



**OPEN INNOVATION
AND THE FIGHT FOR YOUR AUDIENCE**

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Pedro da Cunha
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A co-founder of Exago, he's had a clear passion for innovation since he began a career in researching robotics. He later worked as a consultant and business manager in firms focused on information technology and management consulting. He's been involved in creatively applying technology and developing progressive corporate ventures throughout a career spanning multiple countries and industries.

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Exago is a pioneer in software and services that use collective intelligence to solve key business challenges, with an innovation-led approach. From cost reduction and customer engagement to behavioural change, we help organisations worldwide unleash people's hidden potential to achieve real results.

Since 2007, Exago has grown with our clients and partners worldwide. Together, we've reached four continents (Europe, Asia and North and South America), spanning a variety of industries – from major retailers and telecom operators to health organisations and energy suppliers.

We have three office locations: Lisbon, Portugal; London, the UK and São Paulo, Brazil.

'If you do what you always did, you will get what you always got.'

Attributed to Albert Einstein

I

INTRODUCTION

Apple, Lego, Philips, Samsung, IBM, GSK and, recently, Tata Steel, among many others – all have adopted open innovation initiatives to expand their organisations’ horizons. You’ll likely need to do this, too, since competitive advantages enjoy shorter lives. As the demand for external creative minds increases, how can you best capture the right audience to generate value?

Transforming, rule-breaking ideas have long been invaluable for organisations. Today, they go even further and faster – across time and space – to change processes, services, sectors and even our society. However, no company holds within itself all the answers, no matter how many geniuses work for you or how competent your teams are.

This is where, in our knowledge economy, open innovation steps in to allow you to tear down more traditional corporate walls and to access new sources of possibilities: the ideas, insights, opinions and visions of clients, partners, consumers and scientific and academic communities. If you do it right, you can measure the market and consumers’ pulses and gather meaningful content to establish new or improved routes to your market.

In this paper, we first go through the value and promise of open innovation in the business world – from brand awareness and customer engagement through to the search for fresh answers or technology scouting. We will address, as well, the existing expectation gap, which is all too often a source of frustration for both managers and participants.

Next, we focus on solutions that make your initiatives work and efficiently deliver results – using the best tools and practices to establish connections with your communities.

CREATING VALUE NETWORKS

Pioneering enterprises have already established links with customers and businesses via a broad array of digital devices. These companies are forming new virtual ecosystems, as Accenture notes in its annual report on the outlook of global technology trends, *Technology Vision 2015*.

As larger and smaller companies – across all industries – embrace open innovation, your ultimate challenges are how to establish your own ecosystem, get your audience tuned in and keep them engaged.

The fight for your audience’s attention has begun.

II

THE VALUE OF OPEN INNOVATION



Just a little over two decades ago, engaging external stakeholders was a rare thing. Now, open innovation is trendy.

Why is this? For a start, change has become the rule:

// **You have to do it first and fast, all the time.** Strategy life cycles have become shorter.

// **Markets fluctuate; preferences and consumer behaviour change.** Trends and businesses arise, grow and die faster than ever.

// **The world is more and more social and interconnected.** The distances between companies and individuals have become smaller. Online dynamics connect people and contexts previously inaccessible to each other.

// **Value networks and ecosystems such as Linux, Facebook or Wikipedia have decreased the control of single companies by disseminating knowledge.** They have created new ecosystems, decentralising and relocating the power of control and production.

// **Consumers want to have their say, as the power has shifted from producers to consumers.** Decentralised, non-hierarchical and inclusive of every individual, the Internet allows people with common interests to unite. Consumers have become, as never before, involved directly and indirectly, in both praise and criticism. This means not only that they can make conscious, informed decisions but also that they can contribute to the process of decision-making upstream.

// **You want to attract the best.** In this competitive world, you need to attract top talent and experts, as well as the most creative minds. Generation Y (people born during the 1980s or 90s) has already integrated into the labour market, with their different tech habits and life aspirations. Soon Generation Z (those born at the end of the 1990s and into the beginning of the new millennium) will follow, so you need to make sure you seize their contributions.

In addition, a centralised approach to innovation as ‘research and development’ is by now obsolete. Innovation has gone far beyond ‘the confines of research labs to users, suppliers and consumers everywhere – in government, business and non-profit organisations, across borders, across sectors and across institutions’, according to the Organisation for Economic Co-operation and Development. Innovation has opened doors, capturing both internal and external sources of ideas.

THE PROMISE

While the idea goes back to the 60s, Henry Chesbrough, faculty director of the University of California’s Center for Open Innovation, coined the expression ‘open innovation’ 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 firms look to advance their technology’.

In 2006, in his book *Open Innovation: Researching a New Paradigm*, Chesbrough further

explained this approach as ‘the use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation, respectively.

In this sense, this model offers a new way to create value. Open innovation allows you to have:

// An extended reach and capacity for new ideas, technologies and different perspectives on challenges, broadening your view (the places you look and your ability to see what’s there)

// The ability to leverage innovation initiatives on someone else’s budget

// Opportunities to refocus your internal resources on screening and managing implementation

// The ability to conduct strategic experiments at lower levels of risk and resources, with opportunities 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 concepts have been approved for analysis or implementation, your customers can participate in the ideas’ evaluation and development

// The 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, opportunities to create a more innovative culture from ‘outside in’, through continued exposure to, and relationships with, external innovators.

BEYOND CLOSED CORPORATE WALLS

‘What is clear to us, and indeed many businesses across all industry sectors, is that, no matter how much we spend on internal research and development, or support our core academic networks, we can never have in place the expertise to cover all of our interests.’ These words appear on Tata Steel’s website, referring to its open innovation challenge launched in the first quarter of 2015.

Many other corporations, such as Apple, Philips, Nokia, Swarovski, BASF and Procter & Gamble, have deployed open innovation initiatives. Here are some more good examples:

// The **Samsung Accelerator** gives entrepreneurs direct access to the company’s data, decision makers and distribution channels – financing promising ventures.

// The customisation project **Lego Design byME** allowed fans to design and order their own Lego models.

// **Talento com Fibra (Talent with Fibre)**, a 2012–2013 initiative Exago developed with a client in the telecom industry, challenged graduate students from the best Portuguese universities. 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.

// The **Suppliers' Forum** is a platform implemented by an Exago health sector client. More than 40 relevant suppliers from different industries can now contribute to improving practices, processes and products, creating value in the group's supply chain.

From talent spotting through to technology scouting and the development of special connections with main stakeholders, the benefits of open innovation are many, no matter the type of industry or how big or small your organisation.

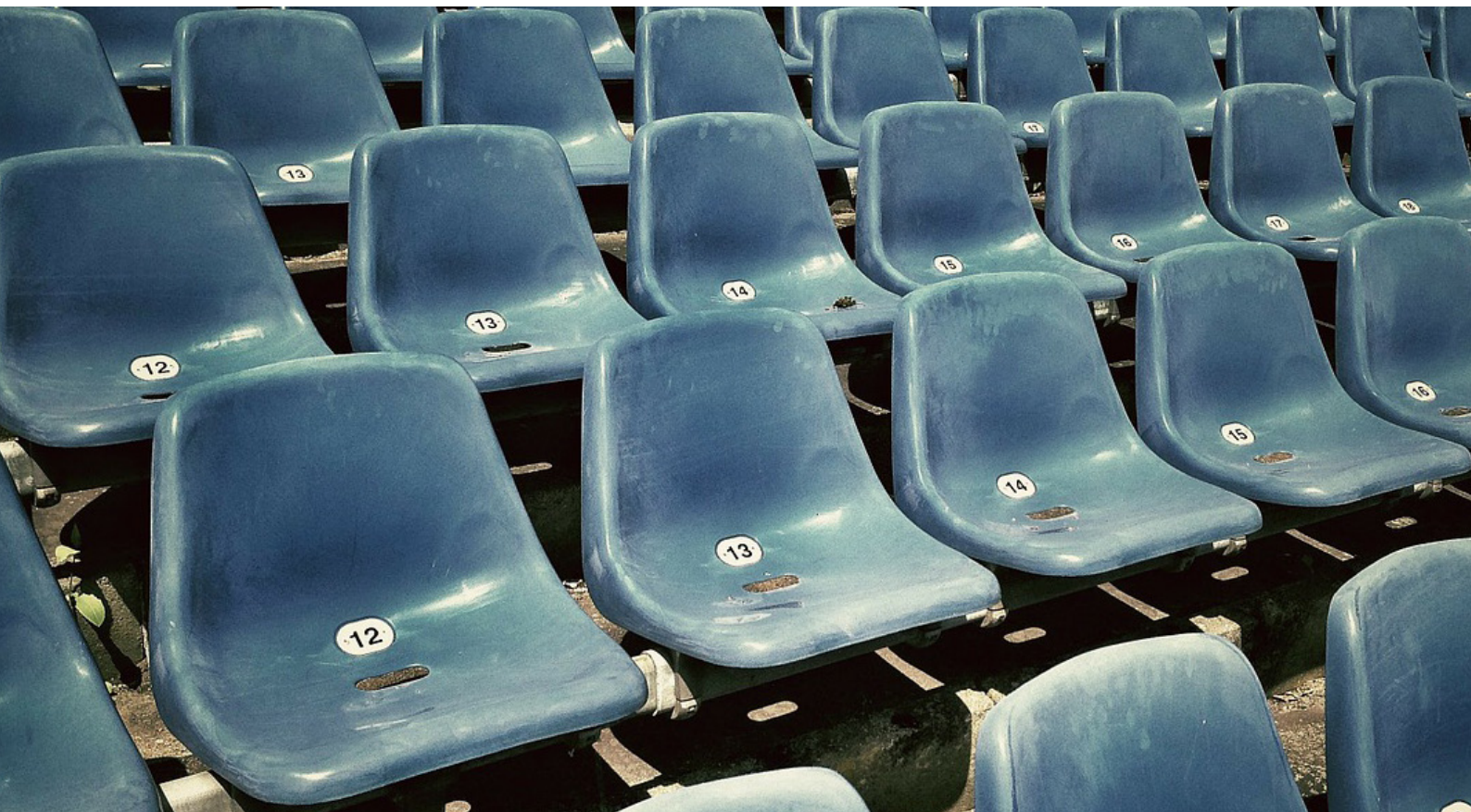
Still, such programmes have been too often a source of frustrations for managers, leaderships and participants: when they miss their target, when facilitators lack the capacity to manage large and complex volumes of information, as participation grows, and when the ideas presented fail to match the company's reality and, therefore, are of no consequence.

Time and money are wasted. The programme implodes. Worse, lack of efficiency and relevance and other collateral damage undermine efforts.

Open innovation initiatives, indeed, are not automatic and self-running procedures. They are borne out of strategic thinking and perfected by practice in integrating ideas and skills and reaching good levels of engagement and meaningfulness, as well as carrying out the work involved in converting promises into results.

III

HOW TO CONQUER YOUR AUDIENCE



Giving you easy access to new sources of innovation, open innovation practices allow you to ask different questions of different communities. As we've seen, many companies are embracing these initiatives. More will do the same soon.

So, how can you capture a big enough audience? How can you make sure it is the right audience for your challenge? And, how can you keep participants engaged until you achieve real outcomes?

The solution is to craft your initiatives carefully. You need to maximise your target community's contribution, taking into account relevance, incentives, communication and good process governance, as I explain next.

1. Find relevance

Many companies have launched 'suggestion box' websites, where hundreds, even thousands, of customers can leave their insights. This may seem an easy way to get free ideas. But beware.

How will you decide which ones to implement? Most ideas may prove utterly irrelevant to your business and you'll strongly affect your returns if you fail to find significance.

Therefore, you have to align your open innovation challenges with your strategic business needs and priorities. To make your efforts worthwhile, you and your leadership team have to define clear timelines and goals, both tangible (projects, ideas and so on) and intangible (culture, positioning, collaboration behaviours and more).

You must not only establish specific and relevant purposes beforehand but also engage those who identify with your cause. Contributors need to share an intellectual and emotional commitment. They have to believe they'll have an impact on the ability to provide value and have a stake in the value produced.

You should also ponder on Intellectual Property Rights (IPRs), pre-establishing a disclaimer/agreement for idea ownership. IPRs are designed usually to exclude others from using your ideas. So you have to learn how to reconcile the need to assure idea ownership with the need to attract insights from beyond your company's boundaries. Legal counselling is advisable.

2. Craft an appropriate incentives model

Your customers will always be glad to share with you insights on how to improve your product. They're probably doing it now in some way, though irregularly and outside any structured framework.

Nevertheless, if you're looking for specific expertise or creativity focuses, you can't expect the answers to land on your doorstep. You need to give people some kind of incentive to think ideas through, getting them to share their best contributions. 'Why should I participate in this programme, anyway?' is the question potential participants will certainly ask.

You need to opt for both self-promotional – leaderboards, reputation enhancements and community recognition events – and material incentives – money, products and experiences – particularly if you're running a competition or targeting the general public or consumers.

Make sure that the company you pick to help you with initiatives takes this route, providing a detailed overall plan of programme incentives and articulating which activities should be promoted and how this happens. The template model needs to accelerate decision-making. These elements must create clear links between incentives and rewards, aligned with programme objectives and organisational brand values.

In addition, the chosen online platform should implement a horizontal incentive scheme that covers each stage of the open innovation process. It must also integrate gamification techniques and game elements such as points, badges, leaderboards and digital currency rewards (which participants can exchange for material prizes) for each valuable interaction with your platform.

This model allows programme managers to promote the desired behaviours of targeted stakeholders or communities. You need to be able to manage your programme easily for brand awareness, quality of proposals and quantity of interactions.

3. Communicate cleverly where your audience is

As the above discussion shows, you'll have to create audience-centric content. But, you should consider to locate suitable community places, as well as aligning your communication messages with your targets, places, channels and value pools. Your communication plan needs to include key timing, targets, formats and messages – to meet programme objectives.

To guarantee your programme's success, you have to both identify where you can find your stakeholders online, in social networks and other forums, and communicate assertively in these places.

This type of solution and systematic approach ensures the maximum relevant participation. By activating integration with the main social networks – such as Facebook and Twitter – directly from the platform, participants can use their own logins to register their presence and share all content extensively across these media.

4. Define an external and internal governance model

When targeting participants, consider suppliers, customers and universities. Yet, don't 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.

Having laid out goals, challenges and workflow designs to engage your external contributors using a software platform, next, the innovation initiative provider you pick needs to help you integrate externally generated content with your internal community. Adopting the software platform for their own purposes, your people can screen and evaluate the best contributions – helping you to deal with and efficiently assess expected high volumes of information.

This way, you gather their collective intelligence. Together, your selected internal crowd can

decide from which contributions a final jury should select to find the competition's winner.

True, your teams may have their own orthodoxies. Yet, they can identify, better than anyone else can, both 'false positives' (ideas that seem auspicious but would not work in your organisation) and 'false negatives' (ideas seemingly outside your scope but carrying unexpected value).

This also makes sure that you don't get stuck in bureaucratic monsters, by having to analyse all inputs received. You can hence focus on the process's later stages, promoting transparency, winning sponsorship and accelerating decision-making and implementation within your organisation.

So, while embarking upon your open innovation quest, be sure to capture equally high external and internal levels of engagement. The entire initiative and evaluation process, in particular, must be efficient.

Thus, to deliver better and quicker results and strengthen brand awareness for your organisation, remember to:

// Engage external communities to access different points of view, using an efficient software platform

// Link and share content with external social networks for maximum reach

// Maximise adoption and usage with a sophisticated but simple user interface

// Activate your brand and communicate your values with a fully brandable programme

// Manage your external community to ensure valuable participation

// Integrate externally generated content with your internal community for evaluation and implementation.

IV

CONCLUSION

From building consumers' loyalty through to establishing new partnerships, improving products and identifying more business opportunities – open innovation can bring companies remarkable benefits.

New ideas may change processes, sectors and entire industries. More than ever, they have tremendous power in our knowledge economy. But, how can you make sure to attract the right audience for your challenges? And, how can you capture related, valuable insights?

First, remember that the audience has to share and recognise your goals. You also need to target the spaces where these communities grow and meet.

If you do it right, you can gain access to more contributors, gathering more quality, actionable content. You gain brand visibility and find your own serendipitous moments.

Second, you have to equip yourself with suitable tools and methods, such as innovation management platforms and field-tested best practices. These allow you not only to harness meaningful ideas proficiently but also to select top ones efficiently. Remember that gathering many ideas is important, but it's just as important to evaluate them appropriately.

For this reason, we believe both external and internal communities need to be involved in your open innovation efforts. Mixed sourcing inside and outside your organisation makes the best blend to generate ideas with more potential.

Finally, ideas must turn into projects and possibilities into opportunities. Without results, without significance, your open innovation effort is useless.

Remember that the true value of open innovation lies in engaging and structuring these collaboration ecosystems, in which all can benefit from the synergies generated. With new dialogues and shared purposes, you learn how to serve your clients better and enhance your offer, thereby winning your audience's loyalty.

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