MANAGING INNOVATION through 'open innovation partnerships'

COULD BIG MANUFACTURING OR ELECTRONICS COMPANIES MAKE BETTER USE OF THEIR PRODUCT INNOVATION BUDGETS? ABSOLUTELY, SAYS **SIETE HAMMINGA**, FOUNDER AND CEO OF NETHERLANDS-BASED HIGH-TECH FIRM WALELI

You are asking how big manufacturing or electronics companies could make better use of product innovation budgets. The answer is by tapping into the complementary strengths of a new breed of smaller, nimbler, high-tech innovation specialists who have made a specialisation of applying the latest technologies in innovative products that really meet people's needs in simple ways.

I believe that 'open innovation partnerships' between big businesses and these smaller firms will become the key strategic ingredient of innovation management in future, helping big firms spot opportunities, then bring products and services to market at maximum speed and minimum cost.

Big businesses in the consumer electronics field have all the advantages of established brands, distribution channels, financial muscle, buying power, global reach and marketing weight. They can and do invest fortunes in product innovation to secure the future of the business with a horizon of the next five, ten or more years. But are these large groups best placed to identify and exploit all the potential ideas for new products and services? You'd think so, but in reality it's not that simple.

When firms concentrate on ideas that have the potential to shape the way people live and work ten years from now, it's easy to overlook new products and services that could fulfil a genuine market need tomorrow and which could also generate useful long-term income.

Supply chains in the electronics and telecoms industries have changed significantly in recent years and as a result many new types of business collaboration have emerged. Until now, though, this has not generally impacted upon innovation management.

We are now seeing a new breed of innovation specialists emerging, with a business model based on working in partnership with larger firms to identify new product opportunities, then turn them quickly and cost-effectively into marketable products or services.

The art of correlation: seeing and understanding a need and knowing how to apply products and services that fulfil that need in a simple way. As an example, we asked why a person's front door bell doesn't connect to his or her mobile phone. The Waleli GSM doorbell grew out of this thinking.

The art of limitation: resisting the temptation to stuff a product full of functions and features just because you can. Defining what a high-tech product should not do is a critical success factor in innovation. It's as important as defining what the product should do.

There are also emotional and cultural factors to overcome in new product innovation. The 'not invented here' syndrome is a good example. There may be a natural reluctance to accept innovations that come from outside the company. It's understandable. This may be reinforced by a business culture in which the manager may be asked to justify why he or she didn't use internal resources for the project.

However, there are signs of a shift within many large companies, as they begin to understand the benefits of combining internal and external innovation resources, and acknowledge the efficiency of working together with smaller enterprises through open innovation partnerships. And we are not talking about developing the technologies that will rock the world years from now, but rather about how to fast-track innovations that fulfil a need in a simple way tomorrow.

Major consumer electronics companies all have core areas of technology expertise, intellectual property and competence, and rightly regard these as assets that must be protected at all costs. Open innovation partnerships with smaller innovation specialists do not threaten these assets. On the contrary, the collaboration may well identify new areas in which these technologies can be applied, resulting in increased revenue streams.

This highlights another benefit of partnerships. The external company is not driven by, or tied to, any specific technology. It has access to efficient resources anywhere in the world and is, therefore, in a good position to select the optimum technology to solve a particular consumer need, rather than looking for products and services that play to the company's existing technology capabilities.

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Talking to big firms about why they are prepared to consider partnering with an external specialist on innovation projects, the answer is often along these lines: "If we do it ourselves, it costs three times as much, takes four times as long and, then, just before it's ready, the project is killed."

Cooperation allows everyone to do what they do best. ■