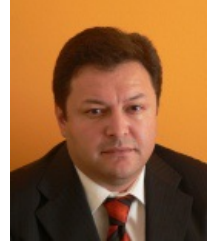


On Open Innovation

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It seems that Open Innovation is embraced more and more by big multinational companies around the globe. P&G, Kraft, Unilever, Sara Lee, Philips, LG, Ericsson, Nokia, Siemens, Huawei, Xerox, Starbucks, to name a few firms, operate dedicated web places to accommodate open innovation practices. Research has also identified that small and medium sized enterprises (SMEs) are getting involved in open innovation activities as well (Chesbrough and Crowther, 2006, Van de Vrande, et al., 2009). Although the samples are yet too small to generalize, it seems that SMEs are motivated mostly by market considerations, i.e., to find pathways to markets for the internal knowledge base they have built. On the other hand "surfing" around the open innovation web pages of the large companies it stands out that "big players" are searching mostly for fresh new product ideas and specialized niche technologies.

Drawing from a retrospective review on innovation models (Hobday, 2005, Rothwell, 1994) it is evident that the Open Innovation model is the current step on the historical path of the various ways firms adopt in order to innovate. This is not about a switch event. Rather, it is about a long term transition period towards more open operational models consistent with the openness observed in national economies globally. Similar to the case that it is the most competitive countries that benefit from globalization, while the rest are striving to catch up, the role and situation of SMEs in Open Innovation is scattered by question marks opening up interesting avenues of research.

Innovation is not a simple stepwise process, but a complex, path-dependent and context-sensitive one. It takes more than having the right idea, or the right technology in place to finally offer a unique (or just better) product and reap the market benefits from innovation. Innovation at firm-level is a systemic process including at the core the sub-processes of new knowledge production, transformation of knowledge to artifacts and matching of these artifacts to market needs (Pavitt, 2004). Additionally, firm-level innovation is determined by factors related to people, structures and working methods, project leadership, top management commitment and support, organizational culture and strategic alignment.

On top of this, Open Innovation implies that even more determinants have to be taken into account such as to make use of an external knowledge base and collaborating with actors across and out of the value chain. Presumably the story will not end here, unfortunately. At the extreme all players in a business ecosystem should actively pursue Open Innovation. Competition for dispersed knowledge and callable resources and capabilities will increase. Arguably firms will have to develop new capabilities for competing in this new era of open and connected business game.

Thus, to my perception, a firm has to "arrange" first its internal innovation system at its best potential and then open up to include various knowledge sources and complementary partners. Open Innovation can be the opportunity window to explore new territories and exploit further internal potential. Unless this is done with strategic orientation and operational readiness, SMEs might find themselves striving to innovate. Even worse it might be the case that big companies eventually will become even bigger by tapping on the knowledge of the small firms to feed their established innovation systems. Small companies might remain small if they adopt Open Innovation only to find a mediated pathway to market and avoid the "trouble" to develop an integrated innovation system.

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