

Open Innovations

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Everything changes except change. Change is constant. To keep pace with the change it is becoming important for organizations to innovate and manage innovations. Those organizations, which do not innovate die. In the twentieth century firms focused on closed innovations. In the closed innovation scenario, organizations innovated in a controlled, secretive and closed environment. In closed innovation, the individual organization/firm takes the onus and responsibility internally, right from generating ideas to development of the product, its marketing, distribution, support services, and finances. In the twentieth century, organizations/firms following closed innovation process led to breakthrough discoveries, but due to the closeness of the innovations other organizations could not explore these ideas for their profit and growth. In the beginning closed innovations worked very well, however, gradually due to the changing market trends, the establishment of start-up firms with the help of private venture capital, led to rapid change in technology, products and services etc., and thus closed innovations were no longer sustainable.

Defining Open Innovation

Erosion of closed innovations led to a paradigm shift and Prof. Henry William Chesbrough introduced the concept of Open Innovations, which assumes that, firms can and should use external ideas as well as internal ideas, and internal, and external paths to market as the firm look to advance their technology. In 2006 Chesbrough defined open innovation as ,... the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively'.

According to Stefan Lindegaard ,Open innovation is about bridging internal and external resources and acting on those opportunities to make innovation happen. According to business dictionary.com open innovation is a business concept developed by Henry Chesbrough, which encourages companies to acquire outside sources of innovation in order to improve product lines and shorten the time required to bring products to market, and to market or release internally developed innovation which does not fit the company's business model but could be effectively used elsewhere'.

The open innovation process focuses on networked innovations environment, which speeds up an innovation in a cost-effective manner. Open innovation enables organizations to collaborate, and share knowledge, expertise and resources with other organizations, which in turn enable the growth of the organizations collectively.

Types of Open Innovation Process

1. Inbound (outside-in) : Inbound open innovation is the process in which external ideas and technologies are imported into the organizations own innovation process.
2. Outbound (inside-out) : Outbound open innovation is the process in which the underutilized ideas and technologies of an organization are given to outside organizations so that they can incorporate them in their innovation process.
3. Coupled : Coupled open innovation process is the appropriate combination of inbound and outbound innovation process.

Few Models of Open Innovations

Some of the common models of open innovations are :

- Idea gathering
- Involvement of Stakeholders in the development of innovations
- Collaborative project approach
- Product Platforming
- Crowd sourcing

Procter & Gamble's well-known 'Connect + Develop' strategy launched in 2001 is a good example of open innovation. The strategy is a blend of internal assets and the knowledge resources outside the firm. From the past few years leading companies like Google, LG, GE Capital, Hyundai, Coca Cola, Intel, etc., are embracing open innovations as one of their business strategies. In search of great new ideas they collaborate and partner with academics, suppliers, customers, etc.

In the next issue we will discuss some of the above mentioned models of open innovations in detail.

Source

1. Chesbrough, Henry William (March 01, 2003). Open Innovation : The new imperative for creating and profiting from technology. Boston : Harvard Business School Press. ISBN : 978-1578518371.
2. Henry Chesbrough, Wim Vanhaverbeke and Joel West, eds., Open Innovation: Researching a New Paradigm. Oxford : Oxford University Press, 2006. ISBN : 0-19-929072-5.
3. Stefan Lindegaard (October 27, 2011). Making Open Innovation Work: @lindegaard to big and small companies : You need to open up your innovation efforts! Read this book and visit www.15inno.com for good advice, ISBN : 1463712448
4. <http://www.businessdictionary.com/definition/open-innovation.html#ixzz3X4PgaJMd>