

Why so many companies fail in Open Innovation?



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Frank Mattes / Forrester
(www.innovationmanagement.se)

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OI IMPLEMENTATION AND MANAGEMENT MATURITY FRAMEWORKS



Three simple examples

- NIH-syndrom
 - Why would we be open to the outside world?
- NSH-syndrom:
 - Success of licensee may be dangerous for management?
- Do you have great un-used technology in-house?
 - How easy is it to get all procedures in place to transfer it to a small company that wants to commercialize it?

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DIFFERENCES BETWEEN TRUE OI AND WOULD BE OI

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Difference # 1: Embedding

- **Strategically embedded OI**
 - true OI is a deliberate choice
- **Organizationally embedded OI**
 - Would-be OI is not woven into the organizational fabric of the whole firm.
 - True OI builds on balanced central and decentral organizational structures to ensure that openness in innovation is fully embedded
- **Cultural embedded OI**
 - True OI is part of the corporate culture and *present in all formal and informal cultural traits*, e.g. In the *metrics* that are applied to measure input and output, in the *leadership style*, in *talent development processes* and in the *communication style*.

Difference # 2: Proactivity

- True OI has a proactive mindset which becomes manifests in the planning processes.
- **Would be OI-firms** conduct OI, plan their roadmaps and R&D projects, allocate budgets and when R&D projects run into difficulties they turn to OI.
- **True OI-firms** start the planning process with an *opportunity-based thinking*. The key question is, “How much can we leverage our existing innovation manpower?” In the planning process, this wide option space is then explored and turned into roadmaps and R&D projects.

Difference # 3:

The rigor in pursuing openness

- True OI: extends the firm's innovation ecosystem as far as it makes sense
- To achieve this:
 - the firm communicates proactively its innovation wants and needs (after these have been defined in the strategic context),
 - uses its innovation partners as hubs for attracting even more innovation partners
 - and communicates why it is a preferred OI partner.

OI MATURITY FRAMEWORKS

Open Innovation maturity model with four stages (1/2)

- **Stage I: Experimentation.**
 - This stage is characterized by initiatives *driven by single Business Units*, by a *project-based resource allocation* and by pilot runs with selected new open approaches to innovation. **60%** of firms are in this stage (Forrester).
- **Stage II: Commitment.**
 - The second stage is achieved, when there is a *CxO support for Open Innovation*, formal resources are reserved for Open Innovation, the first steps towards *organizational embedding* are taken and preliminary cost-benefit analyses are done. **30%** of firms are in this stage (Forrester).

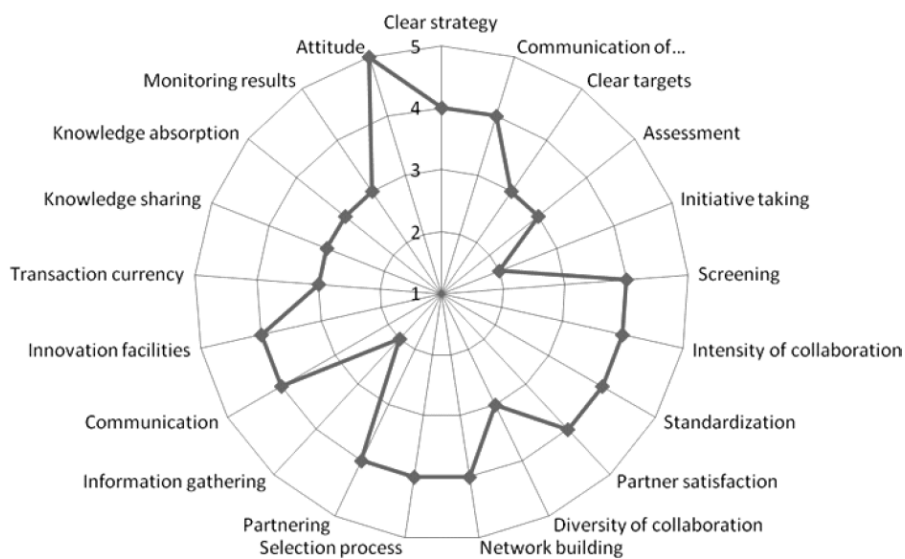
Open Innovation maturity model with four stages (2/2)

- **Stage III: Sustainable state.**
 - This stage is characterized by a CxO mandate for OI, ***significant formal resources allocated to OI***, solid cost-benefit analyses in place and continuous use of new open approaches to innovation. **9%** of firms have achieved this stage (Forrester).
- **Stage IV: Full integration.**
 - The final stage of Open Innovation maturity is characterized by the traits of stage III plus ***cultural embedding*** of OI, well-defined and well-managed innovation networks, seamless integration of Open Innovation, and shareholder value justification of the investment in Open Innovation. **Maximal 1%** of the firms are in this stage (Forrester).

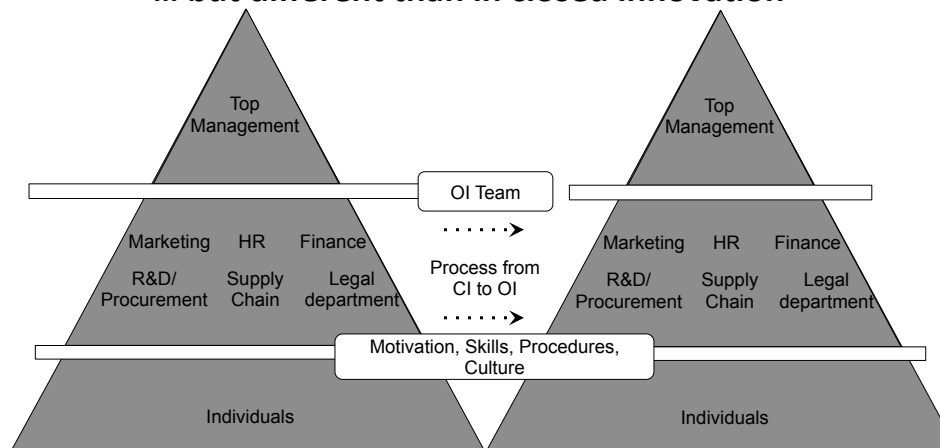
OI Maturity analysis: immature firm



OI Maturity analysis: mature firm



It's all about good management ... but different than in closed innovation



Source: Based on Mortara et al. (2009): *How to implement Open Innovation*, Cambridge University.