

# Chapter 91

## Trends of Open Innovation in Developing Nations: Contexts of SMEs

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### ABSTRACT

*Evidently, innovation is a genuine reality within the entrepreneurship, given the circumstances of economic crisis, global competition, and novelties of technologies. Perplexing further to face the reality and overcome crises, enterprises are day by day adopting newly developed ideas, concepts, and perceptions to fit into the scenery of business dimension from within and outside the boundaries of their entities, thus channeling the entrepreneurship through the paradigm of open innovation. By far, the majority of the corporate businesses and multi-national enterprises are competing or collaborating with a consensus to promote value-added products, processes, or services. Notwithstanding, they are transforming the entire entrepreneurship infrastructure to face the reality and move ahead. A major portion of the business community, despite their justified contribution to economic growth and generation of employment, the sector belonging to the small and medium enterprises (SMEs), however, are not always in advantageous situations in the arena of open innovation due to many factors, seen, unseen, attended, un-attended, researched, and deserving of further research. To move further into the context of this research, it has been observed that countries ranking as developed economies are ahead in the race, adopting open innovation in their business development, while countries within the developing and transitional economies are struggling to fit into the race of the champions. This study, though not a specific case of one country, has tried to illustrate a few discrete scenarios from five developing countries through horizontal literature review. The chapter has tried to profile within the format of the casebook, providing generic context of innovation (and open innovation) in those randomly selected countries, presented challenges they are facing, including some recommendations, before concluding for further extensive research.*

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## **ORGANIZATIONAL BACKGROUND**

Joseph Schumpeter (1883–1950), one of the first theorists who studied the economy through the innovation eye, stated that innovation is about new ways of doing things by combining existing elements into new products through a creative process (De Jong, Vanhaverbeke, Kalvet & Chesbrough, 2008). Along the route, innovation through the creation, dissemination and utilization of knowledge has become a key driver of economic growth. However, factors influencing innovation performance have changed in a globalizing knowledge based economy, partly due to the advent of new information and communication technologies (ICTs), or partly due to the increased global competition (in fact, more or less dependent on the former one). Innovation results from increasingly complex interactions at the local, national, regional and global levels among individuals, firms, industries and other knowledge institutions. Moreover, governments exert a strong influence on the innovation process through financing and steering of public bodies which are directly responsible for knowledge generation and distribution (universities, public and private labs or research houses), and through the provision of financial and regulatory inducements (Carayannis, Popescu, Sipp & Steward, 2006).

In this context, firstly, the new ICTs; secondly, the government and its politics; thirdly, universities and research houses; fourthly, entrepreneurs, suppliers, vendors; and finally, consumers have role in forming an environment pertaining to establish innovation in entrepreneurship. By far, all these actors need to collaborate and actively participate to create the environment, thus even, turning the innovation processes from traditional towards rather open, terming open innovation.

However, due to the close acquaintance and strong industry-university relationship, including familiarity with new ICTs and exploring their benefits, developed countries are much ahead in creating and commercializing new knowledge.

On the contrary, though developing nations are familiarizing their entrepreneurship through university spin-offs and increased intensification of industry-university relation to commoditize ready-made knowledge, but the situation is far behind to compete with the developed world. This applies both to the standardization of university-industry relationship and to the competency of the university, which need further investigation (Kroll & Liefner 2008). Savitskaya (2009) argues that, the contribution to the understanding of open innovation practices in developing countries resides in demonstrated role of the government for creating favorable conditions for entrepreneurs to open up and integrate into innovation system in the country. She assumed that open innovation system needs a certain level of governmental support to emerge in developing economies.

When comes the question of involving entrepreneurship in open innovation, focus directs or re-directs mainly to developed countries, even so towards large and corporate business houses. As mentioned earlier, with increased relationship between public funded research houses and entrepreneurs, including government initiatives, the sector of business entities that belongs to the small and medium scale enterprises (SMEs) are catching up in the run of adopting open innovation, mainly in developed countries, and very recently in a few developing countries. This chapter is trying to focus on a few countries' perspectives in adopting open innovation (rather, being innovative) in their businesses. However, the study argues that, to roll out innovation processes in developing countries, a multi-facet research has to be carried out.

Apart from the entrepreneurship development, due to the very basic inheritance of the marginal societies in developing nations, a considerable interest in SMEs has focused on their roles in the alleviation of widespread poverty. However, looking beyond the immediate, pressing concern of the poor, Andrew Warner (2001) has advanced the concept that SMEs are the building blocks of

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