

Open Innovation

Chapter 5

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INTRO

- Today, ICT is having a rapid and intense headway, with multiple continuous improvements and innovations
- In this context, the common denominator of many new technologies is the principle of instant and free (or selective) sharing within a community.
- At the managerial level, this affects the way an innovation is pursued and processed in the first place.

INTRO

- In literature, open innovation is described as ‘the antithesis of traditional vertical integration model’ (Chesbrough 2006b, 2), and it consists in the co-creation of novelties with third parties.
- Open collaborative innovation differs from user innovation. The latter occurs when an individual realises co-innovation with the firm, spurred by the sake of a personal matter. In this case, ‘information related to the innovation is a public good - non-rivalrous and non-excludable’ (Baldwin and von Hippel 2011, 4, 9).

INTRO

- An open collaborative innovation project involves contributors who share the work of generating a design and also reveal the outputs from their individual and collective design efforts openly for anyone to use', where 'collaboration is a wellknown attribute of online, multi-contributor projects' (Baldwin and von Hippel 2011, 6).

Innovation openness

- Innovation openness depends on the accessibility of underlying information by third parties. According to Baldwin and von Hippel (2011), it is possible to consider an innovation 'open' when the information is a public good.
- By contrast, in the openness of an innovation strategy, intellectual property rights are non-public and are managed through appropriate contracts between partners.
- Strategy openness is entirely aimed to increase firm profitability, improving corporate or competitive advantages.

Innovation openness

- Collaboration differs from mere cooperation, where the actor only acts in self-interest (Miles, Miles, and Snow 2005). Additionally, collaboration requires a greater endeavour than cooperation.
- Sometimes, open innovation starts with simple outsourcing deals (Gassmann, Enkel, and Chesbrough 2010).

Collaborative innovation and firm ambidexterity

- ‘Collaborative innovation is the pursuit of innovations across firm boundaries through the sharing of ideas, knowledge, expertise, and opportunities’ (Ketchen, Ireland and Snow 2007, 371).
- This phenomenon leads to virtually co-designing organisational activities and implies coordination decisions across organisational boundaries (Ollila and Yström 2016).
- Large firms collaborate with small firms, start-ups and users to remain open-minded. This way, they benefit from the novelty of a new venture and recoup creativity, despite bureaucracy and rigidity of structure, eventually fuelling innovation.

Collaborative innovation and firm ambidexterity

- The greater the knowledge heterogeneity between partners, the greater the potential effect on firm growth (Nooteboom et al. 2007; Orlando et al. 2017). Such diversity contributes to overcoming the path dependency of the firm (Rosenkopf and Nerkar 2001).
- Collaboration may foster firm ambidexterity as well. A firm can be defined as ambidextrous when it is able to pursue exploration and exploitation simultaneously (Jensen, Volberda and Van Den Bosch 2005; Tushman and O'Reilly 1996).

Collaborative innovation and firm ambidexterity

- Open innovation refers to the decision of opening the internal innovation process to external sources of knowledge, and seen as an alternative to the vertical integration strategy (Chesbrough 2006b).
- Open innovation can be described as ‘the use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation, respectively’.
- Gassmann and Enkel (2004) describe open innovation as a three-core process archetype: the outside-in, inside-out and coupled processes. Open innovation can occur in different modes, where the open collaborative innovation is one of them (Baldwin and von Hippel 2011; Dittrich and Duysters 2007; Gloor 2006).

Collaborative innovation and firm ambidexterity

- One of the main matters in open collaborative innovation regards the process of information revealing by partners. The act of revealing is how internal resources are revealed to the external environment.
- Particularly, this approach deals with how ‘firms reveal internal resources without immediate financial rewards, seeking indirect benefits to the focal firm’ (Dahlander and Gann 2010, 703).
- Numerous firms and individuals freely reveal the technical content of innovation, making it a public good (Baldwin and von Hippel 2011; Harhoff, Scherer and Vopel 2003).

Platform Open Innovation

- Open innovation strategy and digital technologies are to increase firm agility (Sambamurthy, Bharadwaj, and Grover 2003).
- Firms pursue creativity effects on purpose via digital platforms, almost effortlessly. They exert their control over knowledge, calibrating either the revealing strategy or the overtime breadth and depth of collaborations.
- By signing agreements, participants voluntarily accept to free reveal information: ideas are stored within the cloud and retrieved when the opportunity arises.

Platform Open Innovation

- This way, platforms become knowledge- and value-accretive in a way that realises a durable value-creation mechanism.
- Open innovation collaboration determines co-options (Chesbrough and Appleyard 2007), shared between partners.
- Per se, open collaborative innovation realised via digital platforms represents an anomaly in innovation alliances. The platform allows highly effective coordination mechanism, reduces bilateral uncertainty and ambiguity of the collaborative process, and standardises collaborative behaviours. Cost for the search of novel ideas, storage, coordination, control, distribution and other contractual costs decrease sharply because of the high process standardisation. Consequently, marginal benefits increase as far as the scope of the platform increases as well.