

## Chapter 6

# Global Innovators: How Open Innovation Serves Humanity

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### ABSTRACT

*Innovation is vital to sustain and advance current activities or it can be vital to growing new businesses. The challenge for organizations operating in a global environment is to meet the evolution of the marketplace, social needs, and the needs of society. Open innovation allows organizations to draw from the global pool of knowledge to design products and business modes that provide value while meeting social needs. This chapter looks at several SMEs that are social innovators drawing on a range of technologies to create products and services or to commercialize existing products in a new way in order to meet pressing social needs round the world.*

### INTRODUCTION

Traditionally international business has been considered business transactions between parties from more than one country. The focus is on cross border activities and an important aspect of international business is the collaboration which occurs between domestic and foreign partners. One text states “Global business is fundamentally about not limiting yourself to your home country but treating the entire globe as your potential playground (or battlefield)” (Peng, 2010: 8). This concept is true to many aspects of international

commerce and non perhaps more than innovation, research and development.

William H. Chesbrough (2003: 1) in his book defines open innovation as “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for the external use of innovation, respectively.” Open innovation involves the international search for new ideas and collaboration in utilizing that knowledge to meet human needs. Few would disagree that innovation is vital to sustain and advance current activities or that it can be vital to growing new businesses. “Open innovation means that companies should make much greater use of

DOI: 10.4018/978-1-61350-519-9.ch006

external ideas and technologies” (Chesbrough, 2006a: 1).

The challenge for organizations operating in a global environment is to meet the evolution of the marketplace, social needs and the needs of customers in the best possible way. Open innovation allows organizations to draw from the global pool of knowledge to design products and business modes that provide value.

Twenty-first century innovation is different from innovation in past eras. This chapter looks at several SME's that are organizational innovators: some are creating new products or services, some are commercializing existing products in a new and relevant way, while others are opening new markets. The reader can explore the nature and characteristics of the emerging organizational forms that are being built through global networks and frameworks. The chapter identifies the implications of these changing business constructs for our collective future.

Open innovation requires shedding a number of assumptions and traditional ways of doing business. Companies that embrace open innovation

believe that smart people work inside and outside their companies and rather than attempting to discover technologies themselves, open innovators believe they need not originate ideas and research to profit from them (Chesbrough, 2006b).

The methodology imposed in this chapter is a series of case studies. Case studies are employed in order to be able to provide a more complete assessment, one which is holistic and takes into consideration the contextual environment. The aim is to provide an empirical understanding from which an improved understanding may emerge. Despite the inherent limitation of generalizing from a limited number of cases, it contributes to an understanding of how a new breed of global innovators operate.

## **BACKGROUND**

Globalization has been accompanied by increasing consumer concern about the health consequences and working conditions under which goods are produced. Consumers want to know “are com-

### *Figure 1. Why fair trade is important*

Fair Trade is a growing, international movement which ensures that producers in poor countries get a fair price for their goods, one that covers the cost of production and guarantees a living income.

Fair Trade, an idea which began over 40 years ago in Europe seeks to change that equation. Fair trade is the idea that when we engage in trade, we must also think about the people behind the products we are buying. The central idea is that trade should create sustainable incomes for low income producers in Latin America, Africa, Asia and around the world by paying a fair wage in the local context, ensuring safe working conditions, providing business development support and creating stable access to outside markets. As Paul Rice, founder of TransFair, an Oakland, California non-profit devoted to extending the reach of fair trade, puts it “Business can play an enormous role in ensuring that producers are compensated so that their families can live productive and sustainable lives.”

For a product to be considered fair trade it needs to adhere to several fair trade principles including (a) paying a fair, living wage in the local context, (b) providing health and safe working conditions, (c) providing education to workers about the environment. In addition they often pay a premium to workers to improve the community. And in many cases fair trade involves transparent partnerships with farmers and artisans have a say in how the business is run.

For example, each day nearly 2.5 billion cups of coffee are consumed. It is the 5th most widely traded commodity in the world and 20 to 25 million families produce and sell coffee for their livelihood and most of them are *small-scale farmers* with limited financial resources and scope to diversify out of coffee production.

A recent Oxfam research report showed that Ugandan coffee farmers only get about 2.5 percent of the final retail price of their coffee in the UK market.

Sources: [www.maketrade4fair.com](http://www.maketrade4fair.com); [www.tutor2u.net/economics/revision-notes/as-markets-coffee.html](http://www.tutor2u.net/economics/revision-notes/as-markets-coffee.html)

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