

Chapter 16

How Open Is Open Innovation? Considering, Adapting and Adopting User Knowledge and Competence in the Solution Space

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Abstract This chapter presents a longitudinal study of an open, co-created, innovation—ICA Student. It illustrates some of the challenges inherent in the consideration, adaptation and adoption of user knowledge and competence throughout an open innovation process, demonstrating the involvement of users both during the phases of content generation and commercialisation. Findings from the study illustrate five important issues for managers and practitioners to address when co-creating an innovation with future users: (1) the framing of an open innovation; (2) the identification of suitable participants; (3) the absorption and use of diverse inputs; (4) innovation entails both content generation and commercialisation and (5) the realisation that consideration, adaptation and adoption of knowledge and competence will affect the solution space. We conclude the chapter with a discussion on the relative openness of open innovation.

16.1 Introduction

Recently, one of northern Europe's largest food retailers—ICA—launched ICA Student, the result of an innovation project conducted together with the targeted segment of the innovation (students). As ICA had no prior understanding about the wants and needs of this specific segment, the decision was taken at the outset to source knowledge from students by employing an open innovation approach.

Managing innovation that includes input not only from intra-organisational actors—that is, open innovation (Chesbrough 2003)—is considered complex due to the heterogeneity of those involved. The different knowledge they draw on, the diverse competences and experiences they bring to and impose upon an innovation, create a dispersed set of innovators with possibly different innovation-related wants

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and needs. As an initial step to handle this complexity, the managing organisation can use a firm-constructed design limit (Jeppesen and Molin 2003) in order to define the solution space (von Hippel and Katz 2002) in which, for instance, users have the possibility to apply their knowledge and competence. The solution space thus determines the openness of a specific innovation project, defining the possibility for users to provide input to, and influence on, an innovation. There is, however, a lack of research addressing possible intricacies managers meet in terms of what user knowledge and competences are to be *considered*, *adapted* and *adopted* during the extension of an open innovation process.

This chapter offers insights from a longitudinal study of an open innovation process at ICA that was investigated throughout its entire extension. Based on these insights, we evaluate and critically discuss the actual openness of open innovation. It is illustrated that the solution space is affected throughout the entire extension of the process; the opportunity for users to influence a solution space is dynamically reduced during the innovation process by the managing organisation's consideration, adaptation and adoption of user knowledge and competence. Thus, from an individual user's perspective the actual openness of open innovation is relative. Further, whereas the study is focused on the dyadic interaction between a managing organisation and future users of the innovation, it however also shows indications of many other influential internal and external stakeholders—such as IT systems, organisational norms, legal regulations and different suppliers—affecting the progression of the innovation process.

In order to show evidence in support of the above claims, the remainder of the chapter is structured as follows: (2) the fundamental challenges with innovation are briefly discussed, and a short overview of literature on co-creation of innovation, the solution space and user involvement is provided. We argue that literature on innovation, especially with regards to user communities and users as innovators, is maturing, whereas literature considering possible intricacies with adopting user knowledge by a managing organisation, and literature explicitly discussing user involvement during commercialisation of innovation, is still nascent; (3) a succinct description of the longitudinal data collection is presented; (4–4.2.4) the research object (the development of ICA Student) is divided into two parts—content generation and commercialisation—and it is illustrated how the solution space is dynamically reduced due to the adoption of users' knowledge and competence within each of these parts; (5) we provide five points of practical advice that have been deduced from the longitudinal study of ICA Student and (6–6.1) we conclude the chapter with discussions on implications for future research. We point to the need for further theorising the openness of open innovation.

16.2 Co-creation of Innovation

Stories of innovative endeavours frequently paint an exciting and victorious picture of the arduous effort that often is required in order to manage the development and commercialisation of an innovation. Innovating involves considering what users

want and need, and for many organisations simply hoping that the market will help by providing an answer when asked directly might be expecting too much; most users might not have a clear understanding of their own wants and needs (cf. von Hippel 1988), and if they do, it can be difficult for them to explicate those wants and needs in any somewhat lucid manner. Put differently, users' wants and needs tend to be "sticky" (von Hippel 1994). Additionally, if the initial hurdles in the user context are somehow traversed, the predicament of matching the elucidated wants and needs with the managing organisation's prerequisites still remains.

Organisations are thus faced with a conundrum with regards to innovation: simply asking users about their wants and needs can lead to not getting any answers at all, or, conversely, getting answers that cannot be met with a proper response. Because of this, a necessity for continuous interaction during innovative endeavours is stressed by researchers (Jeppesen and Fredriksen 2006); interaction between an organisation and users is necessary if value is to be co-created for both (see e.g. Prahalad and Ramaswamy 2004). Co-creation of innovation places, however, puts a demand on the managing organisation to construct an appropriate solution space in which users can apply their knowledge and competence (von Hippel and Katz 2002)—similar to how value co-creation is preceded by the organisation offering users a value proposition (e.g. Ballantyne et al. 2011). A solution space, which can be presented to users via a computer mediated toolkit (Thomke and von Hippel 2002), represents the limitation to user involvement that is initially established by the managing organisation (Jeppesen and Molin 2003). The solution space thus affects—both enabling and delimiting—the managing organisation's consideration, adaptation and adoption of user knowledge during the entire innovation process.

The literature on co-creation of innovation has become considerable, not least through studies of user-to-user knowledge and innovation sharing in communities (Franke and Shah 2003; Wasko and Faraj 2005), and the open source movement (Lerner and Tirole 2002). We argue, however, that literature on the co-creation of innovation is still in its infancy as regards two aspects: (1) there is a lack of studies addressing the reason why some user knowledge and competences are, and some are not, included in an innovation. Research addressing the underlying decision process (see Dahlander and Gann 2010a, b) is of interest to managers in that it can illustrate possible intricacies and challenges when using an open innovation approach. (2) As discussed by Bogers et al. (2010a, b), the role of users during commercialisation of an innovation has only been meagrely studied. Accounts of user involvement during the commercialisation of an innovation could reveal organisational problems that might be inherent in the innovation process, and can hence possibly aid organisations in explaining why innovations that appear to be a hit during stages of design do not go on to become a commercial success.

In an attempt to contribute to the innovation literature, the following account of an open, co-created, innovation intends to illustrate some of the intricacies inherent in the consideration, adaptation and adoption of user knowledge and competence during an innovation process, and it also aims to demonstrate and discuss user involvement during the commercialisation of an innovation.

16.3 About the Study

The data collection started early February 2010 and was completed in early September 2011, representing the entire extension of the innovation process. During this time, period data were collected through interviews, participant observation as well as project documentation. All methods described below were used in order for us to holistically capture the study object, the innovation process.

Five employees, who constituted the project group at ICA (representing ICA Banken or the CRM department), were formally interviewed and informally met with on several occasions throughout the process. The formal interviews were recorded, and they followed a semi-structured interview guide. They all lasted between one and two hours each. The informal meetings took place in relation to innovation-related activities, before and after a case competition and three separate concept presentations.

Participant observations were conducted on occasions when representatives from ICA and representatives from the segment of young adults (students) had innovation-related meetings during the process; the case competition in the stage of content generation (see Sect. 4.1.4) and three separate concept presentations in the stage of commercialisation (see Sect. 4.2.2–4.2.4). Also, participant observations were conducted at four of the project group's decision meetings during which decisions were taken for the innovation and innovation process. All observations were made unobtrusively; we did not take any active part in discussions in order to limit the effects of our presence.

Project documentation was put at our disposal throughout the entire extension of the innovation process. This second-hand data consisted of policy documents and e-mails correspondence, students' essays and case reports (see Sect. 4.1.4), PowerPoint presentations from meetings (see Sects. 4.1.1, 4.1.3, 4.1.4, 4.2.2, 4.2.3), briefs about progression (see Sects. 4.2.1 and 4.2.4) as well as focus group reports and survey data (see Sect. 4.1.3).

In the illustration of the development and commercialisation of ICA Student, all quotes are taken from the collected data, which are kept anonymous as required by the informants.

16.4 The Development and Commercialisation of ICA Student

ICA Student was launched as an offering containing a customer debit card on August 17, 2011. Already two weeks after it had been launched it had gained a market share of 8.4 % and had generated positive response in the form of 15,000 "likes" on Facebook. It was thus, according to ICA, on its way to becoming a huge success. So, how did they do it? Before we go into details, a short note on the managing organisation of this open innovation, the ICA Group, is called for. They are one of northern Europe's leading food retailers with 2,150 stores in Sweden,

Norway, Estonia, Latvia and Lithuania, also including a commercial bank—ICA Banken. The ICA Group is a joint venture; 40 % is owned by Hakon Invest AB of Sweden and 60 % is owned by Royal Ahold N.V. of the Netherlands.

The initial purpose with the offering was to create loyalty among young adults in Sweden. However, during the innovation process, voices were raised about narrowing the target to the sub-segment of students under 30 in higher education, as they were considered more easily identifiable and reachable.

ICA Student is, however, not the first loyalty scheme that ICA has launched; already in 1992 a customer loyalty card was introduced—ICA-Kort. This card has today a market penetration of 50 % of the Swedish population in most age categories, with an average cardholder age of 58. This rather high mean age illustrates that the scheme has not been as successful within younger age categories (especially young adults aged 18–30). Even more problematic for ICA is, however, that the penetration rate of this specific age category has increasingly shrunk during the last decade. It was also found that ICA Banken had the same problem with attracting and creating loyalty within the young adults segment.

In April 2010, ICA Banken held an internal workshop during which the issue of attracting young adults to become customer debit cardholders was explicitly discussed: "... it is a somewhat well established conception that people do not often alter their choice of bank during their lifetime, especially when you get older...if we could offer young adults a specifically designed bank service we could become their natural choice of bank". During this time the CRM department at ICA—who is responsible for the loyalty programme ICA-Kort—had also discussed ways to attract the young adults segment of becoming closer connected to ICA's loyalty card programme. Management therefore decided that: "By combining the two parts, bank and food, we could offer something new and really unique to this segment".

During approximately one and a half years, one person from each department was devoted to innovating a joint offering that could attract the segment of young adults. The project immediately encountered a problem as ICA recognised that they did not have any insights about the segment—they knew "families with children"—and had not conducted a single target group analysis of this customer group, ever. As they did not know anything about the wants and needs of this age category, ICA realised that they could not innovate in-house, which is the usual innovation procedure at ICA. Further adding to the challenge, ICA was not only unfamiliar with the wants and needs (i.e. content generation) of young adults, but they were also unclear about how to communicate an innovation to this segment (i.e. commercialisation).

16.4.1 Content Generation

The project commenced in the middle of May in 2010, and the stage of content generation included the phases as outlined in Fig. 16.1. Each phase is discussed at length below.

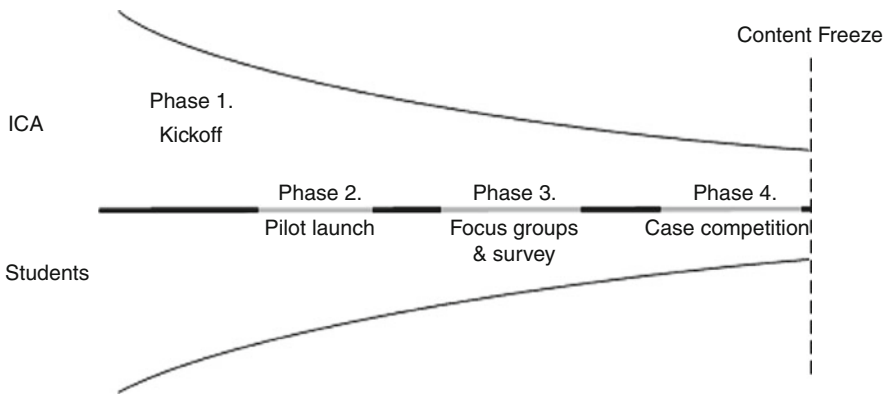


Fig. 16.1 Content generation phases

16.4.1.1 Kick-Off (Phase 1)

On May 10, 2010, a kick-off was held during which the main outline of the innovation project was presented. It was the first one of its kind at ICA to include a combined bank and food offering. The normal procedure at ICA is to develop an offer in-house, do a test run in a small region, adjust the content and then, within a short time period, do an official launch. With the joint project the outset was instead to openly obtain information regarding any specific wants and needs, as specified by the segment itself—“engaging the customer from the very start”.

Practical Tip

It is important for organisations to be flexible in their approach to innovation. ICA had no prior knowledge about the wants and needs of the targeted segment, and they therefore felt a need to open up their closed approach to innovation and instead include the targeted customer in an open innovation approach.

At first, the project was intended to be launched already in August 2010, but, considering that ICA had little-to-none previous experience and knowledge about the targeted segment, the decision was taken to commence the project with a pilot launch. However, as time was limited between the start of the project and the planned pilot launch the decision was taken to put together a more generic offering; a free bankcard and insurance combined with a preselected set of discounted groceries—called “startkassen”—that ICA thought would be appealing to the segment of young adults.

16.4.1.2 Pilot Launch (Phase 2)

“We decided to go public as soon as possible [September 16, 2010] ... we had some content that we knew wouldn’t end up in the final offering, but some generic

stuff—a free bank card and some food offerings—just to be able to go out there and start talking to our potential customers . . . not to test the content, just to have something to start the discussion with . . . It wasn't that we innovated in-house for 6 months and then went public, not at all; we got things running quickly with an offering, based on generic content, to get users input on it".

Practical Tip

When applying an open innovation approach it is important to have an intermediary—in the case of ICA, a generic offering—to communicate through. Using *boundary objects* is important during open innovation as they enable communication between participants and a joint understanding about what knowledge and competences are sought during an innovation process.

After the summer, the pilot was launched at Stockholm School of Economics, and later at Uppsala University (September 21). In order for ICA to manage the pilot, the limit of participants was initially set to 500 students, but was later reduced to 200 students. The reason for this was that registration of participants had to be executed using a temporary IT solution that demanded a number of manual operations which were outside of the normal routines. Representatives from ICA, including the entire project group, visited the two universities and handed out folders to attract students to participate in the pilot.

One representative from ICA who participated commented; "The first reactions when meeting the students were interesting and offered a great experience . . . there were some initial general eye openers in terms of the mind-set of the students . . . I remember thinking, aha; yes I guess that's another way of looking at it".

One thing that emerged during the encounters was that the students were quite sceptical towards the ICA customer debit card combining discounts on groceries with banking and insurance services, and also reacted to discounted groceries being preselected and not selectable. Further initial indications concerned the formal demand that students had to transfer their financial aid from the state—called CSN funds—directly to their account at ICA Banken in order to be able to apply for the card. The students perceived this to be very tedious and cumbersome as it would involve bureaucratic paperwork and administration.

Because of limitations within their IT systems, and legislation around bank operations and food purchase registrations, it was not possible for ICA to do any detailed analysis of how participants actually used the generic customer debit card during the pilot. The launch of the pilot did, however, enable the first encounter with the young adult segment, an encounter which later on in the innovation process would prove to be beneficial. "It [the pilot launch] provided us with some fundamental insights regarding the need to continuously, and even further, include the segment of young adults in the development process . . . it provided us with arguments to proceed as planned".

16.4.1.3 Focus Groups and Survey (Phase 3)

In early October, the third phase of the process was commenced in order to deepen the insights gained from previous encounters during the pilot launch. ICA decided to involve the young adults segment through a total of four focus groups. The two initial focus groups were conducted lasting two hours each by an external research firm, with both novice (first year) and experienced (second and third year) students from Stockholm and Linköping. Each group had a total of eight students; four second-year students and four final-year students. Representatives from the project group were sitting behind a glass wall listening in on the conversation. The questionnaire used during the sessions was constructed by the project group and was inspired by the insights from the pilot launch encounters. It revolved around participants' attitude towards food, economy and banking, and also what they find themselves missing in their everyday life. And, during the last 20 min of each session the participants were asked to give their input on ICA's evolving concept for young adults.

The focus group sessions provided: (1) a general illustration and understanding of the targeted segment; (2) information about their view on food and economy (banking) and (3) a view of students as a highly heterogeneous segment. The sessions made it clear that the segment of young adults is sceptical about market communication, and often find themselves asking what the catch is. Moreover, ICA found that knowledge about ICA Banken amongst the segment was lower than anticipated and that reservations towards the bank were considerable. In this regard, the conservative nature of the segment became clear; they wanted the old fashioned way of banking with an office, a bank teller and advice about what to do with their money. Also, ICA had the idea about the segment that they would be more short-term oriented. However, rather than focusing on the necessity for discounts and similar offers, students talked about their studies as a transitional phase and were therefore wondering what would happen as they enter the next age segment. "We understood that we had to have a phase of transition, for example, through discounts on mortgage interests . . . to show that we believe in the segment, believe in that what is offered will be valuable for them even in the future". In relation to banking, the focus groups also showed that students had thoughts about the design of the customer debit card, and also what would happen with their "accumulated benefits" (such as discounts on interest rates) if they changed their current bank, in which they had been a member all their lives, to ICA Banken.

The subsequent two focus groups were conducted by ICA themselves at two occasions (October 22 and December 9) with a different set of students, using the same procedure as in the first two focus groups. During the first of these focus groups, ICA asked detailed questions about the evolving concept, evaluated each of its parts and addressed whether the students would alter anything in it. The second occasion was more of a brainstorming session in which students were asked about what they would do with the concept if they were given completely "free rein" in terms of, for instance, communication and the banking offer. The two focus group

sessions did not lead to any profound revelations: “It was nice to confirm the things that had come up during the initial focus groups, and to be able to discuss this with the students and get their point of view on what had emerged”.

The results of both sets of focus groups were presented at ICA before Christmas in 2010, and a number of employees from many different departments within ICA attended the presentation. The presence of higher executives during this meeting was however rather low. One problem that was discussed during the presentation, that students had addressed as fundamental in the focus groups, was the demand ICA was posing with regards to their CSN funds; “. . . that their CSN funds would have to be transferred to the account [at ICA Banken] directly we found to be a great hurdle both through the focus group sessions and through the survey”.

From mid-December 2010, until the beginning of January 2011, ICA sent out a web-based survey to the 200 students that initially were a part of the pilot in phase 1. The questionnaire contained questions about, for instance, debit cards and virtual banking. Apart from providing yet further input on students’ dissatisfaction with the CSN issue, the survey led to one significant revelation. There was a question that asked respondents to choose from three different possible offers on food from ICA. At the outset, ICA was sure that they would go for the option that gave the highest discount (5 % on the whole range), but found instead that most respondents wanted the option that would be cheaper for ICA (50 % discount on three favourite products). ICA thus found through the survey that offers of big discounts do not work on the segment of young adults. Furthermore, it provided information about the preselected set of discounted groceries—“startkassen”—not being as interesting for the segment since they prefer to choose products that they feel are individually right for them.

The result of the survey was, however, not only used in order to gain knowledge about the segment of young adults, but also served as support during negotiations, both internally and with suppliers. For instance, the project group used the information in order to gain acceptance within their own departments and to illuminate important strategic questions for their respective management; “When we [ICA Banken] continued to put our demands internally we could use the survey to motivate decisions . . .”

16.4.1.4 Case Competition (Phase 4)

On January 18, 2011, as a final effort to gain insights from the targeted segment, ICA gathered 25 marketing students, who were divided into six teams, from two universities in Sweden at ICA’s headquarters. These students had previously gone through a screening process, supervised by their teachers, that contained the assignment to answer the question; “Why don’t younger consumers enter into loyalty schemes in the same extent as older consumers?” The reason why they now were sitting at ICA’s headquarters was to enter into a case competition, which would put ICA’s concept to the segment of young adults.

After a short welcome speech from the project owners the six teams had 24 h to develop an offering based on the generic ICA and ICA Banken concept aimed at the young adults segment. They gave the students three rules for the concept: (1) it should “attract at least 30 % of the target group of young adults”; (2) it should “feel technically fresh in the autumn of 2011, and continue to have that feeling for 5 years on with only small changes” and (3) it should “be rooted in reality both in a technical and economic sense”. As a guiding light, ICA gave the eager students the words “be innovative!” The students also got a PowerPoint presentation containing facts and figures about both ICA and the target segment of young adults. For ICA, the aim of the competition was to gain knowledge of how representatives from the segment saw the generic concept, and how they would improve it in relation to young adults.

Practical Tip

Even though it is necessary to set clear delimitations with regards to what knowledge and competences are sought from users, it is equally important to provide users with *creative freedom* during an open innovation process. Striking a balance between openness and delimitation is hence crucial.

Twenty four hours later, on January 19, the six teams presented their concepts to a crowded auditorium and a jury of two senior managers from ICA Banken and one senior manager from the CRM department at ICA’s headquarters. After each presentation, the jury, as well as members of the auditorium, asked each team challenging questions that forced them to clarify their statements and ideas. Several of the student teams were “positively arrogant” towards ICA’s generic concept, all suggesting radical changes that ICA sometimes agreed to, but often questioned. The dialogue even continued after the six presentations had finished.

There was no case solution that ICA adopted altogether into an offering to the segment of young adults. Instead, they took bits and pieces from several of them. Many of the teams argued for a broader target segment, while recognising that the sub-segment of students is the trendsetter for the entire segment of young adults. ICA acknowledged that, in the short run, only focusing on students would not be profitable as they do not have a lot of money to spend themselves. However, it was considered that the student sub-segment, being easily identifiable and reachable, will be profitable in the long run; if they are approached early on, the chances that they will stay loyal customers increase.

Yet again, ICA found the students reluctant as in the CSN issue. They therefore took the decision to exclude in the offering the demand on students of having to put CSN into their account at ICA Banken. Instead, they incorporated one aspect of a case solution, giving double bonus points every time the customer debit card was used (points that only could be used in ICA’s food stores). One of the student teams also suggested giving discounts on more costly food, instead of only on common

groceries; "... every student sometimes needs to eat noodles at the end of a month, but that is not something we want to be reminded of ... instead we all want to spoil ourselves with a nice steak, even though we might not be able to afford it ... but if it is on discount, then what the heck". This reasoning—"some everyday luxury"—was something ICA considered and adopted into the offering.

There were also two ideas that emerged during the case competition that ICA considered but rejected for different reasons. First, all teams disliked the colour of the regular debit card, which is pink; "... that is not a card you wave in a bar ...". Several of the teams had designed their own cards, most of them in black. However, ICA argued that there is too much internal administration to change the colour, and also that pink represents some of the core values at ICA. They did, however, consider these opinions from the students, and ICA is planning a three colour option to the card in the near future. Second, another idea that was considered, but not adopted, was "Nickles and dimes". The idea was to let cardholders save up for something they desired, such as a computer or an around the world trip. Practically, the concept meant letting cardholders pay, for example 100 SEK when the groceries only cost 89 SEK, and the pocket change (11 SEK) would then end up in the ICA Banken savings account. This concept was widely acclaimed among the jury and the auditorium as a highly innovative and brave idea, and the jury gave it first prize in the case competition. Still, the concept was not included into the offering, and the reason was because of the IT structures at ICA and regulations in Swedish law. At the moment, all required IT systems—for instance the CRM system, the bank system and the cash registers at the stores—could not be effectively linked in order to make the necessary transactions possible. Also, ICA had found that this type of transaction could be problematic in relation to regulations in Swedish law about connecting personal data between different computerised systems. Still, "Nickles and dimes" was set aside as an innovation for the future. Interesting to note is that "Nickles and dimes" was regarded as immensely innovative, whereas the similar concept "Eat up your loan" was not considered, but rejected immediately. The core of this concept was to amortise loans through consumption. Bonus points gained from shopping at ICA were to be used to repay loans, and the more consumption the greater the amortisation. "Eat up your loan" was regarded as innovative, but the jury rejected it based upon the idea that whereas shopping food should be fun, amortising loans is boring, and the two should therefore never be mixed.

Several of the teams also focused on how to connect with the student segment. Traditionally, ICA has communicated with their customers through their magazine *Buffé*, big outdoor billboards and TV commercials. Several of the teams stated that ICA needed to be more innovative and proactive on social media platforms, such as Facebook and blogs, and that they also had to develop a mobile app. Their argument was that younger consumers do not easily get attracted by traditional commercials. Instead, they listen to their peers, and that ICA therefore needs a more personal tone. The reason behind the app was that the segment felt a need to be constantly updated of their bonus points and account status, something that an app could provide. ICA agreed with these points, but stated that it represents a new type of dialogue that they are not used to. Therefore, ICA felt a need to get additional assistance in order to be able to communicate in the way preferred by the targeted segment.

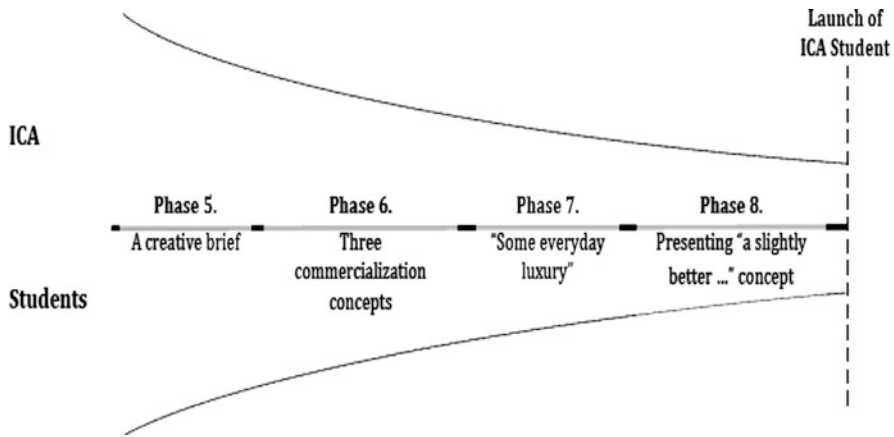


Fig. 16.2 Commercialisation phases

The content of the offer to students, which at this point had been named ICA Student, was hereby decided by ICA to be put into “freeze-mode”; that is, the content outline of ICA Student was wrapped up and closed.

16.4.2 Commercialisation

As realised during the content generation stage, ICA found a need to involve the targeted segment also during the commercialisation stage; “This segment is highly challenging ... if miscommunicated to, things can easily go the wrong way fast”. Therefore, in order to achieve a proper tonality in the communication with the segment, the decision was taken to include students also during the commercialisation stage of ICA Student; “It’s power by students! ... we wanted to be open to the students’ influences during the whole process”.

Practical Tip

It is important to recognise that commercialisation can be an equally important part as content generation in an open innovation project. Hence, it is crucial to also involve users during the stage of commercialisation.

The commercialisation stage followed the outline presented in Fig. 16.2, and each phase is elaborately discussed below.

16.4.2.1 A Creative Brief (Phase 5)

The first phase of commercialisation was initiated in early March 2011, when students from Berghs School of Communication were asked to provide input

about how ICA should communicate with the targeted student segment. In a similar vein to the phases in content generation, a group of students from Berghs were given a presentation by ICA in the form of a “creative brief”, which contained information about the content of ICA Student, the target segment, and general information about ICA. Also included in the brief was a budget, a specification about the available communication channels and an outline on the overall goals regarding ICA Student.

Practical Tip

Just as during the stage of content generation it is important to use boundary objects during commercialisation—in the case of ICA, a creative brief—in order for users to be able to apply their knowledge and competences also in this stage of the innovation process.

The students from Berghs had two weeks to develop a presentation about how to reach the targeted segment. ICA was looking for suggestions about tonality, layout, advertising channels, promotion activities and other vital aspects in order to be able to properly interact with students. “Obviously we expected the students to come up with ideas relating to things we hadn’t thought about, otherwise we wouldn’t have involved them. . .this includes communication details but also, or even more so, the overall mind-set of the communication”.

16.4.2.2 Three Commercialisation Concepts (Phase 6)

Two weeks after they had been handed the creative brief, the students from Berghs presented three conceptual themes to ICA’s project group: (1) “keeping it cheap”; (2) “some everyday luxury” and (3) “ICA—no ordinary bank”. A commonality amongst the three concepts was that all focused on a similar IT solution for communicating and interacting with students. Berghs strongly suggested using social media platforms, especially Facebook and Facebook-related blogs and forums, as a hub for interacting with the segment.

The first concept, “keeping it cheap”, had a tonality that used handwritten or typewriter written small ads to enforce a sense of not wasting resources on promotion, but rather offering discounts on groceries and insurances. The second concept, “some everyday luxury”, embraced the issue of how the small things sometimes can make all the difference in someone’s everyday life, focusing on how ICA, for instance could provide “a slightly better” dinner party, weekend or vacation. The third concept, “ICA—no ordinary bank”, was an antithesis approach that ironized the general view of ICA Banken as not being a real bank and insurance provider. The idea was hence to turn this unconventional notion into something positive.

During the presentation, which contained overall strategic approaches as well as specific production and copy-related aspects, ICA was able to ask questions to clarify and enable yet further elaboration of the material. This was followed by a discussion in which participants from ICA considered the presented material. The main purpose of the discussion was to evaluate whether the different concepts were adaptable to ICA. “Even though there are some fantastically creative ideas on how to do this we need to keep in mind that some of them might not be doable as we have a number of formal and informal rules, regulations and limitations to consider”. The discussion came to focus on if, and if so, how, aspects from the different concepts could be combined and adapted, in order to; “. . . keep the out-of-the-box mindset while adapting it to our existing profile”. While the ironic concept generated a few smiles, it was uniformly rejected as it clashed with ICA’s ongoing campaign that focused on establishing ICA Banken as a genuine bank and insurance provider. However, the project group considered the two other concepts, and found them both partly adoptable to ICA and ICA Student. Concerns were raised regarding some of the promotion activities in the concepts, for instance the second concept’s idea about installing ICA-labelled vending machines and tables for playing table tennis at student campuses. Even though it was considered feasible as such, questions about procurement processes and legal obstacles led to a rejection of this specific “guerrilla” marketing activity.

Conclusively, the decision was taken that Berghs should continue the development by combining the activities included in the “some everyday luxury” concept with the tonality of the “keeping it cheap” concept. The student group was moreover specifically asked to focus on how the digital communication and interaction should be designed, as well as how ICA Student could be both distinguishable and simultaneously incorporated within ICA’s existing digital communication platforms and routines.

16.4.2.3 “Some Everyday Luxury” (Phase 7)

Five weeks after the three commercialisation concepts had been presented to ICA, a meeting was held at headquarters in which Berghs presented their reworked version. The formerly distinctive concepts now had been combined into a single concept that was given the name “some everyday luxury”. Facebook was suggested to be the common interaction and communication hub to which all promotion activities were to be directed, and the students argued that ICA Student should have its own Facebook site separate from ICA’s general Facebook site. All ads and posters were to have a message clearly stating that ICA Student’s Facebook site was the advertiser, and the messages were designed following the “keeping it cheap” concept. For example a newspaper ad was to state: “less money spent on this ad enables us to give you a better discount on breakfast cereals”, and a short and cheap ad intended for the music streaming service Spotify read: “less money spent on this spot gives you a better deal on your insurance”.

Another idea, following the suggested “guerrilla” marketing approach, was to hand out covers for bike saddles reading “ICA Student—slightly better than a wet saddle”. Also, it was proposed that ICA should sponsor tent camps in different university cities, where the lack of student housing was evident at the beginning of the semester, and then to print “ICA Student—slightly better than sleeping out in the open” on all the tents. Further, ice creams were to be handed out in parks around campuses in return for the students filling out the application form for signing up for ICA Student.

Berghs suggested that, early on in the semester, a competition called “Battle of the corridors” was to take place in which students living in student housing were to come up with suggestions about how to improve their student living if they would have 100,000 SEK to spend. Participants had to visualise their suggestions, and write a short motivation, and were subsequently to post their suggestions on ICA Student’s own Facebook site. The suggestion with the most “likes” would be rewarded with the suggested sum to spend on improving their student housing situation. Also, in order to generate viral promotion effects on social media, Berghs suggested a concept called “Random acts of love” which consists of ICA Student randomly handing out vouchers on Facebook that only can be used in ICA stores. By handing out these gifts, and simultaneously posting that someone has received a gift on ICA Student’s Facebook site, the idea was to virally generate word of mouth about ICA Student.

Provided with the rich and innovative material from the students at Berghs, the task for the project group at ICA was now again to consider and adapt the details and tonality of the hitherto developed concept in order to enable an adoption into the ICA context. Thus, a period followed in which the project group had a dialogue with suppliers, retailers and different internal departments, as to determine the final outline of ICA Student’s commercialisation. During this time, the project group also prepared and secured IT resources—for instance access to social network platforms and blogs—along with social website editors and bloggers, and looked at opportunities and limitations in ICA’s current graphical and typographical layout portfolio and IT system.

Practical Tip

When applying an open innovation approach it is also important to reflect on the *organisational fit* of the progressing innovation. This requires a continuous dialogue not only with intra-organisational actors, but with suppliers and retailers as well as a consideration of the innovation’s fit within current IT structures.

16.4.2.4 Presenting “A Slightly Better...” Concept (Phase 8)

On May 20, 2011, the preliminary outline—content and commercialisation—of ICA Student was presented at ICA headquarters in front of the students from Berghs and several ICA employees from different departments. A number of aspects

related to the commercialisation stage were addressed. Motivations were given as to how and why some of the inputs from the students from Berghs were considered, adapted and now adopted into ICA Student, and why some inputs were considered but not fully adopted.

ICA began discussing the essence of the tonality of the “cheap” concept. Commonly known as Sweden’s biggest buyer of advertisement, the question was if “cheap” could be trustworthily used by ICA: “Our conclusion is that we cannot fully use the cheap theme, since, even if we could try, the only one fooled would be ourselves ... we cannot communicate ICA Student in isolation ... we must remember that this group will eventually go from being students to becoming regular ICA card holders”. Another aspect addressed was that retailers, suppliers and other partners might not be able to respond to the “cheap” concept in a synchronised manner as they do their advertising individually, which then can, or cannot, be perceived as cheap. Consequently, basing commercialisation tonality on the “cheap” concept was considered unachievable.

However, it was declared during the presentation that ICA would adopt the straightforwardness in the communication approach that had been emphasised by the student group in order to properly interact with the targeted segment without losing the ICA touch. A decision had been taken that ICA would embrace a “simple” tonality as opposed to the “cheap” tonality. In this way, as it was explained, the “cheap” tonality was “transformed into something we can feel comfortable with over time”. In a similar way, the handwritten or typewriter-style font that was suggested by Berghs was changed to a crayon-like font that already was a part of the established ICA font portfolio.

Berghs had suggested “some everyday luxury” as a foundational concept for the commercialisation of ICA Student. However, ICA was more inspired by the group’s “guerrilla” marketing catchphrases “ICA Student—slightly better than a wet saddle” and “ICA Student—slightly better than sleeping out in the open”. The decision had been taken to use the “slightly better” wording as the foundational concept of the commercialisation, and it was to be adopted into all ICA Student communication. Moreover, in terms of the suggested “Battle of the corridors”, ICA adopted the entire marketing event but with a few adaptations. For instance, the prize was not to be concentrated to a single winner as suggested, but was instead to be spread out over time and was to be more related to the “random acts of love” campaign. The prizes were also to be more related to ICA by using an ICA-led jury who would decide amongst the ten most “liked” postings on the ICA Student Facebook site.

Furthermore, ICA adopted the suggestion to establish a separate Facebook site for ICA Student. It was to be given its own editorial resources as it was considered that “it is important that we allow the ICA Student Facebook site to evolve on its own with its own unique dialogue ... we do not want to risk the specific ICA student offerings getting lost in the ordinary site’s flow of more generic offerings and discussions”. The “guerrilla” marketing saddle cover event was also to be adopted, but with a slight adaptation of the catchphrase; from “ICA Student—slightly better than a wet saddle” to “there are wet student rears, and then there are ICA student rears”.

Handing out free ice creams to get students to sign up for ICA Student, as suggested by Berghs as an important part of the launch, was however not possible to adopt as by the end of the summer there were no available freezers for all the ice cream. Neither could the tent camps be carried out since it had already been taken care of by the major student cities themselves. A plan to adapt this campaign by ICA was addressed at the presentation, and discussions had been initiated to get local retailers to provide the city funded camps with breakfast. But the negotiations had been affected by local rules and regulations, which could turn out to be difficult to circumvent. Also, the suggestion to put commercial spots on Spotify was considered but not adopted since ICA was hesitant because Spotify, during the time, was moving from being financed by advertisement to becoming a surcharged service.

ICA announced that ICA Student was to be launched on August 17, 2011 (about the time the semester starts), and the presentation was concluded with a statement about the importance of having co-created the content and commercialisation together with students. It was the project group's expressed standpoint that, although some of the input from students had not even been considered, whereas other input had gone all the way from consideration to adoption, the end result was the result of a truly interactive process.

16.5 Practical Advice

The above account of the open, co-created, innovation—ICA Student—illustrates several important issues for managers and practitioners working with innovation. The following five points highlight what we find to be the most significant issues that can be drawn from the longitudinal study of this specific innovation process: (1) framing an open innovation; (2) identifying suitable participants; (3) absorbing and using inputs not directly applicable to the specific innovation; (4) innovating is more than just content generation and (5) realising that consideration, adaptation and adoption of knowledge and competence will affect the solution space.

1. Our study shows that innovation, especially when not only intra-organisational actors are included, is dependent upon the fundamentals from which it is developed. An important lesson drawn from the study is thus that a managing organisation that invites participants to co-create innovation should enforce constraints on the process. ICA Student was since the offset to become an offer including both food and bank offerings to the young adults segment, and the participants who were involved in the project had to comply with this constraint (i.e. ICA's constructed design limit). However, the development of ICA Student also shows that framing an innovation offers the prerequisites for participants to get involved and apply their knowledge and competence. It is important for a managing
(continued)

organisation of an open innovation to also clearly frame and communicate what it wants and needs; not only worry about the wants and needs of future users.

2. Young adults were initially the targeted segment for ICA Student. However, due to the vast heterogeneity of this segment, ICA found a need to identify a sub-segment that would be representative. Students were regarded as suitable because of being in the forefront of the segment in terms of trend awareness and were also considered identifiable and reachable. A revelation for ICA was that students were very skilled at expressing their wants and needs, as it is something that they are trained to do. Organisations employing an open innovation approach ought to keep in mind that it is important to engage participants who do not only have relevant wants and needs, but who also can express those wants and needs efficiently.
3. Throughout the process, ICA gained insights relevant for developing and commercialising ICA Student. However, the innovation process also led to a gain in insights not directly applicable to the specific innovation; insights that were gained through interacting with participants (especially external) and that were used to create “leverage” internally. As commented by a project group member; “. . . the project has led to issues that before were not as prioritised internally by some, have now climbed on the agenda . . . projects have gained acceptance through the students [knowledge and competence], . . . such as modernising the IT platforms”. Managers and practitioners ought to be attentive to inputs that are not directly applicable to the specific innovation but that can be used to support their claims about bringing issues up on the board’s agenda.
4. In order to be successful with an open innovation, it is crucial to continue involving future users also during phases of commercialisation. The innovation process that has been studied involved the targeted segment both during content generation and commercialisation. ICA Student clearly shows that users can contribute immensely with knowledge and competence not only for generating content, but also in order for an innovation to be accepted and carried within the targeted segment. It is important for managers to acknowledge that innovation is not only about content generation; involving future users in the phases of commercialisation is equally important, as this chapter clearly shows.
5. On the same note as the above advice regarding framing of an open innovation, it is important to realise that *consideration*, *adaptation* and *adoption* of knowledge and competence dynamically affect the solution space. Various inputs were continuously considered, adapted and adopted throughout the innovation of ICA Student until it was launched. This continuous adoption of knowledge and competence meant that participants’ possibility to influence the innovation was increasingly restricted

throughout the process. Practitioners should be aware that adoption of knowledge and competence throughout a specific innovation process affects subsequent considerations, adaptations and adoptions for the managing organisation. Also, adoption of knowledge and competence influences the possibilities for other participants, such as users, to affect an innovation; it progressively delimits the solution space. Practitioners need hence consider the *relative openness*—for both the managing organisation and other participants—when applying an open innovation approach.

16.6 Implications for Research

In the beginning of this chapter it was mentioned that the innovation literature is increasingly maturing, but that certain aspects still remain in their infancy. We argued that the literature has only vaguely considered user involvement in the commercialisation of an innovation. We also argued that it falls short with regards to considerations of the intricacies managers face during the adoption of user knowledge (i.e. why some user knowledge and competence is included in an innovation, and why some is not). This chapter has taken an initial step towards empirically overcoming these shortcomings by illustrating how a managing organisation considers, adapts and adopts user knowledge both during content generation and commercialisation of an innovation.

Our investigation of how a managing organisation considers, adapts and adopts knowledge and competence from users throughout an open innovation process has led us to question *the openness of open innovation* (see Practical advice, point 5). The source of this issue is empirical, and in the final part of this chapter we therefore use abstraction in order to discuss, theoretically, the relative openness of open innovation.

16.6.1 *The Openness of Open Innovation*

Open innovation necessitates the involvement of at least two distinct participants, and the total number of participants, as well as their heterogeneity, can easily be perceived as a major determinant of the openness of an open innovation. In the development of ICA Student, one participant initiated and managed the process by setting a solution space, and thus enabled, as well as directed, other participants' application of knowledge and competence throughout the open innovation process. Thus, the participant managing an open innovation—in our case ICA—decides what knowledge and competence to consider, adapt and adopt throughout the extension of the process, regardless of the number of participants and their heterogeneity.

Consideration, adaptation and adoption are the successive decision activities through which a managing participant determines the openness of an open innovation; they constitute the activities through which a solution space is progressively reduced. *Consideration* involves a managing participant continuously deciding what is deemed relevant knowledge for a specific innovation. *Adaptation* involves knowledge and competence that has been considered relevant being revised so as to be in accordance with the managing participant's wants and needs. *Adoption*, lastly, means that relevant and revised knowledge is situated into an innovation, and that the solution space is altered and the acting definition of knowledge vis-à-vis the innovation progresses for all participants. Based on this reasoning, the openness of open innovation is relative for all participants; it depends on the managing participant's continuous consideration, adaptation and adoption of knowledge and competence throughout the entire extension of the process. Intriguingly, the more unambiguous a managing participant becomes in defining knowledge in relation to an open innovation process, the more closed that open innovation will become.

However, as the development of ICA Student shows, reality is more complex for a managing participant as regards dealing with the successive decision activities. The possibility to consider, adapt and adopt knowledge and competence throughout an open innovation process is affected by, for instance, laws and regulations, IT systems and organisational norms. Naturally, such aspects will affect a managing participant's progression towards a more unambiguous definition of knowledge. Thus, to enhance the theoretical understanding of the openness of open innovation, we suggest that future studies should aim to include more internal and external participants. Future studies could fruitfully illustrate the influence of, for instance, IT systems and regulations, as well as include other stakeholders, such as suppliers, retailers and other intra-organisational departments, in their discussions about the openness of open innovation.

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Further Reading

- For readers interested in the co-creation of innovation and value, we suggest the following work:
- Bogers, M., Afuah, A., & Bastian, B. (2010b). Users-as-innovators: A review, critique, and future research directions. *Journal of Management*, 36, 857–875.
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