

# **The Secret to Successful User Communities**

**Comments and Feedback on Celine Schulz's presentation**

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## Why this research is relevant

- Sustainable competitive advantage in industries is dependent from a firm's ability to continuous innovation (e.g., Teece et al., 1997 Brown & Eisenhardt 1997)
- Complexity of innovation process in many industries has progressively brought to a **division of innovative labor** (Arora & Gambardella 1994) -- Empirical evidence shows that firms often find the knowledge required for recombination outside their boundaries.
- The traditional approach: **Innovation networks with customers, suppliers, universities, etc.** (Brockhoff 2003, 2005; Brown & Eisenhardt 1995; Chesbrough 2003; Freeman & Soete 1997; Laursen & Salter 2004; Lundvall 1992; Hirsch-Kreinsen 2004; Rosenberg 1982; Tidd et al. 2000)

## Why this research is relevant (II)

- **Customers / users** are a precious source of innovation (e.g. von Hippel, 2005; Prahalad & Rangaswamy, 2005)
- Earlier literature: task of firm is to capture the **autonomous user inventions** (e.g. Anderson & Crocca 1993; Ciborra 1991; Enos 1962; Freeman 1968; Urban & von Hippel 1988; Ramirez 1999; Rice & Rogers 1980; Rosenberg 1976; von Hippel 1976, 1978a, 1978b, 1982): Lead users are a “**product feedstock for manufacturers**” (von Hippel 2005)
- New perspective that **firms are organizing** the process of distributed / open innovation (Bartl 2006; Gassmann & Enkel 2004; Jeppesen & Molin 2003; Lakhani 2005; Ogawa & Piller 2006; Piller 2004; Prahalad & Ramaswamy 2000, 2004; Ramirez 1999); going beyond formal **innovation networks**
- Principles of **interactive value co-creation** building on the notion of a new paradigm of the division of labor between users and firms (Reichwald & Piller 2006)

## Why this research is relevant (II)

- **Customers / users** are a precious source of innovation (e.gg von Hippel, 2005; Prahalad & Rangaswamy, 2005)

- Earlier literature on **inventions**

Freeman 1984; Rosenfeld 1980; Rosenfeld 1980; users are a

- New perspective on open innovation

Lakhani 2005, Ogawa & Piller 2006, Piller & von Hippel 2005, Piller 2004; Prahalad & Ramaswamy 2000, 2004; Ramirez 1999; Reichwald & Piller 2006); going beyond formal **innovation networks**

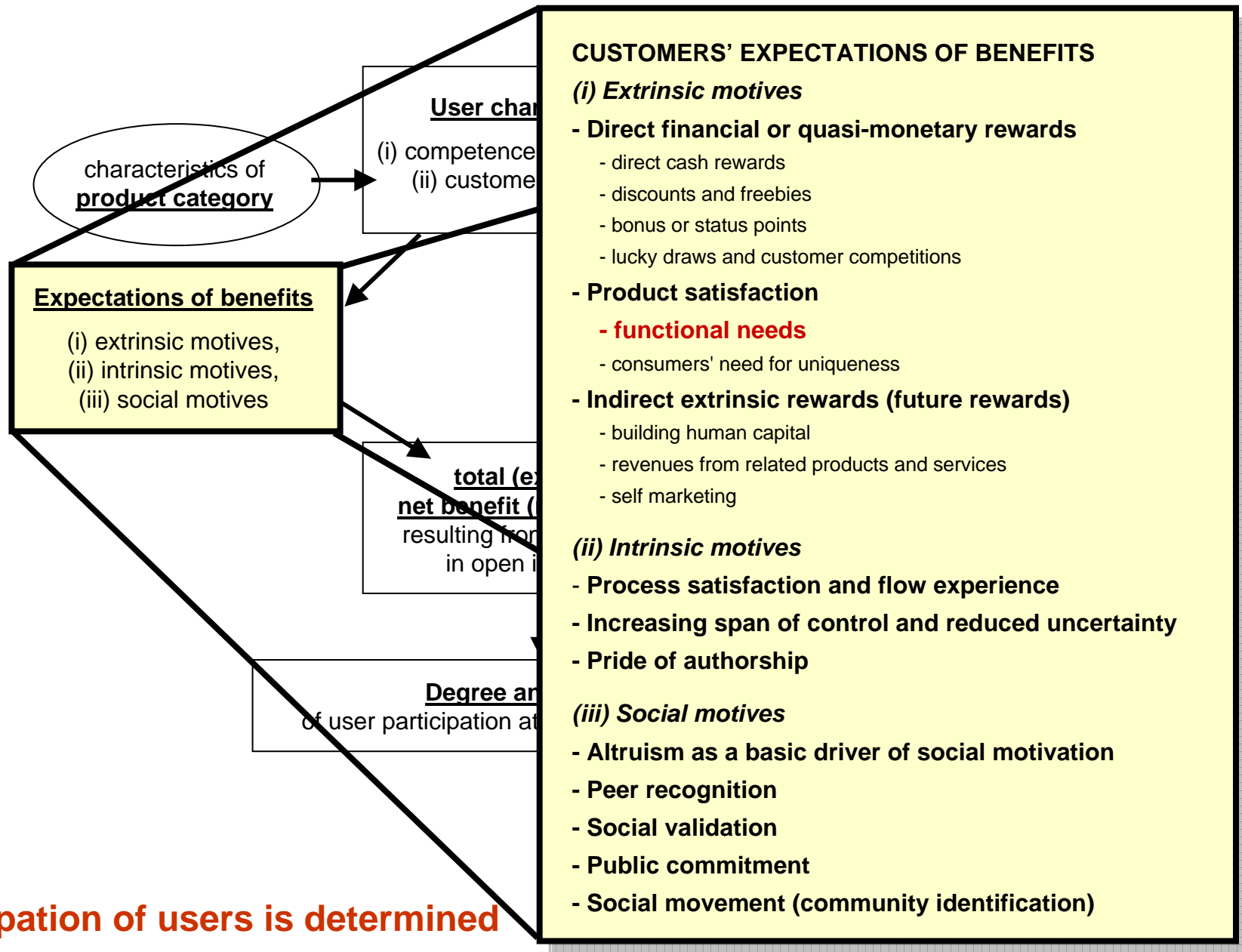
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### Interactive Value Creation

Act of a company or institution taking a **function once performed by employees** and **outsourcing it** to an undefined (and generally large) **network of people** in the form of **an open call**. The task can be solved by in form of peer-production (collaborative solution), but is also often under-taken by sole individuals. (Benkler 2002, 2006; Reichwald & Piller 2006; Howe 2006)

## **Condition to succeed with user integration in innovation: Motivated contributors**

- Ensure that solvers are **motivated to participate and to contribute**
- **Selected related studies:**
  - Von Hippel/von Krogh (2003) in Organization Science: explanation for OSS contributions; no consideration of firms
  - Dahlander/Magnusson (2005) in Research Policy: discussion of prototypical relationships; no treatment of benefits
  - Jeppesen/Frederiksen (2006) in Organization Science: firm recognition as motive of contributing users; no comprehensive set of motives, no focus on “need”
  - Shah (2006) in Management Science: discussion of different forms of communities
  - Fueller (2005) in Ph.D. thesis (Innsbruck U): Studies on organizing user communities for innovation



**CUSTOMERS' EXPECTATIONS OF BENEFITS**

**(i) Extrinsic motives**

- **Direct financial or quasi-monetary rewards**
  - direct cash rewards
  - discounts and freebies
  - bonus or status points
  - lucky draws and customer competitions
- **Product satisfaction**

**- functional needs**

- consumers' need for uniqueness

**- Indirect extrinsic rewards (future rewards)**

- building human capital
- revenues from related products and services
- self marketing

**(ii) Intrinsic motives**

- **Process satisfaction and flow experience**
- **Increasing span of control and reduced uncertainty**
- **Pride of authorship**

**(iii) Social motives**

- **Altruism as a basic driver of social motivation**
- **Peer recognition**
- **Social validation**
- **Public commitment**
- **Social movement (community identification)**

**Participation of users is determined by expectation of net benefit**

## Contributions of Schulz (2006)

- **User groups** are an established and known form of customer integration, often, however, seen as a marketing or after sales (support) tool. Contribution in looking on UG as a means for innovation.
- Counterintuitive result with regard to the **notion of exclusivity** – but in line with older research indicating importance of peer recognition etc.
- **Reinforcement of openness as a dominant success factor** for innovation – demands further revision of common wisdom in TIM (?)
- Stress of **symbiotic relationship** between firms and user communities to provide conducive conditions for firms to constantly leverage their communities for innovation – current notion of many firms seems to regard users as “free feedstock” – but not partner.

## Areas for further research in this area

- **Face to Face communication** seems not to matter. But how will this change if different output measures (motives for participation & contribution) are used?
- Do **different types of motives** lead to different kinds of contributions / innovations? (Fueller, Luethje & von Hippel 2006)?
- Dominating perspective is on benefits of contributors (Brockhoff 2005). What are **costs of contributing users** (beyond fear of free riding)? But how do costs and efforts of users influence their participation, and, in turn, their contribution for the manufacturer?
- **Are firms cooperating with the right customers?** Should they be open to everyone? What is the balance between openness and risks of cooperating with the wrong customers (“dark side” of user communities, Mollick 2005)?

## Areas for further research in this area (II)

- What about **openness within the manufacturing organization**? What are the success factors to exploit the user input within the manufacturer? Does this result in a new NIH problem – or do we find a new way to solve the NIH problem? How can research on gatekeeping, absorptive capacity, promoters etc. contribute to this open innovation perspective?
- How and with which **metrics** can we measure the performance of innovation communities (Laursen & Salter 2006)?
- Innovation is taking place in the periphery of the firm – this is often also the internal periphery of the firm! Can we **supplement internal modes of organizing NPD projects** and **conventional development** networks by a community innovation model?
- What is the **core of the corporation**? How can a firm provide platforms for innovation from its periphery?