Innovation Intermediaries Help Collaborative Food SMEs to Create a Bigger Pie

Open innovation has been proposed as an ideal way for food SMEs to develop new products with the assistance of innovation, intermediaries can help enterprises to overcome the considerable challenges they face when implementing this strategy.

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Open Innovation
Open innovation is a new-product and process development model, whereby firms use external ideas, as well as internal ideas, to advance their offering. It can involve the sharing of risks and rewards with partners – such as customers, rival companies and academic institutions - in a permeable business environment where innovation can transfer inward to and outward from the enterprise.

Since companies cannot rely entirely on their own research, they have to buy or license processes or inventions from other entities. Internal inventions which are not strategically core to the firm’s business move out of the company, through licensing, joint ventures or spin-offs.

There are a number of challenges to the adoption of open innovation. One is the inability of in-house staff to adopt external knowledge for the benefit of the business.

A second challenge is the organisation’s inability to identify appropriate partners for the purpose of sharing internal expertise and forming joint ventures.

Our Research
According to our research, these issues are particularly relevant to the food manufacturing sector, which is characterised by a lower level of trust between stakeholders compared to other industries.

Food SMEs also have a low rate of participation in inter-organisational co-operation initiatives, which is a key component of open innovation.

“Food SMEs find it difficult to acquire consumer market information, which is a key driver of innovation, in a sector where consumer preference is the primary consideration”
The food manufacturing sector is characterised by a lower level of trust between stakeholders than other industries. The underlying reason for this failure is the inability of these organisations to deal with complex environments.

For example, food SMEs have difficulty identifying potential collaborators at the beginning of the innovation process, due to the fact that they have less access to information than larger firms and have limited financial resources with which to acquire essential intelligence.

These problems are compounded by limitations in their production capacity and marketing expertise. As a result, even when they develop a product or a process which has high potential, they are often unable to make it profitable.

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**External Facilitation & Support**

Our findings show that food SMEs need external facilitation and support, to address their innovation process challenges. Food innovation intermediaries can provide managerial support for the innovative process, filling an essential missing link for SMEs and allowing them to exploit opportunities. Such support provides the skills and capabilities required to target their search or to comprehend and benefit from new knowledge (see Figure 2 below - Farrelly & Mitchell Innovation Intermediation Model).

In our experience, intermediaries in Ireland and other international markets are mainly focused on the early stages of the innovation process, particularly on the streamlining of external relationships. Irish intermediaries help to “set the scene” for collaborative innovations and provide a good foundation for early-stage innovative activities, by establishing appropriate relationships and trust among stakeholders. Once this has been achieved, they tend to adopt an observer role, letting the parties collaborate directly without intervention.

Other scene-setting activities provided by Irish intermediaries include feasibility assessments at the early stages of development, to ensure that the prospective partners will ultimately benefit from the joint-venture; and helping enterprises to obtain funding to support the operation of the collaborative innovation.

An emerging role for innovation intermediaries is the co-development of innovation, whereby they participate directly in the innovation process – as an innovation partner - while enabling and enhancing their own innovative abilities.

This role involves activities such as the introduction of innovative know-how to the host organisation; training and up-skilling; operational and strategic management consultancy; and the provision of assistance in contractual, standardisation and specification issues.

This provides a more rounded approach to helping food SMEs to complete every stage of the innovative process successfully and to establishing a vibrant innovative culture in their organisation.

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"The food manufacturing sector is characterised by a lower level of trust between stakeholders than other industries"
Figure 2: Farrelly & Mitchell Innovation Intermediation Model

Farrelly & Mitchell
Interactive learning process rather than a unidirectional
transfer with active ....
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