

Cinite, I. (2009). Connected world calls for open innovation. Research Report. Innovation Cultures, Intervista Institute, Inc.

Summary

For a long time, innovation was seen as a process taking place only within the organization. Organizations generate their own ideas, then develop them, build them, market them, distribute them, service them, finance them, and support them all on their own. While this allows them to keep control over all the innovation steps, at some point, they can run out of innovative ideas or on the contrary, have an oversupply of ideas that are never utilized. This can be remedied by shifting from the closed innovation paradigm to an increasingly open process where ideas and resources might be leveraged among several organizations. The technology available today takes open innovation to a new level. However, open innovation is not meant only for the high-tech sector, but for a broad range of businesses in manufacturing as well as service industries.

“Open innovation” is a generic term, and over time, quite a few other terms have entered the discourse to describe the approach, for example, co-creation, user-driven innovation, crowdsourcing depending on who is involved. The distinction among them all is not always clear cut, but in any case, new ideas are invited from outside the organization whether those are customers, lead users, individual professionals, or other organizations. In case of other organizations, collaborative strategies are often established with suppliers, academic institutions, or businesses. The paper explores this issue of terminology as well as benefits, limitations, and barriers to consider in each type of open innovation.

Organizations which have adopted the open innovation approach, sometimes may find it inconvenient to deal with outside idea or technology suppliers directly because of disclosure of sensitive information or property rights issues. Therefore, a new industry has emerged that makes the idea exchange process more seamless and safer – networked innovation intermediaries who can be individuals or firms. Lately, internet-based intermediaries have entered the scene.

This paper also reviews different management aspects related to open innovation. They range from determining if your organization is the right type for open innovation to the impact on business strategy, creating the proper organizational structure, managing the risks, and ultimately employing new business models. Among management challenges are: understanding the benefits and limitation of open innovation, making the transition from conventional to open innovation model, integration of open innovation into all the structural aspects of the organization, intellectual property protection, attraction of external contributors, creating a corporate culture supportive of open innovation, and measuring open innovation.

The paper is concluded with the review of a hypothetical future business model of open innovation – global entrepreneurial multi-firm networks proposed by R. Miles, G. Miles, and C. Snow in their book “Collaborative Entrepreneurship: How Communities of Networked Firms Use Continuous Innovation to Create Economic Wealth.”