Chapter 64
Crowdsourcing in Small and Medium Sized Enterprises

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ABSTRACT

The nature of innovation is rapidly changing, and the concepts of open innovation and crowdsourcing need to be embraced. Innovation has quickly become not only the edge on which competition can occur but rather the characteristic of existence-the means to basic survival. Several forces are driving the rapid change in innovation as it is understood today. These forces tend to have a technological impetus: the very impetus that open innovation and crowdsourcing are built on.

Small and medium sized enterprises (SMEs) are facing a triple blow in the light of the evolving face of innovation. Survival is the eminent challenge that must be overcome. Firstly, SMEs struggle to keep up with the financial demands of continuous innovation; secondly, SMEs are not in fierce enough competition with one another that the concept of open innovation goes largely dismissed; and thirdly, SMEs appear to a larger extent to severely underestimate the wisdom of the crowd especially in the light of small businesses.

In as much as caution must be taken to avoid hyper inflating the advantages of open innovation and crowdsourcing, the relevance of the concepts cannot and must not be dismissed. The purpose of this chapter is to elucidate on the major challenges faced by SMEs in crowdsourcing and the hindrance this presents in open innovation. For this reason, solutions and recommendations are provided to these challenges.

INTRODUCTION

Crowdsourcing in SMEs has been identified as necessary innovation in SME development (Dhillon, Stahl & Baskerville, 2009). As crowdsourcing is an essential component of open innovation, this chapter sheds light on how developing the potential to crowdsource contributes towards open innovation for SME development.

This chapter introduces to the reader the inseparable link that exists between crowdsourcing and open innovation. It presents the relevance of crowdsourcing as a tool in innovation as necessary in SMEs. It explores what makes the context of SMEs a unique factor that warrants the devotion of a chapter on crowdsourcing specifically to it, aside from the general literature on crowdsourcing. It identifies what challenges need to be overcome by SMEs and more importantly what can be done to alleviate the challenges.

The background of this chapter briefly elucidates on the emergence of open innovation. It goes on to demonstrate the link between crowdsourcing and open innovation. The background provides an idea of the scope of what is achievable for SMEs through crowdsourcing. The limitations of crowdsourcing are highlighted.

The issues, controversies and problems of crowdsourcing in SMEs are discussed with reference to finance, competition and learning. Financial providers and their stance on SMEs are discussed, particularly how this influences crowdsourcing. Competition among financial providers and SMEs, or the lack thereof, are considered in how they influence the ability of SMEs to crowdsource. Learning is identified as a critical input and output of crowdsourcing. However, the ability and willingness to crowdsource depends on the SME's level of learning just as the SME's level of learning depends on the ability and willingness of the SME to Crowdsource. This bilateral relationship introduces the primary challenge for SMEs.

Solutions and recommendation to the issues, controversies and problems of crowdsourcing in SMEs in the light of finance, competition and learning are provided. The solutions and recommendations presented are based on the experiences of SMEs and the advice of industry experts in innovation and SMEs. The advice presented is not only intended for the managers of the SMEs but rather for the financial provider as well in the light of designing better access to financial products. The relevance of advice provided extends to governmental institutions in enhancing the scope and capacity for learning.

Actual case examples are included in the text to provide the reader a basis on which to understand the applicability of the issues presented. Cases are not sited particularly from any specific context as it has been recognised that although the African context appears as the environment harbouring the greatest challenges to crowdsourcing and open innovation in SMEs, the challenges are not unique to Africa and all experiences in any context can be used to create greater understanding of how to maximise the benefits of crowdsourcing and open innovation.

Further directions in research are indicated and the value they are to add to the topic highlighted. It is envisioned that the detail provided in the chapter will provide sufficient justification for the direction research is proposed to take. Further directions in research are not presented as the only areas that may add value to learning and practice in this area. They are included to provide an insight into what possibilities exist for research. Readers are encouraged to read this chapter with the view of identifying what can be done to improve its usefulness. Such an approach will create in the reader a greater appreciation for the proposed research directions.

The chapter concludes by summarising the main arguments. References and an additional reading section are provided. The key terms and definitions of the chapter are summarised to aid the reader's understanding. Key terms and definitions provided are specific to the context of this chapter- that of crowdsourcing as a vital component of open innovation in SMEs.

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