



Tapping the innovative business potential of innovation contests

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KEYWORDS

Crowdsourcing;
Innovation contest;
Innovation Jam;
Open innovation;
Variety;
Gamification

Abstract Innovation contests are increasingly used by businesses to identify new ideas for better servicing their customers; yet, the degree to which the innovation contests provide new ideas has been disappointing. We describe the case of a large innovation contest via which we examined the role of three elements of the online discussion context to predict whether innovative ideas are generated during the contest. The three elements are: (1) the discussion thread's amount of variety (i.e., variation of participants' familiarity with the topic or organizational background), (2) the amount of collaborative versus argumentative posts that have been made in the discussion prior to a contributor's innovative post, and (3) whether the discussion includes previous posts from the participant prior to the innovative post. We found three ideal profiles for a person generating innovative ideas: (1) he or she posts after participants who have substantial variation in familiarity with the topic, (2) he/she posts on discussion threads in which participants focus their contributions on adding their own perspectives, not on arguing with others, and (3) he/she has not previously posted. These findings lead to specific implications for managing innovation contests. © 2015 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. Innovation contest

An innovation contest is an approach used by firms that encourages a public crowd to co-creatively develop innovative responses to a firm's question (Füller, Hutter, Hautz, & Matzler, 2014; Hutter, Hautz, Füller, Mueller, & Matzler, 2011). The question prompt is often quite open, such as asking the

crowd to offer recommendations for new business models, new sources of revenue, or new strategic priorities (Majchrzak & Malhotra, 2013). Innovation contests—or open innovation challenges—are derived from the open innovation paradigm, which “assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology” (Chesbrough, 2006, p. 1).

Innovation contests use what are referred to as ‘Web-based crowdsourcing platforms’ in which a firm's question is outsourced to an undefined group

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of participants (Estellés-Arolas & González-Ladrón-de-Guevara, 2012; Howe, 2006). Predictions are that by 2017, crowdsourcing will be used by more than 60% of firms as a way of engaging external parties in making a wide variety of decisions with a wide variety of providers (McIntyre, Reynolds, McGuire, & Milanesi, 2013). Innovation contests ask the public to not only contribute ideas, but also collaborate with each other online to co-create innovative answers to the question prompt. Because of dissatisfaction with the incremental nature of the ideas suggested from traditional crowdsourcing, many firms increasingly use the extension offered by innovation contests (Majchrzak & Malhotra, 2013; West & Bogers, 2014).

This article explores how to tap the potential of innovation contests by improving discussion variety, encouraging participants to add their own perspectives, and cheering on first-time posters. Methods, techniques, and tools exist to foster creativity in non-online groups (e.g., de Bono, 1985). For example, de Bono's theory is based on the fact that the human brain thinks in distinct ways—managing, information, emotions, discernment, optimistic response, and creativity—which can be challenged. De Bono's (1985) six thinking hats process, represented with hats of different colors, seeks to introduce parallel thinking after an objective is defined using the blue hat, which avoids adversarial confrontations by participants wearing different hats. A clear analogy can be drawn to the case of innovation contests since the organization defines the problem (blue hat) and participants can contribute by adding their perspectives. In convergence with de Bono's six thinking hats, this article's guidelines maximize the amount of different perspectives in a discussion that leads to the posting of more innovative ideas.

Guidelines for managing crowdsourcing include designing the innovation contests' Web platforms, using non-technical language, defining objectives, clarifying terms and conditions for participants, clearly communicating the idea selection process, finding internal champions to implement crowd ideas, and properly aligning rewards with motivations (Alexy, Criscuolo, & Salter, 2012; Boudreau & Lakhani, 2012; West, 2009). Participants in innovation contests are not only motivated by winning the announced prize but also by a range of other factors, such as learning and social support (Hutter et al., 2011). These guidelines are important for establishing an environment that encourages participation. However, they generally ignore the person's context of the online discussion: the possibility that the manner in which participants behave during the innovation contest may affect whether they offer innovative recommendations or contribute to other participants offering innovative recommendations.

Thus, previous research has treated the process of the contest as a 'black box.' A first step in understanding this black box is to characterize elements of the online discussion context that may affect a person's propensity to post an innovative idea.

In the innovation literature, the online context is a key factor affecting the innovativeness of the contributions (Füller et al., 2014; Hutter et al., 2011; Majchrzak & Malhotra, 2013). We use three different elements to characterize a person's online context prior to his/her innovative post: (1) the amount of variety among those contributing to the discussion, (2) the amount of collaborative versus argumentative posts, and (3) whether the discussion includes previous posts from the person. In this article, we describe recent research and use a quantitative analysis of a case study of an innovation contest to develop guidelines specifically directed at understanding these three elements.

2. Background on the case of an innovation contest

The United States Agency for International Development (USAID) is a U.S. federal agency tasked with providing funding and expertise to end extreme global poverty and enable resilient, democratic societies to realize their potential. Typically, USAID develops 5-year strategic missions based on internal management discussions. In this case, for the first time, USAID asked citizens in developing countries with past USAID presence for their views on which grand challenges USAID should address in its forthcoming 5-year strategic plan. The USAID case is an Innovation Jam (Bjelland & Wood, 2008). Similar to an innovation contest but without prizes (Bjelland & Wood, 2008; Hutter et al., 2011), jams encourage collaboration-based crowdsourcing (Afuah & Tucci, 2012). The USAID Grand Challenges innovation contest was announced using current and past USAID mission staff and the extensive contact network USAID had established around the world through social media channels, distribution of flyers, videos, pictures, and blog messages. To expose as many people as possible from around the world to the upcoming innovation contest, USAID asked other organizations to announce it, including non-government organizations, embassies, government agencies in countries in which it had missions, and educational institutions with an interest in global development. Figure 1 shows the front website for the contest. The contest ran for 72 hours, during which 254 individuals from 49 countries participated, generating 591 posts. Example posts, categorized by participation level, are shown in Table 1.

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