

Implementing Open Innovation (OI): Lessons from multinational companies

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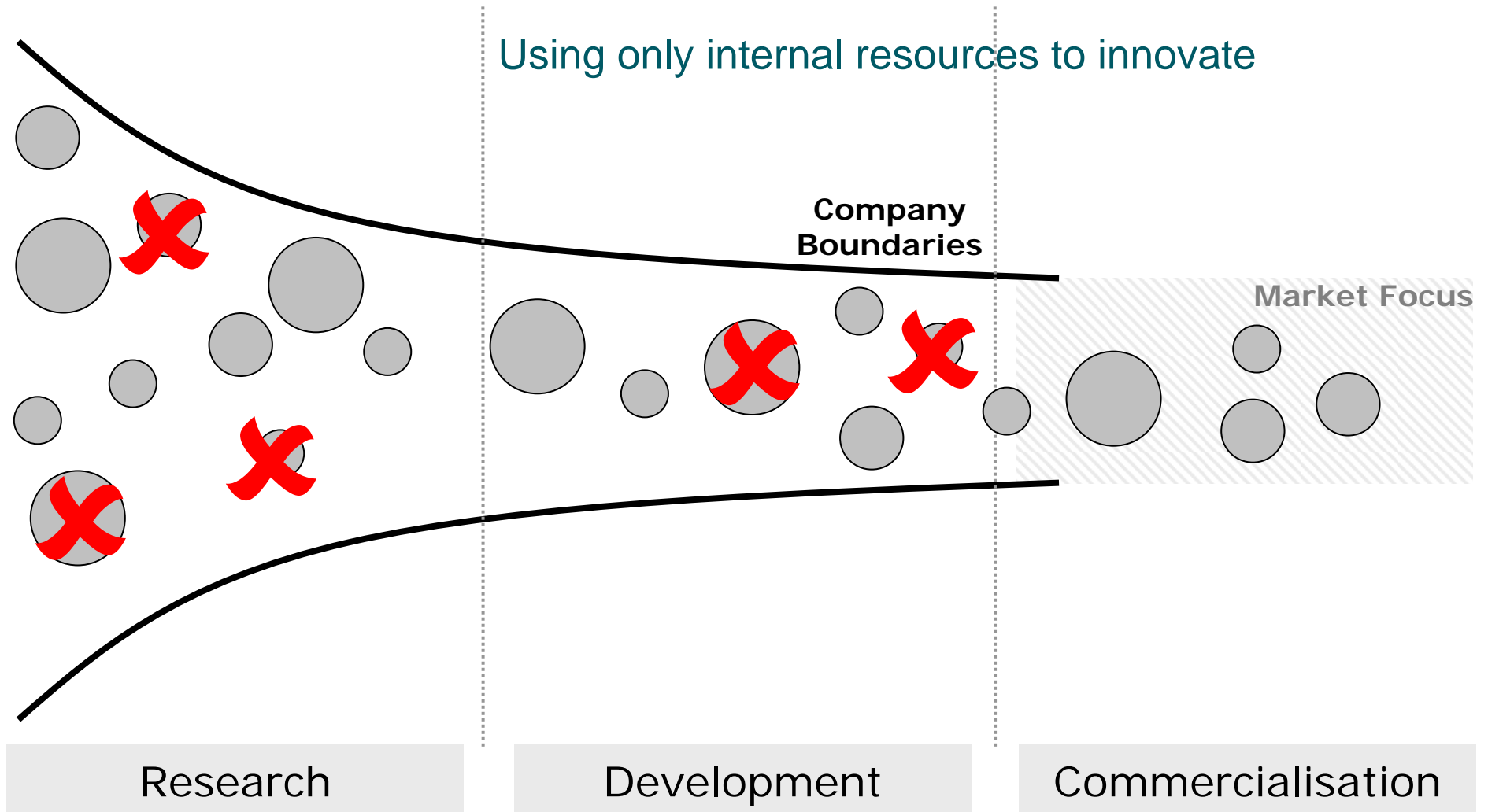
Manufacturing Thursdays series

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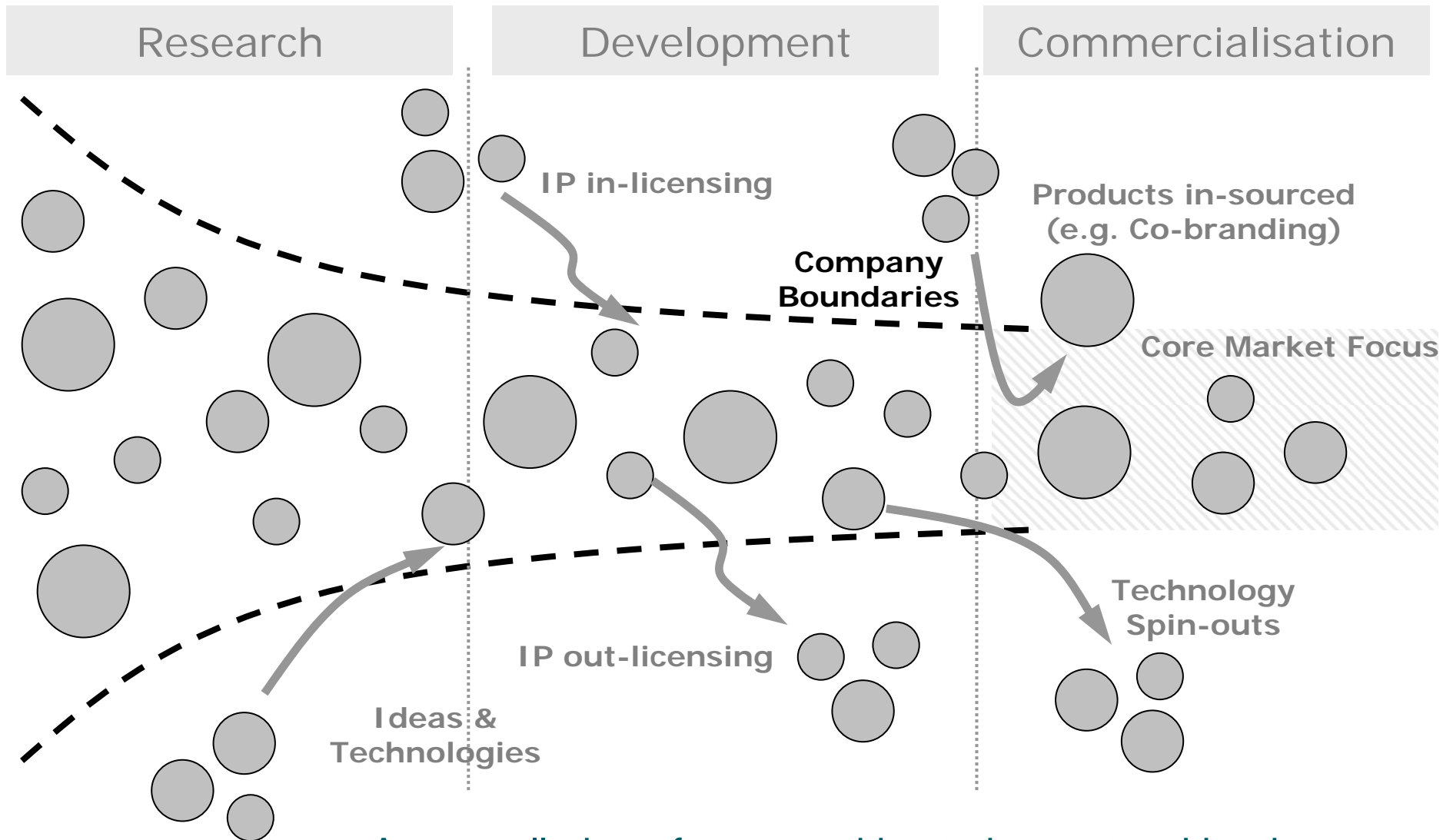
Talk outline

- What is Open Innovation?
 - The model
 - Examples from practice
- How to implement Open Innovation?
 - Cultural issues
 - Skills

Closed Innovation



Open Innovation

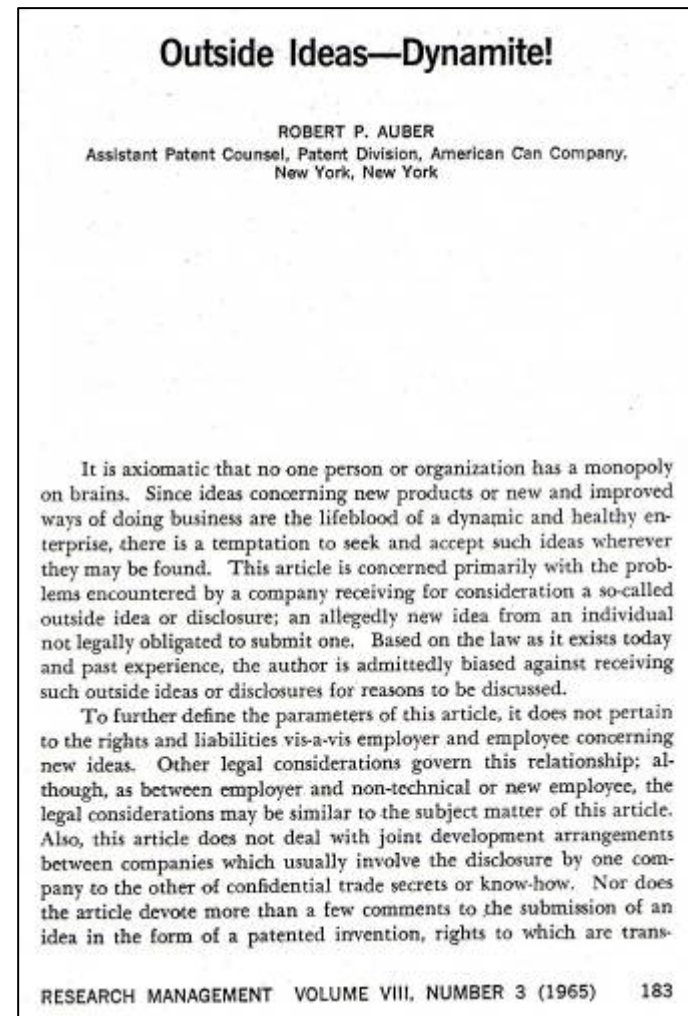


A constellation of opportunities to innovate with others

Docherty, M. (2006), Primer on 'Open Innovation': Principles and Practice, *pdma (Product Development and Management Association) Vision* (April 2006), pp.13-17.
Chesbrough, H. (2003), *Open Innovation: The New Imperative for Creating and Profiting From Technology*, Boston: Harvard Business School Press.

Not a totally new idea though....

- Auber, R.P., *Outside ideas - Dynamite!* Research Management, 1965. VIII(3): p. 183-190.

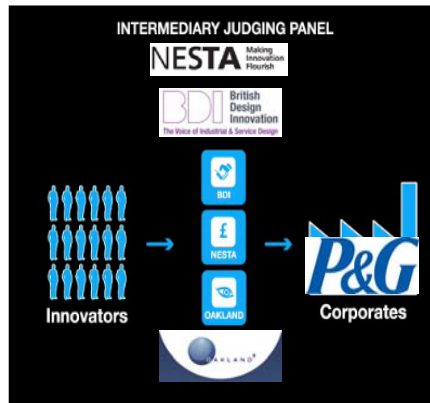


Collaborate with different partners



With universities

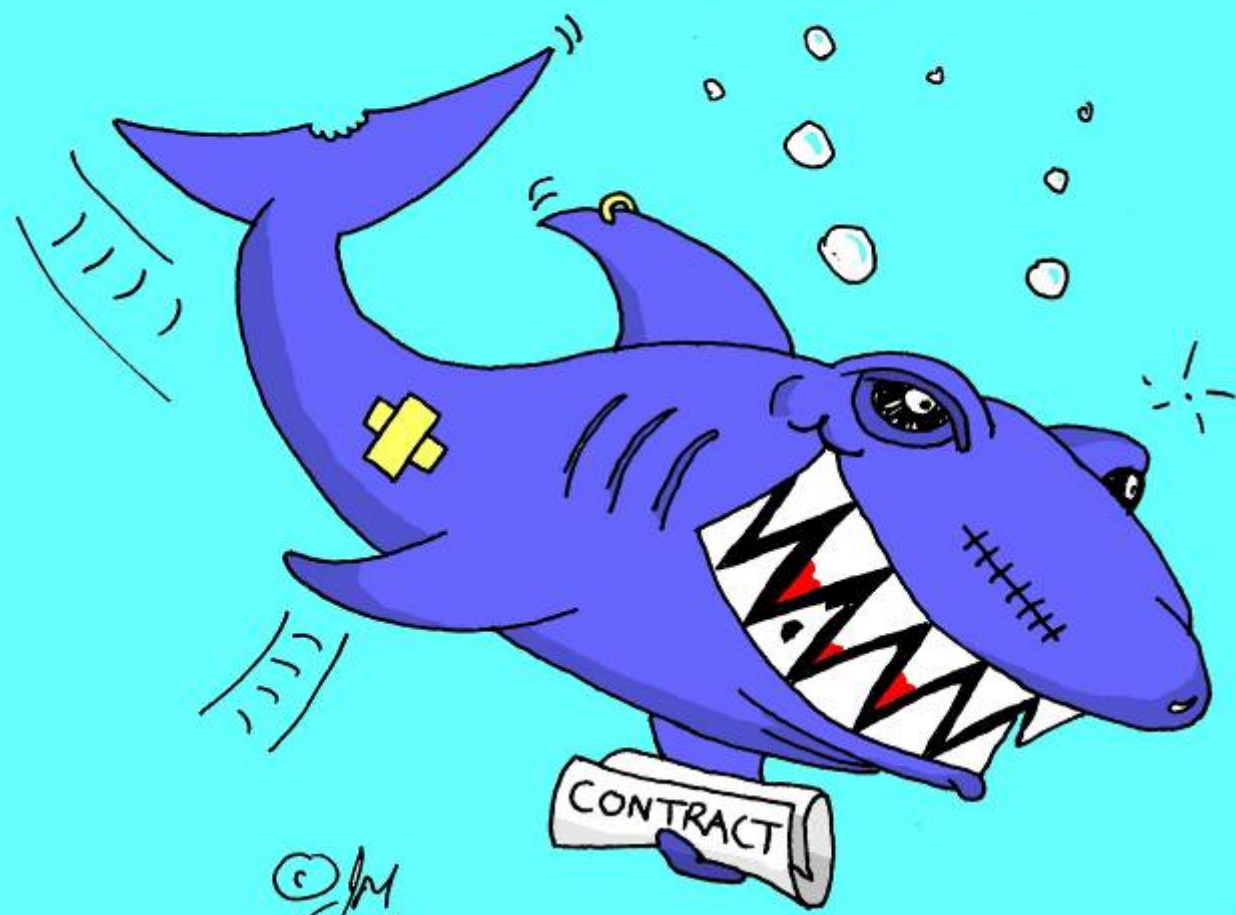
With SMEs



through intermediaries

With users





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01/06



Getting organised for OI

Ecosystems & Science Parks

PHILIPS

MiPlaza



Colworth Science Park

Current Occupiers
Please click on the logos below for more information about each occupier:-

One point of entry, attracting partners and ideas

The screenshot shows the P&G Connect + Develop website. It features a navigation bar with links like 'Home', 'About Connect + Develop', 'Submit Your Innovation', 'Browse P&G's Needs', and 'Media Center'. A central banner asks 'Could your innovation be the next GAME-CHANGING DEAL?'. Below this, there are sections for 'Why Partner With P&G?', 'Browse P&G's Needs', and 'Submit Your Innovation'. A sidebar on the left contains a login form and various utility links.

The screenshot shows the 'Innovation at GSK' website. The main heading is 'Helping your ideas grow'. A navigation bar includes 'Home', 'Innovation at GSK', 'Our brands', 'Search our wants', 'Innovation resources', and 'FAQs'. A large central image of a tree is overlaid with the text: 'At GSK Consumer Healthcare, our business grows through innovation from wherever it may come'. Below this, there are three columns: 'Explore our brands', 'Why partner with GSK Consumer Healthcare?', and 'Innovation resources'.

The screenshot shows the 'Boots Centre for Innovation' website. It features a navigation bar with 'Home', 'Innovation at GSK', 'Our brands', 'Search our wants', 'Innovation resources', and 'FAQs'. A central image shows a woman speaking at a podium. Below this, there are three columns: 'Explore our brands', 'Why partner with GSK Consumer Healthcare?', and 'Innovation resources'. A sidebar on the left contains a login form and various utility links.

Cambridge Open Innovation Network (COIN)

www.ifm.eng.cam.ac.uk/ctm/teg/openinnovation.html



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BAE SYSTEMS

Cadbury

	Key Drivers	What is 'open'?	Current Issues
Case 1	Technology change Change of business	External venturing Partners: Centres of Excellence	Skills/Tools/ IP-Management Meeting different expectations
Case 2	Technology leadership Time to market	Supplier links Cluster formation	IP Management Regional clusters
Case 3	Time to market Cost reduction	University Technology Centres Risk/Revenue Sharing Programme	IP Management Value creation (how/where/win-win)
Case 4	Flexibility in service needed Product updates	Cooperation with universities Partners of excellence	IP Management Skills/Value creation
Case 5	Technology driven New business opportunities	Broad innovation ecosystem (Start-ups, universities, suppliers...)	Process structure for OI IP Management (→ www)
Case 6	Partnership-based business model Expanding to new businesses	Fast moving Markets "Fuzzy" Customers	Skills Value creation
Case 7	Technology leadership	Collaboration with universities, suppliers, customers	IP Management Meeting different expectations
Case 8	Fast moving Markets Cost reduction	New Technology Sourcing Ventures	Skills & Culture/IP Management Meeting different expectations
Case 9	Fast moving Markets Technology driven	VC initiative, lead-user method, Cooperation with universities	Idea trade Tools (Open source, www etc.)
Case 10	Technology leadership Global pressure: profitable growth	Funnel more open to partners	IP Management Process Structure for OI (How?)

Issues in OI implementation

- Main challenges across OI implementers:
 - management of IP
 - key skills for OI
 - cultural implications of OI adoption

Organisational culture

- It is not possible to plan cultural change (Berg, 1985)
- Importance of motivation (Badawy, 1986) and control (Nelson and Machin, 1976)
- 3 levels of culture (Schein, 1992).

- Artifacts
- Espoused Values
- Basic Underlying Assumptions

Superficial



Deep

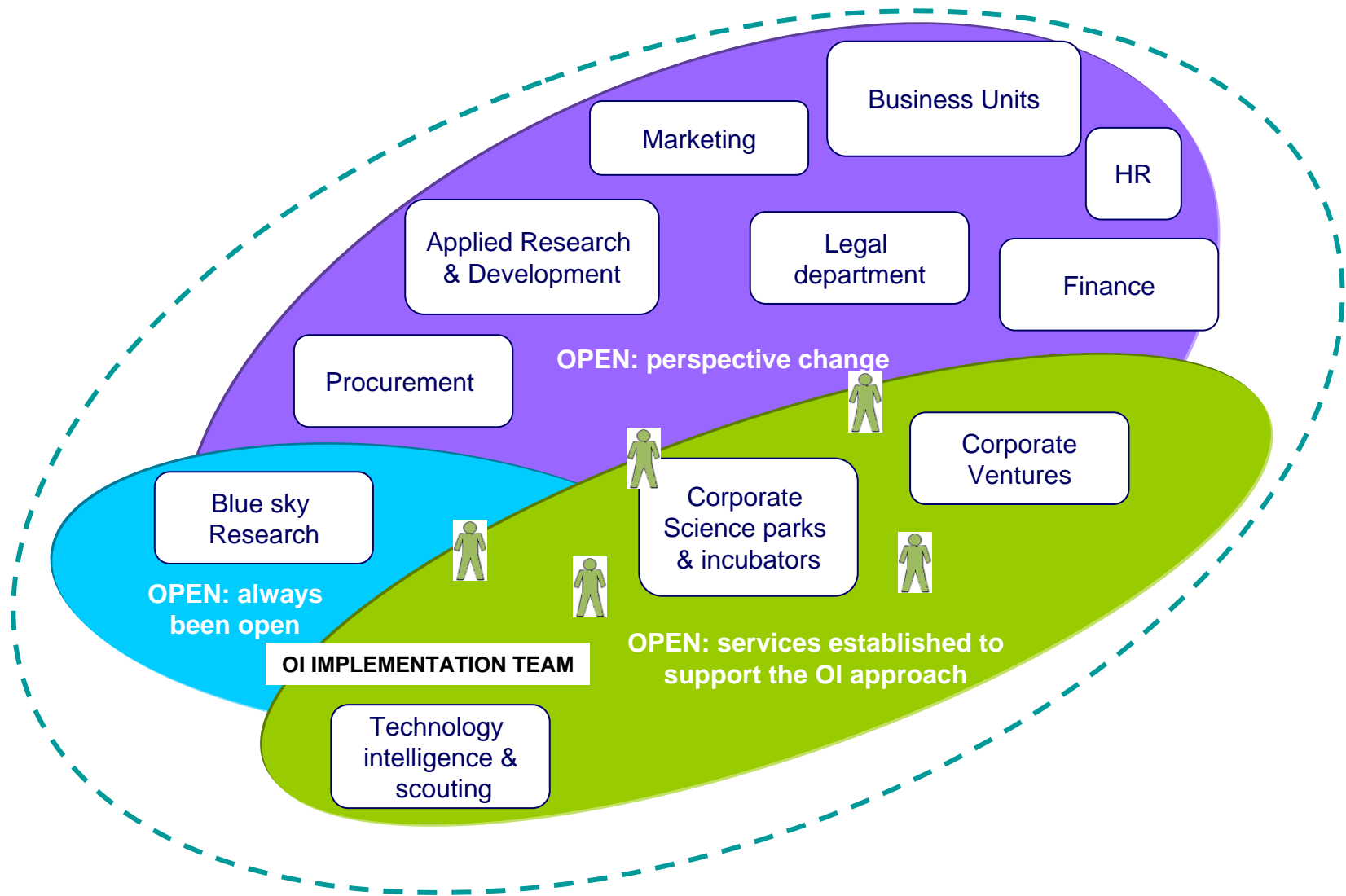
– Artifacts the easiest to modify and monitor (Martin and Sihel, 1983).

- In time artifacts will lead to a more deep change

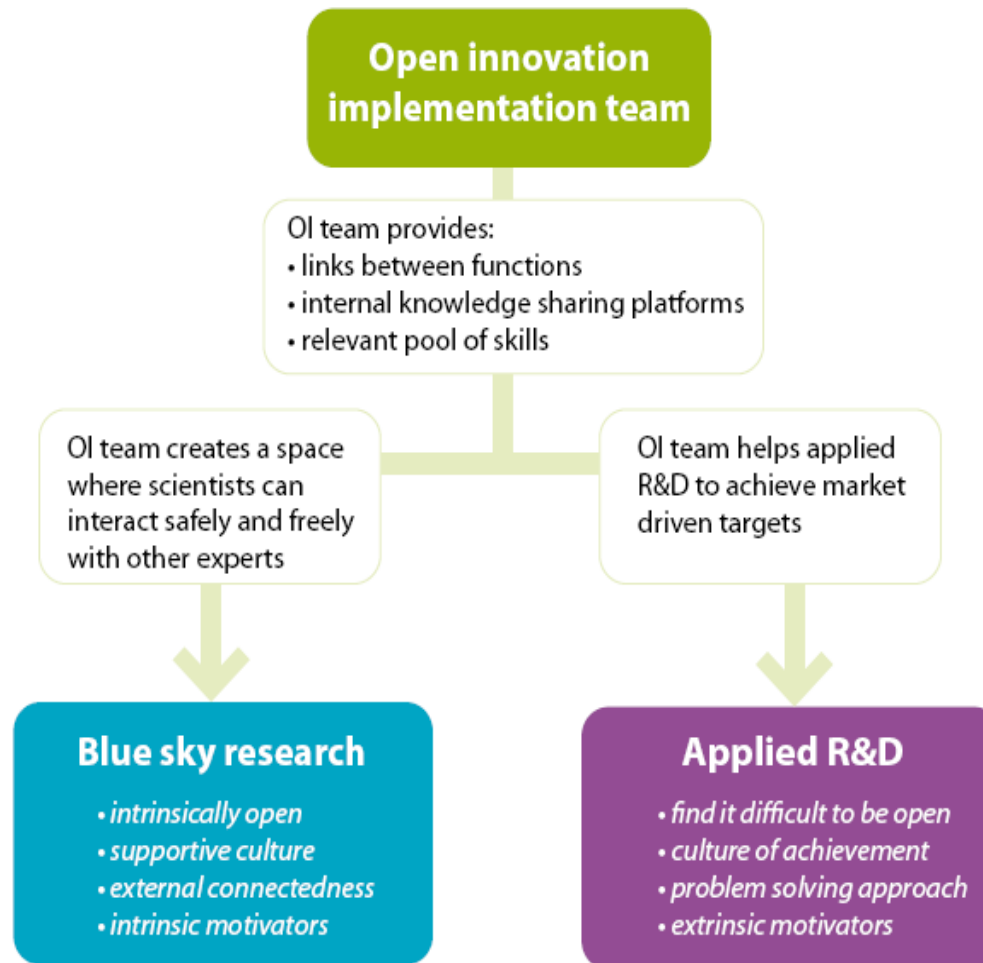
Culture and Control: adapted from D. Pheasey, 1993

What needs to be controlled?	METHODS OF CONTROL: method to purposefully direct or restrain the action of something	
	<p>ROLE CULTURE: <i>pyramidal organisation. Distinct functions. Job descriptions, rules, procedures. Emphasis on conformity on expectation</i></p>	<p>ACHIEVEMENT CULTURE: <i>focus on work. High demand on people's energy and time. Assumes tasks are intrinsically satisfying.</i></p>
External contingency	<p>Closure Separation</p>	<p>Problem-solving compromise</p>
	<p>POWER CULTURE: <i>leadership based on strength, paternalistic benevolence. All-knowing, all-powerful leaders. Obedience of subordinates.</i></p>	<p>SUPPORT CULTURE: <i>satisfaction comes from relationships, mutuality, belonging and connection. Assumes that people contribute out of a sense of commitment. Personal stake in the organisation.</i></p>
External contingency	<p>Conquest Confrontation</p>	<p>Dynamic connectedness, transformation</p>
	<p>Control by Regulation</p>	<p>Control by Appreciation</p>

There are 3 perspectives



OI implementation team



Case study – fast-moving consumer goods

Open implementation facilitation services

- Energised by ideas
- Non threatening
- Happy with role (not driving for promotion)
- Experienced (and well regarded)
- Good communicators
- Empathetic outside and inside
- Coordinated, efficient link to external innovation

- Offer 'ideas' opportunities
- Offer training – how to get your ideas adopted
- Outlet for 'false negatives'

- Identify the movers and shakers
- Personal relationships
- Opportunities
- Great pitches

- Needs!**
- Challenge, improve viable solutions
 - Share costs

Technical group

- Technology focused
- Motivated by challenges
- Technical career track
- Less good communicators
- Ideas people

Applied R&D

- Growing business rising star
- Spend 1/3 of time on career development
- Career motivated
- Results driven
- Generalists rather than specialists
- More superficial than technical group
- Good communicators

Skills for OI

- It is rare, if not impossible, for anyone to possess all the ideal skills. Skills can be pulled together by creating **cross functional teams**.

SKILL 0: The OI implementation team should be aware of where the important skills are (who holds them) and how to outsource them.

- Technological skills are important, but not the only one skill which is needed when it comes to **getting** the right technology

Comprehensive set of skills

Introspective

Strategic insights → E.g. understand fit with internal strategies.

Legal/IP skills → E.g. understanding IP implications, ability to draw up contracts.

Extrospective

Behaviour analysis → E.g. Analytical, personal.

Strategic insight → E.g. understand fit with partners' strategies.

Interactive

Communication/collaboration → E.g. communicate needs internally and to partners, resolve conflicts, language skills, network building

Negotiation → E.g. understand buying & selling tactics.

Technical

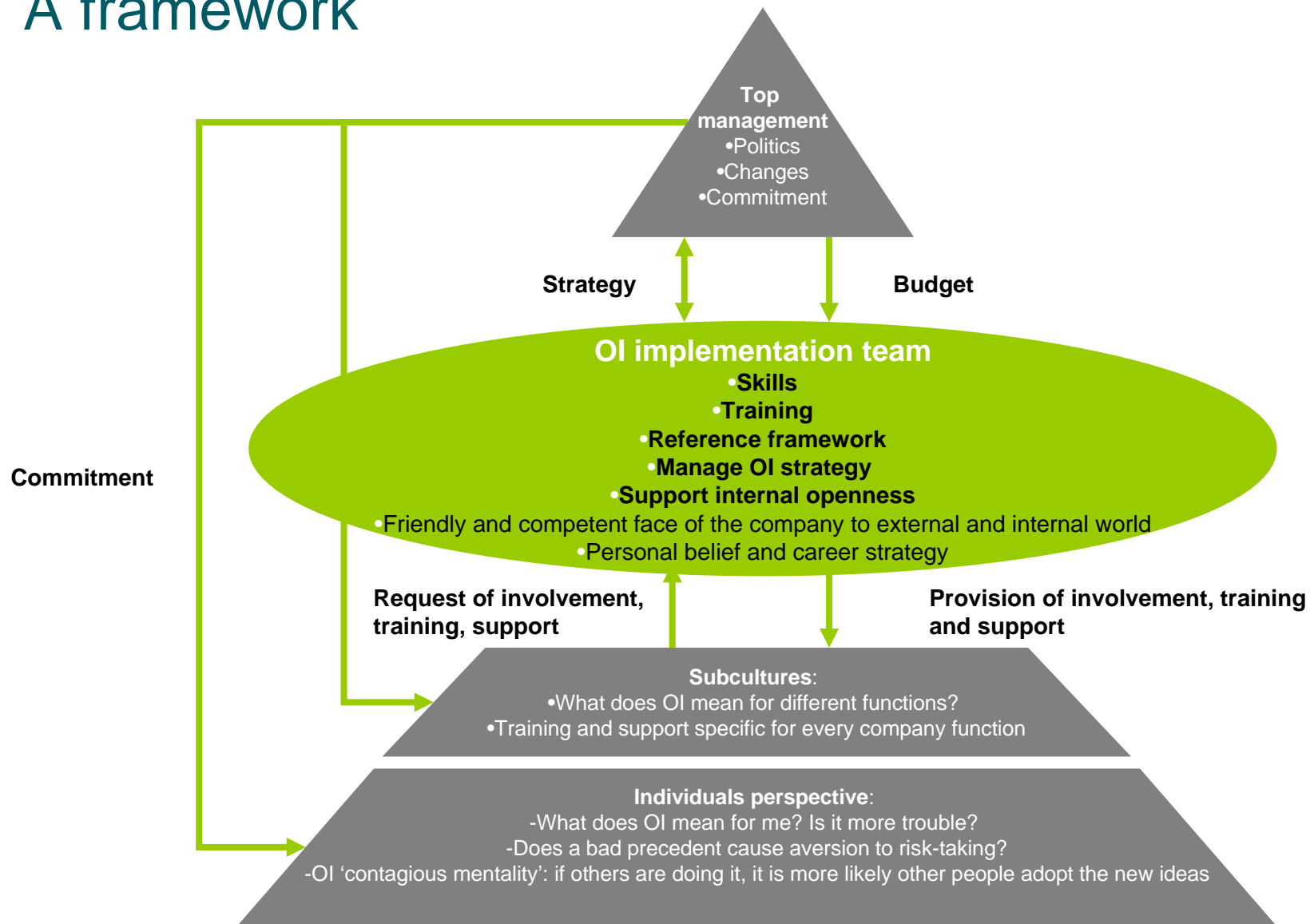
Technology → E.g. understand principles of technology being exploited.

Portfolio management rather than project management

Financial → E.g. understand ad set budgets.

Analytical skills → E.g. evaluation of risk, financial analysis, problem solving

A framework



Summary: how to move towards a culture for OI?

- Company culture can be influenced by **structure, skills, incentives and control**
- A complete OI culture for the whole company **cannot be created overnight**
- Starting point could be the **OI implementation team**, which should seed the OI culture within the company
- Different units will have **different sub-cultures** and make use of these cultures within an OI approach
- **Identify groups with particular sub-cultures** and find different ways to support OI within them

Report



Downloadable from:

http://www.ifm.eng.cam.ac.uk/service/books/form_oi09.html