

VIEWPOINT

The Value of Open Innovation for B2B Companies

BY MICHAEL GLESSNER

In his 2003 book, *Open Innovation*, Henry Chesbrough defined this important concept. In short, open innovation is a product or technology development model that extends beyond the boundaries of a firm to involve others in a collaborative way. Today, much of this activity uses various social networking tools and technologies to empower people to generate ideas, fine-tune concepts, share knowledge or solve critical problems.

We hear a lot these days about applying open innovation concepts to improve innovation and product development processes. Companies that sell directly to end consumers – business to consumer (B2C) – see clear uses, examples and value for open innovation. B2C companies are making the easy leap from using social media for outbound marketing to embracing idea generation concepts like crowdsourcing, contests and social voice-of-customer initiatives. Company cultures are becoming more accepting as best practices begin to emerge.

But the challenges and circumstances of companies that primarily sell to other companies – also known as business to business (B2B) – are different, and these open innovation concepts are not so easily applied. B2B companies often do not want to make their technical challenges public, and are wary of openly sharing sensitive information that is critical to a solution. Additionally, many of the challenges they face require very specific training and experience simply to understand and frame the situation. Even forward-thinking companies struggle to apply open innovation when they have these concerns.

Despite the challenges, the open innovation payoff for B2B companies is significant if done correctly, especially in today's resource-constrained R&D environments.

There are four dimensions of value to consider:

Faster, More Successful Technology Development

Invention and innovation are not synonymous (see my [blog post on Foundation for Open Innovation, Part 1: Invention vs. Innovation](#)). Invention is discovering something truly new to the world, while innovation allows you to leverage a solution that already exists in a new way to address a challenge.

Why should your team reinvent the wheel if an existing solution from another industry might work? When you can focus your team on finding answers rather than trying to create answers, you will speed organizational learning and your technology development initiatives will enjoy a higher probability of success.

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Increased Probability of Breakthrough Ideas

Think of all the smart people within your company. They are capable of some amazing results, given the focus and time to solve difficult problems. Now consider how many smart people work outside your company. Is there a specific skill set lacking on your team today? Could a fresh set of experienced eyes bring a new approach or solution to a problem? How can you connect to and harness external creativity in a productive way? Open innovation can increase the probability of breakthrough products by expanding your talent pool and inspiring your team to systematically redefine challenges in a thoughtful manner (see my [blog post on Foundation for Open Innovation Part 2: Where will breakthrough ideas come from](#)).

Improved Team Productivity

Open innovation boosts team productivity in two ways. First by keeping your top technical talent motivated, and second by engaging top talent from outside your firm. The opportunity to work with even more smart people from other organizations or industries on very important projects is quite a carrot for a researcher or key engineer. In today's dynamic workplace where top talent can easily change employers, it is critical to keep your best talent invigorated and engaged on *your* innovation initiatives.

Expanded Revenue Opportunities

Open innovation enables additional revenue opportunities for intellectual property (IP) and technology developed within your firm. Your internal R&D investments can create additional revenue streams, including licensing, selling, establishing a joint venture, or even starting up a spin out company. To accomplish any of these possibilities, you need external perspectives, relationships and partners to bring significant ideas of their own to the table. As Henry Chesbrough said in his book, 'if we make the best use of internal and external ideas, we win.'

The potential benefits of open innovation for B2B companies are substantial. Sourcing innovative ideas from other industries to speed learning, increasing the probability of breakthrough products, improving team performance and enabling new revenue opportunities are just a few examples. My next Viewpoint will cover practical starting points for using open innovation in B2B companies.



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