

“OPEN INNOVATION” – A NEW THEORY OF HENRY CHESBROUGH

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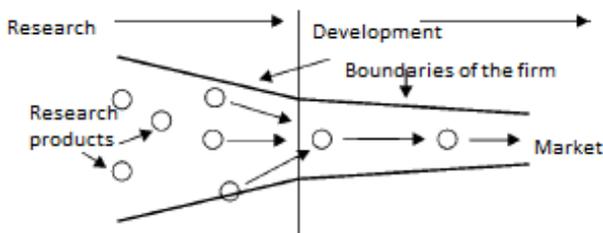
Abstract: This article discusses the new paradigm of running business. Unlike others approaches, it provides a more flexible policy for R&D and intellectual property.

Keywords: open innovation, Henry Chesbrough, concept of "closed innovation", R&D, innovation intermediaries.

In 2003 the first book devoted to the new theory of Henry Chesbrough "Open Innovation . A new way of creating and using technology" was published in Harvard.

In this book, Chesbrough suggests that the way in which the new ideas proposed and brought to market is undergoing fundamental changes. Fundamentals of the new concept is to revise the internal management processes of R & D in the direction of openness, the diffusion of technologies through joint efforts of universities, national laboratories, start-up companies, suppliers, customers. This concept has been developed as a result of the analysis of experience in managing large international companies such as Xerox, Intel, IBM (Чесбро, 2007).

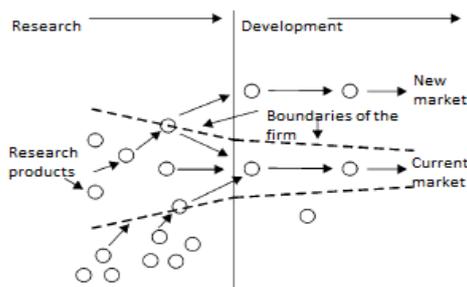
Contrasting theories of open innovation are old approaches focused on the internal environment of companies, which often leads to duplication of innovation, and as a result, a waste of resources and a significant shortfall in the profit share. This approach Chesbrough calls "closed innovation". Innovation closed circuit shown in Pic.1.



Pic.1. R & D management process according to the concept of "closed innovation"

Continuous bold lines indicate the borders of the company, which independently carries out research projects. At the same time during the research process there should be the careful selection and filtering of ideas that are brought to the stages of development and commercialization. Such an approach would preserve the most attractive projects that have passed a series of internal checks and is believed to have a high probability of successful commercialization.

In some situations, the model of closed innovation cannot work efficiently. Consider the proposed Chesbrough's scheme of open innovation. (Pic.2).



Pic.2. R & D management process in accordance with the concept of "open innovation"

The borders of the company are indicated in dotted lines which reflects the possibility of interaction with the external environment in which there are many potentially valuable insights. In the management of R & D on the basis of open innovation there are the following processes:

- Flow to the company of valuable ideas from outside
- Outflow of the ideas having no value for company away

Thus, the "open innovation is a paradigm according to which it is believed that the company can and should be used along with their own and external ideas as well as to apply the "internal "and" external " way to enter the market with their more advanced technologies" (Chesbrough, 2003).

In 2006 Harvard published a second book by Henry Chesbrough dedicated to the development of the theory of open innovation and strengthening the role of business-models for the commercialization of innovation. In the second book, Chesbrough does not only show why the business model must be open but also offers a unique diagnostic tool for assessing the current business-model of the company. Under the business-model Chesbrough understands the general scheme of combining ideas or technology to their economic results. Business-model performs two important functions: to create value and make a profit (Чесбро, 2007a).

The second book "Starting a business-model. IP- Management" by Henry Chesbrough represents also new players in the market of innovation and introduces a new concept - "innovation intermediaries". These are companies which are focused on helping innovators at a more rapid use of external ideas or help in finding additional markets where their own ideas to the mutual benefit can be used by other organizations. The author identifies them as "mediators of innovation". In other words, the "innovation intermediaries are organizations supporting innovation that were created possibly by the development of intellectual property market . Their primary mission is to provide access to the world's innovative resources and the formation of a kind of global society of "innovation providers".

According to the general opinion of the researchers, "the concept used in the theory of open innovation is not fundamentally new. On the contrary, the relationship of used concepts can be monitored in several ways described in the literature". The theory of open innovation is not only related to the theories of rational allocation of resources, efficiency, operating costs and operating profit, business - strategy, but also is based on existing management practices. Many companies are already operating on the principles of open innovations without even realizing it.

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