2016 STATE OF CROWDSOURCED INNOVATION
A Multi-Industry Benchmark Study
“Innovation.”

Alongside other big buzz phrases — including “Big Data” and “the Internet of Things”— innovation is on everyone’s tongues this year, from chief executives of long-established Fortune 500 companies to entrepreneurs launching tomorrow’s next big thing. But it’s not just a buzzword: 80 percent of innovation program managers report results to C-level executives according to data from Innovation Leader’s “Innovation Benchmarking Report 2015.”

Although it remains a continual topic of conversation at the highest levels of global business, practicing innovation still eludes clarity even among those who speak about it frequently. While one can find a bevy of articles discussing successful innovation programs or real revenue-generating products that came out of these programs, finding specific insights and programs of successful innovators is more difficult to uncover.

As the leader in innovation management software, we tasked ourselves to surface and highlight these insights. We explored how companies tap into crowdsourcing to develop new ideas, open new markets, and drive operational efficiency. In doing so, our ultimate goal was to create benchmarks around Spigit that will allow our customers to measure how their own practices compare to their peers. This study goes on to provide recommendations and guidance to help build successful innovation programs.

To investigate these issues, we conducted primary research among our customer companies in order to answer five high-level questions:

1. What does “innovation” mean to today’s leading organizations?
2. What role do executive teams play in innovation?
3. How are enterprises tapping into crowdsourcing as a way to innovate?
4. How do companies identify, track, and implement great ideas?
5. What returns do organizations expect from crowdsourced innovation?

Along the way, we learned a lot about the habits of successful innovators, specifically with regard to crowdsourcing programs. Our Advisory Services Team wrote this report to present some of these benchmarks so you and your team can see where you compare against your peers and what you need to do to keep moving forward.

We hope you find these findings insightful. If you have questions, want to know how your company’s innovation program compares to your industry peers, or want to dig deeper into the data, please feel free to get in touch.

Paul Brook
Chief Customer Officer
Spigit
The 2016 State of Crowdsourced Innovation

Executive Summary

Though innovation remains a continual topic of conversation at the highest levels of business, specific details around the practice of innovation still elude clarity. As the leader in innovation management software, Spigit conducted an extensive study on how companies today use crowdsourced innovation to develop new ideas, open new markets, and drive operational efficiency. Our goal is to help innovation leaders understand the state of innovation management and adopting best practices from their peers.
# The 2016 State of Crowdsourced Innovation

## Key Findings:

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<th>Companies are turning to crowdsourced innovation to keep pace with disruption.</th>
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<td>“How do we not end up as the Kodak of the pharma business?”</td>
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<td>“Disrupt, or be disrupted” is the new mantra among their firms. Companies are taking advantage of the enormous changes in connectivity and mobility to enter and disrupt every conceivable market. Though incumbent firms have sometimes been slow to react, they are increasingly realizing that the status quo is no longer a healthy option.</td>
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<th>Innovation programs sponsored by executives tend to be more successful, stronger, and longer-lasting.</th>
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<td>Executive sponsorship often plays a large part in innovation programs, the majority of surveyed customers (57%) told us that they report results of those programs to the executive leadership. Programs with executive sponsorship tend to last the longest, show the most strength, and ultimately succeed in achieving the organization’s goals.</td>
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<th>Large, diverse crowds tend to produce diverse, robust solutions to business problems</th>
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<td>Large, diverse crowds tend to produce diverse, robust solutions to business problems. Many new customers start their challenges within several business units or groups. Eventually, Spigit customers often grow their crowd engagement to include a large portion of their employee base. 64% of Spigit customers use Spigit across their entire company.</td>
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<th>Crowdsourced innovation has a high rate of success</th>
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<td>40% of customers say they have a system to track progress and impact of an idea once it has been selected in Spigit. The path to implementation varies widely from company to company. But no matter how differently companies transition an idea through these advanced processes, our customer survey data indicates that 18-51% of ideas selected for action through Spigit get fully funded and implemented.</td>
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<th>ROI from innovation programs are both tangible and intangible</th>
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<td>When it comes to return on investment, Spigit customers see a diverse range of results, but tangible and intangible. In general, tangible forms of ROI result from growth ideas while intangible forms of ROI result from operational ideas. Our customers have many ways of capturing their returns but there isn’t a standard metric of measurement.</td>
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In gathering the data for this benchmarking study, we leveraged Spigit’s entire customer base, and conducted external research on leading companies in top industry verticals. Our primary research, which took place in Q4 2015, collected qualitative and quantitative information, including from the following sources:

- 12 in-depth customer interviews
- Detailed 36-question survey of our entire customer database, with a respondent sample representing 13 industry verticals
- Comprehensive audit of Spigit’s user behavior
The interviews yielded rich conversations with innovation program executives and managers from a dozen different companies. Spigit used these interviews as an opportunity to gather background information on the companies’ innovation programs, what their expectations were before implementing Spigit, actual results from innovation challenges, and more.

The survey, fielded to innovation managers at client companies in Q4 2015, was the primary source for quantitative data presented in this document. Survey respondents represent 13 industries, and sit in various parts of the organization, making this a diverse data set. From a tenure perspective, about two-thirds (66%) of companies in the survey have been Spigit customers for less than three years.

The user behavior audit was conducted on anonymized innovation challenge data collected from the entire Spigit customer database. The sampling period spanned from 2012 through Q1 2016.
In recent years however, more and more companies have found it necessary to make innovation a conscious part of their business strategy, if not an entire functional program.

Here we share data demonstrating how the vast majority of companies working with Spigit have already established programs dedicated to innovation, how their overall progress ranges by tenure and industry, and how their pursuit of innovation drives them toward a common set of goals.
Companies are turning to innovation programs to keep pace with disruption.

Gone are the days of technology companies building products for a limited, tech-centric group of buyers. Today’s technology companies are taking advantage of the enormous changes in connectivity and mobility to enter and disrupt every conceivable market, from healthcare to banking to hospitality to energy. Many incumbent firms have been slow to react, and are now paying the price.

This trend has inspired (if not compelled) many companies to face the facts: the status quo is no longer a healthy option. “Disrupt, or be disrupted” is the mantra for many 20th century companies who want to stay relevant in the 21st century. As a result, business leaders have increasingly turned to innovation programs as a tangible way to keep pace with the disruption they see taking place everywhere in the world today.

“How do we continue to evolve when companies like Amazon, Under Armour, and Weight Watchers are getting into the healthcare space and becoming competitors? How do we not [end up as] the Kodak of the pharma business?”

— Senior Manager of Innovation at one of the world’s largest pharmaceutical companies

“You have to start thinking about new ways to serve your customer because they help you adapt to disruption.”

— Innovation Manager at major energy company

One notable example of disruption in an established industry, KPMG predicts that, within 25 years, the $200 billion auto insurance industry could shrink to less than 40 percent of its current size. The word “disruption” is just another buzzword until you realize that it’s your market that’s shrinking by $5 billion per year. That’s when it becomes real. And it’s not just the insurance industry. Most companies today face increasing pressure to stave off disruption by evolving their business models and finding new ways to strengthen their pipelines.
The vast majority of Spigit customers have a formal innovation program – but not all.
Nine out of ten customers we surveyed have a formal innovation program, and over half (52%) have had those programs in place for four or more years. Notable industries represented in the majority include financial services, healthcare, and technology. 38% of companies whose innovation programs are less than three years old still rely heavily on manual labor, suggesting that these sectors have the potential to be the next trailblazers in innovation. Surprisingly, many organizations with the newest innovation programs are in the energy, government, and manufacturing sectors.

The fact that 10% of the companies surveyed lack any type of innovation program suggests that some of our customers find collaborative innovation software useful even in the absence of a formal program. That speaks to the flexibility of the software and creativity of our customers.

How long has your company had a formal innovation program?

“We want to be on the cover of Fast Company as ‘most innovative company.’ Period. Not just in pharma.”

– Senior Manager of Innovation at one of the world’s largest pharmaceutical companies
Developing a culture of innovation is a key business goal. Many companies explicitly state that the primary goal for their innovation program is to create a corporate culture of innovation. The data shows that 93% of the customers we surveyed agreed that they sought to create a culture of innovation, while 86% sought to “increase employee engagement.” Though it may sound like a tautology (doing innovation to drive innovation), the data supports our own belief that crowdsourced innovation programs create unique opportunities to bring employees together and empower them with a means to effect change within the organization. Saying you want a culture of innovation is one thing; providing a tool that actually creates a foundation upon which this culture can be built is putting your money where your mouth is.

Do you believe that your company has a culture of innovation today?

“Yes, but it’s continuing to evolve. Culture eats strategy. The better we can integrate an innovation and experimentation mindset into all colleagues the stronger and more competitive we become as an organization.”
— Head of Innovation at pharmaceutical company

“Yes. By giving teammates a platform to voice their ideas on making things “better,” it makes us more marketable and successful for our patients.”
— Head of Innovation at healthcare company

“Yes. Everyone knows it’s important, desired, and expected; but it’s not uniformly understood how to behave to achieve the aspirations.”
— Head of Innovation at manufacturing company

Many large organizations see innovation not just in terms of a final product but also as an end in itself. As one pharmaceutical company put it, “Instead of us as a team of eight transforming the organization, how do we seed the organization so that we have 77,000 colleagues thinking like entrepreneurs?” As a result, that company specifically outlined the purpose of its crowdsourcing program as a way to cultivate innovation in the everyday tasks of its colleagues.

Finally, it’s worth noting that the concept of a culture of innovation means different things to different people. It is nonsensical to build a culture of innovation without first coming to agreement on what that means and what the desired end state should look like.
Innovation is also tied to growth goals within the business. Our data revealed no connection between tenure of a company’s innovation program and its overall objectives for that program. Rather, in the same way that we’re seeing a critical mass of companies turning to innovation programs, we also see many shared business objectives for those programs.

Of particular interest was the data indicating that only about half (54%) of our surveyed customers selected “identify new products” as one of their innovation objectives. Contrast this with the fact that streamlining process (79%) and improving customer experience (75%) were important innovation objectives. This data suggest that our surveyed customers are either more focused on low-hanging fruits (process improvements or cost-saving initiatives) than on game-changing ideas.

Nonetheless, some customers made it abundantly clear that their innovation focus is on “new.” One technology industry respondent shared that his organization’s key objective is to “generate, assess and fund the best ideas that create value for our clients, shareholders, and members.” A major mining company has a similar objective, having indicated that the innovation program as a whole is driving toward a larger corporate goal to “generate an additional $5.5 billion in revenue” over the next five years.

Please indicate which one of the following innovation objectives your company is pursuing in 2015/2016?

- Create a culture of innovation: 93%
- Increase employee engagement: 86%
- Streamline processes: 79%
- Improve the customer experience: 75%
- ID new markets or business models: 61%
- Identify new products: 54%
- Other: 11%
- I don’t know: 0%
Although variations abound, most of our customers run internal employee challenges. Companies run a wide range of innovation campaigns, from CEO-sponsored crowdsourcing challenges to hackathons. No matter what the style of the campaign, most programs tend to focus on building participation from internal employees. We were also pleased to see that 64% of our surveyed customers are running internal challenges across the entire enterprise. Projects of this scope expose the innovation management software to many potential challenge sponsors and demonstrate the company’s commitment to enabling innovation across the entire organization.

External challenges – those that engage consumers or outside partners – are less common, especially for companies who are new to crowdsourcing. Experience tells us that companies frequently prove the concept of crowdsourcing via internal employee challenges for about two years before engaging a wider audience using external challenges.

**Kick starting an innovation management program only requires a fraction of an employee, but the resource commitment can grow over time.** Our surveyed customers indicate that between one and three full-time employees manage their innovation programs. But those employees have a wide variety of responsibilities beyond just running crowdsourced innovation challenges. One innovation manager at a company in the pharmaceutical industry said their team was “like a small startup” within the larger organization. As in any startup environment, everyone on this team performs many different roles precisely because they don’t have a large organization to distribute responsibilities.

Crowdsourced innovation works regardless of industry. Our survey data indicates that companies often build up their crowdsourcing capabilities over the first two years. On any given day, a typical Spigit customer with at least one year of experience has three challenges open and eight completed.

“Crowdsourced idea management is a third of my role”

— Director of Innovation at a large insurance company
We also uncovered some interesting variation in the data by industry. Among survey respondents, banks and insurance companies run the most challenges, averaging about 17 per year. Additionally, financial services and consulting firms execute more than twice the number of challenges per year compared to organizations in energy, utilities or retail. Perhaps most compelling is that the data shows crowdsourced innovation working for all companies, regardless of industry.

**INNOVATION BY INDUSTRY**

Average number of crowdsourced innovation projects per year
Spigit user audit 2012-2015

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<thead>
<tr>
<th>Industry</th>
<th>OPEN</th>
<th>COMPLETED</th>
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<tbody>
<tr>
<td>Financial Services</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Consulting</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Government</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Pharma</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Engineering &amp; Construction</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Technology</td>
<td>4</td>
<td>7</td>
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<tr>
<td>Consumer</td>
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<tr>
<td>Healthcare</td>
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<td>Telecom</td>
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<tr>
<td>Other</td>
<td>3</td>
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<tr>
<td>Manufacturing</td>
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<td>Energy</td>
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<td>Retail</td>
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Recommendations

• Don’t let the lack of a formal innovation program hold you back from pursuing crowdsourced innovation.

• When beginning your crowdsourced innovation program, give yourself at least two years for it to fully take hold.

• Set goals and objectives that make sense to your organization, not someone else’s.

• Before trying to build a culture of innovation, first agree on what that term means and what the desired end state should look like.
Whether it’s a startup just beginning to go to market or a century-old company trying to drive new technology adoption for its thousands of employees, success and failure often comes back to executive leadership. A strong voice from the executive team regarding new technology adoption goes a long way in encouraging managers and employees to get on board. The same holds true for innovation management software. Sponsorship at the project level is similarly important, as idea implementation is more likely to happen when a sponsor for those ideas is identified and engaged from the beginning.

Here we explore data supporting the widely touted importance of executive sponsorship, while also discussing the nuances of ownership and reporting.
Innovation programs sponsored by executives tend to be more successful, stronger, and longer-lasting. If there’s one common theme we’ve seen from successful and enduring innovation programs, it’s that they often start with executive sponsorship.

One large electric utility holding company said their CEO actively sought to “cultivate a culture of innovation by engaging employees to think differently.” In addition, he wanted ownership of the program and demonstrated so by outlining areas of focus for the program. He also insisted that he didn’t want the program to get caught up in “committees” or other bureaucracy, but rather wanted to keep it simple: generate ideas and pursue them. As a result, this company told us they were “surprised” and even “slightly overwhelmed” by the participation they saw in their innovation program. And yet they were pleased, too, by their success in bringing several ideas to the implementation stage.

We repeatedly see this model of crowdsourced innovation – sponsored by the CEO – across several of our customers. Time after time, it is these programs that last the longest, show the most strength consistently, and ultimately succeed in achieving the organization’s goals.

Spigit customers routinely report results to the most senior levels of their organizations. When asked to whom they report results for their collaborative innovation programs, the majority of surveyed customers (57%) told us that they report results to the CEO, another C-level executive, or the entire senior leadership team – without regard to industry or how long they had been a Spigit user.

From this, we can conclude that most companies take innovation seriously as a new way of doing business. If innovation programs were seen as merely pet projects or one-time experiments, we would expect to see far less engagement with the CEO or other senior leaders. In fact, one company in the construction industry specifically said they regularly report results of the innovation program to the entire company, reinforcing both the fact that the program is executive-sponsored as well as employee-powered.

Frequent reporting keeps innovation initiatives top-of-mind with sponsors, and helps those programs endure. Not only do results of innovation programs get reported to the C-level, but they also get reported fairly frequently. A number of our surveyed customers (33%) said they report monthly or more frequently. In total, 71% of survey respondents report results at least every six months. Regular and frequent reporting of results keeps senior program sponsors engaged with the efforts, which in the long run will have a positive impact on the longevity of the innovation program as a whole and collaborative crowdsourcing initiatives in particular.
By industry, our data revealed some key differences. Organizations in the fields of energy, construction, pharmaceuticals, and government reported meeting at most only once every six months, while consumer and financial services companies meet at least once a quarter, if not monthly or more frequently. We believe these actions are driven by the relative speed at which these companies must react to change, particularly with consumers. Additionally, some organizations appear to grade their reporting by tiers. For example, one pharmaceutical company said it reports to the CEO once yearly while the head of a business unit receives quarterly updates.

Of the small group of companies (17%) said they never report results for their innovation program, the vast majority are companies who have been customers of Spigit for less than two years. New users of Spigit tell us that they often have a grace period to get up and running and prove the concept of crowdsourced innovation before there is an expectation to report results. That said, there are significant benefits associated with evangelizing Spigit even in the early days of the program.
Any department can be the primary owner of the collaborative innovation program. When asked which department or group manages the Spigit platform, the majority (58%) did not mark “Technology,” “Engineering,” or “Operations,” but rather “Other.” Of these, many often wrote in a novel department name like “Corporate Innovation,” suggesting that many companies actively create a new business group specifically tasked with managing the innovation program. This remained true regardless of industry or tenure.

While impressive, this data makes sense. The innovation program has a regular place at the executive table to be reported and discussed, revealing its prominence at most companies. The fact that innovation earns its own department or group reinforces its value and priority at companies across various industries.

Also unsurprising is that this innovation-focused team meets just as often as they report results to executives. Specifically, 58% of companies meet quarterly or more frequently to evaluate or select ideas for implementation or further development.

A project sponsor and secured funding are two critical factors to drive implementation of ideas. Spigit helps our customers identify and prioritize the best ideas to solve a business problem. Implementing those actionable ideas is a different problem, and one that many of our customers face. In addition to executive program sponsorship, our customers emphasized the importance of having a project sponsor focused on implementation of the outputs from the crowdsourced innovation challenge.

Sixty percent of survey respondents claim that lack of a primary owner to carry out implementation is the top challenge in driving implementation of ideas, followed closely by lack of funding (52%). This data shows:

1. A lack of business sponsor as a whole (32% of respondents).
2. A lack of connection with the business sponsor by the challenge team during the project.
3. A lack of follow-through by the business sponsor after the challenge.

All of these barriers to implementation can be overcome by identifying and involving a business sponsor early and often in any crowdsourcing project.
In thinking about taking a top idea to full implementation in your company, what are the most frequent challenges you or your company face during the process?

- Idea needs primary owner to carry it out: 60%
- Lack of funding: 52%
- Business planning or development too time-consuming: 36%
- Lack of business sponsor: 32%
- Not enough promised return on investment: 28%
- Idea too "big" for company: 24%
- Idea too "small": 24%
- Not enough cooperation between groups: 24%
- Other: 8%

Respondents indicated a couple other significant challenges: “lack of funding” and “business planning or development [is] too time-consuming.” Funding should always be secured with a business sponsor prior to the start of a challenge to help prevent this problem from occurring. Better yet, tie challenges to strategic initiatives that already have funding to avoid a problem later on. The length of time to implement an idea cannot be predicted before the idea has been surfaced; the fact that this is cited as a frequent barrier could mean the business sponsor failed to adequately constrain the challenge to ideas that could be acted on.

When viewed through the lens of tenure, our customers’ difficulties in implementing ideas diminish, which suggests that there is a learning curve to building a successful innovation program and successful sponsorship for that program.
[EXECUTIVE SPONSORSHIP]

Recommendations

- Secure an executive-level program sponsor, preferably in the C-Suite, to ensure program support and visibility.

- Set clear expectations for each challenge to drive positive results and action once the challenge is complete.

- Report results to your sponsors on a regular basis in order to demonstrate success and prove the value of the program/project, even if you are just getting started.
WHAT IS CROWDSOURCING WITHOUT THE CROWD?

Your organization can have all the time and money in the world, buy-in from every member of the executive team, and the world’s most advanced software, but without the crowd it would all be for naught. At the end of the day, it is the ideas generated, shared, iterated upon, analyzed, and prioritized by a diverse group of employees and others in the crowd that enables a successful challenge.

Here we share data from companies who have used Spigit to power their crowdsourcing challenges, breaking it down in terms of pre-challenge expectations, mid-challenge tracking activities, and post-challenge opportunities.
A strong majority of Spigit customers involve the entire company in crowdsourcing. About two-thirds (64%) of surveyed customers use Spigit to engage employees across the enterprise in crowdsourcing challenges of varying sizes. Large, diverse crowds tend to produce diverse, robust solutions to business problems. Spigit brings together individuals with different skills, knowledge, and perspectives who can work together to develop ideas, identify the top ideas, and prioritize those ideas for action.

But that’s not to say that crowdsourced innovation doesn’t work within smaller groups of the organization. 21% of surveyed customers use Spigit within 2-3 groups, departments, or functional areas. In fact, we know from experience that many new customers initiate challenges within a single business unit or group to test capabilities and prove the concept of crowdsourcing because they have never tried anything like it before. Others fit into the “go big or go home” category and start with an enterprise-wide challenge.
One energy company elected to conduct its first Spigit crowdsourcing challenge with its entire 26,000-employee workforce. Although humble expectations were established at the start (aiming for 100-150 ideas with 10% of the workforce participating), the crowd responded with vigor as participation rates exceeded 50%, generating nearly 1,000 ideas. The result was all the more impressive since a sizeable portion of the crowd were field workers who, due to their varied work environments, had to make a concerted effort to access the platform and contribute.

The data from this customer survey showed that new customers were pretty evenly split in terms of how widespread their use of Spigit was, while longer-tenured customers were more likely to have programs running across the entire organization.

**MEASURING THE VALUE OF INNOVATION**

How widespread is your use of Spigit within the company?

| 1 group/department/function area | 0% |
| 2–3 groups/departments/function areas | 21% |
| 4 or more groups/departments/function areas | 14% |
| Company-wide | 64% |
| I don’t know | 0% |
Crowdsourced innovation opens up a larger pipeline of ideas, keeps employees engaged, and has a high ROI.

How do you measure your innovation program?

**UPSTREAM ACTIVITIES:**
Crowd Engagement Metrics

- Participant logins
- Views of challenges
- Comments per idea
- Participation rate (view/vote/post)
- Group or BU participating
- Role/rank participating

**MIDSTREAM ACTIVITIES:**
Idea Generation and Selection Tracking

- Replies to ideas
- Votes and comments
- "Accepted" ideas
- Idea selection meetings

**DOWNSTREAM ACTIVITIES:**
Idea Execution and ROI Metrics

- Ideas under development
- Ideas in pilot
- Ideas launched to market
- Projected ROI
- Actual ROI

How do you measure your innovation program?
Most companies today focus on upstream measurements to track the value of innovation. Using Spigit, companies can track a wide variety of engagement activities and many of them do so. Most companies track participation rates as a means to demonstrate success associated with employee engagement. 81% of surveyed customers track unique user logins to assess what percent of the invited crowd actually visited Spigit. 71% track views of the challenges or ideas posted, while 63% track average number of comments per idea, which provides a deeper indication of engagement and collaboration in the challenge.

Some companies also want to make sure they’re tracking quality of engagement and participation. For example, one healthcare company gave awards to the three ideas that best matched up with specific categories defined for its challenge: one to highlight a widely regarded important issue, one for a concrete and well-thought out solution, and one for a new and creative idea. Similarly, an energy company made sure that submitted ideas paired well with the company’s core values around health and safety, as the challenge aimed to generate ideas around safety in the workplace.

Tracking employee characteristics fosters a deeper understanding of engagement. A common misconception in innovation is that the whole notion that the crowd must participate in order to realize success. This is almost never the case. While we are firm believers that anyone can be active in an innovation challenge, the fact of the matter is that not everyone chooses to participate, even if all they are being asked to do is to vote on ideas. And that’s okay: the point is not to force everyone to participate, but to allow those who want to participate the opportunity to do so. Ultimately, Spigit creates more opportunities for employee engagement, which, when directed toward business problems, creates the opportunity for meaningful innovation.

When refining an understanding of the active crowd, a large area of opportunity for tracking revolves around identifying deeper trends in engagement. For example, 63% of companies would like to track the role and/or rank of employees participating, and another 41% would like to track the group and/or business unit of employees participating. The ability to identify and track the specific roles of employees or parts of the organization where participation is especially high or low, according to survey respondents, would provide even more useful than generic participation rates.
Tracking in-challenge metrics are table stakes, but post-challenge metrics are less commonly tracked. When it comes to collaboration within the challenge and accepting ideas generated within Spigit, the vast majority of companies currently track the most essential metrics. Our survey data shows that about 8 out of 10 customers track the number of ideas and the number of comments and/or votes (82%) generated within a challenge. We found it noteworthy that all of our customers track the quantity of ideas generated. As one company put it, these are “table stakes metrics” because they’re easy to track and not very sophisticated, but still useful as a measure of baseline engagement.

Ultimately, it isn’t the number of ideas that matter but the quality of the ideas that are developed by the crowd so that the business sponsor can act on them. As of now, tracking appears to drop off near the tail-end of the challenge process when ideas are to be marked as “accepted” and acted upon off-platform. In our survey, only 36% of companies said they are doing this today, although 54% said they would like to track this in the future.

Only about one third of our surveyed customers track the number of ideas that have either entered pilot programs (32%) or gone to market/launched (32%). Revenue or savings promised/planned based on an actionable idea is tracked by only 25% of our surveyed customers, although 65% are considering doing this in the future.

On the whole, companies are great at tracking ideas and participation in the ideation process, but seem to have trouble documenting the implementation and impact once the best ideas turn into projects, despite their desire to understand their business value.
There are more opportunities for crowd involvement once ideas have been selected for action. Most of our surveyed customers (71%) believe that the crowd’s role should not be limited to idea generation, validation, and prioritization. Surveyed customers felt the crowd could help with business case development (50%), research and development (46%), market sizing (38%), pricing (29%), and business model development (29%).

How do you view the role of crowdsourced innovation within the company?

- Crowd helps with:
  - Crowd role should not be limited: 71%
  - Business case development: 50%
  - Research & development: 46%
  - Market sizing: 38%
  - Pricing: 29%
  - Business model development: 29%

Indeed, this is one of the most exciting results of all, as it demonstrates that organizations are already looking ahead to a deeper, more collaborative process in the future where employees and other program participants contribute ideas and feedback at every crucial juncture of the decision-making process.

“As we get more challenges, we will be able to develop a higher level of confidence in the crowd,” said the innovation manager for an energy company. Put another way: practice makes perfect. The crowd becomes better and more efficient at the tasks you are assigning them to do, fostering more confidence in the work they are doing, which in turn speeds the process of ideation and decision-making. A company in the healthcare space affirmed this notion, saying it would “love” to have Spigit help with the post-challenge “insights and experimentation” phase.
Recommendations

- Create a robust reporting system to track employee engagement, and use gamification techniques to appeal to a diverse audience.

- Look for deeper insights into the roles of employees who demonstrate the ability to ideate or collaborate in order to develop skills and manage talent.

- Consider new ways for the right type of crowd to get involved in post-challenge selection activities to work on and accelerate the idea implementation process.
THEME 4: IMPLEMENTING IDEAS

GREAT IDEAS: MOST BUSINESSES KNOW THEM WHEN THEY SEE THEM.

But many organizations launching innovation programs with Spigit are established businesses with thousands if not tens of thousands of employees. Obviously, these organizations need a way to surface the ideas that may sit latently within the company, and validate the ideas to separate the great from the good.

Here we explore the difference between growth ideas and operational ideas, the myriad ways businesses select certain ideas for further implementation, and benchmarking metrics on how many good ideas to expect per challenge.
Nearly a quarter of ideas selected through Spigit reach full implementation. Notably, tenure played little role in whether a company could move good ideas through to implementation. Regardless of how long the company has been a Spigit customer, 40% of organizations say they have a system to track progress and impact of an idea once it has been selected in Spigit.

The path to implementation varies considerably from company to company. No matter how differently companies transition an idea through these advanced processes, our survey data indicates that 24% of ideas selected for action through Spigit get fully funded and implemented.

18-51% of top ideas selected through Spigit get funded or fully implemented.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Top ideas selected through Spigit</th>
<th>Funded or fully implemented</th>
<th>Success rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>6–12 months</td>
<td>5.9</td>
<td>2.5</td>
<td>43%</td>
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<tr>
<td>1-2 years</td>
<td>12.9</td>
<td>4.0</td>
<td>31%</td>
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<tr>
<td>2-3 years</td>
<td>20.0</td>
<td>10.3</td>
<td>51%</td>
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<tr>
<td>3+ years</td>
<td>49.1</td>
<td>9.0</td>
<td>18%</td>
</tr>
<tr>
<td>Average of All</td>
<td>22.3</td>
<td>5.4</td>
<td>24%</td>
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Typically, there are two types of ideas: operational ideas and growth ideas. We have heard from our customers that their innovation programs result in two sorts of ideas: “Growth ideas” for new growth opportunities such as products or services, and “operational ideas” that result in efficiency, process and customer service improvements.

While growth ideas are great (and what many of us imagine when we think “innovation”), operational improvements are often an easier place to get started. And nearly every department can benefit from operational improvements. Once innovation teams are prepared to widen the scope of their programs to larger, more diverse crowds, we see an uptick in the pursuit of growth ideas. Additionally, companies have found it useful to get into the mindset of running Spigit “challenges,” designed with a specific or narrow focus, as opposed to a blanket free-for-all approach. While the latter produces a mix of big ideas, small ideas, growth ideas, and operational ideas, the former gives the organization a way to target areas where they want to improve the business.

To focus the crowd, one company in the healthcare space told us they make a point of developing good campaign questions with a well-defined scope. One campaign they ran asked, “How can we improve the patient experience in the first 90-days?” It’s broad enough to allow participants to contribute creative ideas but narrow enough to produce real, tangible, and actionable ideas that the innovation team can pursue to improve the business.
Operational improvements are the low-hanging fruit. If asked for some ways to improve the efficiency of your job or overall team, you would probably be able to come up with a few ideas on the spot. That’s why operational ideas are the low-hanging fruit in a crowdsourcing challenge: they are easy to come by (in contrast to growth ideas) but also extremely valuable in cutting costs and spurring efficiency. The majority of our surveyed customers (52%) indicate that over half of the ideas generated by their crowdsourcing challenges are related to operational improvements. While these improvements may not drive revenue, they are still a boon to the business.

About one third (32%) of our customers have a stronger focus on growth ideas as these types of idea account for more than half of those generated via crowdsourced innovation. A smaller group—15% of companies—say their ideas are evenly split between the growth kind and the operational kind. Our experience tells us that a balanced program is a smart approach, as it provides the enterprise with opportunities to execute on ideas in both the short- and long-term based on budget and bandwidth.

Growth ideas can be more difficult to generate overall, but higher-tenure companies see increased success. We believe growth ideas are a little rarer for companies because, while it may be intuitive to come up with solutions for broken processes in the workplace, it requires an extra spark of creativity to invent entirely new products or strategies for entering new markets.

People always go to what bothers them the most, and this is usually existing systems and processes. It’s hard to get a crowd to really think creatively and strategically.”
— A federal government agency in Australia

“We are looking for more transformational ideas in the future. Right now the operational ideas are a good start and are helpful to streamlining our many cumbersome processes.”
— Company in the construction sector

As the tenure of a company’s relationship with Spigit increases, so does the tendency to pursue growth ideas: we found that 44% of organizations plan to increase growth ideas as they increase in tenure. In other words, the more mature the company, the more confident it becomes that its innovation program can generate growth ideas as opposed to just operational ideas. And our data shows their confidence to be well-placed: companies that have worked with Spigit for over two years are much more likely to yield a higher proportion of growth ideas versus operational ideas.
For some, growth ideas appear to be the only ideas worthy of crowdsourcing. One respondent focused on the travel management sector said that 100% of the ideas generated through its innovation program were growth ideas. Similarly, one mining company and one technology company each said 80% of the ideas their programs generated were growth ideas.

Regardless of idea type, subject matter experts (SMEs) are integral to identifying the best ideas for implementation. The overwhelming majority of companies (85%), regardless of tenure or industry, have developed criteria for marking an idea as “accepted” and pushing it to development beyond the Spigit platform. This suggests that, though each company’s specific system for spotting good ideas may be somewhat distinct, the systems are in place to find those ideas.

The survey data reveals that our customers rely on a broad range of criteria to evaluate “accepted” ideas for implementation; this range of responses dovetails with our earlier finding regarding the diverse innovation objectives pursued by our customers. We found that most ideas go through rigorous review, including further evaluation by SMEs, identification of business opportunity, and estimates of ROI or financial impact. SMEs in particular are used by many organizations to simultaneously validate an idea as well as to find someone willing to champion it.

While executive and business sponsors may influence the overall success of an innovation program, they certainly won’t be the ones driving individual ideas on a day-to-day basis. For that, you need SMEs who will accept or reject ideas based on their experience and understanding, and then serve as an advocate for the idea. Despite having systems in place, however, we heard from many organizations that they still face hurdles in this process.

One company in the manufacturing industry told us it’s “very difficult” to take accepted ideas and move them to the pipeline. “We need to systematize making the business case, breakdown the tasks, and spread them around,” said their innovation manager.

The last part, sharing the duty of innovation, is one we’ve also heard echoed by many companies. One company in the energy sector said it “focused on a manageable number” of ideas so the team didn’t feel overwhelmed: “We did not want it to be one of those things where we created a bunch of ideas, and top leaders decide which are best.” Instead, the firm took 28 ideas to a larger group of SMEs, union leaders, customer operations agents, and people in the field to discuss and pick the best ideas.

“The reason we pick subject matter experts,” said one healthcare firm, was that “they fall in love with an idea and want to push it.”

— Company in the healthcare sector
Recommendations

• Strive to reach a balanced portfolio of growth and operational ideas in your company’s implementation pipeline.

• Expert Reviews are a critical step in evaluating ideas for feasibility and challenge goals.

• Taking action on ideas fuels employee engagement by emphasizing the attention & importance given to ideation challenges.
EVERY BUSINESS WANTS TO KNOW THE RETURN-ON-INVESTMENT (ROI) RESULTING FROM ITS INNOVATION PROGRAM. BUT THERE IS NO DENYING THAT THIS IS A TRICKY METRIC.

The window of time between the birth of an idea and its successful implementation could be a period of weeks, months, or — more likely — years. The longer the window, the more difficult it is to calculate ROI, and the less likely it will be linked back to its origin. Tracking the impact on the bottom line is important, but it’s also not the only measure of a successful innovation program. Intangible business benefits such as empowering employees and creating a transparent ideation process translate into stronger, more successful innovation programs, but without an explicit return attached.

Here we explore how our customers track tangible and intangible ROI today, how they quantify or qualify their ROI measurements, and what can be done to improve ROI tracking going forward.
Tangible ROI includes revenue growth, expanded market share, and cost savings. Through our customer research, we found that tangible ROI (i.e., having an impact on the bottom line) generally connected back to the two different kinds of ideas sourced through innovation programs: “growth ideas” and “operational ideas.”

**ROI RESULTING FROM GROWTH IDEAS**

1. New revenue streams generated by new products
2. Revenue increase generated by enhancements to existing products
3. Expanded market share by targeting new markets or sectors

**ROI RESULTING FROM OPERATIONAL IDEAS**

1. Increase in productivity through process improvements
2. Cost savings from eliminating waste
3. Time savings from boosting efficiency

Innovation resulting in new revenue can still be hard to quantify. One customer in the insurance industry acknowledged that it’s tough to put a firm number on revenue gains:

“It’s not just true of insurance companies either. When we listen to large, global, multifaceted companies serving a variety of markets, we repeatedly hear that ideas from innovation programs are having a positive impact on revenue—but few can say precisely how much at any given point in time.

“When we think about building products in insurance, it’s difficult to get a true ROI. You’re not really selling a widget. Every insurance product we sell is different client by client.”

— Company in the insurance sector

Some companies cited cost savings resulting from operational ideas as driving tangible ROI from Spigit. Three of our customers (serving the manufacturing, financial services, and telecommunications industries) cited cost savings in the tens of thousands, while two others (one construction company and one organization in the government sector) each cited cost savings of $200,000. Impressively, both companies had been working with Spigit to power their innovation programs for less than two years, suggesting that considerable cost savings can come quickly.
Intangible business value includes employee satisfaction, safety, and increased collaboration. Generating revenue and reducing cost are just two possibly benefits from innovation programs. Intangible benefits – those that cannot be ascribed a value in dollars – often flow from crowdsourced innovation programs. One insurance company lacking specific data around revenue growth from new premiums was able to quantifiably track an increase in employee satisfaction through a “Great Place to Work” survey. It wasn’t insignificant – the firm saw “sizeable jumps,” according to its head of innovation, resulting from increased collaboration and improved culture.

A large energy company used Spigit to get ideas from employees around work zone safety – an ask acknowledging the very real risk of injury and fatality in the workplace. The crowd delivered nearly 100 ideas and the company implemented several, including new training facilities and a crew truck safety program. This type of challenge delivered ROI via an immeasurable metric: the health and well-being of its employees. There will be downstream tangible benefits such as lower employee benefit program costs, less money spent on worker’s compensation insurance or claims, and higher productivity.

One healthcare company said it defined ROI in myriad ways, one of those being “reduced teammate burden.” Crowdsourced ideas that help save time for technicians or improve patient care deliver valuable ROI that doesn’t translate into a specific dollar amount.

A major pharmaceutical company told us that it focuses most of its challenges on changing employee culture, and thus doesn't track the monetary impact of ideas. One effect of these challenges has been a “stronger partnership” between previously disparate business units. In this case, the innovation program delivered on the much-bandied need for increased collaboration across siloed employees within large enterprises. This customer also used the software to help catapult its previously existing innovation recognition and awards program to another level, which again boosts innovation efforts without explicit impact on the bottom line.

Executive accountability and alignment across business units is a must for improved ROI and ROI tracking. When we asked companies to describe what would need to change organizationally to enable better tracking of value created or ROI for ideas generated using Spigit, many answers pointed back to sponsorship.
Many of our customers recognize the importance of executive accountability in order to deliver results that support the tangible benefits of the innovation program. But it doesn’t end there: executive sponsorship helps with the perennial problem of aligning siloed business groups.

“While innovation is of the essence, we need more alignment with finance and the commercial business units on how to define ROI.”
— Company in the pharmaceutical sector

Considering that a single idea could travel through so many hands—from its initial suggestion in Spigit through a review panel to a primary owner for development to another group for implementation—it’s easy to see how tracking the ROI on that one idea could become muddled. An executive sponsor can provide the proper incentive to each of the groups involved in the process of implementing an idea to track and report data that can ultimately reveal the value of the final outcome.

Recommendations

- Define and track metrics to show how your program is generating both tangible and intangible value to the enterprise.

- Have patience when tracking tangible revenue growth due to the numerous parties involved and long implementation timelines for high growth ideas.

- Drive ROI accountability through your program’s executive sponsor.
Conclusion

Through qualitative and quantitative research with our customers, we observed a diverse mix of approaches to the practice of crowdsourced innovation. As the market leader for innovation management software, we believe our customers’ experiences, practices, and behaviors are important benchmarks for all companies to consider, whether they are fully engaged or only just considering crowdsourced innovation programs.

We have applied our own experiential lens to this data, and provided additional observations and recommendations designed to accelerate and improve the execution of collaborative innovation. Through this data and our real-world experiences working with some of the world’s largest global brands across a wide range of industries, we believe that Spigit creates a tremendous opportunity to:

Increase employee engagement and create a foundation for a culture of innovation;

Rapidly and efficiently source, share, analyze, and prioritize ideas for action and implementation;

Tap into diverse groups of people both inside and outside the enterprise to drive change that creates value.

Produce tangible benefits to the enterprise that improve the bottom line as well as intangible benefits that are recognized and appreciated by employees.

We hope the findings and recommendations within this report are useful to you. Please contact Spigit if you would like to continue the conversation.

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About Spigit

Spigit is the #1 software platform for crowdsourced innovation. We help enterprises work with their crowd to invent new products, identify new markets, improve the customer experience, streamline processes, and increase employee engagement. To learn how leading companies are using crowdsourced innovation to grow and stay competitive, visit www.spigit.com and request a demo.