

# What could possibly go wrong with open innovation?

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Everyone understands the value and promise of open innovation in the business world - from brand awareness and customer engagement through to the search for fresh answers. But, truth be told, most programmes are failing to deliver results because their dynamics are too complex and the processes used are proving inefficient. A lack of relevance is also strongly affecting returns.



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What is happening then? Resources are spent - time, money and stakeholder engagement. Companies find themselves trapped in a two-dimensional twilight zone:

// In time: without appropriately defined structures, open innovation programmes drag on endlessly; bureaucracy and hierarchies pile up and the initiative loses its impetus and fades away.

// In space: on the one hand, the initiative's goal line may prove irrelevant to targeted participants; on the other hand, the real outputs are meagre and don't seem to fit with the organisation - what real uses can this solution have and who can implement it and where?

The ultimate consequences are emptiness and frustration. Programmes under the open innovation umbrella end up losing credibility with both participants and leadership and undermining future initiatives.

## The fallacies

Just a little over two decades ago, engaging external stakeholders was a rare thing. Now, open innovation is trendy. Many organisations worldwide are doing it...whatever *it* is.

Although the idea goes back to the 60s, Henry Chesbrough, faculty director of the Center for Open Innovation at the University of California, coined the expression in 2003. He defined it as 'a paradigm that assumes that firms can and should use external ideas, as well as internal ideas, and internal and external paths to market, as the firms look to

advance their technology’.

Companies have now realised that approaches similar to this can give them a distinct competitive advantage. The term is being adopted in different contexts, to serve different purposes - with fuzzy interpretations. However, under no circumstance is open innovation:

- / A cheap source of ideas
- / A communication exercise
- / An automatic and self-running procedure

It is borne out of strategic thinking and perfected by practice. No common sense recipe can fully cover all the difficulties such programmes entail.

## No self-fulfilling prophecy



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Let me be clear. Open innovation can indeed bring significant value. I can highlight:

- // Extended reach and capacity for new ideas, technologies and different perspectives on challenges, broadening your view (where you look and your ability to see what's there)
- // Ability to leverage initiatives on someone else's budget
- // Opportunity to refocus your internal resources on screening and managing implementation

// Ability to conduct strategic experiments at lower levels of risk and resources, with the opportunity to extend your core business and create new sources of growth

// Incorporation of customers early in the development process: you can call on your customers to determine the challenges to address, or, if the concepts have been approved for analysis or implementation, your customers can participate in their evaluation and development

// Potential for viral marketing: if the angle you set is pertinent to the targeted audience, these types of initiatives are often spontaneously shared via online communication and social networks

// Over time, opportunity to create a more innovative culture from 'outside in', through continued exposure to, and relationships with, external innovators

Still, you should lower your expectations. Depending on the challenges and engagement levels you get, you may be able to land some potentially interesting innovations. Yet, however positive and confident you and your company may be about developing your initiative, these benefits won't just follow automatically.

## A new approach

At Exago, we've looked for a more real-world definition of open innovation: the science of engaging your organisation's ecosystem - both the internal and external stakeholder networks - to address business challenges and identify new growth opportunities.

If you're developing an open innovation initiative, have its real meaning in mind. Also, don't overlook the potential to establish new partnerships and identify more business opportunities. Remember to explore the latest technological trends as well.

To make your efforts worthwhile, you and your leadership have to define clear timelines and goals, both tangible (projects, ideas, etc.) and intangible (culture, positioning, collaboration behaviours, etc.). Establish a flexible workflow design to meet these goals. Focus on your organisation's challenges and find relevance - both for your company and contributors.

When targeting participants, consider suppliers, customers and universities. But do not forget your most valuable asset. Your employees are themselves a community of stakeholders, often from different countries, cultures, backgrounds and businesses.

They are your most important open innovation source.

True, your teams may have their own orthodoxies. Yet they understand, more than anyone else, what is relevant and what would and wouldn't work in your company.

## Internal crowds have their say

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This is where our open innovation model draws a line to make a difference. We believe both external and internal communities should be involved in your open innovation efforts. Therefore, our model gives you easy access to new sources of innovation, asking different questions of different communities and unleashing their hidden potential.

Having laid out goals, challenges and workflow designs, engage your external contributors using a software platform to source new ideas and solutions. Also, establish the expected nature and quantity of your outputs. Your plan of incentives, gamification, prediction markets' mechanisms and 360° monitoring of the platform ensures efficiency and high levels of participation.

Next, we help you integrate the externally generated content with your internal community. Adopting the software platform for their own purposes, your people can screen and evaluate the best contributions. This way you gather their collective intelligence. Together, your selected internal crowd can decide which contributions a final jury should select from to find the competition's winner.

With a client in the telecom industry, for instance, we developed a 2012-2013 initiative to challenge graduate students from the best Portuguese universities - 'Talento com Fibra' (literally, 'Talent with Fibre'). They had to address

specific products and services innovation challenges.

In 2012, 275 participants registered, presenting 80 proposals. A year later, 471 students delivered 151 projects. The company's internal community could then choose 16 finalists whose ideas entered the last selection stage.

## Ideas without boundaries

Ideas may recognise no boundaries, but they surely have constraints: complexity, unrelatedness and lack of value. You need suitable tools and methods to get ideas and choose the best.

So, while embarking upon your open innovation quest, be sure to capture equally high external and internal levels of engagement. The whole initiative and evaluation process, in particular, needs efficiency. The proposals must be relevant, easily finding their place and sponsors in your organisation.

Overall, remember that:

// It's important to have many ideas, but it's equally important to evaluate them appropriately.

// Mixed sourcing outside and inside your organisation makes the best blend.

// Weighted relevance evaluation by external stakeholders and value creation evaluation by internal participants ensures your success.

If you do it right, over time you can source contributions from hundreds or even thousands of participants. You gain brand visibility, and open innovation becomes one of your organisation's most valuable best practices.