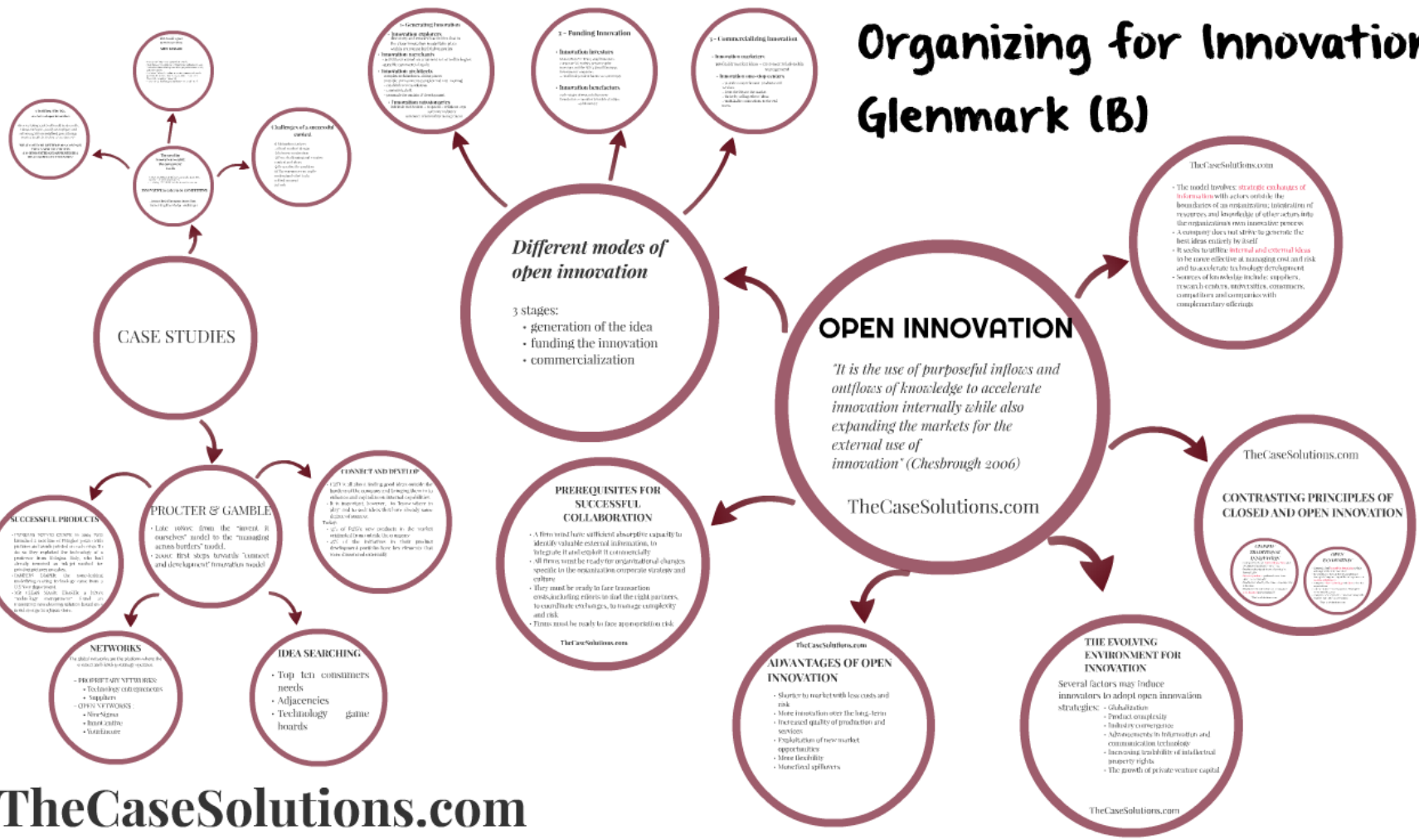
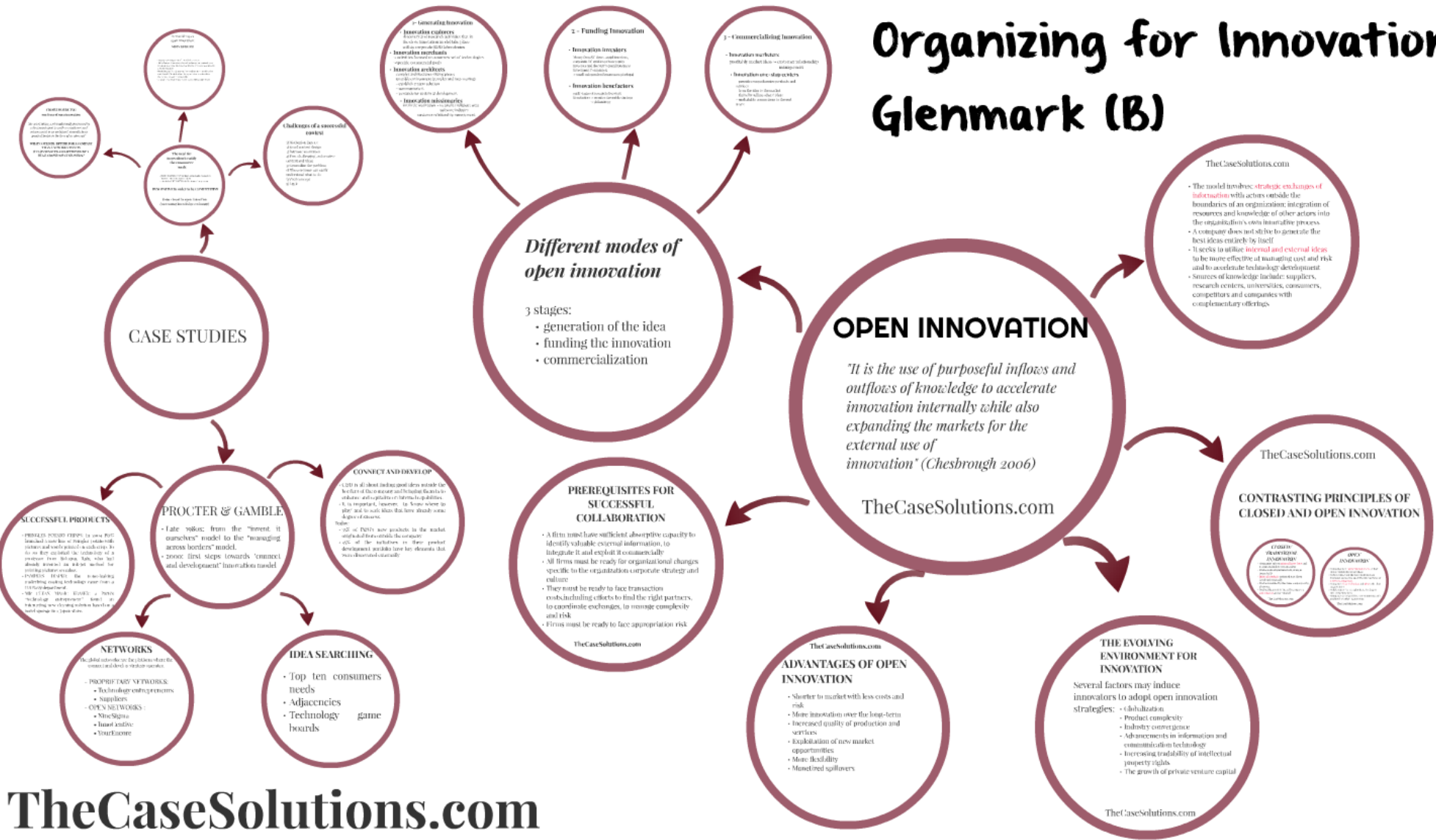


Organizing for Innovation at Glenmark (B)



Organizing for Innovation at Glenmark (B)





OPEN INNOVATION

"It is the use of purposeful inflows and outflows of knowledge to accelerate innovation internally while also expanding the markets for the external use of innovation" (Chesbrough 2006)

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- The model involves: **strategic exchanges of information** with actors outside the boundaries of an organization; integration of resources and knowledge of other actors into the organization's own innovative process
- A company does not strive to generate the best ideas entirely by itself
- It seeks to utilize **internal and external ideas** to be more effective at managing cost and risk and to accelerate technology development
- Sources of knowledge include: suppliers, research centers, universities, consumers, competitors and companies with complementary offerings



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CONTRASTING PRINCIPLES OF CLOSED AND OPEN INNOVATION

CLOSED/ TRADITIONAL INNOVATION

- Companies rely on **internal know-how** and existing technology for new ideas
- Products developed internally using in-house R&D
- **Internal products** preferred over those developed externally
- Products marked by the same company or by a licensee
- Product ideas not in line with company's **core interest** are terminated

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OPEN INNOVATION

- Companies look **beyond the boundaries** of their own organizations for new ideas
- R&D resources outside the organization are leveraged. Companies tap skills and experience of **external collaborators**
- Companies **share technology** and **ideas** with other organizations
- Collaborators free to exploit the technology in non-competing areas
- Companies can expand the current offerings with product from other organizations

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PREREQUISITES FOR SUCCESSFUL COLLABORATION

- A firm must have sufficient absorptive capacity to identify valuable external information, to integrate it and exploit it commercially
- All firms must be ready for organizational changes specific to the organization corporate strategy and culture
- They must be ready to face transaction costs, including efforts to find the right partners, to coordinate exchanges, to manage complexity and risk
- Firms must be ready to face appropriation risk

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THE EVOLVING ENVIRONMENT FOR INNOVATION

Several factors may induce innovators to adopt open innovation strategies:

- Globalization
- Product complexity
- Industry convergence
- Advancements in information and communication technology
- Increasing tradability of intellectual property rights
- The growth of private venture capital

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