

OPEN INNOVATION – STRATEGIC APPROACH TO THE DEVELOPMENT OF COMPANIES IN A GLOBAL SETTING

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Abstract

Innovation and innovative development of organisations are closely related to the need for continuous increase of competitive advantages and improvement of market positions. Innovation makes it possible to achieve efficient competitiveness, enlarge the user circle, and improve the financial results from the company activities. The decisions made in the sphere of innovation have a long-term impact on the organisations as a whole, since they are under the influence of such factors as globalisation, turbulent externalities, instability of markets, a high level of depletion of natural resources and drastically limited free access to them, etc. This requires searching for new ways and implementing different approaches so that innovation activities can be carried out. Success depends on the choice of a suitable development strategy, i.e. a strategy in conformity with the environment and the orientation of the company (Ts. Zafirova, 2008, p. 17). In this way, each economic entity will be able to concentrate their efforts on their strong sides, in order to achieve competitive strategic advantages. Cooperation among organisations allows for consolidation of resources, risk sharing, reducing the timelines needed for commercialising new ideas and their transforming onto innovations. The transition from a closed to open innovation allows for improvement of the innovation processes, including their expediting and fuller meeting of user requirements. Open innovation widens the access to new ideas, technologies, specialists and allows for the obtaining of financial and other benefits, including ideas, which need further development, so that they can be introduced into the market.

Keywords: closed innovation, open innovation, management, organization

1 INTRODUCTION

The analysis of the theory and practice shows the existence of two main approaches for realising innovations – the closed and the open approach. The closed approach requires passing through all the stages of the innovation process – from its origination and the choice of a suitable new idea, to the commercialisation of the ready product to be had within a single organisation, fully engaging its own resources. The process of transformation is long and resource consuming, and as such is not within the power of each and every economic entity. On the other hand, the speed of market saturation and the changes in user preferences are extremely high today, which requires that organisation be more flexible. The limiting of the innovation processes within the framework of a single economic entity slows down its realisation in time and has made to date the closed approach to innovation ever more difficult to implement. Because of that, quite a few organisations, as shown by J. Guinet and D. Meissner, have started developing together projects of multidisciplinary, transborder, and interinstitutional character (J. Guinet и D. Meissner. 2012, p. 27). This, on its part, leads to a change in the manner of realising innovation activities and orientation towards the open innovation approach.

The main goal we have set ourselves is to reveal the particulars of open innovation, as well as the basic mechanisms and formation which enhance this performance. Its implementation leads to a strategic change

in the way innovations are carried out and widens the opportunity for generating benefits for organisations.

2 OPEN AND CLOSED INNOVATION

The traditional model for carrying out innovation activities within organisations for decades, called closed innovation, is characterised by a lack of cooperation between economic entities, vertical relationships and limiting innovation only within the premises of the organisation. What is more – this went as far as to limit the work within the premises of the department itself which was directly engaged in the research and development. In this way, innovation activities are mainly possible for bigger organisations, which have enough resources to invest in the development of new ideas. As an absolute prerequisite for achieving this is seen the necessity to create beneficial environment for creative work for the personnel who are directly engaged in innovative activities. However, the limiting of innovation processes into the framework of specially formed units within the organisation leads also to narrowing the bulk of new ideas which these employees are capable of generating, and as a result – to develop on their own. The need for rigid observance of company secrecy requires, in the words of H. Chesbrough (2004), ensuring suitable strict control in order to guarantee keeping the ideas inside the organisation. As a result, the researchers have reached the conclusion that closed innovation also means investing in research and development, and also the requirement that the organisation relies only on itself. The level of awareness of the employees in the specialised units does not always correspond to the fast changing environment, and as a result there have been cases when the innovation they had been developing does not find the expected application in reality. At the beginning of the 21c., in view of the global changes, a need arose for substantial reducing of timelines and costs of innovation activities; the impossibility to have all the highly-qualified people employed by a single organisation became apparent; the processes of globalisation and a shift in consumer preferences have started gathering momentum. As a result, attention was focused on searching for ways for cooperation, as well as new ideas for development but already outside the organisation premises. Now, not only vertical, but also horizontal relationships were of importance, and this, practically laid the grounds for a new, different approach to innovation, which was called open innovation.

The term open innovation, used for the first time in 2003 by Henry Chesbrough, aims at focusing the attention on the significance of the external stakeholders and the public as a whole for creating innovation. Open innovation includes input and output of knowledge which aims at speeding up the innovative processes inside organisations, and widening the application markets, which requires a change in the manner or work of the research and development specialists. Open innovation creates the opportunity to attract to the innovation and research activities collaborators who do not become part of the permanent staff of these companies. The part of innovators can be taken not only by the employees of the business, but also by its customers, suppliers, distributors, traders, competitors, different experts, specialising in specific fields of knowledge. In practice, the process of innovation is very risk prone, which may lead to dire consequences (P. Goranova, 2014, p. 52). Open innovation gives the opportunity that this be overcome from the viewpoint of the separate organisation by distributing the risk among the participants and speeding up the process of innovation. Open innovation allows for the avoidance of the compulsory for the closed model approach of controlling and keeping the new ideas only within the premises of the organisation and that the so-formed intellectual property be a company secret.

When analysing the participants in both approaches to the innovation processes, it can be said that with closed innovation there is only one participant (organisation), while with open innovation, it is obligatory to have more than one participant, and the innovation activity seriously relies on the external ones (Ye. Ioda, 2011, p. 97). In this way, the process of innovation leaves the boundaries of the individual organisation and directly connects to the processes of globalisation. The uniting of the efforts of specialists from different spheres and structures requires also a change in the manner of managing innovation activities and building a new company culture. This means the creation of favourable conditions for forming an open intellectual environment, intellectual autonomy and social equality; openness to foreign ideas, solidarity between nations, and readiness for international cooperation. The results to which the building of such relationships will lead are of strategic importance for the development and competitiveness of economic entities today. The consequences from the opening up of the companies and even the total removal of their provisional boundaries will have a long-term effect. For that reason, open innovation can be viewed as a strategic approach for development and excellence. The opportunity they give to generate income from any single idea, irrespective of the stage of its completion, gives additional perspective to businesses.

3 INFORMATION FLOW AND OPEN INNOVATION MECHANISMS

Depending on the direction of the information and knowledge flow, some researchers draw out three types of

processes in open innovation: inbound, outbound and integrated, all having characteristics of their own (A. Porcar, 2018, p. 11). Inbound processes come down to acquiring external knowledge and its integration into the organisation by the different stakeholders (suppliers, sub-suppliers, users, traders, competitors, experts, research institutes, etc.). Outbound processes mean that the creating company submits ideas and knowledge to the market, usually carried out through the means for intellectual property protection (patents, licenses, trademarks, industrial design, etc.). Integrated processes mean a combination of inbound and outbound processes as a way of cooperation in research and development and/or commercialising innovations. It is deemed that the necessary interrelation between integrated processes can be achieved also by implementing specific mechanisms and formations in which additional partners participate. Such mechanisms are (A. Porcar, 2018, p. 11):

- *Innovation networks*, directed at cooperation between representatives of different institutional circles, which create new knowledge collaboratively;
- *Open innovation communities*, allowing voluntary participation of different people by using online platforms for achieving common innovation goals;
- *Regional innovation clusters*, whose activity is directed at forming new knowledge and competitive advantages through the internal relations between the stakeholders.
- *Shared means* which come down to joint investment in new facilities and their operation aiming at increasing the level of their use and reducing the costs for their creation and acquisition;
- *Joint enterprises* whose purpose is achieving cooperation along the value chain and can include interchange of different resources;
- *Exchange of personnel*, which means creating conditions for temporary mobility of researchers and other specialists between businesses aiming at encouraging and accelerating the innovation and research and development activity.

The above mechanisms for realising open innovation can be characterised as specific formations with different levels of application, which is determined by the abilities of the separate economic entities. Joint enterprises, for instance, are one of the strategic development forms preferred by large companies, while innovation networks, communities and clusters are mechanisms for innovation activities which can be used also by smaller organisations which are not able to carry out innovation activities on their own.

The existence of these different formations allows for the realisation of a two-way movement of knowledge, ideas, and information, which enhances the development of open innovation. However, the transition to such an innovation approach in the manner knowledge management by businesses, as it presupposes the use of knowledge generated internally as well as ones which are formed outside the organisations. This requires the existence of an appropriate organisational and managerial structure which favours the relationships inside the organisation, as well as between the organisation and the external environment. In this aspect, the choice of appropriate systems for intellectual property management, information and communication technologies is very important. They have a long-term impact on the business as a whole, their very implementation requires time for adjustment of the staff to them and practically, they influence the potentials for realisation of the enterprises' strategic goals.

In terms of open innovation, as a significant task is defined the establishing of coordination between the short-term and long-term goals by using the resources for network cooperation among organisations. As a critical moment, we define the ability to attract resources and competences from outside the companies, through which they can fulfil their own goals, so as they satisfy all the stakeholders – the shareholder, the staff and society as a whole.

4 CONCLUSION

With open innovation research and development go outside the limits of the individual business and allow for a two-way movement of ideas – from and to the different economic entities, as a result of which their boundaries become porous. In this way, new possibilities appear for a larger number of new ideas to get developed and reach the stage where they can be commercialised, even if by entities which are not the creators of the idea, but acquired it in an appropriate manner. This is of importance for smaller companies which do not have the resources for carrying out independent research and development, but need innovation for their personal growth. Open innovation enhances the transfer of knowledge, as well as the access to competent experts and new technologies. In this way innovation can be achieved on the grounds of buying and/or selling ideas which organisation can take their pick from in accordance with their

specialisation and strong sides. On the other hand, it is possible to enhance the interaction with the external environment, an important part of which in this case is the enhanced access to specialised labs and research institutes, independent scientists and experts. Having in mind the need for time for realising innovation, as well as the resources they require, open innovation allows for increased innovativeness and competitiveness of organisations in a strategic aspect (O. Granstrand, M. Holgersson, 2014). Conditions are created for development of ideas, technologies, processes, etc., through cooperation among different entities and their consequent protection and/or appropriate acquisitions (license, patents, know-how, etc.).

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