Crowd Source- The Big Inexhaustible Organization Resource

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Abstract: In this paper, online jewellery store Bluestone.com had secured $5mn funding from Accel Partners and Meena Ganesh, CEO & MD of Pearson Education Services in June 2013. Crowd sourcing a.k.a. crowd funding has been the keyword in business communities predominantly today especially in technological innovations. Both-crowd sourcing and crowd funding meet the cost benefits analysis of any CFO- in all sense. Crowd sourcing is a way of innovation at no cost by people who are not employees but work for the company and Crowd funding an avenue for low cost capital. Volume meets the value concept explained. Crowd sourcing as a phenomenon is an old concept but widely gaining popularity today. Wikipedia in its current form today owes its success to millions of online contributors for has worked for a common good. Today it is a popular tool for students, journalist world over thanks to this phenomenon. Crowd sourcing has been distinguished as an effective means of open innovation for collecting creative ideas from people who have various degrees of expertise and diversity in knowledge. There are several more benefits expected from the use of crowd sourcing. Crowd sourcing is an effective marketing activity in itself because it is a method of communicating with customers and making customers feel valued(Yoo, Lee, & Choi, 2013). This paper examines and investigates the idea of crowd sourcing as a resource that an organization uses for not only its research and development activities but also for funding, as labour force, a no-cost resource that the organization is not investing upon in any way but reaping benefits from an investment in a non-investment resource. The organization is effectively reaping on Maslow’s theory benefits and at the same time also a means for marketing communication.

General Terms - Marketing communication, funding, research and development.

Keywords- Crowd-sourcing; Crowd-funding; Cost benefits; Customers-interaction.; Human Resource Relations; Knowledge Capturing; Innovations; Marketing Communication

1. INTRODUCTION

This article is an introduction to crowd sourcing, its meaning and its benefits and its potentials as an organizational resource. The term ‘crowd sourcing’ is the creation of Jeff Howe and Mark Robinson in wired magazine article in June 2006. Jeff Howe(2006) has described crowd sourcing “as the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (generally large) network of people in the form of an “open call”. Crowd sourcing is the process of gathering interesting people and tapping their knowledge and spare time to create something of value. It is also cultivating and establishing relationships with people who want to be involved and contribute meaningfully (Shankar & Levy, 2011). Crowd sourcing works something like this. A company working on task or an idea in house, in order to gain a better out-of-box thinking hat, offers or releases to the crowd or outsider, invites them to perform or complete or re-ideate the task through a distributed network-internet. It is an effective means of open innovation for collecting creative ideas from people. In today’s ‘networked marketing’ age, organizations are making use of wisdom of the consumer’s crowd.(Stieeger, Matzler, Chatterjee, & Ladstaetter-Fussenegger, 2012) Extension to this concept of crowd sourcing is crowd funding. Crowd funding is a phenomenon which is a collective effort by people who network and pool their money together, usually via the internet, in order to invest in and support efforts initiated by other people or organization. (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011). Crowd funding is a mix of entrepreneurship and social network participation together. Investing in an organization product’s production, promotion, sales and distribution is making the line of distinction between funding/financing and marketing activities of organization overlap. On entrepreneur’s side, financial help is sought directly from the general public (the ‘crowd’) instead of approaching financial investors such as business angels, banks or venture capital funds. It has been extensively used by many startups to raise smaller amounts of money for their initial stage. Prodigy Network founded in 2003 specializes in real estate crowd funding. It connects international network of individuals and institutional investors interested in investing in real estate that inspires. It has set the world record in crowd funding by connected 3500 investors and raising a capital of $240million to fund Colombia’s largest skyscraper, BD Bacata. Not only the funding was crowd sourced by Prodigy Network for the Colombia skyscraper project but also the design of My Ideal City ‘Mi Cuidad Ideal’ was crowd designed.(“Prodigy Network Spearheads the First Crowd-
The idea of seeking information from customers by organization is age old and not a new phenomenon. Organization seeks information from customers invariably in different methods like salespersons, website, feedback form, interviews. This information’s so gathered are analyzed and worked upon for the improvement of the products or services as suggested by the customers. What differentiates this activity from crowd sourcing is that the information or ideas about the product or services is sought from the ‘crowd’ – nonusers of the product or services of the organization to provide their viewpoints on the subject for the organization to improve upon, especially when the organization has exhausted their knowledge expertise available with their employees. The organization may seek information from the crowd due to bias or inertia (Kristensson, Gustafsson, & Archer, 2004). Outsourcing work to outsiders by the organization has been the result of any cost benefit analysis of organization. But crowd sourcing is way beyond outsourcing and has far more reach than outsourcing. Ideas from the crowd bring freshness and innovation. If this idea is put across to the crowd through distributed network online the feedback scalability increases twofold than the feedback from the users of the product or services sought through direct feedback and other methods.

2. RESEARCH OBJECTIVE

The research objective of this article is to take an exploratory look at how organization use crowd sourcing as a resource for research and development, labor source, source of finance, market research and marketing communication. It also looks to see how these kinds of platforms are also used by organization involved in non-economic goal for social purpose. It also explores to see and suggest how the practice of crowd sourcing can spread over other activities of the firm a time goes on. The advantages and disadvantages of crowd sourcing are the part of the conclusion.

3. REVIEW OF LITERATURE

Since ‘no one knows everything, everyone knows something, [and] all knowledge resides in humanity’, we must consciously adopt the technologies and methods which harness this talent (Lévy, 1995/1997: 13–14). Web 2.0 technologies have enabled many autonomous people among the crowd (internet users) to take part in participating in production process of a number of products and services. Wired magazine writer Jeff Howe first introduced the concept of crowd sourcing into the popular mainstream in 2006, describing it as “the act of taking a job traditionally performed by a designated agent and outsourcing it to an undefined, generally large group of people in the form of an open call” (Howe, 2006, p. 87). The earliest, best-known and most studied examples of these new forms of production are open source software development and Wikipedia (Soziologisches Forschungsinstitut (Göttingen), 2011). Over the years mass collaboration was the system used to help to solve wide variety of problems where multitude of humans helps together. Mass collaboration system is that which enlists a mass of humans to help solve a problem defined by the system owners and if in doing so, addresses the following fundamental challenges how to recruit and retain users, what contributions can users make, how to combine users contributions to solve the target problem and how to evaluate users and their contributions (Doan, Ramakrishnan, & Halevy, 2011). It is believed that crowd outperforms industry faster and cheaper than the top industries in the field. (Appadurai, c1996). It anoints the axiom ‘we’ is better than ‘I’. Surowiecki finds that we have been programmed to be collective, each person can’t know everything, so under the right circumstances, groups are remarkably intelligent and are often smarter than the smartest people in them (2004). Kleemann et al. (2008) provide a good definition of it: “Crowdsourcing takes place when a profit oriented firm outsources specific tasks essential for the making or sale of its product to the general public (the crowd) in the form of an open call over the Internet, with the intention of animating individuals to make a [voluntary] contribution to the firm’s production process for free or for significantly less than that contribution is worth to the firm.”. According to Maloen et al, 2009 good examples of crowd sourcing is Google, Amazon product reviews, face book translation, Wikipedia which are a crowd integrated information without any remuneration for the contribution or participations. Brabham defined it as a mechanism for leveraging the collective intelligence of online users towards productive ends (2008). James Surowiecki examined several cases of crowd intelligence at work in his book “The Wisdom of the Crowd’. Innovative solutions to problems could be found within diverse, decentralized and independent crowds, which include acknowledged experts as well as those with no formal expertise (Seltzer & Mahmoudi, 2013). This makes crowd attractive than a single employee. Crowdsourcing is highly dependent on internet for its reach, speed, anonymity, and opportunity (Delwiche & Henderson, 2013). Seeking citizen involvement via the web or through crowd-sourcing does not necessarily decrease the workload. In fact, in all likelihood, it will increase the workload, and agencies need to be prepared to strategically engage and manage new flows of information and ideas coming from citizens (Seltzer & Mahmoudi, 2013).

4. METHODOLOGY

The research objectives are explored by comparing existing literature and examples from past and present for crowd sourcing benefits.

5. CASE DISCUSSIONS
5.1 The crowd seeking approach in research and development

More and more business and other organizations see the value in collaboration (Barry, 2014). Platform which organization generally seek from the crowd are of two kinds – problem solving platform and idea generation platform. The problem solving platforms are not new and it uses the approach of open call to all and invites all who want to provide solution to the problem- platforms like mechanical Turk, amazon or Innocentive whereas the idea generation platform seeks participation of crowd with some sort of prior expertise. Mechanical Turk-calls for solving specific small problems and task-labeled micro task oDesk(www.odesk.com), Crowdspring(www.crowdspring.com), Kickstarter(www.kickstarter.com) are such other platforms who harvest crowd power.” Free labor practices through crowd sourcing can be seen as a variety of communicative capitalism that expropriates value from users, providing little in return by way of recognition or compensation. The call can be to general crowd or an individual crowd source’s intelligence for tasks that computers are currently unable to do. These internet collaboration serve as crowd sourcing internet market place (Bollier & Communications and Society Program (Aspen Institute), 2011), one of the most intriguing “new freedoms” that networking technologies afford is the ability to generate value more efficiently, using “free” resources”. More companies are now beginning to harvest into the “wisdom of the crowds” based innovation by sharing customer data in new ways for eg: Academic research, open innovation providers like InnoCentive(www.innocentive.com) (Wolfson & Lease, 2011).

5.2 Making sense to society-Social approach

Samasource recently granted a $2 million Google Global Impact Award. They used this fund for youths and women globally to create tech-enabled jobs through SamaHub with an objective of poverty alleviation (PR Newswire, 2013). About 4,000 below margin people in Africa, India, Haiti and the U.S have been helped and connected by Samasource with paying work of more than $2 million as wages. Samasource has a award winning model called microwork through which this has been possible. Microwork Model invented by Samasource in 2008. Samasource has connected more than 4,000 marginalized people in Africa, India, Haiti and the U.S. to paying work, totaling over $2 million in wages paid out. Samasource’s award-winning Microwork model brings free, specialized technology training and fairly-compensated digital work to poor women and youth around the world. This approach enables people to gain skills, earn a fair living wage and break the cycle of poverty for themselves and their families. Almost 90% of Samasource workers move up to higher-paying work or higher education. A unit of work is a small computer based task taken form a larger data project and this is offered to created jobs for individuals within limited opportunity in rural and economically depressed communities for a wage. Samasource also offers to train women and youth in improved community. (“Samasource Impact Sourcing Case Study - Value to Clients, and to Haiti,” n.d.)

5.3 Connecting with customers- A marketing communication approach

Connecting with customers is a long done process using crowd. Way back in 1950 Pepsodent held a jingle-writing contest advertised in Life magazine. Readers of Pepsodent’s advertisement were invited to send in their jingles in a bid to win prizes, with the grand prize being $10,000 (“Pepsodent’s ‘My Friend Irma’ $100,000 Contest,” n.d.). America’s Funniest Home Videos, television showcased crowd sourced materials reaping huge financial benefits. In 2009, Doritos used crowd’s wisdom- approach to reach the No. 1 spot which they had been previously chasing. Their biggest commercial spot of the year was- the Super Bowl. This commercial spot was offered by them to their consumers. They invited their customers to send consumer created content of commercial for this spot. Earlier in 2007 and 2008 they had made similar attempt by airing consumer made advertisement during their Super Bowl airtime. These advertisement were wildly successful and earned them No.4 ranking. They researched into the success and failures factors of these campaigns and in 2009, they raised the stakes. They offered $1million to their fans to create a winning homemade advertisement to capture audience attention and bring them to the No.1 spot. A 32-year-old Dave Herbert and his 33-year-old brother, Joe, two nobodies from nowhere” contribution won this prize. Doritos dethroned Budweiser and took the coveted No.1 Spot in USA Today’s Super Bowl advertisement. A crowd initiative that paid off well for both the parties presence of evolving consumer generated content bringing laurels to both. (“Case Study ‘Doritos Crash the Super Bowl’ | Comm 473,” n.d.). Other such cases where consumers created value for the organization are Shoe Company Converse welcomed homemade commercials from its customers at ConverseGallery.com. JetBlue, Sony and Chryslers also use the consumer’s content in their marketing messages around the web. Even automakers used the crowd’s wisdom. On March 13, 2006, Chevrolet introduced a website which allowed visitors to use the existing video clips and music, insert their own words and create a customized 30 second commercial for the 2007 launch of Chevrolet Tahoe (Bosman, 2006). Other full time crowd sourcing user innovators are Thread less, iStockphoto. According to (Delwiche & Henderson, 2013)there are basically four dominant crowd seeking behaviors from Organization with regard to their consumers. They are given in Fig.1 in Annexure. The Hindu Scriptures, Vedas and Upanishads are the great examples of crowdsourcing distilling the best thoughts
from the best minds. (Shankar & Levy, 2011). My star buck Ideas by Starbucks which invites ideas from their customers have so far generated 1.99,856 ideas as of August, 2014.

5.4 The open fund call-Crowd seeking approach in research funding

Out of crowd sourcing has emerged a new phenomenon: Crowd funding. The term Crowd funding has been coined by Micheal Sullivan in 2006. Crowd funding is related to crowd sourcing in that both draw on the power of crowds and network (Chapman, 2013). Microfinance is the best example by which many people loan small amount of money to seed fund a deserving idea (Shankar & Levy, 2011). There are funding platform for creative projects available for startups. These platforms enable funding from everything-films, games, music, art design and technology. The first platform for crowd funding was probably Kiva (www.kiva.org), a microfinance agency that uses crowdfunding to finance small loans for poor entrepreneurs, largely in low-income countries (Flannery, 2007). Kickstarter is another such platform was launched in April 28, 2009 for this purpose and has raised more than one billion dollars for funding for more than 60,000 creative projects, the funding has been contributed by more than 5 million people. The people who enable these funds get to have an inside look at the creative process and also choose from many rewards that are offered by the creator-like a copy of the product, and experience of the product. But such funding has much legal complication- the US Securities and Exchange Act of 1934 has limited the number of investors a company may have before it must go public. A kickstarter pledge may be an expression of confidence or an pre-order but it cannot be an investment, a Kickstarter project don’t have investors they have “backers” who pledge a small amount in return for a personal engagement with the project (Gobble, 2012). If one looks closer we can see that essentially kickstarter funds for projects act like a market potential testing as well a funding source. To clear this confusion is the JOBS Act (Jump start Our Business Startup Act of 2012 of the US, which will help to loosen many restrictions of the regulatory requirements of small business-especially is trying to provide a provision to legalize crowd funding. Title III of the JOBS Act addresses “crowd funding,” for this relatively new outgrowth of social media that provides funding for a variety of such ventures. The JOBS Act amended Section 4 of the Securities Act of 1934. A new paragraph-6 was added which provides a new crowd funding exemption from registration under the 1934 Act. It limits the exemption to not more than one million dollars, or great than two thousand dollars or 5 percent of the annual income or net worth of the investor if the annual income of the investor is less than one lakh dollars, 10% of the annual income or net worth of the investor if the annual income of the investor is more than one lakh dollars, the

5.5 The Open Call to marketing strategies- Internal and External communication

Marketing derives its maximum benefit from crowd. Many organizations have now forayed into the crowd to seek new ideas. Lego has created “Legoideas” on their website inviting ideas for toys sets collection. Dell’s IdeaStorm site generated twenty thousand ideas of which 500 ideas have been already become a reality. Anheuser-Bush created a new beer n 2012 using crowd sourcing project, where the recipes of the many variants of the beer were created in-house but the winning beer were voted by the crowd. Thus involving crowd to communicate what it thought was the best to go forward and produce. What it notes that marketing companies are utilizing crowd sourcing as a means for individuals to design and create their own content and products as opposed to already existing in-house projects (2009). Traditionally sales personnel and distribution channel members were the information link with the customer wherefrom invaluable information flow would enable a organization to respond to customer needs. But today crowd sourcing has expedited the process of obtaining feedback from end-users (Whitla, 2009). “The working Customer”(Kleemann, Vo’s s, & Rieder, 2008) is the contributor to the organization. An increasing number of companies are using prediction markets to forecast demand for product. For example Google asks its large crowd of its employees question regarding the nos of people using Gmail in the next three months. Almost all Google products are forecasted by the crowd of employees instead of consulting experts (Stieger et al., 2012). Customer involvement in the marketing strategies of organization is on the increase today since user generated content is clearly what the crowd’s communication to the organization. When the crowd communicates to the organization, it is logical to explore what makes them communicate and work for the organization. What make a consumer into a “prosumer”? All individual who participate in the crowd sourcing are someway motivated to participate. Understanding why they participate will give organization a better approach to their crowd sourcing strategies. Studies have shown that there is no single motivator that applies to all crowd sourcing activities (Delwiche & Henderson, 2013). Some motivations to participations can be generalized from the studies conducted by Brabham, 2008b, 2010a, 2010b: Lakhani et al., 2007 are desire to earn money, to develop one’s creative skills, to network with other creative
professional, to build a portfolio for future employment, to challenge oneself to solve a tough problem, to socialize and make friends and to pass time when bored.

6. CONCLUSION

This article explored the various avenues of crowd sourcing applications. It also emulated the reasons why crowd would participate in a crowd sourcing activity. Crowd sourcing has the potential to effectively harness the machine’s enormous raw power and the crowds' genius. It can also spawn new business models and startups and Crowdsourcing is going to be the future of all businesses (Khasraghi & Tarokh, 2012). Studies have shown that the typical web user is likely to be white, middle- or upper-class, English speaking, higher educated, and with high-speed connections. Moreover, the most productive individuals in the crowd are likely to be young in age, certainly under 30 and probably under 25 year of age (Lenhart et al., 2004; Lenhart and Madden, 2005), as this age group is most active in the so-called web 2.0 environment of massive content creation. The Internet provides the world what professional associations have always offered their members—the opportunity to stay connected through alternative means, outside their local professional community and outside their places of business (Barry, 2014). Each of these types of crowd sourcing activities-knowledge seeking, creative seeking, problem solving, idea soliciting, fund generation, distributed tasking can be employed by organization in specific contexts to accomplish various goals. Individuals who participate in crowd sourcing activities engage for a number of reasons, some of which may be deemed serious and some casual. Many participants participate for social connect with others, while some others do the same for returns, some persons for self actualization purpose of “feeling important”. A crowd dissatisfied with a crowd sourcing organization is simply free to leave, and a large enough exodus can cause a crowd sourcing application to collapse entirely (Daren C. Brabham, 2012). Howe called this “crowd slapping” (2006). A combination of well designed software and a belief in the crowd’s ability to self-regulate through standards set by the community would be the best plan to deal with crowd slapping (Post, 1995). Understanding the crowd participating behavior enhances an organizations creation of number of tools to be designed by them as a platform of participation. If organization creates and designs such platform for public good instead of solely for profit generation, the crowd majority would be profited than the organization alone. The crowd does need governance from the government. Crowd sourcing can lead to public participation in governance and government policy creation. This can lead to the public good-Crowd Good.

6. REFERENCES

[21] Pepsi

ANNEXURE

<table>
<thead>
<tr>
<th>Type</th>
<th>How it Works</th>
<th>Kinds of Problems</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Discovery and Management</td>
<td>Organization tasks crowd with finding and collecting information into a common location and format</td>
<td>Ideal for information gathering and reporting problems</td>
<td>SeeClickFix (seeclickfix.com), Peer-to-Patent(peertopatent.org)</td>
</tr>
<tr>
<td>Broadcast, Search</td>
<td>Organization tasks crowd with solving empirical problems</td>
<td>Ideal for ideation problems with empirically provable solutions such as scientific problems</td>
<td>InnoCentive(innocentive.com), Goldcorp Challenge (Defunct)</td>
</tr>
<tr>
<td>Peer-Vetted Creative Production</td>
<td>Organization tasks crowd with creating and selecting creative ideas</td>
<td>Ideal for ideation problems where solutions are matters of taste or market support such as design or aesthetic problems</td>
<td>Threadless (threadless.com), Next Stop Design(nextstopdesign.com)</td>
</tr>
<tr>
<td>Distributed Human Intelligence Tasking</td>
<td>Organization tasks crowd with analyzing large amounts of information</td>
<td>Ideal for large-scale data analysis where human intelligence is more efficient for effective than</td>
<td>Amazon Mechanical Turk(mturk.com)</td>
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