

Open Innovation in France

Is it still possible for France
to close the gap with the United States?
How can this be done?

AN INDUSTRY STUDY DESIGNED AND CONDUCTED BY



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SUMMARY

France major industrial firms are now well aware of the stakes involved in adopting open innovation, but they are still lagging behind their American competitors

According to data gathered by bluenove¹, in 2011, major industrial players in France have taken the steps to integrate Open innovation concepts, that are today understood and being applied in all industrial sectors. This is a major evolution in corporate behavior and has had a positive effect on their operating modes (54%). On the other hand, behind the scenes, these same companies are continuing to question themselves on the concrete impact of Open Innovation. 55.7% of these companies do not expect to gain any short term benefit from an Open Innovation strategy and do not expect this to have an impact before a number of years. In this way they are addressing Open Innovation as a long term stake in the deep and sustainable transformation of French industrial culture.

In parallel to this, surprisingly these same companies show confidence in their Open Innovation programs. They know the risks involved in intellectual property rights, the eventual loss of control over innovation processes and the difficulties associated with integration and collaboration. With these risks now identified, measured and accepted, these major industrial players consider that they possess the means and the corporate culture necessary to overcome them and successfully embark on an Open Innovation program.

Today the actions applied by major French companies are primarily focused on the initial stages of open innovation with 41.2% stating that they are still in the very first stages of this strategy. This contrasts with an American study conducted in 2009, where 49% of the major American companies interviewed had already moved into development stages of applying open innovation practices and 40% were actually in the process of optimizing it. Whereas in France, only 21.9% of equivalent firms claim to be in this process of optimization.

Nevertheless, French companies are confident. Almost two thirds (64%) of them consider that they are in advance or at the same stage as their competitors and peers in their practices. To show such a degree of confidence is probably the result of a lack of indicators and benchmarks, rather than a reflection of the reality.

Another indication that open innovation is still in its infancy in France is the number of new products and services that have benefited from an open innovation approach. Currently, in 86% of the companies interviewed, less than 20% of new products and services were the result of an open innovation approach. In the United States study this figure for companies with products benefiting from open innovation was 50% in 2009. With 20% of US companies claiming in 2009 that 20 to 30% of innovations were the fruit of open innovation whereas the equivalent category is only 8% in France and this two years later.

¹ Online self-assessment questionnaire with answers from 144 representatives from 60 major French corporations. Conducted from March 6 to April 6, 2011.

The bluenove analysis: four reasons for an obvious gap

The team of experts at bluenove has analyzed the data collected in this study and have reach 4 conclusions, both practical and concrete, backed by experience and projects in the field. They are presented below.

1. French companies are questioning their strategies of internal collaboration as much as they are the external collaboration

Today the majority of large French companies is going through a deep analytical process and is questioning the tools and practices involved in collaboration. This reflection addresses internal collaboration as much as exchanges with their entire ecosystem. Technological evolution and a willingness to be open are the two principal factors that feed this reflection and that maybe can be considered to have reached their conclusion or even be a past issue. Nevertheless, these collaborative tools have yet to be totally integrated into the culture and processes in these major industrial players. At this moment, as these companies embark on open innovation, the choice of the most appropriate and indispensable tools and the changes in company culture that they induce are at the forefront of these discussions.

2. The jury is still out about which of the different open innovation tools are most appropriate

bluenove's experts are continually being questioned by large companies on the which tools for Open Innovation are most appropriate: idea contests and challenges, partnering with start ups, techniques to resolve problems or stimulate creativity, 'beta tests' with clients and users..... tools that are still misunderstood in terms of their application, their limitations and advantages and how they function and integrate in a global innovation program.

3. The major French companies are discovering that Open innovation is not reserved for one department

Open innovation is not reserved exclusively for an innovation department, or a research laboratory or particularly not the R&D top management. Each open innovation initiative should be systematically executed across at least 2 departments and preferably transversally: Innovation & Communication, Innovation & IT... The major French industries have rapidly adopted this mode of collaboration that is intrinsic to open innovation, but bluenove's experts have also observed that the HR departments are too rarely implicated and only participate very rarely in open innovation initiatives.

4. Open Innovation is still considered as a tool, and has difficulty to be integrated as an Enterprise wide project.

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In major French industries, the concept of open innovation is known and accepted. Progressively, these concepts are being mastered and the tools put to use. But, it is rare today to find companies that have followed their American counterparts and truly embraced open innovation. Open innovation is not yet a constituent of a company strategy and often lacks the necessary and visible support from top management.

"The time of leaching and the evangelization of open innovation practices are past. The major French companies have now grasped and understood the potential of this approach and the obvious and beneficial

outcome they can get from innovating through being more open and collaborative throughout their ecosystem. These companies are aware of the benefits that can be gained and the resources necessary to drive these new practices. Nevertheless, France is lagging behind the United States, where there may be a more open, more collaborative culture and in turn, more innovative. Could this be a culture problem, a different mindset or even a strategic choice? In any case, it is no longer time for considering concepts but rather for pragmatic acts. This is what we have seen while working with over 30 major French industrial players over the last 3 years accompanying over 50 projects” stated Martin Duval, CEO and founder of bluenove.

THE STUDY IN DETAILS

THE FRENCH MAJOR PLAYERS HAVE A GOOD KNOWLEDGE OF OPEN INNOVATION CONCEPTS

94.7% of the people who took part in this study gave a good and accurate definition of Open Innovation. : “The integration of new internal and external partners into the development of innovations”.

From the point of view of Human Resources departments, Open Innovation should be considered an integral part of personnel management. The majority of companies questioned considered it an excellent means to secure key personnel. 88.5% of the companies said that they were in agreement or were in complete agreement with this statement.

In addition, 85.3% of the companies found that it was “indispensable to mobilize all personnel in the company in a global effort of innovation”. Open Innovation is therefore intimately associated with participative innovation dynamics.

Almost the totally of the companies questioned (99.1%) stated that “their company can enrich their innovation projects through collaboration with the exterior world” and 90% agree that today, “intelligence is above all collective”.

81.8% of the study participants agree that Open Innovation is not (necessarily) synonymous with the loss of intellectual property.

A VERY POSITIVE VISION OF INNOVATION AND OPEN INNOVATION IN PARTICULAR

For the major industrial player in France, the capacity to innovate is by far the most important generator of value and leadership. 57.3% cited innovation at the top of their list, followed by collaborative culture (30.1%), brand management (5.8%), international development (4.9%) and cost control (1.9%). If we take into account the coherence of the replies above, with a corporate culture that is innovative, open and collaborative, then 87.4% of the replies are in agreement that innovation and collaboration have the greatest leverage in value creation.

The major industrial players in France show a perception that is both confident and positive towards the advantages that can be gained from Open Innovation.

- 76.4% think that Open Innovation will allow them to focus better onto their core businesses.

- 90.6% think that they would be able to innovate more efficiently because of Open Innovation. They see one of the strengths of Open Innovation as allowing the reduction to “time to market”.
- 97.2% say that, through Open Innovation, they can have access to new expertise, disciplines, competences, knowledge and technologies that can be identified worldwide.
- 97% benefit from contributions by players from other industries and stage of development (R&D of other groups, start ups, universities, clients, suppliers...).
- 96% state that Open Innovation allows them to group their forces with complementary partners.
- 86.8% see Open Innovation as a way to improve their actions and their flexibility.
- 76% think that Open innovation allows them to allocate scarce resources into strategic projects.

Even though French companies have both a realistic and pragmatic vision of the potential of Open Innovation, the majority (55.7%) think that an Open Innovation strategy will not have a significant impact on the transformation of their corporate culture before a number of years.

THE CAPACITY TO INNOVATE IS NOT ANYMORE LIMITED TO THE R&D BUDGET

78.2% of companies that participated in the study do not think that the R&D budget is the principal factor in a successful innovation program and for only 11.8% innovation was considered to be limited to R&D activity. If innovation is no longer viewed as exclusively R&D, it becomes urgent to define the new indicators that allow practitioners to measure their innovation effort and its results. Patent filing, percentage of turn over invested in R&D, the number of staff and their qualifications; are these really indicative and pertinent in measuring the capacity to innovate today?

OPENING TO THE OUTSIDE WITH A KNOWLEDGE OF THE RISKS AND HURDLES

In spite of significant signs in the evolution of French innovation management, 42.7% of the companies interviewed think that they must control their R&D processes more efficiently and across the board. This is induced by the concerns of the inherent risks of Open Innovation. Thus we see, 87.9% of companies think that Open innovation may expose them to conflicts, theft, working-round and reverse engineering of patents and intellectual property. These data should be compared with what was stated above, where 81.8% of replies agreed that Open Innovation is not (necessarily) synonymous with loss of intellectual property. Although there is an inherent risk associated with with intellectual property, the companies appear to be confident of their capacity to face and control this.

86.7% think that they will encounter problems, either probably or certainly, in the Open Innovation supply chain. Are they more dubitative of their capacity to implicate current and new suppliers, even with the help of their procurement departments, than their innovation programs?

- 69.8% site potential problems because of cultural differences.
- 58.8% see difficulties in assuring the management of their knowledge base.
- 70% have concerns about managing collaborators and teams at a distance.
- 74% have sited the lack of willingness to share ideas as a problem
- And potential unidentified problems of collaboration were sited by over 66% of companies.

Other potential problems in the development of Open Innovation were the following:

- Difficulties in implementing these concepts: what are the most appropriate tools to be put in place?
- Difficulties in measuring the creation of value: what indicators and dash board would be most useful in following and measuring the result of Open Innovation?

- Lack of top and intermediate management support: what are the tangible proofs that the management is really engaged in the process?
- Lack of professional training and qualifications: what back ground and training are necessary to manage an Open innovation program? How is knowledge shared and managed?

Finally, major French industries see Open Innovation as a major change in corporate culture. Being used to the challenges of culture change, they are addressing these problems of processes, training and measurement tools with method and pragmatism. Thus concerns about Open Innovation in large French companies have today largely superseded problems of intellectual property or even concerns of loss of control over putting Open Innovation in place.

THE MAJOR FRENCH INDUSTRIES ARE LAGGING BEHIND THEIR AMERICAN COMPETITORS

A study conducted in 2009 by Nine Sigma² has given us the possibility to compare the position of equivalent French companies against their American competitors.

In 2009, 49% of large American companies stated that: “they have put into place the first elements of their Open Innovation strategy”. Two years later, 41.2 % of the French equivalents are in this starting phase. More serious, in 2009 40% of the companies questioned in the United States were “optimising their Open Innovation programs”. This is not the case in France, where, two years later only 21.9% were in this phase.

In France, Open Innovation constitutes an important or very important challenge for 35.7% of the companies questioned. In 2009, this was the case for 67.3% of their American counterparts. In France in 2011, 85.9% of the companies who took part in the study consider that the impact of Open Innovation will only be visible in 5 years, comparable to the data from the United States (89.7%) gathered 2 years earlier

OPEN INNOVATION PROJECTS THAT HAVE DIFFICULTY IN IMPOSING

In France, in 2011, 63% of the companies questioned declared that less than 10% of new products or services had benefited from an Open Innovation contribution. The number of companies where this impact was 10 % was a mere 3.3% in the United States in 2009, this low figure can be explained by the fact that the majority of American companies considered that the impact of Open Innovation was far superior than 10% ! In France 23 % said that Open Innovation had contributed to 10 to 20% of innovations. This can be compared to the United States where, two years earlier this figure was twice that of France today. Clearly, there is a significant gap between the two countries.

FRENCH COMPANIES LACK REALISM OR BENCHMARKS

Only 22.4% of French companies think that they are behind their competitors in Open Innovation whereas, in 2009, 36% of American companies saw themselves as being behind. When 64.5% of French companies class their Open Innovation program as being “average”, only 38% of American companies had the same judgment.

² Open Innovation Practices & Outcomes Benchmark Survey - NineSigma, Inc. www.ninesigma.com

WHAT IS INNOVATION ?

French companies have a wide vision of innovation. For almost 100% of those interviewed, it is possible to innovate in services just as much as products. But interestingly, if disruptive innovations (the most important) are very rare, they are practically inexistent in services (the exception being Velib: the renting bike service system in Paris). The following were classed as disruptive innovations:

- Mobile phone (83.1%)
- Velib (68.4%)
- Digital photography (81.4%)
- Electronic chip cards (81.9%)
- Walkman (73.9%)
- Tetrapack (66.7%)

The following were sited as continuous or incremental innovations (with some surprises!)

- Freebox
- Electric car (surprising?)
- 3D television
- Microsoft Kinect
- Video on demand
- Wind energy

It would be interesting during a next study to analyze how Open Innovation has contributed in these examples. Often Open Innovation is attributed the quality of identifying disruptive innovations that are discovered generally in sectors and disciplines outside of the core business, or “out of the box” solutions: will this be the case?

The French version of this study was presented at a press conference on May 31st 2001 in Paris and the English version was released online on June 7th 2011 at the Word Innovation Forum in New York.

Available on line at: <http://www.bluenove.com/en/publications-en/news/the-first-study-about-open-innovation-in-france/>

For any questions regarding the study or suggestions, please contact by mail bluenove at: contact@bluenove.com