ABSTRACT

Open Innovation practices offer firms possibilities to co-operate with final users in order to offer products and services that can better match consumers’ needs. In the present chapter the authors describe an emergent strategy followed by Ericsson to confront new market scenarios in the mobile industry.

By means of a recent innovation initiative conducted by this multinational, the role played by external lead users in knowledge creation is discussed along with the implications that involving external users into value co-creation have in Ericsson’s approach to innovation and development. Prior research has discussed the process of attracting, motivating and organizing external user communities that donate complementary goods and services. This chapter examines how Ericsson conceived, created and organized a community to support the development of mobile services and applications for its commercial platform to provision mobile services.

This chapter also reports on open innovation as a coherent practice in highly dynamic technological markets.
INTRODUCTION

The economic globalization and the application of information and communication technologies have offered firms the opportunity to develop and expand new knowledge and have increased the possibilities of accessing and spreading knowledge through learning processes that generate new capabilities. This has generated a new economy (Cooke, 2001) where a change in the economic paradigm that offers new ways for innovation is emerging.

The concept of open innovation proposed initially by Von Hippel and Henry Chesbrough proposes new approaches to innovate relying on both internal and external firm resources.

De Jong et al. (2008) define open innovation as the purposed usage of internal and external flows of knowledge to accelerate internal innovation and expand markets for the external use of it. In this vein, the concept of open innovation departs from previous innovation modes in which oftentimes existing processes at the firm erect barriers to external knowledge thereby reducing absorptive capacity (Chesbrough, 2002).

In this sense Surowiecki (2005) emphasizes how collective intelligence of a great group of people exceeds individual approaches in terms of idea generation and knowledge. This concept has a potential interest of study for explaining final results in open innovation practices, but it is needed to accompany it with models allowing the organization of the collective intelligent. In this sense, we find of interest the study of the so-called “labs.ericsson.com” (Labs, 2010) an open innovation initiative based on co-operating with final users in other to promote innovation in products and services.

Prior research has discussed the process of attracting, motivating and organizing external user communities that donate complementary goods and services (e.g., Lakhani & von Hippel, 2003; Jeppesen & Frederiksen, 2006; West & Gallagher, 2006).

This chapter examines emergent strategies as adopted by multinationals operating in the mobile industry. Furthermore these strategies are consistent with existing literature regarding best configurations in highly dynamic technological markets. Based on a real case of study, the following sections presents the way Ericsson is adapting its own internal structures and technology to compete in certain market segments of the mobile industry. Following an open mode of innovation the company involves external users in early stages of innovation and development in order to explore new solutions better adapted to customers’ preferences and expectations. This new mode of collaborations posits some challenges either technical, organizational or knowledge-management related among others.

EMERGENT INNOVATION PARADIGMS IN THE MOBILE INDUSTRY

In accordance to the theory of technological systems (Hobday, 2005) large technical systems involving complex technologies experiment incremental development lifecycles orchestrated by large firms with both technological and financial resources.

Mobile servicing is a clear example of a large technical system involving state of the art technologies in transmission and signal processing. Furthermore mobile services exhibiting strong network effects call for high levels of coordination among relevant players in this market thus reinforcing the integrated market structure.

Ericsson, in a similar fashion to others, has successfully managed innovation and development following a traditional approach for large technological systems: relying on first class engineers and huge investments in R&D (close to 20% of its net sales). If in this case Ericsson has in some cases pursued a different strategy as far as intellectual property is concerned, under
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