

Open Innovation and Economic Development

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When analyzing the potential that Panama has to jump to a top position in logistics performance and trade in the region and the world, one thing that becomes clear is the need to reap the benefits of open innovation through inter- and intra-organizational knowledge management. The knowledge that could drive innovation fastest and farthest will now likely come from external sources to organizations, and each organization not only must be aware of that knowledge and its source but has to be prepared to utilize it in innovative ways. Inter-organizational knowledge management allows participating organizations to individually and collectively measure, monitor, share and document knowledge that has been generated and used among different organizations when a product or service or both is provided in collaboration with those organizations. This idea is inclusive of the need for an organization to learn collectively and to manage knowledge within itself in ways that foster an environment of continuous improvement in order to produce increasingly better processes, products, services, human talent, technology, etc. At the level of the industry, embracing this open innovation approach paves new avenues for economic development, reminiscent of Silicon Valley.

Making this happen implies the definition of a new level of collaboration among organizations, one that increases their competitiveness and engages all players in learning environments in local and perhaps global innovation ecologies. In the case of global logistics and trade in general, and in Panama logistics in particular, there are many logistics services that are provided through the combination of subservices managed by distinct organizations. For example, logistics services involved in exporting products from a country on the West coast of South America to an island in the Caribbean may engage a container transshipment operation in Panama involving a sea port in the Pacific, the transisthmian ground transportation by rail or truck to a sea port in the Atlantic. This path combines many activities that need to be as efficient and as competitive as possible, and players who must understand their role in the supply chain, cognizant of all integration issues with the rest of the chain. By ensuring visibility to the overall service performance and by establishing a platform for open collaboration, organizations involved in providing the combined service can not only monitor performance, but also generate knowledge and collectively learn, which in turn will drive efficiency. Overall competitiveness goes up.

Of course, there are challenges that organizations face when dealing with open innovation and collaboration strategies. They ask how much openness they feel comfortable practicing when they collaborate with suppliers, partners and competitors? Open innovation is certainly a different way of looking at business opportunities and requires learning, trust, and internal leadership. However, we have seen open innovation embraced successfully in other industries, and it has also been well documented in the literature: in order for a cluster of companies that compete in the same markets to be able to step up their global market shares, they need to collaborate. When steps to opening up are taken, then the sources of knowledge and

innovation can be used more effectively to improve quality of service and introduce new and more competitive services for the industry as a whole. Clear practical examples include the proven use of Universities and Research Centers as open collaboration managers to help improve processes and adapt and adopt new technologies. This practice could be left to be a casual interaction driven by chance or it could be designed as a strategic directive to give visibility to knowledge generators of the types of challenges that organizations face, effectively engaging them in finding solutions. In a similar fashion, customers can provide feedback on the operational details of the service in ways that permit them to contribute many different potential adjustments that would promote a higher level of service.

Panama has an impressive set of logistics and transportation assets and an equally impressive number of companies that manage these assets. Now, the way forward must be to engage all players in an open innovation system that takes advantage of global, regional, and local knowledge generation and captures the voices and experiences of customers. Doing so will usher in an effective cycle for continuous improvement for logistics services and drive sustained economic development.