

## The Holy Grail of Innovation



By MIKE RAINONE, Co-Founder, PCDworks

By now, I am sure that most of you have been exposed to the Open Innovation (OI) movement. Somewhere in your company, some poor minion has been told to see what all the fuss is about. If you are in a big organization, someone will have been ordered to gather a committee, do homework and, explain to management how OI can be implemented, thereby increasing profits to shareholders, reducing bottlenecks and reducing payroll. Take heart, as this movement may actually help you in your efforts to create new products.

In 2003, Henry Chesbrough wrote *Open Innovation: The New Imperative for Creating and Profiting from Technology*, a book in which he described a brave new world of innovation. He talks about a world that promised reduced risk and quicker profits for companies willing to open themselves to collaboration with the creative folk lying just outside of their corporate doors.

Since the publication of Chesbrough's book, the OI movement has taken off. Crowdsourcing entities like Six Sigma and InnoCentive came into existence, poised to take your toughest technical problem and throw it to their cloud of experts who, though scattered around the world, would find a quick solution. This led to the current crowdsourcing phenomenon that not only fixes tough technical problems, but is used to develop everything from logos to software. Cash strapped inventors can even use crowdsourcing sites to help raise startup funds.

Chesbrough had some good justification for his ideas. First and foremost, he thinks that technology is moving too fast for any of us to keep up. As many corporations strive to stay lean, they have cut out the fat — also known as the old engineers approaching retirement. This herd culling leaves no one with the ability to put the

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exponentially growing body of the world's knowledge to work. Even if there is a decent engineering function left standing, most engineers are saddled with sustainment. Corporations seem to have no tolerance for silly pursuits, like trying to keep up with technological innovation. They barely pursue areas relevant to the company's product line, let alone peripheral arenas that might provoke real breakthroughs. Chesbrough claims that by looking outside for innovation, these systemic failures can be overcome.

### **Open Innovation Reduces Risk**

We all know that innovation is messy, unpredictable, full of unknowns and risky. If you can't predict the endpoint, final development expenses, or payoff, then the beanies cannot quantify the risk. OI reduces the risk by letting someone else take the gamble of discovering, developing and testing the market with the new technology. Many companies believe that it's cheaper to pay for a developed, market-ready technology than be burdened with an unruly, unpredictable, uncompromising, uncooperative group of crazies (also known as an NPD/R&D staff).

### **Big Corporations Are Too Slow**

Big corporations are so slow in their decision-making that, almost by definition, they can't act fast enough to win a competitive race. I have heard many rationalizations supporting the fast follower strategy over the leading edge innovator. Today, companies are so bulked up on stage-gates and Six Sigma that by the time they make a decision to pursue an innovative course of action, it is too late. OI gives companies an opportunity to seed or partner with quicker, smarter, small-to-medium sized enterprises that lack what the big multinationals have: money, distribution and market presence.

The one truism about new product development I love to spout is, "If you're not engaged in NPD, you'd better assume that your competition is." Companies that do not actively work at developing new products are zombies. They are lumbering dead carcasses (some better described as parasites) picking up acquisition after acquisition in a vain attempt to pump life into a dying entity. OI can provide an intravenous lifeline and it may be the solution to innovation in this era of risk aversion.

Companies have a lot of compelling reasons to engage the OI universe and judging from the number of seminars, conferences, webinars, blogs and gurus on the subject, it does seem that someone is listening. Personally, I suspect most of the attention is being forced from upper management who want to check a box and go back to speed reading Forbes for the next best thing to chase.

By now, you may think that OI is overbilled as the Holy Grail of solutions to the ills of corporate America and the world — and you would be right. The OI universe has glitches in spite of what the zealots profess. As usual, the lifecycle of such a save-the-world movement always starts with unbridled enthusiasm and overblown expectations. In a complex, multidimensional universe you can be sure that one hammer does not fix all problems.

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Today's latest OI manifestation is crowdsourcing, the solution de jour. In some cases this technique does provide the best solution to certain innovation challenges, but this universe is composed of many industry differences, technical complexities, market issues, speed-to-market questions and intellectual property (IP) ownership issues, to name a few.

Of all of those aforementioned, IP problems and complexities are the toughest to crack. IP settles who owns what, what royalties are owed, for how long and with what exclusivity. We have many clients who won't do OI in any form, let alone crowdsourcing, because of the IP problem. Since PCDworks (my company) is an NPD science and engineering consultancy, we are by Chesbrough's definition performing OI. I suspect that it's more than that.

"We find the difficulties of using the crowdsourcing wild, free-for-all too hard, especially for the kinds of problems we give you," one client recently told me. "If you need brain surgery, you don't bid it out. Best case, you pick the best brain surgeon and let him go. After that, he can pick the team based on who he needs to do the best job, but we trust that expert to know what he lacks in expertise and find it on his own."

The best place for crowdsourcing may be after the problem is sorted out; after the solution is proposed and the IP is cleared up. Crowdsourcing the delimited pieces of the problem that don't involve IP, such as FEA, material selection, breadboard, firmware, or prototyping.

Looking at this OI universe as an NPD consultant, I am glad to see that the concept is being formalized and adopted, or at least talked about. While my company does not participate in crowdsourcing forums, we have long understood the value that external partners can bring to innovation. Who knows, with new surgical robots rolled out every day, maybe brain surgery will be crowdsourced sooner than expected.

*For more information, please visit [www.pcdworks.com](http://www.pcdworks.com) [1].*

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