

# Dispelling the Myths About Open Innovation



By Jennifer Dominiquini

When it comes to seizing the power of innovation to drive business growth, one of the best routes to success—based on practices of leaders on this front—is through Open Innovation. But while the concept is increasingly familiar and many organizations are eager to position themselves to harness its potential, considerable confusion exists around what Open Innovation is and what it isn't.

Dispelling three of the prevailing myths about Open Innovation will clear up the confusion.

## Myth #1: Open Innovation is an R&D thing

Open Innovation has, in fact, been widely applied to R&D activities. But opportunities exist to utilize this approach elsewhere in the innovation chain. Extending the concept further upstream to harness consumer insights and inspiration creates tremendous potential to enhance new offerings and strengthen brands.

Prophet defines Open Innovation as the way in which a company searches for and sources insights, knowledge, capabilities, technologies, products, services, and business models. It's a broader definition that underscores the approach's flexibility and fruitfulness.

One case that illustrates the implications of Open Innovation beyond straight R&D is Boeing's development of its new 787, the Dreamliner. In launching it, Boeing effectively leveraged Open Innovation connections to create enthusiasm and buzz.

During the commercialization process of its state-of-the-art aircraft, Boeing engaged potential customers, passengers, and enthusiasts

through a series of videos and on its Web site, allowing exploration of many of the features that make this plane unique. Site visits averaged more than six minutes, well above industry averages. Visitors did more than explore the plane—they actually named it, with approximately 500,000 votes in over 160 countries leading to choice of "Dreamliner."

But it didn't stop there. Another 120,000 people signed up to join Boeing's World Design Team, an Internet-based global forum encouraging participation and feedback from various stakeholder groups during final states of development. Boeing gathers their ideas through online surveys, in turn providing updates as the design of the plane's exterior and interior evolves.

External partners also play a role as Boeing strives to ensure an enhanced customer experience. Techniques of Starbucks, Disney, Cirque du Soleil, and Wal-Mart are studied for their applications. For example, Wal-Mart's inventory tracking system is being considered for handling passenger luggage, critical as lost luggage is a major issue for airlines, and a substantial contributor to passenger anxiety. Boeing is also working with Disney to study ways

in which airlines can adapt their customer-service techniques.

## Myth #2: Open Innovation applies only to external networks

The ability to transfer knowledge throughout organizations is critical to internal innovation, requiring processes that motivate all employees to participate. Democratizing innovation enhances the quality and quantity of new ideas and engenders

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greater enthusiasm and buy-in as momentum escalates.

Typically, however, the concept of Open Innovation has bypassed the internal network, and instead is applied to external sources and partners—from vendors to academics to customers. But imagine the power and impact created when strong internal networks link with expansive external networks. Procter and Gamble did and has reaped the benefits.

P&G is considered a leader in Open Innovation, thanks largely to its wildly successful and highly publicized version of the concept, Connect & Develop. Internally, this has involved teams that cross functions as well as brands. The result has been such revolutionary offerings as the Mr. Clean AutoDry Carwash System, joining the best features of P&G's cleanser family, Pur water filter, and Cascade brands. Externally, it has aimed to develop and improve relations with expert partners, with a goal—exceeded in 2007—of driving half of P&G's innovations through outside collaboration. One of the results: Olay Regenerist, born of a partnership with a French firm that was developing a peptide product for wound care—the same technology that helps the “rebirth of skin.”

### **Myth #3: Open innovation is hard to manage, and costs a bundle, too**

With an endless supply of customers, suppliers, outside researchers, and various other groups to harness as part of an Open Innovation strategy, putting one in place must require a big budget, right? Wrong. Various businesses have benefited from Open innovation at a relatively small cost. LEGO is one.

When LEGO decided to tap into consumers to enhance its innovation efforts, the company leveraged its strong brand equity to attract lead users and bring them on board to innovate its robotics offering. A strong base

of qualified and passionate customers was drawn in at very little cost by offering a series of enticing benefits, like the chance to buy a beta version of the product and the opportunity co-create new features.

LEGO actively manages the collaboration, but has devised some simple, cost-effective means to define the communication. For example, it relies on a broad range of virtual community-building vehicles, including a closed Web forum, and dedicated blogs and Web sites. One of those sites enabled customers to create, share, and purchase their own unique robotics. LEGO also invited participants to tour its R&D facilities, a move that encouraged continued involvement and gave enthusiasts something to rave about publicly.

Such approaches enabled networking among participants, resulting in the evolution of a true community. And, as a result, the LEGO Robotics systems became the best-selling product ever in LEGO's history. And the company found the winning combination of low cost efforts to actively engage consumers to drive innovation.

Open Innovation is a concept that is catching on in a big way with businesses willing to tap into the inventiveness of their employees, their customers, their business partners, and myriad other sources in the world around them to achieve relevance, differentiation, and solid growth. Those that look beyond the myths to understand the realities of fully powered internal and external innovation networks are poised for the greatest success.

*Jennifer Dominiquini is an Associate Partner with Prophet ([www.prophet.com](http://www.prophet.com)), a global consultancy that helps senior management more effectively use branding, marketing, and innovation to drive profitable growth. She can be reached at [jdominiquini@prophet.com](mailto:jdominiquini@prophet.com).*