



UC Berkeley
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Internal Open Innovation Firm
Practices & Strategic Value Capture

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I would like to contribute this paper to the 70th birthday of Professor Henry Chesbrough. A legendary leader and a remarkable human being, who changed and keeps changing the world with his passion, inspired so many people to accelerate abundance for the entire human race by making knowledge flow, and for making me a better human and a better thinker. May you continue doing what you love so much in happiness and self fulfillment for the next 70 years.

Paper Summary

Authored by Almog Goldstein, Founding Executive Director of the [UC Berkeley Open Innovation Labs](#), this paper examines how the OI Labs helps firms reconfigure internal routines to foster a culture of “strategic openness.” Moving beyond tactical collaboration, the study emphasizes that the success of Open Innovation (OI) is predicated on an internal mindset shift – viewing underutilized R&D not as a “misfit” to be patented and abandoned, but as an asset for Inside-Out value capture.

The summary highlights three critical internal capabilities:

- **Strategic Alignment & Value Capture:** Aligning leadership to move beyond “money” as the sole metric, instead focusing on how internal tacit knowledge and cross-functional coordination can be leveraged to meet long-term organizational goals.
- **The WFGM Framework (Want-Find-Get-Manage):** A structural tool used to overcome internal inertia. It forces firms to rigorously evaluate internal knowledge before defaulting to R&D, and mandates active partnership governance to prevent “invisible” or stagnant collaborations.
- **Dynamic Capabilities (Sense, Seize, Transform):** Based on David Teece’s theory, this practice details how firms like Apple reconfigure internal structures (e.g., creating the App Store) to transform a “seized” opportunity into a sustainable ecosystem.

Ultimately, the case demonstrates that OI success is less about external sourcing and more about the internal absorptive capacity and change management required to navigate a world of knowledge abundance.

It All Starts With Curiosity

It's September 2025, I'm sitting with Professor Henry Chesbrough at his favorite coffee place in Berkeley, California – Caffè Strada, right across the UC Berkeley campus.

I always find conversations with Professor Chesbrough to be remarkably fascinating. We get to chat about life, the meaning of abundance, value, the importance of channeling academic wisdom to the industry, and the importance of connecting the practicality of the industry to academia. Professor Chesbrough has supervised me since we've created the Open Innovation Squad, which later became the Open Innovation Labs. We help top firms to capture more value of existing knowledge and assets by assembling cross-functional teams of UC Berkeley students from various disciplines. Or how we call it – finding problems for solutions. As I'm about to wrap up the conversation with the Professor, I've asked him a question. His answer became core to our mission and everything we do. “Professor – imagine that you have one million Henrys and all the money in the world – what would you do?” He looks at me, leans back and with a finger on his chin, he ponders. I love to measure the quality of my questions according to the time it takes for someone to reply. The longer it takes, the deeper someone taps into their inner wisdom. Then he looks back at me and replies “You know what I would do? I'll work to inspire people to become more curious about Open Innovation”. Inspire people to become more curious about Open Innovation. Not getting everyone to apply Open Innovation. Not getting everyone to read his work. Not getting everyone to master Open Innovation. To inspire people to become more curious about Open Innovation. According to Google's Gemini, “Curiosity is the intrinsic desire to learn, explore, and acquire knowledge, serving as a fundamental driver of human development, scientific progress, and adaptation”. The Professor's response resonated so well with me because back in my school days, I found it extremely painful to sit in classes and learn stuff that I've had zero curiosity for. Not a single teacher started their class by explaining why their subject is

the most beautiful thing in the world, why we should know it, and how it would make our lives better. Most of them just came to transfer knowledge from their brains and the literature directly to our brain, so we can extract as much as possible as close to the original as possible on the exam.

The Open Innovation Mindset

Open Innovation for me is so much more than a paradigm or methodology to think about innovation. It's a mindset. A way of living and thinking in a world of abundance and endless possibilities. Let me give you an example. Imagine that you are the CEO of a small business that produces food for pets. You're sitting in your office and then "knock knock" – your CTO is there, with a face that is part excited, part troubled. She comes in, sits in your office and shares something unexpected – your internal innovation lab came up with a potential chemical that could cure a specific disease in humans. But your company is expert in pet food, not medicines. What do you do? Well, this is a classic case of the side effects of the research and development process – not all of the innovations originated within the firm are aimed towards the core business model, which means that your ability as a firm to capture value from that innovation is very limited. Let's go back to the dilemma your CTO now has put you into – are you going to develop the internal capabilities needed to capture value from that potential medication? It requires a whole new internal expertise, talent, and knowledge that your company does not possess. After high-level evaluation you decide to lock the knowledge of the new chemical for 20 years under a patent so if one day during that time frame you decide to pivot or expand your business, you'll be able to use it. Fortune telling – the patent will probably end up abandoned, same as 50-60% of the patents, because chances are that no one in your company will even remember this patent exists. Now let's flip the story to a group of entrepreneurs who happen to find the same chemical like your innovation lab, but too bad for them – they did so after you patented it. They reach out to you, the CEO of the company, in the hope that perhaps you will be interested in collaborating with them by licensing or selling the patent. You immediately reply "no" – you

don't want to give something that has been originated internally to someone else because what if they actually manage to bring it to the market and become remarkably successful? Even more successful than your own company. Imagine what a mindset it takes to let someone else you've never met before to use something that has been invented inside your company with money you've raised and the employees you've hired, and potentially outgrow your own company and even your net worth. Do you care enough for humanity to let this knowledge flow to a group of young and passionate entrepreneurs who could potentially save lives with this chemical? Well – good news. Being open does not mean being a sucker who gives everything for free and never gets anything in return. This is where the magic of strategic openness comes to the game. How can you capture the most value from internal innovations, even if the originator isn't the actor who brings it to the market? This is why you need to have solid internal capabilities within your firm to foster a culture that enables the success of Open Innovation projects. In this paper I'll share some of the proven methodologies we're using at the UC Berkeley Open Innovation Labs as we help companies to capture more value from their internal innovations.

Value Creation & Value Capture

Let's start with the core principle that serves as the foundation of all the methodologies I'm going to discuss with you: value. Two years ago, I read a paper titled "Value Creation and Value Capture in Open Innovation" by Henry Chesbrough, Christopher Lettl, and Thomas Ritter. This was where I read about the term "Value Capture" for the first time. I was also introduced for the first time to the idea of strategic value capture – how we could strategically capture value from the value we create. Everything in life is a negotiation – a process where two or more parties collaborate to exchange value, create more value from their resources, and capture more value from the potential value they can create. Ask your friends how they capture value from the value they create for their employer. My prediction: "money." Well, money is a great way to capture value in the form of compensation. However,

how many times have you asked yourself: “How can I capture value in the most strategic way from the value I create at work?” The value you want to capture depends on your life goals. Let’s assume that you’re currently working as a Senior Product Manager and your goal for the next five years is to become a Director of Product at an enterprise. Money is nice, but money alone won’t make you a Director of Product. Now we’ll strategically analyze what it takes to become a Director. It starts with great leadership skills (or at least I hope this is how your organization evaluates potential managers), a reputation as someone who gets stuff done, under-promising and over-delivering, being valued by the management team and peers, and proving to be a great culture fit to develop the next generation of product leaders. Money could definitely enable you to develop some of these requirements, but there are many ways you can capture value directly from your employer to get closer to your dream job. For example: management training, taking on more responsibility to prove your value, shadowing existing directors to learn from them, or moving to work on a product that gets more attention from management. Again, once we understand what our long-term goal is, we know what kind of value to capture that will get us closer to that goal. Then we can negotiate that value – we create more value for the organization by investing more time and effort and generating more results, and we capture value back by getting closer to our dream job and to self-fulfillment.

The Management of Knowledge

Now, let’s apply these concepts to Open Innovation within your own organization. Your team creates tremendous value through its work beyond the product itself. The tacit knowledge – the unspoken, experiential wisdom that isn’t documented anywhere – alongside your data, processes, and partnerships, are all valuable assets that may be worth far more than you realize. Based on your long-term goals, how can you capture more value from these existing resources? For instance, if your team is expected to increase revenue by 15%, you *could* cut costs by reducing headcount. But

where is the innovation in a layoff? Instead, let's reframe: your team already possesses immense value; you simply aren't leveraging all of it yet. This is the perfect example of why the Open Innovation mindset is so vital. When people ask me "What is Open Innovation?" (my favorite question after "What is your favorite food?" – which is obviously Panda Express's Orange Chicken), I explain that a common side effect of R&D is that teams often create innovations that don't fit the core business model. When a firm lacks the resources or expertise to bring those specific "misfit" innovations to market, they are typically patented and then abandoned. In my view, Open Innovation isn't just a paradigm; it's a strategic way of thinking designed to capture value from the abundance of knowledge, whether it originates internally or externally. Professor Henry Chesbrough discusses two primary knowledge flows: Inside-Out and Outside-In. At the UC Berkeley Open Innovation Labs, we frame these as follows:

- Inside-Out: Finding "problems for existing solutions."
- Outside-In: Finding "solutions to existing problems."

Inside-Out involves moving underutilized knowledge from inside the firm to an external party that can leverage it to build better products and scale faster, all while decreasing your own costs.

Consider a hypothetical automotive firm, PandaEV, entering the US market for the first time. They face a massive hurdle: charging infrastructure. Tesla has already built tens of thousands of stations, while PandaEV has none. The executive team faces the classic dilemma: Make, Buy, or Partner? They don't want to sink billions into a proprietary network, yet they want their customers to enjoy the freedom of cross-country travel. Building from scratch would be prohibitively expensive, slow, and incredibly risky. However, once you realize we live in a world of incredible abundance, you look for existing knowledge to leverage before building from scratch. According to the Population Reference Bureau, roughly 117 billion humans have ever lived.

Imagine the staggering amount of knowledge already created and documented! It is almost impossible to have a truly “original” idea that hasn’t been explored in some similar form before. To me, Open Innovation is a mindset that helps you deeply understand the meaning of knowledge. It teaches you how to capture value from the world around you – and even from the ideas currently locked inside your own brain. Once you understand how knowledge flows, you can strategically “open up” to control your organization’s destiny.

Strategic Acquisition of Knowledge

Another practice we utilize at the UC Berkeley Open Innovation Labs is the Want-Find-Get-Manage (WFGM) tool, as described by Gene Slowinski and Matthew W. Sagal (2010). This framework helps a firm navigate the “Make, Buy, or Partner” dilemma by systematically addressing four key stages:

- **Want:** Identifying exactly which resources are needed to develop new assets and determining whether they should be created internally or sourced externally.
- **Find:** Determining how to locate and evaluate external knowledge and resources.
- **Get:** Navigating the negotiations and agreements necessary to access those resources.
- **Manage:** Governing the partnership to ensure a continuous, effective flow of external resources into the firm.

I have observed that using the WFGM tool helps companies expand their understanding of what is possible and better define their objectives for every new development. It effectively forces an organization to evaluate existing internal knowledge before defaulting to internal R&D. Perhaps most critically, it mandates rigorous partnership planning by answering vital questions: Who are the key stakeholders for each phase? How do we ensure

the partnership actively fulfills our needs? At what point should we re-evaluate or even terminate the collaboration? Without this discipline, some partnerships persist for years – invisible to everyone in the organization except the Finance department. As part of the training we provide, we teach our students Open Innovation, Product Management, Intellectual Property, and Negotiations. In my view, these are the core competencies of a successful Open Innovation Manager. To truly orchestrate a thriving ecosystem, you must be a “negotiation superstar.” You need to understand the value you offer, the value you seek, and how to structure a win-win partnership that allows all actors to capture more value by collaborating with you.

The WFGM tool essentially synthesizes these skills:

- Want: Requires a deep understanding of the Jobs to be Done and why specific assets are necessary.
- Find: Demands proactive business development and market scanning.
- Get: Necessitates a clear grasp of the Intellectual Property being acquired and how it will be integrated into the business model.

Identifying Innovation Opportunities

One last practice I find remarkably relevant for applying and managing Open Innovation is the Dynamic Capabilities theory by Professor David J. Teece of the UC Berkeley Haas School of Business. Professor Teece describes three core capabilities a firm must build to remain competitive: Sense, Seize, and Transform. To illustrate, let’s look back at 2006. The smartphone market was beginning to take shape as numerous manufacturers entered the space. While early devices weren’t particularly intuitive, they were capable of handling tasks on the go; for instance, executives could manage emails while listening to music, taking photos, or joining video calls. Meanwhile, according to an interview with Steve Jobs, Apple had actually been working on an initial iPad prototype before the iPhone was even conceived. Jobs sensed that the market

was showing a burgeoning interest in smartphones (external sensing), while recognizing that Apple could pivot its multi-touch tablet technology into a handheld device (internal sensing). Apple then decided to seize the opportunity, and in 2007, Jobs introduced the first iPhone. To capture maximum value from this seized opportunity, Apple later transformed by introducing the App Store. This allowed third-party developers to ship their own apps to iPhone customers while Apple collected a fee on every transaction. In doing so, Apple began generating recurring revenue from a product that had already been shipped to the customer.

To summarize the framework:

- Sense: Actively identifying external opportunities – what customers want, market gaps, and new trends – while simultaneously auditing internal knowledge and resources.
- Seize: Capturing the opportunity by strategically leveraging both internal and external resources.
- Transform: Reconfiguring the organization to capture the most value from the seized opportunity in a sustainable way.

Each of these capabilities requires a firm to establish active processes for acquiring and managing knowledge. At the UC Berkeley Open Innovation Labs, we work alongside firms to help them develop these core capabilities while mentoring the next generation of Open Innovation leaders. None of this would have been possible without the leadership of Chris Bush, Executive Director of the Institute for Business Innovation at UC Berkeley, who is the best manager I've ever had. I would also like to thank the OI Labs leadership team for their guidance: Professor Henry Chesbrough, Professor Bowman Heiden, Professor Sara Beckman, and Professor Holly Schroth.

Lastly, I would love to hear your thoughts on this paper! Please feel free to reach out at almogos@berkeley.edu. Best of luck on your Open Innovation journey. Remember – it's all about accelerating abundance for humanity.

About the Open Innovation Labs: The Open Innovation Labs at the UC Berkeley Haas School of Business serve as a hub for research, education, and industry collaboration, dedicated to advancing the theory and practice of open innovation.