

EXTRACT

CATHARINA VAN DELDEN

# CROWDSOURCED INNOVATION

REVOLUTIONIZING OPEN INNOVATION  
WITH CROWDSOURCING

INSIGHTS AND BEST PRACTICES FROM INNOVATION



## Catharina van Delden

is the co-founder and CEO of innosabi. She is one of the leading experts for Open Innovation and Crowdsourcing technologies. With innosabi's methods, she helps companies to access vast innovative potential by integrating users or customers in the development process of new products, services, or business models. With her first book "Crowdsourced Innovation", she now wants to pass on the methods and insights that made her a thought leader in the German digital sector.

## Preface

Crowdsourced Innovation is not only the title of this book; it is also the name of our vision and the unique approach to innovation management that we have developed at innosabi. At the very heart of this method is the idea that Open Innovation can only unfold its full potential when combined with community-driven Crowdsourcing. Opening processes for external knowledge and looking for innovative ideas outside a company's boundaries are only one part of successful Crowdsourced Innovation. The other important element is engagement: dialogue, relationships, and a shared belief in a project or its final outcome have to be enabled. Great ideas are rarely isolated sparks of genius; instead they evolve and develop through collaboration and interaction. Our book describes how companies can harness this dynamic for their innovation processes.

# 2

SOMETIMES MORE IS BETTER

INTRODUCTION TO  
CROWDSOURCED INNOVATION

Crowdsourcing and Open Innovation had already been around for a while when we founded innosabi. The terms were appearing on management agendas and enthusiastic advocates were proclaiming it as the next big thing in business. However, we quickly realized that in most cases the concepts remained little more than buzzwords. Being closely associated with the entrepreneurial spirit and dynamic of start-ups, many companies used these methods to convey a progressive image. The actual implementations were disappointing and left much to be desired. Being convinced of the potential of Crowdsourcing and Open Innovation, we tried to determine why this was happening. We always came back to two simple reasons. First, companies failed to give the projects a proper purpose and strategic importance. Instead, Crowdsourcing and Open Innovation were mostly insignificant additions to existing structures or processes without being properly embedded in them. Second, without Crowdsourcing an Open Innovation strategy will not reach its full potential. The power lies in their combination. This became and still is our vision – an approach we termed Crowdsourced Innovation.

We want to help companies to start working with the crowd as an innovation partner in order to answer organizations' most important innovation and research questions. Active engagement with external parties enables constant innovation,

one of the most important drivers of sustainable success and competitive advantage.

Seeking knowledge, ideas, and collaboration outside of corporate boundaries typically happens in loose and decentralized networks, connected through web technology. By giving these loose flows of information a strategic framework and connecting Crowdsourcing and Open Innovation, companies can increase the rate of success for their new products, services and even business models as they begin to focus on user needs early on and devote their development capacities to those research projects which are most promising.

## Open Source Principles Outside of Software

Jeff Howe analyzed the dynamics of Crowdsourcing as a way of collaboration. His article "The rise of Crowdsourcing"<sup>1</sup> in the magazine WIRED defined the term combining the words "crowd" and "outsourcing". It is the process of obtaining services, ideas, or content from a large group of people rather than from internal resources like employees or suppliers – typically over the internet. To put it simply, it is the application of principles known from Open Source software development to other fields and sectors<sup>2</sup>. With technologies for collaboration and social networking becoming much more sophisticated, exposing

problems to a widely diverse crowd of individuals and engaging their skills, experience or perspectives has become much more accessible.

We asked ourselves how Crowdsourcing can lead to innovation. Is there Crowdsourced Innovation? Answering this question requires an understanding of different concepts, some of them supported by in depth research. Open Innovation, Crowdsourcing, Swarm Intelligence as well as User Innovation come into play in order to drive innovation. The common element in all of them is a community as the central success factor. There are three main lines of thought we would like to address in more detail:

| SOURCING FROM THE CROWD:

being able to tap into a large pool of resources anytime; relationships are established on a one to one basis.

| CONNECTING THE CROWD:

establishing connections between the different actors in a crowd; relationships are established on a one to many basis.

| CROWDSOURCED INNOVATION:

by providing access to a large pool of resources and establishing relationships amongst individuals, intelligent processes enable the creation of new knowledge and solutions.

## Sourcing from the Crowd

Crowdsourced Innovation only happens when it is possible to tap into a relevant crowd; a group of individuals who possess knowledge, skills, or resources required for the innovation process. Several successful companies with often disruptive business models have already evolved around the concept of reaching relevant crowds. Examples are platforms connecting travelers with couches, beds, or futons in private homes or connecting people wanting to go from A to B with private drivers of cars rather than taxis. These business models thrive from the availability of resources from the crowd – like beds or cars – yet always establish a one to one relationship between the different actors.

Labor and knowledge can also be sourced from the crowd: micro tasks in the form of basic routines like checking content on maps or images are often distributed via the web to be completed by the general public. Examples are Amazon's Mechanical Turk, Clickworker or Gigwalk. The objective of companies employing the crowd is to get cost effective and quick access to sometimes scarce skills and knowledge anywhere, any time as needed. Platforms take fees to connect supply and demand. Even funding can be sourced from the crowd: crowdfunding companies like Kickstarter, indiegogo or Bergfürst access the crowd to get

funding for companies or non-profit projects such as creating art or music. Crowdfunding raises small amounts of money from a large number of people instead of taking on board few single investors.

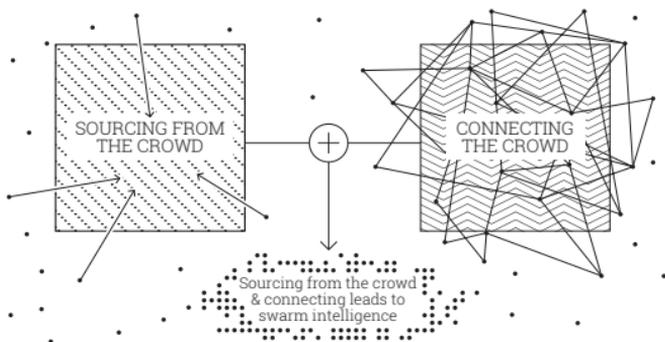
## Connecting the Crowd

Connecting the crowd – and going beyond merely sourcing from the crowd – has triggered a social revolution. Social media has used this mechanism to connect users, who have personal relationships or similar interests and are willing to share their experiences. These communities foster constant dialogue, not necessarily pursuing a common goal or task – the connection and communication between individuals and networks creates value in itself. We have seen that the healthiest networks with high rates of communication and interaction are often those that connect a diverse set of experience, knowledge, and skills.

## Sourcing from the Crowd and Connecting the Crowd

Combining the two concepts quickly brings us into the world of complex problem solving: sophisticated questions, where the crowd contributes as a team and each individual performs his or her own task, are often solved successfully by the crowd. Even though these activities can be similar, their interrelatedness and

connections create swarm intelligence, which can eventually evolve into "the wisdom of the crowds".



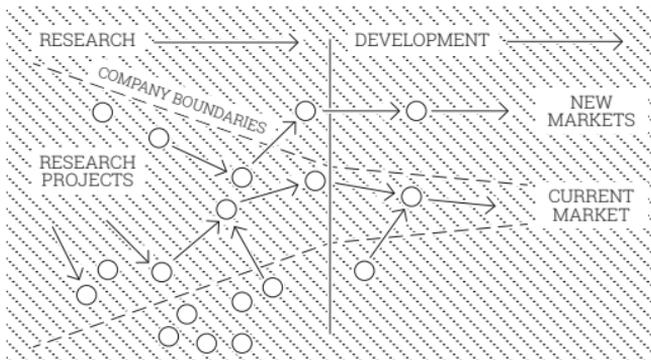
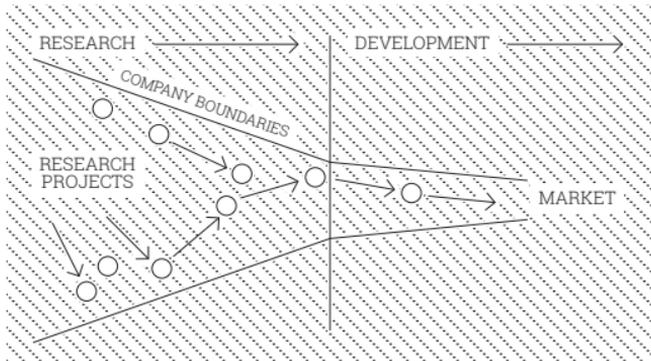
With the right processes in place, crowds can enrich Open Innovation by acting as an intelligent entity, not just a loose group of individuals.

In order to understand swarm intelligence, we can learn a lot from behavioral science or biology. Peter Miller<sup>3</sup> described principles that make a system smart. For example, in an ant colony no one is in charge. The system has to organize itself. This can only work if there are strong communication mechanisms and social interaction. Even though no individual ant sees the big picture, the colony can function as one cohesive entity through the contributions of the individual elements. We apply this idea of swarm intelligence in our approach. Establishing communication and social interaction among a

large number of participants is the key to solve problems and generate ideas which the individual person cannot accomplish on his or her own.

## Revolutionizing Open Innovation with Crowdsourcing

Traditionally internal R&D departments using insights from sales and marketing have dominated the development of innovative products, services or business models. In most cases, companies do this in isolation, behind closed doors – closed innovation, as it is called. In contrast to this, Open Innovation techniques – first described by Henry Chesbrough<sup>4</sup> – have been developed to access skills and knowledge outside the boundaries of a company. It helps companies to involve external parties such as end-users, prospective customers, or experts in the innovation process in order to help organizations understand needs and wishes as well as to identify new ideas and technologies. Value is created from collaborative idea generation and innovation mechanisms leading to new products, services, or even business models. Successful innovation processes, however, should not solely rely on idea generation from external sources. Internally and externally developed ideas should complement each other. The role of internal R&D is not questioned, however, it has to adapt to this new paradigm in order to unleash its full potential.



Open Innovation is enabled by permeable boundaries, allowing the exchange of information with external parties along the entire R&D process. (based on: Chesbrough, 2003)

Opening innovation processes to increase the success of innovation activities have long been employed in companies, very often in the form of workshops or other offline activities. Today however, it has never been easier to reach thousands of interested and

motivated individuals for meaningful collaboration. Crowdsourcing with all its aspects supercharges and revolutionizes Open Innovation approaches, utilizing the potential of the web. We call this Crowdsourced Innovation.

With this approach, we have successfully extended the concept of Open Innovation by deliberately engaging a large pool of qualified and diverse participants. Crowdsourcing technologies combined with the power of communities significantly enhance the scale and speed of Open Innovation processes.

The advantages of Crowdsourced Innovation result primarily from three different sources:

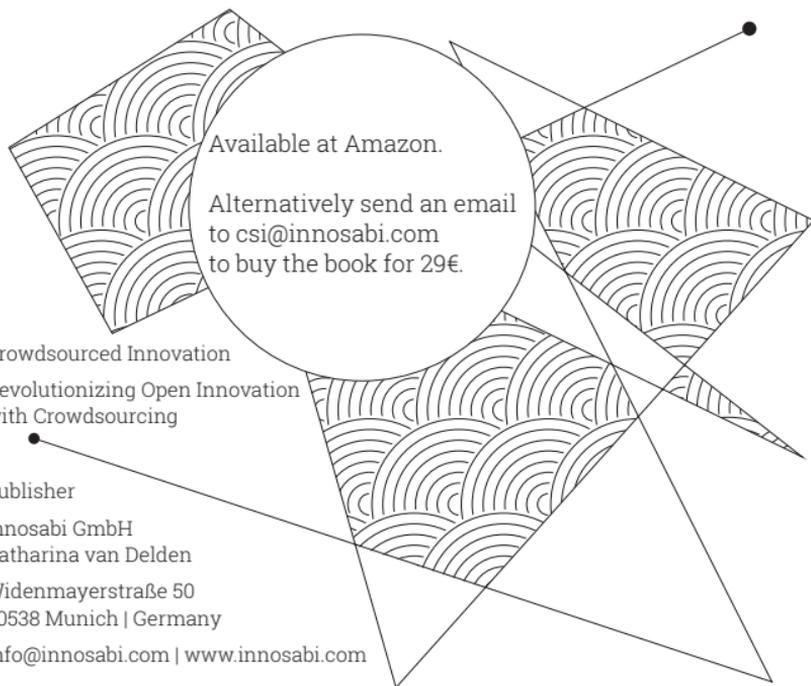
- | The research efforts focus on user needs and ideas, leading to products with a higher chance of acceptance at market entry generating the desired return on invest.
- | At the same time, companies can identify promising research projects early on and allocate their resources accordingly or cut down their costs by not spending money on potentially unsuccessful research efforts.
- | Above all, it builds strong and lasting customer relationships. Opening innovation processes to large teams signals transparency and makes a brand tangible and accessible – thus credible. If a customer has helped to create a new product or service, it somewhat becomes "his" or "hers". A product suddenly has a joint history with the

customer leading to an emotional connection and enthusiastic word of mouth communication.

Changing consumer behavior asks for direct involvement and higher transparency: Crowdsourced Innovation provides just that. This is why Crowdsourced Innovation should be an essential part of the corporate innovation tool kit for securing opportunities for successful new products, services and business models.

## SOURCES AND LITERATURE

- 1 Howe, Jeff. "The Rise of Crowdsourcing." *WIRED*, 2006.  
<http://wrd.cm/1nkRGsc/>
- 2 Howe, Jeff. *Crowdsourcing: Why the Power of the Crowd is Driving the Future of Business*. New York: Crown Business, 2008.
- 3 Miller, Peter. "Swarm Theory." *National Geographic*, 2007.  
<http://bit.ly/1DyBtDh/>
- 4 Chesbrough, Henry. *Open Innovation: The New Imperative for Creating and Profiting from Technology*. Boston: Harvard Business School Press, 2003.



Available at Amazon.

Alternatively send an email  
to [csi@innosabi.com](mailto:csi@innosabi.com)  
to buy the book for 29€.

Crowdsourced Innovation  
Revolutionizing Open Innovation  
with Crowdsourcing

Publisher  
innosabi GmbH  
Catharina van Delden  
Widenmayerstraße 50  
80538 Munich | Germany  
[info@innosabi.com](mailto:info@innosabi.com) | [www.innosabi.com](http://www.innosabi.com)

ISBN: 978-3-0004-6081-4

Copyright © innosabi GmbH 2014

Release date: November 2014

1<sup>st</sup> edition

This work and all its contents are protected by copyright. All rights are reserved, particularly the right to translation, recitation, reproduction, duplication by photomechanical or other means, and storage in electronic form.

Crowdsourced Innovation describes a unique approach to integrating previously untapped knowledge, skills, and creativity into corporate innovation processes. By combining community-driven Crowdsourcing and Open Innovation, companies can leverage virtually infinite innovative potential. This book is a collection of insights and best practices from extensive hands-on experience that illustrates the power of Crowdsourced Innovation and how it can drive product, service, and business model innovation. It is a manual suited for all industries and stakeholders – from CxOs to managers and all individuals who want to put innovation on top of their agenda.