Chapter 3
Open Innovation:
Reaching Out to the Grass Roots Through SMEs – Exploring Concerns of Opportunities and Challenges to Attain Economic Sustainability

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ABSTRACT

While talking about successful entrepreneurship and value addition within an enterprise through innovation, one could comprehend that the innovation paradigm has been shifted from simple introduction of new thoughts and products to accumulation of diversified actions, actors, and agents along the process. Furthermore, when the innovation process is not being constrained within the closed nature of it, the process takes many forms during its evolution. Innovations have been seen as closed innovation or open innovation, depending on its nature of action, but contemporary world may have seen many forms of innovation, such as technological innovation, products/service innovation, process/production innovation, operational/management/organizational innovation, business model innovation, or disruptive innovation, though often they are robustly interrelated.

INTRODUCTION

The initial effort of this research was in fact to find a focus area to empower small and medium enterprises (SMEs[1]) through open innovation strategies. Due to the open and collaborative nature of this newly evolved concept, the primary research focus has been kept within crowdsourcing innovation[2], but not limited to other collaborative innovation, though it is not easy to put a restrictive boundary between them. Being new in the research arena, on one hand the concept of open innovation has been flourished very progressively within a short span of time (Chesbrough, 2003a; Chesbrough, Vanhaverbeke & West, 2006; Gassmann, 2006), but at the same time, it has evolved through various growth patterns in

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diversified directions involving different factors and parameters (Christensen, Olesen & Kjaer, 2005; Chesbrough & Crowther, 2006; Dodgson, Gann & Salter, 2006; Gassmann, 2006; Vanhaverbeke, 2006; West & Gallagher, 2006). Furthermore, as this research is related to SMEs[3], which are the steering factor of economic growth in the European countries, and especially in Portugal where they comprise of almost 99.9% (EC, 2008) of the entrepreneurships, the problem statements were constructed following multiple studies along this aspect, though much work towards the improvement of knowledge factors on SMEs development have not been found.

Admittedly, organizational sustainability increasingly focuses on how to administer new knowledge of ideas and practices that can expand business. Open innovation plays a key role towards effectual strategic sustainable management. Through open innovation, companies can influence knowledge management to an asset that promotes sustainable innovations that influence back organizational sustainability (Lopes, et. al., 2017). Recently, the business model innovation has seen a recent surge in academic research and business practice. Transformations to business models are recognized as a fundamental approach to realize innovations for sustainability. However, little is known about the successful adoption of sustainable business models (SBMs) (Evans, et. al., 2017).

The extent of environmental or social responsibility orientation in the enterprise is assessed on the basis of environmental and social goals and policies, the association of environmental and social management in the enterprise and the interaction of environmental and social issues. The market influence of the enterprise is measured on the basis of market share, sales growth and reactions of competitors (Schaltegger and Wagner, 2011). Research on acquiring innovations includes searching, enabling, filtering, and attaining—each category with its own specific set of mechanisms and conditions. Incorporating innovations has been mostly studied from an absorptive capacity perspective, with less concentration given to the impact of competencies and culture (West and Bogers, 2014).

Henceforth, problem statements or the main purpose of this study lies within the intrinsic definition of innovation itself. Innovation is a way of performing something new. It may refer to incremental and emergent or radical and revolutionary changes in thinking, products, process development, or organizational development. Innovation, as seen by Schumpeter (1934; 1982) incorporates way of producing new products, new methods of production, new sources of supply, opening of new markets, and new ways of organizing businesses. OECD (1992; 1996; 2005), after several adjustment has come into this argument, that innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.

However, other scholars and researchers in the field of innovation, has put forward definition of innovation in various formats and perspectives. Some definitions or arguments are being included below:

"The creation of new ideas/processes which will lead to change in an enterprise´s economic and social potential" (Drucker, 1998: 149)

This research will look into the economic and social aspect of innovation process, but at the same time look into any technology parameters that are involved within the processes.

Tidd, Bessant & Pavitt (2005) and Bessant & Tidd (2007) argued that there are four types of innovation, i.e., the innovator has four routes of innovation paths, such as product innovation (changes in the products or services [things] which an organization offers), process innovation (changes in the ways in

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