Enabling Open Innovation: Lessons from Haier

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Abstract: Open innovation has become a dominant innovation paradigm. However, the actual adoption of open innovation organizational designs and practices remains elusive, and ongoing examples of large companies practicing open innovation in mature industries or beyond R&D activities are rare. Despite the continuing interest in open innovation and the surging research on the topic, not much is documented about how, in particular, large companies interpret and implement open innovation or develop and sustain an innovation-enabling culture. This paper reports on a study of Haier’s adoption of six radical innovations as it implements an open innovation organization over a period of seven years. The study is unique in that the cases reveal how open innovation is enabled by the socially enabling mechanisms developed under Chairman Ruimin Zhang’s leadership. These varied enabling mechanisms open the organization to serendipity at every level, from the bottom up to suppliers. Most importantly, the mechanisms imprint and sustain an open innovation culture recognized as important—yet often left unarticulated in terms of how it is practiced—in the prior literature. The paper contributes to and highlights the centrality of socially enabling mechanisms underlying an organization’s innovation absorptive capacity.

Keywords: Open innovation implementation; Socially enabling mechanisms; Serendipity

1. Introduction

Since the publication of Chesbrough’s (2003) book on open innovation, the idea of companies and organizations adopting open innovation has become a dominant innovation paradigm. However, the actual adoption of open innovation organizational designs and practices remains elusive, and ongoing examples of large companies practicing open innovation in mature industries are rare (see, e.g., Mortara & Minshall, 2011; West & Bogers, 2014). Dahlander and Gann (2010: 707) review the open innovation research literature and conclude:

As we have demonstrated, empirical work using qualitative and quantitative approaches to analyze
open innovation processes has begun to emerge. It is important to note the risks of being pre-occupied with exploring the optimal level of openness rather than probing how openness has changed in a qualitative sense. Perhaps openness is today taking different forms than in the past...

While Dahlander and Gann refer to new innovation technologies that may facilitate openness, Chesbrough and Brunswicker (2013: 3) in a survey of large firms in Europe and the United States conclude that cultural norms are as important as formal practices. Despite the continuing interest in open innovation and the surging research on the topic, not much is documented about how, in particular, large companies interpret and implement open innovation. West et al. (2014: 27) confirm that “researchers more often focus on obtaining innovations, rather than the phases of integrating and commercializing those innovations”.

For a large, established organization to transition to and integrate open innovation capabilities is not an inconsequential transformation. Longstanding evidence describes and implies that companies experience severe innovation-to-organization impediments: resources, processes, and meaning-making add up to an “anti-innovation configuration” (Dougherty & Hardy, 1996: 1146; see also Crossan & Apaydin, 2010, for a review of the innovation literature). Indeed, in their study of large companies, Dougherty and Hardy (1996: 1133) found that “where individual innovation projects were successful, they depended on the efforts of particular individuals to use their organizational positions ... to further and protect innovation efforts; they did not result from an organization-wide commitment to innovation”. Organizations may lack the absorptive capacity to recognize and develop the potential of innovative products and technologies (Cohen & Levinthal, 1990), or they may simply lack the requisite organizational enabling mechanisms to carry forward potential ideas that often require persistence, experimentation, and complex coordination across the organization. Innovative ideas may also be contrary to the dominant logic of the company (Prahalad & Bettis, 1986) and hence lack institutional legitimacy or by their very nature present a disruptive hazard to the strategic direction to which the company is committed (Christensen, 1997). The inescapable consequence is that the innovation does not gain sufficient attention to move forward but remains in the shadows and misses its opportunity for impact.

In sum, many authors have judged organizations to be far from open and rather impermeable to innovation despite the common talk of its importance in competition (see Table 1). One may thus conclude that the dominating management “best practices” select against innovation rather than support it (see, e.g., Doz & Kosonen, 2008; Hamel & Välikangas, 2003; Van de Ven, 1986). The difficulties include connecting innovation with routine operations, lack of targeted resources at innovation, insufficient collaborative structures and processes that would coordinate innovative ideas, and no actionable strategy that would value innovation over the current way of doing business. Innovation seems to be selected against unconsciously and without scrutiny in a competition for attention and resources, while the embedded routines of annual incremental budget and planning practices determine short-term decision-making and leadership selection processes inside large organizations.
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