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## Tools & Methods

# TOOLS FOR REDUCING THE UNCERTAINTY OF AN IDEA

## OPEN INNOVATION

### What is Open Innovation?

Open innovation is defined as a strategic approach that not only embraces collaborative efforts but also actively seeks external input, encompassing ideas, technologies, and expertise. This dynamic framework accelerates innovation by tapping into a diverse network, recognizing that ground breaking ideas can emerge both internally and from external sources. From fostering creativity to driving rapid development, open innovation harnesses the power of collective intelligence, propelling organizations towards ground breaking advancements.

In traditional closed innovation models, companies rely primarily on their internal research and development (R&D) departments for ideation, developing new products or services, and bringing them to market. However, open innovation takes a more inclusive approach by actively seeking external inputs and partnerships.

### Open Innovation Model: Key Characteristics

The open innovation model is characterized by several key features that distinguish it from traditional closed innovation approaches. Here are the key characteristics of the open innovation model:

**Collaboration:** Open innovation emphasizes collaboration and partnerships with external entities such as customers, suppliers, research institutions, start-ups, and even competitors. It recognizes that innovation can be accelerated by leveraging the expertise and resources of a broader network.

**External Inputs:** In open innovation, organizations actively seek external inputs and ideas to complement their internal R&D efforts. This can involve gathering insights from customers,

crowd sourcing ideas, collaborating with external experts, or licensing technologies from other companies.

**Knowledge Sharing:** Open innovation promotes the sharing of knowledge, information, and expertise across organizational boundaries. It encourages the exchange of ideas through platforms, networks, and collaborations, enabling the flow of information between different stakeholders.

**Inbound and Outbound Innovation:** Open innovation involves both inbound and outbound approaches. Inbound innovation refers to the acquisition of external ideas, technologies, and knowledge, while outbound innovation focuses on leveraging internal assets by licensing or commercializing them with external partners.

**Iterative and Agile:** Open innovation recognizes that the innovation process is iterative and often requires flexibility and adaptation. It encourages continuous learning, experimentation, and feedback loops to refine and improve ideas and solutions.

**Ecosystem Development:** Open innovation fosters the development of innovation ecosystems, where organizations can connect, collaborate, and share resources. These ecosystems can include technology clusters, incubators, accelerators, and collaborative platforms that facilitate interactions and knowledge exchange.

**Risk and Reward Sharing:** Open innovation acknowledges that risks and rewards associated with innovation can be shared among different partners. This includes shared investments, joint ventures, licensing agreements, or revenue-sharing models that allow multiple stakeholders to benefit from successful innovations.

**Customer-Centric Approach:** Open innovation places a strong emphasis on understanding customer needs and involving customers in the innovation process. It seeks to co-create value by actively engaging customers in providing feedback, ideas, and insights.

### **Advantages of Open Innovation**

**1. Access to a broader pool of ideas and expertise:** Open innovation allows organizations to tap into external sources of innovation, such as customers, suppliers, research institutions, and start-ups. This provides access to a wider range of ideas, knowledge, and expertise that may not be available internally.

**2. Faster time-to-market:** By collaborating with external partners, organizations can accelerate their innovation processes. Open innovation enables faster development and commercialization of new products or services by leveraging external resources and capabilities.

**3. Reduced R&D costs:** Open innovation allows organizations to share the costs and risks associated with innovation. By partnering with external entities, companies can access resources, technologies, and expertise without having to invest heavily in internal R&D.

**4. Increased flexibility and agility:** Open innovation promotes flexibility and adaptability in the face of changing market dynamics. By leveraging external inputs, organizations can quickly respond to emerging trends, customer needs, and technology innovation.

**5. Enhanced competitiveness:** Open innovation helps organizations stay competitive by leveraging external knowledge and capabilities. By accessing a diverse range of perspectives and expertise, companies can develop more innovative and competitive products or services.

### **Challenges of Open Innovation:**

**1. Intellectual property (IP) concerns:** Sharing knowledge and collaborating with external partners can raise concerns about protecting intellectual property. It requires careful management of IP rights, contractual agreements, and trust-building mechanisms to ensure the appropriate protection of valuable assets.

**2. Managing the innovation process:** Open innovation can lead to a larger volume of ideas and inputs, making it crucial to have effective mechanisms to filter, evaluate, and select the most promising opportunities. Managing the innovation process and ensuring the effective utilization of resources can be demanding.

**3. Coordination and management complexities:** Open innovation involves managing multiple external partnerships, collaborations, and knowledge flows. Coordinating activities, aligning objectives, and ensuring effective communication can be complex, particularly when dealing with diverse partners.

**4. Quality control and integration:** External ideas and inputs may vary in quality, compatibility, and alignment with organizational goals. Assessing and integrating external contributions while maintaining consistency and coherence can be a challenge that requires careful evaluation and management.

**5. Finding the right partners:** Identifying and engaging the right external partners can be a challenge. It requires a thorough understanding of the external ecosystem, building networks, and establishing trust-based relationships with reliable and capable partners.

**6. Cultural and organizational barriers:** Adopting open innovation may require a cultural shift within an organization. It may be challenging to overcome internal resistance to sharing information, collaborating with external partners, and embracing a more open and collaborative mindset.

### **Types of Open Innovation Model**

#### **1. Outside-in Innovation**

In this model, organizations actively seek external ideas, technologies, and knowledge to address their innovation needs.

Examples include gathering customer insights through surveys or focus groups, monitoring and adopting emerging technologies from start-ups or research institutions, and participating in innovation challenges or competitions.

## **2. Inside-out Innovation**

This model focuses on leveraging and commercializing internal ideas, technologies, or intellectual property outside the organization.

Examples include licensing or selling proprietary technologies or patents to external partners or spin-off ventures, creating start-up incubation programs to nurture and support internal innovations, or collaborating with external entities for joint commercialization efforts.

## **3. Coupled Innovation**

Coupled innovation involves collaborative partnerships between organizations to jointly develop and commercialize products, services, or technology innovations.

Examples include research collaborations between companies and universities, joint ventures or strategic alliances to share resources and expertise, or co-creation initiatives with customers to develop customized solutions.

## **4. Collaborative Innovation Networks**

Collaborative innovation networks refer to networks of individuals or organizations that collaborate and share knowledge to address complex challenges or drive innovation.

Examples include on-line innovation platforms that facilitate the crowd sourcing of ideas, knowledge-sharing communities or forums focused on specific industries or domains, or innovation ecosystems that bring together multiple stakeholders to foster collaboration and exchange.

It's important to note that these models are not mutually exclusive, and organizations often combine multiple models to suit their specific innovation goals. The choice of mode depends on factors such as the organization's internal capabilities, the nature of the innovation sought, the industry context, and the available external resources and partners.

### **Examples of Open Innovation**

There are numerous examples of open innovation across various industries. Here are some notable examples:

#### ● LEGO

LEGO launched the LEGO Ideas platform, where fans can submit their own designs for LEGO sets. The designs are then voted on by the community, and those that receive enough support are considered for production as official LEGO sets. This approach allows LEGO to tap into the creativity of its fan base and bring ideation to market.

#### ● NASA

NASA has embraced open innovation through various initiatives. The NASA Tournament Lab hosts challenges and competitions, inviting participants from around the world to solve complex

problems. The agency also released a catalogue of its patents, making them available for licensing and commercialization by external partners.

- Procter & Gamble (P&G)

P&G established the Connect + Develop program, which aims to source innovation externally. P&G actively seeks partnerships with external inventors, startups, and suppliers to develop new products and technologies. For instance, the development of the Swiffer cleaning system involved collaboration with an external inventor.

- IBM

IBM has a history of open innovation, exemplified by its collaboration with universities and researchers. One notable initiative is the IBM Q Network, where IBM collaborates with academic institutions, start-ups, and research organizations to advance quantum computing technology and applications.

- Mozilla

Mozilla, the organization behind the Fire fox web browser, engages in open innovation through its Mozilla Open Innovation Program. It invites developers and users to contribute ideas and collaborate on new features and product innovation. This approach allows Mozilla to harness the collective intelligence of its community.

- General Electric (GE)

GE launched the GE Appliances' FirstBuild initiative, an open innovation platform that engages with makers, designers, and engineers to co-create innovative home appliances. Community members can submit ideas, collaborate on projects, and provide feedback, leading to the development of new products.

## REFERENCES

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