



Open Innovation in Practice – Google versus Microsoft

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Outline



Research Objective



Importance of Innovation



Open Innovation Model



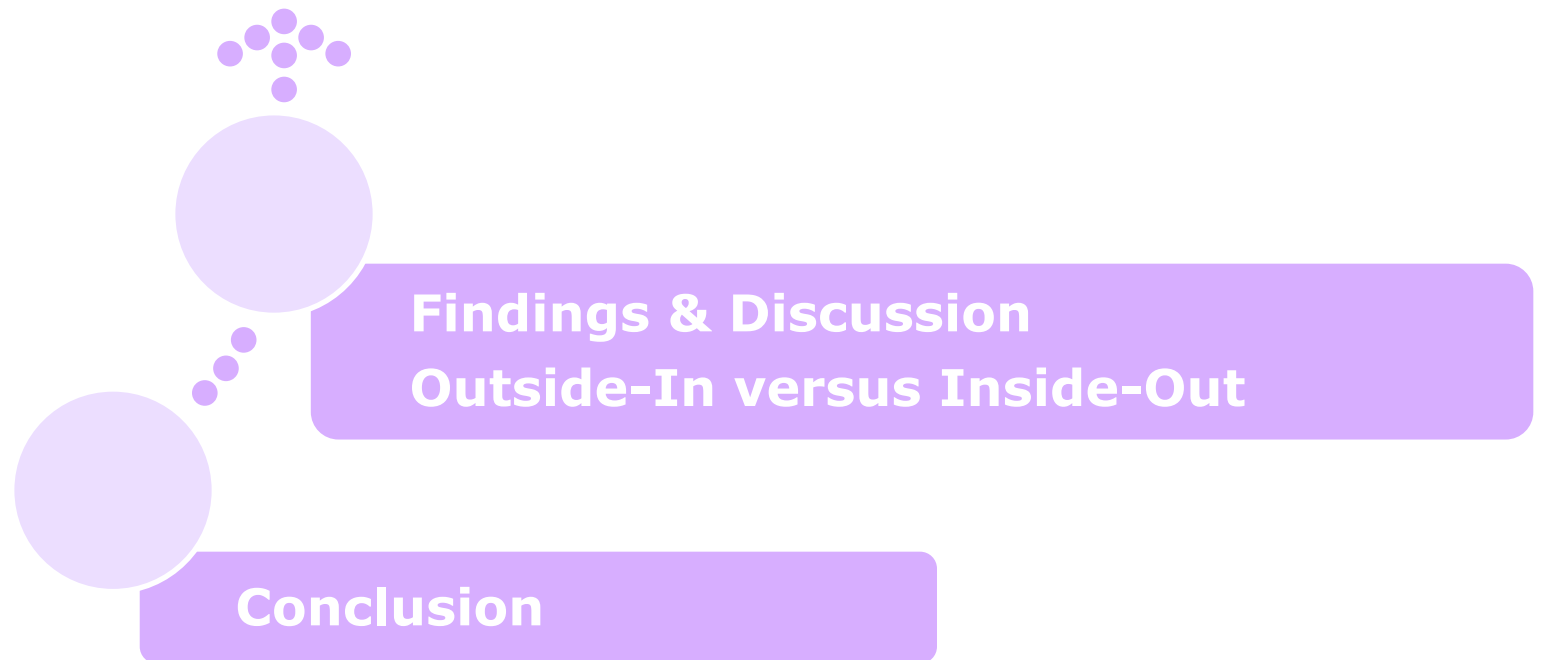
“Inside Out” – The Open Innovation Strategy of Google



“Outside In”- The Open Innovation Strategy of Microsoft

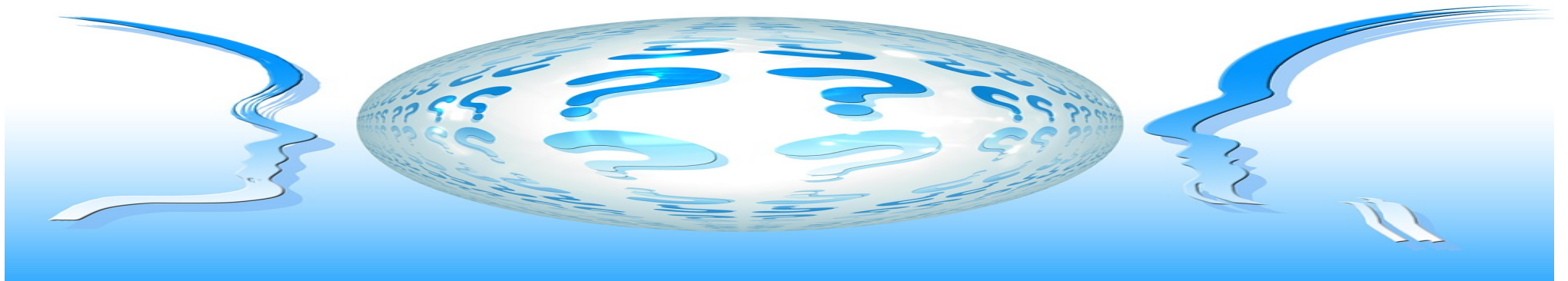


Outline



Research Objective

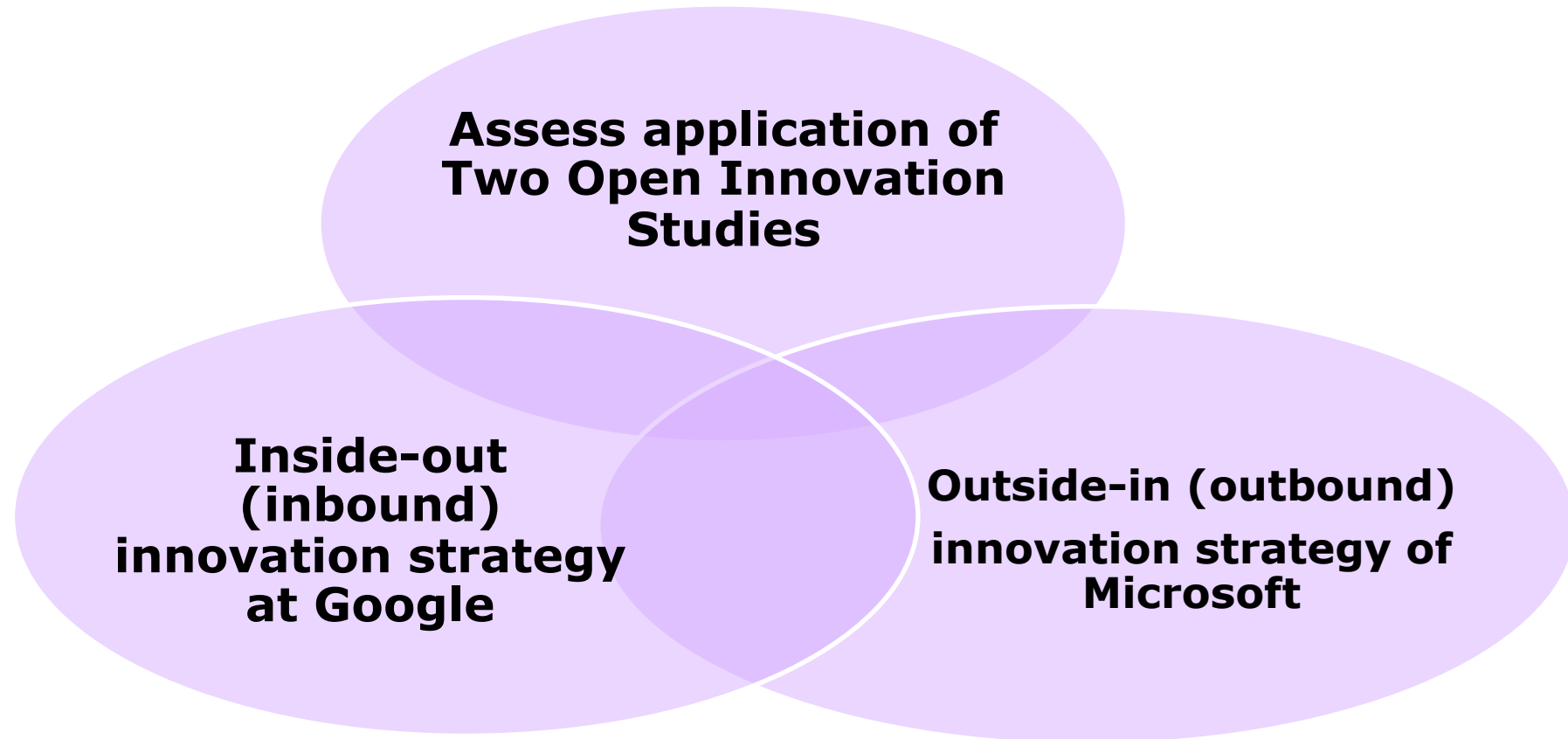
- This research aims to critically assess two open innovation strategies including the inbound open innovation/inside-out innovation as well as the outbound open innovation/outside-in innovation and their application in two world renowned organisations.



Importance of Innovation

- Product and Service Development
- Quality control
- Process efficiency
- Decision making
- Change adaption
- Competitive advantage development and maintenance

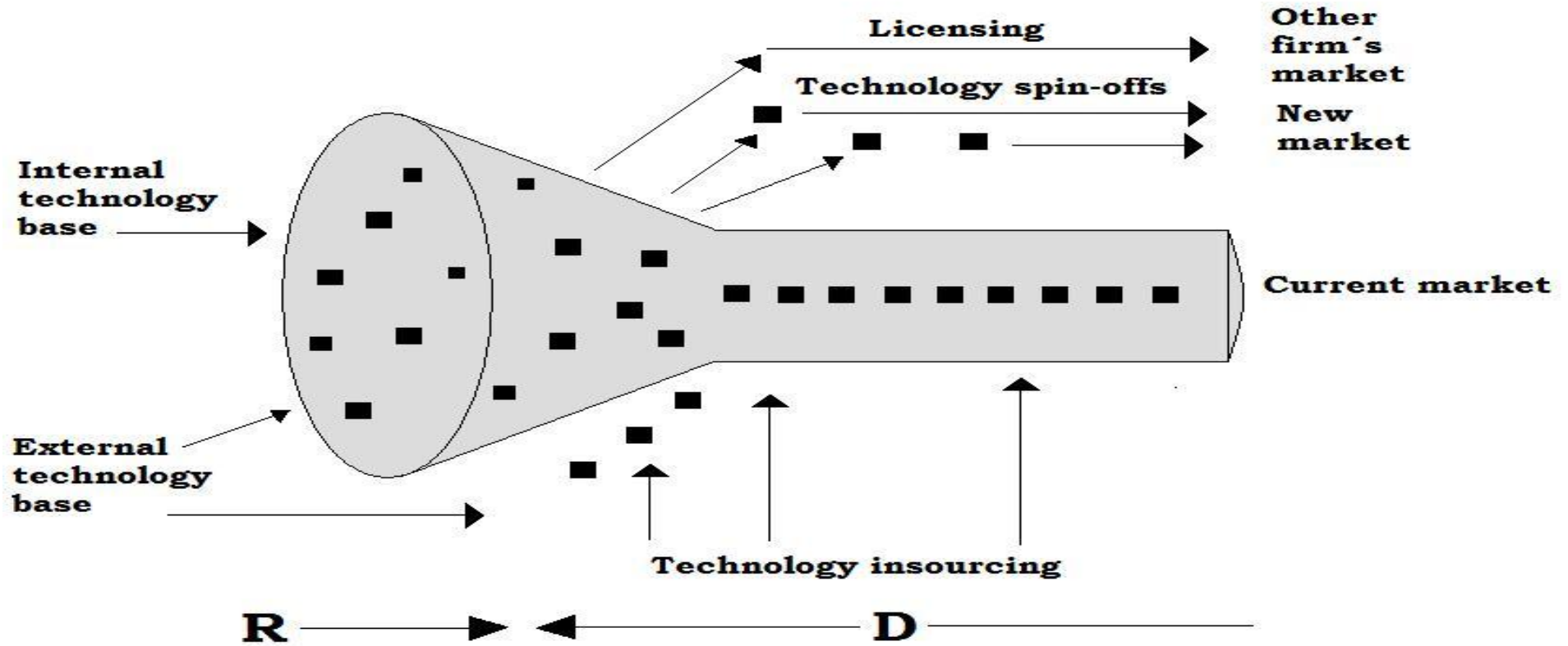
Research Design



Why Open Innovation?

- In today's competitive and fast changing market environment, it is not possible for an organisation to always predict the changes of customers' needs and develop products that are competitive without receiving feedback from many external parties, such as the government, customers, suppliers, and competitors.
- Ideas from these external stakeholders can have critical insight for how an organisation can innovate its products and processes.

Chersbrough's Open Innovation Model



Open Innovation Two Strategies

Inside Out (inbound)

This open innovation strategy where an organisation is willing to share its own ideas, technologies, and processes with outsiders.

Outside In (Outbound)

This innovation strategy refers to inviting external contributions, such as ideas and technologies, in the innovation process



“Inside Out” – The Open Innovation Strategy of Google

- Google’s superior technology search engine - commercial organisations all around the world want to place their website in the most visible position of the search results generated by Google’s search engine
- Google AdWords is the most profitable service section of the company bringing huge business opportunities and profits for Google.

“Inside Out” – The Open Innovation Strategy of Google

- Google for Entrepreneurs Program
 - Sharing the search technology
 - Sharing Cloud platform of Google with other businesses especially small entrepreneurs

Google Slogan reflecting the “inside-out” strategy:

“you dream of building a great company. Google has the products you need to make it happen”

- Global community called “*Startup Grind*”

Google for Entrepreneurs

- It helps share proprietary data and statistics generated from Google research to entrepreneurs
- It helps entrepreneurs to make data-driven decisions.
 - e.g. in the 2014 Football game search data published by Google, it points out the hidden business opportunities in a football game. Google announced that 70% of football game related searches happen in the month surrounding the game day rather than the day itself. This is important information for advertisers because they would get to know that pre-game advertising and post-game advertising are usually more effective than game-day advertising.

Further Examples for Google's Inside-Out Strategy

- Google expanded its product and service range by offering business solutions such as:
 - Professional email,
 - online storage,
 - shared calendar, and
 - video meetings that are specifically designed for businesses and work teams.

“Outside In” - The Open Innovation Strategy of Microsoft

- Founded in 1975, Microsoft is the world’s largest producer of software, services, devices, and solutions, with 126,945 employees around the world and annual revenues of US\$86.83 billion.
- The company has a large mission to enable people and businesses throughout the world to realize their full potential through Microsoft’s products and services and the company has innovated actively and successfully to achieve this mission

“Outside In” - The Open Innovation Strategy of Microsoft

- In addition to internal R&D, Microsoft has recognised the importance of sharing information with external parties, promoting communication, and collaborating with people and businesses outside Microsoft.
- Microsoft has always recognised the importance of collaborating with key external stakeholders and involving them into the innovation strategy.

Examples of Microsoft Outside-In Strategy

- Established a customer and partner experience measurement program which include:
 - product satisfaction survey,
 - usability studies,
 - online feedback forms,
 - research forums,
 - real-time feedback system with Microsoft products, and
 - Microsoft help and support

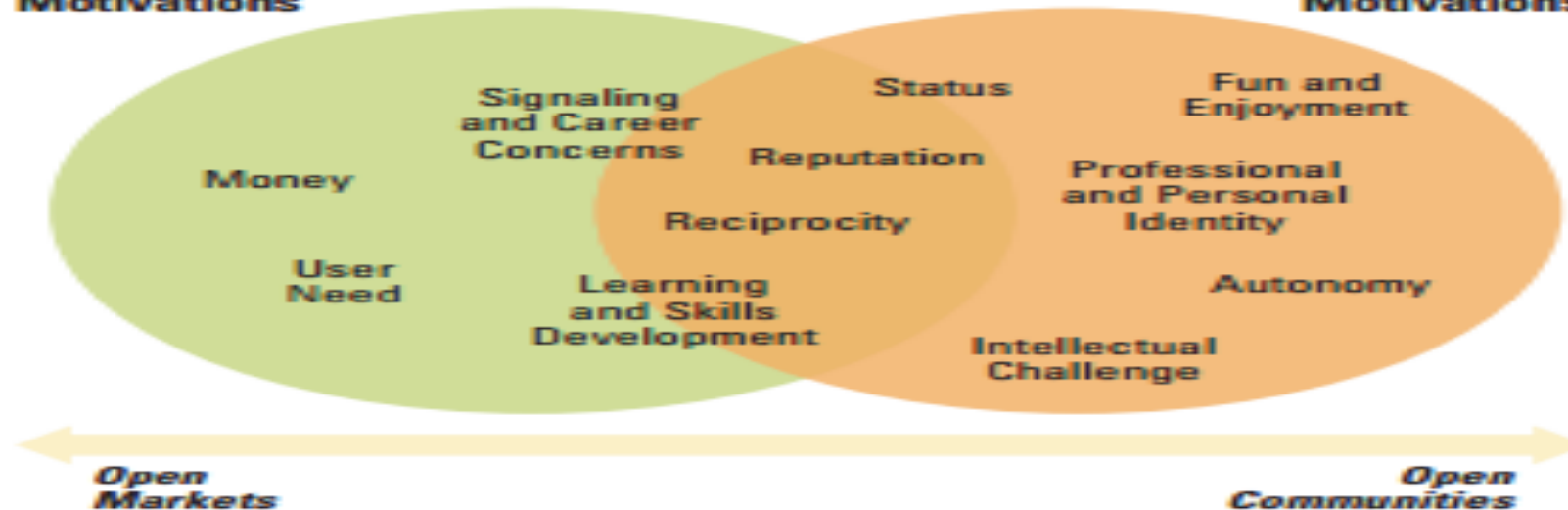
What Motivates External Innovators?

WHAT MOTIVATES EXTERNAL INNOVATORS?

The wide range of motivations that draw outside innovators to participate in a project can be classified into two broad categories: extrinsic and intrinsic. As a simple approximation, markets tend to favor the former, and communities are more oriented toward the latter.

Extrinsic Motivations

Intrinsic Motivations



Goudreau and Lakhani, 2009, p.71



Findings and Discussion

Outside-In versus Inside-Out

- From the case of Google and Microsoft, it can be seen that successful open innovation strategies not only refers to developing new product, but also includes strong marketing competences to commercialise the products

Findings and Discussion

Outside-In versus Inside-Out

- The researchers believe that both innovation strategies of Google and Microsoft has the following advantages:
 - Bring knowledge to support the innovation at the organisation,
 - Seek new opportunities, and
 - Create valuable network and relationships for the long-term development.



Findings and Discussion

Outside-In versus Inside-Out

- Both Google and Microsoft utilises inside-out and outside-in innovation strategies over time to take advantage of different external circumstances and opportunities.



Challenges and Solutions

1. Risk of Losing Competitive Advantage through sharing information (challenge for inside-out)

To minimise the risk of leaking out critical information that may lead to potential loss of competitive advantage, Google carefully identifies what information is to be shared with small entrepreneurs for free and what information remains protected and accordingly, they charge for it.

Challenges and Solutions

2. The 'Not-sold-here' Syndrome i.e. Barriers to Collaboration (challenge for inside-out)

Google has maintained an open culture and continued to seek opportunities for sharing knowledge and developing new ideas throughout the years.

The culture is strengthened by its inside-out innovation strategies and contributes to a strong innovative and reliable reputation of the company, which attract more opportunities for innovation from outside the organisation.



Challenges and Solutions

3. Ineffective Communication (challenge for outside-in)

It can lead to a lack of trust, misunderstanding, and damages to relationship between the organisation and external innovators.

Microsoft has made significant investment to develop and maintain a wide range of communication channels to be connected closely to key external stakeholders.



Challenges and Solutions

4. Knowledge Management Control (challenge for outside-in)
i.e. the lack of attention to details, inefficient management of abundant information, and the lack of balance of daily tasks and open innovation activities.

Microsoft's is connected to a large number of external partners and innovators who provide the company with a vast amount of information.



Challenges and Solutions

5. Relationship Management

The selection of suppliers and partners are critical in the innovation process because the learning activities in a particular project may take a long time to be completed, which requires a stable and healthy long-term relationship.

Conclusion

The trend of globalisation and the fast development of technology require organisations to be innovative not only through internal R&D but also through collaborations with external parties.

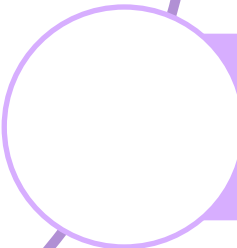
Conclusion



Google and Microsoft adopt both inside-out and outside-in strategies and put great effort to minimise disadvantages of such strategies.



Different open innovation strategies may be chosen at different circumstances and for different purposes and projects.



Companies can utilise both inside-out and outside-in strategies to extend the innovation capabilities of the organisation.