

# Open Innovation - A new tool to facilitate the inbound process. Reckitt Benckiser case study

Virna Motta<sup>1</sup>, Antonella Torchiario<sup>2</sup> and Milena Motta<sup>3</sup>

<sup>1</sup> Strategie&Innovazione, virna.motta@stratinnov.it

<sup>2</sup> Reckitt Benckiser, atorchiario@rb.com

<sup>3</sup> Strategie&Innovazione, milena.motta@stratinnov.it

**Open Innovation is currently one of the most debated topics in management literature. Nevertheless, there are still many unanswered questions in Open Innovation research. Especially one issue requires further investigation: how firms implement Open Innovation in practice. The paper addresses this topics by studying, through an in-depth case study, the journey that Reckitt Benckiser, an International Chemical Company, has undergone to move from a Closed to an Open Innovation paradigm. The objective of this study is to show and discuss one of intermediation technique that we often use to help companies applying Open Innovation in practice. This method gives particular emphasis on effectiveness, characteristics, challenges and market implications. Based on the “Want, Find, Get, Manage Model” ® (WFGM) theorized by Slowinski (2004) the methodology exposed in this paper, shows how we help to solve managerial challenges in Open Innovation. We identified in companies four recurring challenges: (1) enlisting internal scientists to work with the innovation intermediary; (2) selecting the key problems; (3) formulating problems to enable novel solutions; (4) proceed to identify, research and engage the potential partner. In this paper, in particular, we explain how to deal with challenge 4.**

## 1. Introduction

The radical changes characterizing the international economic arena have induced the formulation of new philosophical and theoretical approaches in the different fields. New and broader paradigms and theories, such as Service Science and Open Innovation, have been developed to describe and explore the complex processes that take place when value is created by the interaction and collaboration of people, organization and technologies and in a mutually reciprocal manner. Although these paradigms have been explored in different domains and industries, they underline that better value is to be gained from collaboration and co-creation activities that involve different external resources, such as customers, suppliers, research organizations, experts, etc. In this context, intermediaries are assuming a strategic role because they facilitate interaction, participation and build relationships between the heterogeneous players involved in the innovation process.

The paper is organized as follow.

Firstly, we present a brief overview about the role of intermediaries in a Open Innovation (OI) process. We present the model “WFGM” which is the base of this study. We present one of the two companies involved in this project and we show the entire process we have followed implementing a new tool to facilitate the inbound process.

## 2. Open Innovation Intermediaries: quick overview

The work of Chesbrough highlights that “open innovation is paradigm that assumes that firm can and should use external ideas as well as internal ideas, and internal and external path to market as firm look to advance their technology” (p. vii). The preeminent idea concerns the opening up of innovation processes outside the traditional boundaries of organizations, claiming a higher involvement of external actors in their innovative activities. Organizations cannot merely innovate within their internal R&D functions, but they have to encourage the interaction with their environment and integrate resources and competences derived by external entities to create different opportunities for product development, to exploit new ideas, to meet market demands and, consequently, to stay abreast of competition. External actors can include: customers, suppliers, experts, universities, private/public R&D institutions, partners, competitors, and the general community as a whole. However, these activities with different partners (across different contexts and backgrounds) are not straightforward and are characterized by several difficulties concerning to their efficient definition and implementation. To this regard, firms can be supported by intermediary organizations that play a useful role in the complex phases of the innovation process, moving from the idea generation and development, to commercialization the products to the market. Their objective is to facilitate interaction, participation and build relationships between the heterogeneous players involved in the innovation process and, in this way, bridge the unavoidable knowledge gaps between partners and move towards overcoming their miss-matching. According to academic literature, Open Innovation Intermediaries (OII), identified as independent third parties, perform a wide range of functions: helping to provide useful information on potential partners for profitable collaboration forms; assisting in the transfer process of specialized knowledge between individuals and companies involved in innovation activities at different levels; helping the knowledge combination among different entities and brokering transactions between two or more parties within innovation processes.

## 3. “Want, Find, Get, Manage” Model®

The “Want, Find, Get, Manage” Model® (Slowinski 2004) offers a framework for describing the Open Innovation approach. The model emerged from a work done with the pharmaceutical industry in the 1990s, and was developed to bring rational thinking to the fast-paced world of biotechnology OI activities. Since then, the model has been embraced by the consumer products, food, electronics, and, increasingly, chemical industries. In this model, a firm pursues an OI effort through a four-phase lifecycle. The effort begins with the question, “What does the firm want to meet its growth objectives?” Once the wants are identified, the firm must find the necessary asset; if the asset is not available internally, the firm must locate the asset in the outside world and take steps to get it through collaborative relationships. Finally, the firm need to manage the OI relationship to success. This lifecycle approach to OI relationship management encourages management to see the OI process as a series of interrelated phases, each with established tools and management techniques.

### 3.1 The Model Steps

In the WANT phase setting priorities are critical for a successful OI project. At this stage companies may choose to incorporate external thinking into the strategic planning process. Some good practices that guide management throughout this phase are:

- Which unmet customer needs would create more value for the company?
- What internal resources are present to meet these needs?
- What additional/external resources are needed?
- How can the firm acquire additional resources? (purchase, via a partnership)
- Does the firm have the skills to create and manage collaborative relationships with external partners?

The FIND phase is the assessment of the opportunities. This phase is focused on locating possible sources of external complement the firm’s internal asset portfolio. The choice of a partner is dependent on specific objectives and strategy. The find phase should be treated as a process, where each firm considers the pros and cons of a potential partner considered in the same way. Important questions in this phase are:

- How to choose partners?

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- Which are optimal partners?
- Is there an established systematic process for feeding information in order to generate actions with potential partners?

In the GET phase is delicate. During this phase there is the first approach with someone outside the company.

Here some advices:

- How do we find and evaluate external sources of technology & capabilities to fulfil our "want"?
- What processes will we use to plan, negotiate, etc. an agreement to access external resources?

Lack of alignment inside one or both companies is a key reason why alliances fail.

Moreover, alignment must be established at the start of the process and maintained throughout the collaboration.

Partner selection in the OI process is crucial. Partnering up is done in two main ways: by creating a solution network towards finding answers to specific questions, and by building a discovery network to uncover new ideas within a broader technology or product domain.

The MANAGE phase begins with coordinating and integrating the partners’ resources in order to meet specified objectives. Differences in processes and systems including formal structures and company culture may create stumbling blocks in this process. An important guiding question in this phase is: at which stage of the project and how much does the company choose to involve partners?

#### **4. R&D and Open Innovation**

Although the era of open innovation has begun for many firms, a clear understanding of the mechanisms is missing. Procter and Gamble announced that they were able to increase their product success rate by 50% and the efficiency of their R&D by 60% by introducing the Open Innovation approach to the organization. Philips has a well-established open innovation environment, while Siemens started a huge corporate OI program in 2009. At the same time, companies investing in OI activities face risks and barriers that hinder them from profiting from their initiatives. Until recently, private R&D labs wouldn’t have dared try OI; R&D was viewed as a vital strategic asset and, in many industries, a barrier to competitive entry. Research leaders like DuPont, IBM and GE did the most research in their respective industries — and earned the most profits as well. But situation is changing. Slowing innovation from within large companies doesn’t mean internal R&D should be dismantled; it’s not a question of “make or buy.” However, the OI approach poses new management questions. Companies starting to think differently about how opening labs to outsiders can create opportunities for technology exchanges that lead to revenue. The perspective of internal R&D is changing: from depth to breadth and integration. Whereas old-school research labs took new technologies from basic science to finished product, OI labs starts to develop technologies that embrace and extend existing intellectual property — even those that are “not invented here.”

But the key to change isn’t simply finding partners; it is embracing a management philosophy that reorients an enterprise’s innovation activities to a systematic innovation. Instead of building R&D laboratories far away from others to protect the ideas inside, innovators today are locating new facilities next door to universities to gain faster access to ideas. The winners create value when they combine their ideas with those of others, and when others use their ideas. This is what’s happening at Reckitt Benckiser.

#### **5. R&D in Reckitt Benckiser and Open Innovation Approach**

The Reckitt Benckiser approach to research and development is truly unique. Everything they do starts and ends with the consumer. It’s about consumer-driven discovery – understanding consumers’ needs and discovering new ways to innovate and change their lives. The global, well-connected R&D team features a diverse mix of different functions and

specialist. Whatever the discipline, they work together from start to end, creating innovative, science and technology led solutions for “healthier lives and happier homes”.

The R&D team are located across 35 different countries around the world and they have major R&D facilities in Germany, Italy, India, China, Thailand and the USA. In 2018, they will open a newest Centre for Scientific Excellence in Hull, UK.

R&D is at the centre of a global network of expert individuals and organisations.

Reckitt Benckiser always lookout for new entrepreneurs and businesses, large and small to collaborate and partner with – so they can fuse their thinking and discover solutions that will empower future consumers.

Whit this mindset the Company highlighted the need to face a new challenge: the Sustainability.

## **6. What we have done as intermediaries: a new tool to facilitate the inbound process**

An open approach to innovation has been developed over several years. Where, in addition to internal resources, competences and capabilities, external ones are also sought and deployed. In this way, in open innovation both internal and external knowledge, capabilities and paths to the market are considered.

Depending on the goal of the company, it may choose to collaborate with universities, research center, firms within their value chain or even with customers. Although collaborative innovation can be pursued through a variety of organization form, an alliance is considered to be the most efficient and effective form and is therefore often the preferred instrument. More specifically defined, a co-innovation alliance is a “business relationship, in which two or more independent firms work co-operatively on a specific project, which is aimed at the development and commercialization of new products or services that are clearly defined in terms of activities, geographic location and time. Although partners remain independent, they also share rewards and risks”.

Co-operating with third parties involves risk and uncertainties. In this paper we would like to show a method to reduce this kind of risk also with the help of a good intermediary.

### *6.1 Want Phase*

In this phase Reckitt Benckiser had defined the goal and had a clear understanding of the resources or assets that are required to meet the goal. The Company first recognized the opportunities and added value of opening up to external knowledge, capabilities and other resources.

The shift towards an Open Innovation strategy starts with the internal alignment within the several functional group: in this case R&D and Marketing&Communication.

After an internal study, Reckitt Benckiser highlighted the issue to be addressed: the Sustainability. How to reach targets of sustainability with a product that helps to clean clothes in a responsible way? Which firm could help to study this problem and find a product / solution? In fact, one of the main motivators of the set up of a partnership is to increase the information exchange which would tackle the uncertainty problems, in particular for radical innovation.

Here comes the role of intermediary: Reckitt Benckiser asks Strategie&Innovazione srl for help.

### *6.2 Find Phase*

Three main factors have been identified as being essential in the FIND phase: technological, strategic and relation alignment. Technological alignment includes the recognition of a firm’s technological capabilities, complementary resources and overlapping knowledge bases.

According to Emden et al. (2006) strategic alignment refers to the degree of motivation and goal correspondence. Although the motivation of each partner may differ, they need to correspond in order to indicate whether partners have

mutually beneficial intentions. Furthermore, such an alignment reduces the likelihood that the partners act opportunistically in the partnership. Finally, to reach relation alignment, Strategie&Innovazione looks for partner that have a compatible culture and fit organizationally.

The partner identified was one of the best-known fashion companies in the world, present in the most important markets in the world with a network of about 5,000 stores; a responsible group that plans for the future and lives in the present, with a watchful eye to the environment, to human dignity, and to a society in transformation.

The Group has a consolidated identity comprised of colour, authentic fashion, quality at democratic prices and passion for its work: these values are reflected in the strong, dynamic personality of its three brands.

The development of the Group sales network, which occupies prime positions in historic town centres and shopping centres, is supported by a significant programme of investments around the world. The stores exploit highly modular settings to create spaces in which the collections, their colours and design are always at the centre of attention, and are presented in a retail context that is increasingly attractive, dynamic and interactive.

The constant attention for new things impacts also in sector like logistics: the coordination centre in Treviso is in fact one of the most modern industrial logistics complexes in the clothing sector, serving the global retail network with great efficiency.

The Group’s capacity to actively put down roots in the world and in society is also expressed through a Innovation Center, the Group’s

communication research centre. The challenge of the Innovation Center is one of innovation and internationality: a way to join culture with industry through communication, which no longer takes only the traditional forms, but seeks to become a vehicle for the “intelligence” of an enterprise, through a range of means of expression.

The Group is firmly projected into the international dimension, but it still maintains strong ties with its home area of Treviso and the Veneto region, particularly through the cultural activities of the Fondazione Studi e Ricerche, and a number of sports-centred projects. From its focus on rugby to the historic Formula 1 victories, the Group’s sporting ethos proposes not only competitive excellence, but also a social dimension of meeting, sharing and physical well-being, which amongst other things leads thousands of young people to take up sports each year.

### *6.3 Get Phase: a new tool to facilitate the inbound process – the Table of Work*

From the WANT and FIND steps a list of objectives to be reached (i.e.: desiderata) in working with this partner was defined.

By being open from the outset and sharing the WANTS with the innovation Partner, Reckitt Benckiser avoids having different stakeholders working from different understandings on purpose, terms and priorities of the collaborative agreements. This approach ensures the win-win solution for all the involved.

After a Non Disclosure Agreement was signed, Strategie&Innovazione organized the work plan.

In this phase the role of intermediary was to prepare, facilitate and synthesize a workshop between two groups of people of the R&D and Marketing / Digital functions of the companies which took place at the University of Padua.

Workshop theme was: "Fabricating, treating and preserving fibers and colors in a sustainable way".

The aim was discuss the topic from different points of view, to find possible synergies between companies and identify potential areas of collaboration.

Also two exponents of the University of Padua were present at the workshop.

Two professionals of Strategie&Innovazione moderated the discussion and group work, stimulated the participants and summarizing the ideas that emerged, using structured brainstorming techniques.

They also deal with creating and maintained a collaborative atmosphere among the participants, managing the dynamics within the groups and in the plenary sessions.

We decided to organize the workshop in a beautiful location: the Orto Botanico in Padua. This location helped the participants to be more relaxed and prepositive during the workshop.

### *6.4 Manage Phase: advantages in using the Roundtable Workshop*

The goal of this phase is to co-ordinate and integrate the partners’ resources to meet specific objectives.

A common challenge is managing expectation in strategic alliance, notably partners asking too much or not being open enough.

Using this new tool two Companies remain separated but tried to work together facing a common issue: they had time

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to study themselves and taste how to work together.

The risk level could be considerably kept under control and the presence of intermediaries make the situation more manageable. They could also offer an external view of the dynamics of collaboration that the two Companies have in place.

In this new approach the MANAGE Phase assumes a different meaning from what usually find in literature: in this case the phase is a *Pilot Innovation Project* and Companies could also evaluate the “process performance” and the “goal performance” in a smarter way.

## 7. Facing the process using the tool

By managing this project we identified four recurring challenges: (1) enlisting internal scientists to work with the innovation intermediary; (2) selecting the key problems; (3) formulating problems so as to enable novel solutions; (4) do some action to proceed in identify, research and engage the potential partner.

The role of intermediary is to prepare and support the companies facing an Open Innovation process.

In this case, the intermediary operated in three different moments.

Moment	Activity	Result
Preparation	<ul style="list-style-type: none"> <li>Contact the right people of the two companies</li> <li>Introduce them to the topic</li> <li>Solve doubts and / or preliminary “fears” about sharing information</li> </ul>	People are informed, prepared and had a positive approach to the workshop
Conduction	<ul style="list-style-type: none"> <li>moderate discussion and group work</li> <li>launch stimuli using structured brainstorming techniques</li> <li>manage the dynamics within the groups and in the plenary sessions</li> </ul>	Collaborative atmosphere among the participants
Summary	<ul style="list-style-type: none"> <li>summarize the emerged ideas</li> </ul>	Summary document of the activity carried out and of the ideas emerged, including any actions to be implemented by the participants

In particular, with this “Structured Roundwork Table” tool we would like to give some advice how to avoid the damages and delays arising from trial-and-error solutions: the best practice is to identify and resolve differences immediately upon starting the *Get* phase.

This method helps to coordinate and integrate the partners’ resources to meet the specified objectives. A common challenge is ensuring that each firm’s team members understand who does what, what types of information must be exchanged, and how information exchange should be carried out.

Managing the relationship to success is not an ad hoc process. The normal skill sets of middle managers are necessary, but not sufficient to implement a collaborative relationship. Use the “Structured Table of Work” to help building a common understanding of the relationship. Help partners understand conflict resolution techniques and employ them in the alliance.

Sometimes the real challenge is to find the right intermediary. When setting out to choose an intermediary is important to bear in mind that there is no a single “right” approach to Open Innovation. The best approach for a Company will depend on its need, priorities and the way of working. Using this new tool Company could also to test the intermediary in terms of efficacy and efficiency in defining the problem and propose a solution.

The case shown in this paper needed only few weeks to be implemented.

## 8. Conclusion

The WFGM model has significantly increased the success rate of collaborative projects by forcing business team to be clear about their needs before they go out to find and search for potential innovation partners and before they build the deal and then manage the consequences. Collaborative innovation can still fail to deliver its technological objectives, and challenges in business strategy might warrant some open-innovation project irrelevant; however, the framework has given greater structure to collaborative knowledge-creating process.

The Tool shown in this work helps managers to coordinate and integrate the resources of two firms, trying to mitigate the risk. In fact this Tool offers the possibility to try a collaboration in an soft and controlled environment.

WFGM model, applying this Tool, assumes a different hint: the first step focus on a deep analysis of a "want" area and related gaps to achieve the vision; in the FIND step, the Company with the help of intermediary, could define the most appropriate methods and sources to bridge the gaps; in the GET phase the “table of Work” facilitates managers to define the Company Open Innovation right approach and process.

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