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# Network Advantage through complementarity



By [Henrich Greve](#) , INSEAD Professor of Entrepreneurship

## **Alliances can yield complementary innovations.**

Quirky is actually the name of a company. It collects ideas on innovative products, allows "community members" on its list to vote and comment on them, and arranges to have some of them manufactured and sold. The idea is roughly similar to the wisdom of crowds, with many people being smarter than a few, and has the same strength and weaknesses. The strength is that many people are in fact smarter than a few, especially in a topic that they have some knowledge about. The weakness is that a product that has never been made or sold is not a topic that most people are knowledgeable about. So, Quirky has some successes and some failures.

General Electric (GE) is also a company that has thrived on innovation and still does. It was an Edison company, after all, and it is in many industries where only the advanced and innovative stay ahead. But GE is at least thought to be very traditional in its approach to innovation, with research and development staff making improvements to existing products and technologies, and doing some exploration of new ones. This means, of course, that a collaboration between GE and Quirky would amount to two

firms with the same idea of innovating, but totally different and potentially complementary approaches. Sound like a good idea? GE and Quirky think so, and they are working together.

So how is this working? Well, there is a new air conditioner called Aros that is pretty smart. In fact, it can do some things humans can't. The main point is that it is network connected and can be controlled by the smartphone of the user, which is effective but not truly smart. The truly smart options are little details like geo-fencing. Geo-fencing means that if you let it, the Aros will keep track of where your smartphone is, and use the location and movement to tell when you are headed home, so it can start up at the right time. Many think this is a neat idea, and the Aros has sold well.

But how did the collaboration work? In fact, GE stayed GE, if the information now reported is correct. They did collect some ideas from Quirky, but the rest of the design was thoroughly in-house. This is perhaps not surprising, because GE knows a lot about air conditioners. But it is also clear that GE benefited from the complementarity that gave these ideas. And GE is getting the idea that complementarity is not just something you pick up in a single alliance; more alliances make it better. In fact, many of the early sales of Aros were done through a collaboration with taxi company, Uber. Selling air conditioners through a taxi firm? Truly complementary. Now GE is getting close to the type of hub-and-spoke network that I, Tim Rowley, and Andrew Shipilov discuss in our book [\*\*Network Advantage: How to Unlock Value from your Alliances and Partnerships\*\*](#).

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