



InnoWork



MODULE 2: ORGANIZATIONAL STRUCTURE (BUSINESS MODEL), THE CREATIVE PROCESS AND GOVERNANCE FOR INNOVATION	
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I. Module information

Learning objectives	<i>This module provides SMEs with an opportunity to gain knowledge, skills and competencies in organizational structure, leading to increased innovation and competitiveness:</i> <i>Knowledge: Understanding the role of organizational structures, culture and business models in SME innovation and government of innovation (particularly the relevance of open innovation).</i> <i>Skills: Ability to identify and critically apply knowledge leading to increased organizational and business model innovation and open innovation.</i> <i>Competencies: Enhancing and mastering company innovation and competitiveness through organizational structures and open innovation in the Knowledge Society.</i>
Time schedule	<i>Workload: 2 hours</i> <i>Time necessary for exercises: 20 -60 minutes</i> <i>Time necessary for self-test questions: 5 minutes</i>
Structure	<i>This module is divided in 6 main topics:</i> - <i>Business models, organizational structure, SMEs and innovation</i> - <i>The role of organizational structure and culture</i> - <i>Business models and business model innovation</i> - <i>Open innovation in SMEs</i> - <i>Processes for open innovation</i> - <i>Governance for innovation</i>

II. Learning content

Introduction

This module assesses how the structure, culture and business model of an organization may enhance or inhibit its creativity and innovation and which elements specifically promote or hinder it. The process begins with observing business models, organizational structures, SMEs and innovations. It then looks at the role of the organizational structure and culture for innovation, business models and business model innovation, open innovation in SMEs, processes for open innovation, and governance of innovation.

In particular, the module focuses on open innovation and underlines its crucial role for SMEs and the involvement of SMEs in appropriate networking activity to co-operate in areas of complementary or mutual interest. The module also underlines the importance of creative approaches to business models and open innovation.

This module invites you to see organizational structures and business models from a new and more creative perspective.

1. Business Models, Organizational Structure, SMEs and Innovation

“Designing good business models is an ‘art’... the chances are greater if entrepreneurs and managers have a deep understanding of user needs and are good listeners and fast learners”.

David J. Teece [1]

Organizational structures and business models together with the right culture form a space where innovations can grow and be fertilised. Organizational structures are presentations and descriptions of how roles, responsibilities, power, communication systems and other elements are organized and distributed in a company [2]. It describes, for example if an organization is hierarchal, ‘flat’, vertical or horizontal. Meanwhile, a business model describes how a company creates value and makes profit, and which methods and means it uses to achieve them[3]. An organizational structure creates a framework for the culture of an organization, whereas a business model can be an expression of this culture. They are interdependent and together they can form the groundwork for innovative processes and governance of innovation.

A business model is created when a company is established. It forms the basis for a company’s activities, customer value creation and delivery, and any processes leading to this. A business model is created by the management of a company and thus, can be thought to express the management’s assumptions and views of customer needs, as well how best to apply strategies and processes for profitable gain.

Questions for reflection

What is your business model?
How would you describe it if it was a person? What kind of personality would it have?

Knowledge influences innovation level, practices and potential for SMEs. Some ideas may be results of scientific breakthroughs whereas other ideas are incremental. All ideas require entrepreneurs and SMEs to generate and exploit them, and to apply creativity and problem-solving approaches into them. Unlike large companies, SMEs are often faster and more flexible actors. This is needed in the creativity-hungry and unpredictable knowledge society. Innovating SMEs are seen as agents of change in the economy as they introduce new products and services, and more efficient ways of working. They drive economic development and reinforce the adaptation of economies and societies to new challenges.

Questions for reflection

Do you agree with this idea that SMEs are often faster and more flexible actors?
Has it been the same in your experience?

Today, innovation expands outside companies. The dependence of internal ideas (“closed innovation”) is evolving to “open innovation” where internal and external ideas meet. This has put an end to the “knowledge monopolies” of large companies and opened up innovation to new enterprises and SMEs that participate in knowledge transfer networks with universities, large companies and other players.

Three elements are central when enabling innovation in a company: creativity, creating and governing the culture of innovation.

For creating a culture of innovation see **Module 3**
For maintaining a culture of innovation see **Module 4**

2. The Role of Organizational Structure and Culture

Organizations today are more and more knowledge-based and their survival and success depend on their creativity and innovativeness. More than the organizational structure, the organizational culture appears to have an influence on how creativity and innovation are encouraged in an organization. According to studies on innovative climate or innovative environment in an organization, there are values, or dimensions, that affect organizational creativity and innovation. Values like flexibility, (including autonomy, empowerment, decision making etc.), cooperative teamwork and interaction can promote creativity and innovation. On the other hand, values like rigidity, control, predictability, stability and hierarchical structures hinder creativity and innovation. [4, 5, 6]

Other essential elements in organizational culture enabling innovation are [4, 5, 6]:

- ➔ **The involvement and commitment of the employees to their work, and finding meaning in their work encourages creativity and innovation.** Management should empower the personnel instead of controlling them and allow them freedom to do ones tasks and to achieve targets creatively within guidelines;
- ➔ In the work life today, lack of time is often seen as an obstacle to creative and innovative approaches. **Time pressure may result in routine results.** Therefore it is important, that employees have time to think their activities through before having to act;
- ➔ **A constructive and positive atmosphere, as well as resources and support from the management** when presenting new ideas are essential;
- ➔ **Trust and respect in the team** so that the employees feel safe when speaking their minds and presenting different points of view which are crucial for a creative and innovative organization;
- ➔ **A relaxed ambience with laughter** and jokes as opposed to stiff and gloomy environment stimulate creativity and innovation. It is important that the personnel engage in debates, discussions of opposing opinions and respect each other's points-of-view. Taking risks and making mistakes should be accepted as a part of the learning process when pursuing new initiatives. As the journalist and writer Walter Lippman stated *'where all think alike, no one thinks very much'*.

Ekvall [6] has identified 10 organizational climatic dimensions which affect organizational creativity:

1. **Challenge** (How challenged, emotionally involved and committed are employees to the work?)
2. **Freedom** (How free are staff members to decide how to do their jobs?)
3. **Idea time** (Do employees have time to think things through before having to act?)
4. **Dynamism** (The level of general activity in the organization)
5. **Idea support** (Are there sufficient resources available to give new ideas a try?)
6. **Trust and openness** (Do people feel safe speaking their minds and offering different points of view?)
7. **Playfulness and humour** (How relaxed is the workplace – is it okay to have fun?)
8. **Conflicts** (To what degree do people engage in interpersonal conflict?)
9. **Debates** (To what degree do people engage in lively debates about the issues?)
10. **Risk-taking** (Is it okay to fail?)

Questions for
reflection

Assess your own organization according to the organizational climate dimensions above.

Where does it score high, where medium and where low? Why do you think so?

3. Business Models and Business Model Innovation

Where the culture is adequate, a business model can embed and enable innovation. A set of sector independent criteria help determining the quality of a business model [1] and its ability to engage with the organizational culture and enable innovation. It is essential that, like a brand, a business model is authentic. An authentic business model in line with the culture commits the management and the personnel to the business plan which motivates them and manifests in all their activities.

Questions for reflection

Is your business model authentic? Did it come out naturally? Is it one of the kind? Do you have passion for it? Do you believe in it? Do others believe in it?

A good business plan creates value for both the company and the customers. According to Teece [1], business model design comprises the following elements when creating value for customers, enticing payments and converting payments to profits. The elements create a circle:

- Determine benefit to the customer from consuming/using the product/service
- Identify market segments to be targeted
- Confirm availability
- Design mechanisms to capture value
- Select technologies and features to be embedded

What kind of opportunities could rise from these? What has not been done yet? What could be done differently? What internal elements can make the company special? Often the competitive factor of SMEs is in their smaller size. A smaller size makes them faster to adapt to situations and more prone to try and apply new and smart solutions. Finding unexplored, alternative and unexpected solutions makes a company stand out and easily memorable – for instance, Blue Ocean Strategy and Guerrilla Marketing can provide assistance finding alternative approaches in activities and business model development. They both benefit from lateral thinking and creativity and can lead to innovation in business models. It is important to remember that many innovative and now big companies once were small and new!

Find out more about

- Blue Ocean Strategy: <https://www.blueoceanstrategy.com>
- Creative Guerrilla Marketing: <http://www.creativeguerrillamarketing.com>
- Guerrilla Marketing: <http://gmarketing.com>

In addition, Teece [1] has listed questions for supporting the identification of creativity and innovation gaps and opportunities in the business model. These are:

- How does the product or service bring utility to the consumer? How is it likely to be used? How much innovation requires the provision of complements? Are the necessary complements already available to the consumer with the desirable (possible) suitability and price?
- What is the 'deep truth' about what customers *really* value and how will the firm's service/product

offering satisfy those needs? What might the customer 'pay' for receiving this value?

- ➔ How large is the market? Is the product/service honed to support a mass market?
- ➔ Are there alternative offerings already in the market? How is the offering superior to them?
- ➔ Where is the industry in its evolution? Has a 'dominant design' emerged?
- ➔ What are the structures needed to combine the activities that must be performed to deliver value to the consumer? (Both lateral and vertical integration and outsourcing issues need to be considered);
- ➔ What will it cost to provide the product/service? How will those costs behave as volume and other factors change? And
- ➔ What is the nature of the suitability regime? How can imitators be held at bay, and how should value be delivered, priced, and appropriated?

**Questions for
reflection**

**Reflecting on these issues, can you identify creativity and innovation gaps
in your SME?**

A good and functional business model may not be sufficient when aiming to gain a competitive advantage [1] and increased potential for innovation. Business model innovation aims at developing new solutions and concepts, implementing them and finding new sources of income in order to increase the competitiveness and profitability of a company [7]. Business model innovation has the potential to create a competitive but differentiation, functionality and positive uniqueness are needed to reach full potential.

Unfortunately, creating a business model is not enough – it should be continuously maintained and updated. [1] If a business model isn't adapted to the competitive environment, any devices for increased competitiveness (for example, highly skilled staff or superior products) may fail to meet their performance potential. [1] An actively maintained and adapted business model can enable application of creativity and innovation.

Generally having access to fewer resources, SMEs need to find alternative ways and sources for creating competitiveness. External sources can help in this process, enabling SMEs to find and create new innovations and reach customers [1]. SMEs can also apply open innovation in complementing their own research, development and innovation (R&D&I).

4. Open Innovation in SMEs

SMEs often have less human, financial and other resources required for innovation activities than large companies. Thus the competitiveness of SMEs depends on their ability to innovate and how these innovations are harnessed to the benefit of the company. One way of enhancing their innovativeness

and creativity is to cooperate with different stakeholders and networks.

Today, innovations occur more and more outside the organizations' boundaries in networks involving different actors. These actors can, for instance be suppliers, customers and users, universities, research organizations, consultants, competitors as well as web communities and any experts from outside the company. **The concept of open innovation refers to company cooperation with actors outside the company boundaries when creating and commercialising innovations** [8]. Through open innovation, these actors become an external part of the organizational structure. The open innovation model encourages companies to open up their processes and to look for new ideas, technologies, and even products and services outside their firm boundaries [9]. A study in 2009 discovered that the main reasons for SMEs to adapt open innovation were indeed keeping up with changes on the market, being able to meet customer needs, the efficiency of R&D&I and acquiring of new information and expertise. However, the greatest challenges related to open innovation were experienced in organizational cultures of two or more companies cooperating. [10]. Other risks and challenges in the open innovation process [11] are loss of information and know-how, higher coordination costs, greater complexity and loss of control, as well as finding the right partners, and finding time and finances for open innovation activities. A suitable organizational structure can assist overcoming these challenges.

Questions for reflection

How is your organizational structure? What are the challenges in your organization?

An innovation process is risky and complex, and involves many uncertainties. Open innovation underlines cooperation both in creating, utilising and transferring ideas and innovations [12, 13]. The characteristics of SMEs make it possible for them to profit from open innovation even better than larger companies. There are several advantages, for example, lower bureaucracy, ability to react faster to market changes and to take risks, and often their more specialized know-how. SMEs often do not have R&D&I departments, or formalized R&D&I operations, so systematically utilising the know-how of different stakeholders and actors in the value network is a great opportunity for SMEs [14]. Thus, open innovation has the potential to improve the innovation capabilities of SMEs [15], after all, the motto "no play, no gain" also applies to open innovation!

An appropriate organizational structure enables implementation of open innovation [16], alongside and in combination with the organizational culture. However, an absolute 'right' organizational structure to enable open innovation does not exist. The design behind the processes, how processes are run, how these enable open innovation and how open innovation is run in the organization are more essential. [16]. The importance of open innovation to the company's strategy, appropriate empowering of the staff supported by good leadership [16] and a suitable culture supporting it also have core roles in the process. A human being is an essential actor, enabler and maintainer of an open innovation process with his/her networks and personal touch. The management of a company has the power to enable and activate this potential. Elements enabling open innovation should be integrated in the organization and

its culture, including stakeholders outside the organization and ideally, they should be included in daily activities [16]. This way, they become a natural part of the organization, its processes and its culture.

When it comes to open innovation, companies are like individuals: the elements can be described and listed, but they apply differently to each individual and in different conditions. A 'one fits all' solution does not exist but solutions can be seen as phenomena and replicas of real life, matched to individual needs and styles, capacities, the operational environment, and all in line with the organizational goals [17].

5. Processes for Open Innovation

Several methods and tools can be used in the open innovation process to engage stakeholders. Wagner and Piller [18] present a set of methods that can be used in the open innovation process, both in 'customer integration' driven (to obtain information) and 'technology driven' (to acquire solution knowledge) open innovation processes (see figure 1). In the process it is essential to find out what the needs are and how they can be best met - for example via lead users, focus groups, community involvement or competitions.

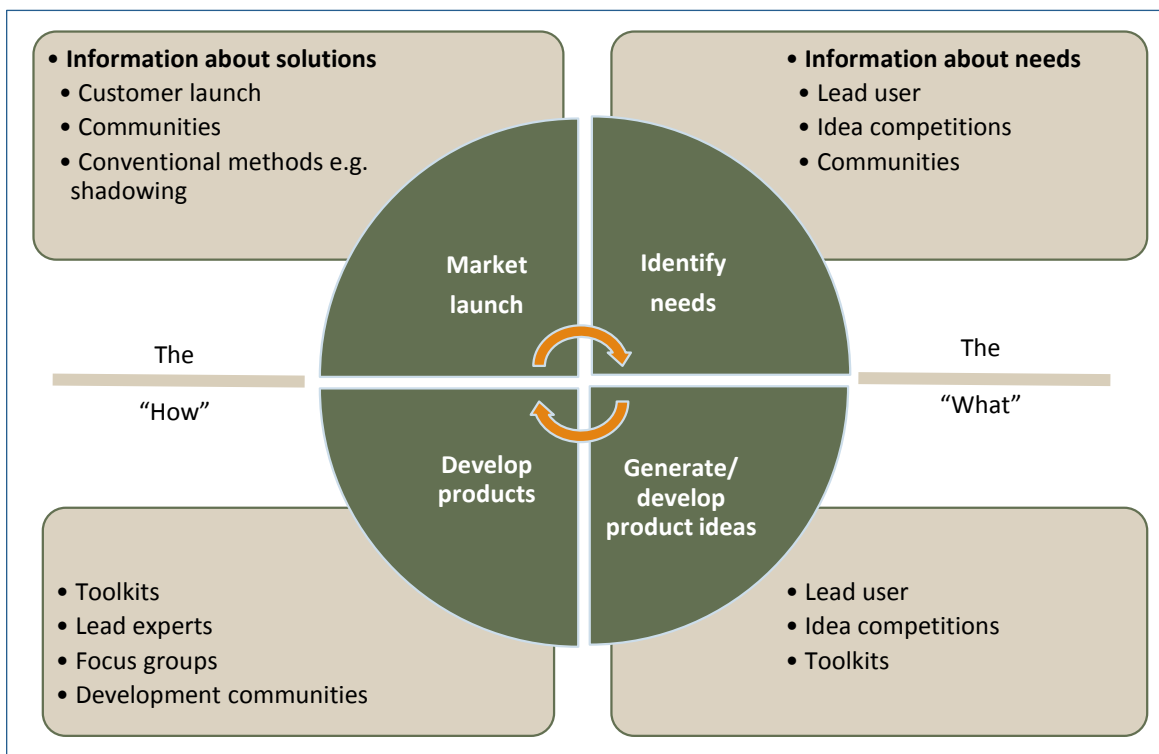


Figure 1. Open Innovation methods in an innovation process by Wagner and Piller [18].

Creative openings and alternative solutions can be used in open innovation. For instance, Vision of

Future Boating provides an example case of using open innovation methods (specifically the method of crowdsourcing) when searching for new products and service ideas. The goal was to look for future visions of leisure time boating. An idea competition was launched aimed at design students or designers worldwide.

Information about Vision Future Boating is available at: <https://blogs.aalto.fi/visionfutureboating/>

More open innovation models can be found at:

- EU and open innovation: <http://www.openinnovation.eu/open-innovation/>
- Articles about open innovation and business model innovation:
<http://openinnovation.net/about-2/open-innovation-definition/>
<http://openinnovation.net/category/business-model-innovation/>
- The 100% Open Innovation Toolkit: <http://www.toolkit.100open.com/>
- You can also have a look at the video “Open innovation: proudly found elsewhere”, available at <https://www.youtube.com/watch?v=jNNz9poyKJs>

Questions for
reflection

Do you already have experience in using any of these open innovation methods / techniques? Is it something your organization would consider?

Design Thinking

Another method that can assist you on the enhancement of creativity is Design Thinking. This is a holistic process that enables the development of products, processes and services at the same time. Design Thinking is a method that aims at gaining understanding on a subject, takes users into consideration, generates and evaluates solutions, considers things from a new, creative, and holistic perspective, and creates and tests concepts and solutions. Thus it enables the use of open innovation in processes.

IDEO describes The Design Thinking process as “a system of overlapping phases rather than a sequence of orderly steps” aiming at facilitating the planning of tasks, activities and timetables [19]. The process is not linear but can return to earlier phases according to the need. A fundamental characteristic of design thinking is its human-based approach which expresses itself in a collaborative way of working and in applying participatory methods of co-creation. Another important feature is the acceptance of failure and mistakes as important elements in the process. [20].

Different models of the Design Thinking process exist – the phases are the same in principle but they may carry different names. Essentially, all models start by creating an understanding about the context and the goal of the project. For example the Stanford’s Design Thinking model [21] has the following phases:

- Understand: Developing an understanding of the context
- Observe: Observing users and thus creating understanding of them

- Define: Insight of the situation is formed here based on the information gathered in the earlier phases. The elements to be used in the following stages are defined at this stage
- Ideate: Ideas and solutions are generated here
- Prototype: The selected idea or ideas will be developed into prototypes which will be tested
- Test: The concepts and prototypes will be tested and alterations will be applied based on the results

The Stanford's Design Thinking model process can also be found in **Module 5**

The starting point in Design Thinking can be a problem identified or an opportunity spotted. Design Thinking uses a variety of methods and tools, especially qualitative ones, so throughout the process, the users point-of-view should be kept in mind. Listening to and observing the target groups and understanding their needs is crucial. This can be done by interviewing, observing or involving the users in the idea generation and development processes, thus leading to open innovation. Modifying a product after testing and user feedback or iterating from previous phases is part of this process. Finally one should consider how to make the most promising ideas more concrete, and how to move towards implementation, particularly understanding what is technically, financially and organizationally feasible.

Implementation is also an iterative process. The company needs to consider what kind of capabilities, partnerships and processes are needed for implementation, but a development project does not end when the new offering is on the market. Creating a plan for on-going learning, measurement, evaluation and iteration is essential when aiming for long term solutions. Innovation can be spontaneous and you can read more about the design approach in Module 5.

Case study: Metalpak Oy, an SME involving external actors

Metalpak Oy produces paint containers. It had challenges with the containers as they were difficult to use, store move around. They caused logistical issues throughout the supply chain and needed to be improved. Having limited resources, Metalpak decided to turn to a research and development organization that is part of a university – Western Finland Design Centre MUOVA. This was the first external actor involved in the process.

MUOVA started to work on the challenge, first investigating the requirements for the product. In order to obtain this information, they worked with professional and do-it-yourself painters as well as sales personnel in retail shops. They were the second group of the external actors. Eventually, they were also part of the product development team together with the internal team of Metalpak. The internal actors involved at Metalpak were the company's CEO, marketing directors, production managers and R&D managers.

Together this team worked through different stages of development, gaining understanding through observations and interviews, specifying user needs, concept and development and user testing of concepts and prototypes. The outcomes of the testing were processed by with the company and the whole process was characterised by cooperation between the company and the research organization, and by involvement of the users throughout. The users took a central role in providing understanding

and new ideas, and testing the ideas and concepts.

Case study provided by Western Finland Design Centre MUOVA

**Questions for
reflection**

Which processes in your company could be improved with open innovation? Who would be involved? Why would they be involved? What would have to be taken into consideration?

6. Governance for Innovation

The ability to innovate consistently is vital for business success. It must become a well-defined function or process with reliable tools and methods, and it should constantly be monitored and maintained. Hobcraft and Phillips [22] describe the governance of innovation as “a system of mechanisms to align goals, allocate resources and assign decision-making authority for innovation across the organization with external parties”. It is the basis to all innovation initiatives as it helps to plan, measure, manage and redefine the firm innovation activities. Hobcraft and Phillips [22] define the core steps of the process as:

1. Choosing the Innovation Structure

- Innovation structure can be selected from different innovation strategies, structures and needs. Considering the aims and culture, which could be appropriate to your company?
- Management define the aims and objectives that assist selecting innovation strategies, structures, tools, methods, processes, schedule, workflows, roles and responsibilities and who manages and guides the process

2. Definition of the Innovation Framework

- Which strategic goals and other structures should innovation be linked to?
- Understanding the holistic concept and structure assist in seeing opportunities and reducing risks
- Which staff are available to build and maintain innovation? What are their tasks and roles? What is the work programme of the innovation process? What are the mile stones and critical steps?

3. Configuring needs for Innovation Function Design

- What are the needs, situations and strategic requirements behind innovation? Why is it needed?
- Well-designed structures yield better results: What, how and when do things happen? Why are they needed? Who does it? Which skills are needed?
- The existing context, needs, company's nature and characteristics and other changing elements define the needs. They may also change over time in nature and in focus.
- Working on innovations helps to develop teams' skills as well.

The commitment of management is essential, as well as an innovation governance structure that monitors the process and finance. Besides the structure, plans and processes, in order for innovation to take place, people should be taken into consideration, and individuals' and groups' creative behaviour should be encouraged and supported. Finally, the process should be continuous. Although networks are

functional and can lead to new partnerships that assist in reaching new information and outcomes, the participants should be careful with the intellectual property right (IPR) issues, as with all cooperative work. There are many solutions and plenty of assistance to work through these issues. [23].

Questions for reflection

What conditions and processes do you have in your company for the governance of innovation?

In all activities, it is worth considering new solutions looking at the existing conditions from new perspectives. Like the proverb says:

“You cannot discover new oceans unless you have the courage to lose sight of the shore.”
(Anonymous)

Reflection exercises, games, videos, etc.

Good practice examples / Case study / Exercise	
Title	Cooperation with Different Stakeholders in your Organizations Innovation Activities
Objectives	To gain an understanding of the concept of open innovation, the current nature of open innovation activities in your own organization and how it could be enhanced.
Duration	20 minutes
Description	Analyse the current state of open innovation activities in your organization.
Questions for reflection	Which stakeholders do you cooperate with when developing new ideas and innovations? What is the scope of the cooperation? Could the cooperation be widened and to what kind of areas? Which stakeholders are you not cooperating with at the moment? What kind of cooperation could be done with them? What kind of (co-creation) methods could be useful in this cooperation?
Answers/Useful tips	Analyse the current state of open innovation in your organization: 1. Read the following (Metapak) for background on this exercise. 2. Now reflect on your own organization using the list of questions below and write down the answers in your preferred format (electronic or paper): a) Which stakeholders do you cooperate with when developing new ideas and innovations? b) What is the scope of the cooperation? c) Could the cooperation be widened and to what kind of areas? d) Which stakeholders are you not cooperating with at the moment? e) What kind of cooperation could be done with them? f) What kind of (co-creation) methods could be useful in this cooperation? 3. Compare your results with the colleagues in your organization. Think for example: What are the existing structures? What are the strong points? What gaps can be identified? Where are potential opportunities?
Implementation	The exercise can be done inside the organization or it can be also done in cooperation with other organizations. The key idea is self-reflection and peer learning, and gaining insights from the process. These elements can eventually be used for the development of the company, e.g. as pre-work for a strategy day.

Good practice examples / Case study / Exercise	
Title	Applying a creative process and methods in developing new products, services, systems, or process ideas
Objectives	To learn how to gather user information related to an offering of an organization and how to utilize the information in developing ideas for improvement.
Duration	10 minutes More time required if a focus group is implemented
Description	Think of some offering of your organization that according to your view could be developed as it does not fully meet the user current needs. How could you find out how the different user groups would improve the offering?
Questions for reflection	How can you find out what kind of user groups your offering has? How (with what kind of methods) can you reach them and engage them to ideation of improvements or even new offerings?
Answers/Useful tips	Why not to establish a focus group to analyse the topic? Talk freely with other group members or consider to inviting external stakeholders to bring in a variety of the users' views.
Implementation	Discuss your views with others inside and outside your SME. Plan the implementation of the idea, according to realistic phases and schedules.
Technical implementation	May be useful to provide forms for registering the process and plan for implementation

Exercise (GAME) for Module 2

Title	Customer Journey Map
Objectives	The objectives are for the participants to discover creative processes based on a design approach. This exercise expands their understanding of a service through the eyes of a customer. At the end, the user can try to find the disadvantages of the "journey" both from the perspective of both the user and the provider. The aim is for the participants to get to know the customer's needs better.
Duration	10 minutes
Description	The customer journey map is a graph that describes the journey of a user by representing the different touchpoints that characterize their interaction with the service. In this kind of visualization, the interaction is described step by step as a traditional blueprint, but there is a stronger emphasis on some aspects, such as the flux of information and the physical devices involved. At the same time there is a higher level of synthesis than in the blueprint: the representation is simplified through the loss of the redundant information and of the deepest details. Customer journey mapping is a way to easily describe a possible scenario

	or map the experience throughout an existing service. A blank journey worksheet and a set of cards representing the touchpoints are needed to set the ground for the activity. According to the specific context and purpose of the session, various game modalities and rules can be then created. The exercise starts with having the users choose a persona (or create a persona from scratch), define a goal for this persona, pick up the touchpoints that allow reaching this goal and describe the experience flow across the different touchpoints on the “prezi” created board. The cards provide a visual support that facilitates understanding and assembling the sequence of activities and touchpoints that characterize the service experience. The specific example used in the exercise comes from a project about transportation. A high level of complexity emerged due to the fact that the transportation customers are often ‘shared customers’ from a range of multiple operators that are needed to let people move from A to B. The map tries to embrace this complexity by representing the different touchpoints in relation with the different types of stakeholders (public bodies, transport operators, local and regional authorities).
Questions for reflection	1. Did you find the exercise useful? 2. Did you learn something new? 3. Did you manage to imagine yourself walking in the shoes of a customer? How did it feel? 4. What were the “pain points” of the journey? 5. Can the “customer journey mapping” be applied to the services your organization provides?
Implementation*	http://360connext.com/customer-touchpoint/ http://www.servicedesigntools.org/tools/8 https://prezi.com/1qu6lq4qucsm/customer-journey-mapping-game-transport/

III. Conclusion

Organizational structures and business models are far from boring and stagnant. They embed possibilities for creativity and innovation. Organizational culture is the catalyst for creativity and innovation to happen and is also a major ingredient in enabling open innovation. Open innovation provides SMEs external structures, networks and partnerships to increase their competitiveness. Open

innovation can further benefit from creative models, (for example, Design Thinking) and alternative approaches such as Guerrilla marketing and Blue Ocean Strategy can function as catalyst in increasing the innovation level of companies through organizational structures and business models. However, it is always essential to remember to govern the process. The commitment of the management is essential in creating, enabling, maintaining and governing the innovation through the organizational structures and business models.

IV. Additional reading

An Open Innovation Platform	http://www.openinnovation.eu/ A platform that provides information on open innovation and its uses. The aim is to contribute to the development and knowledge diffusion of the concept of open innovation in the European business community.
An Open Innovation Community	http://openinnovation.net The latest news, research, discussions and applications for open innovation.
The Field Guide to Human based Design by IDEO	http://www.designkit.org/ IDEO's field guide focuses on Human Centered Design as an example of how Design Thinking can be used and how it can involve users.

V. Self-test questions

Question 1: Which of the following is true?	
Answer 1	All organizations have some kind of organizational structure
Answer 2	Organization structure and business model are similar concepts
Answer 3	A business model is only established a few years after the onset of an organization
Answer 4	The customers create the business model of an organization
Answer 5	A business model can hardly be an expression of the culture of the organization
Correct answer(s)	All organizations have some kind of organizational structure

Question 2: Which of the following are the strong points of SMEs in comparison to larger companies to increase the innovation potential?	
Answer 1	Adaptability
Answer 2	Management
Answer 3	Small size
Answer 4	R&D&I activity
Answer 5	Business models

Correct answer(s)	Small size and adaptability
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Question 3: Which ones of the listed five values are not considered as promoting innovativeness in an organization?

Answer 1	Flexibility
Answer 2	Autonomy
Answer 3	Stability
Answer 4	Empowerment
Answer 5	Predictability
Correct answer(s)	Stability and predictability

Question 4: Which ones of the following describe open innovation?

Answer 1	External funding
Answer 2	Involving users
Answer 3	Risk of losing business idea
Answer 4	Little involvement of the company
Answer 5	Risk of loss of information
Correct answer(s)	Involving users and risk of loss of information

Question 5: Which of the following are important for the governance for innovation?

Answer 1	Engagement of funding bodies
Answer 2	Engagement of management
Answer 3	Creating an innovation framework
Answer 4	Creating a governance framework
Answer 5	Creative behaviour
Correct answer(s)	Engagement of management and creating innovation framework and creative behaviour

Question 6: Which of the following is true?

Answer 1	Certain organizational structure promotes innovation
Answer 2	SMEs are catalysts of economy
Answer 3	Business model is not connected to company's structure
Answer 4	Design Thinking models enable open innovation
Answer 5	Innovation does not require strategy plans
Correct answer(s)	SMEs are catalysts of economy and Design Thinking models enables open innovation

VI. Glossary

Business model	A business model describes how a company creates value to the customer, encouraging customer purchases products and makes profit, and which methods and means are most suitable BusinessDictionary.com (n.a.). Business Model. Accessed 14.12.2015 at http://www.businessdictionary.com/definition/organizational-structure.html, and Teece. D.J., (2010), "Business Models, Business Strategy and Innovation", in Long Range Planning 43 (2010) 172e194, Published by Elsevier Ltd. http://www.businessmodelcommunity.com/fs/Root/8jq8-businessmodelsbusinessstrategy.pdf
Co-creation	Co-creation can be defined as the practice of collaborative product or service development with developers and stakeholders working together. Co-creation is a form of Open Innovation: ideas are shared, rather than kept to oneself. (Pater, 2009) Pater, M. (2009), Co-Creations' 5 Guiding Principles or...what is successful co-creation made of?, Fronteer Strategy, Amsterdam http://www.thunderfactory.com/pdfs/Co%20creation%20principles%2011-09.pdf
Concept	A Concept is an idea of what something is or how it works. A concept can be abstract and is often verbally and/or visually described Merriam-Webster Dictionary. URL: http://www.merriam-webster.com/dictionary/concept
Design Thinking	Design Thinking is based on a designers' thought processes, the work and how it can be applied to other sectors. This thinking style (the design approach) includes for example solution-orientation, holistic view to problems, risk taking and application of empathy. Cross, Nigel. (2011). Design Thinking: Understanding how designers think and work. Berg/Bloomsbury
Innovation climate	A climate (culture, environment etc.) open and enabling innovation.
Innovation governance	A structure and a system that aims to manage and govern innovation and all its parts (e.g. resources, goals, decision-making etc.) across the organization and extending to the organization's external parties. Hobcraft, P. and Phillips J, (2012). Innovation Excellence blog. Critical Structure, Process, Design and Governance are Always Needed. Available at http://www.innovationexcellence.com/blog/2012/09/12/critical-structure-process-design-and-governance-are-always-needed/
Open innovation	The systematic encouragement and exploration of a wide range of internal and external sources for innovative opportunities. This includes the integration of exploration with firm capabilities and resources, and the exploitation of these opportunities through multiple channels (West & Gallagher, 2006) West,J & Gallagher,S. (2006), "Challenges of open innovation: the paradox of firm investment in open-source software", R&D Management, Volume 36 Issue 3, pp. 319-331, June
Organizational structure	The organization structure is a framework of roles, responsibilities, authority and communication relationships that are deliberately designed to accomplish an organization's tasks and achieve its objectives. (Ottih 2008) Ottih, L.O. (2008). Modern Business: An Introduction. Port Harcourt: Pearl Publishers

Organizational culture	An organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, strategy, type of employees, management style and national culture. Culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits. (Needle 2004) Needle, D. (2004), <i>Business in Context: An Introduction to Business and its Environment</i>, ISBN 978 – 1861529923.
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