Open Innovation Strategy In New Product Development

The Ins and Outs of Open Innovation

A paradigm that assumes that companies can and should connect ideas as well as internal ideas and external ideas to external and internal partners to market, so that they can achieve a technology... [Read more on Caseism.com]

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Top Myths That Open Innovation Dispels

1. Disruptive innovation is a thing of the past.
2. Open innovation is more expensive than traditional innovation.
3. Open innovation is not suitable for large companies.
4. Open innovation is not suitable for small companies.
5. Open innovation is not suitable for government organizations.

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Conclusions:

Closed Innovation Vs. Open Innovation

Closed Innovation: Focuses on creating products and solutions within a company's internal capabilities. It limits interaction with external entities to protect proprietary information and competitive advantage. (Read more on Caseism.com)

Open Innovation: Embraces collaboration with external entities, such as universities and research institutions, to leverage new ideas and technologies. It fosters innovation and productivity by pooling resources and expertise from multiple sources. (Read more on Caseism.com)

Techniques for Applying Open Innovation

Case Study: Procter and Gamble

Procter and Gamble has implemented an open innovation strategy that is proving to be successful for them. The company has partnered with universities, startups, and other companies to develop new products and technologies. This approach has led to increased innovation and reduced development time. (Read more on Caseism.com)

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The Ins and Outs of Open Innovation

“A paradigm that assumes that companies can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance in their technology.”  


- Outside-In
- Inside-Out

BUSINESS MODEL!

External or Networked

Bringing external input to an innovation process!

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Closed Innovation Vs. Open Innovation

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Closed Innovation

- Most of the smart people in our field work for us.
- To profit from R&D, we must discover, develop and ship ourselves.
- If we discover it, we will get it to market first.
- If we are the first to commercialize we will win.
- If we create the most and the best ideas in the industry, we will win.
- We should control our intellectual property (IP) so that our competitors don’t profit from our ideas.

Open Innovation

- Not all of the smart people work for us, so we must find and tap into the knowledge and expertise of bright individuals outside our company.
- External R&D can create significant value; internal R&D is needed to claim some portion of that value.
- We don’t have to originate the research in order to profit from it.
- Building a better business model is better than getting to market first.
- If we make the best use of internal and external ideas we will win.
- We should profit from others’ use of our IP, and we should buy others’ IP whenever it advances our own business model.

Source: Henry Chesbrough, Open Innovation, 2003

Techniques for Applying Open Innovation

Crowd Sourcing
The process of obtaining needed services, ideas, or content by soliciting contributions from a large group of people, and especially from an online community, rather than from traditional employees or suppliers.

Marketplace
Refers to all the meeting points where innovation is discussed, specially design to discuss the current needs of innovation within the companies.
Ex. Fairs, forums, conferences, etc.

User Innovation
Refers to innovation by consumer users (individual end users or user communities), rather than by suppliers (producers or manufacturers).

Co-creation / Co-Working
A management initiative, or form of economic strategy, that brings different parties together (e. g. customers, a company and a group of customers), in order to jointly produce a mutually valued outcome.

Outsourcing
Involves the contracting of the operations and responsibilities of specific business functions or processes to a third-party service provider.

Source: http://xeloromero.com/5-tecnicas-de-la-open-innovation/
Top Myths That Open Innovation Dispels

1. “Nobody can know what we are innovating. Everything is a secret.”
   
   **Open Innovation:** Keep confidential and trade secrets, but reveal the problem at the right time for other to collaborate.

2. “If you pump more money into internal R&D, it will help us grow our market”
   
   **Open Innovation:** Smart innovators leverage resources from the global innovation community.

3. “If we have the first patent, we will make the most money!”
   
   **Open Innovation:**

4. “Open Innovation requires huge resources and investments”
   
   **Open Innovation:** It actually reduces costs and risks of development and increases chance of success.
Benefits and Risks of Implementing Open Innovation

- Reduces the time to market, risk and costs of innovation projects, increases the chance of success
- Find solutions through unobvious connections and diversity
- Gives the flexibility to organizations to focus on their core business
- Potential for viral marketing (use of social networking services to increase brand awareness)
- Incorporation of solutions which would have never been generated by the company due to lack of time, knowledge and technological resources.
- Commercialization of inventions which due to lack of ability cannot be placed in the market by the company owning them

- Possibility of revealing information not intended for sharing
- Potential for the hosting organization to lose their competitive advantage
- Increased complexity of controlling innovation and regulating how contributors affect a project
- Not-invented-here syndrome and not-sold-here syndrome
Case Study: Procter and Gamble

Crest Whitestrips is a tooth whitening product introduced in 2001.

As the Crest brand sought new innovations for its Whitestrips brand, their lead technician discovered Corium’s innovative “form fit, no slip, clean removal” technology.

The result? Crest Whitestrips Advanced Seal teeth-whitening product, launched in early 2009 to rave reviews.

The new "Advanced Seal" is a technological advancement from the older Crest Whitestrips: they are now non-slip and also whiten more teeth in the mouth since the strips are larger.

P&G continues to build on Corium’s innovation capabilities. The collaboration allows P&G to avoid a duplication of R&D effort.
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Conclusions:

- Companies must have an innovation strategy that is inspiring and aligned with their corporate model. This strategy must be adaptable to changes in the market.

- Today, the trend is that the world is open and globalized and to be connected and forming a network of collaboration is crucial for surviving. Open Innovation is the smart strategy to follow.

- Businesses today are changing to being more open but they are being careful on opening at a strategic moment, therefore, a combination of both approaches is currently used and recommended.

Thank you for your attention!
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“You cannot discover new oceans unless you have the courage to lose sight of the shore.”

[Andre Gide]