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# The Open Innovation Marketplace: Creating Value In The Challenge Driven Enterprise



## Synopsis

Many technical obstacles to effective innovation no longer exist: today, companies possess global networks that can connect with knowledge from virtually any source. Today's challenge is to collaboratively transform that knowledge into higher-value innovation. Their book introduces groundbreaking strategies and models for consistently achieving this goal. Authors Alpheus Bingham and Dwayne Spradlin draw on their own experience building InnoCentive, the pioneering global platform for open innovation (a.k.a. "crowdsourcing"). Writing for business executives, R&D leaders, and innovation strategists, Bingham and Spradlin demonstrate how to dramatically increase the flow of high-value ideas and innovative solutions both within enterprises and beyond their boundaries. They show: Why open innovation works so well. How to use open innovation to become more agile and entrepreneurial. How to access Idea Markets more quickly, and get more value from them. How to overcome new forms of "Not Invented Here" syndrome. How to implement cultural, organizational, and management changes that lead to greater innovation. New trends in open innovation and the opportunities they present. The authors present many new open innovation case studies, from P&G and Eli Lilly to NASA and the City of Chicago.

## Book Information

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## Customer Reviews

"Seldom is there a book on innovation that aims to innovate both the innovation process and the firm itself. This book shoots high and delivers! The Open Innovation Marketplace is both inspirational and practical. It lays out the foundations for a new kind of twenty-first century

firm— the Challenge Driven Enterprise— that is agile, fast, and can leverage capabilities from around the world. • — John Seely Brown, Cochair, Deloitte Center for the Edge; Former Chief Scientist, Xerox Corp; and Director, Xerox Palo Alto Research Center (PARC) — “Many people talk about how work is changing, but Alpheus Bingham and Dwayne Spradlin have actually lived it. This fascinating report from the front lines of open innovation is filled with deep insights for all organizations. — • — Thomas Malone, MIT Sloan School of Management and Author of The Future of Work — The Open Innovation Marketplace introduces groundbreaking strategies and models for leveraging the world’s best innovation sources to drive far more value from new products, services, and business models— and do it with far less risk. — Alpheus Bingham and Dwayne Spradlin draw on their pioneering experience building InnoCentive, the leading global platform for open innovation. Writing for CxOs, R&D leaders, and innovation strategists, they show how to dramatically increase the flow of high-value innovations, access innovators you would never hire internally, and successfully integrate external innovation throughout your business. — Through illustrative case studies, Bingham and Spradlin demonstrate open innovation at work in pharmaceuticals, consumer products, software, aeronautics, and beyond. They show how to construct — “challenges— • that focus innovation on critical business needs, can attract breakthrough strategies and solutions, and how to transform your enterprise to do it over and over again. — Integrate multiple innovation channels in one high-value framework How to successfully choose and integrate complementary innovation sources Access the — “long tail— • of expertise and a whole world of innovators on demand Tap innovation from an entire planet of creative and passionate problem solvers Gain the breakthrough benefits of a Challenge Driven Enterprise Virtualize and transform your business for twenty-first century competitiveness Reengineer your organization to enable open innovation and better business practices Overcome the Not Invented Here (NIH) mentality and unleash your organization’s innovation potential

Alpheus Bingham is a pioneer in the field of open innovation and an advocate of collaborative approaches to research and development. He is co-founder and former president and chief executive officer of InnoCentive. — Alpheus spent more than 25 years with Eli Lilly and Company; he retired as vice president of e.Lilly and vice president of Research Strategy. He had formerly been the vice president of Sourcing Innovation. He served on both the R&D Policy Committee and the corporate Operations Committee. He has deep experience in pharmaceutical research and development, research acquisitions and collaborations, and R&D strategic planning.

During his career, he was instrumental in creating and developing Lilly's portfolio management process and establishing the divisions of Research Acquisitions, the Office of Alliance Management, and e.Lilly, a business innovation unit, from which was launched various other ventures that create the advantages of open and networked organizational structures, including InnoCentive, YourEncore, Inc., Coalesix, Inc., Maaguzi, Inc., Indigo Biosystems, Seriosity, Chorus, and Collaborative Drug Discovery, Inc. He currently serves on the Board of Directors of InnoCentive and Collaborative Drug Discovery, Inc.; the advisory boards of the Center for Collective Intelligence at MIT and the Business Innovation Factory, and as a member of the board of trustees of the Bankinter Foundation for Innovation in Madrid. He has lectured extensively at both national and international events and serves as a Visiting Scholar at the National Center for Supercomputing Application at the University of Illinois at Champaign-Urbana. He is also the former chairman of the Board of Editors of the Research Technology Management Journal. Alpheus was the recipient of The Economist's Fourth Annual Innovation Summit "Business Process Award" for InnoCentive. He was also named as one of Project Management Institute's "Power 50" leaders in October 2005. Alpheus received a B.S. degree in chemistry from Brigham Young University and a Ph.D. degree in organic chemistry from Stanford University. Dwayne Spradlin has been on the forefront of business innovation and leadership for more than 20 years. He is intensely focused on two areas: finding new ways to unleash and focus human potential using technology and defining the role of leadership in driving change in our businesses and culture. Dwayne serves as president and chief executive officer at InnoCentive, the global leader in Open Innovation. Previous positions have included president of Hoovers Online, president and COO of StarCite, senior vice president of Corporate Development VerticalNet, and director at PriceWaterhouseCoopers, where he spent ten years delivering Technology and Strategy solutions to Fortune 500 clients including Intel, Compaq, Caremark, and United Airlines. Dwayne currently sits on the Board of Directors of both InnoCentive and Cortera. Considered an authority on crowdsourcing, Open Innovation, and the role of Innovation in Philanthropy, Dwayne has been a keynote speaker at events on five continents. He is frequently interviewed and has been featured on CNBC, ABC, NPR, and BBC and quoted in the Economist, BusinessWeek, The New York Times, and many other journals and periodicals. Dwayne holds a B.A. degree in applied mathematics and an M.B.A. degree from the University of Chicago. He lives in Southlake, TX, with his wife and three children.

This book was definitely refreshing to read. It is not only a must read for CEO's and top executives

but a must read for any business student or middle manager too. The Open Innovation Marketplace gave me a new perspective on the way organizations must change to stay competitive in a global economy. Have you ever thought to yourself, how can I help the organization I work for become successful? How do we (the organization) implement change when we have a culture that will not allow it? The authors of this book not only share with you their experiences but they also give you the know-how on how to accomplish these challenging task. This brilliant and thought provoking book opened my mind to see the connection to risk in a closed innovation system versus an open innovation system. Ask yourself...would you put all your stocks into one company or would you diversify your stocks into multiple companies to diversify the risk? You would want to diversify your risk to get the best return for your stock portfolio...right? Well this book tells you how to do that, but not with stock, with the inflows and outflows of knowledge in an organization--open innovation. As the authors stated "Closed innovation systems, where all the invention and creation takes place within the walls of a single institution, compel the innovator to load all this risk into one organizational basket." This book will help you re-frame your business strategies and innovation...all the while guiding you to make a more cost effective decision without completely reinventing the wheel. I highly recommend this book, as it is the perfect "playbook" to how open innovation can work for you in your organization.

For me, this book is a breakthrough guide to Open Innovation--why it works and how to make it work for any organization. Other academics cover some of these concepts, but this book was written by the practicing pioneers of this movement. The Open Innovation Marketplace is a healthy dose of reality on an increasingly breathless subject. It offers structure and stories from the inside, showing how forward-thinking organizations can open their needs to the "cognitive surplus." Spradlin and Bingham outline a model to remove historical obstacles to innovation--presenting a variable-cost methodology ideal for complex problem solving. Targeted to those who seek growth through innovation, this book demonstrates how to tease and wrest creative new products and services from uniquely prepared minds around the world. It is nothing short of an entirely new way to organize capability, harnessable by any organization seeking faster growth at lower cost. Thumbs up to the authors who share their "solution to getting solutions" for problems that matter.

Imagine the difference it would make to your business if you could pay only for the results of great ideas and projects that worked rather than for the many that didn't work. Sustaining a business is principally the act of continual value creation, and this occurs through the process of innovation.

Innovation is what enables companies to maintain their competitive edge. The alternative is to be driven to compete on price, convenience, added services, or some other aspect of business. Bingham and Spradlin's book describes a cutting edge approach that is growing into the standard way that great organizations innovate. The value of this book lies in the authors' articulation and compelling promotion of a process that can be adopted by any business or organisation, of any size. Present-day commercial innovation is carried out with an estimated 80% internal resources and 20% external ones. The costs are borne entirely by the organisation. With the advances in communication the adage that 'none of us is as smart as all of us' can be scaled up and globalised. Most of the smartest people are not in your organisation, nor can they be, nor need they be, provided you could access their input. This is where the open innovation marketplace plays its role. At the turn-of-the-century there were only a few organisations that provided a platform for crowd sourcing innovations. Amongst these were Hello Brain, InnoCentive, TopCoder, BountyQuest, and the not-for-profit foundation X-Prize. What these crowd sourcing platforms are able to achieve is best illustrated by the example of the Canadian mine, Goldcorp. It had mining rights on about 55,000 acres near Red Lake in Northern Ontario, but little idea of where exactly to engage in the costly activity of sinking a mineshaft. Founder and chairman at the time, Rob McEwen, listened to the many perspectives offered by his staff on how and where the gold might be found in greater quantities, yielding a higher overall mine productivity. These conclusions were based on assumptions and models that McEwen wanted to challenge. He had the geological survey data given freely to anyone seeking it in exchange for the hypothesis on where gold might be more prevalent. The answer that best suited Goldcorp's efforts, would receive \$575,000 in prize money. The survey data was shared with over a thousand groups and individuals. Proposals came in from all around the world. The winning entry was a collaborative effort by two groups from Australia. Their graphic method provided an entirely new perspective of the data and led the mine to become the most productive gold mine in history. NASA's Space Life Sciences Directorate issued a public challenge to solve the problem of forecasting solar events. A semi-retired, radio-frequency engineer from rural New Hampshire contributed the best solution to this challenge. His idea on how to address this problem was so unusual and clever that NASA described it as exceeded their requirements. Just a smart person, who was paid a modest \$30,000 for his insight. A university researcher involved in a line of work similar to the open challenge may easily and out of interest add the issue to what he is doing anyway with no thought of monetary reward. Rare diseases receive less attention from large commercial organisations than the more common types and are therefore best addressed through

open innovation. A foundation known as Nathan's Battle was established by the parents and friends of a young boy, Nathan, suffering from a rare and fatal neurodegenerative disorder known as Batten's Disease. Their website lists scientific and clinical efforts, and solicits specific needs that would enable the foundation to continue with the studies. Not only do they use the crowd, but they are using the crowd to search the crowd for those who know of

...a Good Manufacturing Practices facility to produce clinical grade virus vector for us to be used in the toxicity testing and in the clinical trials.

Essential to open innovation is the formulation of the challenge with precision. Einstein famously said,

"If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute solving it."

What can a business expect from the full adoption of challenge driven innovation as a strategic practice? For starters it is a more cost effective problem-solving methodology because you pay for results and not for trying. However, sourcing innovation from outside the organisation is not just a numbers game. There are three characteristics of the crowd's problem-solving capability that ensures greater value. One is "diversity" - having a large number of people tackling the problem using widely different approaches. Another is the "marginality" of the respondents who are, most often, not from the discipline that posed the problem. The radio-frequency engineer mentioned above was not an astrophysicist. Thirdly, there is the uncontrollable, unpredictable "serendipity," one of those factors completely outside the control of either the organization or the individual attempting to invent or innovate. Archimedes' discovery of a body's displacement of water was a function of serendipity. Why was it that this maths and science oriented, intelligent person had failed to discover how his body displaced water on any of his many prior baths? It was serendipity that he had the insight just when he needed it for determining the quantity of gold in Hiero's crown. Challenge driven, open innovation represents a dramatic revolution in enabling more effective, efficient, and predictive innovation. Even if you only try this approach internally (at first, of course,) a well-constructed challenge is an astonishingly powerful and uniquely effective tool for focusing staff energies on the most important problems facing your organisation. The Open Innovation Marketplace is a superb read for your year-end vacation when you will have the time to ponder its implications and possibilities.

Readability Light ----+ Serious Insights High +---- Low Practical High --+-- Low

Ian Mann of Gateways consults internationally on leadership and strategy

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