Crowdsourcing Innovation to Create Business Value:

A White Paper from Techstra Solutions and the Community Roundtable

Crowdsourcing innovation programs have an unprecedented opportunity to become powerful strategic assets, but they are impeded by a company's failure to clearly define business value. The inability to directly connect crowdsourcing innovation to business goals and key performance indicators (KPI) has put programs at a disadvantage when it comes to garnering visibility and resources. Most traditional ROI models for innovation do not take into account the additional value crowdsourcing generates for the process, its outputs, and the overall organization. The ultimate goal of this research is to articulate business value in a way that can be adapted for different programs and use cases.

Our research finds the best crowdsourcing programs add value across multiple dimensions:

Value to the Business:

- Attainable hard values include revenue generation, cost reduction, and improvements in customer and employee experiences.

- Business goals set a path towards clear business value creation and metrics that measure success.

Value to the Process:

- Crowdsourcing adds value by improving the consideration process, making it faster and more cost-efficient, and ultimately producing higher quality results.

- A sub-culture can also be established within the program that breaks down resident silos and creates connections that enable real-time problem solving with the best minds available.

Value to the Organization:

- Organizations become more agile and responsive to customer and employee ideas and needs.

- Programs align with the expectations of millennial-minded and younger workers, who seek broader opportunities for input and collaboration.

Please share your comments at #crowdsourcinginnovation2016 or directly with me at **jhonig@techstrasolutions.com.**

Jennifer Honig

Founder, Techstra Solutions

UNDERSTANDING CROWDSOURCING

Crowdsourcing is a fairly recent term — but the concept of using the collective input of customers, employees and other stakeholders to design, improve and change products and services can be traced back decades or even centuries. Simply put, it's the concerted, intentional effort to integrate input from an ecosystem into the way you do business.

Despite the growing number of crowdsourcing tools and platforms, there are few resources that cover the strategic and business elements of using crowdsourcing for innovation. In this paper, we identify the business value organizations typically generate from crowdsourcing and the strategic elements needed to build a crowdsourcing innovation program. The research is based on conversations with community practitioners who run crowdsourcing initiatives, and a survey of those practitioners on their experiences in employee, partner and customer communities, informed by Techstra Solutions' engagement with innovation program leaders, and the research and frameworks developed over the past decade by The Community Roundtable.

Ultimately, it is the ability to drive business value and innovation that is crowdsourcing's biggest impact on organizations. Our research finds that this opportunity is maximized by organizations that take a more community-oriented approach to ideation and challenges. Discrete, challenge-based programs are a first step into the arena.

THE OPPORTUNITY FOR CROWDSOURCING INNOVATION

There are two types of crowdsourcing programs. Some organizations seek to tap into the power of the crowd by launching one or more time-based "challenges" in which specific topics or areas of interest are explored. Other businesses establish ongoing ideation or challenge communities that provide an on-going stream of new ideas and improvements.

As defined by The Community Roundtable, communities are groups of people with shared values, behaviors and artifacts. The shape of a community depends on the context in which it forms. Ideation communities are places where ideas can be surfaced, shared, commented on, reviewed, and ultimately winnowed to those with the greatest potential. This interactive process creates value to the organization on its own by generating a broader, deeper pool of ideas that mature more quickly, creating an agile approach to innovation.

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"(The ideation community) gave customers an opportunity to not only voice their opinion, but also collaborate with each other and with other users in a way that they couldn't before."

- External ideation community leader, Software

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Small one-off challenge initiatives can develop ideas that have major business impact for an organization and its members. However, organizations can maximize value by making investments in on-going, enterprise-wide crowdsourcing communities. We see qualitative evidence that a shift is occurring – with programs viewed less as experiments worth "trying out" and more as strategic assets worthy of investment, resources, priority, and visibility.

TYPES OF CROWDSOURCING FOR INNOVATION

Organizations ready to create an innovation community benefit from a number of readiness elements, such as a community-oriented culture, sufficient resources, strategic prioritization, and visibility within the organization. If those are not in place or are just developing, a smaller-scale program may make greater sense.

WHAT DO WE MEAN BY "COMMUNITY"?

Community: A group of people with unique shared values, behaviors and artifacts

An essential element of defining what constitutes a community is context. Within the confines of this white paper, we think about three different approaches.

IDEATION COMMUNITIES follow a traditional business definition of community. They typically have a dedicated platform or space for collaborative engagement such as posting, discussion, voting, commenting, defined management, and some level of larger strategic goals. They typically are "always on," giving members and the organization a constant platform in which to raise issues, ask questions and explore solutions. The community matures over time.

CHALLENGE COMMUNITIES are similar in structure to ideation communities, but focus their efforts on time-based challenges to address problems and opportunities. While the challenges themselves are time-based and may make community activity cyclical, the challenge communities build generative value by gathering, storing and utilizing learnings from past challenges and applying them to future challenges. They also may carry over a substantial portion of their membership from challenge to challenge.

Within the document, when we talk about "community approaches" or "crowdsourcing communities," it generally includes both ideation and challenge communities.

CHALLENGES and CHALLENGE SERIES differ from the community approaches because they approach problems as discrete efforts. While they use collaborative approaches to problem solving via "the crowd," they lack the connective tissue between the challenges that gives communities their generative value. Each challenge is approached independently. There's nothing inherently wrong with this approach – it makes challenges much simpler to set up and manage. Challenges can, however, set the stage for the development of a community over time. We see evidence that a community approach provides numerous benefits that independently managed challenges do not.

What makes communities more effective, in the long run, is their ability to create generative value. Lessons learned, knowledge gained, and collaborative energy generated from each problem tackled is fed back into the system, ideally allowing members and the organization to gain greater value from the community than they invest. This creates a positive feedback loop that improves the process for solving future problems and the quality of the solutions themselves. It ultimately enables the community to grow and mature.

DEFINING VALUE FOR CROWDSOURCING INNOVATION

Securing the resources for a successful ideation or challenge community is often contingent on helping stakeholders understand the business goals and benefits that those communities, and on a smaller scale more limited programs, can provide. Benefits fall in three areas.

1. Amplification of Member Voice

First, and most immediately evident, is that crowdsourcing amplifies the customer or employee voice. This is the value we most often heard from practitioners, and at some level, it is the easiest to understand. We all want our voices heard, and we are more likely to buy products, use services or feel connected to organizations that treat us with respect and listen to our thoughts.

Feeling respected and listened to is critical for customer renewals. As one external ideation community leader noted, "The customers really value having a voice and providing direct input and direction. They know they are paying for something. They offer loyal, repeat business and they want to get something out of it."

Ideation programs highlight the value of member voice – Across our surveys, program leaders unanimously cited the power of their ideation programs to make customers or employees feel heard. This included having ideas considered, reviewed by higher-level executives, receiving rewards, and/or having their ideas implemented by the organization.
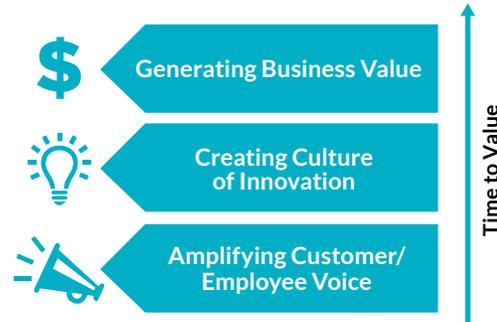
Ideation programs expand the diversity of ideas – Our interviews found that the ideation process triggered ideas from members outside of "the usual suspects" in a given area. For example, users and developers each got a seat at the table in a technology community. The public platform allows outsiders' ideas to get greater consideration, and limits the level of intentional or unintentional intimidation inherent in connecting with more senior or technically knowledgeable stakeholders.

Ideation deepens the customer/employee relationship – By creating a safe space for sharing ideas that could benefit both the member and the business, crowdsourcing innovation provides a powerful way to deepen how members and the business interact. It's not without its risk – as we will note later – as asking for an opinion and then failing to follow up on it can discourage submitters. But in most cases, giving members a seat at the table has positive benefits.

THE VALUE OF CROWDSOURCING INFORMATION

- $ Generating Business Value
- Creating Culture of Innovation
- Amplifying Customer/Employee Voice

Time to Value

2. Creating a Culture of Innovation

Ideation and challenge communities provide a way to connect innovation to the daily work of the organization by creating a "town square" where ideas can be explored and feedback shared. Raising the profile of innovation in the organization serves a number of operational benefits.

Crowdsourcing programs weave innovation into organizations – The creation of a crowdsourcing program brings what is typically reserved for the Research & Development (R&D) function into the rest of the organization. When ideas come from throughout the organization, there is a stronger connection with new products

and services, and it's more likely that the ideas themselves will address issues and create opportunities that an R&D team might not have seen in isolation. Ideation can also innovate organizational processes and services that fall outside the purview of an R&D group.

The crowdsourcing innovation process itself adds value – Crowdsourcing opens up opportunities for iterative feedback, helping to improve processes or products before they become calcified. The crowdsourcing process builds and expands ideas by bringing diverse expertise and backgrounds, across organizational and/or geographic boundaries. Input from a wide set of viewpoints across the customer/ organizational spectrum can highlight possible bottlenecks and unintended consequences of new products, services and experiences before they are formally implemented.

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"Sometimes it's a team of four people that have never met each other and have no idea of what each other does who get teamed up. Think about the cultural aspect of that – the openness to work with people you've never worked with, and come up with the idea and the business case. All within the challenge. I think that's a pretty big step forward."

-Internal challenge community manager, Financial Services

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Crowdsourcing programs build a knowledge base – The nature of a crowdsourcing program is such that not every idea can be implemented. However, a formal program creates a paper trail, a bank of knowledge that outlasts the tenure of individuals and can be searched and explored when issues resurface or when the timing for an idea is more appropriate.

3. Generating Business Value

The first two categories are often not enough to provide for the long-term survival of crowdsourcing programs. Crowdsourcing needs to (and does) drive business value. Capturing this value can be challenging and may take longer to demonstrate than the other benefits above. However, because business value is most likely to drive resources, priorities, visibility, commitment, and ownership, it is critical that it is a focus from the start.

Crowdsourcing creates a strategic asset – By formalizing the crowdsourcing innovation process and structure, a crowdsourcing program transforms innovation from a nebulous concept into a strategic asset. Programs can be designed with Key Performance Indicator (KPI)-based goals that drive hard business value, measure desired behaviors and outcomes, and create a system for innovation that accelerates and operationalizes the development of new ideas.

Crowdsourcing programs can generate revenue, speed innovation, improve the customer experience, and/or reduce costs – The value of crowdsourcing programs can be captured in terms of product and service offerings, time, quality, and/or costs. Of these, the financial element is often top of mind – revenue generated by improvements or costs saved. However, crowdsourced innovation programs also provide a structure for ideas and feedback that makes the organization more nimble – they can accelerate the innovation cycle or allow companies to more quickly iterate to better serve customer or employee needs.

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"The Challenge gave us the platform to bring attention to a true business issue. By focusing on this issue, it gave our leaders a way to start to introduce their new and innovative ideas to solve (it)."

-Internal challenge leader, Financial Services

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Crowdsourcing improves culture, agility or responsiveness, collaboration, and retention – Crowdsourcing communities generate softer values by creating a more enabling culture. The ability to share ideas and get feedback improves customer and employee engagement and enables collaboration between these groups and the organization. The speed of responses stimulates faster actions, and the positive experience of interacting can be linked to increased retention and a greater sense of overall satisfaction.

**EXAMPLES OF HARD AND SOFT VALUE BY TECHSTRA SOLUTIONS:**

HARD VALUE	SOFT VALUE	"GRAY SPACE" (Other Considerations)
Grow business/drive top-line revenue	Connect with customers better	Improved innovation
Improve operational efficiency / productivity / effectiveness	Outsmart the competition	Global alignment
Reduce costs	Anticipate new competitors	Collaboration
Build knowledge bank	Improve employee communications	Compliance
Retain customers and talent	Better train and develop workforce	Cost avoidance
	Increase agility as company expands	

COMMON FEATURES AND BEST PRACTICES OF CROWDSOURCING INNOVATION PROGRAMS

Well-run crowdsourcing programs can deliver powerful results for organizations. So what do successful programs look like?

The programs in our sample comprise two basic categories – those running continuous ideation communities and those structured around a series of time-bounded challenges. In both cases, the programs typically have the following critical features in common:

- **Defined owners** – Most programs have a named person or department in charge of running the program. Successful programs also delineate responsibility for ensuring ideas and suggestions are brought forward into the business for implementation. While program ownership often is not a full-time responsibility, organizations that ensure adequate resources are more likely to derive measurable benefits.

- **Online submission process** – A platform or community module designed for the purpose of running a crowdsourcing initiative is used. The submission process is defined (for better or worse) by the technological requirements or limitations of the platform, rather than by strategic concerns.

- **User/member voting and/or comments** – Member involvement varies by program, but typically the program has means for submitters and others to vote, rate, and/or comment on submitted ideas.

- **A named/appointed judging panel** – While voting or comments play a varying role in narrowing the field of ideas, most programs have a final panel that reviews ideas and selects "winners" based on quality, popularity, and the practicability of the ideas to go to the next round.
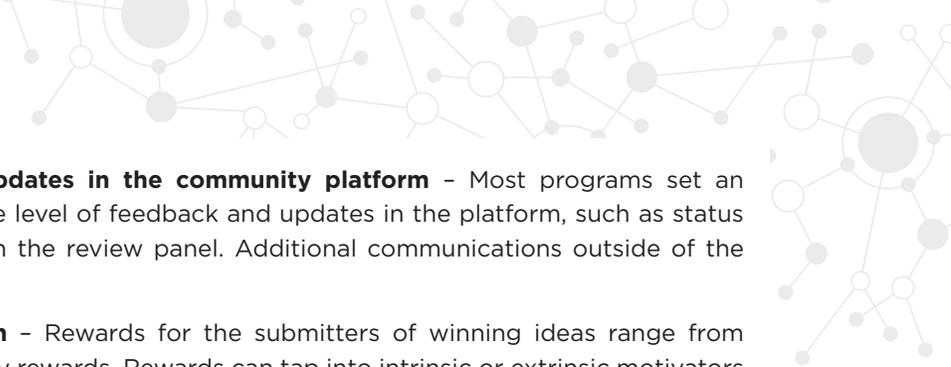
- **A defined process, and status updates in the community platform** – Most programs set an expectation that there will be some level of feedback and updates in the platform, such as status flags and comments on ideas from the review panel. Additional communications outside of the platform are also utilized.

- **Rewards for winning/participation** – Rewards for the submitters of winning ideas range from badges on user profiles to monetary rewards. Rewards can tap into intrinsic or extrinsic motivators – while pizza parties and cash prizes motivate some members, others thrive on recognition or opportunities to learn. In addition, participation rewards are given to recognize the willingness of community or organization members to submit ideas.

- **A plan for implementation/review of winning ideas** – Most strong crowdsourcing innovation programs have a "next steps process" for selected ideas to be moved toward implementation. In some cases, a line of business or product owner takes over leadership of the implementation process. In others, the program serves as a feeder into a "Shark Tank" style process, where selected participants are given time or resources to develop their ideas into more viable products or services prior to going through another round of evaluation.

CROWDSOURCING IDEAS THAT STOOD OUT

While the above critical elements were common among the interviewees, there were a handful of best practices that emerged and are highlighted below. Among them:

- **Training the leaders** – One community, at a large financial institution, ensures consistent practices and commitment by offering an 8-hour training program for those interested in running challenges. The time commitment may seem large, but provides a strong, consistent base for the program. Relative to the investment, an effective challenge could offer an immediately evident payoff.

- **Agile resources** – A software company has begun reserving human and capital resources specifically to move crowdsourced ideas forward. This creates an agile approach to building upon the solutions that emerge from the community effort.

- **Providing answers** – A technology company has expanded the ideation community to include as many as 100 people in the organization to gather and prioritize ideas.

It's a significant commitment but one that ensures ideas get something beyond a canned response from the organization. This leads to better understanding of and a sense of appreciation for ideas, and it compels the product leaders to stay in regular close contact with customers – a critical element for accelerated software development.

- **Ideation - for ideation** – One organization recognized that its ideation program itself can benefit from the power of innovation. Program leaders created an ideation community *for* the ideation community, where members can provide feedback and ideas for making improvements to the crowdsourced innovation process.

NOT QUITE FULLY-BAKED: WHERE CROWDSOURCING INNOVATION BREAKS DOWN

In our research, we had the opportunity to explore a variety of robust crowdsourcing programs at medium and large global organizations. In all cases, the programs were created within established goals and objectives. Some gathered employee and partner ideas, while others sought insights from customers.

In some cases, the programs didn't realize their full potential due to strategic, operational or tactical challenges. A number of common pitfalls surfaced that kept these crowdsourcing innovation programs from meeting their goals.

Strategic Pitfalls

- **No or limited strategy and roadmap** – Your strategy should lay out where you want to go and define the business value of the community. Your roadmap then charts the course to those strategic goals. Without a strategy, there is a higher risk of failure. It's far more likely you'll lose your way, overreact to short-term issues, and lack consistency, which is at the heart of building strong programs.

  The lack of a community strategy comes down to a simple issue – the program isn't seen as a community, but as a series of separate programs. Our research strongly suggests that ideation and challenge programs can benefit from a community approach that keeps the innovation conversation front-and-center before, during, and after the act of crowdsourcing takes place. It's a rare business operator who would say, "We're only innovative every now and then," or "We care about customer voice and input for a few weeks of each quarter." Letting ideation and crowdsourcing programs expire and restart sends that message. It also requires a greater effort to reengage people in the ideation process with each challenge, compared with keeping an innovation community going and building upon its momentum.

- **No clear program or business ownership** – Long-term progress is jeopardized if there is no clear ownership of the program or its implementation. Both need to happen and it may require two separate owners. For example, a large, active set of ideation communities in one organization is having less-than-optimal results because while they follow best practices for the overall program, the ideas generated by the challenges is decided by individual product owners on an ad hoc basis. The community program has owners, but the idea development process for the organization doesn't, which causes predictable operational failures.

- **No plans for post-program implementation** – Crowdsourcing innovation programs can cultivate and cull ideas, but without a plan for moving the winning ideas from concept to reality, or for updating the community on progress and results, the benefits of customer and employee engagement in the process are minimized. Taking the time to shepherd ideas into the implementation phase as well as acknowledge and celebrate the end results are powerful motivators for the submission process. Underestimating the impact can tamp down customer engagement or demotivate employees.

- **No ability to scale** – When a small group of advocates drive the program, they must find ways to make the community sustainable and scalable, or it can lose momentum when key stakeholders leave or the program collapses under the weight of its own success. Getting additional resources is always a challenge, so having a strategy for how the program can expand its business impact with the proper resources, over time is a critical part of the roadmap.

Operational Pitfalls

While developing a strategy is critical, even the best strategies can fail without the operational and tactical elements in place to support the program. At the very least, falling into one or more of these traps limits the potential of the overall program.

- **Insufficient staff or support** – Pushing ahead with a community without properly staffing it violates one of the most accepted rules of community management – that "if you build it, they will come" is a fatally flawed strategy for communities. The best communities have managers who provide the guidance, content, strategies, programs, and more to ensure community success.

- **Unclear roles and leadership** – Assigning staff is key, but alone it is not enough. Roles and responsibilities must be clearly delineated, both for the crowdsourcing program and for integrating ideas into the business. Who oversees what aspects? Who ensures that ideas progress after selection? What stakeholders need to be consulted over issues of IP, fairness, etc.? Without clarity of roles, the process can get bogged down.

- **No executive involvement** – Executive engagement sends an important message to crowdsourcing participants – that the ideas have value to the organization worthy of both senior leadership's and their time by default. That doesn't necessarily mean the CEO has to be involved directly, but having leaders and subject matter experts more broadly engaged and involved matters greatly.

- **No communications plan** – Crowdsourcing programs benefit from broad-based engagement. Getting that engagement means having plans to connect with customers, partners and/or employees to take part and be a part of the process. It's more than marketing. It's a communications effort to ensure ideas and feedback come from the widest net possible and that participants know their contributions are valued.

Tactical Pitfalls

- **No published guidelines or expectations** – Having written guidelines and timelines that set expectations for participants gives them a sense of how their ideas will be considered and how they might be rewarded. Some programs hesitate to do this for fear of creating unrealistic expectations. Choose your words wisely, but give people an understanding of how you're planning to use their ideas if you want to get the broadest range of ideas possible and the most valuable engagement.

- **Lack of transparency** – Transparency helps ensure fairness, and creates an environment where ideas are proposed and evaluated with appropriate seriousness.

- **No clear plan for measuring success** – Your strategy should be informed by the value you want to gain from the program. How well you are achieving that value should be determined by metrics that measure the behaviors and results you want to see. It's not activity – it's outcomes. Measuring participation may not be as effective as measuring behaviors and idea implementation, and tracking the outcomes over time (i.e. up to 2 years after idea origination).

- **No plans for feedback** – Creating a community that values innovation means having plans in place for giving positive and negative feedback on ideas that have been proposed. The feedback loop can lead to revisions, reframing, and spinoffs that strengthen the community as a strategic asset and, most importantly, develop better ideas. Without feedback and discussion, your catalog of ideas won't reach its potential.

THE BOTTOM LINE: 10 KEY QUESTIONS TO ASK BEFORE YOU LAUNCH AN IDEATION OR CHALLENGE- BASED COMMUNITY

The Community Roundtable, Techstra Solutions, and other organizations have great resources to help you answer these questions. Keep in mind, crowdsourcing innovation communities (ideation and challenge-based) share a lot of common ground. Don't think that your community is unique and that ideas from effective community programs in other areas will not benefit your company. We repeatedly found similarities across use cases as we investigated best practices.

If you are evaluating a crowdsourcing program, here are 10 questions to consider:

1. **How do we define the business value and opportunity for the program?** – If you can't define the reasons behind creating the program, and the hard and soft values of the program for participants and the organization, your impact on the organization is limited.

2. **What's the strategy?** – Your program strategy is critical, because buy-in from the organization and members is paramount. An approved program/community strategy is a nearly universal element among best-in-class communities.

3. **Who is in charge?** – Someone needs to be in charge of the program. You are not just administering a tool, you are driving business value, as well as changing behaviors and introducing new ones. Programs that have defined resources and a directive to create a community have a greater likelihood of success.

4. **Who will make sure we act on results – and what's our commitment to them?** – The role of the department that is "buying" the program result must be clearly defined. Want to take the wind out of a successful program? Promise that you'll take the results seriously and then fail to follow through. Commitment alone is not enough. The best programs also have someone in charge and accountable for the further development of recommended ideas to ensure they make good business sense.

5. **Are there clear structures, policies and guidelines?** – Define and establish clear structures, policies and guidelines early in the program's lifecycle in collaboration with a wide range of members and stakeholders. The participation of individuals in crowdsourcing programs will ebb and flow with the challenge or program at hand; it's important that the program reinforces and reiterates desired behaviors throughout the process.

6. **Are the judging criteria defined and consistent?** – The criteria and process for judging entries need to be defined clearly and consistently. What's the process? What are the deadlines? Will entrants get feedback? Are there multiple rounds for entries? Don't make the criteria so onerous that it becomes intimidating, but make sure you are answering enough questions that no entrant feels like, "I wouldn't have contributed if I had known that."

7. **Is the process transparent – and why/why not?** – Transparency is a touchy subject, because of IP and competitive concerns, as well as sensitivities toward appearing to promise implementation of ideas that may prove to be untenable. While the level of transparency of the process is up to you, being upfront about it has benefits for engagement.

8. **How will we communicate with the business/participants about the program?** – Communication about the program is critical for generating interest and sustaining momentum. It's easy to get caught in the weeds of operating the program and let it fall out of the organization's eye. Having a strategy for keeping the broader organization aware and informed of the program's business value, its progress and its successes is important. Dashboards, update reports, and use cases are helpful support elements.

9. **How do we determine it's working?** – Defining the value of the program should be Question #1. But coming up with qualitative and quantitative ways to demonstrate the value of the program to the organization is critical. Be specific around applicable KPIs (key performance indicators) with an eye toward financial costs and benefits. Gathering success stories can be essential in the time between launching the program and when the emergent ideas provide measurable ROI. It is also important to track results long-term (up to 2 years or more for certain development and implementation opportunities) in order to understand the full impact of your program.

10. **What metrics and measures will we track?** – Don't limit yourself to activity measures such as logins and participation. Go back to your value statement, and define the goals and behaviors that reflect that value or lead to it. New behaviors and beneficial outcomes are what you want to see – so make sure you track metrics that capture them from Day 1.

CONCLUSION

Crowdsourcing is a valuable asset that enables innovation to become an integral component of your organization's strategy. But to fulfill its potential, a crowdsourcing program must drive business value; the hard values around which a company aligns and upon which its success is measured. When these elements are defined upfront and built into the program, the program's value is more easily measured and realized. Taking a community approach to crowdsourcing innovation also serves as a key differentiator of the most successful programs; it enables best-in-class practices and has the ability to realize the most long-term value in its generative ability over time.

ABOUT THE RESEARCHERS:

THE COMMUNITY ROUNDTABLE

Since 2009, The Community Roundtable has collaborated with clients to provide proven, practical strategies for better communities.

TheCR has developed models and associated research platforms that inform programming in TheCR Network, our training offerings and our advisory services. These models include:

- The Community Maturity Model
- The Community Skills Framework
- The Social Executive Framework
- The Work Out Loud Framework

Over 200 organizations have relied on The Community Roundtable's services, including Adobe, Aetna, Autodesk, BASF, CA Technologies, H&R Block, Microsoft, NHRI, SAP, The World Bank, and Verizon.

Learn more at www.communityroundtable.com

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