OPEN INNOVATION FROM AN ORGANISATIONAL PERSPECTIVE

Open labs and other creative spaces

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ALEXANDER VON HUMBOLDT INSTITUTE FOR INTERNET AND SOCIETY

• Encourage the dialogue between different research areas and disciplines, politics, and society.

• Contributing to a better understanding of the interdependence between society and Internet.
THE INSTITUTE – OUR RESEARCH AREAS

- Global Constitutionalism and the Internet
- Internet and Media Regulation
- Internet Policy and Governance
- Internet-Enabled Innovation
THE INSTITUTE – OUR RESEARCH PROJECT

INNOVATION AND ENTREPRENEURSHIP

STARTUP CLINICS
CLINIC SESSIONS | EXPERT SESSIONS | WORKSHOPS | ROUNDTABLES

STARTUP KNOWLEDGE HUB
ONLINE EDUCATION | KNOWLEDGE BASE | YOUTUBE CHANNEL

STARTUP NETWORK
STARTUP CLINICS TALKS | NATIONAL AND INTERNATIONAL CONFERENCES/EVENTS

RESEARCH
SUPPORTING AND HINDERING FACTORS OF INTERNET-ENABLED ENTREPRENEURSHIP | COLLABORATION WITH STARTUPS | NATIONAL INNOVATION SYSTEMS
**TEAM INNOVATION & ENTREPRENEURSHIP**

### Startup Clinics

<table>
<thead>
<tr>
<th>Business Model Innovation</th>
<th>Finance</th>
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<tbody>
<tr>
<td>Diskussion Geschäftsmodulelemente (Kunden, Revenue Model, Value Chain)</td>
<td>initiale Finanzierung, Finanzplanung, Finanz- und Finanzierungsstrukturen</td>
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<tr>
<th>HR &amp; Culture</th>
<th>Law</th>
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<tbody>
<tr>
<td>Rekrutierung, Onboarding, Personaleinsatz und -entwicklung</td>
<td>rechtliche Geschäftsmodellanalysen (bspw. Urheber- und Datenschutzrecht)</td>
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<tr>
<th>Lean Project Management</th>
<th>Sales &amp; Marketing</th>
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<tr>
<td>Priorisierung von Aufgaben und Allokation von Ressourcen</td>
<td>Findung und Optimierung von Marketing- und Vertriebsstrategien</td>
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**216** start-ups & **358** Clinic Sessions

- **131 x Law**
- **76 x Finance**
- **61 x Business Model**
- **53 x Sales & Marketing**
- **26 x HR & Culture**
- **11 x Lean Project Management**
MOST COMMON BARRIERS TO INNOVATION IN GERMANY

- 65% – defense of existing structures prevents change
- 54% – lack of time
- 52% – lack of experience with user-centered approach
- 42% – bogged down in the department
- 40% – executives avoid radical decisions

Source: etventure / GfK, 2016
INNOVATION PROCESS – CLOSED INNOVATION

source: Prof. Henry Chesbrough UC Berkeley, 2004
INNOVATION PROCESS – OPEN INNOVATION APPROACH (SINCE 2003)

source: Prof. Henry Chesbrough UC Berkeley, 2004

Stolen with pride from Prof. Henry Chesbrough UC Berkeley, Open Innovation: Renewing Growth from Industrial R&D, 10th Annual Innovation Convergence, Minneapolis Sept 27, 2004
The “100%Open Innovation Toolkit”

- Eight categories of assessment
- Forty underlying themes used to assess Open Innovation Readiness
CLOSED VS. OPEN INNOVATION

**Closed Innovation**

- The smart people in our field work for us.
- If we discover it ourselves, we will get it to market first.
- The company that gets an innovation to market first will win.
- If we create the most and the best ideas in the industry, we will win.

**Open Innovation**

- Not all the smart people work for us. We need to work with the smart people inside and outside our company.
- We don’t have to originate the research to profit from it.
- Building a better business model is better than getting to market first.
- If we make the best use of internal and external ideas, we will win.

*Chesbrough & Brunswicker (2014)*
CLOSED VS. OPEN INNOVATION

Companies that pursue open innovation activities (n=125)*

78%

“Customers, universities and suppliers are the three leading open innovation partners.*

“Boosting collaboration with start-ups is about systematically identifying win-win situations for both sides.*

*Chesbrough & Brunswicker (2014)
## OPEN INNOVATION COLLABORATION - THE BERLIN START-UP ECO-SYSTEM

### Embedded Innovation / Laboratories:
Traditional companies coming to Berlin to cooperate with Startups, expecting to strengthen their Innovation power

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<tr>
<th>Examples</th>
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<tbody>
<tr>
<td>UFA\textsuperscript{LAB}</td>
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<tr>
<td>Deutsche Telekom Laboratories</td>
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### Start-ups:
Early-stage, growth-oriented, highly innovative companies / 737 Start-ups in Berlin, any 20 Hours a new one

<table>
<thead>
<tr>
<th>Examples</th>
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<tbody>
<tr>
<td>SoundCloud</td>
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<tr>
<td>Wooga</td>
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### Ecosystems (Incubators – Accelerators – Company Builders): Environment creating systems supporting the development of Startups, 15 Ecosystems, 53 CoWorkspaces

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<tr>
<td>Innovation Campus</td>
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<tr>
<td>PROJECT\textsuperscript{4} VENTURES</td>
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### Universities:
170,000 students at 39 Universities, more focus on entrepreneurship

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<tr>
<td>Alexander von Humboldt INSTITUT FÜR INTERNET UND GESSELLSCHAFT</td>
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<td>Institute: Electronic Business</td>
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ALEXANDER VON HUMBOLDT INSTITUTE FOR INTERNET AND SOCIETY
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

outside in

inside out

hybrid
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

Open Innovation Platform
Establish internal R&D unit involving external experts
OPEN INNOVATION AND CROWDSOURCING PLATFORMS

InnoCentive@Work

- Build a Culture of Innovation
- Collaborate Internally
- Share Knowledge & Solve Challenges
- SaaS Innovation Management Software

Open Innovation platform
Innocentive.com

350.000+ „problem solvers“ – experts from a variety of different disciplines and 200 countries

More than 1.600 contests, solving rate: 85%, winners are paid from 5.000 $ to 1Mill. $ Users: Toyota, Procter & Gamble, Boeing, BASE, Novartis, Nestlé, etc.
OPEN INNOVATION AND CROWDSOURCING PLATFORMS

Crowdstorms
The future of creative problem solving

Crowdsourcing
Jovoto.com – platform for creative ideas and bids
Jovoto community: 70,000 members, largest independent “creative department” in Germany

Example: Starbucks

„Remember outsourcing? Sending jobs to India and China is so 2003. The new pool of cheap labor: everyday people using their spare cycles to create content, solve problems.“

Jeff Howe, Wired Magazine, June 2006
OPEN INNOVATION PLATFORM

**+**
- Allows organizations to solicit the wisdom of the crowd
- Connects a large number of people who share a common goal
- Combines marketing, with the generation of ideas, and research

**−**
- Lack of confidentiality, details about problem, technology or ideas must keep hidden
- Communication with many people is difficult, wrong assumptions about the problem are possible
- IP rights unclear esp. Technological ideas
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

inside

R&D
Establish internal R&D

outside
in

hybri
Open Innovation Platform
Apple

‘Apple represents the “auteur model of innovation,”’ there is a tight connection between the personality of the project leader and what is created.’ – John Kao, innovation consultant

‘[T]he tight hold that is placed on knowledge and information’ – Tasra Mar, former employee

Yet Apple does co-operate with a number of outside companies; 100,000s of apps are not programmed by Apple.

Still, Apple experts controls over all content and apps on its platforms.
INNOVATION IN ESTABLISHED CORPORATES

• Continuous and radical innovation are the right way for a long-lasting survival of established ventures

• Radical innovation is hard to implement in established ventures; focus on rapid success, risk averse behaviours

Open Innovation enables to integrate disruptive ideas from outside the established company in the overall innovation process.

Big companies need to integrate structure and diversity into their strategy to survive in the future.

RESEARCH & DEVELOPMENT (INTERNAL)

+
- Unique products
- Competitive advantages
- Long term income
- Ongoing research leads to new opportunities
- Enhanced reputation
- Long timescales for innovation processes
- Uncertain outcomes
- Difficult to anticipate how conditions will change during a long innovation process
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

- Inside out
  - R&D plus Corporate Entrepreneurship

- Outside in
  - Corporate Lab Project
    - Establish independent innovation unit to develop new services beyond traditional business

- Hybrid
  - Open Innovation
CORPORATE LAB PROJECT

Embedded innovation
Established ventures innovate within their company

- Corporate Labs (e.g. Deutsche Bank Lab)
- Spin-offs (e.g. Splabs, spin-off of VW)
Visa Europe Collab

Visa Europe Collab works with an international community of banks, start-ups and innovators to co-create new products and services for the financial industry and its customers.

Visa Collab operates in London, Tel Aviv und Berlin.
German Tech Entrepreneurship Center

GTEC is Germany’s first open campus to unite technology entrepreneurship organisations, resources and expertise in one place.
CORPORATE LAB PROJECT

+ • Managers and experienced workers support innovation as mentors
• Teams benefit from experienced mentors and can save a lot of time

− • People who understand innovative processes are often difficult to find and differ from the existing workforce
• Often no clear structure, but structure is important to enable creativity
• Experimentation in the company is difficult to realize
• Selection processes are difficult because team must fit the organizational objectives
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

Designs of collaboration between traditional companies and start-ups.

The challenge: find the adequate design regarding content and cultural obstacles.

- R&D plus Corporate Entrepreneurship
- Corporate Lab Project
- Open Innovation Platform
- Start-up ecosystem
WHY DO CORPORATES COLLABORATE WITH START-UPS?

They hope for

- **87%** – access to new technologies
- **85%** – faster and more innovations
- **81%** – learn from start-up methods
- **71%** – faster implementation of pilots / proof of concept solutions
- **64%** – improved products

Source: etventure / GfK, 2016
CORPORATES AND start-upS

start-ups are not just only smaller versions of big companies.

An increased cooperation with start-ups implicates the systematic identification of a win-win-situation for both companies and start-ups.

Jim Andrew
Chief Innovation Officer, Philips

Steve Blank
Serial Entrepreneur, Dozent
CORPORATES AND start-up(s)

“A start-up is an organization formed to search for a repeatable and scalable business model.”
– Steve Blank

Win-win situation through collaboration strategies?

- entrepreneurial spirit, culture and creativity
- challenge established industries (creative destruction)
- bring new ideas and technologies to life
- exert competitive pressure
- drive improvements in productivity and prosperity
- increase employment
- have social impact
- grow grass root innovation
- commercialised innovation processes (incremental)
- existing network of business partners, suppliers, costumers, etc.
- existing market share
- large financial resources
- experienced in capitalizing on creativity
- talent
- Win-win situation through collaboration strategies?
- have social impact
- grow grass root innovation
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

- R&D plus Corporate Entrepreneurship
- Corporate Lab Project
- Open Innovation Platform

venturing
- Long term financing of start-ups for equity and know how transfer
- Start-up ecosystem
VENTURING

Investors, Venture Capital, Business Angels
- Acquisition and strategic investment in order to expand the portfolio; goal: exit
- Period: Depending on financing rounds (seed, early stage, later stage)
- Service: Financing with know how („smart capital“)
- Return service: Company shares, voice (business model development)

Example: earlybird (Venture Capital)
Founded in 1997
Focus: disruptive high-tech, internet, and health-tech companies
Early stage investment
4th fund 2013 with 150 Mio. EUR (total capacity of 700 Mio. EUR)
VENTURING

+  
  • Window on new technologies and new markets  
  • Only financial focus

-  
  • Managers often don’t understand start-up processes  
  • Risk because team and organization cannot work closely together over longer time period – integration is difficult
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

Company Builder
Financial entourage of start-ups on the way from idea to product for high equity share

hybri
Open Innovation Platform

Venturing
Start-up ecosystem

R&D plus Corporate Entrepreneurship

inside out

Corporate Lab Project

outside in

Company Builder
Financial entourage of start-ups on the way from idea to product for high equity share

hybri
Open Innovation Platform

Venturing
Start-up ecosystem

R&D plus Corporate Entrepreneurship

Corporate Lab Project
COMPANY BUILDER

Corporate Company Builder
Company Builder for start-up ideas and start-up founders. Support with office space, networks, capital, and know how.

- Period: Longterm – from idea to exit
- Service: financing, mentoring, infrastructure
- Return service: Higher company shares

Beispiel: Project A
Founded in 2012 (incubator/ company builder)

- Otto Group is one of the first investors, Axel Springer has also shares
- 100 experts in the team
- Built up around 25 companies in 30 countries
COMPANY BUILDER

Company Builder
Fast company setup – from idea to launch
- Period: Longterm – from idea to exit
- Service: Financing, mentoring, recruiting team members (especially management)
- Return service: Higher company shares, high voice regarding business model

Example: Rocket Internet
Founded in 1997
Investments in early stage internet companies
- Build teams to start a company
- Infrastructure services
- Access to investor networks
COMPANY BUILDER

**+**
- Focus on scaling, less risky than other collaboration instruments
- Structures to build businesses already exist leads to faster development of businesses
- Experienced founders

**-**
- Often copy cats and no real innovation
- No unique products to stay competitive in the long run
- Less individual and team motivation because founders do not work on their own business ideas
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

- Incubator: Long term support of start-up ideas with infrastructure, capital and knowledge for equity
- Company Builder
- Open Innovation Platform
- Corporate Lab Project
- R&D plus Corporate Entrepreneurship
- Venturing: Start-up ecosystem
- hybrid

inside out
Business Incubators

- Dedicated to start-up and early-stage companies
- Offer support in form of consulting, mentoring, prototype creation, management training or office space and other services

Example: start-up Incubator (TU Berlin)

- Centre for Entrepreneurship founded in 2010
- Office space for 12 months (free of charge)
- Prototype workshop
- Co-Working Space
- >70 TU professors and >1000 external experts support the entrepreneurial spirit, partly as mentors for start-ups
INCUBATOR

+ Coworking is important part of incubator and enables learning from each other
  - Interesting possibility for start-ups who cannot afford an own office

- Often to slow and more focused on companies earlier in the founding process
  - Often gap of investment after pre seed phase
  - Scaling not focus
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

- **R&D plus Corporate Entrepreneurship**
- **Company Builder**
- **Incubator**
- **Open Innovation Platform**
- **Accelerator**
  - Temporary financial support of start-ups, to develop new services on a short term base
- **Venturing**
  - Start-up ecosystem
- **Corporate Lab Project**

**hybri**
ACCELERATOR

Accelerators
Midterm support to achieve success as soon as possible (market-ready product)
- Period: Short-/ midterm (three months)
- Service: Financing, mentoring, infrastructure
- Return service: Small amount of company shares

Example: Axel Springer Plug and Play
Three times a year, we run a three month-long program in which we provide start-ups with office space in the heart of Berlin, coaching, workshops, networking, 25.000 euros, events and more. The program ends with the Demo Day, where start-ups will have the opportunity to pitch in front of an elite audience of local and international venture capital firms for additional seed and Series A funding.

Source: www.axel Springerplugandplay.com
ACCELERATOR

Example: AtomLeap

- AtomLeap is an accelerator focused on hardware and high-tech start-ups.
- Besides hackathons AtomLeap developed the two month program called Collider Camp to accelerate the product, team, and business development of hardware start-ups.
- The key feature of the approach is that AtomLeap connects high tech start-ups with established players from their respective industries, in order support the joint development of products.
- Learnings of batch #1: Selection process is key (e.g. via bootcamps or hackathons); not only evaluate each team progress, but each team members competencies; include individual mentoring sessions on demand; create a fixed location and motivating atmosphere to foster communication within the participants.
ACCELERATOR

• Strict application process ensures quality of team and idea
• Set timeframe to speed up innovation process
• Very selective and therefore ensures success for organizations
• Large network of mentors/investors; individual mentoring
• Limit distraction of coworking spaces

• Competitive and hard for the start-up team
• Too many programs developed in the last years and investors have grown weary of demo days
• Over fished pond, not enough good start-ups
• Sell start-ups aggressively to promote their own activities
• Frustration for Start-ups which are dropped out
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

- R&D plus Corporate Entrepreneurship
- Creative Spaces
  
  Offline/online
- Open Innovation Platform
- Corporate Lab Project
- Incubator
- Company Builder
- Accelerator
- Venturing Start-up ecosystem

inside out

outside in
Hackathons

In a two-days hacking marathon AtomLeap, IBM, and Garmin bring together passionate developers and ingenious makers, giving them a space to find solutions for the challenges of the Smart Cities of tomorrow using wearable technology.
Since 2011 the Factory – a community of entrepreneurs – provides a space and support for start-ups to start or grow their businesses and accelerate the Berlin ecosystem.

https://vimeo.com/145249643
Open Innovation Space Berlin

The Open Innovation Space is an interface between innovative thinkers from around the world and Ottobock design engineers. Initiated by Ottobock and operated by Fab Lab Berlin, it offers an infrastructure for enterprises, services and research.
CREATIVE SPACES

**+**
- Connects people locally
- Enhances reputation of a city and/or region
- Builds creative community
- Connects very different people at one place to generate true innovation
- Build social capital
- Office space on demand

**-**
- Do not always deliver valuable supplies
- New hype
- Expensive infrastructure, real estate business orientation
ESTABLISHED MODELS OF INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE

degree of innovation

disruptive

inside out

incremental embedded

R&D plus Corporate Entrepreneurship

hybrid

Creative Spaces

Open Innovation Platform

Corporate Lab Project

Incubator

Company Builder

Accelerator

Venturing

foreign culture

cultural
INNOVATION FROM AN ORGANIZATIONAL PERSPECTIVE: COMMON INTERNAL BARRIERS TO COLLABORATION

- Misconception of what startups are
- Misaligned internal corporate strategy and goals
- Non-transparent information flows
- Long decision-making process

- Risk aversion
- Lack of entrepreneurial culture
- Rigid hierarchy
- Unclear decision-making model

- Strategic
- Cultural
- Procedural
- Structural

Source: Nesta / start-up Europe Partnership, 2016
FURTHER RESEARCH QUESTIONS ON ORGANIZATIONAL MODELS

- How can companies combine different organizational models?
- Which model fits best for what kind of business objectives?
- What form of strategic governance is required of open labs and other creative spaces?
- What capabilities does a firm need to effectively absorb, adapt and exploit the innovations that start-ups may provide?
1. Your 2 main objectives for opening up the innovation process

2. Your 3 main barriers for Open Innovation / Working together with external innovation teams

3. Which organizational innovation model do you find most suitable?
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INNOVATION PROCESS – OPEN INNOVATION ACTORS

- start-up(s)
  - bring new ideas and technologies to life
  - challenge established industries (creative destruction)
  - exert competitive pressure
  - grow grass root innovation
  - drive improvements in productivity and prosperity
  - entrepreneurial spirit, culture and creativity
  - transfer of scientific knowledge to business cases
  - have social impact
  - increase employment
  - grow grass root innovation

- Government(s)
  - bring new ideas and technologies to life

- Investors
  - exert competitive pressure

- Corporation(s)
  - drive improvements in productivity and prosperity

- Universities
  - entrepreneurial spirit, culture and creativity
  - transfer of scientific knowledge to business cases

- Entrepreneurs
  - have social impact
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