

## Chapter 9

# Open Innovation in SMEs: From Closed Peripheries to Networked Paradigm

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### ABSTRACT

*Successful innovation is a key to business growth. In the realm of technological development, innovation processes have been transformed into various forms, like open innovation, crowdsourcing innovation, or collaborative innovation. This research would like to focus on open innovation processes to reach out to the common stakeholders in the entrepreneurship system through small and medium enterprises. It has been observed that to provide innovative services or products to the outer periphery of the customer chain, SMEs play an important role. Hence, focusing innovation for SMEs would lead to a newer dimension of innovation research for better business and economic growth. It could be applied to both ways in terms of value gain to the participants. This applies to all sorts of entrepreneurships, though often corporate business houses seem to be the most beneficiaries of innovation researches. This research will emphasize open innovation for SMEs at the outset by focusing transformation of innovation leading to a networked paradigm in spite of being in closed periphery, and try to provide some overview on innovation strategies, including various challenges.*

### INTRODUCTION

Innovation, in general sense may be seen as a process of designing, developing and implementing a novel product or service to improve economic, physical and logical parameters in the process. Open innovation, on the other hand, incorporates

joint efforts from in-house capabilities and possible outsourcing or combination of several input paths during the product or service development.

However, innovation is not just any sort of change in an entity. It focus on qualitative changes, and especially targeted to enhance knowledge gain that would lead to economic gain. It is not just adapting someone's novelties, but it creates something of its own as a new, at least not existed

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in exactly in such form before. Innovation may incorporate product specialization, or targeted commercialization, or an invention deliberately attempting to enhance the product value.

There could be product, service, process or technological innovation at the organizational level, or organizations at the grass roots, and be it fostered collaboratively. In the paradigm of opening the innovation process adaptable to the global environment to be termed as open innovation by incorporating knowledge flux from inside or outside (crowdsourcing), leading to unilateral development or outsourcing incorporates several stages of development (see Figure 1). It could follow any of these separate channels, or accommodate more than one channel to produce an innovative product.

Innovation could be driven by technology, supply, demand, process, design, value, sustainability, economy, culture, or regulation. The product may range from basic health support, inter-personal communications, equipment or accessories of specific nature, or supply driven items, as such targeting electronic and communication products, fashion industries, household items, constructions, or items of creative in nature.

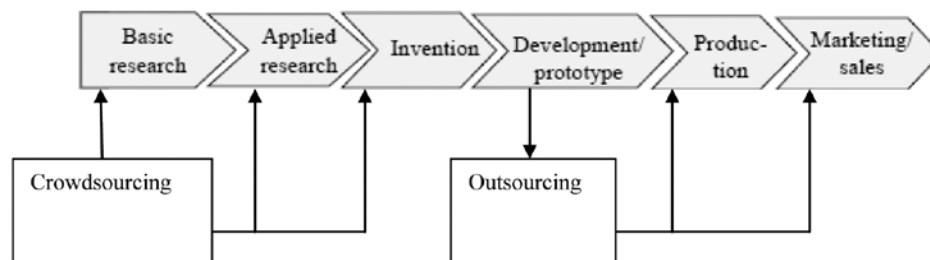
Moreover, innovation is the nimbleness to adapt with the dynamic trend of the global market, and especially capable of growing, adjusting, modifying, or innovating at the same speed or faster than the ambient economic environment (Clark & Gottfredson, 2008). In addition to these, the organization must have the competency to undertake

the challenges of today, else today's problems will accumulate tomorrow to become more complex task that may lead to become insurmountable (West, Vanhaverbeke & Chesbrough, 2006).

In the context of open innovation (OI), it is seen as utilization of inbound and outbound knowledge flows converting to economic values, and acceleration of product development and marketing accumulated ideas leading to added value chain (De Jong, Vanhaverbeke, Kalvet & Chesbrough, 2008). Diversified factors affect the open innovation process (see Figure 2), in addition to an organization's inherent entity. It incorporates management, governance, skills, technology and policy matters. It also integrates relationship of open innovation factors with other interrelated organizations, institutions and agencies. However, the fact is that in the arena of open innovation, much have not been researched in these aspects. Above all, at the policy making level, not enough work have been carried out to facilitate familiarization of positive aspects and impact of open innovation to the policy initiators, especially at the socio-economic strata. Furthermore, the role of government remains uncharted in many facets in the decision making process of open innovation at the national level.

Till date, most studies have examined open innovation at the organizational level, basically for two reasons. Firstly, innovation is traditionally conceived as the outcome of deliberate actions of a single entrepreneur, and thus R&D competition has also been styled as an innovation race

*Figure 1. Innovation process (Adopted from Christensen, 2007)*



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