



THE 2018 STATE OF CROWDSOURCED INNOVATION REPORT

Methodology

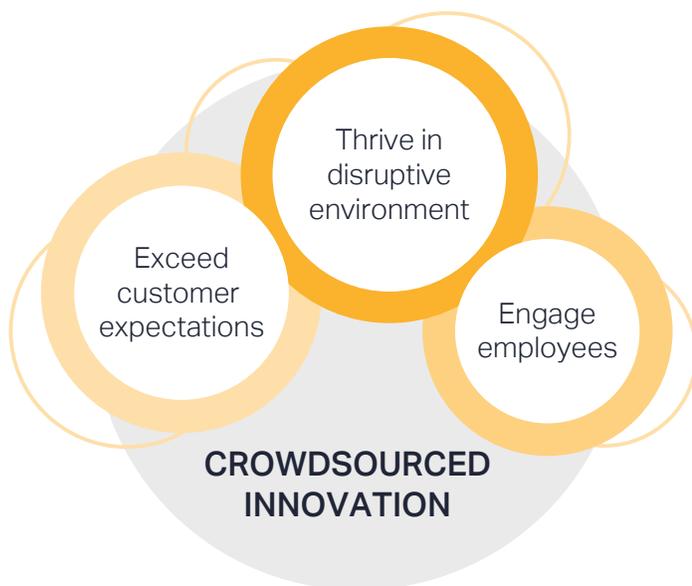
Spigit's 2018 State of Crowdsourced Innovation Report is based on quantitative and qualitative data from an online survey fielded in February 2018. The report also includes qualitative data from customer interviews and feedback.

Survey respondents represented 21 different industry verticals, including: biotechnology, chemicals, construction, CPG, education, electronics, energy, finance, food, government, health care, insurance, law, manufacturing, media, pharmaceuticals, public sector, retail, sports, technology, and telecommunications. In terms of experience, 46 percent have had a formal innovation program for over three years, and 36 percent have been using crowdsourcing software for more than two years as part of their overall program.

We studied the effect that tenure had on crowdsourced innovation by looking at programs established for three years or more and those that were less than three years old. Throughout the report, we share insights from this analysis.

In this report, we'll share findings in five key areas, each of which play a unique and critical role in the larger practice of crowdsourced innovation.

Health care to high tech. Aerospace to automotive. Retailing to real estate. Energy to education. No matter what industry you call home, you're very likely impacted by disruption, whether it's from new technologies, customer experiences, or even new business models.



This disruption is creating a sense of urgency to innovate as companies frantically try to keep pace. But employee engagement—the fuel needed to power solutions to these issues—has been stagnant and in many cases slowly declining.

So how can your company meaningfully and strategically innovate? How can you spark the creativity of an indifferent workforce? And how can you anticipate and stay ahead of customer expectations?

Crowdsourced innovation is helping hundreds of companies do all of this, and more. By engaging employees as partners in collaborative problem solving, companies are achieving measurable results in a number of areas, and just as importantly, increasing employee engagement.

And by involving and co-creating with customers in the ideation process, companies are creating even more powerful results, improving both the customer experience and the long-term client relationship.

“ In the umbrella of all things companies can do to drive innovation, we're all about driving new thinking—tapping into the collective intelligence, engaging people in doing something to provide new insights, ideas and clear thinking. This is how we provide the high-octane fuel to your innovation process, to give you critical insights around the corner, or down the road.”

SCOTT RASKIN, CEO, Spigit

EXECUTIVE SUMMARY

Our work with the world's largest brands has given us a unique perspective on crowdsourcing and its maturation from ideation to impact. Based on our annual online survey of these companies, this report will focus on **three key themes:**

Objectives change over time—from culture to business-outcomes

Creating a receptive culture is critical to begin any innovation program—especially in companies where there is a large percentage of disengaged employees or that don't encourage or reward ideas. But as the innovation program matures and employees become more involved, the program's objectives move to business-outcomes: developing better products and services, accelerating the development of those products and services, and improving the overall innovation process.

Culture change requires scale

Most companies cite culture change as their biggest goal when starting a crowdsourced ideation program. And to impact culture, you can scale your program in a variety of ways: number of challenges, using multiple techniques and approaches, and engaging external as well as internal participants. There's one other key aspect of scale, and that is a diversity of participation. By including employees whose roles may not be connected to the challenge, you'll further kick-start culture change and gain valuable input that otherwise might have gone unheard.

Mitigate key risk areas for innovation program success

While companies identified risks across the idea lifecycle, most of the top-cited issues—such as lack of follow through and weak or nonexistent tracking—are occurring where ideas meet reality in the implementation phase. But no risk has to become a barrier: there is a continuum of solutions at every stage of the lifecycle to help you execute a measurably successful, impactful program.

IDEATION PROGRAMS



“ Crowdsourcing has democratized innovation at our firm. Associates at all levels have the chance to materially impact the organization for the better. Best of all, everything is fair and transparent to all stakeholders.”

Whether it's improving a faulty process or discovering a new vertical, ideation is at the heart of any innovation program. And crowdsourcing in particular has emerged as a powerful way to inspire, collect and accelerate the ideas of your employees, customers, partners and suppliers. In this section, we will explore the role of crowdsourced ideation within organizations.

ACCELERATE CULTURE CHANGE TO UNLOCK THE FOCUS ON BUSINESS OUTCOMES



As programs mature, and innovation becomes part of the culture, more business-oriented objectives emerge.

Our research shows the top reasons to employ crowdsourced innovation begin with the workforce—building a culture of innovation, increasing employee engagement and building collaboration and creativity among employees. Then as innovation programs mature, and innovation becomes part of the culture, the objectives become more business-oriented.

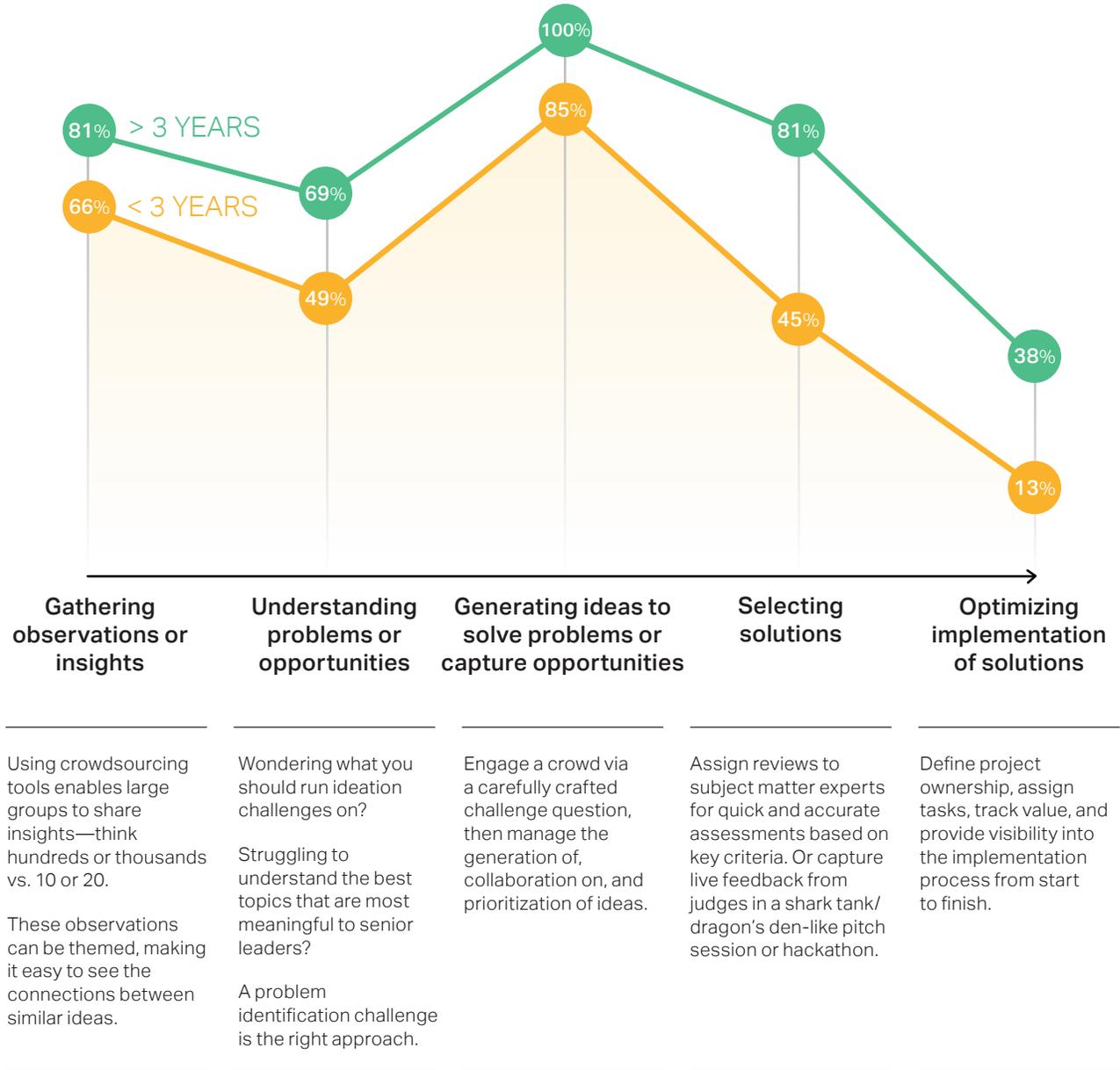
Of course, not all programs are internal—many companies use crowdsourcing for external challenges, involving the customers directly impacted by the opportunity or challenge at hand. This “co-creation” can transform not just goods and services provided but can produce

a powerful partnership between supplier and customer as well.

Crowdsourced ideation software provides benefits far beyond just generating and capturing ideas. While 88 percent of companies use software for this benefit, the more mature programs (>3 years) are increasingly using crowdsourcing tools at all stages of the idea lifecycle.

For the biggest impact, crowdsourcing should be enterprise-wide so all functions and all employees benefit. In fact, companies that have reported significant business successes through crowdsourcing note that often the best ideas come from areas not directly connected to the problem.

CROWDSOURCED IDEATION ACROSS THE LIFECYCLE

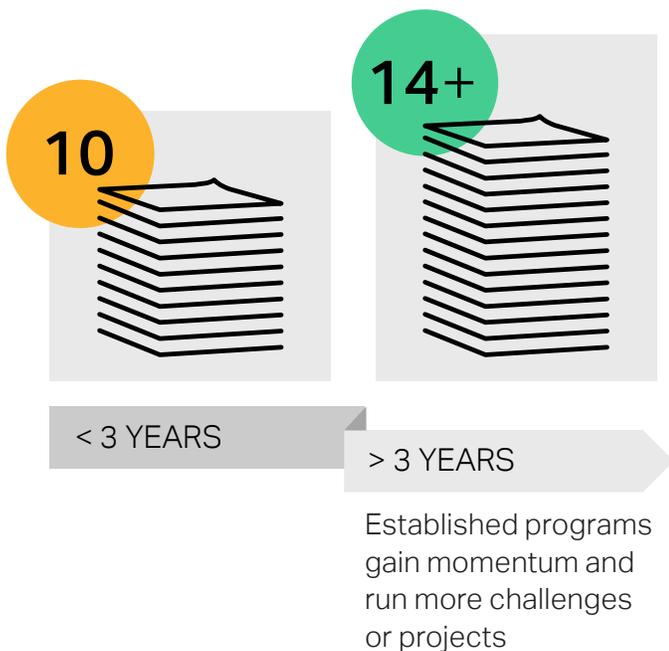


Another key benefit of crowdsourcing is the ability to engage a distributed or remote workforce in innovation where event-based approaches alone fall short. As one respondent put it: "We have a global workforce and see value in being able to rapidly convene diverse crowds in a virtual space to solve hard problems."

As one innovation program manager put it: "We needed to engage people more broadly into innovation. We had great serial innovators, but were missing opportunities to bring the connectors, maximizers, etc., into the journey. We were also keen to re-focus the innovative energy on strategically imperative challenges."

Our research shows that more established crowdsourcing programs gain momentum and run more challenges or projects. On average, companies execute about 11 crowdsourcing challenges/projects each year. But programs that have been around for more than three years run 14-15 on average, while younger programs run about 10. This demonstrates that once crowdsourced ideation takes hold, it becomes part of the fabric of the culture and how things get done.

CROWDSOURCING CHALLENGES PER YEAR



The idea was simple: installation of optional blue light reducing software for evening/afterhours work on all machines. A group of passionate junior employees for whom the idea resonated did their research to understand if there were any reasons why this software couldn't be made available. Then in their spare time and with no funding, they successfully navigated the process to vet and onboard the software, making it available to all employees for free.

"This was a powerful moment for our crowdsourcing program because it demonstrated that a diverse team of people, who have no reason to talk to one another in their day jobs, could deliver a new capability that directly benefits themselves and their peers quickly and cost-free. It lent credibility to the crowdsourcing effort and erased latent cynicism and distrust that crowdsourcing wasn't just another suggestion box/survey approach and could actually result in positive change."

KEY TAKEAWAYS

Crowdsourcing isn't just for surfacing ideas; it applies across the lifecycle from opportunity identification to optimizing implementation

The end goal of crowdsourced ideation evolves with the longevity of the program

As crowdsourcing becomes part of the culture, it gains momentum and the number of challenges executed increase

PROGRAM GOVERNANCE



As ideation programs grow in size and visibility, governance is essential to moving innovation beyond ideation to implementation and ultimately impact. In this section, we'll explore the governance aspects of sponsorship, program structure and reporting.

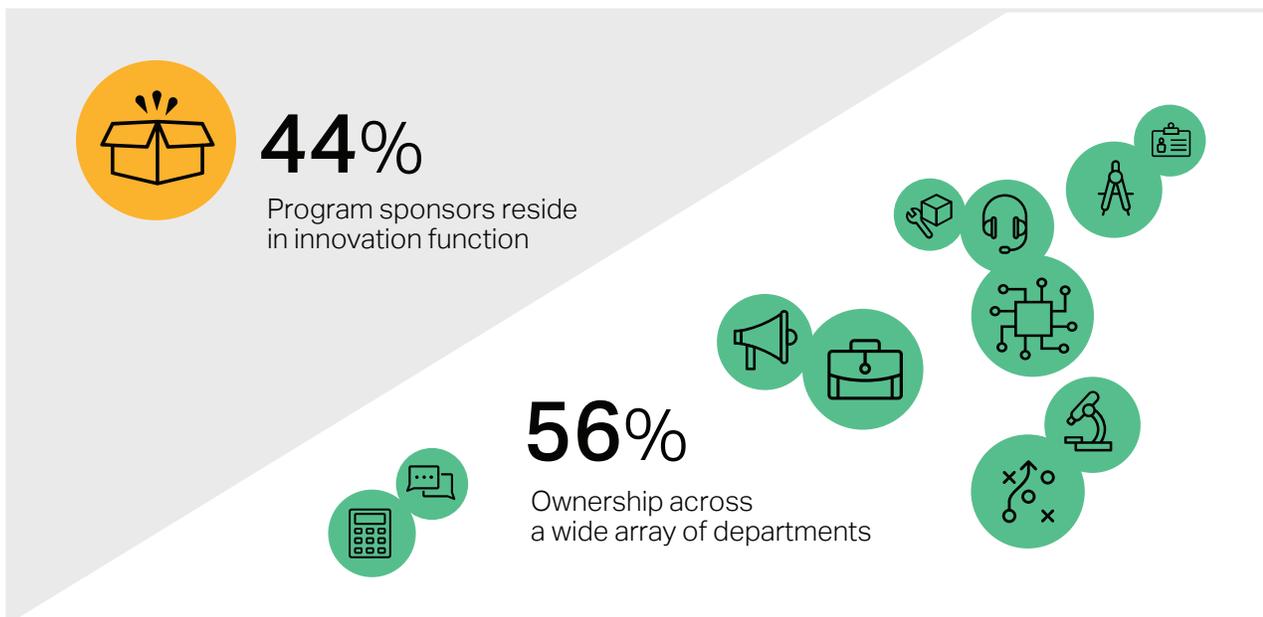
We define sponsorship two ways:

- **Program sponsor:** Responsible for the crowdsourcing program as a whole. Focused on driving successful engagement and creating business value via crowdsourcing.
- **Project or challenge sponsor:** Responsible for the development of actionable outcomes associated with a crowdsourcing challenge/project.

Program sponsors

By far, most clients (44 percent) report their program sponsors reside in their company's innovation function. The other 56 percent are divided with ownership across a wide array of departments, from strategy to supply chain. The takeaway is that there is no single "right way" to launch and build a crowdsourcing program within a company. It can reside in any of a number of functions or business units and expand from there.

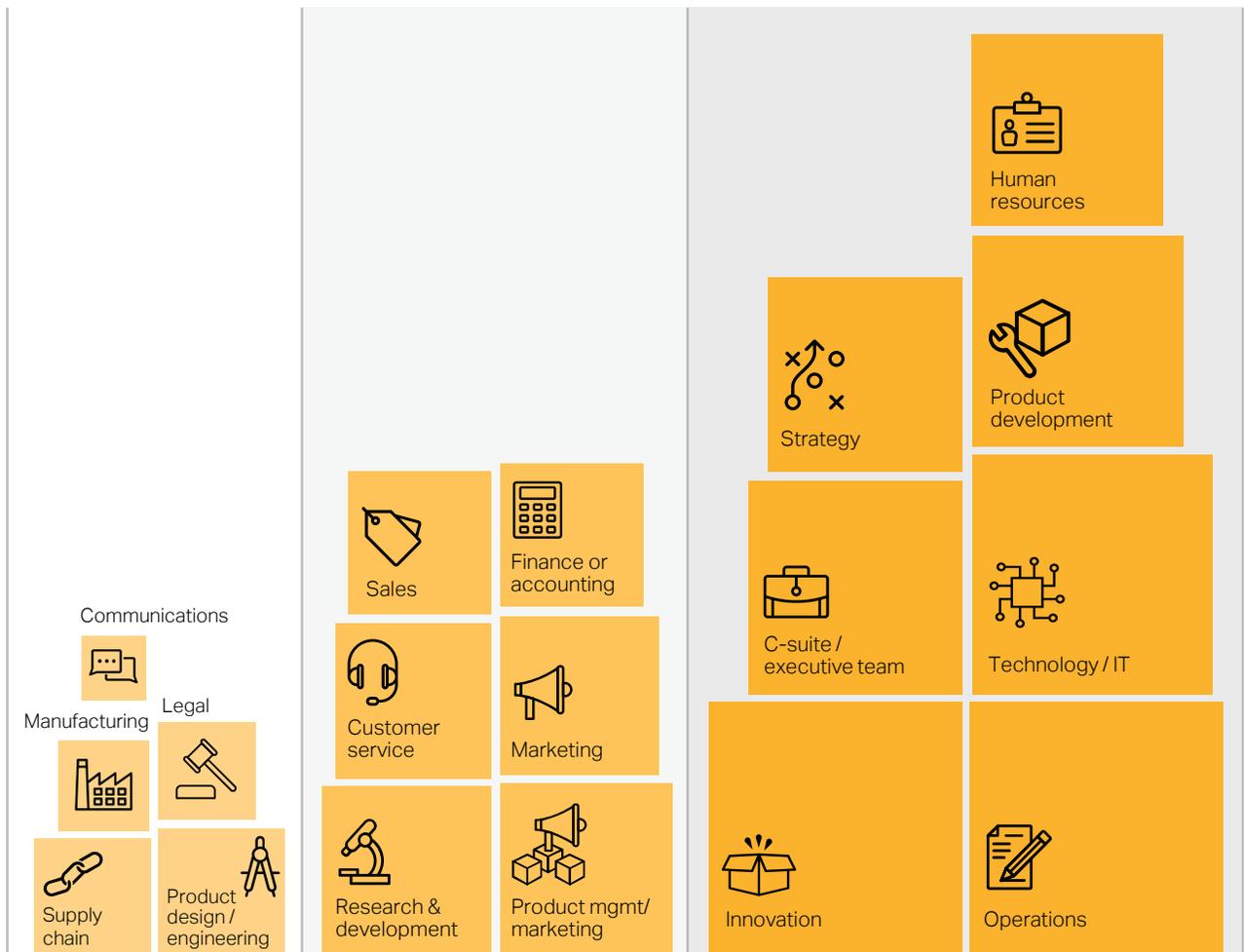
PROGRAM SPONSORS CAN RESIDE IN ANY BUSINESS FUNCTION



Project sponsors

Project or challenge sponsors emerge from all parts of the enterprise. Spigit customers identified 18 different departments that sponsored ideation challenges and communities. Similar to our findings last year, groups in Innovation, Operations, and Technology/IT are most frequently identified as sponsoring groups. But as the chart below shows, almost all business units or groups have sponsored a project.

IDEATION IS EMPLOYED ACROSS THE ENTERPRISE



Percentage of respondents indicating department or group has sponsored a challenge

Whether for the overall program or individual projects, sponsorship is critical. Among programs in place for three or more years, 25 percent of respondents cited lack of an overall program sponsor as a major risk to the success of the crowdsourcing program. And 33 percent of respondents cited lack of individual project sponsorship as a major issue, making it the third highest risk factor.



SPONSORSHIP IS CRITICAL TO PROGRAM SUCCESS



Growing your sponsor list

Program managers should continue to scan for new challenge sponsors to bring the benefits of crowdsourcing to more parts of the business and inspire employee engagement company-wide.

In more established programs, 60 percent of program managers report an increase in the number of challenge sponsors over the last 12 months, while less than half of newer programs report an increase in the number of challenge sponsors. Involving sponsors from all areas of the enterprise is especially important in newer (less than three years old) crowdsourcing programs to build momentum.

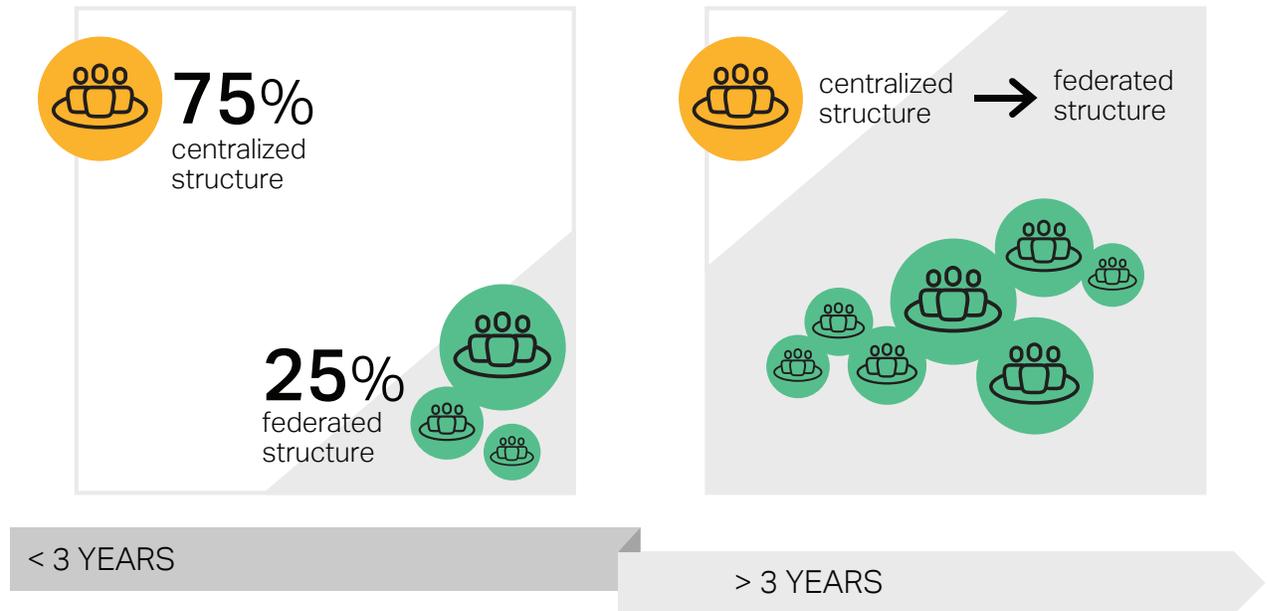
Program structure

You have a crowdsourcing program in place and committed sponsors to shepherd it. Now, how do you structure it?

Among the companies we surveyed, over three out of four report they've centralized their crowdsourcing programs, meaning a single team uses a standardized approach to provide support to one or more business units. However, as programs become established and requests for assistance increase, companies are finding that a single, centralized team can struggle to satisfy the ever-increasing demand with the same resources.

Some of the more established programs are shifting to what we call a federated approach—where multiple teams provide standardized support. This reduces the pressure on a single team, and allows for leaner, scalable growth in crowdsourcing challenges.

SCALABLE PROGRAMS SHIFT TO FEDERATED STRUCTURE OVER TIME



Established programs are shifting to a federated approach. Multiple teams executing challenges reduces pressure on a single team and allows for leaner, scalable growth.

Reporting

Executive sponsorship is imperative. Crowdsourcing programs with strong executive sponsorship set the tone and expectation across the organization about the purpose and value of crowdsourcing. Also, executive sponsors often seek results from project sponsors. The very notion that a senior leader may come looking for results is enough to stimulate project sponsors to follow through on the ideas coming out of a challenge that have been selected for action.

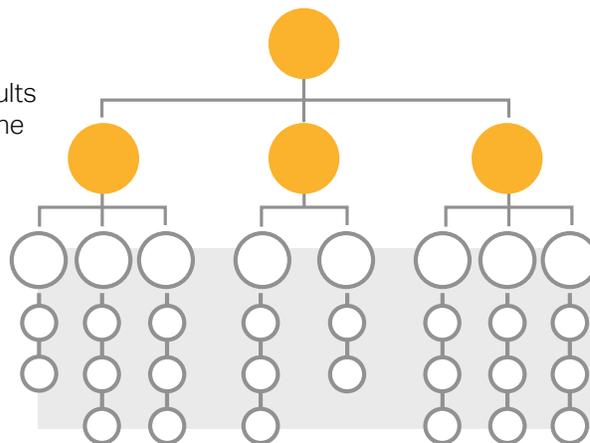
Seventy-five percent of companies report results to the most senior levels of the organization, be it the leadership team, the executive team, and/or the Board of Directors.

One area for opportunity is sharing results with employees. Four out of five companies aren't sharing results with all employees. One of the hallmarks of a crowdsourcing tool is the transparency it brings to all aspects of the process. To not continue that transparency by sharing results with the very employees that drove the results is a missed opportunity.

REPORTING KEEPS IDEATION TOP OF MIND

75%

Report program results to **senior levels** of the organization



Only **18%**

Share program results with **all employees**

This is a **missed opportunity** to bring transparency to the process

KEY TAKEAWAYS

Sponsors from all areas of the business are key to the long-term success of any crowdsourcing program; conversely, a shortage of sponsors is a major risk factor

Governance—how you manage your programs—can evolve to scale programs while running lean

Current crowdsourcing efforts regularly report results to executive levels; however, most are not sharing results with employees, missing a significant opportunity for additional momentum and engagement

EMPLOYEE ENGAGEMENT

Culture | Scale | Diversity



“ Our company has relied on executive leadership, the Board, and the market (Wall Street) to identify priorities and goals, and we needed a way to leverage the experience and expertise that exists in the tens of thousands of associates. We can't afford to leave that insight untapped and rely only on the fortunate few to outline and direct corporate strategy and operations.”

Disengaged employees are costly. A recent Deloitte® report notes that organizations spend over \$100 billion annually to improve employee engagement. Despite that, 87 percent of employees remain disengaged and cost U.S. companies \$450 billion to \$550 billion per year in lost productivity, according to Gallup®.

In this section, we'll show how crowdsourcing bolsters employee engagement, enhances the culture of your company, and allows you to hear the voice of the employee.

What does a culture of innovation look like? And how can you transform disengaged employees into engaged contributors?

“When a corporate culture is designed not just to encourage innovation but to systematically nurture employee ideas, the results are dramatic. Companies like this boost employee participation in innovation challenges created by management, generate more actionable ideas, and then implement those ideas in a way that generates profitable growth. As a result, you can actually access the level of innovation at a company on a quarter-by-quarter basis by measuring its ideation rate.”

MIT SLOAN MANAGEMENT REVIEW

Are Innovative Companies More Profitable?

Dylan Minor, Paul Brook, and Josh Bernoff

First, let's dispel the myth that innovative cultures are only found in sizzling, new startups or cutting-edge tech giants. An innovation culture can thrive as well inside 100-year-old Midwest manufacturing company as in a Silicon Valley tech start up.

Culture is defined many ways, of course, but it really comes down to how employees behave.

And if employees feel valued, engaged, rewarded and listened to—the often-reported result of crowdsourcing—innovation can flourish. But the culture won't change if this environment exists for just a fraction of employees or business units. To create this environment, your ideation program must be scaled—it needs to become woven into the fabric of the organization.

Ideate at scale to foster a culture of innovation

It is becoming more common for new crowdsourcing programs whose primary goal is culture change and engagement to take the “go big” approach. There is no quicker way to deliver a message of culture change than by inviting all or nearly all employees to participate in an initial challenge that addresses an area of strategic importance to the business.

And that is exactly what most companies are doing. The more mature the crowdsourcing program, the more widespread it is. And that inclusion generates better solutions. Either way, the more people who have a voice in the innovation or ideation process, the faster you establish a culture of innovation.

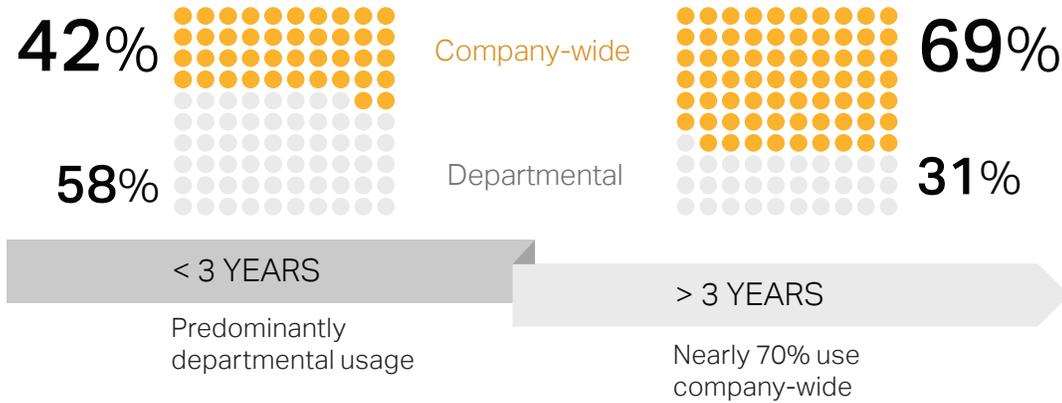
Regardless of program longevity, we know more established crowdsourcing programs run more challenges. Forty-seven percent of program managers saw the number of internal challenges increase over the past 12 months. This shows continued interest in program growth and internal demand for challenges.

Interestingly, younger crowdsourcing programs demonstrated stronger growth in external challenges compared to more established programs. This data indicates that the crowdsourcing market is evolving: program managers are embracing new opportunities for external engagement and innovation.

CROWDSOURCED IDEATION AT SCALE

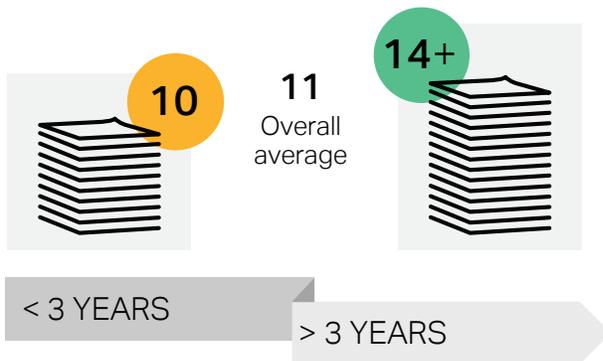
Widespread usage

Company-wide vs. across departments



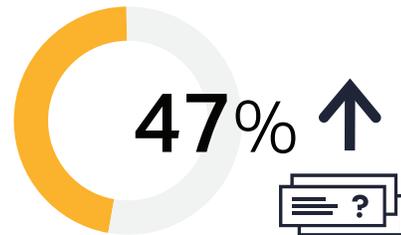
Frequent challenges

Established programs run more challenges



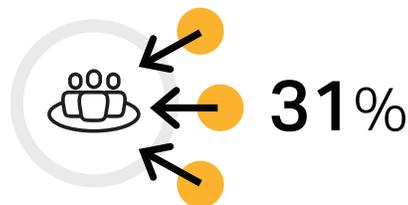
Growing momentum

Across the board, program sponsors report the number of challenges increased over past 12 months



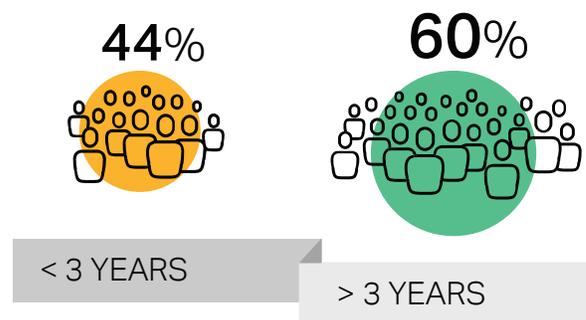
Diversity of participants

One-third of selected ideas submitted by someone outside the challenge sponsoring group



Engaged participants

Increases reported by both new and experienced programs



Who's in your crowd?

Beyond the sheer numbers, even greater value is unlocked when you look beyond the expected crowd—those closest to or most directly impacted by the problem you're trying to solve—and embrace diverse populations across the enterprise. Not only does broader employee engagement positively impact the culture change for which most companies are aiming, it also improves the nature of the ideas themselves. Of those program managers who track it, 31 percent indicated that ideas selected for action are submitted by someone outside the group or business unit sponsoring the challenge most, nearly every, or every time.

As programs or challenges develop, and more employees are engaged, you not only get more ideas, you get better ones. And while there are many measures for employee engagement, for crowdsourcing innovation we measure it two ways: first, by the

number of employees invited to participate in crowdsourcing activities; second, by the number of "active" participants in crowdsourcing activities (an active participant is a user who is not only invited to participate, but actually takes action such as submitting, commenting on or voting for an idea).

Modern programs employ multiple techniques and approaches

Today's forward-thinking leaders know that they need a modern innovation strategy that is not only woven into the fabric of the organization but also employs multiple techniques and approaches. When asked what types of innovation activities they have used, the top three responses were time-bound employee challenges at 70 percent, company-wide time-bound challenges at 59 percent and always-on ideation communities at 45 percent.

From Science Fiction to Surprising Solution

One manufacturing company challenged its employees to find ways to serve customers better. Among the problems that surfaced was the difficulty of inspecting a particular aircraft part overnight. The inspection process typically took eight hours. The company's customers – airlines – found this frustrating because sometimes planes land late and need to take off early.

As the service techs understood, the problem wasn't actually the inspection. It was the process of threading the camera inside the aircraft part to inspect it. That took seven hours. The subsequent inspection took one.

*An administrative assistant at the company who was familiar with the airlines' complaints responded to the challenge. She had recently seen the Tom Cruise movie, *Minority Report*. She posted an idea, wondering, "Why can't we send a robotic spider into the part, like the ones in the movie?"*

While a lot of people reviewing her suggestion found it silly, the company's chief technology officer was intrigued. He tried putting a miniature camera on a remote control set of robotic legs and walking it into the part. It worked. He then turned the secretary's idea into a standard practice. Now the inspections take 85 percent less time compared to the old method, and the airlines are a lot happier.

HARVARD BUSINESS REVIEW

SUCCESS REQUIRES A VARIETY OF APPROACHES



KEY TAKEAWAYS

Ideation at scale is powerful in multiple dimensions: companies using crowdsourcing are expanding their program challenge frequency, involvement across the organization, variety of approaches, and diversity of participation

Scale is required to change culture and generate the best ideas: expanding participation to a variety of business units and a wide swath of employees accelerates the change you want to see

In particular, inviting in a diverse audience—meaning people not necessarily close to the problem or issue—has shown to be very beneficial. The old adage still holds true: sometimes it just takes a new set of eyes

IMPLEMENTING IDEAS



“ Crowdsourcing innovation is a business practice and discipline that can really yield significant results. Engaging employees as partners in collaborative problem solving will give you better views into the future which translate into better results.”

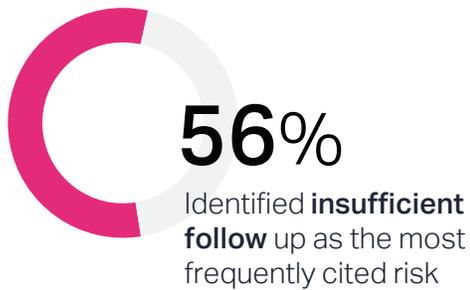
SCOTT RASKIN, CEO, Spigit

We've all been there: a mandatory "brainstorming" session to solve an issue vexing the company. There's a lot of energy in the room as employees become inspired, and sticky notes spatter the walls like some kind of neon photomosaic. Casual plans are made for follow up, then everyone returns

to their regularly scheduled roles. Lack of implementation can bring ideation—and enthusiasm—to a halt quickly. In this section, we will explore the current state of idea implementation tracking as well as related goals and opportunities.



INSUFFICIENT FOLLOW-UP IS A MAJOR RISK



THE GOOD NEWS: IMPROVING IMPLEMENTATION IS TOP OF MIND



In open-ended responses about what one change respondents would make to their program, a variety of implementation-related themes emerged such as funding, resourcing and tracking.

“The way in which we evaluate and resource ideas to facilitate speed to market.”

“Have a formal post-challenge implementation plan to follow in order to ensure implementation of top ideas.”

“I would like to establish a centralized governing body and pool of funding to support the rapid execution of challenges and implementation of ideas.”

Tracking progress is critical to the momentum of an ideation program, but its importance is amplified by a fact that organizations are using crowdsourced innovation to activate their company strategy.

This is as evidenced by the **77 percent of respondents who reported “alignment to business strategy” was the most important criteria for moving an idea forward.**

This was followed by feasibility at 62 percent and estimated value (ROI/savings/financial impact) at 58 percent.

That doesn’t mean other ideas don’t have merit or don’t get pushed forward, but the closer aligned ideas are to the business, the better chance they have to advance.

Once ideas are selected for implementation, it is time to engage the affected department or business unit to “go execute.” Clearly, while the execution needs to engage the business owner, our respondents indicate that the program team remains involved about half of the time.

Tracking ideas requires more discipline

Successful innovation programs require not only creativity but also business discipline. No matter how the program is structured, there needs to be a reliable way to track its implementation. Today, relatively few companies report doing so; those that are tracking cite mostly ad hoc approaches such as basic spreadsheets and email.

KEY TAKEAWAYS

The most successful ideas are ones that align with the company’s business strategy

Tracking ideas through their lifecycle is critical; insufficient tracking creates risk to both the idea and the overall program

There are significant opportunities for improvement in the implementation phase—perhaps more so than in any other stage of the idea lifecycle

MEASURING IMPACT



A successful crowdsourcing initiative converts ideas to impact, melds creativity with rigorous process, and transforms blue-sky possibility to disciplined measurement.

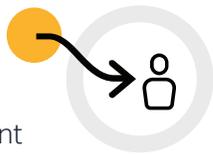
In many ways, innovation has followed a similar path to other business disciplines, such as marketing. Once regarded as a function in which creative types made decisions by gut feel and psychology, marketing is now as measured and impact-focused as any department. And while innovation is a creative process upfront, it is also a business discipline that must be managed and measured or it will not withstand the competitive pressure for support and resources.

This section will look at what business impact means, how crowdsourcing programs are being measured, and how to improve this critical phase of ideation.

A crowdsourcing program is successful if it creates value for your company. That value may be delivered in various ways, but it can be distilled into two key areas:

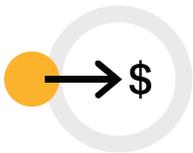
Indirect value

- Culture change
- Employee engagement
- Skill-building...



Direct financial value

- Breakthrough ideas brought to market
- New features adding to bottom line
- Reduced costs



Indirect value: Culture change is a key goal for many crowdsourcing programs, as is employee engagement and skill-building. These behaviors and attitudes are measurable, but not necessarily in a dollars and cents way. Here, program managers need to look toward existing or new employee engagement surveys, or qualitative feedback from challenge participants, challenge sponsors or employee managers.

Direct financial value: Did that innovation challenge produce any breakthrough ideas that were brought to market? Did that incremental revenue challenge create new features, functionality, or line extensions that added to the bottom line? Did the productivity challenge reduce costs by your target amount?

Softer metrics relating to engagement and collaboration—such as the number of challenges run, size of the invited audience, active participants, total ideas submitted, number of votes and comments from the crowd, etc. are excellent data to demonstrate success linked to culture change and employee engagement.

But these “softer” metrics won’t be sufficient in the long run. Because at some point, maybe after one year, maybe after a few more, a senior executive will ask the question, “So, how much revenue or cost savings have resulted from this program?” The program manager who doesn’t have an answer to that question will have to scramble to answer it as quickly as possible. Meanwhile, the senior executive will assume the answer is either undefinable or zero. In either case, the sponsor has put the program immediately—and unnecessarily—at risk. This is a red-flag situation, and it happens far too often when managers focus too much on measuring the soft metrics and not enough time and effort in measuring the direct results, specifically those tied to the bottom line.

The data shows that while 47 percent of companies are tracking ROI on some or all actionable ideas, there is still a large number—43 percent—that aren't tracking actionable ideas at all.

This is a significant area of opportunity that is recognized by program managers. Notably,

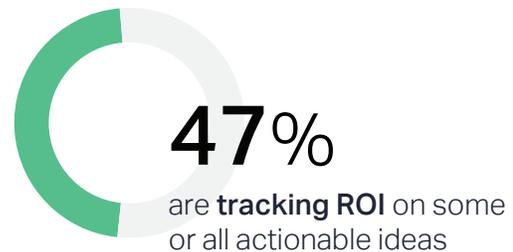
63 percent with programs in the three- to five-year range cited lack of measurable results as the biggest risk to the success of the program. Expectations around measurement increase with program longevity, so ideation teams should always bake into their programs a tracking mechanism for measuring value.



NOT MEASURING DIRECT RESULTS IS A RED FLAG



THE GOOD NEWS: TRACKING ROI ON SOME OR ALL ACTIONABLE IDEAS



KEY TAKEAWAYS

Crowdsourcing ideation succeeds when implemented ideas show value to the business—both directly and indirectly

Innovation must be managed and measured like any other discipline or it will lose support and resources

Expectations increase with program longevity—the more tenure a program has, the more measuring the value of implemented ideas becomes critical

FINAL THOUGHTS

Crowdsourced innovation is powerful. It can foster employee engagement, align innovation with business strategy and build your customer relationships. It can solve difficult issues, prevent new ones from occurring and unearth new business opportunities.

Crowdsourced innovation is most effective when it is inclusive, not exclusive. Inclusiveness means scale, such as number of participants, challenges and approaches; it also means variety—involving employees from all areas of the organization.

Crowdsourced innovation, like any business process, requires strong planning and tracking mechanisms to optimize program success, sustain employee engagement and become a permanent part of your company's culture.

Spigit is the most widely adopted full lifecycle idea management solution available. Using Spigit, companies are building innovative cultures, solving critical business challenges and developing new products and services. Let us help you harness the power of crowdsourced innovation to create a lasting, positive impact on your business, your brand and your bottom line.

Spigit, Inc.
275 Battery Street
San Francisco, CA 94111
www.spigit.com