



Open Innovation: Corporations Success Mantra

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Abstract

Open innovation is the process of searching outside a company's walls—and even its own industry—for technology and solutions to keep it at the cutting edge. More companies now believe that open innovation has emerged as a best practice when it comes innovation. Putting your needs out in the open is sometimes better than trying to innovate in-house or in secret. Big corporations have embedded innovation as a strategic goal. The speed at which information and ideas move throughout the global economy has forced organizations to adopt innovation as part of their processes and to develop cultures that encourage experimentation and new ideas. In this paper, an attempt has been made to discuss the relevance of open innovation as success mantra of many corporations leading worldwide.

Key words: Open Innovation, strategy, Corporation success.

1. Introduction

Open Innovation is a phenomenon that has become important over the last few years. The reasons are to be found in shorter innovation cycles, industrial research and development's escalating costs. Practitioners realized that there is need of open innovation in order to survive in today's competitive era.

Companies need to realise that the locus where knowledge is created does not necessarily always equal the locus of innovation - they need not both be found within the company. Experience has furthermore shown that neither the locus of innovation nor exploitation need lie within companies' own boundaries. However, the concept of open innovation excels beyond companies boundaries.

Open innovation means that the company needs to open up its solid boundaries to let valuable knowledge flow in from the outside so that opportunities are created for co-operative innovation processes with partners, customers and/or suppliers. Open innovation principles therefore describe how to deal best with strategic assets in order to meet market demands and company requirements. The open innovation approach is about gaining strategic flexibility in the strategic process and

creating a critical momentum in innovation diffusion in order to generate customer acceptance and create industry standards.

Today, in many corporations, the logic that supports closed innovation has become obsolete. Useful knowledge has become widespread and focus is on new logic of open innovation that embraces external ideas and knowledge in conjunction with internal R&D. Innovators must integrate their ideas, expertise and skills with those of others outside the organization to deliver the result to the marketplace, using the most effective means possible. In short, firms that can harness the utility of closed as well as open innovation is successful in today's business world.

Open Innovation: The 'open' in open innovation can reveal itself in a number of ways. For example, it can refer to overcoming the "not invented here" syndrome by welcoming external input. Openness is "outside in" when it makes greater use of external brainpower for its innovations. There is also another kind of openness in which a company opens up its ideas and technologies to be used by other companies, even competitors.

Prof. Chesbrough's more recent (and preferred) definition is:

"Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. [This paradigm] assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology."

2. Review of Literature:

Henry Chesbrough, *Open Innovation: Researching a New Paradigm* (2006) in his book outlined a new paradigm of today's distributed knowledge that enables Open Innovation and help companies to earn profits from internal as well as external ideas. This book uniquely makes a powerful contribution to "innovating Innovation." and suggested how companies can move from closed to open innovation.

T.J. Allen (1977) stated in his article how human and organizational systems could be restructured to bring about improved productivity and better person-to-person contact. His article originates the idea of the "gatekeeper," the person who links his or her organization to the world at large. Many of these ideas have been successfully incorporated by architects and managers in the design of new R & D facilities and complexes.

D.B. Audretsch (1996) concluded that both internal and external R&D tend to be complements in high-technology industries but substitutes in low-technology industries. He has also identified factors that affect the decision to engage in external R&D.

K. Brockhoff (2003) in his paper, the customers' perspective is considered as a successful strategy and tactic to improve new product success. This paper conceptualises the problems related to degree of customers involvement in product development.

Oliver Grassman (2003) suggested that changing project necessities, virtual teams are believed to be an important element in future R&D organizations.

3. Need of Open Innovation:

Putting your needs out in the open is sometimes better than trying to innovate in- house or in secret. Open innovation is the process of searching outside a company's walls—and even its own industry—for technology and solutions to keep it

at the cutting edge. More companies now believe that open innovation has emerged as a best practice when it comes innovation.

3.1. How to implement a successful open innovation strategy?

Open innovation strategy doesn't work on a piecemeal basis. It requires transparency, clarity, and commitment—not just from the organization looking externally for new ways to innovate but also from the partners who help companies to implement such policies.

3.1.1. TRANSPARENCY

In the context of open innovation, transparency means not being afraid to let the outside world see in. MNC's including GE, Samsung, HP, Amazon and LEGO now actively and openly participate in collaborative, online innovation communities where seekers and solution providers work together. Those companies often host their own "managed innovation" events, displaying their logos like welcome signs over the main entrance. That transparency demonstrates to the market that they have a clear strategy for the future and they're aggressively pursuing it out in the open.

3.1.2. CLARITY

Open innovation strategy of a company must be clear. It needs to clearly state the details of what they're looking for. Requests for solutions have to be written with enough detail yet without being so specific that they filter out useful concepts. On the other hand, those descriptions shouldn't be so broad that solution providers can't be confident the company itself knows what it requires. In other words, the quality of the solutions a business can acquire through open innovation depends on the quality of the providers who work on it.

3.1.3. COMMITMENT

Companies that show they're committed to open innovation can better assure solution providers that company places a real value on the outcome of the process. There are a handful of ways a company can show its committed to the OI process: Establish a reasonable timeline that details key milestones, then stick to it. Outline the evaluation criteria in clear terms from the very outset. And, of course, state the award the companies are planning to deliver to the winning submission.

Transparency, clarity, commitment. All three lay the foundation for successful OI partnerships. When done right, the competitive edge a company can gain from open innovation far outweighs the risk of trying to do everything in-house or under lock and key.

4. Companies Adopting Open Innovation Strategy

Open innovation is a strategic game for big companies and one of the most important moves to consider for their innovation leaders is the allocation of focus and resources for implementing open innovation policy.

4.1. GENERAL ELECTRIC (GE):

GE is improving customer value and driving advancements across industries. By sourcing and supporting innovative ideas, wherever they might come from, and applying GE's scale and expertise, GE's approach to open innovation is helping to address customer needs more efficiently and effectively.

GE have turned the Ecoimagination Challenge into a very interesting innovation vehicle and they seem to get not only high external engagement, but also high business value from their OI efforts.

GE continues to launch a variety of open innovation challenges and inviting the global community to provide ideas, proposals and technologies that can help us build a better tomorrow for example:

- GE Lighting EMEA – Light the Way: Concepts for the Future of Office Lighting Challenge
- GE ecomagination & GE Water - Solving Scarcity through Water Reuse: Data Science Innovation Challenge
- GE + Statoil Powering Collaboration – Innovative Sand & Water Technologies in Onshore Operations Challenge

4.2. Samsung:

In contrast to Apple, Samsung is more active and open about their efforts on building their external innovation capabilities. Samsung has initiated OI strategy where it take a group of five or six people per team and give them the benefits of a small autonomous company that has freedom to build the product they want without going through the approval process.

- The Samsung’s Digital Health Initiative is a new health open reference design platform tailored to take advantage of the latest sensors, behavioral algorithms, battery technologies and displays.
- Samsung has Open Innovation Center, where it would partner with talented entrepreneurs. This provides an opportunity to acquire small teams, fit them into Samsung, and have them build products as part of the company.

4.3. LEGO

Open innovation strategy of LEGO is focused on enabling participation and co-creation experiences that are both rewarding to users and at the same time open up and elevate our innovation capabilities.

Fans worldwide can submit their LEGO product idea, then use social media to channel support to get people to vote for their proposal. All ideas with 10,000 or more supporters are passed on to a design review to be considered for production. If an idea is produced, the LEGO entrepreneur earns 1% of the profits generated by that product.

- Lego Mindstorms is a classic example of the “outside in” open innovation model where the company has allowed customers to create designs.
- LEGO is building a strong open innovation program as LEGO Cuusoo, which is a great example of how a company can combine different approaches in order to get external ideas and input into their innovation process.

4.4. Procter & Gamble :

P&G serves approximately 4.6 billion people around the world with its brands. It has published the list of technical problems that their team wasn’t able to solve or hasn’t solved on time on its website.

- P&G launched its Connect+Develop program more than 10 years ago and has developed more than 2,000 global partnerships, delivered dozens of global game-changer products to consumers, accelerated innovation development and increased productivity, both for P&G and its partners.
- The website has served as P&G’s “open front door to the world,” allowing any innovator anywhere to share their innovations with the Company. The site, which includes translations in Chinese, Japanese, Spanish and Portuguese, receives about 20 submissions every weekday – or more than 4,000 a year – from all over the world.

4.5. PHILIPS:

Philips is involved with the High Tech Campus and they also offer their insights and experiences to others through the Philips innovation consultancy. Philips work on Open Innovation by sharing its expertise and technical abilities with universities, institutes, and other companies so that, together, they can realize the very best ideas. Philips is engaged in two kinds of Innovation.

- Through “inside-out” innovation, Philips makes its skills and resources available to the outside world. For example, contract researches for external parties, provides technical facilities and support, and assist with IP licensing.
- Through “outside-in” innovation, it draws on the capacities of individuals, organizations, and even small start-ups from around the globe.

4.6. HP

Hewlett Packard highly embraces the ideals of open innovation. HP has its open innovation team that collaborates researchers and entrepreneurs in business, government and academia, to come up with innovative solutions to hard problems with a goal of developing breakthrough technologies. HP works with universities in its “HP Labs Innovation Research Program” and encourage universities for joint research.

4.7. AMAZON:

Amazon has given various start-up/ prospective entrepreneurs to become online sellers. Amazon Marketplace is nominated for the top 100 open innovators. It has created a virtual shopping place for interested persons. This open innovation policy is so successful that both entrepreneurs and customers get email notification regarding order, their payments modes and confirmation of shipping etc. all a person need to do is to visit amazon website. The website is so well developed and managed that in no time person can get anything it requires.

4.8. Eureka Forbes:

Eureka Forbes has adopted outside-in innovation approach as it encourages its employees to bring new ideas. As a part of its open innovation strategy, it has adopted integrated multi stage technology from Argonide corporations. Its vision is to accept the ideas from anywhere in the world and translate it into customer familiar language. For Example aquasure which uses integrated multi-stage technology which is based on Amrit® uses Nanoceram filter to filter contaminated water into pure water without using chemicals. It provides “sabse surakshit paani”. Eureka Forbes comes with customer understandable marketing campaign named the “kitanu magnet campaign”.

4.9. Telenor:

Telenor has adopted Open innovation system in which Telenor do research and innovation together with partnes and customers. Telenor constantly seek ways to create value for their customers. The open innovation system is part of this.

- The Telenor interact with its business customers to start open innovation in a local market trough Telenor Fusion portal. Through this portal Telenor Norway lets third party players access interfaces to its core services, offering enabling services for voice, messaging, mobile data access, payment solutions, user location, click-to-call, presence information, and how partners can distribute their mobile applications to Telenor Norway’s customers.

- Telenor had already established 3rd Party Partnerships with several industries – Transport, Public, M2M, etc.

4.10. Dell:

Dell is collaborative innovator which adopts open innovation concept and also remain stick to the technology. Dell has introduced IdeaStorm, with a view to getting ideas from people due to which 21,010 ideas where submitted and from these ideas dell has implemented more than 540 ideas. These ideas include idea for biodegradable packing material and a touch screen desktop. People are able to get involved by voting for the best ideas that can be found on the website.

5. Managerial implications of study

The concept of open innovation has attracted considerable attention since Henry Chesbrough first conceptualised it. ‘Open innovation’ has benefitted companies like GE, Samsung, LEGO, Dell, Amazon, Telenor. Through this study, it has been observed open Innovation is not fruitful only to a particular sector or a particular corporations but companies belonging to different sector or areas have gained profits by adopting the concept of Open Innovation. But Business managers need to consider where, when and in what type of business strategy, Open Innovation can be used so that it does not harm their earnings adversely.

6. Conclusion And Future Scope:

Being Innovative in business and helping your company increase its capacity for innovation can make the difference between survival and death of the company in today’s world of business. Also many corporations have realized that open innovation approach is highly useful and cost-effective too. They can bring innovation in their products and services by integrating internal as well as external ideas. It offers advantages in terms of minimizing innovation risk, greater competitive advantage, saving and efficiency as we have seen in the corporations cited in this paper. Due to these many advantages many companies some of which are mentioned in this paper are choosing the path of Open Innovation. However to prove the advantages of this strategy in numerical terms, more empirical Researches can be done on this topic.

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