

# Crowdsourcing Business Model in the Context of Changing Consumer Society

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## INTRODUCTION

Globalization is creating tremendous opportunities as well as challenges for businesses. There can be observed increasing emphasis on maximizing creativity, human capital and problem solving. Companies are more likely to be innovative and shape ideas as well as to create attractive propositions for users or customers (Cox, 2005). On the other hand consumers are becoming more like external employees who take over specific parts of a design process, whereby this process finally remains under the control of a company (Kleemann, Voß, & Rieder, 2008). The recent shift towards a polycentric perception of business making requires the involvement of stakeholders in an organization's management. This is a starting point for looking at the idea of crowdsourcing as an innovative business model. The inclusion of stakeholders in the process of developing new products or services forms a general foundation of this notion. Entrepreneurs take advantage of crowdsourcing ventures due to the delegation of tasks to stakeholders in the form of an open call.

The article's aim is to present crowdsourcing as innovative business model in the context of evolving consumer society based on the OpenIDEO case. The text highlights the pros and cons of crowdsourcing as well as prospective research directions that might clarify some unidentified aspects of crowdsourcing.

## BACKGROUND

Technological advance including Internet's development of the late 1990s and thus the wide recognition of web-dependent participatory culture in the 2000s

(Brabham, 2013) has resulted in the inclusion of consumers into the process of creating new ideas also for business. In consequence, this link between enterprises and the groups of consumers has become more and more evident.

The idea of outsourcing a business task to the web-based community is a relatively recent invention, although it shows a close relationship with other deep-rooted concepts. The literature points out the catalogue of crowdsourcing-related notions such as prosumerism (Toffler, 1980), user-innovation (von Hippel, 1988), open-innovation (Chesbrough, 2003), co-creation (Prahalad & Ramaswamy, 2004). These terms, however, overlap with crowdsourcing. The notion of crowdsourcing has experienced a great success in a variety of areas. Its evidence are blogs (e.g. [www.crowdsourcing.com](http://www.crowdsourcing.com) by Howe; <http://dbrabham.wordpress.com> by Brabham; <http://www.crowdsourcing-blog.org> by Estellés-Arolas), books (Howe, 2006, 2008; Tapscott & Williams, 2006, 2013; Surowiecki, 2004) including academic contributions (Brabham, 2013; Chanal & Caron-Fasan, 2008; Pénin & Burger-Helmchen, 2011; Vuković, 2009; Estellés-Arolas & González-Ladrón-de-Guevara, 2012).

The term crowdsourcing (which is a blend of *crowd* and *outsourcing*) was coined and popularized by Jeff Howe in the 2006 *Wired* article (Howe, 2006). It is a real challenge to define clearly the idea of crowdsourcing as it is not a coherent term. The term has developed on the intersection of various disciplines, and thus a variety of approaches overlap here. It is also a marketing slogan of a rapidly growing recognition. Thus, scholar discourse mixes with popular media discourse which leads to "unkempt theory and practical crowdsourcing applications with shaky foundations" (Brabham, 2013, p. 6).

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Howe (2010) states that “crowdsourcing is the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call.”

Estellés-Arolas and González-Ladrón-de-Guevara (2012) in their article surveyed a vast number of existing crowdsourcing interpretations. They succeeded to develop an integrated definition of crowdsourcing based on 40 definitions identified in the literature so far. “Crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit” (pp. 9-10). This definition points out the following key elements of crowdsourcing: an organization that has a task to be carried out, a crowd ready to complete a task voluntarily, an online environment enabling an organization to work with the crowd on a task and mutual benefits for both parties (Brabham, 2013).

### **Advantages and Disadvantages of the Crowdsourcing Process**

Grün and Brunner (2002) state that one of key advantages for companies to announce crowdsourcing initiatives is cost reduction. It is possible when a business task can be outsourced to the customer via the Internet. To the pros of crowdsourcing belongs also the inclusion of users into the quality improvement and efficient use of resources. The crowdworkers can be co-designers, co-producers, testers, evaluators, and thus they can participate in product innovation. Reichwald and Piller (2006) see further advantages to involve customers in the value creation process that can be also adopted in the case of crowdsourcing: saving time for new product enhancement, wider acceptance of new products among customers, and strengthening consumers' individual assessment of the new product's originality. Kleemann, Voß and Rieder (2008) notice that companies encourage users to take part in crowdsourcing initiatives by presenting the

distinctive, but intangible quality of the open content culture which emphasizes the perception of enterprises as community-orientated and creative entities. This is consistent with the domains in which crowdsourcing is commonly used: configuration, design and testing of products, innovation, and problem solution.

The users take part in crowdsourcing to develop one's creative skills, network with other creative professionals, share with others or develop a portfolio for employment in future. Other crowdworkers are driven by the challenge to solve a puzzle, they want to contribute to a large project of common interest or they are lured by financial reward (which is the most frequent one). (Brabham, 2008, 2010, 2013; Lakhani, Jeppesen, Lohse, & Panetta, 2007; Acar & van den Ende, 2011; Rogstadius, Kostakos, Kittur, Smus, Laredo, & Vuković, 2011).

Interestingly, Reichwald and Piller (2006) discovered that consumers actively participating in product innovation are also driven by dissatisfaction with current solutions. They expect to support a company in product improvement and innovation.

It is important to remember that crowdsourcing communities are a subsection of broader online communities. Their typical activity is to respond to open calls posted by enterprises. In general, crowdworkers are members of a broader concept of participatory culture and believe their contributions matter (Jenkins, 2009).

The literature reveals also legal and ethical pitfalls that crowdsourcing may face. Felstiner (2010) found out that the legislative framework of crowdsourcing labor model is based on existing labor laws which does not address a variety of employment-related issues (status of a crowdworker, issue of control, employee's working equipment). It is almost impossible to flexibly revise the law due to the specific features of crowdwork – it is carried out online (in cyberspace), by anonymous crowdworkers, and governed by obligatory participation agreements (usually in the form of a pop-up window which informs that users are obligated to agree to the terms and conditions before using the software). Felstiner analyses the example of Amazon's Mechanical Turk, where its members can accomplish a series of “human intelligence tasks” (HITs) for small monetary rewards paid by the “Requester.” In this crowdsourcing form workers become unquestionably low wages (an average crowdworker works eight hours per week on Amazon's Mechanical Turk for below \$2 per hour, for example a crowdworker for writing only a short defini-

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