Developing Innovation and Creativity for Business Advantage

Week – 3 (Part 1)
1) Open and Closed Innovation

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Recap

- Week 1 – Introduction to innovation
- Week 2 – Concepts & techniques of innovation & creativity

This week, we will look

a) Open and Closed Innovation

b) we will look "New-Product Development and Product Life-Cyc Strategies"

Closed Innovation: Organisations

- Hire bright people
- Put them in special conditions
- Free from market pressures
- Pipeline of ideas to products
- Delivered to passive waiting consumers

Closed Innovation: Assumptions

- Knowledge is created, codified, sent and received
- Authors of inventions can define their use
- Intellectual property should be protected to create incentives
- Consumption is passive - a yes/no choice
- Innovation comes from within, self-reflective process

Closed Innovation: Applications

- The R & D Lab: Thomas J Watson, Bell Labs
- Specialist creative activities in companies
- Professional disciplines of architecture and design
- Elite university education
- The Pipeline view of the world

Closed Innovation: Policy

- R & D subsidies traditionally defined
- Invest in “knowledge base”
- Promote elite university education
- Intellectual property regimes
- Speed up flow down pipeline and ease of transfer into business

Closed Innovation: Reforms

- Not a fixed model
- Overlapping or simultaneous rather than sequential
- Cross functional teams in organisations
- Use consumer insights earlier in development
- Market oriented R & D

Closed Innovation: Breaking Down?

- Rise and spread of new sources of ideas and know-how
- Able to connect more easily outside large organisations
- Changing role of consumption and propagation as innovation in use
- Old assumptions and organisational forms of innovation outmoded

Open Innovation: Generation

- Multiplying sources of ideas
- Technology costs down
- Combining ideas in networks easier
- Skilled labour more mobile, independent
- Outsourcing: distribution of labour leading to distribution of knowledge
- End of knowledge monopolies

Open Innovation: Propagation

- Consumers are innovators
- Radical innovations: the users work out what innovation is for
- Disruptive innovation: passionate users innovate, producers follow
- New markets and business models start in marginal markets
- Service innovation requires users to rewrite scripts
- Leisure economy: Pro-Am users and serious leisure

Open Innovation: Advantages

- Increase diversity of parallel experiments: faster learning
- Public platforms, shared development, lower cost
- Better at dealing with technological and market uncertainty
- New roles for users and co-producers: efficient, adaptive, responsible
- Communities build momentum, scale behind products

Open Innovation: Applications

- Open source communities
- Networked companies/platform innovators
- Clusters and networks in regions
- Cities and countries as open innovation systems
- Not networks, not emergent and self organising
- Structured communities of co-creation: achieve complex tasks

Open Innovation: Assumptions

- Innovation essential social and dynamic
- Authorship joint, complex and evolutionary
- Knowledge created by interaction
- Innovation as a mass activity

Communities of Co-Creation: Principles

- Community has to start with something, who provides the kernel/core?
- Communities are structured: membership, decision making.
- Motivation is not selfless but problem solving, learning
- Provide people with easy to use tools, allow decentralised initiative
- Governance to manage conflict, uphold values, set direction

Communities of Co-Creation: Principles

- Speed of feedback, allows pragmatic trial and error
- Designed to be incomplete, and so to evolve
- Good ideas drive out bad according to clear yardsticks
- Distribution of labour, not division of labour
- Ownership blurred between community and host organisation
- Open leadership by simple rules

Open Innovation: Limits

- Who gets the kernel going? How is that funded?
- Good for mass incremental innovation but what about big leaps?
- What about people who excluded?
- What if product cannot be modularised?
- What if speed of feedback much slower?

Open and Closed Innovation: The Future?

- Continued reform of the closed model: networked, platform innovators
- Closed innovators learning from open model
- Wider application of the open model from software
- Hybrid mixes of the open and closed models