

In conversation with

# The Industrialist

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**"I draw inspiration from partnering with people to collectively move mountains. Because it's not about me, it's about us transforming the company."**

**Maciej Kranz**

Chief Technology Officer  
KONE

# KONE co-creation unlocks industry transformations

**Maciej Kranz** is bringing a 360-degree approach to innovation at KONE. Having spent two decades working on the Internet of Things — and penning a New York Times’ bestseller on the subject — Kranz brought his expertise to KONE in 2019, to help the business and its customers implement next generation transformations.

“This holistic role was really compelling to me,” says Kranz of his Chief Technology Officer role, “because it involves not just using technology to help transform KONE operations, but also to drive innovative physical and digital offers to transform the industry and KONE’s business.”

Kranz also leads KONE’s Technology and Innovation unit, and has been able to put a holistic approach to innovation into practice in 2020, a year when customer demands pivoted overnight and the future of buildings and cities changed forever.

We talk to Kranz about how KONE implemented rapid innovation in a safety-conscious industry, co-innovated with customers at scale, and helped transform the workplace to build a better future.





## What one word describes you best?

**Mission.** During the last two decades, I was fortunate to not just have jobs, but to define and throw myself into missions. From company and industry transformations, to building new capabilities and ecosystems, I believed in each mission I had to strive for. It is this desire for a mission that brought me to KONE, as their mission is to improve the flow of urban life. KONE's mission became my mission and I am embracing the opportunity to help transform the company, and the industry.

## You moved from a high-tech Silicon Valley company to KONE. What's your approach to innovation and how do you inject groundbreaking innovation into a very traditional product?

I had been involved in the Internet of Things and digital transformation for a while, but always on the vendor side. At my previous company, Cisco, we worked with industrial players, helping them transform and build physical and digital offerings. But what I was missing there was the hands-on experience of actually making transformations happen.



The KONE team allowed me to join them, to roll up my sleeves and say, 'okay, it's up to us now — how do we do this together?'

KONE has a proud 110-year history of ground-breaking innovations. One example is machine room-less elevators. Two decades ago, KONE changed how buildings were built, so you didn't have to build an extra room on top of the elevator shaft. The construction of a building became easier and more aesthetically pleasing.

Another example of a big innovation was **KONE UltraRope**. It extended the reach of elevators, allowing buildings to get taller and have the same elevator go from top to bottom. Now, we're building on this foundation. Our main focus is accelerating the speed of innovation and execution.

The customer environment is changing dramatically. When you think about the impact of COVID-19, major trends around digital adoption have accelerated by a decade. Industry business models, tenants' expectations and basic concepts are changing rapidly, e.g., around what a building is and how it is used. The same goes for city districts. Paris, for example, is considering 15-minute neighborhoods, where you can access pretty much everything with a 15-minute walk or bike ride. There are also new entrants in the marketplace — digital players large and small. So, to stay on top of these shifts, the speed of innovation and execution is key.



## How are you addressing changing customer needs?

We're taking a comprehensive approach across three areas. First is customer and partner co-creation. We implemented this in a consistent way last year, as one of the most frequent requests we got from our customers in 2020 was related to our expertise in people flow. For instance, how do you move people from parking lots to COVID-19-optimized offices in a timely, safe manner? Making that happen requires tremendous work and collaboration with partners and customers.



**You must co-create with customers, because every environment is different. You need to work with an ecosystem of partners to ensure every stage of the journey is safe — from microbe-free surfaces to social distancing rules, from reduced congestion to contact-free interactions. No one company can do it alone."**

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We recently rolled out a network of co-innovation centers, **KONE WORX**, where we do exactly that. We look at a customer's problem statement, we look at an idea, then we work out how quickly we can move from that idea to a scalable solution. The funnel starts wide and, after a thoroughly structured process, we reach a handful of solutions.

Customer co-creation one-to-one is fairly straightforward — you have one customer and one vendor working together. But, if you have an open ecosystem with multiple customers and partners working on a scalable solution, it can be tricky. We're still perfecting this more complex model.

Besides customer co-creation, the second area we chose to focus on is speed of innovation, combined with a culture of experimentation. I don't like the statement 'speed to fail.' For us, it's 'speed to learn.' We've created a role specifically for this, Chief Innovation Officer, to drive our innovation roadmaps and best practices across KONE's Technology and Innovation unit, and throughout the entire company.

Finally, as our third area of focus, we're evolving our R&D and IT organizations into a competency-based structure, where we can quickly realign our resources and focus them on key priorities. So, when customers' requirements change, we can quickly refocus both our teams and our offering roadmaps.



## **How do you inject a culture of innovation into a company like KONE, where safety is as vital as speed and agility?**

The creation of KONE's Technology and Innovation unit five years ago was pivotal. At that time, most of our peers were hiring chief digital officers, who led digital efforts somewhat separately from the mainstream activities of their companies. At KONE, we focused on cohesion within the company and we combined core R&D, digital R&D, IT, innovation and partnership functions. We were able to create a blend of core values — a strong, proud mechanical engineering foundation, combined with digital ways of working, agile methodologies, as well as strong architectural and management structures. Our approach has been to blend the best of both worlds, physical and digital.

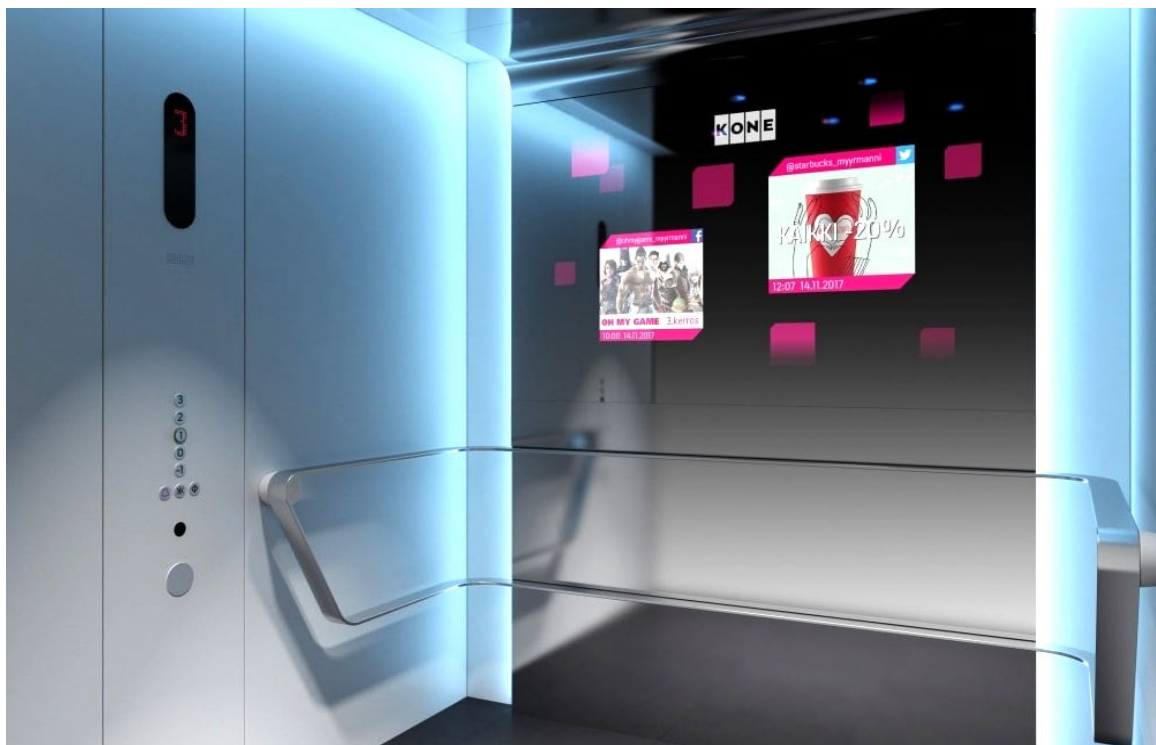
Of course, such a transformation is a journey. But thanks to our integrated approach, we have been able to introduce new classes of products such as

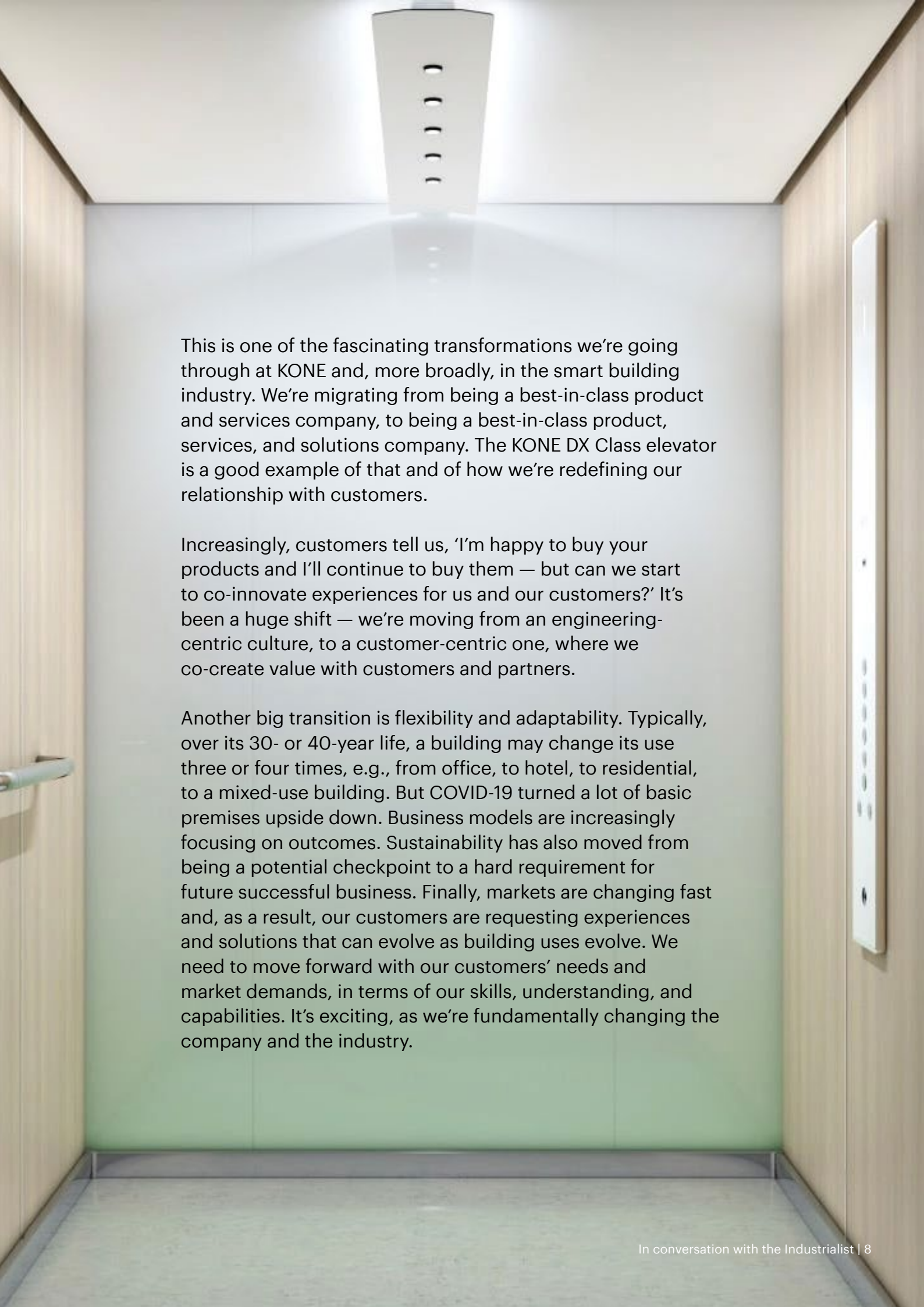
KONE DX Class elevators, which seamlessly blend digital and physical capabilities, and KONE 24/7 Connected Services, our remote and preventative maintenance offering.

One more aspect is quality of our people and a pragmatic culture. This was another key reason I joined KONE. People at KONE were very welcoming and eager to adopt new ideas. In my early days at KONE, the feeling was, 'we do things this way, but if you have a better idea, we're happy to listen.' People were very willing to adopt new concepts. In addition, my colleagues were also very patient in teaching me the basics of KONE technologies, products and markets.

I moved from the Bay Area to Finland with an ask: 'I come from a different industry, with different experiences and best practices, and I'm joining an industry with 110-years of history, a great track record of innovation, and great people — how do we join forces to create something very unique?' This was my formula for success and it has worked well.

**KONE recently launched the brand-new KONE DX Class elevators. How do you see the value proposition changing over time from moving people up and down to completely new customer experiences?**





This is one of the fascinating transformations we're going through at KONE and, more broadly, in the smart building industry. We're migrating from being a best-in-class product and services company, to being a best-in-class product, services, and solutions company. The KONE DX Class elevator is a good example of that and of how we're redefining our relationship with customers.

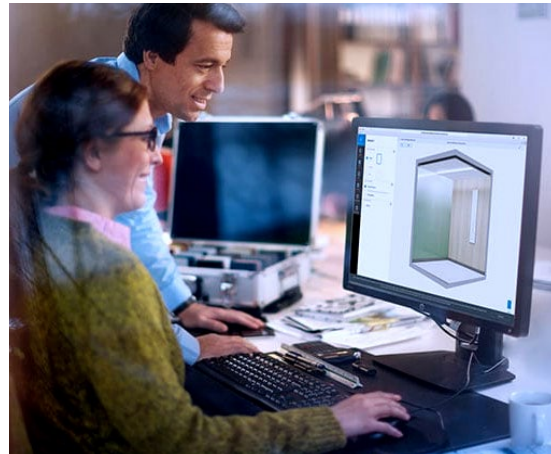
Increasingly, customers tell us, 'I'm happy to buy your products and I'll continue to buy them — but can we start to co-innovate experiences for us and our customers?' It's been a huge shift — we're moving from an engineering-centric culture, to a customer-centric one, where we co-create value with customers and partners.

Another big transition is flexibility and adaptability. Typically, over its 30- or 40-year life, a building may change its use three or four times, e.g., from office, to hotel, to residential, to a mixed-use building. But COVID-19 turned a lot of basic premises upside down. Business models are increasingly focusing on outcomes. Sustainability has also moved from being a potential checkpoint to a hard requirement for future successful business. Finally, markets are changing fast and, as a result, our customers are requesting experiences and solutions that can evolve as building uses evolve. We need to move forward with our customers' needs and market demands, in terms of our skills, understanding, and capabilities. It's exciting, as we're fundamentally changing the company and the industry.



**With KONE DX Class elevators, you've taken the first step for the product to become a platform for services and experiences. Do you see this as an add-on, or will this truly change your business model?**

It's definitely the latter. Our markets and customers are moving through this outcome, solution-based model at different paces. So, we need a segmented approach. We have some customers leading the way and working with us on people-flow solutions, while others just want to buy a great elevator for their residential building. We make sure we can address both needs.



We have two key platforms. With the first — KONE DX Class elevators — we seamlessly integrate in our elevators digital and physical capabilities, as well as partner capabilities through APIs. For example, we're partnering with robotics companies. Initially, the idea behind the partnership revolved around convenience – e.g., a robot delivering pizza within a building. But now, during COVID-19, the value proposition has shifted to safety. Our partnership has evolved to provide not only convenience, but also a health and wellbeing solution.

The second platform relates to KONE 24/7 Connected Services, through which, we offer remote and predictive maintenance capabilities. In addition to sending our experts on site every few weeks to check on elevators, we can also perform the maintenance remotely, and we can anticipate problems before they occur.

From that perspective, we're taking a very thoughtful approach to our offerings and architecting them in a modular way. Our customers provide some of the modules, our partners provide some other ones, and we ourselves add some to the mix as well. We can even program some of these modules remotely. I believe this is the model of the future, where you need to define your architecture and your platform clearly, as well as what is core versus context.

At KONE, we look at what the complete solution needs to be; then, we look for partners that can bring unique competencies into the equation. In that way, one plus one equals three.

## What's your approach to transforming your technology capability?

Within our KONE technology and innovation organization, we have core R&D capabilities (elevators, escalators, doors etc.) and digital capabilities, as well as several teams working together — IT, innovation, and partnership teams. It's a great canvas that we can build on. Our organizational structure and the quality of our people have allowed us to take a comprehensive, 360 approach to transforming the technology organization.



**First**, I've already mentioned our competency-based structures — using agile, lean methodologies across hardware and software teams, removing silos, and enabling speed, innovation and dynamic approach to resources. That approach, for example, enabled us to launch health and wellbeing solutions just six weeks after lockdown last year.



**Second**, comes the evolution of core competencies, from architectures and analytics to product management and UX design. These are foundational competencies for today's organizations.



**Third**, we have become a team of physical and digital natives that can navigate both software and hardware. We innovate in material science, architect modular and programmable products, and integrate with customers' software platforms. Our mechanical engineering experts are now implementing digital twins and APIs.



**Fourth**, our open culture is also probably one of our biggest shifts. By adopting agile ways of working, we can speed up innovation and product execution. Our engineers can move across domains and projects, evolving their skills and careers. It's a win-win. This shift is not trivial. It's a big change in mindset, processes and skillset.



**The work we're doing with Accenture is a good example. Initially, our collaboration was not easy because we were learning from each other — about cultures, processes, integration, and about getting our teams to work together virtually. But now that we have gone through this initial learning curve, one plus one does equal three.**

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What's been heartening for me is that, during COVID-19, the number one request that I heard from our engineering teams was to start going to customer sites again. Our engineers miss interacting with customers. Yes, they can talk with customers virtually, but it's not the same. Our engineers want to experience and understand the customer environments and to co-create products with customers. It is hard to do this at scale via Teams or Zoom.



Working with customers and partners requires patience and a strong investment in long-term relationships. For example, in our current collaboration with Accenture, we proactively figure out how to integrate Accenture teams and processes with KONE teams and processes to make them one. We are also focused on building a common culture and a shared understanding to engage with customers together. We take best practices from both teams, integrate and scale them. It's a fun process, and after one or two projects, the magic naturally starts to happen and we create new value together.



## **As you move from headquarter-centric innovation to customer-centric co-creation, how is that changing the geographical footprint of your R&D and IT capabilities?**

We follow two simple rules: we innovate where we have access to the best talent and we innovate where our customers and partners are. We have a strong technology presence in Finland, and we believe it's a great location to solve hard technology problems. We recently launched a program with the Finnish government to develop new capabilities for smarter, sustainable cities. However, even though we're headquartered in Finland, only 1% of our business is here. We have strong businesses in China, Asia, the rest of Europe, and North America. Therefore, we also locate our technology teams in these major business markets.

We also recently opened a co-innovation lab in Singapore. Wherever our strategic customers and partners are, or wherever new business models and new cities are being created, we need to be there and to be part of the ecosystem.

## **How will KONE differentiate itself?**

First, by accelerating the speed of innovation and execution. At the end of the day, if we don't master that, customers, competitors and partners will move on. Second, by adopting customer and partner co-creation at scale. Third, by fostering a great place to work that is diverse and inclusive; our success starts with our people, and we want to attract and retain great talent. Fourth, by creating a physical and digital native team and culture. Fifth, by integrating sustainability into everything we do. We recently signed the science-based pledge to become carbon neutral by 2030. We're working on comprehensive plans to achieve that.

## How will COVID-19 change the future of the workplace?

With Accenture and AWS, we've been looking at how the traditional work experience will evolve, and we want to invite our industry peers to work with us. The times of everyone working 9-5 and punching a clock are long gone. Now, we need to be flexible and pragmatic about where and how to accomplish work in the best possible way. If I have lots of emails to write, some one-on-one conversations, or some basic coding to do, I can get these done at home, save on commute time, and be more productive. At the same time, when I want to create a new offering, interact with my colleagues, solve tough problems collaboratively, integrate new team members, or have fun – I come to the office.

Our customers are asking how they can create a 360-experience for employees and combine the best of both worlds, remote and in-person work experiences. When I come to the office, I come with a purpose — not to punch the clock, but to have a personalized, customizable experience that is productive and safe. Office managers are struggling with basic questions: How do I offer interaction-free people flow throughout the building? How do I manage office occupancy dynamically across floors? How do I tell office workers what their CO2 footprint is and how do I work with them to reduce it? How do I offer seamless digital and physical experiences?

With Accenture and AWS, we're turning those challenges into opportunities, focusing on providing a superior experience to delight employees at home and in the office. We're coming up with some really creative, interesting ideas.





## Where do you get your inspiration from?

My inspiration comes from people, from seeing the teams around me reaching their full potential. During my more than 30 years in the industry, I've been very fortunate to have had great mentors. Often even brief, 10-minute conversations with some of my role models, had a huge impact on me. I've been trying to do the same and help people grow and learn, early on in their careers. There is so much we can always learn from each other.

**Collectively, as teams, we can move mountains.**

And that's also true of KONE working together with Accenture, AWS, and other partners in the industry. When we collectively learn from each other and share best practices and experiences, there is no limit to what we can accomplish together.





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