Chapter 6

Leadership in Open Innovation: Examining the Influences of Open Innovation on Competencies, Control, and Behavior in R&D Environments

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ABSTRACT

Throughout the literature, Open Innovation is lauded for yielding reduced time-to-market, higher R&D efficiencies and additional revenue throughout-licensing or spin-offs. Nevertheless, the Open Innovation model bears challenges: Managing an increasing number of partnerships and capturing the full potential from external technology providers (Fetterhoff & Voelkel, 2006).

How can managers and team members of Open Innovation projects effectively respond to these challenges beyond the widely cited “Not-Invented-Here” syndrome?

The topic of leadership is an area unexplored in the context of Open Innovation (Chesbrough, 2010a). This study provides such an exploration and presents a flexible leadership model that demands a joint application of goal-oriented, involving and engaging elements: establishing clear contractual agreements through tight partnership involvement and inspiring the prospects of a joint ecosystem.

Throughout the partnership interaction, leadership in Open Innovation becomes mainstream, so that everyone involved in the value creation process needs to exhibit skills along the proposed flexible leadership framework.

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INTRODUCTION

The traditional model of innovation management sees internal research and development as a strategic asset, a barrier to entry of competitors as well as a means to achieve economies of scale and scope through first-mover advantage. The result has been a vertically integrated innovation model (Chandler, 1990; Hamel & Prahalad, 1994), which internalizes R&D activities and performs commercialization through internal development, manufacturing and distribution for sustainable competitive advantage.

Recent empirical evidence - through case studies at large multi-nationals such as Procter & Gamble (Huston & Sakkab, 2006), IBM (Chesbrough, 2003a) and Deutsche Telekom (Rohrbeck, Holzle, & Gemuenden, 2009) among others - suggests that this closed model might not be sustainable in the modern business world.

In the automotive industry as well, the traditional R&D model seems to be reaching its limits. As an example, the cockpit electronics business, which includes audio systems, instrument clusters and connectivity devices, is faced with high-speed advancement of consumer electronics technology in a long development and life cycle nature of the automotive industry, according to the president of the Visteon Corporation’s Electronics Product Group, Steve Meszaros (Visteon, 2008). Furthermore, closed vehicle architectures limit reuse of components, which has an adverse effect on R&D costs. A summary by Dannenberg and Burgard (2007) in Figure 1 highlights the key influences suggesting that with the amount of challenges and pressure for increased efficiencies, companies are not able to innovate on their own anymore.

In a global study by IBM (Rishi, Stanley, & Gyimesi, 2008), executives of major automotive companies agreed that the biggest barrier to continued and efficient innovation is the creation of global standards. To overcome this barrier companies adopt a new open model of innovation focusing R&D on the business model and extensively collaborating throughout the value net with external players such as governments, universities and companies across industry boundaries with the aim of achieving higher innovation efficiency and customer satisfaction.

This open approach was first academically defined and promoted by Henry Chesbrough under the term “Open Innovation” (hereafter:}

Figure 1. Cost pressure on innovations in automotive (© 2007 Oliver Wyman / Dr Jan Dannenberg. Used with permission)
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