The Benefits of Incorporating Ideation in an Open Innovation Strategy

Executive Summary

Developing new approaches to innovation is no longer just an option for organizations that want to grow and thrive; it is a 21st century *imperative*. With the increasing landscape of new models and methods of innovation, it becomes important to understand what these strategies can offer, how to combine them for maximum impact and how to execute them for maximum output. One thing is clear: there is no single magic answer for any one company's innovation needs. The most successful companies have recognized from the very beginning that a strategic portfolio approach ensures the highest return on innovation investment. This portfolio approach includes working with innovation intermediaries and employing a direct-to-market strategy, but most often starts by developing new methods to uncover the best ideas within your organization. This process of ideation is a key element to any innovation portfolio strategy and a first step for many of the Fortune 500 companies.

New Model for Innovation

Today's model of innovation is the result of dramatic changes that have taken place over the last decade and indicative of a more efficient and highly networked entrepreneurial environment. The current approach often bears little resemblance to the old model and can be defined in many ways based on its emerging characteristics. To begin with, the innovation "space" is now anywhere at any time from anyone, meaning the role and potential of the "expert" has permanently changed. Also, the previous emphasis of research in R&D has now shifted to focused and applied development; even the term "R&D" has been re-termed "innovation". No real innovation occurs that is not tied to or influenced by some knowledge of the market or end-users of the intended product or service. And as innovators move closer to the customer there is an increased emphasis on producing value and gaining useful market feedback. This new model of innovation also gives rise to new types of innovation throughout the firm. No longer confined to scientific and technical breakthroughs, innovation has taken hold in all business functions including sales, marketing, human resources, manufacturing, etc.

Arguably the most defining characteristic of the new model of innovation is the **opening up of the previously tightly walled centers of R&D**. What used to be an exclusive club is now frequently open to anyone. Every single person in a company can contribute to the innovation practice of that company, not just "experts". This is not to say that experts are obsolete or no longer needed, in fact they are as important as ever. What has changed is the ability to open up challenges and unsolved problems to broader pools of participants. And the experts can be extremely useful in defining problems and filtering/analyzing potential new solutions that come from a variety of sources. Some companies take this internal innovation to the next level: external innovation. In this situation, companies not only tap expertise from outside their traditional R&D pool as with internal innovation, but from outside their payroll entirely. Whether the innovation is internal or external, the primary feature is the diversification of talent.

Internal Innovation and Rapid Ideation

The concept of internal innovation (such as brainstorming or rapid ideation) is not a new phenomenon in companies. It has been practiced in many different ways and in some cases companies have formalized activities such as ideation sessions. What have changed (in the last five to ten years) are the tools available to carry out internal innovation and the scale and scope of these activities. Using a brainstorming or rapid ideation session as an example, what used to be limited to a roomful of ten or twenty people sharing ideas in a limited time frame has evolved to include thousands of participants from all over the world utilizing web-based ideation tools to share ideas in real time. In the context of new innovation models, this has taken on an even more important role as it can represent the first step in the transformation of a company's internal innovation practices. For example, ideation lends itself well to an internal first approach and can be effective in leveraging the collective brainpower of the entire company, not just the innovation department or a select few individuals. If carried out properly, this can be critical in helping companies begin the process of internal culture change. By fostering a more collaborative and open environment, every employee has the potential to achieve a sense of purpose in the corporation, knowing that their ideas and contributions are highly valued. And for companies this not only brings a new powerful source of solutions but also could increase employee morale by involving everyone in the innovation effort. These ideation sessions can be carried out as a friendly competition between employees or departments. In some cases, companies offer incentives for the best ideas or the top contributors, though it's generally recognized that prizes or other forms of recognition should be kept at a token level in order to keep the event focused on idea generation.

As a more recent development, rapid ideation tends to focus on a particular challenge or set of challenges. This focused approach allows for in-depth problem solving, quick turnaround of results, and the potential for iteration around the same challenge. One way to achieve focus is to be very specific about the challenge you are presenting. For example, "What new markets

should we enter?" is less focused than asking, "What key capabilities must we address if we want to succeed in the health care sector?" Companies can drive quick turnaround of results by limiting the amount of time for the ideation event itself. This forces participants to share early and prevents other distractions from diverting people's attention. Well-structured events typically last for a period of 1-3 days, which should provide ample time for everyone to participate (employees spend, on average, 2-3 hours total throughout the event). And finally, iteration (or repetition) of the same ideation event with different groups of participants can be very useful in refining the challenge you are trying to solve and going beyond the most popular ideas to explore impactful outliers.

Rapid ideation also makes a lot of sense when considering the value of exploring every single source of ideas/solutions within the company before deciding what challenges require external assistance. Because these sessions take place internally, they typically have fewer obstacles such as confidentiality or intellectual property issues to deal with. Once all sources of internal ideas have been tapped, the participant pool can gradually extend to include extended networks (customers, partners, retirees, etc) and even fully external participants. Several key elements are important to make ideation effective in an organization:

- Properly framing the challenge statement

- Achieving high levels of engagement **and** contribution

- Making reward and recognition a part of the ideation process

- Publishing results of ideas accepted and implemented

- Creating an effective toolkit to analyze and interpret the results

Open Innovation

In addition to internal innovation strategies, many companies are expanding to new forms of external innovation. A term made popular by Henry Chesbrough in 2003, open innovation describes a completely new approach (and change in culture) where companies intentionally seek **external** ideas throughout the development cycle of products and services. This represents an important step beyond the linear, more traditional model of innovation that relied solely upon the capabilities of one company to carry a product/service idea through the entire development cycle. Not only does open innovation define a strategy that seeks new external sources of ideas to bring into the firm, it also encompasses the aggressive licensing or spinning out of technologies that, while successful, may not fit within the broader market goals of the company.

Open innovation, when implemented properly, represents a significant shift in the innovation strategy of a company. In order for open innovation to succeed it must reflect a fundamental change in the corporate culture. This new culture must embrace "solution finders" as opposed to problem solvers. The company must denounce the "not invented here" syndrome, which in the past would dismiss any idea that wasn't generated internally. While these kinds of culture changes do not happen overnight, once they become part of a company's DNA, the company is well positioned to reap the benefits. And as open innovation has evolved from a neat idea to a real, tangible approach for large companies, it has also opened up opportunities for small and emerging companies as well. Now more than ever we see companies opening their doors to external experts and solution-providers which was practically unheard of even five years ago. They are constantly searching for new partners and new technologies to incorporate into their existing products and services. Some companies have even given their open innovation strategies names, such as Procter & Gamble's "Connect and Develop" and launch their own corporate websites that actively seek external partners.

Ideation and Open Innovation

Ideation is an important first step in the adoption of open innovation strategies in organizations today. Why? Because many of the principles that drive successful ideation are consistent with what makes open innovation a successful strategy. With that in mind, there are the several key principles where ideation can drive internal culture change, which is critical to the success of any innovation strategy.

1. Develop More Transparency – today's companies need to look for ways to share information and build trust with all of their employees and be sure to demand the same from them. They need to be as flat (and non-hierarchical) as possible. Companies need to look for opportunities to open up and share knowledge beyond the basic exchange of information.

2. Engage with networks – we live in a highly networked society and the employees (and customers) of tomorrow will have spent their entire lives in this networked world. New forms of cooperation (and even cooperating with your competitors) are emerging. Learning how to participate effectively in these networks (and understanding the various levels of engagement) are key skills at the individual and corporate level.

3. Discourage the "Not Invented Here" syndrome – nothing kills an idea faster than the belief that you or your company have all the answers and no possible expertise exists outside your company's four walls or outside your company's "traditional" innovation groups. "Proudly found elsewhere" is a commonly used term to describe the new mindset you need to adopt.

4. Engage with failure – failure is a reality and a necessary part of the innovation process. Failure today takes on a different context when you consider that one person's failure is another's success. Use failure as an opportunity to re-frame the question or seek completely new sources of solutions. Failure sometimes is the result of asking the wrong question or focusing your efforts in the wrong area.

Conclusion

Rapid ideation is an important first step for companies who are facing the challenge of developing new approaches to innovation. Changing the corporate culture is an important part of this challenge and rapid ideation can be effective in driving this culture change. Rapid ideation also incorporates one of the key learnings of the open innovation movement: knowing how to properly frame a question. This key skill can become engrained in the corporate DNA in order to ensure long-term success of any new model for creating and nurturing innovation. As pressure increases to do more with less, rapid ideation can be a valuable resource as it encourages the participation of all employees, significantly increasing the problem solving ability of an organization. A continuous flow of ideas to new and existing challenges will lead to more cost-effective innovation, which can positively impact a company's bottom line.

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Questions/Comments?

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