



# AN INTRODUCTION TO OPEN INNOVATION

AN OVERVIEW OF CHALLENGES AND SOLUTIONS

IDEASCALE



## A Solution for the Working Class

At the end of the 19<sup>th</sup> century, there was a substance of such value and limited quantities, it was causing unrest among the population. In an age of conquest, it was difficult to transport over long distances and its demand had made it so expensive that it had become a substance that only the rich could manageably afford.

The product was butter. And Emperor Napoleon III of France was so desperate to offer an alternative to his people that he sponsored a contest that promised a prize to whichever citizen could invent a suitable butter substitute. <sup>1</sup>

At the same time, in Southern France, an elderly, mustachioed chemist was conducting dairy research on the uses of rendered animal fat. He had discovered that by mixing beef tallow and skimmed milk, he could produce a substance remarkably similar to butter. He called it oleomargarine, which is the forerunner of what we conceive of today as margarine. The chemist was Hippolyte Mege-Mouries and he was the recipient of Emperor Napoleon III's award and the patent for margarine in 1869.<sup>2</sup>



An alternative to butter impacted a number of things in the late 19<sup>th</sup> century. It gave the working class a butter substitute and it allowed the Navy additional nourishment as they pursued conquest and war. It impacted the government, commercial industries, and the general population on an individual level. A remarkable achievement for one man's discovery. Perhaps the greatest breakthrough of that decade. It is one of history's notable innovations.

This paper is an introduction to innovation and its possibilities and practice today. The concept is obviously not new, but it is ever more essential to the survival of any organization or population, which is why it has become a popular buzz word here in the early 21<sup>st</sup> century.

## What is Innovation?

Innovation covers a range of outputs, both large and small. It can be incremental or it can be large-scale and disruptive, but at its core, perhaps the best definition of innovation is:

“significant, positive change.”<sup>3</sup>

This definition might lack the specificity that many of us would appreciate: what counts as “significant,” who should an innovation positively impact? End users, businesses, governments?



The answer, of course, is that identifying an innovative idea very much depends on the context for that innovation. For many, Crayola’s introduction of *washable crayons* in 1992 that allowed parents to wash their children’s crayon marks off of walls was the height of innovation. The technology for removable drawing materials had been tested and proven. It benefited parents, afforded Crayola a market edge, and soon gave birth to an entirely new

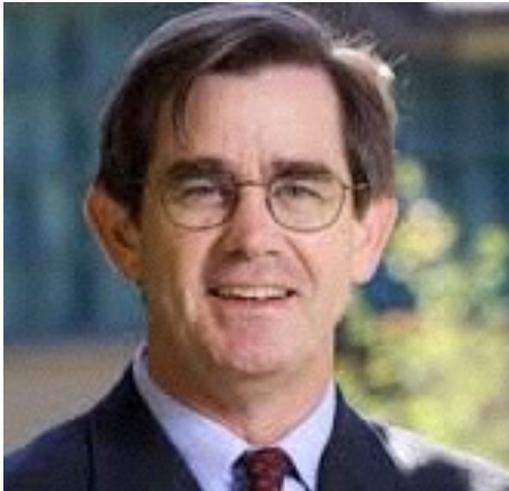
industry of removable art supplies.

But for another company, identifying a new vendor strategy for payments that saves the company on its bottom line every year can also be a valuable innovation.

Innovation is most memorable in its most broadly-impacting form, but that doesn’t mean that smaller, incremental, short-term innovation is not relevant. In fact, it is often these small, incremental changes that end up keeping an organization in the game long enough to distinguish itself as an eventual market leader.

# What is Open Innovation?

Open innovation is a term coined by Henry Chesbrough during the 1960s to describe the practice of eliminating barriers to developing new intellectual property.



Henry Chesbrough

According to Chesbrough, *“open innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology.”*<sup>4</sup>

Essentially, the boundaries that once separated an organization from its broader network are becoming more penetrable. Students can design what life looks like on campus, developers can partner with customers in building products, the government can benefit from the input of its citizens. It allows for a more transparent and collaborative process that empowers the end user to participate in the service that it receives.

However, opening up the innovation process within an organization is another new trend. The process of research and development is no longer the purview of subject matter experts alone. The days of a CEO one-man show or of cloistered knowledge priesthoods are over.

When Allstate was looking for design ideas for a mobile app that it was launching, the winning idea was sourced from one of the firm’s trial attorneys based out of the Buffalo office – hardly the head of their mobile marketing division.<sup>5</sup> Numerous companies are opening up problem-solving across all divisions and even on a global scale.

Next, we’ll look at what sorts of problems people are addressing with their innovation.

# What sorts of things can be changed with open innovation?

Open innovation can be used to improve and impact four specific aspects of any organization: **products**, **process**, **governance**, or **market**.

## Products

Many organizations that introduce a formal innovation program are looking to improve or replace a company offering. The changes can be small, basic alterations (like tweaks to an application's user interface) or radical (an entirely new product line). This can be for anything that benefits an end user, from tangible products, to mobile applications, to government services and offerings.

### EA SPORTS

Electronic Arts Inc. is the largest publisher of sports games in the world. EA SPORTS is a division of their company that creates gaming sports experiences with games like *Madden NFL* and *FIFA*. Every twelve months, EA SPORTS releases a new game, but in order to generate fan interest, they have to develop a product that is sufficiently different and improved in order to get fans to buy it all over again. To that end, they created the *EA SPORTS Game Changers* community where gaming fans can request and suggest new features for the game's next release.

Each game release included features that were suggested in the **IdeaScale** tool, including *Madden's* custom rosters and franchise editing mode or *FIFA's* tournament mode and guest play. As a result, EA SPORTS saw a record-breaking first week of *Madden 13* Sales.



EA SPORTS Game Changers

## Processes

Almost every organization can benefit from process suggestions that can impact savings, efficiency, and general operations on the micro or macro level. These suggestions can be small-scale improvements or high-reach changes that benefit an entire country.

### The White House

The SAVE Award is a program that debuted in September 2009. It was an initiative launched by President Obama that sought ideas from federal employees about how to make the government not only more effective, but also more efficient when it came to spending (hence its name: “Securing Americans Value and Efficiency”).

Every year, the President puts out an open call out to all federal employees inviting them to publicly submit their money-saving ideas online using IdeaScale technology.

After five years of SAVE Awards, the White House has collected thousands of ideas that cut costs and improved efficiency. Nearly 100,000 ideas have been collected in the past four years of SAVE Awards. These ideas come from every government arena and from numerous geographic locations allowing nationwide collaboration. And each year a winning idea was selected. Each

idea has been assessed as saving the government potentially millions of dollars. For example, one idea suggested moving the Federal Register online for download – this idea saved the government and tax payers \$4 Million each year.



2011 Winner Meeting with Obama

# Governance

Oftentimes, innovation can be about renovating an organization for the purposes of strengthening a position or accelerating company growth. And those changes can also be small-scale or disruptive.

## US Navy

With Chief of Naval Operations, Adm. Greenert at the wheel, the United States Navy functions under the motto, “War fighting first.” The duty of these men and women lies in naval warfare. To better allow his sailors to dedicate themselves fully to this endeavor, the CNO tasked Rear Adm. Herman Shelanski and a select group of high-ranking personnel with improving and streamlining the day-to-day operations of the Navy.

However, after launching RAD (Reducing Administrative Distractions), an IdeaScale platform open to anyone with a Navy issued email, the problem-solving was extended to a much larger set of resources. The Navy wanted this to be an opportunity for sailors of all designations to join the conversation. IdeaScale provided the opportunity for lower ranking sailors to make suggestions directly to decision makers, in a way where their idea doesn’t have to slowly climb up through the ranks. Speaking to the Federal Drive Show Blog, Rear Adm. Shelanski explained, “a good Commanding Officer does a lot of walking around, and he talks to a lot of the junior sailors.” He continued, “if you set the climate right,” this method can be one of the most effective ways to find out what happens on the ship, what doesn’t work, and how to make the system more efficient.”



In its initial stages, RAD gathered over 1,300 idea suggestions.

US NAVY Rad community

## Market

Finally, innovations can sometimes completely redefine a market or create a new one. Changes here are almost always transformational in either fundamental or novel approaches to problems. Think about how margarine shifted the dairy market.

### Making All Voices Count

Making All Voices Count is a program working towards a world in which open, effective and participatory governance is the norm and not the exception. In 2013, Making All Voices Count launched the Global Innovation Competition using IdeaScale technology, which challenged a global audience to design a solution that would improve governments' responsiveness and accountability to citizens. More than 200 organizations and individuals applied to win the grand prize of £65,000 that would go towards funding their idea.

The winners included a mobile application that allowed officials and citizens to monitor the delivery of civic services to ensure accountability, improving school attendance, waste management, and healthcare services exponentially. Other winners aimed to use SMS and global positioning to decrease maternal mortality in Indonesia, and still another digitally rewarded citizens for their civic services.

Each of these applications pioneered the way for digital open government services that are now being implemented on a global level.



# Conclusion

Innovation happens in every organization – whether it's organic or systematic. Those companies and agencies that fail to nurture innovation are the ones that will eventually go extinct. And studies have shown that the key driver in delivering innovative change is actually the culture of innovation that an organization builds. One of the best ways to seed an innovative community is to dedicate resources that will nurture its growth.

Apple is a special company that many people look to for the cadence of innovation, but any company can become as innovative as Apple. That is, if they commit themselves to developing the right culture with defined values, behaviors that embrace change, an encouraging climate, dedicated resources and distinct processes that help bring innovation projects to life.

For more information about how to develop successful innovation programs, learn more at [ideascale.com](http://ideascale.com).

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