight, transparency and foresight [EXHIBIT 15].





The insights of importance, in particular, in periods of globalization. For the globalization causes an ever accelerating concentration. This has been shown in Venture Economics[2] and-has further been investigated by David Campbell and Ron Hulme <campbell&hulme> in detail to discover that there is often a circle of 10% winners in contrast to 90% underperformers.





As soon as the new transparency has reached the level of Cooper there will be a capital value creation via private equity <Produce best value> which outperforms the economic value creation via shares [EXHIBIT 16] by a factor of almost 8 [EXHIBIT 17] <Advance_to_grow>.

However there is an even more dramatic effect associated with the socio-economic gain as exemplified in [EXHIBIT 18].

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[2] Venture Economics, *Investment Benchmark Report 1999*, Europe