

Chapter 10

Dynamic Learning as Entrepreneurial Action in the Context of Open Innovation: An Instrumental Case from a Communities-of-Practice Perspective

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ABSTRACT

Recent scholarly discussion on open innovation put forward the notion that an organisation's ability to internalise external knowledge and learn from various sources in undertaking new product development is crucial to its competitive performance. Nevertheless, little attention has been paid to how growth-oriented small firms identify and exploit entrepreneurial opportunities (i.e. take entrepreneurial action) related to such development, in an open innovation context, from a social learning perspective. This chapter, based on an instrumental case-firm, demonstrates analytically how learning as entrepreneurial action takes place, drawing on situated learning theory. It is argued that such learning is dynamic in nature and is founded on specific organising principles that foster both inter- and intracommunal learning.

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INTRODUCTION

Entrepreneurial action entails creating new resources or combining existing resources in new ways to develop and commercialise new products, move into new markets/service new customers and/or introduce new organising processes (Sexton and Smilor, 1997; Hitt *et al.*, 2001; Gartner *et al.*, 2003). Growth-oriented small firms, the driving engine of economies across the world, are conceived of typifying entrepreneurial action, related to identifying and exploiting successfully entrepreneurial opportunities (see for instance Davidsson *et al.*, 2002). By default, such entrepreneurial action is integrally related to innovatory activity (Schumpeter, 1934).

Gibbons *et al.* (1994) advanced the idea of a mode 2 knowledge production, a new way to generate knowledge within a dynamic, interactive system of multiple and diverse actors who are both users and co-producers of knowledge. In a similar vein, it has been argued that many firms, in order to sustain their ability to introduce new products to the market successfully, have shifted to a model of open innovation that exploits the knowledge of a wide range of actors (Chesbrough, 2003). In contrast to closed innovation, firms innovating in an open innovation model are able to use external ideas and knowledge in conjunction with internal R&D efforts to enhance their absorptive capacity (Cohen & Levinthal, 1990) and sustain innovation. Boundary-spanning linkages and internal mechanisms for effective knowledge sharing such as cross-functional teams are central to the notion of open innovation. The former allow access to external knowledge, whilst the latter enable its effective integration with extant knowledge base at a group/organisational level (Chesbrough, 2003, 2006; Chesbrough & Crowther, 2006). Overall, open innovation can be seen as a holistic approach to innovation management, “which refers to systematically encouraging and exploring a wide range of internal and external sources for innovation opportunities, consciously

integrating that exploration with firm capabilities and resources, and broadly exploiting those opportunities through multiple channels” (Bröring & Herzog, 2008, p335).

From a social constructionist/practice-based perspective, Situated Learning Theory (SLT) (often referred to as Communities of Practice (CoP) theory) (Lave and Wenger, 1991; Brown and Duguid, 1991; Brown and Duguid, 1998; Wenger, 1998; Wenger, 2000) offers a potent theoretical lens for enhancing understanding of entrepreneurial action in an open innovation context. Importantly, it enables the examination of the phenomenon on the platform of social, participative practice, in stark contrast with conventional cognitive learning approaches (Geraldi *et al.*, 1998). SLT’s centrepiece, the notion of CoP, provides the embedding generative framework for the development of new knowledge, emphasising the need to understand learning and knowing related to innovation as social micro-processes (Lave and Wenger, 1991; Brown and Duguid, 1991; Wenger, 1998; Brown and Duguid, 1998; Brown and Duguid, 2001a, b; Tsoukas, 2002; Huysman, 2004; Tsoukas and Mylonopoulos, 2004).

SLT has been gaining momentum in organisational studies concerned with learning. However, notwithstanding the recent calls for taking a practice-based approach to entrepreneurial learning (Rae and Carswell, 2001; Rae, 2002, 2004; Taylor and Thorpe, 2004; Thorpe *et al.*, 2005) – with the exception of a few peripheral studies (Theodorakopoulos *et al.*, 2005; Theodorakopoulos & Ram, 2006) – SLT has not been used systematically to any length in this context. The chapter relates to this literature and adds value by considering how new knowledge underpinning entrepreneurial action in growth-oriented, small firms is created in the context open innovation. This entails how such knowledge is generated in shared spaces where multiple actors operate and how then it is internalised and used to develop new products in an open innovation context. This is an important line of inquiry as, notably, little attention has been

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