INTERNATIONAL STRATEGIC INNOVATION MANAGEMENT

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# Executive Summary

The last two decades have seen a significant increase in the number of organizations that have embraced open innovation as a key growth driver. By leveraging open innovation techniques, these companies have been able to increase their innovative capacity and launch significantly more products into the market, thus gaining an edge over their competitors. Additionally, open innovation has allowed companies to reduce costs by encouraging flexibility. Further, open innovation approaches have provided firms with the platform for seeking, evaluating, managing, and monitoring ideas from a wide array of partners. The diversity and flexibility associated with open innovation strategies, have also allowed enterprises to effectively motivate their employees, ultimately contributing to operational efficiency. Against this backdrop, this paper will examine the concept of open innovation and how it has motivated and encouraged business leaders to experiment with a wide range of models to generate and commercialize innovation. It will be structured into four components. The first component will provide a brief history of the concept of open innovation and how it has evolved to fit into the current business environment. The second section will highlight the key theories of open innovation from relevant academic literature. The third portion of the paper will link the various innovative concepts and methodologies to practical examples. The final segment of the paper will offer a reflection on the limits of open innovation and identify how today's organizations can implement the concept to catalyse growth.

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# Introduction

In the current business environment, few can question the strategic importance of innovation in ensuring long-term business growth and performance. Indeed, there is a general agreement in the literature that more innovative organizations are likely to grow twice as fast as those that are less innovative (Visnjic et al., 2014). However, innovation itself is changing and has evolved rapidly from closed to open in the last few decades. It is critical to highlight that although the concept of "Open Innovation" had been used to describe the strategy of looking externally for product innovation used by organizations as early as the 1980s, it was incredibly popularised by Berkeley professor Henry Chesbrough who characterized it primarily in the context of technology firms (Chesbrough, 2012). Whereas Chesbrough did not provide a concrete definition of the concept, he argued that, unlike closed innovation where organizations owned and managed the entirety of the innovation process, open innovation allowed companies to innovate by pursuing external partners and sharing the risks and rewards with them (Chesbrough, 2012). For its humble beginnings, open innovation is today in use in a wide line-up of industries and sectors and is associated with reduced time-to-market for new products and an increase in the number of innovative products from firms (Bogers et al., 2018). Five key benefits can be brought about to organizations that embrace open innovation. First, these firms can engage larger audiences since the concept allows them to acquire a deeper understanding of consumer needs (Bogers et al., 2018). Secondly, open innovation is associated with improved cost efficiencies since it only requires employees to exclusively manage the innovation and not the ideation process (Bogers et al., 2018). Third, open innovation involves consumers in the Research and Development (R&D) process, thus increasing the long-term viability of products since the organization in question can get near-instant feedback on the aspects and features that are necessary and those that are not (Bogers et al., 2018). Fourth, open innovation improves the overall brand value associated with firms by offering a wider outreach (Bogers et al., 2018). Finally, the techniques of open innovation have the potential to birth new profitable partnerships between organizations, subsequently enhancing the creative potential volume a firm can have at its disposal. Moving into the future, there is little doubt that open innovation will allow businesses to manage expertise and sustainably churn new products.

# Academic Literature Review

From the foregoing discussion, open innovation can be characterized as cooperating for innovation within broad horizontal and vertical organizational networks. Thus, some scholars have linked the concept to the theories of human motivation (Hausberg & Spaeth, 2020). They argue that without providing the right incentives, an organization's workforce may not participate in the open innovation process (Hausberg & Spaeth, 2020). For organizations that are keen on providing the right incentives to catalyse open innovation, four key issues are worth noting. First, it is vital to create value in every stage of the open innovation process (West & Bogers, 2013). Instead of rewarding just a few ideas at the end of the innovation program, organizations must ensure that the process remains interesting and engaging for people to participate from the beginning to the end. Secondly, firms must ensure that they reward shared behaviour rather than individual ideas (West & Bogers, 2013). While it is always tempting for companies to encourage creative competition by rewarding only those individuals with the best ideas in the open innovation process, such approaches tend to be divisive and demotivating for those who are not rewarded. Therefore, to create the right sense of collaboration around the open innovation programs, robust contributions should be continuously rewarded throughout the entirety of the process. Third, firms must make certain that they are transparent about the open-innovation process as well as the decision-making involved (West & Bogers, 2013). In other words, the organizations must be clear about what they want and the decision to be made to realize the same. Finally, the success of an innovation depends on whether it has created an impact. For that matter, companies need to listen, implement the lessons learned, and consistently welcome feedback every step of the way.

Studies have identified three key models of open innovation: outside-in open innovation, inside-out open innovation, and coupled open innovation. Notably, the outside-in open innovation process involves purposely bringing external knowledge into the internal innovation process (Hilbolling et al., 2020). For organizations that embrace outside-in innovation some of their key concerns include identifying the growth markets for their businesses, finding ways to tap into emerging opportunities, spotting emerging trends and determining how to meet them, and identifying how to better serve the needs of the market. Some of the approaches to the open-innovation process include corporate start-up collaborations, in-licensing Intellectual Property (IP), and supplier-sourced innovation (Hilbolling et al., 2020). The second mode, inside-out open innovation, involves organizations allowing small motivated teams to break away from the parent company and collaborate with other partners to, among other objectives, develop go-to-market strategies for projects or technologies that are not effectively aligned with the firm's overarching roadmap (Hilbolling et al., 2020). As opposed to the outside-in open innovation model, the inside-out approach is anchored on the understanding that an organization ultimately generates its sustainable future from its inner strengths and capabilities. An example of inside-out open innovation is corporate incubators which are increasing in popularity as a way to catalyse and supercharge innovation. Finally, coupled open innovation involves co-creation with complementary partners through a wide selection of strategies such as joint ventures, cooperation, and alliances. As a result of its interactive nature and longer time frame, it is worth highlighting that coupled open innovation is more complex than its inbound and outbound counterparts since its requires firms to be mindful of where their strengths and gaps are and how to effectively detect opportunities and strengths (Remneland Wikhamn & Styhre, 2019). The bottom line is that in determining the best open innovation model to pursue, companies should consider the entire life-cycle of their innovation ecosystem and then determine the suitable approach allowing the enterprise in question to innovate in a strategic, scalable, and integrated manner.

# Analysis, Discussion, and Evaluation

As firms continually embrace open innovation to encourage long-term growth, they are equally finding new innovative approaches to unlock value and improve their products and services. One of these innovative approaches is crowd-sourcing. According to existing literature, by utilising crowd-sourcing alongside their open innovation approaches, firms effectively position themselves to not only collect insights, ideas, and feedback but also efficiently manage and analyse the data gathered throughout the open innovation process and systematically put it into effect (Bagheri et al., 2020). Other researchers have taken a similar approach, contending that the power of crowd-sourcing as used alongside open innovation lies in its ability to harness creative ideas to solve problems and connect organizations and stakeholders and get them actively involved in ideation to discover mutually beneficial solutions (Ruiz et al., 2020). For organizations that implement crowdsourcing as an open innovation approach, the benefits are enormous. For instance, crowdsourcing allows firms to reduce their R&D costs and save valuable time by generating ongoing engagements regarding how to improve overall product and service offerings (Simula & Vuori, 2012). Secondly, crowdsourcing provides an excellent avenue that organizations can use to get consumer opinions about existing products and service offerings (Simula & Vuori, 2012). Suffice it to say that crowdsourcing enables companies to identify new opportunities for product and service development and stay ahead of competitors by noticing market trends early and aligning the production process accordingly (Simula & Vuori, 2012). An example of a company that has relied on crowd-sourcing for product design ideas is Boeing whose standard approach has up till now involved creating designs and sending them off to suppliers. However, the company took a different approach to the development of the 787 Dreamliner. Facing an urgent need to innovate after losing its pole position in the aerospace industry to Airbus and with limited financial resources to achieve this objective, Boeing turned to its global suppliers for collaboration on product design, engineering, and manufacturing (Kotha & Srikanth, 2013). The result was the 787 Dreamliner, a product emerging from a series of innovative approaches that Boeing would have been unable to achieve on its own. Therefore, there is no doubt that crowd-sourcing as an approach to open innovation allows collaborators to explore mutually-beneficial solutions to the organizational challenges they face.

The other strategy organizations are increasingly implementing alongside various open innovation methodologies is open data. It is worth emphasizing that data is emerging to be the new capital of the global economy, as organizations pursue renewed growth, stronger performance in all dimensions, and increased engagement with their customers (Huber et al., 2020). In recent years, however, open data is becoming a fundamental component of the rapidly growing data landscape, encouraging businesses to find new ways to improve their products and services. According to existing literature, open data is already influencing open innovation approaches in organizations in three key ways. First, it is allowing firms to collaborate more effectively with their partners as well as suppliers (Huber et al., 2020). Indeed, the increased availability of open data is already allowing organizations to optimize their supply chains by guaranteeing that all elements of product and service provision are made available. Secondly, open data is allowing companies to pursue new data-as-a-service business models (Huber et al., 2020). A case in point includes companies such as Google that are recognizing that new business models founded on free access to the tons of data they generate could potentially provide good returns on investment. Finally, open data is allowing organizations keen on open innovation to inspire consumer engagement (Huber et al., 2020). Already, emerging trends indicate that moving into the future, consumers will be more likely to engage with businesses that are open about their data. Indeed consumer pressure will push organizations to guarantee transparency in the manner in which they deal with the data they collect and in so doing, enhance consumer and shareholder confidence.

# Summary of Findings and Conclusion

The previous discussion and the review of academic literature raise various salient issues worth restating. Veritably, digital strategies are incredibly vital to the open innovation process. Indeed, digital strategies can be implemented to manage the open innovation process by allowing the sharing of created and transferred knowledge (Urbinati et al., 2020). At the same time, the open innovation concept requires the integration of systems and technologies capable of converting processes into organizational value (Enkel et al., 2020). What is more, open innovation cannot be implemented in organizations that lack the requisite cooperative structures and processes to support the said structures (Olk & West, 2020). Suffice it to say that the success of open innovation strategies in organizations is equally dependent on certain individual-level attributes such as openness, practicality, opportunity-focused, and sensitivity towards uncertainty (Mack & Landau, 2020). Indeed, open innovation in an organization requires that the organization's workforce be open to learning and collaboration (Mack & Landau, 2020). By and large, open innovation has played a critical role in widening the space for value creation in firms, and hence such initiatives will become dynamically more collaborative moving into the future.

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