Why is it hard to measure excellence in open innovation?

Opening up the innovation process in order to allow external knowledge to enrich internal knowledge and capabilities has already been established as dominant design in Europe. As we identified with previous innovation studies, external knowledge or resources help companies with both, increasing their effectiveness and their efficiency in innovation. But we already know that the balance between internal (closed) and external (open) innovation is determined by industry speed, corporate strategy as well as by the existing culture of the company.

Whereas high industry speed, like in information and communication industry or fast moving consumer goods industry, forces companies to enrich their own knowledge base and resources with external ones to gain development speed, slower industries like energy, textiles or raw material producers collaborate only in selected projects (e.g., when new technologies are required or new customer demands need to be meet).

Recent studies of our institute show that corporate strategy determines how much open or closed innovation is necessary to create corporate performance impact in terms of radical and incremental innovation. Additionally, we know by now which activities companies should undertake in order to best support their strategic decision. As companies with a market defender strategy should focus mainly on internal resources for their innovation, enriched by frequent customer and supplier integration activities to increase market orientation and optimize their resource management, companies with a prospector strategy should heavily focus on external knowledge and resources in order gain technology leadership. Those companies should possess a large portfolio of different collaborative activities to identify the next technology change and the best partners to develop products and services based on new technologies. Especially large corporations with several business units acting under the one or the other corporate strategy, called analyzer companies, should decide for open and closed innovation activities on business unit level instead on corporate level.

In order to excel in open innovation, corporate culture plays a significant role. Culture can be supportive or disturbing following an open innovation approach. Yet, research doesn’t know if strategy follows culture or the other way around. However, opening up the innovation process is requiring a whole set of new or adapted processes and skills on nearly every level of the company. Therefore, our recent research tries to explore which capabilities technology managers need, dependent on technology strategy, to successfully identify, adapt and integrate external knowledge and resources. One other aspect very new in our research agenda is how management and researchers need to communicate innovation in order to create awareness of being an innovative partner for other companies. Appropriate communication of innovativeness has an impact on consumers, potential and existing partners as well as on financial analysts. Therefore, we aim to identify ways of appropriate communication and persons within the company to do so.
Besides the individual level, research as well as practice lacks in good performance indicators in order to compare and adapt open innovation activities. While the maturity framework measures the excellence of open innovation processes, the clear link between corporate strategy and open or closed innovation activities shows if the right processes are selected and supported. Therefore, we measured excellence and, by doing so, identified the best open innovation companies by their alignment between corporate strategy and activities. In order to classify if their processes and activities are excellent and best in class, experts from practice (the best open innovators of the previous year) needed to visit the companies and look into their activities. Yet, no existing measurement system could support us. The same is true for the internal monitoring of open innovation activities. Most related key performance indicators measure the number of, e.g., external partners, collaborative patents, or open innovation projects successfully finished, instead of the impact or reach of activities (e.g. membership in the most important networks, quality of the partner in the own network, or impact of open versus closed innovation projects on corporate performance). Our on-going research in the field of innovation metrics might help to shed light on this topic as well.

The following chapter is giving an overview about our recent research results in the area collaborative innovation, derived from the 2012 innovation study. Thanks to all participating companies we are able to enrich knowledge about when collaborative innovation is mandatory and beneficial and what to do. The figures displayed show different comparisons between, e.g., different strategy types as well as between the best in class and the average companies. The further readings indicate more information about the summarized topics in each chapter.

Prof. Dr. Ellen Enkel
Head of the Institute
Tel. +49 7541 6009-1281
E-Mail: ellen.enkel@ZU.de