

## Chapter 8

# Open Innovation Challenges and Coopetition–Based Open–Innovation Empirical Evidence From Malaysia

**Jawad Iqbal**

*The Islamia University of Bahawalpur, Pakistan*

**Waseem Ul Hameed**

*The Islamia University of Bahawalpur, Pakistan*

### ABSTRACT

*Innovation trends are a highly competitive environment, and have been changed and companies are moving towards the open innovation model rather than to follow close or in a traditional innovation model. Therefore, this chapter demonstrated various determinants of open innovation. For this purpose, a survey was carried out among Malaysian small and medium-sized enterprises (SMEs). The outcomes of the survey highlighted that, the success of open innovation model is based on five major elements, namely, 1) motivating spillovers, 2) incorporation of external knowledge, 3) intellectual property management, 4) maximization of internal innovation, and 5) financial constraints. These five elements are the major challenges for companies while adopting open innovation model. More specifically, the phenomenon of coopetition-based open-innovation is emerging rapidly among the companies. Nowadays, by following the open innovation activities, competitors are collaborating with each other rather than to compete.*

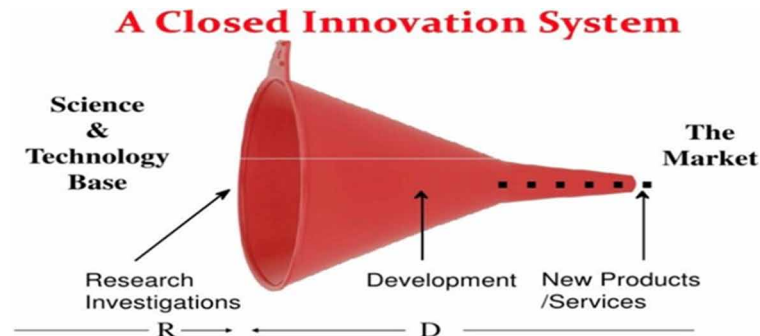
### INTRODUCTION

The innovation trend has been changed and companies are adopting open innovation model rather than to stick with close innovation model (Hameed & Altaf, 2019). Traditionally, the companies were following close innovation model (Hameed, Basheer, Iqbal, Anwar, & Ahmad, 2018). A traditional approach which based on ownership as well as control, this approach also takes a linear approach in which organization

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*Figure 1. Closed innovation Model*

*Source: Chesbrough (2012)*



just depends on its internal competences. For example, for the sake of idea generation and value creation, all activities like research and development activities and all practices are according to the innovation project (Lichtenthaler, 2008). More traditionally, in an organization, scientists bring new ideas; develop new products according to the demand of customers remaining within the boundaries of the firm but they never look outside the boundaries of the firm for new idea generation (Conboy & Morgan, 2011). Therefore, it can be further described as, close innovation is one of the isolated process in which a small group of people and certain individuals involve in an idea generation and value creation process which only depends on internal ability of this group or individuals and they do not look outside the firm. Idea generation, production as well as commercialization of innovation, firms only use own channels of distribution like a close innovation model (Bogers, Burcharth, & Chesbrough, 2019). H. Chesbrough (2012) challenging close innovation model explains that all the projects of research depend on the internal knowledge of the firm due to which some projects could not reached to the maturity whereas few projects which seems to be value creating would be selected for future investigation. According to the Figure 1, entry and exit of any project explains the description of close or open model. When a project enters or exit in one way it will be the example of close innovation model, furthermore, when a project introduces in market by just one way, it needs to be defended against competition with the help of intellectual property management and it is the example of close innovation model (See Figure 1).

It is proved from the research that innovation tendency has been replaced; now companies are working differently on commercialization considering that the horizons of companies are turning into permeable (Trott & Hartmann, 2009) and it is noticed that a lot of independent bodies are attending innovation process like client, retailer, suppliers, analysis-based associations, challengers, etc. (Nandonde, 2019; Wallin & Krogh, 2010). As very large ton of knowledge is binding to deliver creativity which can bring fresh ideas and close innovation model which is one of the authoritative as well as individualistic process of innovation, transfer towards a new model of innovation which highlights collaboration with external partners and commercialization of new idea, here the point of departure between two models is collaboration outsider like client, retailer, suppliers, associations based on analysis, challengers etc.

In contrast to the close model of innovation, knowledge as well as ideas cannot flow (inter or exit) through a single way but it flows through different ways like external players, partnership, internal research investigation etc. Transfer of technology can be achieved with the help of missing knowledge from outside of the firm and the knowledge of the employees within the firm like expertise of the employees

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