

Strategic Services Marketing
Prof. Kalpak Kulkarni

Department of Management Studies,
Indian Institute of Technology, Roorkee

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Lecture 12- Open Innovation and Collaboration in Services

Hello everyone. In this session, let us comprehend the concept of open innovation and the role of collaboration in services. What is open innovation then? Let's understand the term open innovation first. Open innovation means a situation where an organization does not just rely on their own internal knowledge, sources and resources for any type of innovation. Innovation in the context of products, services, business models or even processes. So, the organizations are not dependent on their own staff or for example, research and development that is in house of that particular organization.

Why open innovation and even collaboration is significant in the context of services? There are five reasons that why we should understand or comprehend these two concepts open innovation and collaboration. First significance is with respect to enhanced service offering. Collaborating with external partners and stakeholders can bring in diverse perspectives leading to more innovative and customer centric service offerings. Second significant factor is with respect to faster innovation.

Open innovation enables access to a broader pool of ideas and resources, accelerating the pace of innovation in services development. Third role is with respect to improving cost efficiency. By sharing resources and knowledge, companies can reduce cost related to R&D and service development. Coming to the improved customer experience, collaboration allows for a deeper understanding of customer needs and preferences leading to the development of services that better meet these demands and needs. And finally competitive edge, businesses that embrace open innovation and collaboration often gain a competitive advantage by tapping into a wider range of expertise and capabilities.

To make it more simpler to understand, let's have an example of this. For example, a partnership that happened between Starbucks and Spotify. Starbucks collaboration with Spotify brought several benefits for both the firms. Number one here is with respect to customer engagement. It encourage customers to interact with the brand beyond purchasing coffee.

Making the Starbucks experience personalized and more engaging. Coming to the brand loyalty, the integration enhance customer loyalty by offering a more immersive and customized experience, fostering a deeper connection with the brand Starbucks. And going forward, it also allows for some cross promotion opportunities. This collaboration allowed for mutual promotion between Starbucks and Spotify, introducing Starbucks customers to Spotify's music platform and vice versa, potentially expanding user bases for both the services firm. Now let us understand some characteristics of open innovation.

So open innovation has these characteristics like collaboration, sharing and integration, flexibility, diverse inputs and external commercialization. Let's understand these characteristics in detail. First is collaboration. Open innovation involves collaboration with external entities like other companies, research institutions, customers and even suppliers to co-create and develop new product, services or even processes. Second characteristic deals with sharing and integration.

This involves sharing both internal and external knowledge as well as integrating them into the innovation process. Third characteristic of open innovation includes flexibility. Open innovation requires flexibility in business models, encouraging firms to be open to new ideas and willing to adapt and change based on external inputs. Another characteristic talks about diverse inputs. It encourages the utilization of a wide range of external sources for innovation such as crowdsourcing, partnerships, licensing and even joint ventures.

And final and last characteristic deals with external commercialization. Innovation emphasizes the external commercialization of internal ideas and technologies and even vice versa. Going further, let's understand with some examples from successfully open innovation models that have been developed across industries in India. Let's take a first sector that is IT and software development. Companies like Infosys, Wipro and TCS engage in open innovation by collaborating with global technology firms, utilizing open source software and partnering with universities to develop new technologies and services.

Second sector financial services. Financial services like fintech companies in India have embraced open innovation by collaborating with traditional financial institutions and leveraging technological advancements to create innovative financial solutions. For instance, digital payment platforms like Paytm, Phonepay, they have collaborated with banks and other financial institutions to develop and expand their services. Next industry, telecommunications. Reliance, for example, Reliance Jio's 5G initiative is one of India's major telecom operators.

It has been actively involved in advancing 5G technology through open innovation strategies. The company has initiated partnerships and collaborations to accelerate the development and deployment of 5G services in India. Next comes Apollo hospitals. Indian healthcare companies like Apollo have also adopted open innovation. Apollo hospitals, for example, has partnerships with international healthcare organizations, leveraging technology and expertise to improve healthcare services.

So, what are the different types of open innovation strategies that are available there? Let's have a look at these. First here is Intra-company innovation. This involves the innovation initiated within the organization among different departments. Then we can have certain thing called as intercompany. The innovation happens between two or more companies as the name suggests.

Then comes innovation going through experts. The innovation ideas borrowed from experienced professionals outside the office or organization. And finally public, wherein innovation strategies are derived from the crowd or public. Going further, apart from the source of where the innovation is happening, it can be classified into different aspects as well. These strategies for open innovation includes collaborative platforms, partnerships and alliances, crowdsourcing and challenges, open APIs and data sharing, and even acquisition and investments.

First here is collaboration platforms. For example, Ola. Ola Play is an in-car entertainment system and a unique collaborative platform in the transportation service industry. Ola caps introduce Ola Play, which provides passengers with an interactive and personalized entertainment experience during their rides. Let us have a look at this particular video that discusses the product Ola Play from Ola that features collaborative platforms.

Next, here is partnerships and alliances. For example, ICICI Bank, one of India's leading private sector banks, formed a strategic alliance with Flipkart, one of India's largest e-commerce platforms, to offer their credit card and other services. Next, crowdsourcing and challenges. Mahindra Group in India organized the Spark the Rise Challenge or campaign, inviting individuals and organizations to present innovative solutions for social challenges supporting social entrepreneurship in the country. Next, we have open APIs and data sharing.

Open AI and data sharing in India is the collaboration between Aadhaar and various entities, including financial institutions, telecom companies, and even government agencies. Aadhaar's data sharing and AI infrastructure provides a foundation for several services industries to build and enhance their offerings. Next characteristic is with respect to acquisition and investment. CCD or coffee café day introduced touch screen systems in their outlets where customers could select and personalize their orders. This

technology driven approach was an innovative way to engage customers and offer them control over their choices.

With all these benefits of open innovation, there comes challenges and there are also solutions for those challenges. So, let's discuss these challenges and the reported solutions one by one. First challenge here is strategic challenge. This can be with respect to either having unclear goals or finding right partners. First here is unclear goals.

Unless the organization has a clear end objective to be achieved through open innovation, implementing it is very fertile. The objective could be to attract relevant talent, create disruptive technologies within the industry, or improve the current offering. A research firm can help an organization understand its needs and clarify the main goals. So, that is the solution for this particular challenge. Second challenge can be finding the right partners.

Undertaking open innovation proves profitable only if the organization can connect with the right partners. Whether it is the existing networks or completely new external sources, their objective should be in tandem with the organizations to make the collaborative efforts successful. Second set of challenges deals with operational issues. The first one here is developing ideas. Open innovation can lead to an influx of several new ideas and thought processes.

To be effective, the organization must prioritize ideas, assign responsibilities, ensure optimal utilization of resources, and create plans for concepts not being used right away. Next challenge under operational challenge includes third party opinion. The open innovation process consists of scouting, idea evaluation, and finally financial valuation. Currently, most organizations only outsource the scouting process. However, it is ideal to outsource all the three phases to a third party expert such as a research firm to eliminate prejudice or bias in any of these processes.

Third set of challenges deals with cultural challenges. First here is cultural values. An organization should encourage a culture conducive to open innovation. It should develop clear communication lines, commitment for projects, and even welcoming attitude towards change. Second challenge under cultural one is rewards and recognition.

The deserving candidates in an open innovation platform must be awarded. At times, only recognition may act as a motivating factor and the reward need not be monetary. And finally, there are some legal challenges. The first one here is of course, terms and conditions. Open innovation projects must have clearly defined terms and conditions to eliminate any uncertainty.

It should identify how ideas are handled and whose property the ideas are after they have been submitted. And the second challenge deals with intellectual property rights or

IPR. It is essential for an organization to take the necessary legal steps and file the required patents, trademarks, and copyrights as required in the name of the inventor to be free from potential lawsuits in the future. Now, let's move on to the next concept that is collaboration and why it is important in services industry. Collaboration plays a pivotal role in services oriented businesses.

It fosters numerous advantages such as enhanced service quality, improving efficiency, fostering innovation, giving customer centric approach to an organization, and adaptability and agility. With respect to enhanced service quality, for example, let us say healthcare, collaboration among various specialists such as doctors, nurses, and technicians ensures a holistic approach to patient care. The combined expertise lead to better diagnosis, treatment, and overall quality of healthcare services. Next, improved efficiency. When different departments or individuals work together, they can optimize processes, reduce redundant efforts, and also eliminate silos.

This efficient collaboration is evident in logistics and supply chain management, where different stakeholders like manufacturers, suppliers, and distributors and retailers work together. By sharing data and coordinating efforts, these people can streamline the supply chain, ensuring timely delivery of products and services and reducing operational costs as well. Next comes fostering innovation. In the tech industry, where companies like Google promote collaborative work environments, their 20% of time policy allows employees to spend a portion of their working hours on projects of their choice. This approach has led to innovations like Gmail and Google Maps, which originated from collaborative efforts and creative thinking.

Next comes customer-centric approach. Collaboration allows businesses to better understand and cater to customer needs. By collaborating across departments and with customers as well sometimes, businesses or service providers can gather feedback and insights, enabling them to tailor services to meet specific demands. An example of this is evident in the automotive industry, where companies collaborate not only internally among design, engineering, and marketing departments, but also with customers to create vehicles that align with market preferences and technological advancements. Next comes finally the adaptability and agility part. In the hospitality industry, platforms like Airbnb have revolutionized the way people find accommodations.

This disruptive innovation was made possible through collaboration between hosts offering their spaces and the platform providing a user-friendly interface resulting in an agile and adaptable service. So we can say that collaboration in services involves different forms of cooperation, interaction, and teamwork among individuals, teams, or even organizations to achieve common goals or provide enhanced services to the customers. So let's see what are the several types of collaborations that can be commonly observed in services sector. Types of collaboration services.

The first type is internal collaboration. This is a collaboration among different departments or teams within the same organization. Whereas, for example, marketing team or department collaborating with customer services team to align messaging and customer interactions. Second type of collaboration can be cross-functional collaboration. This is a collaboration that spans across various functional areas or departments within an organization. For example, collaboration between product development, marketing, and customer service teams to launch new service.

Third type can be external collaboration. Collaboration with external partners, suppliers, or even third-party service providers. For example, a logistic company collaborating with transportation services to optimize delivery routes. Next type of collaboration called customer collaboration. This means collaboration with customers to gather feedback, co-create solutions or services, or involve them in the service design process. For example, a software company collaborating with its users to gather feedback for product improvements.

Next type of collaboration is supplier collaboration. This involves collaboration with suppliers to enhance the efficiency and effectiveness of the supply chain. For example, retailers collaborating with suppliers to streamline inventory management and reduce lead times. Another type of collaboration is called as inter-organizational collaboration. This involves collaboration between different organizations to achieve common objectives.

For example, industry associations collaborating on standards or best practices to improve service quality across that particular service sector. Next type of collaboration is technology-facilitated collaboration. This is a collaboration enabled by digital tools and technologies including virtual collaboration platforms. For example, virtual teams using project management tools and video conferencing to collaborate on service development. Another type of collaboration is innovation collaboration.

This involves collaborations focused on generating new ideas, products, or services. For example, open innovation platforms where multiple organizations collaborate to bring innovative services to market. And finally, we have another type of collaboration which is called as community collaboration. This involves collaboration within communities involving local stakeholders to address specific service-related challenges. For example, local businesses collaborating with community organizations to improve the overall service experience for the residents.

Next type of collaboration is academic and industry collaboration. Wherein, there is a collaboration between academic institutions and industry organizations to bridge knowledge gaps and drive innovation. For example, a university collaborating with a healthcare provider to research and implement innovative healthcare services. Next

comes government-private sector collaboration. This involves collaboration between governmental bodies and private sector entities to address public service needs.

For example, public-private partnerships to improve infrastructure services such as transportation or utilities. And then we have something at a global level which is called as a global collaboration. This is something which is called as a collaboration that transits geographical boundaries often facilitated by globalization and technology. For example, multinational corporations collaborating on global supply chain optimization. Understanding and effectively managing these types of collaboration is crucial for service providers to stay competitive, innovate and deliver high quality services to their customers.

Now let's discuss some successful collaborations in services industry. The first here is with respect to cross-functional collaboration with respect to product development that happens at Apple. In Apple, designers, engineering department and even software developers work together to create that particular collaboration so as to give cohesive user experience across Apple's product enhancing overall customer satisfaction. Next example is from Starbucks which is an example for customer collaboration in services improvement. Starbucks developed My Starbucks Idea application wherein they gather suggestions and feedbacks from their customers that help them to drive changes across the menu and the offerings, store design and even overall service improvements.

Next example comes with respect to technology facilitated collaboration in e-commerce industry. Here Amazon has collaborated with other logistics partners like FedEx, DHL, UPS and so on to ensure timely and efficient delivery of products contributing to Amazon's reputation for fast and reliable service. Then an example from retail, a partnership or collaboration between Walmart and P&G or Procter & Gamble. This collaboration optimizes inventory management through a shared data system that ensures efficient restocking and minimizes stockouts, overall improving the retail service experience for the customers. Another example of global collaboration with respect to aerospace industry is Airbus.

Airbus collaborate with all suppliers, engineers and regulatory bodies across the world and this collaboration leads to development of safe and innovative aircrafts contributing to the global aviation industry. These examples highlight the diverse ways in which collaboration contributes to service organizations fostering innovation, efficiency and improved customer experiences. Collaboration often plays a pivotal role in addressing complex challenges and driving positive outcomes in various industries. Now let's understand the link between these two concepts that we have discussed in this session, the collaboration and innovation. So how innovation and collaboration are linked together? Collaboration in services often leads to the development of innovative offerings that meet evolving customer needs.

Let's discuss some examples of collaboration in different sectors that have resulted in the creation of innovative services. First example is with respect to ride sharing and navigation integration. Here the collaborators are Uber and Google Map. Uber integrated Google Maps into its application, providing users with real-time navigation and efficient route planning. This collaboration enhanced the overall ride sharing experience, making it more convenient and user-friendly.

Next collaboration we can discuss is in the telecommunication and cloud services. Here the two collaborators are AT&T and Microsoft. AT&T collaborated with Microsoft to integrate 5G network capabilities with cloud services. This collaboration enables businesses to leverage high-speed connectivity and cloud computing for innovative solutions like edge computing.

Next coming from healthcare and wearable technology collaborations. Here the two collaborators that we are looking at are Apple and Myoclinic. Apple collaborated with Myoclinic to integrate health data from Apple Watch with Myoclinic's patient platform. This collaboration enables users to share health information with their healthcare providers, leading to more personalized and proactive healthcare services. Another example that comes from online retail and augmented reality, wherein the two collaborators are Amazon and Snapchat.

Amazon collaborated with Snapchat to introduce a visual search feature. Users can point their Snapchat camera at an object and the application will provide links to similar products on Amazon. This collaboration enhances the shopping experience through augmented reality. Next example we have in the respect of smart home integration. The collaborators here are Google and Nest, which is again a different company under parent Alphabet Incorporation.

Google collaborated with Nest to integrate smart home devices and services. This collaboration enables users to control various aspects of their homes, such as thermostats and security systems, through a unified platform enhancing the overall smart home experience. Next example from an academic domain with respect to e-learning and content collaboration. The two collaborators here are Coursera and Google Cloud. Coursera collaborated with Google Cloud to provide hands-on labs and projects in cloud computing courses. This collaboration enhances the learning experience by providing practical, real-world applications of cloud technologies.

These examples showcase how collaboration between companies in different sectors lead to the development of innovative services, offering customers enhanced and integrated experiences. Collaborations often leverage the strength of each partner to create solutions that go beyond what individual organizations or service providers can achieve. So in this session, we try to comprehend and elaborate on concept known as

open innovation and then collaboration and also the link between these two concepts.
Thank you.