

patrickWeb

## Roman Rendezvous

April 8, 2006



Short stories are usually better than long stories but this past week contained so much to share that it can not be told in one short story. The highlight was when five-hundred of us entered the Vatican and the **Sistine Chapel** in a rare way -- the buildings had been closed to the public and were empty -- and then even more rare was having dinner in the **Braccio Nuovo Gallery of the Vatican Museum**. The Business

Leadership Forum was led by Sam Palmissano, chairman of **IBM** and it focused on "Innovation That Matters".

Just about every company these days talks about innovation but IBM is actually walking the talk -- and innovating in innovative ways and on a global basis. CEO's at the forum from around the world talked about how their companies were breaking new ground and setting new records by innovating with IBM. During coffee and lunch breaks at the rapid-fire day-and-a-half forum there were demonstrations of technology that can make the world a better place by using RFID (radio frequency identification tags) to track the movement of cargo containers and hospital patients. With incredible humility, Linus Torvalds, the creator of Linux talked about the past and future of open source software development. The week even allowed a few geocaching trips on arrival day. The link below provides an index to the stories about what I learned this week.

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## Roman Rendezvous: Index to stories

April 8, 2006



The [American Airlines](#) flight to Rome was long but smooth. Arrival at the [Westin Excelsior](#) was exactly thirteen hours from home. After a short nap was a planned phone conversation with Peter Kammerer, Foreign Editor for the [South China Morning Post](#) in Hong Kong. Peter wanted to discuss the future of blogging, which is a subject of great interest to me (see [blogging section](#) of this blog). Since most of my European phone calls are associated with [Opera Software](#), the mobile phone I use in Europe has a Norwegian phone number. Peter observed that it is a small world when he can call a phone number in Norway from Hong Kong and reach a guy from New England who happens to be in Rome! After our discussion it was time to hit the streets and find some [geocaches](#). The story links below will become live as they are posted. Stay tuned!

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## Roman Geocaching

April 8, 2006



I was anxious to get going so I quickly selected three geocaches that were closest to the hotel -- **Forum's Revival**, **Coliseum**, and **Circus Maximus** -- downloaded the latitudes and longitudes into the **Magellan eXplorist** GPS and hit the street. It would have been much better if I had done some better planning, reviewed the logs of others who had found the caches, and selected caches that had maximum odds of me finding them. As they say, haste makes waste.

No map in hand, I headed down the **Via Veneto** toward the Forum following the arrow on the GPS. I was so confident there would be plenty of time that I stopped along the way at a small sidewalk cafe called Berzitello's and enjoyed a plate of **spaghetti**. From there I meandered from street to street following the arrow until I reached the **Forum**. The **IBM Business Leadership Forum** focused on "Innovation that Matters". The **Roman Forum** obviously focused on innovative structures -- especially impressive considering that many of them are nearly two thousand years old. It is a marvel that they were constructed.

After taking a few false entries I finally got to the spot -- or so said the GPS. There were a number of **logical hiding places** within twenty feet of the waypoint and I searched many of them. After more than a half-hour I gave up and headed for the Coliseum. At least I would find the other two caches. The **Coliseum** is an enormous place and there were thousands of people touring the ruins. The **eXplorist** said the cache was just 300 feet away. Sounds simple, but with the huge circumference and multiple levels of the Coliseum, it was not at all clear where the cache might be. If you are an experienced geocacher, you know what I mean. Sometimes you are a few hundred feet away but there is a river with no bridge in between. After an unplanned tour of most of the Coliseum, I found the spot, but not the cache. The latitude/longitude was near a meadow and a wall just a couple of hundred feet from the main entrance to the Coliseum. After a half hour, I reluctantly gave up. Sound familiar? Well, at least I will find one of the three. Off to walk to the **Circus Maximus**.

This one should be easy, I told myself. Out in the open, nothing tricky about it. I got to the exact spot and searched high and low. Empty handed again. The good news is that I logged quite a few miles of walking on a sunny day. The weather was perfect. After meandering through the streets of Rome back to the Via Veneto and the hotel, I went straight to [geocaching.com](http://geocaching.com) and read the logs of people who had found (or attempted to find) the three caches. If only I had done that \*before\* the search. It was tempting to head out again but the day was late and the miles of walking were enough -- and I had a plan for the morning.

Since I knew exactly where to go I knew I could hire a taxi for an hour, get to all three cache locations, and still get back in time for the opening of the [Business Leadership Forum. Forum's Revival](#) was still no piece of cake but I was able to find it in less than ten minutes. I signed the logbook, removed a [travel bug](#), hid the tupperware container back in it's place, and headed back to the taxi. At the [Coliseum](#), I went to the exact same spot as the afternoon before and recognized all the clues from the logs -- but still could not find it -- a big disappointment. On to [Circus Maximus](#) to look for the microcache. Traditional caches are in [tupperware](#) containers or ammo cans. Microcaches are much harder to find -- they are usually black 35mm film containers -- easy to hide in a very small place, in this case in a three-foot high wall behind a loose stone. With two out of three finds, I declared victory, headed for the hotel, put on a tie and took a shuttle to the [Auditorium Parco della Musica](#) where [Sam Palmisano](#) kicked off the day.

As usual, I apologize for being a poor photographer, but I do have quite a few pictures to share [here on flickr](#).

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## Business Leadership Forum - 1

April 8, 2006



The shuttle buses dropped us off and we walked a few hundred feet through a large courtyard to the **Auditorium Parco della Musica**. It is quite an impressive place and of the thousands of "auditoriums" in the world, only this one has the url of **<http://www.auditorium.com>**. The "city of music" lies outside of Rome's densely-packed historic center where such a facility could never have been built. Four hundred trees surround the beautiful buildings where 3,000 spectators can enjoy concerts of all kinds -- from classical to jazz and rock.

**IBM** hosted it's fourth **Business Leadership Forum** at "the auditorium" earlier this month, and it was attended by several hundred of "the world's leading thinkers from across business, industry, government and academia", representing more than 50 countries. The forum facilitated two days of discussion about innovation and the challenges facing businesses in the 21st century.

IBM Chairman and CEO **Sam Palmisano** kicked off the meeting by saying that innovation is not optional for the leading institutions of the world -- businesses, schools, hospitals, and governments. "The bottom line of all this is that innovation is really a 'must do' unless we want to live in an environment that's commoditized and not unique, not differentiated". Sam's point was that if organizations focus only on taking out costs, they will be doomed with very low profits if not extinction. Everyone agrees that Innovation starts at the top and Sam practices what he preaches -- not just by innovating in technologies (IBM turning out more patents year after year than any company in the world), but by innovating in strategies and business models. For example, it was Sam who led the charge to transform IBM from a hardware company to a hardware, software and services company. Especially the latter, when he acquired Price Waterhouse Consulting and smoothly integrated it into the IBM portfolio of services. He also led the sale of the PC business. Some people viewed it as simply a "sale" but in reality it was a highly innovative change to the IBM business model -- selling off a low margin business but retaining the services

aspect of it and at the same time gaining a stronger foothold in the Chinese market opportunity.

Note: See BusinessWeek's story about [\*\*The World's Most Innovative Companies\*\*](#).

Sam then introduced Lord Brown, group chief executive at [\*\*bp\*\*](#). The company had more than \$20billion in profits for 2005 and is moving to even bigger numbers in 2006. Lord Brown described many innovative aspects of the company but I was most impressed with how they are using computer simulation to continuously increase the amount of oil they are able to extract from their drillings. He also described ambitious goals to put the hydrocarbon pollutants that come out with the oil back into where the oil was extracted, thereby reducing global pollution.

At the end of day we all got back in the shuttles to head to the Vatican.

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## Dinner at the Vatican

April 22, 2006



The shuttle buses departing from the **Auditorium Parco della Musica** each had a sign indicating the language of the onboard tour guide (the entire **Business Leadership Forum** was simultaneously translated and available to all attendees through headphones in Japanese, French, Italian, Spanish, Russian, German, and English). The route from the auditorium took us through the Olympic Village which was built for the 1960 Games. The guide on the "English" bus was superb and she pointed out the many architectural features along the route and also the history of **Vatican City**.

The Vatican is a landlocked enclave in Rome, but it is actually the world's smallest sovereign state (country). Beyond the territorial boundary of Vatican City, the **Holy See** has authority over twenty-three sites in Rome and five outside of Rome, including the Pope's summer residence at **Castel Gandolfo**. The Vatican was closed to the public when we arrived. I had been there some years ago along with many thousands of other visitors. It was a unique feeling to be there with a small crowd of five-hundred. Being divided into small groups of a dozen or so made the experience very special -- a lifetime memory for all of us.

The **Vatican Library** is home for many of the world's rarest books and documents. The library has more than 150,000 manuscripts, including the four oldest surviving manuscripts of the Roman poet Virgil dating from the fourth and fifth century AD; and the oldest known manuscript of the Bible, written in 350 AD. There are also more than a million books, including 8,000 published during the first 50 years of the printing press. Virtually all civilizations and cultures in the history of humanity are represented somewhere in the Vatican Library. The wealth of content is phenomenal and scholars from all over the world are deeply interested in studying it in detail. The result will be an advancement in the general understanding of the history of the world. That is the good news. The bad news is that due to the cost of travel and the physical limitations of the Library to accommodate visiting scholars, only about 2,000

scholars per year can actually visit. Fortunately, a number of technical collaborations have focused on how to both preserve the treasures of the Library and make them more accessible to scholars. IBM developed a digital library service to extend access to portions of the Library's collections to scholars worldwide. (more on the project [here](#)).

Walking into an empty [Sistine Chapel](#) is hard to describe. The chapel is 135 feet long and 44 feet wide. The paintings are awe inspiring. It took Michelangelo di Lodovico Buonarroti Simoni (March 6, 1475 – February 18, 1564) four years to create the 68 foot high [fresco ceiling](#). Our tour guide happened to be an artist and she herself was in awe of the art and knew an amazing number of details about every aspect of the incredible room. We spent nearly an hour listening and craning our necks to try to absorb what we were seeing. One part of the "creation" panel contains an image that depicts the various parts of the [human brain](#). It has been only recently that the image has been validated as being an accurate depiction. When Michelangelo painted the ceiling in 1512 he certainly had no MRI's or medical texts to refer to.

Cocktails in the courtyard outside of [St. Peter's Basilica](#) and dinner in the [Braccio Nuovo Gallery](#) at the Vatican were beyond outstanding. The blessing was offered by the president of Vatican City, who is also a cardinal. His eminence then thanked IBM for the digital library project and said it was that generosity that inspired them to make an exception and allow a formal dinner in the Vatican for IBM and the BLF guests. He also reminded Sam that there were still many thousands of manuscripts left to digitize. The outstanding food and wine were accompanied by a string quartet which played a selection of works from the great masters: Bach, Pergolesi, Boccherini, Mozart, Haydn, Beethoven, Schubert and Schumann. It was an evening to remember forever.

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## Business Leadership Forum - Day 2

April 23, 2006



Day two of the **Business Leadership Forum** at "the auditorium" opened with a big-screen video made for the event by Tom Friedman, author of **The World Is Flat: A Brief History of the Twenty-first Century**. Less than four hundred years ago, people still thought the world was flat and that ships would "fall off" the globe if they went too far. Then people figured out that the world was round, not flat. Now we are all realizing, thanks to Tom's book, that the world is indeed flat. Tom Friedman totally gets it and tells it very clearly.

1989 marked the fall of the Berlin Wall and the rise of Windows. This was followed by Netscape going public in August 1995 which triggered the dot-com boom which triggered massive over-investment in fiber optic cable which enabled extremely low cost transfer of information on a global basis. A revolution in web applications enabled collaboration using interoperable standards-based protocols. These three things flattened the world and brought us from the industrial age to the information age. The end result, Tom says, is that when the world is flat, whatever can be done, will be done. The only question is "will it be done by you or to you". He says it takes an innovative flare, not vanilla ice cream -- which everybody can make -- but "whipped cream with a cherry on top".

Kunio Nakamura, President of **Matsushita Electric Industrial Co., Ltd.** (otherwise known to most of us as **Panasonic**), with classic Asian sincerity, paid great homage to **IBM** for all that his company had learned and how it was supported during a significant transformation. Matsushita was founded in 1918 and now has sales of \$75 billion with \$3.4 billion in profit and 335,000 employees. Their management philosophy is that the company is a public entity, that the customer comes first, and to start each day anew. Their largest single product is TV's but it is only 8% of revenue. The company was in crisis condition in 2000, reached the survival level in 2006, and plans to achieve global excellence by 2010. A key element of this comeback is management innovation, a key part of which is using IT to drive productivity. This may seem obvious but Nakamura-san pointed out that culturally productivity was thought

of as something that can be nudged by maybe 10%, whereas American companies think of doubling and tripling of productivity. He said Matsushita wants to change from a lead ball to a soccer ball. I have heard many CEO's describe corporate strategies over the years but never have I seen a CEO use the terms "IT" and infrastructure as extensively as Nakamura-san. He outlined how the company plans to invest \$1.5B in IT over five years to integrate their procurement, production, distribution, sales & services from material & component suppliers all the way through to customers. He plans to use IBM as the company's **innovation partner**.

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## Business Leadership Forum - Day 2 (part 2)

April 8, 2006



Following Nakamura-san at the **Business Leadership Forum** would not be easy but Sunil Bharti Mittal, CEO of **Bharti TeleVentures Limited** had quite an amazing story to tell. Bharti is India's leading mobile operator and one of the top five companies in India. Revenue per month per person has shrunk from \$30 to \$8 and he believes it will go to \$3-\$4. The good news is that the number of users has gone from 2 million to 90 million. India is a huge consumption economy because there are so many young people -- 50% are under 25. He expects mobile phone users to grow from 90 million to 300+ million by 2009-2010 and his strategy to address the market has been to give away everything except the customer ; i.e. outsource everything except the customer relationship. IT was outsourced to IBM -- a \$1 billion contract. Networking was outsourced to Nokia & Ericsson. Call centers were outsourced to an IBM joint venture in India. Mr. Mittal said their growth (1 million new customers per month) could not be achieved without having outsourced to top partners. Complete alignment is achieved and the business model becomes predictable. Innovation in many areas including "Lifetime Validity" where incoming calls are free to customers for life. The theory is simple, if people receive a lot of free inbound calls, they will eventually \*make\* calls, which are not free. His goal is for his many partners to be happy -- not to laugh but to smile. He hopes to grow from 7 billion minutes per month to 20 billion.

Mr. Yang Mingsheng, President and CEO of the **Agricultural Bank of China**, was the only speaker who did use English but the simultaneous translation to Japanese, French, Italian, Spanish, Russian, German, and English allowed all of us to hear what he had to say -- which was a lot. The bank has 500,000 employees and 28,000 branch offices. Although I could not understand a word of what he was saying without the headphones, I could tell that the speaker was very articulate, enthusiastic, and confident. 95% of all bank services are available online. The bank has 400 million depositors, 12.4 million outstanding loans, and 220 million credit cards issued. They have introduced many e-banking and mobile products to their customers. This is being done by centralizing IT infrastructure. Mr. Mingsheng is both a ceo and a member of

government. For hobbies he writes poetry and plays the violin. His speech covered every aspect of consumer and business banking services. I don't think a similar presentation by Citigroup or JP Morgan Chase would much if anything that ABC isn't also doing.

Pierluigi Bernasconi, CEO of an Italian electronics retailer called MediaMarket. The company is the No. 1 consumer electronics retailer in Europe with 66 stores in Italy, more than 500 stores in more than a dozen European countries, and a new web-based business in **Germany**. One of their stores is the largest in the world -- it has six floors of consumer electronics products. Steady growth over the past decade has taken them from \$4 to \$16 billion. They have taken an innovative business model approach whereby they have two different store brands (MediaMarket and Saturn) that compete with each other. They believe that "self competition" results in better service and price to the consumer. Fifty million people per month spend time in one of their stores. Mr. Bernasconi described an intensely competitive environment in Italy from 4,000 photography shops, 6,000 telephone stores, e-retail sites, hyperStores, and in the future new channels such as **Digital Terrestrial TV**. In spite of this the company continuously outperforms the competition and gains market share. They have been using the web for sales and communications since 1995. Utilizing advanced IT the company has integrated all their distribution channels. They believe that communication is key and will result in customers thinking of MediaMarket or Saturn as the first choice as a place to get information and subsequently purchase. Their strategy is to exploit multi-channel strategies -- tying together so a person can call from land line or mobile, surf via the web connect via digital terrestrial set top box, or visit in person and all the experiences are recognized and tracked.

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## Podcast From Rome

April 8, 2006



IBM had some demonstrations set up in the breakout areas at the **Auditorium Parco della** staffed by researchers and experts in various areas. There was a lot of interest during coffee breaks. After lunch before the final session of the forum got started I had interview with Chris Barger from IBM to talk about the demonstrations and also a few thoughts on the future of healthcare and the Internet. **Here** is the transcript.

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## Transcript of Podcast from Rome

April 6, 2006



Following is the transcript of an interview with Chris Barger from IBM done during a break at the **Business Leadership Forum** in Rome.

**BARGER:** Hello and welcome to **TheInnovationValue.com**. I'm Christopher Barger. My guest today is John Patrick, President of Attitude LLC. John is a former IBM executive and is today a leading author and speaker and serves on a number of company boards.

He's of course well known for having been one of the first and leading visionaries of the Internet and is today still one of the most innovative thinkers anywhere in the business world. It's our privilege to welcome you to TheInnovationValue.com, John. Thanks for your time today.

**PATRICK:** Nice to be here, Chris.

**BARGER:** Well, we're here at the IBM Business Leadership Forum in Rome, Italy. And I guess my first question, John, is what are your impressions of the conference so far?

**PATRICK:** It's been quite good. The subject matter is innovation, and certainly not a new word. A lot of people taking credit for who invented innovation. Almost every company talks about innovation, but what I think is unique at this conference is the way IBM has pulled together the leading innovation companies, exploiters of innovation, from around the world and put them on the stage to share their ideas. So I guess the bottom line you could say a lot of companies talk about innovation; IBM is making it happen.

**BARGER:** Right, and bringing in...it really is truly a global conference, right? There are about 50 countries represented here?

**PATRICK:** Fifty countries, this morning we heard from CEOs, CEOs from China, Japan, Italy, India, Austria. It's a very global conference.

BARGER: And which is great, to bring all those different diverse perspectives in to a conversation like this.

Now, beyond the speakers there are a lot of things out on the demo floor, a lot of products...or, not products, but a lot of solutions and different things being demonstrated and shown. What have you seen out there so far that's really caught your eye or has gotten you stoked up?

PATRICK: Well, there were two things I thought were quite impressive. One is a tracking system for containers. And this is something that many of us have talked about for years, the ability to connect things to the Internet, to be able to not just enable people to interact but to be able to connect devices.

BARGER: Right.

PATRICK: And so one of the most glaring security issues in the world is, how many containers are there? What's in them? Who's opening them? When do they get opened? And do we even know if they're opened?

BARGER: Right.

PATRICK: And the answers to those questions are not very pretty. So this technology that I saw here from IBM was fascinating. It was a physical device connected inside of a container, and then another little piece of it on the outside of the container, the combination of which allows someone to know if that container is opened.

And if it's opened, it's using Zigby, which is similar to WiFi, or think of it like a cellular phone, so that a local pickup device will know if that container is moved or if it's opened. And as backup they also have the GSM cellular connection to be able to broadcast it to a far away place, so the central monitoring facility can see literally millions of containers and when they get opened. So I thought that was quite interesting.

The other one was in the healthcare arena. They showed a small model of a hospital with gurneys, hospital beds, on wheels. And each of those had an RFID tag actually attached to the patient so when you check into this little hospital they put a wristband on you...

BARGER: That's right, just as they do now.

PATRICK: ...as we've all seen. But this wristband has an RFID tag in it, which means whenever that person moves it's noticed. And so when a person moves from the emergency room to the recovery room, that generates a message and a

centralized application allows the primary care physician to know where you're moving to or allows the administration of the hospital to see where the queues are, make sure nobody gets lost...

[LAUGHTER]

BARGER: Which would be a bad thing.

PATRICK: Right.

BARGER: Now, do I understand...is it possible to have the patient's records, or not all of their records, but the record of specifically what they're doing in the hospital, follow them through so that whatever physician...

PATRICK: Absolutely.

I mean that's the ultimate idea, of course, is to be able to integrate all the information about a patient in one place and allow that information to move with the patient so that when you go to a pharmacy to pick up a prescription, the information is already at the pharmacy. It's added to your smartcard.

BARGER: Great.

PATRICK: You authenticate with a biometric swipe of your finger just like you can on the new ThinkPads. Then you go to a doctor that you've been referred to and you walk in the doctor's office, you swipe your finger. That triggers the authorization for the data from the centralized Regional Health Information Organization, a RHIO. Allows that information to come from the RHIO to that doctor so the doctor can see what other treatments you may have had, what tests you've had, what the results were.

This is vitally important, because in the US today there's two trillion dollars spent on healthcare; 400 billion of it is on duplicative procedures. In other words, it's faster and easier for a doctor to order another blood test than it is to get the results from the one you had last week.

[LAUGHTER]

BARGER: Right, which doesn't seem to...it will help the industry both.... It will help patients certainly but it will also help the healthcare industry.

PATRICK: It helps everybody. It helps, the payers like it, the providers like it and the patients like it.

BARGER: Right.



PATRICK: And of course it results in less errors. And this is the frightening part about today's world of healthcare, is that people actually die because of information mistakes.

BARGER: Right, which never used to happen, which is ironic given that the quality of care or the quality of the technology that provides care now for us is better than ever. It also complicates things more than ever.

PATRICK: Exactly.

BARGER: Now, you're out and around obviously speaking on topics around innovation. And what do you talk about out there? What do you see that's happening next? Where's...what's really some of the other innovative stuff that we haven't necessarily seen at this conference that really is catching your eye? Where's...what's the next big thing, so to speak?

PATRICK: Yes, well, there's a lot of next big things. I've been thinking for years about the Internet in terms of fast, always on, everywhere, natural, intelligent, easy and trusted. And there are important innovations going on in each of those seven areas.

In the area of speed, I would single out the BPL -- Broadband Power Line, a method to deliver broadband high speed Internet service not through the phone company, not through the cable company but through the electric company. And this is actually happening, and it's a good thing.

BARGER: Where is it happening?

PATRICK: Well, it's happening in Germany, it's happening in Pennsylvania, it's happening in I think in 20 some states now in the US. Virginia has one major community planning to make it available to everybody in the community.

BARGER: Really.

PATRICK: So, you know, community based broadband.

In the area of, let's say always on, we see a lot of innovation happening there. WiFi is really still at the beginning. We're beginning to see WiMax, which will bring WiFi into a community. In the old days we used to call them T1 lines, or we used to talk about the back hole of...well, that's going to be replaced by wireless also. And it will greatly expand the availability of wireless Internet service into remote areas all over the world.

A lot of interesting things are happening in the development environment. Ajax

is something I'm quite enthused about. It's a fancy technical buzzword, but what it really means is having Web applications that look like they're desktop applications.

Web pages that don't reload every time something changes, it's just, you click on something and the data changes. You don't have to reload another Web page. So that's quite exciting from an end user perspective, you know, to have applications that are more natural, more responsive.

A lot of things are happening in the area of tagging. This is why blogging is really still at the very beginning, because it's not just about you or me writing about something. I mean, that's important and valid. But, how about that patient moving down the hall at the hospital, that RFID tag triggering not only some information to the hospital but generating a blog posting for the primary care physician showing up in that doctor's patient folder so that he can see what is...what's going on with his patients.

Or how about a press release, or a warranty recall, or a weather update, or a stock market transaction, or an auction that finished. Or you know, any kind of information really should have...have tags on it like a blog does, that give it context so you can find it, and sort it, and archive it, and syndicate it, and.... So I think it's quite profound what's going on in blogging.

BARGER: That's an interesting parallel that I hadn't even... that I hadn't even considered. I wanted just, I guess, we're running out of our time and I know you need to get back into the conference. But one last question to sort of help everybody that's out there.

What are some of the disincentives or the roadblocks that get put up to innovation and how do you counsel people to overcome those objections? How do you overcome some inertia to make innovation happen?

PATRICK: Well, the possible impact, negative impact, is always regulation, lobbyists who are arguing for fair competition but what they really mean is protection, slowing down progress. So there are some inhibitors of that nature, but the way to overcome it is leadership.

And that's what we're seeing here at this conference. We certainly heard it from Sam Palmisano yesterday, we've heard it from CEO, after CEO, after CEO, talking about innovation, talking about personal leadership, how innovation starts at the top.

And each of these companies have incredibly impressive financial results to go along with their talk, so it's not just...

BARGER: Which is very important.

PATRICK: Exactly. It's not innovation for innovation's sake; it's innovation for shareholders' and customers' sake.

BARGER: Innovation that matters.

PATRICK: Innovation that matters.

BARGER: All right, well with that, we'll close out. I want to thank my guest John Patrick of Attitude LLC. John, thanks for your time, and thank you for listening to this podcast from TheInnovationValue.com.

[END OF SEGMENT]

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## The Big Picture From Rome

April 8, 2006



The final afternoon of the **Business Leadership Forum** focused on the big picture -- of both global political factors and technology. A panel included **Karl-Heinz Grasser**, Federal Minister of Finance for the Republic of Austria. He spoke about how governments can not only avoid being an obstacle to innovation and growth but also encourage competition thereby creating more jobs. The panel was bullish about how the information revolution -- ushered in by the microprocessor in the early 1970's and the Internet of the 1990's -- has led to an explosion of new products and new business models. However, there was a consensus that retaliation from poor economies and over-regulation by some countries could stymie the growth.

**Mario Monti**, President of **Bocconi University** and commissioner in the **European Union** for ten years, was quite optimistic about the EU -- a market of 480 million people -- and said that the EU itself is an innovation. He said that Europe is much more like the U.S. than it was. It is now a single market, has a single currency, and has been expanding market reach around the world. The shortcoming is that Europe, unlike America, does not yet have a constitution. This results in an economic disadvantage because the European community can not make a decision for the total. The European economy is not innovating quickly enough and in fact some countries are protecting the past at the expense of the future. Mario says it is time for "naming and shaming" the laggards through peer reviews. Then he got more specific -- "Germany, France, and Italy are behind on liberalization of service markets and have resisted initiatives to increase competition". These three countries will have a negative impact on the Euro which in turn will hurt the rest of Europe. Mr. Monti's presentation was sobering but hopeful. He said the EU has a lot of good features, that it can protect intellectual property but also move against monopolies such as **Microsoft**. The key to get innovation going in Europe is for the EU to innovate itself by completing it's constitution.

**Irving Wladawsky-Berger** kicked off the final segment of the forum, which focused on the future. IBM supports **Linux** because it is a great operating

system for computers. Irving introduced [Linus Torvalds](#) the developer of Linux which he published as a student in 1991. [Don Tapscott](#), a widely acclaimed author, who invented the term "paradigm shift", then moderated the final panel which included Linus, [Nick Donofrio](#), executive vice president for innovation and technology at IBM, and [Ann Mettler](#), executive director and co-founder of [The Lisbon Council](#). It was a wide-ranging discussion. Linus is an incredibly humble guy. He said he has no vision, just looks 5 cm ahead before each step, and loves to solve technical problems. Linux is successful, he says, because both the development and the decision making are distributed -- a "built-in meritocracy". Don asked why volunteers worked on Linux for no economic return. Linus said, "if you were all engineers, you would not be asking that question". Open source software is viable in most all software areas, with the only exception being niche markets which are too small to get adequate collaboration. "Open source will take over most all infrastructure".

Ann said there is a huge gap between businesses which are moving ahead rapidly and societies which feel left behind. The key problem is that the economy is 70% services but the regulations and governance are still based on an industrial model. She believes that government should learn how to innovate from businesses. "Politicians are clueless about the discussion of the past day and a half". She says that businesses need to share their leanings with society. The labor market in Europe is flat because companies do not want to hire and that is because the laws are so onerous. "You can hire but you can't fire". Labor reform is needed desperately.

Nick says 'It's all about change". IBM is doing a balancing act by supporting both open things and proprietary things. The company is generating [a lot of patents](#) but also giving away a lot of patents to move the ball forward in key markets such as healthcare and education. "The world can move ahead faster if the OS is Linux -- it is good enough and a "blow for freedom". A California venture capitalist asked about business ethics and Nick was very aggressive in his response saying it was not optional for companies to be totally and completely ethical in every respect. (Having been at IBM for 38 years, I can say I never ever had a concern about ethics at the company). Nick summarized that anyone can innovate if they are willing to change. "If nothing changes, nothing changes". Sam wrapped up the conference by saying corporations need to be transparent. Their ultimate responsibility is to create value for the constituencies: stockholders, customers, employees. He walks the talk.

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▶ **Thursday, April 27, 2006**

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Innovation That Matters (From Rome)



The **Business Leadership Forum** was quite an experience and is hard to summarize. IBM did a good job of organizing it and everyone there appreciated it and learned a lot -- I certainly did. As with most **conferences**, a lot of the value was in talking to people at breaks. **Dinner at the Vatican** is next to impossible to describe. It was the proverbial "you had to be there" thing. Here are some of the key insights delivered by Sam and his speakers and panelists during the conference...

- Innovation is essential and what the 21st century is all about
- Change is faster and more disruptive than ever
- Globalization is inevitable
- Ubiquitous connectivity is breaking down physical borders and creating connections between people, economies, organizations and governments in ways that were never thought possible
- Businesses need to cultivate their uniqueness
- Businesses need to encourage employees to be multi-disciplined, collaborative, and global
- Innovation that matters comes from seeing problems differently and adding value quicker than anyone else
- Constant reorganization is futile but leaders must look at a company's structure strategically, consider which pieces need to shift and then unfold change bit by bit
- Technology plays a leading role in innovation, but it isn't the only factor
- What were once disruptive technologies now are commodities
- To innovate, CEO's don't need to control all the resources or build within their own frameworks. They need to partner and collaborate
- Governments can help spur innovation among the private sector
- Governments must be more flexible to respond to today's business needs
- Restrictive governments try to defend and preserve what has been

achieved in the past, but if they rely only on the strength of their past, they put progress in peril

- Governments need to open themselves to market and labor reforms to stay relevant and competitive in global markets

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