

## Chapter 94

# Open Innovation in Small and Medium Enterprises: Perspectives of Developing and Transitional Economies

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### ABSTRACT

*In spite of the increased acceptance by most of the corporate business houses around the world, the adaptation of strategies and concepts belonging to the newly evolved dimension of entrepreneurship, the open innovation (OI), countries in the East, West or South are yet to adapt appropriate strategies in their business practices, especially in order to reach out to the grass roots communities, or to the masses. So far, firms belonging to the small and medium sized enterprises (SMEs) sector, irrespective of their numbers and contributions towards their national economies are lagging behind far in accepting open innovation strategies for their business advancements. While talking about this newly emerged business dimension, it comprises of complex and dynamically developed concepts like, management of various aspects of intellectual property, administration of patents, copyright and trademark issues or supervision of market trend for minute details related to knowledge acquisition. All these issues are largely responsible to add value to the business plan in terms of economy or knowledge gain, and organizations acting in this aspect deserve comprehensive researches and investigations. As most of the developed countries are already in their advanced stage in adopting open innovation strategies, finding this as a weak link in terms of entrepreneurship in less developed countries, this chapter intends to seek answers related to the mentioned issues focusing adaption of open innovation strategies in developing and transitional economies. It is a study on business houses or national efforts from countries belonging to these categories, deducting from a longitudinal literature review. The chapter goes on looking into other aspects of business development incorporating various OI concepts, synthesizes to build a reasonable framework to be applicable in the target economies, points out to some future research aspects and concludes the finding of this research. This study expects to enhance knowledge of entrepreneurs, academics and researchers by gaining specific knowledge on trend of open innovation strategies in developing and transitional countries.*

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## INTRODUCTION

Innovation is no more an experimentation, but a genuine reality within the business processes, given the circumstances of economic crisis, global competition and novelties of technologies. Perplexing further to face the reality and overcome crises, firms are day by day adopting newly developed ideas, concepts, and perceptions to fit into the business dimension from within and outside the boundaries of their own entities, thus channeling the entrepreneurship through the paradigm of open innovation (OI). By far, majority of the corporate business houses and multi-national enterprises are competing or collaborating with a common goal in promoting value added products, processes, or services. Notwithstanding, they are transforming the entire business development infrastructure to face the reality and move ahead (Van Hemert & Nijkamp, 2010).

Furthermore, it has been observed that over the past two decades, there has been a substantial shift in the global innovation landscape. Multinationals from developed economies are increasingly globalizing their research and development (R&D) activities and are developing an open innovation model to source innovations from outside the firm, including from emerging economies such as those in Africa and Asia. In addition, emerging economy enterprises, which traditionally have played a secondary role in the global innovation landscape, have now begun to catch up in developing their own innovative capabilities (Li and Kozhikode, 2009).

However, it has also been observed that a major portion of the business community that belongs to the small and medium enterprises (SMEs) sector, in spite of their justified contribution to economic growth and employment generation, is not always in advantageous situations in the arena of open innovation due to many factors, seen, unseen, attended, un-attended, researched, un-researched, and deserves further research (United Nations, 2006; World Business Council, 2007).

In this context, Edwards, Delbridge and Munday (2005) argue that, in spite of increasing attention being given to the role of SMEs and innovation, there is a gap between what is understood by way of the general innovation literature and the extant literature on innovation for SMEs. They further argue that studies of innovation in SMEs have largely failed to reflect advances in the innovation literature. Supporting these arguments, this study has tried to find out relevance of open innovation among SMEs, and particularly the emergence of OI strategies in developing and transitional economies.

There are a considerable number of literatures that are available about innovation, and in recent years various models have been suggested to describe its nature. Models have also be divided according to their innovation processes (such as, linear models, chain-linked models, triple-helix, Coventry University Enterprises Limited model, Rahman and Ramos model and others), or according to the fitness for developed or developing countries (Lee, Park, Yoonc and Park, 2010; Rahman and Ramos, 2013).

When one talks about cross-boundary issues on business concerns, innovation requires not only harvesting and transferring knowledge, but also an effective absorption capacity within the entity. However, the main components of this, in terms of organization, resources, and culture are in principal similar both in the domestic and international arenas. Furthermore, internationalization poses particular challenges in terms of openness and the tolerance or, encouragement of diversity if knowledge is to be absorbed successfully, and translated into innovation (Zahra and George, 2002; English-Lucek, Darrah and Saveri, 2002; Williams and Shaw, 2011).

To advance into the context of this trend of research this study has observed that, countries ranking as developed economies are ahead in the race adopting open innovation in their business development, while countries among the developing and transitional economies are struggling to fit into the race of

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