

Open innovation: removing old barriers to new ideas

Open innovation offers both large and small companies, or big and little fish, the opportunity to innovate in non-traditional ways. Whether it be drawing on knowledge and expertise from outside their employee base, or from within their traditional supply chains and infrastructure, open innovation can help businesses achieve their strategic goals and tackle seemingly unsolvable challenges.

Large companies like Nike, IBM and Unilever have tapped into new markets, delivered innovative products to customers and addressed important global issues (such as improving sustainability) by working in open and collaborative ways with smaller companies. During the height of the pandemic the NHS, as another example, worked closely with UK industrial, technology and engineering businesses from across the aerospace, automotive and medical sectors to rapidly develop and produce new types of ventilators. As a result, the time and cost associated with new ventilator approval in the UK dropped dramatically.

While there are many high-profile examples of success, the term 'open innovation' is still often met with a level of confusion and even cynicism. In this guide you will find practical advice and transferable tips from business leaders and innovation experts to help demystify and inform your own open innovation partnerships.

What is Open Innovation?

While there are many models, Open Innovation generally takes two forms: inbound and outbound.

Inbound innovation normally refers to organisations looking beyond their own internal R&D team, as well as their usual supply chains, to identify insights, capabilities, and possible new collaboration partners. They then work together to develop ideas to take to market.

Outbound innovation refers to organisations that open their ideas and/or information for others to develop into new products and services. This may entail giving 3rd party partners a 'right to roam' over IP, which is developed in-house, and doing licensing deals to share in any profits that arise from their commercialisation.

Example of recognised models of Open Innovation

- Joint ventures
- Competitions/challenges
- User/consumer participation
- Joint research
- Hackathons
- API feeds
- Online platforms asking for collaborators
- Benchmarking of costs

Despite coming in many different forms, the common factor around Open Innovation is an open mindset. This stems from the realisation that it is impossible for any single company to have all the capability, perspective or market awareness to fully capitalise on new ideas. Once you acknowledge that, you're halfway to developing an open innovation mindset.

Jon Kingsbury, Executive Director, Strategy, KTN Limited

Collaboration can take your business to the next level, providing a platform to grow and disrupt traditional approaches

Accenture, IBM and Whitespace all demonstrate areas where Open Innovation has furthered their strategic goals by forcing them to think differently about:

- Connecting ideas to available innovations
- Delivering value for customers
- Market access.

"Traditional R&D can be too costly and slow to achieve transformational change in large organisations. By taking an Open Innovation approach to connect to solutions at the bleeding-edge, one can unlock more innovation, faster. Open Innovation can create process efficiencies, increase revenues through new products and services, cultivate talent, and improve a company's market positioning. Whilst large organisations must be wary of the risks of working with smaller companies, these can be mitigated with good innovation governance."

Ladi Greenstreet, UKI Lead for Accenture Ventures, Open Innovation & CEO at Diversity VC

"In building on the unique strengths of large and small organisations, we can deliver more effectively for our customers. Working with a small innovative company such as Whitespace has opened up opportunities with new and existing customers. We work with many partners across all industries, and our collaboration with Whitespace is a great example of how innovation can be enhanced for all."

Stephen Warwick, Vice President - Automation & AI Head of R&D UKI, IBM

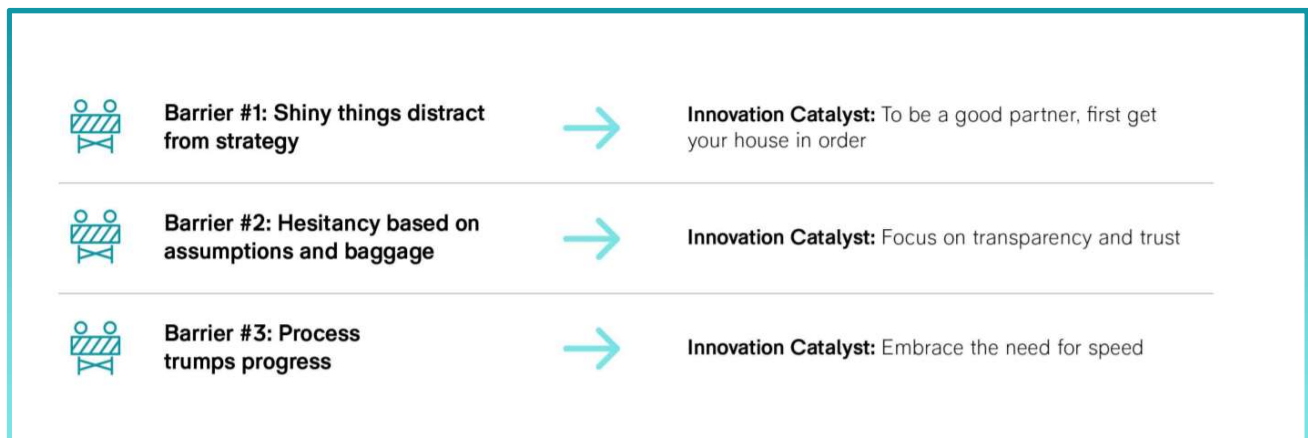
"Through an open innovation partnership with a large corporate, smaller firms can access a vast infrastructure to develop products at a pace and scale beyond what they could achieve alone. Often, the larger corporate can also act as a primary customer, enabling the small firm to test their ideas and adjust before products reach a wider customer base. The 'innovation first' approach taken by IBM allowed us to quickly establish the mutual benefits of our partnership, easily overcome issues around IP and create a way of working that continues to deliver value."

Andrew Webber, Chief Marketing & Revenue Officer, Whitespace

An Open Innovation mindset is about learning from others; you don't have to start from zero

Talking to businesses as part of the Big Fish, Little Fish campaign exposed the impact of differing company cultures, and the resultant clashes that can ultimately result in a breakdown of partnerships. For every major **barrier** to success, businesses identified an **innovation catalyst**; steps that can be taken to mitigate these points of friction and help both parties collaborate more effectively.

You can read more about this in the first instalment of the Big Fish Little Fish mini-guides series, [Overcoming culture clash to catalyse innovation.](#)



But when it comes to open innovation specifically, businesses highlighted several points that firms should consider:

1. “Show you are prepared to put skin in the game”
2. “Address IP early”
3. “It is easy to get excited by the opportunity, but don't lose the structure”
4. “Translate how this innovation partnership will impact the sales and commercial teams on the ground”
5. “You are not failing, you are learning.”

(Discussions were carried out under Chatham House rule and so names have been omitted)

“Show you are prepared to put skin in the game”

- From the start, demonstrate that you are serious about the opportunity to work together, and are willing to commit the necessary resources to build a strong, long-term innovation partnership
- If you are the smaller firm, do not assume because of their size that the large firm will take the majority of the financial and people burden
- As soon as possible, build a team with the expertise and seniority necessary to drive the project forward.

This resource burden is relative and may change over the course of the partnership as objectives and outcomes develop, but businesses said their most productive innovation partnerships were those where the commitment from both sides was clear from the outset.

“Address IP early”

Both small and large firms are rightly protective of proprietary technologies. Having clear and early conversations on the sensitivities surrounding IP will help when establishing solid commercial and legal frameworks. These conversations can help to avoid serious relationship damage later. On a practical level, for some projects, the use of open-source software has allowed many partnerships to work collaboratively and overcome some of these IP issues by building products on a readily available platform.

“It is easy to get excited by the opportunity, but don’t lose the structure”

Once legal and financial commitments have been agreed, it is important that parties establish a clear day-to-day operating model that sits under several mutually approved KPIs.

- Weekly or fortnightly retrospectives allow challenges to be identified and overcome, enabling the project to progress
- The attendees at these meetings might need to change depending on the stage of the project. A project champion in a large company can add enormous value by ensuring the right people from the organisation are brought in at the right time – design, legal, finance, sales etc.

“Translate how this innovation partnership will impact the sales and commercial teams on the ground”

Internal buy-in is vital. Without it, a project can risk becoming disjointed and opportunities to scale, missed. If an objective of the partnership is to deliver a new product or service, it will be a firm’s commercial functions who actually take these to market and promote the benefits to customers. It is important, therefore, to engage these departments as early as possible.

Sometimes it can be good to just let the innovation do the talking:

- Set up showcases internally alongside the engineering process
- Create a structured commercial pathway to ensure the financial viability of the partnership
- Create a joint narrative for sales teams to take to customers.

“You are not failing, you are learning”

For companies that rely on more traditional metrics, it can be challenging to rationalise engagements with smaller innovative companies as they may not always be a commercial success. But that does not mean they are failures.

Each discussion and product trial will help refine your innovation process and, like the portfolio approach taken by a venture capitalist, one big win can be transformational. If anything, a corporate with a 100% success rate in their innovation partnerships could be de-risking too much, potentially missing out on the most disruptive thinking and technologies.

Smaller firms must also enter these engagements with open eyes. Not every corporate engagement can be a fast track to commercial success. But developing a greater understanding of how larger businesses operate will be invaluable knowledge when looking for new opportunities.

Finding solutions through Innovation Challenges

Andrew Webber

Chief Marketing & Revenue Officer, Whitespace

Name of company partnered with: IBM

How would you describe the partnership model you undertook?

Open Innovation/Advisory

What drove you to form this relationship? What were your goals, or problems you were trying to solve?

IBM's goal was to connect with start-ups and support their scale; to open new channels and opportunities. For Whitespace there was an aspiration for joint learning. As announced at this year's IBM Think Digital event in May, Whitespace's latest product, Eamli, utilises IBM's Red Hat OpenShift platform and has demonstrable code on the IBM public cloud.

How did you identify the right company to work with?

Both Whitespace and IBM want to innovate on things that matter, truly making a difference in the world. Having like-minded executives who share a love for the disruptive nature of tech, we agreed to come together and do some cool stuff!

What were the main challenges you faced, and how were these overcome?

Due to the size of the organisation, the main challenges were streamlining IBM processes, and getting access to the key decision-makers who could support the partnership. The solution was getting connected to IBM Executives like Stephen Warwick who were able bring together the right people and processes to move things forward.

What was the direct outcome of this relationship? (New product, productivity improvement, increased sales, etc.) What were the wider benefits?

- Eamli, a joint technology solution that's in a full Proof of Concept (PoC) with a public sector client, is now being explored in its early stages as a potential original equipment manufacturer (OEM)
- We have also partnered on five Innovation Challenges, connecting IBM with over 250 start-ups
- We have collaborated with Shell UK Retail who were looking to digitise a manual process. This challenge resulted in more than 30 applications
- Prior to the pandemic IBM and Whitespace came together to work alongside aviation experts, Rolls-Royce who were looking to solve a technical challenge that saw over 70 start-ups apply.

Innovation Challenges have not only achieved goals for IBM and Whitespace. They also delivered solutions and answers to the larger challenges corporate clients face, and provided start-ups with a platform to achieve a paid PoC with a global company. Three out of five Innovation Challenges have resulted in paid PoCs and continue to connect start-ups with internal teams and stakeholders.

What did you learn through the process; what would you do differently next time?

We definitely learned to do more work upfront and start the commercial conversations early. Agreeing on the commercials and what 'good' looks like, took more time than expected.

What advice would you give to a company looking to innovate in the same way?

1. Always be curious, open to change, and challenge the existing internal status quo
2. Ensure you operationalise the relationship from day one
3. Be relentless with action-based outcomes to make it a productive use of everyone's time
4. Always be clear on what's in it for all, especially the corporates.

Produced by Nathan Brown and the [Innovation](#) and Proposition teams
To share your views on this topic or ask us a question, contact:



Nathan Brown
Senior Policy Advisor, Innovation
nathan.brown@cbi.org.uk