OPEN INNOVATION AS AN OPPORTUNITY FOR DEVELOPMENT OF SMEs

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1. Introduction
This paper analyses the new open innovations models as an opportunity for development of SMEs. Customer integration into innovation activities stands for an important competitive strategy, known as open innovation [1, p. 35]. Through the organization of ideas competitions, companies attempt to collect innovative ideas from customers via an Internet-based platform.

Open innovation concept means making use of resources outside the firm. Open innovation concept is a growing research area and increasing amount of companies is utilizing it. Much of the literature studies are concentrated on to describe open innovations as a novel, major cultural and economic phenomenon. A number of existing innovation paradigms and design approaches, such as user-driven innovation model [2],[3], crowdsourcing [4], value co-creation model [5], co-creation experience innovation [6], user-centred design [7], and user-centred open innovation ecosystems [8], are all promoting distributed collaboration among firm and user communities. User- driven innovation is often a subset of open innovation. Users – innovators auditing financial statements” discusses the procedures for reporting the events in financial statements after the balance sheet date that occur in the audited entities. A statutory auditor should, before preparation of the report and opinion, make sure that the financial statement analyses the results of all the essential events which occurred in this period between the day on which the entity prepared a financial statement (balance sheet date) and the day of completion of the audit i.e. the date of expressing the opinion. To achieve this aim, the statements are obtained from the entity’s manager to confirm the completeness of the events presented for the audit after the date of the financial statement which might have an effect on the accuracy of the opinions and conclusions contained in the report on the audit of the financial statement, including the property components sold after the balance sheet date. Other procedures in this field include:

a) evaluation of whether the system of accounting and internal control in the entity ensures completeness of presentation of the events that occurred after the balance sheet date and relating them to the respective period,
b) analysis of accounting records in the accounting books for the year after the audited year,
c) analysis of the statements prepared for the period after the audited period,
d) review of the protocols from meetings of the boards of directors and the supervisory bodies,
e) auditing the real level of the estimated values,
f) analysis of drawing on guarantees,
g) analysis of repayment of the loans incurred and granted, the capital injections made or planned, transformations and other essential events. [7, Section 48]

Information from the financial statement is used by the external and internal recipients when making business-related decisions. The events after the balance sheet date might essentially affect the financial result and both financial and capital standing of the enterprise. Auditing of financial statements confirms fairness, correctness and completeness of presentation of all the events that affect this condition, also the events after the balance sheet date.

6. Conclusions.
In order for the accountancy and accounting in the enterprise to fairly and transparently present its financial and property conditions, the fundamental principles that guarantee a true and fair view should be respected, including the complete reporting of the economic events concerning a particular accounting period.

The events that occur after the balance sheet date necessitate the evaluation of their importance in terms of the amounts and effects and their impact on the view of the entity presented in the financial statement. They should be properly reported and presented in the statement. Improper reporting of the events that occur after the balance sheet date might distort the financial result and other items of the financial statement and misguide the recipients of accounting information when making business decisions.

Therefore it is essential to include these events when auditing financial statements by the statutory auditors.

REFERENCES
4. IAS 10: Events after the Reporting Period, International Financial Reporting Standards (IFRS) which include the International Accounting Standards (IAS) and Interpretations as for 1 January 2007, Accountants Association in Poland 2007.
5. The National Accounting Standard No. 7: “Changes in the principles (policies) of accountancy, estimated values, correcting errors, events occurring after the balance sheet date: reporting and presentation”. Appendix to the resolution No. 6/12 of the Accounting Standards Committee as of 24th April 2012.
may bring new changes to the firm’s innovation process. There are a number of opportunities for users to participate in different stages of product development.

The important role of lead user in the innovation processes was considerate by Von Hippel. His definition of lead user is two sided [7]: first they have requirements for new products or have needs that motivate them to make alterations to existing ones. Secondly lead users are positioned to benefit significantly by obtaining a solution to those needs.

2. Open innovation model.

Traditional understanding of innovations refers to the commercialisation of ideas or concepts but the basic assumption is that a firm wants to protect their knowledge resources.

This model is defined as a closed innovation model. Closed innovation model involves big financial outlays as it is based on the internal research and development work or on the exclusively purchased licences.

Table 1 presents the characteristics of the closed and open modes of innovation activity.

<table>
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<tr>
<th>Dimensions</th>
<th>Closed</th>
<th>Open</th>
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<tr>
<td>Strategic incentives</td>
<td>Closed innovation development stresses the benefits of being first to market. Client-centric innovations are designed to meet explicit market needs. Major technological discontinuities coexist with closed innovation activity</td>
<td>Building better business models is better than getting to market first. The development of innovations emerges from participants’ implicit needs. Freedom promotes wide utilization and continuous development of innovations</td>
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<td>Relational complexity</td>
<td>Both in-house development and intentionally-formed business networks characterize innovation development. Governance focuses on managing software development with in-house developers. Proprietary innovation activity poses challenges to clients’ willingness to accept innovations, and creates both economic and social burdens, causing friction in relationships</td>
<td>Users predominantly co-produce innovations in informal and self-organizing social networks that comprise the innovation platform. Co-operation is managed by influencing and guiding collective innovation activity over temporal-spatial and socio-cultural distance, even though interests sometimes are contradictory. Routine communication is asynchronous, through the internet</td>
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<td>Operational priorities</td>
<td>Commercial actors prioritize business opportunities by identifying clients’ explicit needs R&amp;D investments are central enablers in exploring new innovations. Innovation development is intrinsically based on controlling clearly outlined and organized business processes</td>
<td>Innovation activity prioritizes the development of solutions devoid of the push for business potential. Exploration of other actors’ resources in the community drives innovation. Operation is founded upon seeking collaboration and consensus, instead of hierarchical supremacy and power</td>
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<td>Cognitive exigencies</td>
<td>An introverted approach to the control of knowledge is intended to ensure the potential for future revenue. Safeguarding against IPR infringements is an inherent feature in copyright thinking. Innovators need courage to prioritize future opportunities over current needs</td>
<td>Distribution of intellectual property requires an extroverted attitude and trust, which are salient in bringing forth collective innovations. Copyleft thinking is applied to promote continuous innovation development. The desires to co-operate and commit to common goals are key requirements for actors in development communities</td>
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Source: [9, p. 1371].


- Buying innovation on the market. Organizations such as universities and private research labs offer innovation for sale.
- Investing in innovators. In seeking to benefit from breakthrough innovations, companies take equity positions in organizations focused on small or emerging markets.
- Cosourcing. As innovation in some arenas becomes more expensive, companies sometimes band together to share the costs.
- Resourcing. Some companies support their research staffs by contracting with outside suppliers for on-demand talent and innovative new tools.
- Community Sourcing. Companies have begun tapping loosely connected communities of sophisticated users. This approach has been successful in the open-source software industry.

In 2003, FORA1 introduced a useful typology of innovation forms, presenting three main categories of innovation:

- research -driven innovation;
- user-driven innovation;
- price-driven innovation.

A modified presentation of these three innovation forms is presented in the table 2 and is helpful in “structuring the field”.

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1 Institute of Danish Ministry of Economics and Business Affair
Companies may employ one or several different innovation processes. Companies in higher-cost countries have generally focused on research/technology-driven innovation (rather than price-driven innovation). Innovation policies, also, have tended to focus on supporting research-driven innovation (through, for example, grants and tax incentives for R&D, incubator and university spin-off programs, and investments in technical education) [11].

3. Open Innovation in the Practice of SMEs.

The use of open innovation, with particular focus on user-driven innovation, provides opportunities for small and medium-sized enterprises in bridging the gap between competitiveness of SMEs and bigger enterprises. There are a variety of examples of big companies which have achieved spectacular benefits through application of the models of cooperation with their customers in the area of innovation. The following example is interesting: Dell created Idea Storm [12], a global community of customers, Users discuss the suggested topics and the company uses their opinions and comments.

Among small Polish enterprises which have successfully used the user-driven innovation approach, the following enterprises can be listed:

IVONA [13], speech synthesis software developer. The user-driven innovation is reflected in collaboration with the blind at the stage of software development, which allows for improving the solutions. Further innovation development in IVONA is supported by the Amazon.com1, which in 2013 took over the enterprise.

UNISOFT [14], a manufacturer of software for the municipal sector, involves customers in the process of preparation and improvement of products. The enterprise concludes long-term contracts with customers for elimination of defects, improvement suggested by customers and changes in the system that resulted from e.g. new legal regulations.

OPTIMAT [15], which manufactures gluing machines, meets the demands of customers in terms of adding new features to the ordered machines. The enterprise has a group of regular users and often implements innovations, which also translates into its good position in the market.

NOWAX [16], a manufacturer of roofing sheets, provides customers with on-line tools that support independent configuration of individual features of the product. The application «Zaprojektuj swój dom» [16] (Design Your House) is available in their website.

An example of a platform for cooperation which can be useful for all the enterprises and all the consumers is Innocentive [17]. It provides the space for presentation of your own ideas and innovations as a response to the problems reported by the enterprises. The solution combines the idea of open innovations and crowdsourcing. Furthermore, the enterprises which seek solutions to problems offer rewards for those who find them. Apart from the famous companies which seek innovative ideas in this website, including Eli Lilly & Company, NASA, Nature Publishing Group, Life Technologies, Procter & Gamble, Roche or Rockefeller Foundation, each small business can also announce a contest for the best solution to the presented problems. Popularity of Innocentive is confirmed by the following statistics [17]:

- total number of the recorded inventors: 260,000 from 200 countries;
- total number of presented problems: over 1,450;
- total solutions given: over 31,000;
- rewards: 1,215;
- total rewards: 35,000,000 US dollars.

The platforms for cooperation allow any small enterprises to find innovations while the customers/users can utilize their knowledge, experience and skills to realize their passions. Similar virtual innovation communities also include: Apple Developer Connection [18], Innovation edge – innovation consultancy, that drives creativity and growth by transforming products, brands and businesses[19], ValueNet Works [20], Center for Open Innovation [21].

4. Identification of advantages for SMEs using the model of open innovations.

Application of the model of open innovation allows enterprises to have advantage in the environment of increasing competition, globalization and increasing expectations of the consumers. Small and medium enterprises are willing to utilize the external sources of knowledge, especially the knowledge of their customers, partners, suppliers and scientific institutions. Involvement of customers (users) in the process of improvement of products and services or creation of new solutions is extremely difficult and necessitates development of a model of cooperation with customers in the process of creating innovation. The initiatives in the field of organization of cooperation, ensuring best possible communication solutions, integration of consumer communities and using motivational activities are essential.

A comprehensive approach to the process of creating innovations in the model of open innovation helps enterprises derive the following benefits:

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1 Od stycznia 2013 firma Ivona jest częścią firmy Amazon.com
– better understanding of the consumers’ needs;
– bring consumers closer to a product through participation in creation of the product;
– familiarizing with the customers’ system of values;
– utilization of ideas from external sources;
– better communication with consumer;
– strengthening relations with customers, suppliers and business partners;
– increasing openness to necessary organizational changes and changes in business processes;
– enhanced flexibility of activities in the area of marketing;
– access to consumers’ opinions about products or services provided;
– systematic approach to acquisition of specialized knowledge and experiences;
– opportunities for finding new functional solutions;
– creation of the image of an enterprise open to meeting customer demands;
– creation of the image of an enterprise open to cooperation with the business environment;
– increased competitiveness in the enterprise;
– reduction in costs of launching new ranges of products and services in the market;
– elimination of ineffective processes;
– continuous improvement of the business model;
– increased revenues on sales.

5. Conclusions.
Small and medium-sized enterprises should do their best to make contact with customers and build permanent relations of cooperation such as enterprise-to-customer, customer-to-enterprise, customer-to-customer and customer-to-environment. The Internet is a perfect platform for communication and creation of the environment of cooperation in the field of product innovations and services as well as processes and business models which will ensure that the enterprise’s position in the market is strengthened. New ideas are also beneficial for customers as they obtain the changes they expected and changes which are consistent with their concepts, which helps provide products and services which are better adjusted to the customers’ needs.

With SME perspectives, open innovations offer a number of advantages, particularly insignificant costs of implementation and opportunities for using new ideas without expenditures in operation of the internal R&D division. Small businesses are more flexible than bigger companies, which helps them implement changes faster. Implementation of an open innovation model offers mutual benefits to both enterprises and their customers.

REFERENCES