

# Chapter 11

## The Application of Crowdsourced Processes in a Business Environment

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### **ABSTRACT**

*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. Crowdsourcing interacts dynamically with interconnected society of today. This trend is symbolized by the turn from a consumer to prosumer and from a content consumer to content creator. The chapter exemplifies the types of crowdsourcing with reference to recent research outcomes. Additionally, it presents crowdsourcing incentives and tackles the problem of ethical and legal risks that face crowdsourcing.*

### **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. Crowd-based business

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models enable organizations to harness the collective energy, through different processes, companies gather a large population by inviting users to create value (Kohler 2015). 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.

Organizations rely on crowds for different reasons, e.g. in order to create content, evaluate, create or to solve problems. The article's aim is to present crowdsourcing as innovative business model in the context of evolving consumer society based on the OpenIDEO case. In addition it 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 (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).

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

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