

# Intys Insights

## Open Innovation

Trendy phenomenon or real boost for your company?

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# Introduction

In June 2014, Elon Musk, CEO and Tesla founder, announced that he was open-sourcing Tesla's patents. By ensuring a free access to the company patents, he allowed the electric vehicle market to innovate more rapidly.

In a similar approach, Procter & Gamble, listed on its website several internal technical problems that were not solved within deadlines. Company called for external third parties (internet users, start-ups, researchers, partners, etc.) that could bring solutions and contribute to the progress.

These two examples represent the strategy of the companies that engage themselves in open innovation projects.

**The term « open innovation » implies an approach based on cooperation, collaboration and knowledge shared between a company and its third parties (e.g., other companies, research centers, external colleagues or universities).**

The notion of open innovation is the opposite of the concept of « closed innovation », where the execution of the innovation process, creation and development is a part of the company politics and a part of the secret culture. In closed innovation, a company works only with its researchers, does not share the results and does not demand an external help (Fig. 1).

In contrast, open innovation involves people coming from different areas of expertise, who want to create an open ecosystem and to develop a better service for tomorrow (Fig. 2).

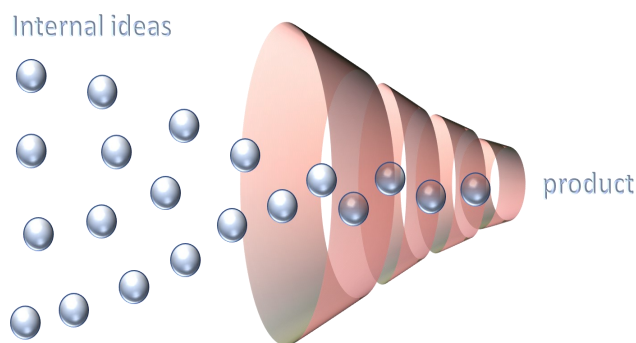


Fig. 1. Schematic representation of closed innovation.

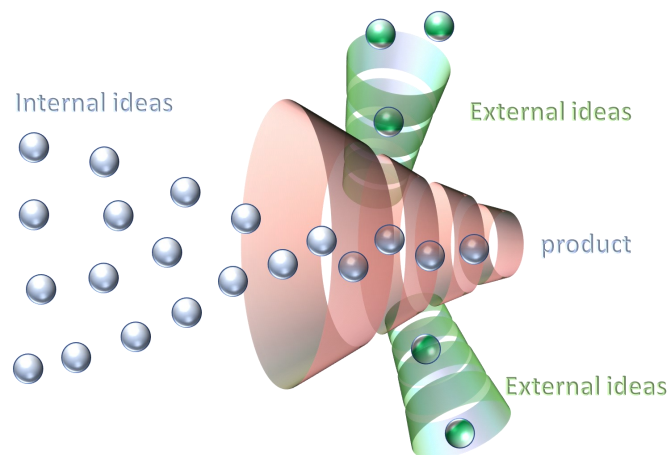


Fig. 2. Schematic representation of open innovation.

Nowadays, the more and more companies engage themselves in the open innovation projects. The topic «open innovation», including its strategy, benefits and associated challenges, is of high importance.

In this whitepaper we will focus on the advantages and challenges that companies may face while engaging themselves in open innovation projects. We will cover the following questions:

- Why do companies choose to follow an open innovation strategy?
- Is open innovation just a fashionable phenomenon or a real boost for the company ?

Finally, we will discuss an Intys input and experience in open innovation projects.

## Stakes

When we talk about innovation in general, we suggest huge investments, because implementation of new ideas always requires contribution to research and development. However, **very often companies do not have enough investments capacities. In this case, an open innovation may be relevant and may stand up as an alternative.**

**But is it a profitable investment ?**

**Yes, yes and yes!**

As an example, Coca-Cola company invests in open innovation to support and strengthen its campaign "Shaping a better future". This campaign allows web users to offer solutions for different challenges that society faces, for example, unemployment or pollution.

The company receives different projects on its platform, selects the best one and rewards its author (s) by paying 50.000\$ that are consequently used to build the project. Therefore, this Coca-Cola operation, involving lots of external parties, helps innovation and improvement of the brand picture.

The fact that several brands reveal their patents is the consequence of the current society evolution and the erosion of the confidential traditional approach of the closed innovation.

Several factors contributed to the transition from the closed to the open innovation. One of the them is the increased mobility and availability of qualified people. This change allows companies to attract talents from other companies to finally profit on their knowledge and competences. The knowledge that was then confidential, now is being shared.

## Benefits

Open innovation has many advantages at different levels.

No matter how many engineers or specialized researchers work in the company, the number of competent people outside will always be greater. And this does not only concern human resources, but also the intellectual property that is available to an organization.



The best way to develop and implement new ideas, designs and prototypes, is to be open. In this case, a company extends its opportunities and, definitely, has more to gain than to lose.

Start-up and charity organizations usually have limited budget. At the same time, they can offer human resources for creating something new that will bring value to their community, will have higher impact on company progress and will lead to the profit increase. The good solution for the start-ups and charity organizations would be to partner with big companies, all parties will then benefit from this innovation ecosystem.

Notoriety of the big companies, their financial power from one hand, and start-ups inventiveness on the other hand will make from those partnerships the win-win situations.

GAFA (Google, Amazon, Facebook, Apple) is a great example of such a collaboration. They partnered with start-ups and, hereby, they contributed to open innovation. This strategy, in turn, allowed them to progressively grow up within a few years.

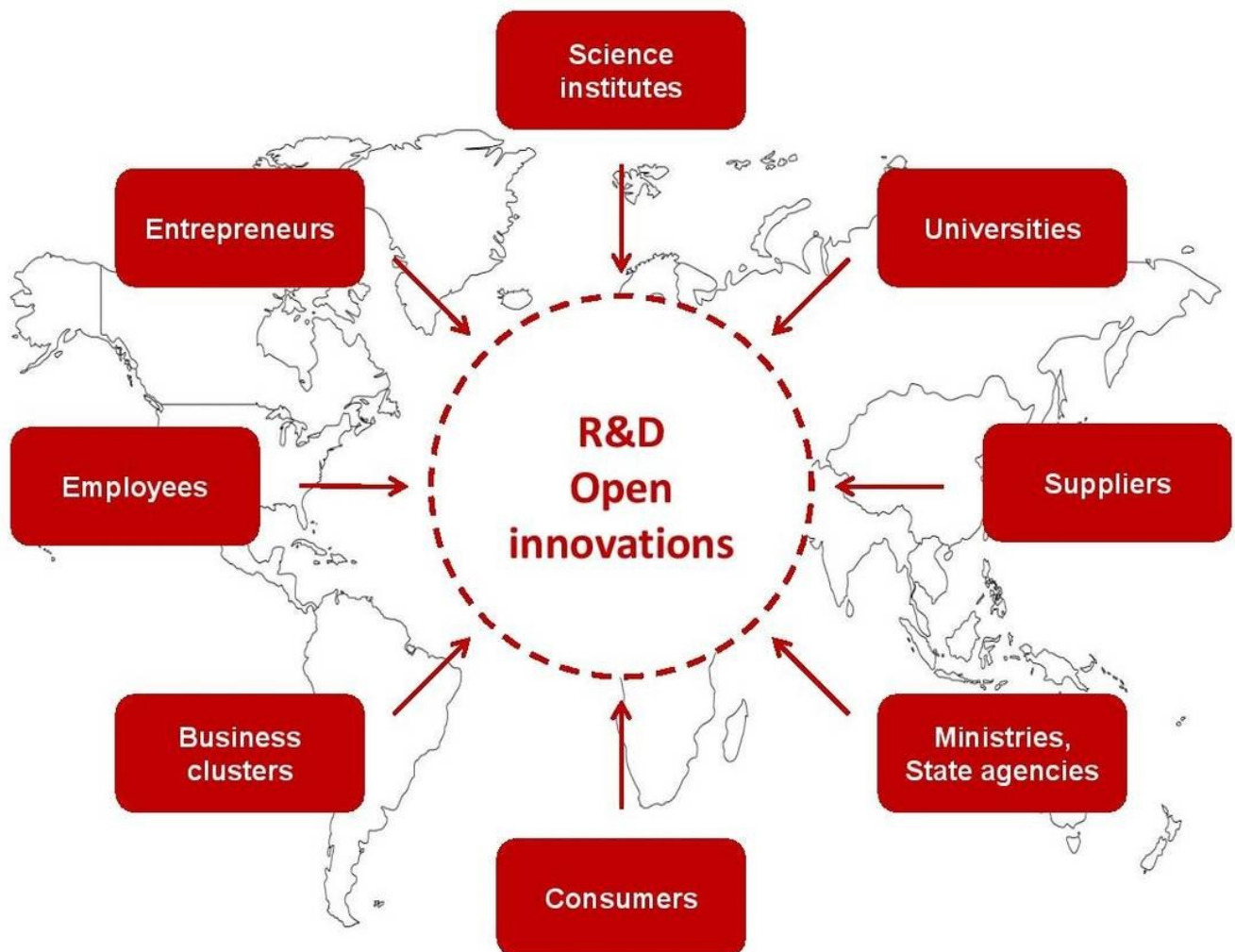
Another successful example of collaboration of several parties for contribution to open innovation, is a concept of new hotels. Mama Shelter (Fig. 3), emerged based on the collaboration of 4 parties: each of them used their expertise to dynamize their new product. They created a brand new luxury hotel chain combining the knowledge of a hotel CEO, Serge Trigano (Club Med), Philippe Starck, a well known designer, Alain Senderens, a chief who revolutionized the high quality cooking and Cyril Auizerate, an urban philosopher. Thanks to a special ecosystem, they created a concept, which mixes both, a place of life and business meetings and a perfect urban refuge. It is a modern hotel, but at the same time it has a warm and cozy ambiance.



Fig. 3. Mama Shelter hotel in Prague  
(source: <https://www.tripadvisor.ru>).

In short, **benefits of open innovation** are :

- Opportunities for radical innovation and joint value creation, i.e. diverse actors collaborate and jointly work on, develop and implement new ideas (Fig. 4)
- Building a “new market”, collaboration between suppliers and customers, creating an interest
- Less effort is needed, compared to conducting an “own” innovation/development (“outside-in”)
- Incorporation of knowledge and ideas from suppliers or customers to improve success
- Use of specialized expertise from outside parties
- Faster or better innovation process, e.g., learning from others, also from “competitors”
- Shared costs and risks



*Fig. 4. Diverse actors contributing to open innovation.*



# Challenges

Although open innovation has a lot of advantages, it may also have unknown areas and risks that are important to consider before engaging yourself in such project. The most frequently occurring challenges of open innovation are related to how the ideas are gathered, managed and implemented. These challenges can be divided into four categories, presented in Figure 5:



Fig. 5. Types of open innovation challenges.

## Strategic challenges and limitations of open innovation

Careful planning and execution of the integration of the external partners to the innovation process are very important for the fast development of better solutions for customers. Strategic approach to innovation is necessary in order to avoid ideas and time waste, as well as unnecessary costs. However, often companies do not have clear innovation strategy. They only rely on the external sources of open innovation and involve themselves in different small open innovation projects instead of focusing on a single big goal. At the end of the day, such companies fail to integrate the projects into the big picture.

In order to lower the risks and failed opportunities it is important to consider the following challenges:

**Unclear goals:** First of all to **identify the clear goal** of the open innovation project, i.e. to define what should be accomplished with this project.

**Wrongly targeted audience:** When the goal is well formulated, the next step is to **select the right audience** to pursue it and to access the right information.

**Diminishing returns:** It is important to take into account the possibility of **diminishing returns**, i.e. **opportunity costs** before engaging in open innovation project.

## Operational & structural challenges of open innovation

The most difficult part of open innovation might be to decide how to execute it. The transfer from a company with closed innovation model to a company with open innovation model requires a lot of changes in the operational and structural organization. This shift may be accompanied by some common challenges, among which are:

- **lack of goals,**
- **unclear communication,**
- **lack of stakeholder support,**
- **Immeasurability,**
- **and lack of strategy alignment.**

Another challenge that organizations may face is that

- **“The ideas stay inside the company and are not developed and implemented further”** Henry Chersbrough, creator of the theory of open innovation.

Finally,

- **Finding the right open innovation platform** – is another challenge that may appear when it comes to gathering and sorting diverse ideas.

These challenges have to be overcome in order to build an effective open innovation process. Figure 6 highlights the challenges that most companies face on their way to build a successful and effective process.

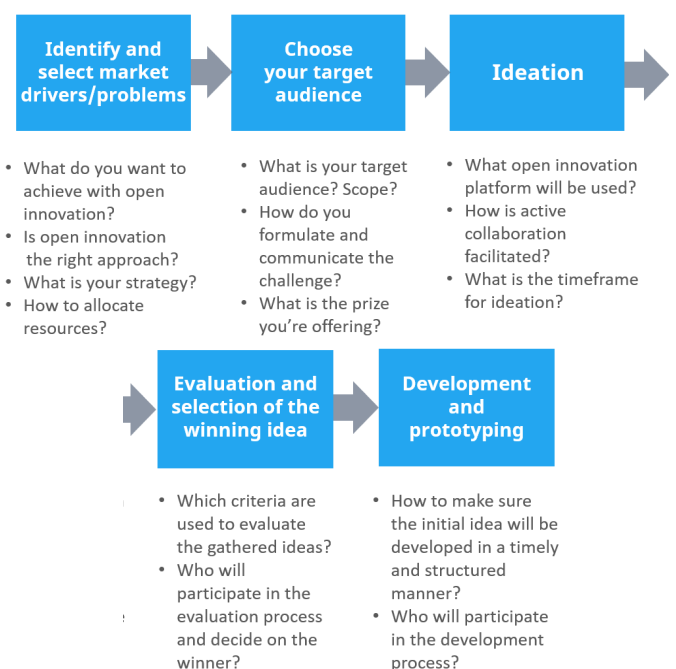


Fig. 6. Open innovation process.

## Legal challenges of open innovation

Legal aspects have to be considered at the beginning of the open innovation project. Since open innovation project implies the development and implementation of new ideas, designs, prototypes, it is important to make sure that **intellectual property rights are legally recognized and terms and conditions are accepted.**

## Cultural challenges of open innovation

Finally, the last challenge of open innovation that company may face is **the lack of collaborative, cross-functional company culture.** This challenge may be the most critical one in case people are not interested in development and implementation of ideas that are coming from outside of the company. Unfortunately, even great ideas can be subjected to criticism and skepticism. If this happens, there is a risk that no resources will be allocated to the development of these ideas and they will just be forgotten.

Sometimes, the problem that limits an innovative progress is **negative attitudes towards open innovation**, i.e., towards ideas that come from outside of the company. Most of the time it happens due to the lack of trust and of the ideas quality. However, it is important to understand that the purpose of open innovation is to gather all new ideas and then to select the best ones for implementation.

Another potential challenge that company may face is **the lack of motivation and commitment** to open innovation projects. If this is the case, it might be useful to make sure that the topic is well defined, the open innovation platform is easy to understand and that the active collaboration is activated. **Last but not least: the best way to change behavior is to reward it!**

## Take home message:

Although involvement in open innovation project often implies certain challenges and risks, it will definitely bring more benefits to your company if well planned and played smart.

Olivier Englebert, Program Manager at Intys Consulting, states: "to maximize the chances of having a successful open innovation project, all the stakeholders must witness the same trust, transparency and a highly cooperative attitude".

# Intys and Open Innovation

## Iriantsoa Rajerison



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*"To evolve in the future world, it is important to create an ecosystem composed of different experts, different knowledge that will develop the products of tomorrow. It's crucial to do it now to be first in the race for innovation"*

One of the approaches used by the companies to maximize the potential of open innovation is to use consultancy services, i.e. to organize hackathons. A hackathon is an event for self-expression that stimulates creativity and innovation. A typical hackathon is defined as a workshop, where participants work together in teams to find a solution for an actual business problem. The idea is to "open" the huge box of ideas and share these ideas with people, who have the same passion to develop and grow it up together.

Because at Intys we stimulate innovation we could not stay behind and took up this new hackathon challenge somewhere in the course of 2018. According to Iriantsoa Rajerison, - Senior Consultant, Project Innovation Leader at Intys Consulting, - it is crucial to invest time and knowledge in the open innovation projects to be successful on tomorrow's market.

Intys has already participated in three external (B-Hive Fintech hackathon, Humanitarian hackathon on 15-16 January 2019 and hackathon in GSK on 20-22 February 2019) and organized successfully internal hackathons.

We got the opportunity to interview Marie Gerzat, Delivery & Employee Experience Companionship at Intys Consulting, and Vincent Sabbe, Consultant at Intys Consulting, who organized internal Intys hackathon. According to them, collective intelligence is key to innovation. People need to interact, brainstorm and challenge each other to create ideas.

According to the experience of another participant of external hackathon: Jean-François Heering, CEO at Vadis technologies, hackathon was a great opportunity to learn from others, to strengthen the team spirit, to prove themselves and to network, which is crucial for a start-up company.

Based on these experience, we are confident to say that regardless your status: participant or organizer, you will benefit from such open innovation projects.

**Intys here and now:**

**We support open innovation and we believe that joint work always help to create, develop and implement new ideas.**



## Conclusion

Nowadays, the concept of open innovation has become famous. More and more companies are choosing to follow an open innovation strategy, because engagement in such open projects is pushing towards continuous progress and development.

At Intys, we support an idea of open innovation by actively participating in external and organizing internal hackathons.

**Open innovation is real boost for the company!**

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### Intys Consulting

Intys Consulting is a part of Intys Partners, one of the fastest growing European management consultancy groups with offices in Belgium, France and Luxembourg. Since 2007 we nurture an agile and entrepreneurial mindset, on which our exclusive approach is based. The Intys Way applies to all group companies.

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# Notes





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