

Are the Barriers to Corporate Open Innovation Illusory?

CMI Open Innovation workshop , 22nd May 2008



NESTA Making
Innovation
Flourish

National
Endowment for
Science,
Technology and the
Arts



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Endowed in 1998 with £300m from the lottery fund

Mission: To increase the UK's capacity for innovation

NESTA **Connect**

Innovation is by definition collaborative



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Corporate Open Innovation

When corporates source or place innovations
externally

Bigger, faster, cheaper

IP rests with the inventor

"A great idea waiting to happen"

NESTA COI Programme

P&G Open Innovation Challenge

mediating between David and Goliath

Corporate Connections

making the spaces in between productive

Open Alchemy

up-ending supplier-led innovation

Beta Nova

open innovation for business models

Open Ventures

forming businesses on the web

User-led innovation

embracing company fans



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COI Essential for 21st Century Success



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"The Obsolescence of R&D"

(Chesbrough, 2003)



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COI Essential for 21st Century Success

Efficiency

Global R&D spend growing at c.1% a year but "*patents don't drive profits*" (Booze Allen Hamilton, 2006)

Shorter product lifecycles

Open innovation linked with radical innovation

Knowledge more distributed

"No-one has a monopoly on good ideas." Joachim Von Heimburg, P&G

Companies are focusing their knowledge bases

The growth of networks

Creation nets are making collaborative innovation easier

Hard Barriers

Intellectual property

"Art is pleasure. Invention is treasure" Trevor Bayliss

Contrast the relaxed attitude to IP in open source community

Complexity

COI requires better communication and management of diverse teams

Interdependence

Issues of control, power and integration

Hard Barriers - Examples

Intellectual property

P&G will not have 'confidential conversations' with inventors

Complexity

Collaboration can have high transactional costs (Reback et al 2002, Metcalf et al 2006)

Interdependence

Mars Climate Orbiter 1999 crashed due to a metric/imperial units conversion error

Soft Factors

Inertia

Existing innovation practices and competences, fear of failure especially in riskier projects

Culture

Short-termism, reward and recognition

Attitude

Competition not collaboration, secrecy not openness, institutional lack of trust

Soft Barriers - Examples

Inertia

The 'day job factor' in the P&G Open Innovation Challenge

Culture

In many corporates, bonuses depend on short term in-market measures

Attitude

Many SMEs fear to approach corporates

Open Innovators are still minorities within corporates

Taking a Positive View

Either soft or hard so-called barriers can be turned into accelerators

Thinking outside the boardroom

Cultural and personal development

Thinking Outside the Boardroom

Surmounting P&G IP policy using an Intermediary Model

Venture operations e.g. Rolls Royce, McLaren Applied Technologies, Tate and Lyle

Collaboration programmes e.g. BBC Labs, Shell GameChanger

Open doors e.g. Qinetiq phone line, yet2.com, connect and develop.com

Cultural and Personal Development

5 most influential cultural factors (Global Business Partnership Alliance, 2007)

Autonomy given to individuals e.g. Boeing's Skunk Works

Organisation e.g. X teams, Google time

Conflict tolerance and anticipation

Communication, a mix of networked information and face to face

External Relationships e.g. customer focus

Conclusion

Corporate open innovation is still in the 'early adopter' phase

It needs more proof of effectiveness

Excuses can be dramatised as 'barriers'

Reality is more prosaic

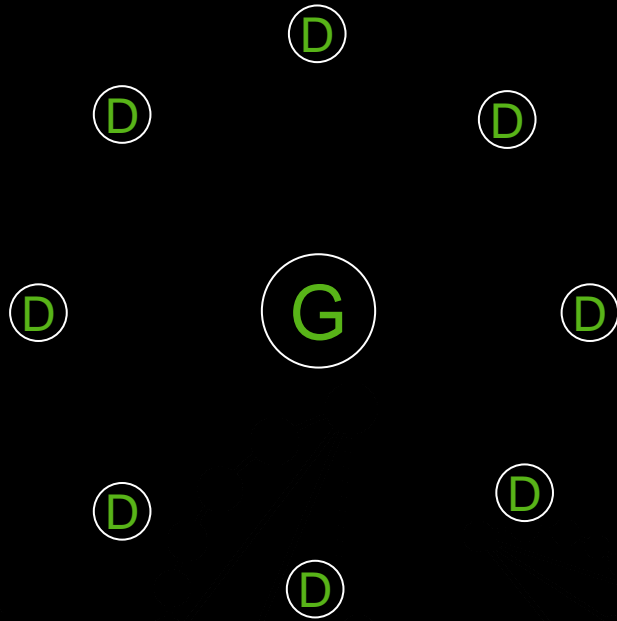
More attention needs to be paid to the human factors

NESTA COI Projects

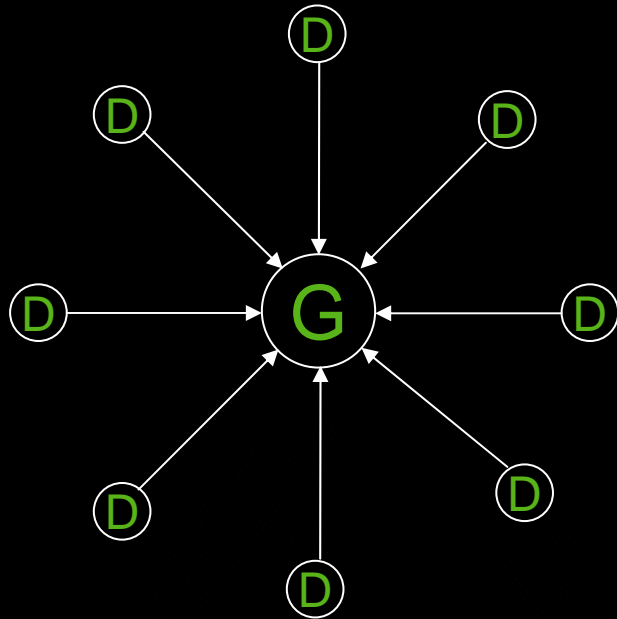
Work in progress after year one

Using video ethnography to capture the human factors

P&G Open Innovation Challenge



P&G Open Innovation Challenge

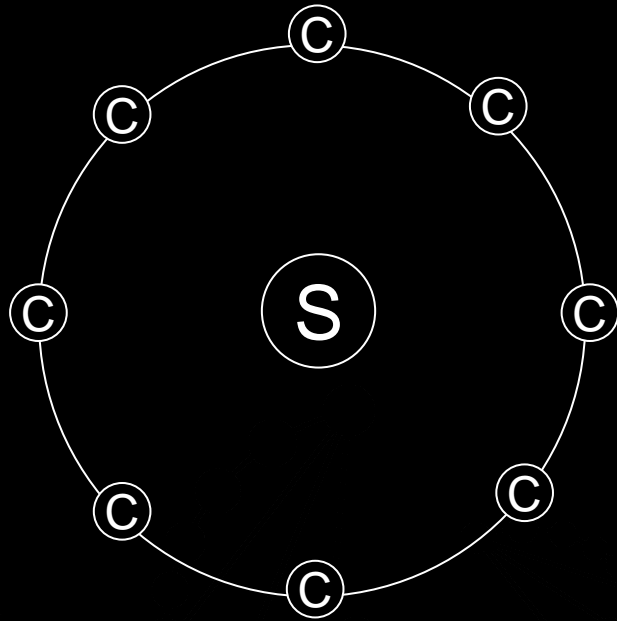


Culture and language
Ignorance and access
Inertia and day jobs
Remuneration model

P&G Open Innovation Challenge

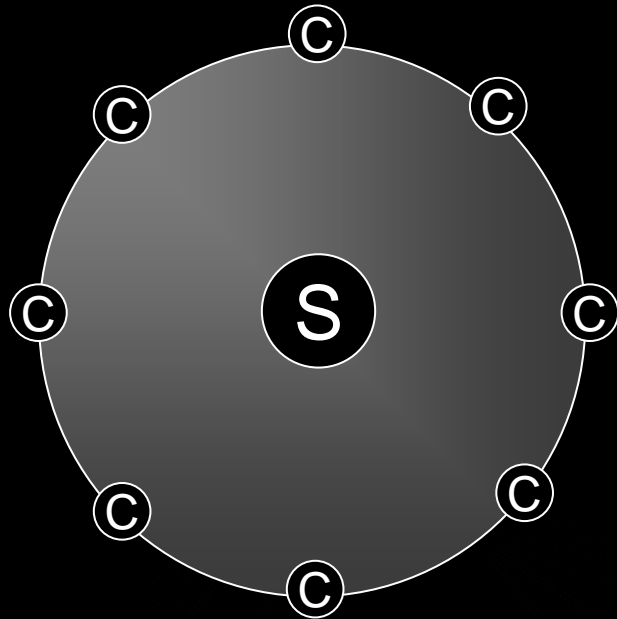
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Supplier-led innovation
from 'bonded slavery
to partnership'

Clients linked by one
supplier

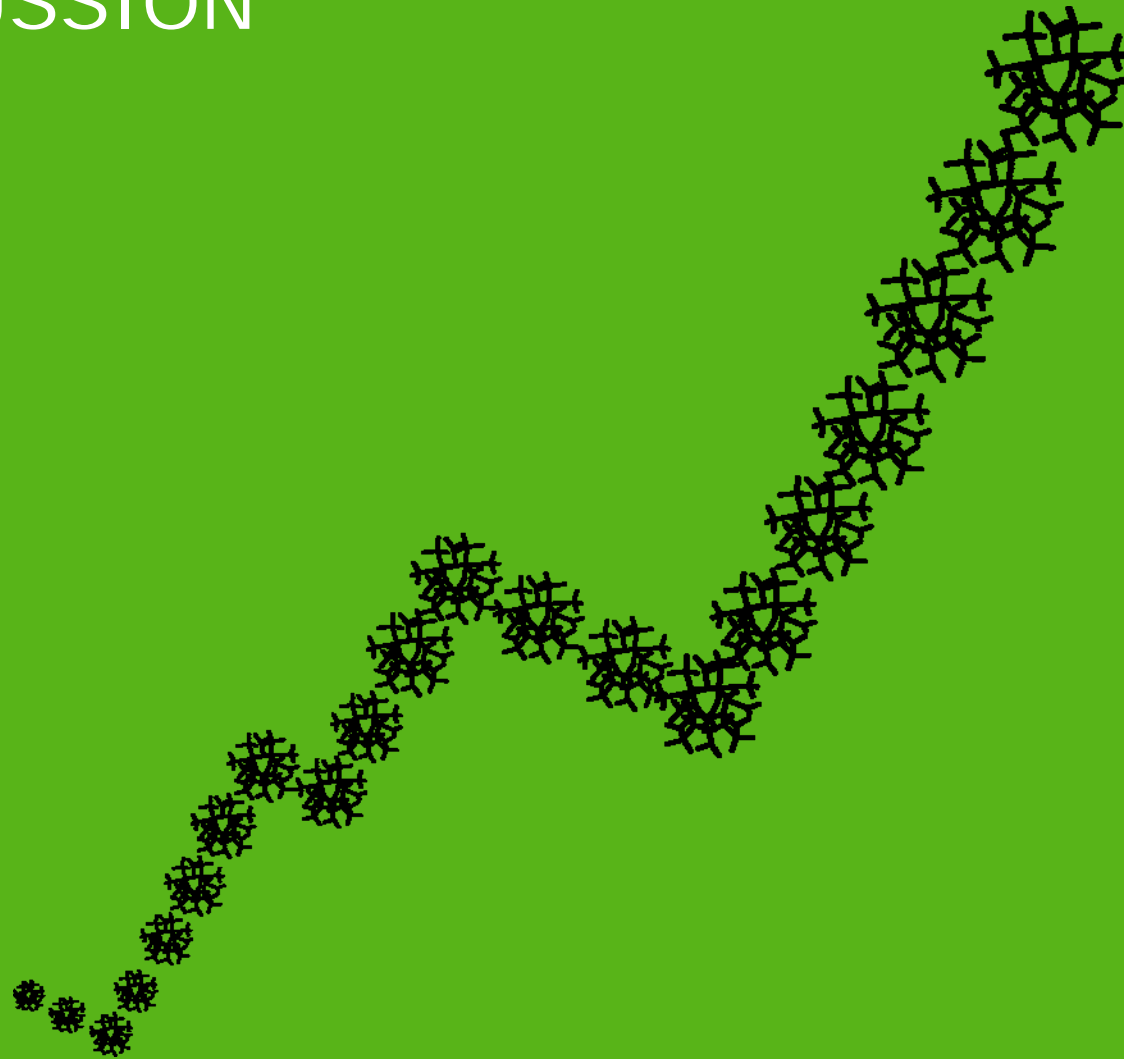
Shared future themes as
innovation catalyst

Open Alchemy



YOUTUBE Open Alchemy Dinner.mpg4

DISCUSSION



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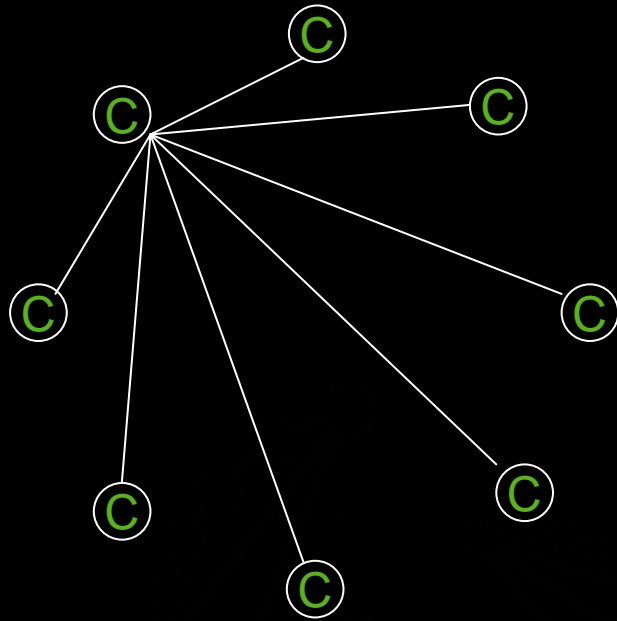
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Abstract

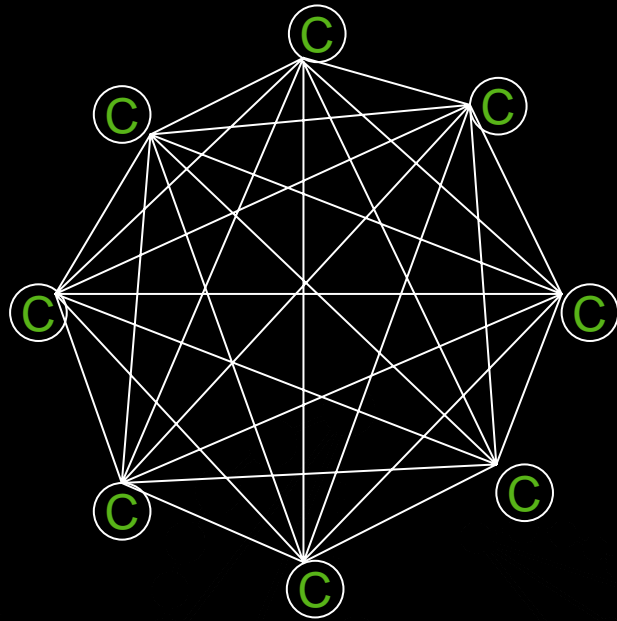
Corporate Open Innovation is widely recognised to be an essential ingredient for 21st century business success. COI is thought to be more efficient than a traditional home-grown R&D approach. Such efficiency becomes critical as globalisation gathers pace with product life-cycles shortening, R&D costs escalating and talent becoming more mobile. Hard barriers to innovating outside the firm are thought to stem from difficulties in the treatment of intellectual property, in dealing with increased complexity and in a reluctance to move away from a client/supplier relationship to one of greater equality. Less often cited are 'soft' barriers such as company culture, inertia and personal motivations. These can be turned around to provide accelerators to open innovation. Firms need to positively embrace external thinking and plan changes for their cultures and employees in order to embrace this new world.

<http://www.nesta.org.uk/corporate-open-innovation-if-it-s-so-good-why-isn-t-everyone-doing-it/>

Corporate Connections



Corporate Connections



Serendipity model vs.
hybrid model

Spin out/JV/Startup

Innovation chasm

Third party role is key