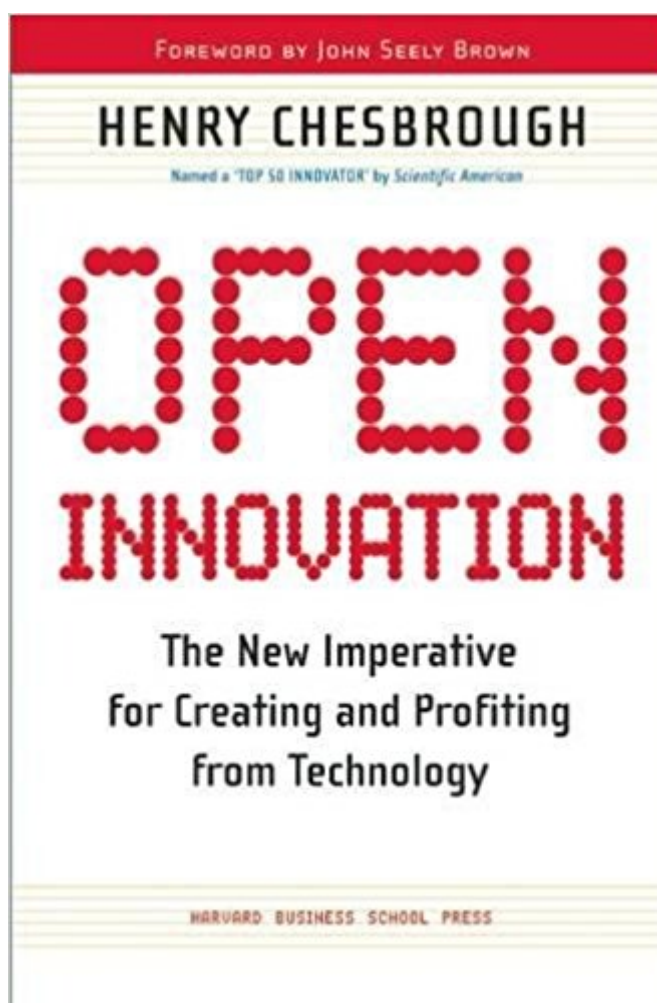


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# Open Innovation: The New Imperative For Creating And Profiting From Technology



## Synopsis

The information revolution has made for a radically more fluid knowledge environment, and the growth of venture capital has created inexorable pressure towards fast commercialisation of existing technologies. Companies that don't use the technologies they develop are likely to lose them. Key features: Over the past several years, Hank Chesbrough has done excellent research and writing on the commercialisation of technology and the changing role and context for R&D. This book represents a powerful synthesis of that work in the form of a new paradigm for managing corporate research and bringing new technologies to market. Chesbrough impressively articulates his ideas and how they connect to each other, weaving several disparate areas of work: R&D, corporate venturing, spinoffs, licensing and intellectual property into a single coherent framework.

## Book Information

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## Customer Reviews

The great corporate research departments at companies like Bell Labs, IBM and Xerox were once the motor of American industry. But that may be changing, according to this probing academic study of corporate technological innovation. Chesbrough, an assistant professor at the Harvard Business School, argues that the old "closed innovation" model—vertically integrated research-and-development departments that develop technology in-house for the sole use of their corporate parent—is becoming obsolete in an age of mobile scientific workers, ubiquitous high-tech startups and a growing extra-corporate research establishment at university labs. Modern technology powerhouses like Cisco and Microsoft do little of their own basic research, he reports;

instead they have dropped the "do-it-all-yourself" approach and pioneered a new model of "open innovation," in which companies import ideas from without and let their own innovations enter the wider marketplace. Drawing on case studies of companies like Lucent and Intel, Chesbrough suggests that companies make themselves more permeable to the flow of knowledge through such strategies as hiring professors and grad students as summer consultants, sponsoring university research, investing in and partnering with high-tech startups and venture capitalists, and disseminating their own innovations through spin-off companies or even by publishing it in the public domain. Chesbrough's sophisticated but highly readable discussion of these complex issues will give managers much food for thought. Copyright 2003 Reed Business Information, Inc. --This text refers to the Hardcover edition.

"...offers an original explanation of why the old 'big labs' model of corporate innovation turned out to be inadequate." -- Financial Times --This text refers to the Hardcover edition.

This book is as far as I know the first book dealing with the open innovation idea. Sure nothing is totally novel under the sun. There is a lot of stuff written about outsourcing other aspects than innovation. There is work on user innovation (The Sources of Innovation). And there is the open source movement in software. Still this book was the first to use these ideas and put them in a useful framework that is relevant for most businesses today. This is a valid extension of previous ideas. For this reason I think this book is very valuable if you are a manager or an academic interested in open innovation. I could also recommend the author's "Open Business Models: How to Thrive in the New Innovation Landscape, which is almost like part 2 of this book. I would recommend reading them together. The author's recent "Open Services Innovation: Rethinking Your Business to Grow and Compete in a New Era" is mostly covering the same ground and I can't really recommend it. Chesbrough is a scholar and his writing is a bit scholarly. If you don't like this approach because you think most business schools ideas are a bit fluffy and disconnected from reality you might consider "The Open Innovation Revolution: Essentials, Roadblocks, and Leadership Skills" instead. This book is taking the perspective of a middle manager that wants to do open innovation in the company in which he is working. It is very much a hands-on approach of how to do it. Some managers, me included, are not so keen on this kind of managerial self-help book, but if you like that kind of book please have a further look. On the other hand if you want more of a research perspective have a look at this edited volume, which has contributions from several academics "Open Innovation: Researching a New Paradigm.

Open Innovation propounds the thesis that corporations should take a broader approach to innovation and IP (assuming that doing so fits within the company's business model). This book is essentially a series of case studies that the author uses to support his thesis. The first half of the book focuses primarily on Xerox and its PARC R&D facility; then the author moves on to Intel, IBM, Lucent, and a handful of others. While interesting and well presented, the book is clearly aimed at senior managers at medium and large businesses, particularly those with large internal R&D organizations and a closed innovation strategy. Small businesses and 21st-century tech firms won't get much from this book, as most of those organizations either already espouse most of the qualities of open innovation or don't have the traditional R&D mindset and IP portfolio to need to worry about this "open innovation" strategy. Finally, this book is starting to show its age. Most of the case studies date to pre-2001, so they are reviewing companies at the very tail-end of the dotcom bubble. A lot of things have happened, especially regarding the internet, since these cases were presented.

Innovation is a critical driver for the competitiveness of firms and the overall economy. It is also a difficult and messy process to understand. I have read most of the well-known books on innovation as I am fascinated with the topic. Chesbrough brings a coherent and useful point of view into this arena. The contribution of this book is mostly synthesizing a number of principles to provide a useful mental model for managing innovation. It does not present some new ground-breaking theory that knocks your socks off. For example, the author uses the metaphors of "playing chess" and "playing poker" to describe the invention process. If everything about the technical and market application is known, playing chess (i.e., making careful, methodical moves based on having all available knowledge) is appropriate. However, most innovation occurs in an uncertain environment with plenty of market and technology risk. In such cases, you need to play poker. This means there are multiple hands to be played, you need to be ready to react to new information (newly exposed cards) and you must be willing to toss a hand in when it doesn't pan out. Chesbrough hits on the idea that successful innovation often requires innovation within the business model. In fact, new ideas shoved into the existing old business model is a classic way for innovations to fail. This is one reason why new firms are often the first ones to embrace radical ideas that change industries. This book is not just conceptual models dreamed up by an academic. The author uses plenty of real world examples from companies such as Xerox, IBM and Intel. I highly recommend this book for your innovation management bookshelf.

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