

## Chapter 46

# Open Innovation in SMEs of Developing and Transitional Economies

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### ABSTRACT

*Despite being accepted by corporate entrepreneurs and large business houses around the globe, the adaptation of strategies and concepts belonging to the newly evolved dimension of entrepreneurships, and the open innovation (OI), countries in the East, West or South are yet to accommodate open innovation strategies in their business practices - especially in efforts to reach out to the grassroots communities. By far, firms belonging to the small- and medium-sized enterprises (SMEs), irrespective of their numbers and contributions towards their national economies, are far behind in accepting open innovation strategies for their business developments. While talking about this newly emerged business dimension, it comprises of complex and dynamically developed concepts like management of intellectual property aspects, administration of patents and copyright issues, or supervision of market trend for minute details related to knowledge acquisition. All these issues are largely responsible for adding value to the business proposition in terms of economy or knowledge gain, and organizations or entities acting in this aspect deserve comprehensive investigation. As most of the developed countries have already adopted open innovation strategies, finding this as a weak link in terms of entrepreneurships 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 longitudinal study on business houses or national efforts from countries belonging to these categories, deducting from a literature review. The chapter goes on looking into various aspects of business development incorporating OI concepts, synthesizes building 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 is supposed to enhance the knowledge of entrepreneurs and researchers by gaining specific knowledge on the trend of open innovation strategies in developing and transitional economies.*

DOI: 10.4018/978-1-4666-3886-0.ch046

## **INTRODUCTION**

Innovation is no more an experimentation, but a genuine reality within the entrepreneurship, given the circumstances of economic crisis, global competition and novelties of technologies. Perplexing further to face the reality and overcome crises, enterprises 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 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 entrepreneurship infrastructure to face the reality and move ahead (Van Hemert & Nijkamp, 2010).

However, a major portion of the business community, despite their justified contribution to economic growth and employment generation, the sector belonging to the small and medium enterprises (SMEs), are not always in advantageous situations in the arena of open innovation due to many factors, seen, unseen, attended, un-attended, researched, 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 in 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.

To advance into the context of this 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 within the developing and transitional economies are struggling to fit into the race of the champions. This chapter based on a study, though not a specific case of one country, has tried to illustrate a few discrete scenarios from five developing countries through horizontal literature review. The chapter has tried to provide a generic context of innovation (inclined to open innovation) in those randomly selected countries, and present challenges they are facing, including some recommendations, before concluding for further extensive research. Along this route, the chapter has tried to build a framework synthesizing the aspects of the findings. It is expected that this study will contribute to enhance knowledge of readers in refreshing the basic concept of open innovation and application of OI strategies among SMEs in developing countries. Furthermore, as majority of OI strategies nowadays are mainly dependent on utilization of information technologies, this study could form a start up literature towards future e-commerce practices adopting strategic and pragmatic business processes.

## **BACKGROUND**

Joseph Schumpeter (1883–1950), one of the first theorists who studied the economy through the innovative eye, stated that innovation is about new ways of doing things by combining existing elements into new products through a creative process (De Jong, Vanhaverbeke, Kalvet & Chesbrough, 2008). Along the way, innovation through the creation, dissemination and utilization of knowledge has become a key driver of economic growth. However, factors influencing innovation performance have changed in this globalized knowledge based economy, partly due to the advent of new information and communication technologies (ICTs), and partly due to the increased global competition. Innovation results

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