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# FEAR OF LOOKING FOOLISH: Business Models, Cognition, and Open Innovation

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# FEAR OF LOOKING FOOLISH: Business Models, Cognition, and Open Innovation

## SURPRISING PHENOMENON

**Successful business model can lead to a waste of promising technologies**

Managers are myopic in their evaluation of technology (e.g. Chesbrough and Rosenbloom, 2002)

- They filter FOR technology that fits a current business model
- They filter AGAINST technology that does not fit

This begs the question, why don't managers search for **alternative business models for technologies that does not fit the current one**, instead of restricting attention to the current business model !

## OPEN INNOVATION LITERATURE

**Inside-out processes hold the promise** of allowing the exploration of new business model for technologies that did not fit the company current business model.

### But the cognitive dimension hinders its implementation

Managers who restrict external use of unused technologies incur no penalty, while managers who allow external use of unused technologies risk "looking foolish" if the technology becomes successful (Chesbrough and Chen, 2013),

## RESEARCH NEED

- Explore the cognitive restrictions in implementing Inside-out and its management,

## RESULTS

Table 1 . FOLF different from NIH and FOMO

	<b>Not Invented Here syndrome (NIH)</b>	<b>Fear Of Missing Out (FOMO)</b>	<b>Fear Of Looking Foolish (FOLF)</b>
<b>Phenomenon observed</b>	Participation in external technology is possible but not wanted because BU's managers <b>focus on internal solutions</b>	Participation in external technology possible but BU's managers feel <b>overwhelmed by opportunities</b> (but sometimes can be denied, or not possible)	Participation possible in internal or external technology, but not wanted. But nothing happens, even if it is a false negative, as the <b>BU's managers denied opportunity for other to use it</b>
<b>Emotions Drivers</b>	Caused by egos	Caused by Loss Aversion	Caused by third-party gain aversion
<b>Process</b>	Self-generated	Self-generated	Generated by other potential success
<b>Outcomes</b>	Hurt the innovation process by rejecting internal path for external ideas (resist to OUTSIDE-IN OI)	Hurt the individual with the generated anxiety toward missing an external ideas to internalize (foster OUTSIDE-IN OI)	Hurt the innovation process by rejecting external path (resist to INSIDE-OUT OI)

### CASE 1: IN ONE TELECOMMUNICATION COMPANY

If there is a startup with technical potential and no business unit is using it (or takes too much time in negotiating a contract), the OI team refers the start-up to a competitor.

**The business unit hates this referral process, but it speeds up the decision to use the startup or not.**

### CASE 2: LUCENT'S NEW VENTURES GROUP (NVG)

If an internal technology is promising, the NVG can nominate the technology and the internal business units have 3 months to use the technology. After this period is the technology is not used, the NVG can take it to market itself or make it available for external licensing to other companies,

**One optical technology argued by business unit as "it's just a niche market, and therefore not interesting to us," became a venture of \$25-30 million in revenue through the NVG.**

### CASE 3: A SILICON VALLEY START-UP ACCELERATOR

The start-up accelerator presents its startups in front of peers from competing companies. Thus, if one company does not show up to the presentation of the startup, it takes the risk of looking foolish (if a competitor works with the startup and becomes successful).

**Some companies that were investing money but no time, started to come to the startup demonstrations.**

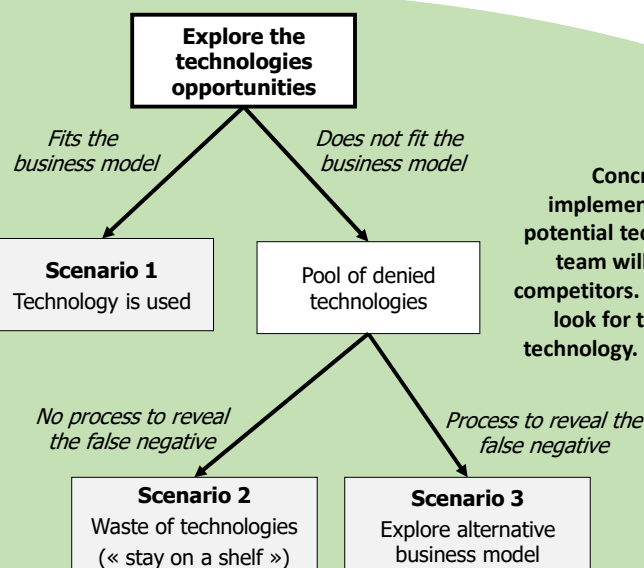
## CONTRIBUTIONS

- Confirm that external experience can provide useful validation for the potential value of an unused technology
- But also more thought through and rapid decision making in the exploration of technologies opportunities
- Restricting external access to unused technologies involves both organizational and individual cognitive issues such as FEAR OF LOOKING FOOLISH

## LIMITS AND FUTURE

- Can not generalize the Fear of Looking Foolish
- Yet Their organizations might still have such aversion – do individual factors outweigh the organizational ones, or vice-versa?
- Did not study the consequence of a competitor success when the project is referred to them  
A real discussion is needed on the content : what technology to refer to competitor or NOT / When

Concretely, some organizations implement a use-it or lose-it policy. Any potential technology rejected by the internal team will be given to third-party, even competitors. They will have the opportunity to look for their own BM with this shared technology. If they find one, it will reveal the false negative.



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