

How Crowd Creation Can Affect Company?

Zhongyi Chen

Shandong Institute of Commerce and Technology, Jinan 272004, China.

Abstract: Crowdsourcing is a new organizational concept cited by companies, which refers to the acquisition, selection, evaluation, and integration of new ideas proposed by individuals outside of employees within the company. It is changing the company's operational model. Through a case study of PharmaFX, a large European pharmaceutical company, this paper discusses the impact of crowdsourcing in the form of crowdsourcing on the company. In addition, this article will also discuss whether crowdsourcing has a positive or negative impact on the company through three themes: cost, motivation, and platform collaboration. Finally, through Case study, the cost of the enterprise will directly affect the operating profit of the enterprise. Motivation mainly refers to changing a company's business model and breaking the thinking limitations brought about by company personnel. This will bring innovative ideas that are more suitable for the company's development and bring more profits to the company. Collaborating with crowdsourcing platforms helps companies find more partners, collect more innovative ideas that are beneficial to the company, and help the company save product costs. Therefore, this article confirms the purpose of this article through three themes: cost, motivation, and platform cooperation, that is, crowdsourcing is beneficial for the development of the company.

Keywords: Crowdsourcing; Cost; Motivation; Platform

1. Introduction

Crowdsourcing is a new concept of organizational cited by the company, which is came up with new ideas from people other than employees and the acquisition, selection, evaluation and integration of ideas within the company.^[1] It is changing the operation mode of companies. This essay discusses the impact of crowdsourcing in the form of crowd creation on the company through a case study of PharmaFX which is a large European pharmaceutical company. Some people believe that crowd creation is good for the companies' development, while others think that crowd creation will increase the companies' economic burden and reduce the companies' profits. In addition, this essay will discuss whether the impact of crowd creation on the company is positive or negative through the three themes of cost, motivation and platform cooperation. The companies' cost will directly affect the companies' operating profit. Motivation mainly refers to changing the companies' business model, breaking the limitations of the thinking brought by the company's personnel. Thus bringing innovative ideas that are more suitable for the company's development and bringing more profits to companies. Working with a crowdsourced platform helps companies find more partners and collect more innovative ideas which benefit the company.

2. Case study of PharmaFX

The most cited definition is the original definition of the concept created by Jeff Howe: "The behavior of a company or an organization is once performed by an employee and outsourced to an undefined network of people in the form of a public call."^[15] The second most cited definition is provided by Allan and Christopher: Crowdsourcing is the act of outsourcing tasks to crowds rather than designated agent for example, contractors, in the form of public calls.^[3] In a word, crowdsourcing is using crowd to help company solve problems or cooperate with internet platform to find people solve problems. Crowdsourcing is focused on four categories: crowd creation, crowd voting, crowd wisdom and crowd funding. Crowd Creation is the most common form of crowdsourcing.^[4] This essay will focus on the first one which is crowd creation. It involves "creation" activities that require

individuals and businesses to solve a particular dilemma and create a satisfactory solution to a specific problem. The result of the crowd creation is a final product, whether it is intellectual capital or material form, which has practical value for others. ^[5] Cost, motivation and platform cooperation are used to prove the impact of crowd creation on the company of this essay.

Production costs are affected by business models to affect the company's profits and cash flow. Production costs are the costs incurred in the production and sales process by the company, such as labor. In general, the lower the costs, the higher the profit. However, low production costs maybe not bring high profits. For example, they produce unsatisfactory products that no one wants to save the production costs. ^[2] Business model is the way that companies generate revenue and make money. Profit and production costs are an integral part of any business model, so a good business model is really important to the company's development. ^[6] The company use crowd creation to collect ideas in the process will generate costs which affect the company's profits. However, it can help the company produce high-quality products, thereby improving the company's reputation and increasing the company's profits.

A good business model includes innovations about technology. Decisions should help company augment the enabling to achieve its goals. However, practice has proved that this is not a matter of course. For example, the Xerox PARC Research Center has developed technological innovations but because of the lack of pay attention to parent company goals, Xerox PARC cannot translate these innovations to the new business model. ^[7] Therefore, the use of crowd creative to break the limitations of thinking due to the number of people to find a more innovative way to develop the company. It is a good decision for company to find creative ideas and help company development.

Crowdsourcing is an emerging service platform and business model on the Internet.^[8] The founder and president Alph Bingham said that: Companies can attract hundreds or even thousands of ideas through the Internet platform to solve problems in organic synthesis and explore solutions more effectively. A broad area of the solution space can be used by people outside the team or organization to obtain a variety of key new ideas that are effective in solving problems, and presenting the right questions in the right way is critical to getting the answers you need. These continue to be the core pillars of InnoCentive. ^[14] Over 60% of solver have master degree or above, ^[14] so cooperate with platform will get more academic ideas.

Due to the limitations of the company's internal staff, the ideas which come up by internal staff are not necessarily suitable for company development, which highlights the importance of crowd creation to the company. It can take advantage of outsiders, come up with ideas that are more suitable for company development. Selected case PharmaFX is a European pharmaceutical company that has been in business for more than a century. PharmaFX focuses on open innovation as a means of “exploring new opportunities and ways of working with external research partners”. These include setting up and executing on an open innovation platform, as well as managing crowdsourcing projects with the goal of promoting organizational innovation. ^[10]

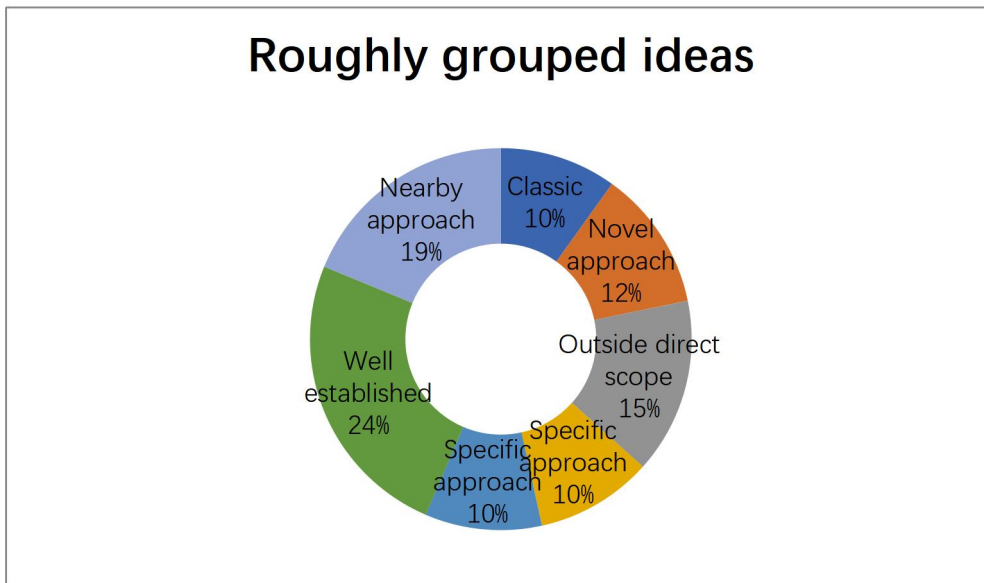
After company has developed innovative ideas using the method of crowd creation, they need to find a good platform to cooperate to help them find partners. The collaboration platform of PharmaFX is Innocentive. For PharmaFX, the challenge can be to generate ideas, get new ideas, or solve complex technical or scientific problems. InnoCentive will help PharmaFX provide experts tailored to specific challenges and help PharmaFX develop and clarify challenges and specific criteria for solution suitability. InnoCentive experts will provide services to “solvers” during online launches throughout the challenge period, and these external crowd members have questions or requests for challenges. When the challenge is reached, the experts rank the submissions they receive to help the company determine the solution that best meets the specific criteria and requirements. After finding the winner, InnoCentive will verify the identity of the solver, obtain the solver agreement contract and transfer the decision to the solver, and finally deal with the intellectual property transfer. ^[9]

However, while using the business model of crowd creation, it also generates a lot of costs. There are two types of costs when PharmaFX faces the challenge of creativity. One is the cost associated with the middleman. PharmaFX works with InnoCentive as a middleman in its crowdsourcing challenge. InnoCentive has two types of costs as intermediaries: the cost of services offered by InnoCentive and the online platform to access them and the bonuses for submitting rewards. Another type of cost is the cost of evaluating the submitted proposal and selecting the winner. ^[11]

Before the company decided to apply the crowdsourcing model of crowd creation, the company had to overcome a variety of challenges, such as excessive costs. However, Bauer and Gegenhuber (2015) describe how crowdsourcing affects consumers and

producers. They claim that crowdsourcing shortens the distance between consumers and producers by allowing consumers to leverage their time, energy and knowledge. [12] Engage consumers in the company's production creation process, while providing ideas for the company to help the company development, it can also help companies advertise to make consumers more aware of the company's structure and products and attract consumers' attention. This can be a motivation for companies to use crowd creation as their new business model. Once the company has a motive, it is time to start looking for a platform to collaborate and help the company find a solution that can present ideas. The data in Figure 1 demonstrates the benefits of working with the platform, which uses the Qualitative Data Analysis Software (QDAS) to enforce data encoding strategies to eliminate effectiveness threats [13] and to effectively classify the collected data to help the company screen out reasonable and effective recommendations.

Figure 1



At the same time, grade the collected data, while also helping companies reduce the costs associated with data screening. However, when evaluating the ideas collected, there will also be a corresponding fee. The evaluation of submitted ideas is based on a collection of different criteria. This leads to some ideas being rewarded, even though this idea may not be implemented in PharmaFX. (Figure 2) [11]

Figure 2



3. Conclusion

In conclusion, some people think that the high cost due to rewards and evaluation costs is not conducive to the company's use of crowd creation methods to collect innovative ideas. Some people consider that using crowd creation cannot only change the company's business model, break the limitations of thinking, but also use the network platform to find good ideas that are more suitable for the company's development. Rewards and assessments will affect the company's profits and cash flow to a certain extent, but working with the InnoCentive platform can reduce the funding for assessments. At the same time, finding good platform cooperation is beneficial to the company to make a decision to collect ideas by crowd creation and can help company save product costs. Therefore, this essay confirms the aim of this essay through the three themes of cost, motivation and platform cooperation that crowd creation have beneficial to the development of company.

References

- [1] Kenton W (2018) Crowdsourcing[Online]Available from:<https://www.investopedia.com/terms/c/crowdsourcing.asp> [Accessed 01/03/19].
- [2] Goodrich R (2013) What is Crowdsourcing? [Online] Available from: <https://www.businessnewsdaily.com/4025-what-is-crowdsourcing.html> [Accessed 27/02/19].
- [3] Allan A. and Christopher L. T. (2012) The Academy of Management Review [J] *Academy of Management* Vol. 37, No. 3 (July 2012), pp. 355-375.
- [4] Palacios M, Martinez-Corral A and Nisar A et al. (2015) Crowdsourcing and organizational forms: Emerging trends and research implications. *Journal of Business Research*. Volume 69, Issue 5, May 2016, Pages 1834-1839.
- [5] Crowd Sourcing (2019) Crowd Creation [Online] Available from:<https://sites.google.com/site/crowdsourcwiki/home/forms-of-cs/crowd-creation> [Accessed 27/ 02/19].
- [6] Gartenstein D (2019). How Does Profit and Production Cost Affect the Business? [Online]Available from:<https://smallbusiness.chron.com/profit-production-cost-affect-business-41985.html> [Accessed 28/02/19].
- [7] LEAD (2019). How successful is your business model? [Online] Available from: <https://www.lead-innovation.com/english-blog/business-model> [Accessed 28/02/19].
- [8] Tran-Gia P, HoBfeld T, Hartmann M, et al. (2013) Crowdsourcing and its Impact on Future Internet Usage[Online]Available from: http://matthias-hirth.com/assets/pdfs/Crowdsourcing_and_its_Impact_on_Future_Internet_Usage.pdf[Accessed 28/02/ 19].
- [9] InnoCentive (2019) about us [Online] Available from: <https://www.innocentive.com/about-us/> [Accessed 28/02/19].
- [10] Christensen I, Karlsson C, (2018) Open innovation and the effects of crowdsourcing in a pharma ecosystem. *Journal of Innovation & Knowledge*. Volume 4, Issue 4, October–November 2019, Pages 240-247.
- [11] InnoCentive (2019) solvers [Online] Available from: <https://www.innocentive.com/our-solvers/>[Accessed 02/03/19].
- [12] Bauer, R. M., & Gegenhuber, T. (2015). Crowdsourcing: Global search and the twisted roles of consumers and producers. *Organization*, 22(5), 661–681.
- [13] Siccama, C.J. and Penna, S. (2008), "Enhancing Validity of a Qualitative Dissertation Research Study by Using NVIVO", *Qualitative Research Journal*, Vol. 8 No. 2, pp. 91-103.
- [14] Bentaïen J, Bharadwaj R and Thompson D (2015) Crowdsourcing in pharma: a strategic framework. *Drug Discovery Today*. Volume 20, Issue 7, July 2015, Pages 874-883.
- [15] Howe J (2008). *Crowdsourcing: How the Power of the Crowd is Driving the Future of Business*, Random House Business.