Executive Summary

With open innovation, firms look for ideas and their execution outside organizational boundaries—for example, through collaboration with suppliers and customers, and sometimes also with competitors. Open innovation thus distributes the innovation process and can result in improved innovativeness, minimized innovation-related risks and external commercialization of intellectual property. There are many examples of successful IT-enabled open innovation communities that have helped organizations to improve their innovativeness and solve innovation-related issues. But not all implementations have been successful. The full article describes one such case (referred to anonymously as “ElectriCo”), where the implementation failed even though the company’s top management nurtures a culture that fosters innovation. It does this by committing to innovation projects and acting as project sponsor, and facilitating cross-hierarchy communication. We identify the challenges ElectriCo faced and the reasons the open innovation initiative failed, and provide a framework with checkpoints and guidelines for assessing the likely success of implementing online open innovation communities.

Following an internal analysis of the relative merits of offline and online open innovation approaches, and a survey of its customers, ElectriCo decided to establish an online open innovation community.

Launch and Demise of the Community

The community was launched in ElectriCo’s home market, and membership was restricted to customers in the home market. Customers in overseas markets and employees were not included. The launch was accompanied by marketing initiatives to create awareness among existing and potential customers. Initially, the community attracted a reasonable number of contributors and generated a few ideas, although none of them were technically or financially feasible. After the initial surge of contributions, user participation in the community dropped rapidly, and about a year after its launch the community was basically defunct, and top management decided to shut it down.

Why the Online Open Innovation Community Failed

Multiple factors contributed to the failure of ElectriCo’s online open innovation community.

Legal and Regulatory Constraints. The regulatory framework in ElectriCo’s home country imposed high barriers to transnational operation of the community. In particular, transferring an idea-generator's personal data between countries was subject to strong data-protection regulations. ElectriCo would have needed to implement special data-protection safeguards to permit legal transfer of personal data to third countries. Moreover, ElectriCo’s corporate structure prohibited the online community from being used internally as a worldwide employee suggestion scheme. To achieve this it would have needed to sign individual agreements.
Lessons from a Failed Implementation of an Online Open Innovation Community in an Innovative Organization

with each of its international subsidiaries. ElectriCo recognized that excluding both international customers and employees from subsidiaries from the innovation community would restrict the number of contributors. However, the costs of overcoming the legal constraints would have been significant.

Lack of a Critical Mass of Contributors. Restricting the community to customers in ElectriCo’s home market meant that it was not possible to attract the critical mass of contributors and user activity required for the community to be self-sustaining. Moreover, management did not set up processes and guidelines on how to handle suggestions in a timely way. Initial responses to contributors often took several days or weeks, and evaluation of ideas took place only quarterly.

Unwillingness of Home-Market Customers to Participate in the Community. Many customers in ElectriCo’s home market are small and medium-sized manufacturers of customized products, and are reluctant to reveal their needs, as doing so could play into their competitors’ hands. Anticipating this, ElectriCo provided the ability to mark suggestions as confidential. However, customers tended to mark all of their suggestions as confidential, which contributed to the perceived lack of activity in the community.

Taken together, these factors created a vicious circle that doomed the implementation.

Lesson Learned

The analysis of the ElectriCo case reveals the following six lessons.

1. Acknowledge the Industry Context. A culture of secretiveness among potential innovation partners or in their own organization, or fear of divulging intellectual property (IP) or giving away ideas, could prohibit the implementation of an online open innovation community.

2. Consider the Legal and Regulatory Environment. Carefully evaluate the legal and regulatory frameworks in which the organization operates. Regulations could influence the successful implementation of an online innovation community. In particular, the transfer of data across national boundaries might be prohibited by international laws, preventing the international rollout of the community.

3. Establish Support Processes Early. Establish implementation and operational support processes early on, especially for processing feedback and ideas, to ensure timely engagement with contributors and timely implementation of valuable ideas.

4. Prepare to Shift the Organizational Mindset. To obtain valuable contributions and to benefit from them, organizations must ask questions themselves in the community and act on resulting contributions. A successful implementation of an online open innovation community therefore requires a shift in organizational mindset and careful training of employees in both engagement and information disclosure.

5. Get Ready to Adapt Your Current Innovation Approach. Making an online open innovation community work requires changes to the organization’s approach to innovation. There is a difference between soliciting ideas through established relationships and soliciting them through anonymous online communities, which could require a shift from reactive innovation approaches, where customers come to the organization with their needs, to more proactive approaches.

6. Know Your Contributors. Contributors are key to the success of any online open innovation community, and the organization must know who they are and how they can be motivated. Customers, for example, who should be intrinsically motivated to participate in the community, might have reasons for not contributing.

A Framework for Assessing the Likely Success of an Online Open Innovation Community

The full report includes a framework table that describes the challenges arising from each of the above six lessons and the checkpoint questions to ask for each challenge. This framework will help managers to evaluate whether an online innovation community is an appropriate innovation strategy for their organizations and for identifying potential challenges before they arise.

The lessons from the failure of ElectriCo also, at least to some extent, apply to the implementation and execution of other approaches to innovation. Thus, the analysis and framework in the full article provide managers with the tools for assessing the challenges and checkpoints that relate to developing their organizations’ innovation capabilities.