

Contents

<i>List of Figures</i>	vii
<i>List of Tables</i>	ix
<i>Contributors</i>	x
1. Open Innovation: A New Paradigm for Understanding Industrial Innovation <i>Henry Chesbrough</i>	1
Part I: Firms Implementing Open Innovation	
2. New Puzzles and New Findings <i>Henry Chesbrough</i>	15
3. Wither Core Competency for the Large Corporation in an Open Innovation World? <i>Jens Frøslev Christensen</i>	35
4. Open, Radical Innovation: Toward an Integrated Model in Large Established Firms <i>Gina Colarelli O'Connor</i>	62
5. Patterns of Open Innovation in Open Source Software <i>Joel West, Scott Gallagher</i>	82
Part II: Institutions Governing Open Innovation	
6. Does Appropriability Enable or Retard Open Innovation? <i>Joel West</i>	109
7. The Use of University Research in Firm Innovation <i>Kira R. Fabrizio</i>	134
8. Open Standards and Intellectual Property Rights <i>Timothy S. Simcoe</i>	161

Contents

9. The Use of Intellectual Property in Software: Implications for Open Innovation <i>Stuart J. H. Graham, David C. Mowery</i>	184
Part III: Networks Shaping Open Innovation	
10. The Interorganizational Context of Open Innovation <i>Wim Vanhaverbeke</i>	205
11. Knowledge Networks and the Geographic Locus of Innovation <i>Caroline Simard, Joel West</i>	220
12. Open Innovation in Systemic Innovation Contexts <i>Markku V. J. Maula, Thomas Keil, Jukka-Pekka Salmenkaita</i>	241
13. Open Innovation in Value Networks <i>Wim Vanhaverbeke, Myriam Cloudt</i>	258
Part IV: Conclusions	
14. Open Innovation: A Research Agenda <i>Joel West, Wim Vanhaverbeke, Henry Chesbrough</i>	285
<i>References</i>	309
<i>Index</i>	345

Index

- ABA (American Bar Association) 171
- Abernathy, W. J. 241
- absorptive capacity 6, 7, 8, 58, 121, 153, 286
 - acquisitions successfully used as form of 41
 - building 40, 85
 - developing 86
 - enhanced 155, 160
 - maintaining 97
 - maximized 234
 - superior 154
- acceleration activities 69, 70, 78–9
- acquisitions 41, 53, 56, 57, 89, 95
 - access to complementary assets through 54
 - large-scale 252
 - mergers and 212, 263, 270
 - small-scale 251
 - timely policies 55
 - value constellation set up through 259
- adverse selection 23
- advertising 76
- Afuah, A. 262
- agbiotech (agricultural
 - biotechnology) 213, 272, 273, 278
 - commercialization of 214, 215, 217, 258, 295
 - customers that potentially can benefit from 268
 - enabling property 265
 - focal firms 269, 271
 - new business opportunities 260–2
 - new products 262, 263
 - technological breakthroughs/
 - developments in 258, 259, 260
 - value creation in 215, 260, 264, 265
- agribiotech 271
- agriculture industry 260, 261, 262, 278
- Air Products 68
- Alcatel 127, 128
- Allen, T. 6
- alliances 7, 173, 205
 - collaborative 135
 - crucial to firm innovation 234
 - customer and supplier 212, 252
 - durable 294
 - equity 207, 277
 - exploration and exploitation 231
 - formal 233, 236, 237
 - formation of 164
 - intermediaries in 10
 - lateral 222
 - long-term 54
 - nonequity 207, 208, 251, 259, 277
 - R&D 303
 - start-up 251
 - strategic 71, 223, 270, 277
 - venturing through 251
- Almeida, P. 224, 273, 303
- Amazon 299
- ambidextrous capability 236
- AMD 87
- Amit, R. 214, 215, 218, 265, 267, 275, 276, 287, 292–3
- amplifiers, *see* digital amplifier circuitry
- Analog Devices 68, 78–9
- Andersen, Michael A. E. 51
- Anderson, P. 241
- anticipatory standards 174
- 'anti-commons' problem 143
- anticompetitive effects 117, 122
- antitrust 163, 171, 179, 181
- Anton, J. J. 169
- AOL Time Warner 94
- Apache 31, 96–7, 104, 106, 123, 172, 188

Index

- Apogee 51, 52, 54
Apple Computer 86, 163
 iPhoto 113
 iPod 167
 Macintosh 92, 101, 114
 OS X operating system 97, 99, 113
 Safari browser 96, 97
appropriability 40, 52, 60, 103, 109–33, 134
 de facto regimes 305
 formal 300
 legal solution to problems 171
 openness associated with moderate
 level of 297–8
 role of 297
appropriability mechanisms 169, 170
architect role 243, 252, 253
architectural competence 28, 59
Argyres, N. 47
arm's-length transactions 237, 260,
 266, 270
Arrow, Kenneth J. 116, 169, 292
Arthur, W. B. 88
Asian competitors 128
Asian Tigers 44
AT&T 125
 Bell Laboratories 2, 5, 8, 83
Audretsch, D. B. 301
automotive industry/market 7, 79
Avalanche Technology Cooperative 98, 99
Axelrod, R. 164

background competencies 45, 46, 58
Baden-Fuller, C. 273
Baldini, N. 288
bandwagons 187
Bang & Olufsen 51
Bangalore 195
bargaining power 267
Barney, J. B. 273
barriers to entry 5, 176, 298
 lowered 102, 299
 major 100
barriers to trade 42–3
Bayh-Dole Act (US 1980) 105, 120, 129,
 134, 135, 139–40, 142, 143
 some restrictions removed 141

BEA Systems 95, 96
Beehive open source project 95, 96
Bekkers, R. 122, 126, 127, 164, 172, 176
Bercovitz, J. 120, 288
Berners-Lee, Tim 250
Besen, S. M. 111
Betamax 114, 163
Bettis, R. W. 28, 39
biomedical research 9, 141, 144, 288
biotechnology 7, 9, 45, 109, 121, 144,
 145, 153, 216, 225, 233
 ability of firm to identify, assimilate,
 and exploit public science
 research 156
 earliest phase of development of 298
 firms that coauthor publications with
 top university scientists 154
 formal networks 237
 informal social networks 210, 237
 potential of 262
 public research institutes 227
 specialist firms 299
 university patenting activity
 concentrated in 142
 university research funded by private
 sector 119
 see also agbiotech
'blanket' disclosures 177
Bluetooth 250
bodies of practice 36, 45, 46, 48, 58
 bias towards 50, 57
bodies of understanding 36, 45, 46, 48, 58
 bias towards 50, 57
Borland 95
Boston 216
boundaries of the firm 105, 135, 139, 169,
 205, 247, 287
 approaches to closing 222
 business models no longer tied to 214
 critical resources may extend
 beyond 275
 enabling firms to build upon broad pool
 of knowledge outside of 221
 harnessing knowledge flows across 236
 sharing or exchanging technology
 across 165

- boundary-spanning activities 212, 218,
242, 243, 247, 287
time horizons and 249, 250–2
two main purposes 248
- Bower, J. L. 241, 245
- Bower-Burgelman process model 246,
248, 249, 255, 257
central feature of 245
- Brandenburger, A. M. 130, 267, 275, 276
- Brazil 117, 300
- British Heart Foundation 300
- British Telecom 175
- Brown, J. 217, 296
- Brusoni, S. 28
- BSD (Berkeley Software Distribution)
license 89, 97, 104, 106, 123, 124, 197
- budgetary constraints 44
- budgets 20–1
- buffer management 24
- Bulow, J. 164
- bundled applications 113
- Burgelman, R. A. 245
see also Bower-Burgelman
- Burt, R. 231
- business models 1–2, 9, 15, 90, 111, 128,
208, 304
agbiotech-based 273
apparent, successful technology
without 24–5
centrality of 8
changes in 125
consistent with innovator's position
in 118
dominant logic of 23
experiments with 32
external and internal ideas to create
value 285–6
inferior 25
interdependence in value
networks 114–16
IP-based, limitations to 117–18
key construct in open innovation 31
licensing-based 122
main reference point 287
OEM 28
open source 29, 30, 123
R&D coupled to 20, 22
radically different 259
spillovers an opportunity to expand 4
success of 234
trade-off between openness and control
in developing 166
unit of analysis 214
see also new business models
- Cable Labs consortium 173
- Calgene 269
- California 297
see also Silicon Valley
- Cambridge 216
- Canada 125
- Canon 39
- capitalism 42
- Cargill, C. F. 164, 179–80
- Casio 39
- catch-up effort 56, 96–7
- causality 238
- Caves, R. 298
- CD/DVD standards 175
- CDMA (Code Division Multiple
Access) 113, 126, 127, 128
- Centocor 153
- central planning 37, 38
- centralized structure 47
- Cesaroni, F. 142
- Chandler, A. D. 6, 8, 11, 42, 43, 285, 286
Chemical Weekly 76
- chemicals industry 261, 262, 301
- Chesbrough, H. 18, 56, 59, 87, 101, 111,
114, 115, 120, 122, 134, 165, 169, 170,
184–5, 186, 197, 198, 206, 207, 208,
211, 212, 216, 222, 228, 229, 234, 238,
244, 249, 252, 259, 262, 273, 285–6,
288, 290, 298, 300–1, 302, 304, 305
- China 44, 117, 127, 128, 300
- Christensen, C. M. 241
- Christensen, J. F. 27–9, 31, 32, 38, 52, 245,
292, 293, 298
- Cisco 41, 83, 93
IPR disclosures 176
- Clark, K. 26
- Clark, K. B. 38, 43, 241

Index

- Class D technology, *see* digital amplifier circuitry
- Cloodt, M. 103, 213, 215, 217, 303
- closed innovation 2, 4, 8, 10, 208, 287, 288, 291
 - concerns that patents will inhibit 105
 - first generation 125
 - once-and-for-all replacement of 56
 - see also* vertical integration
- closed strategies 173, 174
- Cockburn, I. 154
- cognitive barriers 50
- Cohen, S. S. 169
- Cohen, W. M. 6, 40–1, 44, 119, 121, 153
- Cohen-Boyer recombinant DNA research toll 142
- Cole, R. E. 188
- Collins, S. 142
- collusion 179
- colocation 225, 226, 301
 - absence of 235
- Colyvas, J. 119
- commercialization 6, 19, 25, 27, 40, 49, 76, 78, 83, 109, 110, 165, 166, 169, 170, 226–7, 240
 - agbiotech innovations 214, 215, 217, 258, 295
 - alternatives for internal innovation 101
 - complementary assets for 5, 269–70
 - early 185, 212, 251
 - exploratory 251
 - external 85
 - firms more geared toward 231
 - full-scale 244, 248, 252
 - heavily based on basic science 232
 - imminent, pressures created by 174
 - influencing the value captured
 - from 211, 262
 - internal 85
 - knowledge asset 139
 - large-scale 48, 57
 - network management and 213–15
 - new venture shifts from idea generation
 - phase to 277
 - open 214
 - policies that accelerate 234
 - predating 250
 - public research 105
 - RI 62, 63, 64, 66, 71, 213
 - successful 243, 273
 - university research 121, 135, 138, 140, 142, 143, 145, 226
- commoditization 96, 103, 104
- community-of-practice 225
- Compaq 192
- compatibility standards 50, 121, 122, 163, 178
 - arrangements that influence and respond to creation of 176
 - committees more likely to produce coordination on 164
 - importance of 232
 - not all are created equal 167
- competencies 134, 259, 266
 - background 45, 46, 58
 - discovery 69, 72
 - incubation 69, 74
 - radical innovation 37, 64–6
 - transaction-based bundling of 276
 - see also* core competency; integrative competencies
- competition 24, 170, 265
 - collective 266, 278
 - cooperation and 275
 - encouraged 175
 - external 78
 - firm-based 214, 277
 - foreign, threat of 126
 - group-based 214, 277, 296
 - intense, between technologies 163
 - lack of 125
 - market 117
 - new rules for 264
 - perfect 166
 - political 169
 - price 128, 260, 261
 - promoting 165
 - reducing from potential rivals 122
 - stronger 228
 - vulnerability to 115–16
- competitive advantage 39, 45, 105, 111, 126, 131, 274, 276, 285, 305

- analysis can be centered on value-creating system 214
 - determined 115
 - dynamic 110
 - enduring 229
 - firms increasingly sophisticated in
 - efforts to gain 177
 - gaining and sustaining 265, 266
 - increasing powerful driving force
 - generating 258
 - innovation speed, development costs and 86
 - maintaining 66
 - quest for 184
 - role of/for technology as source of 46
 - sustainable 35, 37, 58, 275, 298, 299
 - transient 83, 110
 - competitive disadvantage 6
 - competitive threats 252
 - competitiveness 266
 - collective 270
 - global 216
 - long-term 35, 246
 - complementarities 265, 273
 - complementary assets/products 50, 54, 60, 111, 169, 213, 240, 294
 - ability to access 52, 166, 171
 - attracting 233
 - capacity for mobilizing 57
 - commitment of partners to invest in 205
 - creating value from innovation
 - requires 138
 - critical 52
 - crucial for commercialization 269–70
 - customized 112
 - firms work closely with suppliers of 221
 - maximized availability of 114
 - open source as a way to attract 123
 - outsourced 40
 - powerful 48, 55
 - RIs typically lack 66
 - specialized 113, 243
 - suppliers of 112
 - technology transferred to holder of 139
 - complementors 52, 116, 130
 - cross-licensing with 124
 - failure to provide enough value to
 - attract 295
 - potential 211
 - complements:
 - donated 97–9
 - external production of 105
 - incentives to third parties producing 122
 - knowledge about building 234
 - selling 96–7, 100
 - complex systems 50, 68, 115
 - building 119
 - components of 88, 103
 - components 43, 48, 58, 101, 113, 123, 299
 - commoditized 96, 103
 - core 50, 55
 - development of 211
 - digital 298
 - external production of 105
 - highly complex 28
 - integrated with others 112
 - key 54, 115, 222, 304
 - rapidly changing 96
 - ready-to-use 118
 - shared 103
 - suppliers using horizontal
 - specialization 102
- computer game industry 98–9
- Conant, James B. 5
- consortia 84, 94, 122, 164, 173, 212, 245
 - collaborative R&D 105
 - government-supported 250
- consumer electronics 27, 32, 49–58, 118
- consumption 64
- contingency framework 40
- contracts:
 - licensing 54, 56
 - research 21
 - royalty-based 56
- Cooke, P. 207, 216, 217
- co-opetition 87
- coordination 47–8, 167, 235
 - anchors for 252
 - control and 274
 - demand for 168
 - value of 168
- coordination costs 129, 168

Index

- coordination problem 173
- CoPS (Complex Product Systems) 244
- copyright 83, 111, 115, 116, 117, 188
- copyright law 234
- core competency 28, 35–61, 63, 293
- core incompetencies 63
- core rigidities 39, 63
- core technologies 46, 111, 112
- Corning 68
- Corporate Radical Innovation
 - initiative 67
- corporate strategy 37–42
- corporate venturing 67, 207, 212, 223, 251, 294, 303
 - external 277
- creative destruction 63, 215
- creativity 72, 73, 289
 - shared 290
- credible commitments 252–4
- ‘crippleware’ strategy 118
- critical capabilities 54, 270
- cross-licensing 123, 124, 127, 175, 195
 - defensive 198
 - widespread use of 176
- cross-subsidies 113, 115, 129, 286
- cryptography standards 174
- cultural distance 239
- cultural norms 122, 288
- customer support 96
- CVC investments 253
- cycle times 17

- D-AMPS standards 126
- Darby, M. R. 298
- DARPA (Defense Advanced Research Projects Agency) 256
- Darwin open source project 96, 97
- Dasgupta, P. 142
- David, P. A. 121, 142, 163
- Davis, J. 19
- DEC (Digital Equipment Corporation) 112, 173, 192
- decentralization 47, 48, 101, 122
 - tyranny of divisions 56
- DECUS (Digital Equipment Computer User Society) 98

- Dedrick, J. 114, 130, 239
- ‘defensive patenters’ 195
- De Laat, P. B. 244
- delegation 48
- Dell Computer 87, 105, 171, 178, 179
- demand 98
- demand:
 - donated IP generates 94
 - giving away technology to stimulate 84
- demand-side economies 88–9, 113, 130, 211
- DeMartino, R. 68
- dependence 89, 212
- design assets 50, 60
- design-by-committee 164
- desktop computer architecture 186
- developer communities 246, 249
- developing countries 117
- development costs 88
- development partnerships 73
- de-verticalization 4, 27, 42
- Dibiaggio, L. D. 45
- DiBona, C. 103
- differentiation opportunities 100
- digital amplifier circuitry 27, 28, 31, 49–57, 229
- Digital Equipment, *see* DEC
- direct utility 90, 98
- disclosure 137, 138, 172–9, 181, 189
 - encouraged 139
 - failed 171
- discontinuities 56, 65, 295, 305
 - radical competence-destroying 50
- discovery 69, 70, 71, 72, 73, 74, 80
 - ‘accidental’ 84
- disruptive innovation 241, 245, 293, 295
 - creating 246–7, 254
 - development of 246
- disruptive technology 263, 292
 - sponsoring 253
- diversification 37, 285
 - opportunities for 35
 - product, technology more pronounced than 44
- risk 297
- technology-related 39

- division of labor 38, 43, 48, 49, 298
 modular subdivision 103, 122, 285
 new 57
- DIX (Digital-Intel-Xerox) alliance 173
- DMD (Digital Micromirror Device) 65
- DOJ (US Department of Justice) 175
- Dokko, G. 164
- Dolby Laboratories 10
- dominant logic 23, 28, 39
- Dow Chemical 19
- downsizing:
 central laboratories, wave of 47
 thinly veiled excuse for 19
- downstream industries 268–9, 271
- downstream research 143
- Doz, Y. 207, 217, 301
- ‘dual license’ strategy 97
- Dupont 68, 72, 116
- Dupont Biomax[®] 76
- Dushnitsky, G. 294
- Duysters, G. 296
- Dyer, J. 7, 234, 273
- dynamic capabilities 47, 55, 57, 58, 80, 115
 establishment of value network related to 215
- early movers 53, 54, 55, 56, 57
- Eastern Europe 44
- Eclipse project 30, 95, 96
- economies of scale 6, 102, 122, 225, 285
 barrier to entry through 5
 crucial 260
 demand-side 88–9, 109, 113, 130
 desire for 81
 fewer in R&D 17
 horizontal 299
 supply-side 88–9, 114
- economies of scope 6, 81, 285
 enhancing 5
 external 43
- ecosystems 103, 129–30
- Edison 5
- efficiency 64
 cost 264
 scale and scope 63
- efficiency gains 261, 264
- Eisenhardt, K. M. 276
- electronics systems firms 191–5
- elevators 271
- embeddedness 224, 225, 229, 239, 242, 296
- entrepreneurs 27, 48, 54, 56, 71
 knowledge of an industry 224
 pioneering role of 51–2
 small technology 43
 takeover by larger incumbent 52
- Eolas 172, 173, 175
- Erickson, I. 230
- Ericsson 39, 125, 126, 127, 128
- Ernst, D. 303
- ERP (Enterprise Resource Planning) system 74
- Ethernet protocol 173
- E*Trade 299
- EU (European Union) 119, 127, 131, 256, 299
- European Commission 111, 117
- European Science Foundation 300
- Eurostat Community Innovation Survey (2000–01) 302
- Execution* (Bossidy et al) 26
- experimentation 251
 discouraged 113
 learning and 70
 software business models 83
 technological and market 110
- expertise 73, 136, 153, 177
- explorative search 209
- expropriation 138, 139, 196
- external innovation 40, 87, 98, 99, 103, 109, 129, 298
 ‘buy vs. build’ decision to use 97
 contracting for 305
 free spillovers that can easily serve as 124
 inbound flows of 234
 incorporating 83, 84, 85–6
 ISVs for 102
 motivating 83, 86
 NIH attitude towards 105
 public subsidies as a source of 300

Index

- external innovation (*cont.*)
 - puzzles in limited use of 15–19
 - search for 289, 305
 - software, four approaches for 91
 - sourcing 126
 - time horizons 253
 - understanding the role of 239
- external knowledge 2, 6, 7, 8, 9
 - assimilating 153
 - captive VC divisions to access 226
 - capturing 220
 - collectively generated 31
 - companies depend increasingly on 216
 - effective management of 293
 - of acquiring 207
 - expands more rapidly than internal knowledge 59
 - firms can exploit 85, 153
 - identifying 134, 136, 153, 222
 - important means of building core competencies 38
 - important source of 136–42
 - incorporating 222
 - large pool of 208
 - managerial challenges of utilizing 86
 - mechanism by which firms are accessing 195
 - opportunities possible 225
 - potential patterns for leveraging 105
 - role of 84
 - unrelated to current R&D activities 41
 - using networks to tap into 223
- external networks 210, 211, 213, 277, 278
 - rich 71
- external resources 246, 247, 253, 254, 255, 257
- external technology 6, 31, 258, 292
 - active catch-up effort based on 56
 - assessing quality and reliability of 28
 - continued supply of 84
 - countervailing forces that might support the use of 23
 - greater or lesser use of 300
 - in-house/internal and 45, 97
 - mechanisms created to access 26
 - new, emergence of 47
 - observed variation in utilization of 33
 - rational reasons for resisting incorporation of 17
 - role in advancing the business model 30
 - search for 27
 - sourcing agreement 294
 - virtues in seeking 59
- external validity 4–5
- externalities 169
 - consumption 187
 - network 29, 232
- externalization 48
- extrinsic compensation 87
- Exxon 305
- Fabrizio, Kira 116–17, 118, 121, 148, 152, 154, 291, 294, 298, 300, 303
- face validity 2
- fads and fashions 3
- Fairchild Semiconductor 227
- Falck-Zepeda, J. 268
- false positives/negatives 8, 9
- Farrell, J. 117, 164, 175
- fast-moving projects 17
- Federal Court Improvements Act (US 1982) 140
- feedback 24
 - positive 163, 168
- Feldman, M. 120, 288
- Fifth-Generation Innovation Process 42
- firm participation 90
- first-mover strategy 7, 8, 55, 131, 186
 - common way for firms to overcome 85
- fixed costs 169
- Flavr-Savr tomato 213, 269, 270
- Fleming, L. 164
- focal firms 247, 250, 252, 255, 269
 - early commercialization efforts 251
 - financial resources/incentives 246, 249
 - setup strategies 271
 - three conflicting goals 295
- Foray, D. 164
- foresight 212, 243, 248–50, 251
- formal IP protection:
 - expected benefits of 145

- raising the value of 187
university research 140, 156, 157, 159
see also copyright; patents
- Fortune 1000 US-based companies 67
'forum shopping' 164
'fountainhead' innovations 196
fragmentation 35, 37
France 126
free riding 7, 85, 86, 164, 290
Free Software Foundation 196
FTC (Federal Trade Commission) 171
Fujitsu 95, 113, 192
- Gallagher, S. 29–30, 31, 32, 123,
131, 289, 294
Gallini, N. T. 119, 130, 239
Gambardella, A. 154
Gassmann, O. 17, 293
gated communities 90
GE (General Electric) 24, 68
General Motors 68
geographic proximity 225, 232, 233,
238, 303
benefits of 153–4, 155
ties enhanced by 209, 229
- Germany 126
Gerstner, Lou 18
Geuna, A. 142
Ghoshal, S. 276
Giarratana, M. S. 52
Gilbert, C. G. 246
Gilson, R. J. 117
global market expansion 44
globalization 2, 217
Globus Alliance 104
GM (genetically modified) crops 213–14,
218, 260–1, 264–72
commercialization of 215
Gomes-Casseres, B. 218, 266, 267, 270,
276, 279, 294
goodwill 96
Google 227
Goretex 10
governance 212
long-identified form of 103
network 260, 272, 273, 279
value constellations 272–4
- governments 117, 228
role of 272
- GPL (General Public License) 123–4,
196, 197
- Graham, S. 119, 124, 194, 195, 198, 278
Granovetter, M. 230–1
Granstrand, O. 6–7, 45
Grant, R. 273
'grant-forward' provision 174
greenfield methods 76
Greenstein, S. 163
Griliches, Z. 154
Grove, A. S. 102, 114, 299
- GSM (Global System for Mobile
Communications) 126, 127, 128
alliance formation 176
patent pool 85
royalty-free licensing of mobile phone
patents 115
- Gulati, R. 7, 207, 229, 276
- Hagedoorn, J. 303
Hagel, J. 217, 296
Hall, B. H. 195, 198
Hamel, G. 28, 37, 38, 39, 43, 44,
46, 207, 209
hardware-software paradigm 96
Harrison, S. 19
Hayek, F. A. von 9
HDTV (high-definition television)
systems 118
Healy, K. 89
Helsinki 216, 227
Henderson, R. 38, 43, 119, 154, 241
Hendler, James 250
herbicides 261, 264, 265
Hippel, E. von 6, 82, 85, 90, 221, 287, 289
Hitachi 192
Hoffman, W. 273
hold-ups 122, 173, 177, 179, 292
active 175, 176
time consuming negotiations plagued
by hazards 143
- Honda 39
horizontal integration 244

Index

- HP (Hewlett-Packard) 30, 68, 92, 95, 113, 192, 227
- html (hypertext markup language) 187
- Hughes Medical Institute 300
- human capital 224
- hybrid structures 47, 126, 164
- Iansiti, M. 130, 231, 270, 275, 296, 301
- IBM (International Business Machines) 3, 18, 24, 39, 68, 73, 83, 92, 112, 177, 185, 298
- Apache involvement 96–7
- branch offices in Silicon Valley 229
- consulting services 94
- CPU and operating system sourced from Intel and Microsoft 101
- Eclipse technologies 30, 95
- failure to appropriate adequate returns from PC systems integration 102
- licensing standards 176
- Linux and 195, 249, 253–4
- litigation between SCO and 196
- open source use 195
- proprietary *de facto* standards strategies 121
- public patent pool creation 174
- SHARE user group sponsored 98
- shift to externally sourced components 102, 103
- software patenting 124, 192, 193, 194, 195–6
- WebLogic 95, 96
- WebSphere architecture 30, 33, 95, 96
- IC (integrated circuit) manufacturing 54
- ICEpower 51, 54, 56
- ICT (Information and Communications Technology) 179–80, 205, 278
- alliance networks in 294–5
- clusters 216
- value creation in 215
- IDC (International Data Corporation) 190
- idea hunters/gatherers 31, 71, 72, 75
- ideas 1, 2, 40, 134, 234
- cross-industry 72
- external 86, 165, 208, 210, 285–6
- feedback on 24
- good 217
- innovative 48, 71
- internal 208, 210, 285–6
- IP helps facilitate exchange of 32
- new 209, 221
- protection of 116
- small firms' needs to appropriate 305
- wild 72
- identity preservation 271
- IEEE (Institute for Electrical and Electronic Engineering) 164, 173, 175
- IETF (Internet Engineering Task Force) 176, 178
- imitation 83, 86, 96, 109, 110, 290
- barriers to 115
- fear of 139
- potential 111
- Immersion Corporation 189
- incentives 21, 22, 86, 87, 111, 118, 119, 171, 288, 290, 300
- adoption 268
- career 120
- compliance 179
- financial 249
- lacked for patenting 125
- misalignment of 129
- private science 138
- researcher 137
- royalty-free licensing rules may damage 179
- technology start-ups 294
- third parties producing complements 122
- university researchers 139
- incorporation 17, 83, 84, 85–6, 222
- incremental innovation 62, 67–8, 83, 213, 241, 291
- ability to deal with 241
- deep networks tend to lead to 209, 235
- disruptive innovations differ from 245
- large established firms highly capable at managing 64
- well-established distinction between radical and 38
- incubation 67, 69–70, 74, 75–6, 80
- incumbents, *see* competition

- India 117, 195
- 'industrial leadership' concept 228
- Industrial Research Institute 47
- industry shaping activities 212, 243, 248–50, 251
- information:
- cutting off external sources of 225
 - lower costs of accessing 225
 - manipulation of 178
 - redundant 230
 - tacit 126
- information advantage 23
- information exchange 116
- information flow 221
- free 120
 - open 85
 - restricted 120–1
- information goods 117, 118, 290
- information paradox 116, 292
- information search 116–17
- discouraged 130
- information sharing 233
- bottleneck for 210, 237
- information systems 205
- infrastructure 63, 100, 127, 243
- common 122
 - creating 99
- Innocentive 10
- innovation:
- acceleration and 69, 70, 78–9
 - allocating the returns of 129–30
 - anomalies in 4–5
 - architectural 38, 56, 57, 241
 - autonomous 212, 242, 243, 244
 - corporate strategy and 37–42
 - delays in accessing 150–3
 - discovery and 69, 70, 71, 72, 73
 - geographic clusters 215–17, 225, 226, 227, 229–30, 233, 237, 238, 301
 - incubation and 69–70, 74, 75–6
 - institutions and 107–201, 300
 - intermediate markets alter the incentives for 7
 - IP becomes a critical element of 10
 - metrics 210, 245
 - modular 38
 - national systems 216, 220, 221, 227–9, 278, 287, 299–301, 302
 - new paradigm for understanding 11
 - playing field becoming more level 16–17
 - product or process 36, 105
 - see also* closed innovation; commercialization; disruptive innovation; external innovation; incremental innovation; innovation benefactors; innovation networks; internal innovation; open innovation; organizational innovation; radical innovation; systemic innovation; technological innovation
 - innovation benefactors 116, 117, 129, 228, 286, 299, 301
 - government agencies acting as 300
 - innovation missionaries 300
 - innovation networks 222–3, 258, 279
 - cross-national 239
 - innovative assets 54, 55
 - insourcing 258
 - intangible assets 43, 185, 271
 - integrative competencies 38, 39, 49, 58
 - application of 112
 - company-wide 46
 - critical features of 57
 - need to be responsive and adaptive 47
 - Intel 3, 39, 68, 73, 93, 95, 113, 129, 192, 193
 - 'advanced development' step 83
 - horizontal specialization strategy 114
 - IBM decision to source CPU and operating system from 101
 - INTEL64 architecture 249
 - microprocessor performance 87
 - profits capture in PC value chain 115
 - research laboratories near key research universities 229
 - research labs 85, 120
 - shaping and directing competition in computer industry 299
 - venture capital arm 87
 - see also* DIX

Index

- Intel Capital 227
- intellectual assets 138
- intellectual capital 225, 273
- intellectual property, *see* IP
- intelligent packaging 74–6
- interdependence/interdependencies 252
 - business models in value networks 114–16
 - crucial in business 270
 - imperfect measures of 210
 - minimized 88
 - norm of reciprocity and 222
 - systemic 50
- interfirm transactions 138, 207
- intermediaries 10
- internal innovation 27, 48, 98
 - commercialization alternatives for 101
 - ‘crown jewels’ attitude of controlling 105
 - donated 96
 - flows of knowledge to accelerate 1
 - important prerequisite for converting external knowledge into 86
 - licensing 128–9
 - maximizing the use of 83
 - opportunities to commercialize 239
 - patent strategy used to profit licensing 128
 - returns to 84, 85, 97
- internal networks 66, 207
 - complementary, development of 293
- internal R&D 1, 5, 7, 40, 41, 45, 55, 291, 292
 - activities lead to internally developed products 82
 - deep ongoing 73
 - developing absorptive capacity via 86
 - investment in 291
 - open innovation subtly shifts the role of 290
 - substitute for 249
- internationalization 47, 217
- Internet 104, 123, 187, 188, 244, 256, 286, 290
 - technical standards used to run 167
- interoperability 167
 - defining rules for 122
- interorganizational knowledge flows 210, 220, 221–2
 - understanding of 239
- interorganizational networks 206–7, 208–10, 215–16, 221, 236, 259, 270, 276, 293–7
 - coherent framework to understand formation of 263
 - important but yet underresearched role 278
 - informal 277
 - management of 212, 214
 - particular type of 260
 - role in commercialization of new products 258
 - trust in 237
 - value constellations a specific class of 274
 - value creation and configuration of 275
- interorganizational ties:
 - choice of governance mode 274
 - deep 208–9, 210, 229–30, 234–5, 236
 - establishing with different partners 260
 - formal 208, 209, 210, 223–4, 234, 237
 - informal 208, 209, 210, 224–5, 226, 234, 236–7, 297
 - portfolio of 236, 237–8
 - role of 209, 223
 - wide 208–9, 210, 230–3, 234, 236
- intrinsic benefit 90
- Intuit Quicken 102
- inventory control 74
- investment(s) 7, 63
 - capital 125
 - capturing an economic return to justify 91
 - design-specific 169
 - duplicative 100, 119
 - ‘eyes and ears’ 71, 73
 - firm-specific 5
 - global 44
 - long-term 271, 291
 - outside firms 10
 - returns to 194
 - risky 110

- specialized assets 296
sustainable 29
technology-specific 168
transaction-specific 213
see also R&D investment; venture capital
- IP (intellectual property) 4, 11, 48, 51, 54, 87, 105, 134, 233
appropriability and 109, 110–11
changing regime 139–42
cross-licensed 10
donated/given away 30, 94, 104
exploitation of 82, 84, 106
formal 152
generating and contributing in the
 absence of financial returns 86
important and nuanced role in open
 innovation 32
increasing 143
information search and 116–17
licenses that grant use rights 90, 123
limitations to business models
 117–18
management of 292
open innovation enabled by 111–18
open source policies 83
outbound licensing of 84
outsourcing 277
ownership of 122
philosophy of open source software 89
potential role of 111
provides barriers to imitation 115
royalty-bearing 122
selling chips to implement 128
'stealth' 104
strong enough to assure appropriation
 of rents 115
university research results 135
use in software 184–201
valuable in shopping innovations 116
variation of policies across time and
 national boundaries 300
see also IP protection; IPR
- IP protection 15, 109, 118, 144, 185
advocates of elimination of 30
best 116
change in policy regime governing 188
de jure 129
development of 184
most effective form of 131
objective of 111
regulators may weaken or waive 117
typically relatively weak 256
see also formal IP protection
- IPC (International Patent
 Classification) 192
- IPR (intellectual property rights) 120,
 139, 142, 184, 268
assertion of 120–1
failures of policies 123
favorable access to 85
formal 135, 147, 187, 188
granting temporary monopolies
 through 111
licensing 128, 163, 170, 175
open standards and 161–83
proprietary 196
secure and alienable 43
strategy 173, 174, 176, 177, 180
strong 139
- Israel 228
- ISVs (independent software vendors) 102,
 186, 188
- IT (information technology) 90, 91, 101,
 103, 104, 113, 242
collaboration and sharing user-
 developed software 98
customizations developed by local
 enterprise users 98
'essential tension' in 87
open source impact on value creation
 and capture 102
software an important element of 184
systems vendors widely disseminate
 knowledge 234
- Italian academic inventors 288
- ITU (International Telecommunications
 Union) 163–4
- Iversen, E. J. 126
- Jacobides, M. G. 273
- Jaffe, A. B. 105, 171, 240
- JAM Technologies 51

Index

- Japan 35, 38, 142, 228–9, 250, 300
 kigyo shudan 296
 licensing to 118
 mobile phones 125, 126, 127
 multinational companies 234
 software industry 186
 see also Canon; Casio; Fujitsu; Hitachi;
 Honda; Matsushita; Mitsubishi; NEC;
 Sanyo; Sharp; Sony; Toshiba
- Java (programming language) 94, 95, 244,
 250, 253
- JBoss 104
- JEDEC (Joint Electronic Devices
 Engineering Council) 178
- Jikes project 95, 96
- Johnson & Johnson 153
- joint ventures 73, 208, 212, 214, 222,
 223, 251–2
 value constellation set up through 259
- judicial decisions 129, 188, 194, 197
- Kalaitzandonakes, N. 271
- Kanter, R. 207
- Kaplan, J. 86
- Katz, M. L. 96
- Katz, R. 6
- KDE 97, 106
- Keil, T. 103
- keiretsu formation 7
- Kenney, M. 41
- key institutions 226–7
- Khanna, T. 233
- killer applications 78–9
- Kirschbaum, Robert 26–7
- Klemperer, P. 164
- ‘klugey’ technology 80
- know-how 64, 80, 138
 specialized 111
- knowledge:
 abstract 36, 45
 access to 73, 138, 216, 224, 233,
 235, 295
 accumulated 5, 44
 acquisition of 28
 application-specific 46
 architectural 58, 59
 basic 226
 commercially viable 209
 complementary 231, 239
 context-specific 36, 45
 creative 217
 distributed 232, 300
 division of 49, 57
 essential 221, 234
 experience-based 58
 explicit 221
 firm-specific 58
 increased mobility of 285
 innovation-related 223
 internal 8, 224
 key 54
 leading-edge 208
 leakage of 222
 local 216
 open and transparent parts 31
 organizational 45
 proprietary 32
 readily imitated 83
 scarcity of 9
 sharing 225, 226, 234
 unforeseen 224, 231
 valuable 10, 217, 222, 224, 236, 237
 see also external knowledge; scientific
 knowledge; specialized knowledge;
 tacit knowledge; useful knowledge;
 also under following headings prefixed
 ‘knowledge’
- knowledge assets 50, 66, 139
 important source of 156
 in-house 57
 market between organizations for 138
 uncertainty over boundaries and uses
 of 185
- knowledge base:
 capacity for reconfiguring 57, 58
 high level of complexity 52
 knowledge complementary to firm’s
 own 250
 redundant information overlapping
 with 209
 stronger, access to 136
- knowledge capital 217

- knowledge creation 224, 232, 295
breeding ground for 227
wide networks of informal ties have
high potential value for 235
- knowledge exploitation 84, 236
pace of 135, 145, 146, 151, 152, 157
patterns of 136, 146–56
- knowledge flows 1, 134, 235, 237, 304
crucial role in channeling 297
crucial to open innovation 216
desirable and undesirable 222
geographical nature of 225
harnessing across firm boundaries 236
inbound 236, 238
informal 224, 236
maximizing returns from
outflows 233–6
measuring 239–40
multidirectional 226
open innovation presumes 240
outbound 236, 238
relationship between 209
self-reported 240
value of 229
see also interorganizational knowledge flows
- knowledge spillovers 227, 301
access to 250
exploiting 84
firm's ability to capture 153
high-quality research universities
produce 226
informal and unplanned ties can lead
to 224
unexpected benefits 224
unintended 222
- knowledge transfer 134, 138–9, 145, 152,
185, 223, 224
effective, importance of 135
facilitate between firm and
university 229
firm research strategies and 153–6
formalization of university technology
transfer detrimental to 144
industry innovation and 146
maximized 234
more interactive channels of 137
scientific, dominant channel for 154
university patenting facilitates 150
- Kodak 72
- Koka, B. R. 252
- Korea 51, 228
chaebol 296
- Kraemer, K. L. 114, 130, 239
- Krechmer, K. 164
- Kuan, W. 188
- Kuhn, T. 6, 11, 286
- Kunda, G. 103
- Kusunoki, K. 56
- Kutaragi, Ken 209
- labor markets 224
informal flows of students
entering 226
lingering protectionism 228
specialized 225
- labor mobility 222, 224, 225, 285
high 233
- laboratories 134
central 47–8, 290
- Lakhani, K. R. 90
- Lally School, *see* RPI
- Lane, P. J. 41
- Langlois, R. 7, 42, 43, 285, 298, 305
- Lassila, Ora 250
- Latin America 125
- Laursen, K. 17, 48, 130, 131, 293, 297,
302–3, 305
- lawsuits 124, 175
- layoffs 18–19
- leadership 266
- learning 70, 217, 228, 233
key 67–8
- Lee, G. K.
- Leifer, R. 83
- Lemley, M. 177, 179
- Leonard-Barton, Dorothy 28, 39
- Lerner, J. 105, 164, 171, 179, 188
- Leuven-Eindhoven axis 216
- Levien, R. 130, 232, 270, 275, 296, 301
- Levin, R. 169
- Levinthal, D. A. 6, 40–1, 44, 121, 153

Index

- licensing 29, 53, 85, 97, 111, 113, 138,
140, 166, 173, 210, 270, 305
 - annual revenues 240
 - arm's-length 237
 - bilateral, repeated 175–6
 - building a business model based on 118
 - compulsory 117
 - contract 54
 - exclusive 143, 144
 - ex-post 175
 - inbound 84, 116
 - increased activity 135
 - industry more interested in 150
 - internal innovations 128–9
 - internal spillovers through 41
 - IP 90
 - less accessible 121
 - nonexclusive 142, 144
 - open-source 174
 - outbound 84, 116, 122
 - reasonable and non-
 - discriminatory 178, 179, 182
 - revenue model of 116
 - revenue-sharing 24
 - royalty-based contract 56
 - royalty-bearing 120
 - royalty-free 115, 122, 178–9
 - threatening retaliation against threats
 - of patent litigation 124
 - timely policies 55
 - universities 119, 143
 - value constellation set up through 259
 - vertical integration and 126
 - see also* BSD; GPL; RAND
- Liebeskind, J. P. 154
- Lilien, G. L. 289
- Linux 31, 91, 92, 93, 100, 172, 188, 244
 - IBM and 195, 249, 253–4
 - KDE desktop interface for 97
 - legal attacks against 104
- litigation 175, 196
 - avoiding 4, 195
 - prospect or reality of 198
 - threats of 117–18, 124, 196
- Liu, W. K. 273
- local area networks 187
- location 233
 - see also* colocation; geographic proximity
- lock-in situations 252, 296
 - proprietary 100
- logistics systems 271
- Lubatkin, M. 41
- Lucent 83, 128
- Lundvall, B. Å 299
- Lynn, G. 74
- M-form (multidivisional-form)
 - corporation 37, 39
- mainframe computers 185, 186
- 'make-buy-ally' decisions 273, 274
- Maltsbarger, R. 271
- management practices 67
- Mansfield, E. 241
- marginal costs 29, 88, 170
- Mario Brothers 102
- market failures 169
 - innovative activity may be susceptible
 - to different types of 256
- market position 56
- market power 66, 122
- market segments 114, 187, 223
- market share 32, 65, 97, 240
 - declining 114
 - maintaining or expanding 111
- market signals 66
- market-supporting institutions 43
- marketing 97, 138, 169
 - exploratory 72
- markets 44, 227
 - capital 300–1
 - dividing up 87
 - dominant positions in 188
 - equity 63
 - external 223
 - familiar 64
 - firms compete in dividing up 87
 - home, small 125
 - hybrid 164
 - increased access to 225
 - intermediate 7, 10, 290, 300
 - key agricultural 262
 - lower-end 50

- potential 9
- sale and licensing of knowledge 185
- selling and licensing technologies 294
- specialized 43
- technology input 162, 169
- see also* mass markets; new markets; product markets
- mass markets 187, 188
 - mid-level 49–50
- Massachusetts 297
- Matsushita 39
- Maula, M. 103, 211, 212, 213, 218, 258
- maverick champions 62
- maximization 84, 85
- Mayer, D. 41
- measurement errors 8
- Menlo Park 5
- Merck 9
- mergers and acquisitions 212, 263, 270
- metanational companies 217, 239
- Microsoft 83, 89, 94, 104, 117, 191, 229, 253
 - agreement between Sun Microsystems and 198
 - branch offices in Silicon Valley 229
 - cross-licensing agreement with Sun 198
 - Eolas vs. 172, 173, 175
 - guilty of patent infringement 118, 188
 - IBM source CPU and operating system from 101
 - Internet Explorer 30, 92, 113, 116, 163, 173
 - Net architecture 32–3
 - patent propensity 124, 193, 194
 - profits capture in PC value chain 115
 - proprietary *de facto* standards strategies 121
 - SQL Server 102
 - Xbox 98
- Microsoft Money 102
- Microsoft Windows 30, 33, 92, 101, 102
 - Apple vs. 163
 - cost of 88
 - Explorer bundled with 113, 116
 - value of software running on 167
- Middle East 125
- military projects 228
- mindshare 96
- Miner, A. S. 120
- Minneapolis 98
- Miotti, L. 100
- MIT (Massachusetts Institute of Technology) 120
- Mitsubishi 55
- mobile phones 125, 243, 253
 - CDMA 112, 126, 127, 128
 - GSM 115, 126, 127, 128
 - WCDMA 128, 129
- Mock, D. 123
- Mockus, A. 89
- 'mods' 98–9
- modularity 38, 42, 48
 - interfirm 285, 305
 - product 305
 - technical 103, 298
- modularization 35, 105
 - tendency towards 43
- monopoly 117, 268
 - government-operated 125
- monopsony 23, 115, 125
- Monsanto 268
- motivations 83, 84, 86–7, 96, 98, 103
 - intrinsic and extrinsic 288
 - strategic 90
- Motorola 125, 127, 128, 192
- Mowery, D. 5, 119, 120, 124, 188, 194, 195, 278, 299, 300
- Mozilla 29–30, 31, 92, 94, 96, 106
 - AOL's exit strategy with 101
 - Netscape has cut all sponsorship ties to 95
 - Public License 197
- MP3 players 167
- MPEG standard 175
- multidivisional companies, *see* M-form
- multinational companies 234
 - attracting 216, 227
 - new internationalization strategies for 217
- multitechnology firms 45
- Murray, F. 144
- MySQL 104

Index

- Nalebuff, B. J. 130, 267, 275, 276
Narin, F. 151
national innovation systems 216, 220, 221, 227–9, 278
National Science Foundation 16, 300
National Semiconductor 51, 192
NEC 39, 192
Nelson, R. R. 6, 36, 45, 83, 142, 169, 228, 286, 299
NeoFidelity 51
Nesta, L. 45, 142
Netherlands 229
Netscape 29, 92, 94, 95, 96, 116
 Explorer versus 163
 see also Mozilla
network approach 7
network effects 163, 211
 losing a technology contest associated with 114
 positive 113
 regional 225
network governance 260, 272, 273, 279
network organization 103, 222
 loosely coupled 46
network portfolio 212
 management 210
networking 42, 113, 205
 free standard 173
 growth among desktop computers 187
 tendency towards 43
networks:
 alliance 294
 building to support open innovation 229–36
 building trust in 209
 costs of benefits of 7
 distribution 56
 global 232
 ‘hunters’ 72
 individual-level 297
 informal 230
 information 40
 intraorganizational 293, 297
 knowledge 220–40
 mediated 297
 multiple 226, 231, 268, 297
 regional 232
 rich 66, 71
 scarce resources bundle 276
 selected suppliers and customers 205
 social 154, 210, 224
 strategic 215
 wide 209
 see also external networks; internal networks; interorganizational networks; value networks
new business models 170, 264, 278–9, 293
 architectures 272–3
 availability for commercializing innovation 299
 new product offerings based on 263
new entrants 27, 84, 100, 299
 crucial role in deterring 298
 value migration from incumbents to 264
new markets 32, 63
 creation of 64, 66, 74, 75, 76, 110
 potential 9, 80
new products 10, 208
 agbiotech-generated 262, 263
 commercialization of 213–15, 258
 commercially viable 259
 development 240
 thin market problems 213
new technology 2, 31, 40, 48
 appropriating any rents created by 170
 carriers of 32
 commercialization of 27, 165, 213, 215, 254, 273
 common goal to create 164
 companies highly dependent on others for supply of 210
 competencies in optimizing and integrating components associated with 50
 complexity of 258
 creating value from 138
 developing 127, 222, 254
 disruptive 263, 292
 financial incentives to support 249
 focus on supply of technologies to develop 213

- forcing end-product divisions to adopt 55
 integration of 46
 interorganizational networks to develop 277
 large players aggressively try to take control over 52
 mode of entry conditioned 7
 new business models required 115
 opportunities to explore 209
 problems of appropriating rents created by 170
 search for 6
 technical and commercial potential of 205
see also biotechnology; ICT
 new ventures 63
 niche markets 79
 high-end 49, 54
 Nichols, K. 124
 NIH (Not Invented Here) syndrome 6, 9, 17, 23, 86, 105
 avoiding 288, 290
 NineSigma 10
 Nintendo 102
 Noda, T. 245
 Nokia 126, 127, 128, 227, 250, 253
 Nonaka, I. 221
 Nooteboom, B. 7
 Normann, R. 259, 264, 265, 279
 Nortel Networks 68, 128
 Northern Europe 125
 Northern Telecom 125
 NSH (Not Sold Here) virus 23, 24, 288
 NTT DoCoMo 126, 128
 nutraceuticals 262, 265, 271, 272, 274

 OASIS (Organization for the Advancement of Structured Information Standards) 178–9
 O'Connor, Gina 25–7, 31, 32, 68, 116, 291
 OEMs (original equipment manufacturers) 28, 51, 55, 56
 O'Mahony, S. 90, 103, 130
 open innovation 259, 260, 265, 285–307
 adoption 96
 antecedents to 5–7
 building networks to support 229–36
 business model concept is key in 31
 core competency for large corporation 35–61
 defining 1–2, 101
 described 165, 197
 geography of 225–9
 importance to RI 64–6
 institutions governing 107–201, 300
 IP plays an important and nuanced role in 32
 key concern of 162
 levels of analysis 11, 206–8, 218, 287
 limits 48, 304–5
 network management and 210–15
 open-source software and 195–7
 R&D intensity 47
 research strategies 153–6
 second generation 126–8
 value constellation and understanding of 272–8
 open science 119–21, 122, 137, 139, 142, 144, 157
 consequences of altering norms established in 142
 inherent conflicts between private science and 143
 spillovers from university research generated under 158
 open source licensing model 174
 open-source software 1–2, 7, 15, 30, 32, 119, 131
 development 25, 180
 emergence in more mature companies 29
 initiated by companies
 innovative legal institutions 165
 licensing 123–4
 new impetus to diffusion and rapid growth of 188
 open innovation and 82–106, 195–7
 open-source software projects 95, 96, 97, 104
 potentially severe implications for 124
 open standards 35, 119, 121–3, 124, 161–83

Index

- open systems 89
- openness 26, 72, 114, 118–24, 131, 178, 296
 - and control 165, 166, 168, 169, 170
 - associated with a moderate level of appropriability 297–8
 - limited use of 90
 - marginal cost of 170
 - means to assess 304
- OpenOffice 104
- opportunistic behavior 252, 296
- Oracle 89
- O'Reilly, C. A. 236
- organizational innovation 35–6
- organizational learning 228
- OSDL (Open Source Development Labs) 92, 93–4
- outlicensing 3
- outsourcing 39, 46, 53, 206, 209
 - complementary assets 40
 - handset design and production 126
 - increased 35, 42
 - intellectual property 277
 - R&D 2, 19
 - research activities 135
 - tendency towards 43
 - thinly veiled excuse for 19, 26
- overembeddedness 230, 231

- P&G (Procter & Gamble) 3, 18–19, 34, 73
- P&L (profit-and-loss) basis 21, 24
- paradigmatic shift 56
- Pasteur's Quadrant* (Stokes) 11, 286
- Patel, P. 45
- patent citations 121, 146–52, 154–5, 210, 239, 240, 303
- patent pools 84, 85
 - re-emergence of 175
 - royalty-free 173, 174
 - royalty-generating 173, 175
- 'patent thicket' problem 175
- 'patent trolls' 122, 175
- patents 4, 19, 21, 43, 52, 83, 111, 116, 171–6, 297
 - appropriability of 119
 - blocking 123
 - CDMA-related 112
 - data on awards 16
 - demonstrable impact on open standards 124
 - donated into open source domain 30, 95
 - economic value of 185
 - exploitative 303
 - increasing role in the software industry 123
 - ineffective 234
 - infringed 117, 118, 188–9, 197, 198
 - open standards and 119
 - organizations reward quantity produced 20
 - rate of utilization 10
 - royalty-bearing 125
 - scope and commercial value of 105
 - secretly amending 173
 - unutilized 10
 - ventures founded on strong IP base of 51
 - voided 117
 - see also* licensing; university research patents
- Pavitt, K. 28, 39, 45, 119
- payoffs 110–11
- PC clones 102
- PDC standard 126
- peer review 137, 145
- Penrose, E. 216–17
- PeopleSoft 89, 98
- pesticides 261, 264, 265
- pharmaceuticals industry 10, 121, 156, 262, 299
 - development process 19
 - essential complementary assets 112
 - patents 117, 154
 - research projects 24
- Philips 39, 51, 53, 55–6, 57
- Piccaluga, A. 142
- pilfering 74
- Pisano, G. P. 273
- platform leadership 244
- Podolny, J. M. 276
- Pokemon 102

-
- Polaroid 68
 - 'Pollinate' library 95
 - Porter, K. 210, 226
 - Porter, M. E. 35, 37, 38, 216, 265, 298
 - Powell, W. W. 7, 222, 230, 276
 - Power Trends 54
 - Prahalad, C. K. 28, 37, 38, 39, 43, 44, 46
 - Prencipe, A. 28, 290
 - Prescott, J. E. 252
 - prestandardization 165
 - probe and learn activity 74, 78, 293
 - problem-solving:
 - joint 223
 - new opportunities for 44
 - system level 72
 - product markets 58
 - captive 55
 - multiple 37
 - novel 258
 - technology-related 35
 - production:
 - amortizing the total costs of 113
 - collaboration via 89–90, 123, 290
 - decentralized 101, 122
 - mass 55
 - need to maintain and improve 5
 - separation of 113
 - shared 83
 - productivity 20, 154
 - farm 261, 264
 - profitability 21, 65, 104, 115, 170, 214, 246
 - profits 104, 114, 118
 - maximized 21, 166
 - potentially large source of 52
 - protecting high gross margins 88
 - quasi-monopolies used to capture 115
 - sacrificed 79
 - Project GNU 101
 - project management 64
 - property rights 142
 - absent 116
 - defining 32
 - formal 135, 138, 139, 140
 - lack of 139
 - potentially valuable 171
 - see also* IPR
 - proprietary model 5
 - public key cryptography 174
 - Qualcomm 112, 126, 127, 128, 130
 - licensing standards 176
 - mobile telephone patents 123
 - successful strategy licensing CDMA IP 128
 - ties to promote its technology 232–3
 - Qualcomm Ventures 227
 - quality control 274
 - R&D (research and development) 67, 72, 78, 170
 - basic 71, 86
 - collaborative consortia 105
 - complementary 270
 - coordinating 48
 - coupled to the business model 20, 22
 - decentralization of 47, 48
 - downsizing 19
 - evaluation of projects within the firm 9
 - external 40, 298
 - false negative projects 8
 - fewer economies of scale in 17
 - firm-specific 5
 - government-funded 22, 86, 119, 256
 - high up-front costs 228
 - integrated activities 54
 - intensive, large company 39, 42, 47
 - laboratories 47, 73, 76, 290
 - large scale dedicated 5
 - low intensity firms 106
 - managers 20–1, 26
 - need to manage risk in executing projects 17
 - organization of 47–8
 - outsourced 2, 19
 - pooled 91–4, 100, 101, 103, 105
 - preproduction 95
 - reducing the cost of 250
 - regrettable but necessary cost of doing 291
 - shared 78, 100
 - staffing levels 18, 19

Index

- R&D (research and development) (*cont.*)
surrounding with secrecy 222
two faces of 6
university 119
upfront 113
vertical specialization in 171
see also internal R&D; spillovers; *also*
under following headings prefixed 'R&D'
- R&D investment 5, 40
absence of detailed line-of-business
reporting 193
basic 71
developing absorptive capacity via 86
global 44
increasing diversity of 44
reduction in 65
return on 122
- R&D spending 16
government 7, 85
increase in 45
percentage of sales 10
software-related 193
- radical innovation 6, 25, 26, 56, 213, 241
commercialization of 213
existing market structure disrupted
by 104
incremental and 38
problem in large established firms 62–6
resembles 'invention' concept 83
start-ups provide initial impetus for 32
successful 291
undermining 37
- Rambus 112, 162, 168, 171, 175, 178,
179, 180
- Ramírez, R. 259, 264, 279
- RAND (reasonable and non-discriminatory)
licensing 178, 179, 182
- Raskind, L. J. 111
- Rational Corp. 95
- RBV (resource-based view) 37, 38, 59, 215,
274, 275, 276, 279
clear link to 259–60
- RCA (Radio Corporation of America) 118,
305
- RDRAM memory technology 112
- Red Hat 95, 104
- regulatory agencies 272
- regulatory conflict 117
- relational view of the firm 259, 274,
275–6, 279
- Rembrandts in the Attic* (Rivette & Klein) 4
- rent-seeking behavior 122, 171, 175
incentives to engage in 178
- reputation 137, 139
local 229–30
- research design 87–91, 302–4
- resource allocation 218, 242, 253
broader, network level perspective
to 211
dominant model of 255
external 255, 257
failing products 251
foresight and industry shaping as 212,
243, 248–50, 251
fundamental goals relating to 248
internal 255, 257
internal, optimizing 247
strategic 245–7
systemic innovation and 243, 254, 257
- resource base:
attempt to realign 56
capacity for reconfiguring 58
- resource-based theory 40
see also RBV
- retaliation 264, 265
- returns to scale 88
- reverse engineering exception 117
- rewards 138
extrinsic 86
intrinsic 86, 98
need for changes in systems 290
- reputation-based 137, 139
- risks and 18
- rights:
exclusion 138
patent 138, 141
see also IPR
- risks:
asymmetric 18, 19
improvements in allocation of 170
- Roberts, E. 273
- Rodman & Renshaw Equity Research 50

- Rosenberg, N. 6, 40
Rosenbloom, R. 6, 114, 115, 211, 262
Rosenkopf, L. 164, 303
Rothwell, R. 42
Route 128 region 117
Rowley, T. 276
royalties 54, 56, 96, 123, 126, 144, 210
 assuring a stream of 234
 collecting payments 140
 decision not to pursue 173
 freely using ideas in patents without paying 195
 heterogeneous preferences 128
 high 128
 lowest rate 127
 patent pools 172, 173, 174, 175
 policies leading to explicit negotiation over 179
 reasonable rates 158
 university researchers seeking revenue 158
RPI (Rensselaer Polytechnic Institute) 25, 26, 66–8, 291
RSA cryptography 174
Rysman, M. 164, 172

Sachwald, F. 100
Sakkab, N. 19
sales:
 cannibalized 212
 percentage from new products 10
 plummeting 264
 upgrade 113
Salmenkaita, J. P. 103
Saloner, G. 164
Salter, A. J. 17, 48, 130, 131, 293, 297, 302–3, 305
Sampat, B. N. 120
Samsung 305
San Diego 216, 227, 228, 233
Sanchez, R. 298
Sanyo 53, 54, 56
SAP (software provider) 95, 98
Saxenian, A. 297
SBUs (strategic business units) 37, 76
Schaper-Rinkel, W. 273
Schoonhoven, C. 276
Schumpeter, Joseph A. 5, 63, 83, 169, 215
Schussman, A. 89
Scientific American 76, 250
scientific knowledge 137, 142, 154, 221–2
 cutting-edge 233
SCO (Santa Cruz Operation) 104, 196
SDOs (Standards Development Organizations) 122, 163–4, 165
search costs 177
 potential 289
secrecy 131, 145, 191
 concerns over 135
 lack of property rights does not create desire for 139
 surrounding R&D activities with 222
 see also trade secrets
segregation 271
Semantic Web technology 250, 256
SEMATECH 250
sendmail (open source project) 104
setup strategies 271
Shah, S. 103
Shapiro, C. 96, 101, 117, 163, 164
shared technology 83
shareware 188
Sharp 39
Sherry, E. F. 179
short-termism 37
Siegel, D. S. 120, 143
Siemens 39, 127
signaling 90
 commitment 243
 external 98
Silicon Valley 91, 216, 220, 224, 227, 229
 early stage companies 114
 trade secret law 117
Silverman, B. 47
Simard, C. 208, 209, 210, 216, 218, 258
Simcoe, T. 118–19, 122–3, 129, 164, 172, 188, 298
Singh, H. 234
Sirbu, M. 164

Index

- small firms 43, 51, 73
 - cannot easily access complementary assets 166
 - high-tech frontrunners 54
 - more closed than larger counterparts 305
 - patents infringed by larger firms 117
 - specialized technological knowledge in 36
- small- and medium-sized firms 249, 252–3
- Smith-Doerr, L. 230
- social capital 224
- social control 252
- Softletter* 189, 191
- software:
 - enterprise 89
 - free 29, 30, 89, 97, 123
 - licenses 89, 123–4
 - proprietary 89, 90, 98, 101
 - use of intellectual property in 184–201
 - see also* open-source software
- software development 29, 88, 89, 95
 - joint 101
- software patents 30, 95, 298
- Sony Corporation 27, 28, 31, 39, 51, 53, 57, 59, 209
 - PlayStation2 98, 188–9, 210
 - S-master technology 55
- specialization 35, 37, 88, 298
 - closed networks need to become more open to develop 296
 - deep capabilities 50
 - horizontal 102, 113, 114, 115, 299
 - innovation labor 290
 - strong patent rights encourage 138
 - vertical 42, 130, 171
- specialized knowledge 36, 43, 44, 51, 93
 - globally dispersed 239
 - whether closed networks have performance disadvantages 296
- Spence, A. M. 243
- Spencer, W. 6
- spillovers 9, 11, 41, 117
 - access to 249
 - accidental 228
 - active participation in success of 234
 - basic research generated 6
 - capturing 4, 153
 - commercialization of 292
 - control of 292
 - exploiting 84
 - external 41, 105
 - external utilization of technologies 300
 - firms cooperate where they cannot appropriate 91–2
 - free 119, 120, 124, 234, 289, 291
 - geographic location shown to result in 7
 - high-quality research universities produce 226
 - impact on industrial R&D 286
 - indirect 85, 94
 - licensed 289
 - maximizing returns from/to 233–4
 - motivating 86–7
 - potential 116
 - R&D processes associated with 40, 291
 - unanticipated 224
 - unexpected benefits 224
 - unintended 222
 - see also* knowledge spillovers
- spin-ins 30, 208
- spin-offs 3, 4, 23, 51, 85, 94, 101, 138, 208, 223, 227, 302
 - internal spillovers through 41
- spin-outs 30, 70, 94–6, 170
 - motivations for 96
- sponsored projects 90
- SSOs (Standard Setting Organizations) 161–71, 172, 173, 174, 181
 - intellectual property rules 176–80
 - self-governance 171, 180
- Stac Electronics 118, 124, 188
- stage-gate processes 64
- standardization 56, 126, 127, 139–40, 173, 233, 244
 - agreement on 212
 - delayed 123
 - formal and informal bodies 251
 - industry shaping through participation in 250
 - openness and transparency in 122

- problem of 164
 relatively inefficient 168
 WCDMA 128, 129
 standards:
 de facto 96, 114, 121, 179
 interoperability 232
 mobile phone 125–9
 proprietary 114, 121, 122, 187
 see also compatibility standards; SSOs
 standards implementation 167–70
 standards wars 163
 Stanford University 142
 star organizations 227
 start-ups 32, 43, 51, 170, 294
 advantage in the embryonic stages 57
 alliances with 205, 251
 colocation 225
 contrast of 297
 corporate venture investment in 223
 countries differ in role played by 229
 disadvantages in commercializing
 RIs 66
 key generators of 227
 multiple 226
 small 52, 56
 specialist firms 299
 technology-based 205
 venture capitalists actively involved in
 creation of 226
 Staudenmeyer, N. 130
 Stern, S. 144
 STMicroelectronics 51, 52, 53, 54, 55,
 56, 57
 Stokes, Donald 286
 strategic hazards 211, 212
 strategic initiatives 245, 249
Strategic Management Journal 28
 structural holes 231, 232, 267
 Stuart, H. 267
 Stuart, T. 276
 Sturgeon, T. J. 42
 suboptimization 247, 254
 subsidies 228, 300
 see also cross-subsidies
 Sun Microsystems 30, 92, 94, 95
 agreement between Microsoft and 198
 see also Java
 supply chains 10, 45
 efficient 252
 supply side economies 88–9, 114, 211
 SuSE 95
 sustainability 115, 131
 Sweden 125, 228, 229
 Sweeney, D. 49
 switched amplification, *see* digital
 amplifier circuitry
 switching costs 174, 175
 Symbian 244, 253
 synergies 226
 synergistic economies/organization
 37, 39
 System 360 (IBM) 18, 106, 185
 system architecture 32, 96, 252
 systemic innovation 241–57, 258,
 295
 coordinating 103
 development of 278
 network management and 211–12
 systems integration 46, 47, 55, 57, 58, 59,
 73, 290
 IBM failure to appropriate adequate
 returns from 102
 modularity and 38, 48
 3G (third generation) technologies 243,
 244, 249, 253
 standardization of 251
 3G3P (3G Patent Platform
 Partnership) 128
 3M (technology company) 39, 68, 72

 tacit knowledge 138, 153, 221, 222, 228
 ability to interpret to unlock its latent
 value 237
 firms can develop policies to license
 234
 ‘take off’ strategy 213
 tangible assets 271
 taxation 171
 TDMA (Time Division Multiple
 Access) 126
 TD-SCDMA (Time Division-Synchronous
 Code Division Multiple Access) 128
 ‘teaseware’ strategy 118
 technical change, *see* technological change

Index

- Technical University of Denmark 51
- technological change 43, 44, 45, 83
cognitive barrier associated with 38
rapid 161, 239, 298
short-term and long-term 236
- technological innovation 38, 40, 241, 277
business model grafted upon 264
changes for 35, 36
how firms try to appropriate value created by 169
increasingly open modes of managing 42
slow rate of 125
- technology bases 43, 52
tendencies in proliferation of 44–7
- technology input markets 162, 169
- technology transfer 54, 59, 120, 138, 143, 159, 174
formal offices dedicated to 141
formalization detrimental to knowledge transfer 144
impact of various strategies 158
necessity of 139
revenue earned through 142
slowing down 157
university patenting as a means to achieving 140
- Teece, D. J. 40, 47, 96, 101, 109, 110, 115, 118, 130, 169, 179, 211, 212, 223, 240, 244, 249, 273, 295, 305
- theory-building approach 90
- thin market problems 213, 271
- TI (Texas Instruments) 27, 28–9, 31, 32, 39, 56, 57, 59, 68, 128, 192
acquisitions 52, 53, 54
Digital Imaging business 65
DSP technology 249–50
first generation of digital amplifier chips 54–5
Semiconductor Business group 65
- time horizons 249, 250–2, 253, 256, 257
potentially shorter 291
- Tirole, J. 164, 179, 188
- Toccatà Technology 51, 52, 54
- Toivanen, O. 164
- Toshiba 53, 192
- trade-offs 71, 129, 238
appropriation 128
game-theoretic framework for 130
openness and control 165, 166, 169, 170
significant 86
trust and novelty, safety and flexibility 230
value creation and value capture 162
- trade organizations 86
- trade secrets 111, 115, 116, 117, 234
- transaction costs 40, 101, 119, 138–9, 173, 273–6, 279
minimization 215
one possible way to overcome problems 270
potential 289
reducing 175
rise in 185
- transparency 122, 173, 176, 181
efforts to subvert 175
- Traxler, G. 268
- Tripath 51
- trust 209, 229–30, 231, 235, 237, 294
- Tsai, W. 276
- Tushman, M. L. 236, 241
- Type I/Type II errors 8
- UC Berkeley 120
- unbundling 186
- uncertainty 64, 65, 70, 169
four dimensions of 67
intangible asset characterized by 185
potential costs 173
reduced 74, 178
technological, market, and financial 110
- underinvestment 111
- United Kingdom 117, 125
Innovation Survey (2001) 302
- United States:
Constitution (1787) 111
farmers' share of benefits 268
foreign companies claiming a rising share of patents 16
fragmented strategies of divisionalized companies 35
government funded research 119

- government-supported consortia 250
 limited scale mobile telephone systems 125
 monopsony buying position of cable TV companies 115
 software patenting 124, 171, 185–97
 start-ups 51
 United Technologies 68
 Unitrode 54
 university research 7, 9, 31, 71, 104, 134–60, 291
 basic 51
 biotechnology and pharmaceutical industries innovation 297
 commercialization of 121
 government funding of 119, 120
 high-quality 226
 profiting from spillovers 105
 software creation 89
 top 85
 university research patents 120, 121, 135, 141, 142, 144, 145, 156
 backward citation lags 151–2
 infringement of 140
 patterns of knowledge exploitation 146–50
 protection of 140
 Unix 29, 30, 92, 93
 BSD variant 89, 97, 104, 106
 crucial technologies for 120
 unpredictability 64, 73
 unused technologies 19–24
 Updegrove, A. 164
 upgrade sales 113
 upstream research 143–4
 limiting access to 152–3
 useful knowledge 2, 6, 32
 distribution of 16
 identifying 86
 USPTO (US Patent and Trademark Office) 140, 146, 175, 188, 190, 191, 192, 195
 Cassis database 189
 Utterback, J. M. 241, 295

 validity 2, 4–5
 value appropriation 259, 267–9
 value capture 2, 103, 114, 130, 211, 259, 260, 263, 267, 269, 276, 279, 263
 innovation plays an important role in 304
 open source having a profound impact on 102
 potential tensions between partners about 214
 secondary opportunities for 296
 strong appropriability can make it easier for firms to identify 115
 trade-off between value creation and 162
 WCDMA standardization effort biased toward 129
 value-chain analysis 274, 276
 value chains 2, 31, 51, 112, 261, 274, 276, 279, 301
 advantages generated throughout 261
 distributed and vertically disintegrated 46
 essential knowledge flows along 221
 not all in-house 138
 profits capture 114
 quasi-monopolies used to capture profits in 115
 stock levels 74
 structure of 114
 value constellations, *see* value networks
 value creation 1, 2, 31, 32, 39, 100, 114, 129, 130, 138, 166, 260–1, 274, 279, 296
 encouraged 173
 established theoretical frameworks challenged 215
 innovation plays an important role in 304
 joint, maximizing 214
 novel and intriguing 30
 open source having a profound impact on 102
 organizing for distribution and 262–72
 return from 103
 source of 214
 strategy alternative to vertical integration 222

Index

- value creation (*cont.*)
 - trade-off between value capture and 162
 - unique bundle of resources and capabilities may lead to 275
 - value appropriation and 214, 259, 276
- value drivers 264–5
- value networks 214, 229, 238, 258–81, 294
 - arbitrary 130
 - complex coordination among multiple firms in 129
 - concern about entering into 115
 - coordination of different parts of 242
 - effect asserting IP has upon allocation of returns within 119
 - establishment related to dynamic capabilities 215
 - firms must organize and lead 221
 - function of the business model 211
 - interdependence of business models in 114–16
 - interorganizational 293–7
 - need to expand total value created by 113, 114
 - open innovation enabled by 296
 - open source collaboration within 102–3
 - radical innovations require 213
 - steering other participants in 243
- Vanhaverbeke, W. 103, 213, 215, 217, 296
- Varian, H. R. 101, 163
- venture capital 66, 71, 72, 81, 84, 87, 170, 208, 231, 251, 254, 304
 - availability of 285
 - emergence of the market 216
 - formal ties to 226
 - importance of 229
 - rise and diffusion of 43
 - success of 294
- vertical disintegration 35, 36, 44, 57, 299
 - tendency towards 42–3, 58
- vertical dis-integration 113, 185–8
 - trend towards 161, 170
- vertical integration 5, 11, 27, 28, 36, 56, 86, 101, 109, 110, 125, 127, 169, 290, 292
 - critique of the limits of 305
 - cross-subsidy and 129, 286
 - deep 6
 - efficiency of 114
 - encouraged 113
 - eroded 186
 - exit from 118
 - external knowledge acquired through 222
 - firms have a temporary window to 115
 - high 18
 - licensing and 122, 126
 - obviating the need for 285
 - open innovation versus 82, 112–13
 - rarely an option 211
 - shift/trends away from 103, 106, 198
 - specific knowledge acquired through 223
 - value creation strategy alternative to 222
- VESA (Video Electronics Standards Association) 178
- vested interests 253
- VHS (Video Home System) 163
- Via Licensing 175
- video games 96, 98, 102
- visionary leaders 253
- VLSI 250
- voluntary standard setting, *see* SSOs
- W3C (standards committee) 122, 175, 178, 250
- Waguespack, D. 164
- Wakoh, H. 142
- Wallin, J. 264
- Walsh, J. P. 144, 150
- WCDMA (Wideband Code Division Multiple Access) 128, 129
- weak ties 230–1
- Weiss, M. 164
- West, J. 29–30, 31, 32, 87, 90, 96, 103, 109, 114, 123, 128, 130, 131, 165, 208, 209, 210, 216, 218, 258, 289, 294
- Western Europe 186
- Wheelwright, S. 26
- Williamson, O. E. 37, 39, 222, 253

- Wintel PC 101
- Winter, S. G. 6, 83, 273, 286
- WIPO (World Intellectual Property Organization) 148
- World Wide Web 173, 175, 187

- X (open source project) 104
- xenophobia 17
- Xerox PARC 5, 6, 23, 96, 101, 302
 - defection of key scientists 234
 - see also* DIX

- Yao, D. W. 169
- Yet2.com 10
- YourEncore 10

- Zedwitz, M. von 17, 293
- Ziedonis, R. H. 195, 198
- Zott, C. 214, 215, 218, 265, 267, 275, 276, 287, 292–3
- Zucker, L. G. 288, 298