

A Review of Literature on Impact of Open Innovation on Firm Performance

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Open innovation and firm performance has been examined by many researchers using various contexts. But there is no comprehensive view on the subject of open innovation. Having a desire to examine current research on open innovation and firm performance, this study provides a better understanding of the theme and re-conceptualise the idea for future research on this topic. A set of papers were selected based on the PRISMA framework for the review during the period 2015 to 2020. Descriptive analysis and literature classification were used to analyze the selected articles. It was identified that some researchers used inbound innovation and outbound innovation as their major dimension of open innovation and various constructs were used as moderating variables. Further, a majority have analysed firm age, firm size, and industry type. Moreover, many researchers have used the survey method as a data collection technique rather than panel data in studies in this area. Some studies noted that open innovation has a negative impact on firm performance and few demonstrated that open innovation has a U-shaped relationship with firm performance. Hence, for future researchers it is necessary to examine the inbound, outbound, and coupled innovation strategies by putting equal weight. Furthermore, future studies need to concern on both financial variables and non-financial variables to measure the performance. It is essential to use moderating variables in future studies and it will strengthen the findings. Moreover, it is required to consider control variables than firm age, firm size, and industry type. Due to the contradictory findings on the area, its need to do more investigations on open innovation and firm performance and this review produces knowledge for both managers and policy makers to perform their role effectively. These findings are important for future researchers to identify the key areas that need to be investigated in the field of open innovation.

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