Leveraging open innovation through social media: A study on Geneva based SMEs

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Abstract

There is a common perception that Social Media, a form of digital social networks [Boyd and Ellison, 2007] have substantial innovation potential as they can create novel combinations of resources, knowledge, and ideas in the Schumpeterian perspective of innovation. [Schumpeter, 1942]. Furthermore, the innovation created through these “knowledge flows across organizational boundaries” [Chesbrough & Bogers, 2014] can be defined as “Open Innovation” since the interactive nature of Social Media specifically enables these “inflows and outflows of knowledge” [Chesbrough, 2003; Enkel et al., 2009] across firms and ecosystems at a speed and exponential nature never witnessed before. Consequently, Social Media appear to be an ideal tool for Open Innovation [Mount and Martinez, 2014]. The perspective of this work is centred around the inbound and outbound open innovation process designed to save costs and augment innovation possibilities [Bogers and West, 2012; Enkel, Gassmann & Chesbrough, 2009; Dahlander & Gann, 2010]. This research not only analyses social media usage as a tool for open innovation creation, which is […]

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1. Introduction

There is a common perception that Social Media, a form of digital social networks [Boyd and Ellison, 2007] have substantial innovation potential as they can create novel combinations of resources, knowledge, and ideas in the Schumpeterian perspective of innovation. [Schumpeter, 1942]. Furthermore, the innovation created through these “knowledge flows across organizational boundaries” [Chesbrough & Bogers, 2014] can be defined as “Open Innovation” since the interactive nature of Social Media specifically enables these “inflows and outflows of knowledge” [Chesbrough, 2003; Enkel et al., 2009] across firms and ecosystems at a speed and exponential nature never witnessed before. Consequently, Social Media appear to be an ideal tool for Open Innovation [Mount and Martinez, 2014]. The perspective of this work is centred around the inbound and outbound open innovation process designed to save costs and augment innovation possibilities [Bogers and West, 2012; Enkel, Gassmann & Chesbrough, 2009; Dahlander & Gann, 2010].

Although theoretically, Social Media also known as digital social networks [Boyd and Ellison, 2007] allow to merge diverse and heterogeneous resources, information, contacts and idea flows within firms, thus fostering innovation through an enhanced knowledge base, there is little quantifiable evidence to prove these relationships. Indeed, several scholars have studied the impact of Social Media on the innovation process for firms. Interestingly, their results converge mostly as Social Media is leveraged only in the later phases of innovation such as the product launch, much less for the early stages of the innovation process. Precisely, there is a discrepancy between companies’ focus and use of Social Media and their leveraging of these digital tools within the New Product Development [NPD] process [Marion, Barczak, Hultink, 2014; Roberts and Candi, 2014; Roberts, Piller, Lüttgens, 2016; Bacchetta and Badillo, 2017].

These results seem quite counterintuitive as the wealth of information and user-generated feedback from Social Media could be an exponential source of ideas and creativity [Von Hippel, 2005], especially within the initial innovation phases. However, research indicates that organizations need to adapt their structures and processes to the overwhelming amount of data and information that Social Media generates [Evgeniou, 2002]. Consequently, although large organizations and multinationals have the resources and means to deal with these new challenges, their organizational structures need to adjust. This takes more efforts, time and resources than most practitioners and scholars anticipated. Furthermore at present the benefits are more prominent for the product launch phase than for the product development phase. This illustrates that Social Media is not yet an exponential source of ideas and creativity in most large organizations during the initial innovation phases. Indeed the substantial efforts and resources to adapt the organization’s structure seem challenging in many multinationals. Put differently, as summarized by Roberts and Candi [2014]: “The findings suggest that better returns can be expected from using social network sites for product launch than for market research or customer collaboration in NPD. However, this may change over time and is an area of future research as more time is needed to embed social networks into marketing and product development strategy [p. 114-115].”

Therefore, it appears that Social Media as an open innovation tool could be just as or even more beneficial for SMEs than for large corporations, as their organizational structures are more flexible. Furthermore, Social Media as a source of Open Innovation seems particularly relevant for SMEs, since their internal R&D spending is limited [Bessant, 1999] and their smaller and more agile structures could prove particularly able to reap the benefits of openness from these information flows [Brunswicker and Vanhaverbeke, 2015]. In fact, our survey with over 300 SMEs from Switzerland indicates that SMEs perceive Social Media as a key contributor to their Innovation process [Survey from “Smashing” series, Geneva based SME poll]. This observation leads to the main research questions of this study: Can SMEs benefit from Social Media as a source of Open Innovation and if so, has this Open Innovation Adoption resulted in innovation creation for these SMEs? We will aim to answer these questions with a regional study and survey of over 300 Geneva based SMEs from 2015 to 2016.

Traditional frameworks for analyzing innovation generally put focus on R&D spending or innovation output in terms of new or improved product launches [Oslo Manual, Global Innovation
Index], mostly in high tech environments [Tidd & Bessant, 2005]. This paper will shed an additional light on innovation practices and open innovation adoption in collaborative business environments in the context of digital transformation within SMEs. Recent literature has pointed out that we need to enhance the understanding of these mechanisms in the context of open innovation adoption in SMEs [Vanhaverbeke et al., 2014]. Studying SMEs in Switzerland seems particularly relevant due to the country’s top position in global innovation rankings combined with the reputation of highly innovative Swiss SMEs and the general requirement of being open given the size of the economy [Beck, Lopes-Bento & Schenker-Wicki, 2016].

Analyzing Social Media’s contribution to the innovation process in organizations is still in its early stages despite their key impact in the business landscape [Fraser and Dutta, 2008]. Digital transformation has reshaped firms’ innovation processes. For instance, this is illustrated by the role of the technological gatekeeper: this function has not disappeared, but is redistributed amongst a larger number of actors within the organization [Whelan et al., 2010]. Indeed the technological gate-keeper is perceived as a key contributor within the innovation process: “acquiring, translating, and disseminating external information throughout the R&D unit” [Whelan et al., 2010]: Due to internet enabled communications the group of individuals keeping abreast of “latest technological advances” becomes more widespread within an organisation. This illustrates how digital information flows from these new communications networks impact the process of knowledge workers. Indeed these knowledge workers increasingly integrate Social Media information flows within their sources of information. Our approach assumes that Social Media enable innovation [Turban et al., 2011] since they allow increased creation of information [McAfee, 2009] and higher diversity amongst teams, in innovation searches and expertise [von Krogh, 2012]. Or in other terms, it is widely acknowledged that diversity breeds creativity [Gibson 2001], thus fostering innovation [Ostergaard et al. 2010; Beck & Schenker-Wicki, 2014].

Some scholars’ reviews illustrate the gap in literature when it comes to understanding how these social networks can foster innovation. [Kaplan and Haenlein, 2010; Ngai et al., 2015]. For instance, Ngai et al. [2015] argue: “…some basic questions need to be addressed. For instance, why do organizations not adopt social media in their business operations? What factors or variables affect or hinder organizations’ adoption of social media? Most importantly, does social media adoption really contribute to firm performance? These questions are not well-addressed by existing research.” This research not only analyses social media usage as a tool for open innovation creation, which is a new field, it also addresses an area that is truly under-researched in this relation: SMEs.