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Re-inventing management

Management involves setting objectives and associated procedures, arranging tasks and functions, developing talent, and meeting various demands from stakeholders. There are several tools and techniques that can be used to support management in these activities, with common examples being the balanced scorecard and scenario planning. However, management is continuously evolving and the effectiveness of any given management tool and technique is always under scrutiny. And via trial and error and experimentation, new management tools emerge.

For example, Google's "20% time" philosophy is a renowned example of a new management practice. Google's employees are encouraged to spend 20 per cent of their time on initiatives they believe Google will benefit from. Typically, a project begins with around five to 10 per cent of the employee's work time being devoted to it. If it shows signs of success, other colleagues – who volunteer for that project – devote more time to it. The aim is to empower employees in order to boost their creativity and innovativeness. According to Google's HR manager Laszlo Bock in 2015, the 20% time 'operates somewhat outside the lines of formal management oversight, and always will, because the most talented and creative people can't be forced to work'. We need more of these new management practices and study their effectiveness for firm performance.

In this issue of *RSM Discovery* magazine, we show you pioneering new management practices. For example, we provide you as a manager with new approaches for evaluating the performance of your employees (Stephan Kramer); how to communicate during a crisis (Daan Stam); how to use crowds of customers (Christoph Fuchs), and how to make your employees productive when working from home (Nick van der Meulen). They might help you to boost your management performance.

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Eco-transformation: a global sustainability wake-up call

Kevin Titman talks with *Eva Rood and Steve Kennedy*

A vital opportunity and responsibility exist for firms to devise new sustainable business models that tackle the pressing social and ecological challenges of our time. The global stakes involved requires scientists and business practitioners to work more closely than ever to innovate, and deliver effective solutions that simultaneously create social, ecological and commercial value. This is very much the mission of the Centre for Eco-Transformation.

Sustainability has now long been on the corporate agenda and is well recognised as a boardroom level strategic issue. Yet, while positive strides have been taken to incorporate social and ecological issues into business decision-making, there is a continued collective failing to halt or reverse trends of ecological destruction.

Business models that rely on increasing sales often undo environmental efficiencies in energy or material resources. Business models of the new sharing economy often have unattended consequences such as poor consumer care of the product or increased consumer use. Science and business practitioners alike have much to learn about how companies may effectively create solutions that not only improve a firm's sustainability performance, but also consider that of the broader socio-ecological system.

Clearly a hands-on approach is required of thoughtful and learning-based experimentation – a conceptual-plus-practical drive towards achieving global sustainability for the nine billion people who will inhabit the planet by 2050.

Areas of expertise

In this burgeoning academic-corporate field of interest it is easy for firms and students alike to get lost in a myriad of buzzwords and fall into the trap of greenwashing. Through education and research directly involving business practitioners, the Centre for Eco-Transformation within the Erasmus Research Institute for Management aims to help develop theoretical and practical knowledge needed for sustainable socio-ecological systems.

The centre is based upon six main areas for exploration and practical application that underline just how wide-ranging and complex an area this has become. Steve Kennedy, scientific director of the centre, sees this multi-part, research-based perspective on the field as the most effective way of helping companies scale up their business solutions in the most adapted manner possible: 'We have chosen to break down the field into six key areas of expertise – corporate sustainability, sustainability oriented innovation, eco-systems & biodiversity, circular economy, social entrepreneurship, and sustainability accounting. These six areas are all entry points for firms into how to address grand sustainability challenges, whereby they can begin to leverage their strengths, competencies and identify the areas where they still have much to learn.'

Academic-corporate dialogue

The Centre for Eco-Transformation addresses very real ecological issues that underlie the foundations of society and on which business depends. ▶

Eco-transformation: a global sustainability wake-up call *(continued)*

Kevin Titman talks with *Eva Rood and Steve Kennedy*

In short, its first aim is to provide an understanding of the impact and dependence of the corporate world on social and natural capital. While on the surface this appears simple – what business can function without the availability of water, healthy soils or the fresh air we breathe? – for many firms the current state of the planet alongside the causes and consequences of ecological destruction can be a wake-up call.

Secondly, the centre aims to help practitioners to act by providing access to cutting-edge management research, teaching and networks, while simultaneously learning from their experiences. This is a point underlined by the centre's managing director Eva Rood. 'Our core mission is to produce and disseminate knowledge, but if this knowledge is not picked up on and applied by firms then our work will always remain just at a conceptual level. We want to accompany businesses in creating future-ready solutions and models, help them set up networks to push through the findings of our collaborative work, and provide a forum for discussion between scholars, business people, policy-makers and the students of our programmes.'

Collaboration

Businesses interested in the activities of the centre and the many burning issues linked to corporate sustainability can get involved in a great many ways, from the creation of course content at Bachelor, Master, MBA and executive education levels through to the proposal of internships and real-life business case studies for research.

The specificity of the centre's mission lies in the extra focus placed upon the various ecological challenges raised by sustainability. In short, businesses need to wake up to the reality that their performance and the potentially negative impact it is having on the planet is having both environmental repercussions on the world and doing damage to their own commercial viability. Furthermore, firms can grasp the great opportunity that addressing ecological challenges represents to pursue new markets, create new sustainable products, services and business models whereby the firm and its stakeholders capture value.

Understanding the challenges

Underpinning the mission and targets of the centre is the establishment of a link between business performance, the creation of societal value, and comprehending how innovations and new business models may address ecological problems. The attractiveness of a company can be significantly boosted if it is committed to respecting the planet and becoming a supplier of ecological solutions. Firms may access and create new markets for goods and services, operate business models with lower material dependencies and become more resilient to a hotter, more volatile world. The value of activities such as preventing further land degradation and encouraging landscape restoration may not be intuitive to all entrepreneurs and company heads, but it is already a pre-condition for the long-term resilience of many existing businesses.

Companies that have already embraced this challenge are beginning to experiment with new strategies and organisational practices that may act as mechanisms to transform their operations. The circular economy has caught the attention of many firms, as rising and volatile prices of natural resources are helping firms to consider linear business models under a more critical light. Circular-based design thinking is helping firms to consider how to close material loops, extend product life and lifecycles, and better deliver consumer value.

Integrated reporting is also fast becoming a common practice of large firms to better understand their social and natural capital dependencies. Far from being a mere external communications exercise on the theme of

> *"We want to accompany businesses in creating future-ready solutions and models, help them set up networks to push through the findings of our collaborative work..."*
>
> **Eva Rood, managing director, Centre for Eco-Transformation**

sustainability, this recent practice has seen eco-conscious companies improve their internal decision-making through integrating thinking that connects how the company creates value with what it depends on for that value creation. The challenges and opportunities are numerous; hence the greater need for academics and business practitioners to start teaming up.

Hands on deck

The academic-corporate bridge approach taken by the centre is driven by a key target announced loudly and clearly in its mission statement – to help scale up business solutions in order to achieve global sustainability. This can begin in lecture theatres and via seminars but, for Steve Kennedy, a 'hands-on-deck approach' is essential. 'We want businesses to be as intrinsically involved as possible, whether it is by benefitting from our programmes and research or, even better still, contributing to them. We as academics can explain how we see the situation and the stakes faced by the corporate world today, but it is ultimately down to them to take away lessons from their collaboration with the centre and apply them in the field. Eco-transformation is not an overnight process, so as far as I am concerned it is all hands to the decks now.'

Multi-stakeholder approach

Student involvement in and interaction with businesses should not be overlooked as an extra opportunity to push the debate forward, making the work of the centre truly multi-stakeholder

> *"We want businesses to be as intrinsically involved as possible, whether it is by benefitting from our programmes and research or, even better still, contributing to them."* **Steve Kennedy, scientific director, Centre for Eco-Transformation**

by nature. Involvement in the Marie Curie Innovation for Sustainability project has seen Rotterdam School of Management work in close collaboration with a network comprising of academia, industry representatives and the World Business Council for Sustainable Development. Firms regularly contribute in teaching activities and themselves walk away with new ideas and insights. The number of thematically relevant student and faculty clubs such as Erasmus Sustainability Hub, Sustainable RSM, Green EUR and Erasmus Involved offers yet another angle for engagement.

These examples of collaboration, coupled with participation in corporate events, means that businesses are not only in regular contact with researchers, but are also able to tap into the ideas of future practitioners and academics. The next step is to translate the vital knowledge base offered by the centre into concrete action, resolutely green action. Businesses have been holding back for too long. The multi-stakeholder, close-knit approach proposed by the centre suggests a way forward, one that must be grasped be-

fore the eco-challenges faced by the planet become too steep for businesses to make a vital contribution. ■

To find out more about the ERIM Centre for Eco-Transformation, visit WEB **www.erim.eur.nl/ecotrans**

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Developing capabilities through strategic alliances

*By **Korcan Kavusan***

Never underestimate the potential of a commercial alliance. Just as in the classic equation one plus one equals three, the combined strength of two companies to achieve a set business goal can, if properly managed and encouraged, achieve results that stretch well beyond its original objective.

Alliances, which are voluntary co-operation arrangements between companies, have long been a route that companies have taken in order to achieve business goals that they don't have the technological or financial resources to target on their own.

During my research I came to understand that there are two key long-term benefits of alliances. The first is learning from one's partner or partners. The alliance struck between General Motors (GM) of the USA and Toyota of Japan in the 1980s for the joint production of cars represents a good example of how companies can enhance their competitiveness by collaborating with competitors.

Some readers might easily recall that GM and other US car manufacturers were lagging badly behind their Japanese counterparts, especially in efficiency. The greater efficiency of Japanese companies rendered their products more competitive in the market place.

GM wanted to observe what Toyota was doing to make itself more efficient and competitive with the aim of applying any lessons it learnt to its own car production. For Toyota, the partnership offered a route into the US market. As a result of joint work over the years, GM was indeed able to enhance its production efficiency by applying lessons learned from Toyota.

Finding the right balance

What does it take to learn effectively from alliance partners? My research shows that similarity in partner technology is an important determinant of knowledge transfer across alliance partners. But the right balance must be struck. The ideal is to partner with a company with a moderate degree of similarity of technology. If the similarity is too great, there will be little or even nothing new to learn. If too dissimilar, there is a lot to learn but it could be difficult to acquire, understand and retain the new knowledge.

Moderation is the key, providing common ground for mutual understanding while leaving space for acquisition of new knowledge and skills. The tale of Goldilocks suddenly springs unbidden to mind: not too similar, not too dissimilar, but just right.

The other overarching benefit of alliances is that they allow companies to capitalise on their own established abilities by combining them with the complementary capabilities of their alliance partners. The resulting complementary specialisation can be very worthwhile to rapidly develop innovative products.

The partnership between Mercedes-Benz and Swiss watchmaker Swatch is an example of how the whole of a partnership can be greater than its parts. The resultant Smart car might not be to everyone's taste but it came into existence because of the combination of the mechanical and engineering skills of Mercedes-Benz and the design expertise of Swatch.

Although a moderate degree of technological similarity is ideal for learning from alliance partners, it is the least favourable condition for complementary specialisation, my research finds. Rather, to exploit the combina-

"Moderation is the key, providing common ground for mutual understanding while leaving space for acquisition of new knowledge and skills."

tion of complementary capabilities, the technologies of alliance partners should either be highly dissimilar, allowing each partner to focus on its own area of expertise, or highly similar, providing partners with flexibility to allocate alliance tasks.

I also found that experience in previous alliances will improve the prospects of future success. Such experience helps capitalise on both learning and complementary specialisation opportunities in new alliances. Understanding and co-operation are both required to optimise progress. Each party needs to convince the other(s) that they are in the

venture together. Previous experience will have taught them how to work together to manage the alliance and avoid basic mistakes.

Greater capabilities

The alliance between IBM and Apple announced around enterprise solutions back in July 2014 shows how alliances can equip companies with valuable capabilities that can be useful beyond the particular alliance. This example of how two computing giants have been able to derive mutual benefit from joining forces also helps underline how companies need to take this into account to fully benefit from their overall collaboration efforts, in addition to narrowly defined benefits of each individual alliance.

While Apple had seen its mobile gadgets – like the iPhone and iPad – used in the workplace by individuals who had purchased them, there had still remained the bigger challenge of persuading large enterprises to adopt them on the kind of massive scale that might turn around the slumping sales of Apple's tablet. So far, according to innovation technology website VentureBeat, the partnership has led to the creation of 100 enterprise apps.

In conclusion, the most important implication of my research is that companies should think about alliances not just as "one-shot" activities; they can in the right hands be used to go beyond the original focus and business goals outlined in the underlying contract.

In today's volatile competitive environment, the lone wolf approach doesn't work. Even the largest companies cannot afford to go it alone and will sometimes need access to external knowledge, be it from their competitors, suppliers or buyers, if they are to remain innovative. Alliances are therefore more important than ever; wise companies are those that make their alliances a part of their overall capability development efforts. ■

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Performance evaluations and control system design

*By **Stephan Kramer***

The accuracy of information available to managers about an employee's performance, combined with the transparency of performance evaluations based on that information, can help to motivate managers to reward good performance and highlight poor performance.

The issue has a particular relevance to the subject of performance evaluation within an organisation, whether that organisation is commercial, academic, public sector and even not-for-profit. Most people's experience of the ordeal that is an annual performance assessment, however, will likely be in the commercial world.

In a commercial situation, an individual's performance in achieving or failing to achieve certain targets such as sales, profitability, customer satisfaction, customer retention and staff satisfaction against a clear set of metrics is arguably relatively easily measurable. In many cases, the numbers will tell their own story, but nevertheless managers often need to subjectively determine an overall employee rating based on these objective performance measures.

One complicating feature in the determination of this rating is the role that the personal costs to a manager play in delivering, or not delivering, an accurate performance rating. From the employing organisation's perspective, a fair and accurate rating is undoubtedly good in terms of motivating employees to work hard in the year ahead. The problem is that, as our research demonstrates, it might not be in a manager's interest to provide a rating that can be truly regarded as accurate.

How can this be so? It is a recurring quirk of human nature that in most fields of activity people think of themselves as above average. In everyday working life very few will readily accept that they have performed poorly. If only to preserve their own inflated ego, people labelled as poor performers will tend to attribute underperformance to external circumstances, over which, of course, they have had little or no control.

A fine recent example of this phenomenon can be found in the many reactions to the UK electorate's vote to leave the European Union. So-called Brexit has been seized upon as an excuse for a broad spectrum of underperformance, from the dramatic slide in the pound sterling in the immediate aftermath of the vote to a series of stutters in the UK's domestic housing market.

Awkward scenarios

Returning to our research, we found that if a manager identified an employee as a poor performer, perhaps even a terrible performer, then the delivery of an accurate rating would reflect upon the manager's own poor performance and rating. Moreover, there would likely be other consequences, such as confrontation with a disgruntled employee, possibly resulting in an awkward appeal to a third party against the rating. Even if the manager is subsequently found to have awarded an appropriate rating, a formal investigation will have generated costs in terms of time, effort and emotion. In short, the manager will have experienced unwanted distraction, inconvenience and anxiety.

In a live work environment, what might the consequences be? We found that managers faced with such a potentially awkward scenario could be tempted to compress performance ratings; that is, reduce the spread between the poor ratings and the good ones.

While very good performers will continue to be designated as very good, and good deemed to be good, poor performers could be labelled as average. This is a bad thing, as the resultant artificial inflation of performance ratings does no one any good. The employee concerned will inevitably have a false sense of worth and therefore will see no reason to make

"…it might not be in a manager's interest to provide a rating that can be truly regarded as accurate."

ings and rewards compare to those of their peers. Stronger performers will likely be disgruntled and demotivated when ratings are compressed because under a transparent system it is clear that their performance is relatively undervalued.

Because it is more important to keep stronger performers satisfied than weaker performers satisfied, managers will tend to differentiate ratings as a result, ie, the difference between ratings and rewards assigned to the stronger performer and the weaker performer is significantly larger when both information accuracy and outcome transparency are relatively high.

In conclusion, being accurate, open and honest will help to deliver an outcome that more closely resembles an accurate rating. Rather than relying on inaccurate information and opacity, this promotes the organisational development of human capital and drives long-term performance. ◼

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an effort to improve performance; the employing organisation will equally inevitably suffer as a result of what is in effect a dishonest assessment.

Control system elements

What can an organisation do to address this problem? We suggest two specific control system elements that can combine to affect performance evaluations. The first is the accuracy of information about an employee's efforts. The second is organisational transparency about performance evaluation outcomes such as the ratings awarded and rewards promised.

When performance information is not accurate, supervising managers cannot be certain that poor performance manifested in the objective performance measures is in fact due to poor performance of the employee. For instance, if the customer flow in a region is highly volatile, then there may be times in which revenues come in low even though the employee worked

hard to achieve a good result.

In such a situation, the supervising manager will likely give the employee the benefit of the doubt, leading to an inflated rating relative to what the performance indicators would warrant. When performance information is very accurate, the performance indicators tell a clear story whether the employee worked hard or not and there is no need to "err on the safe side".

However, when there is no transparency about employee evaluations and rewards, rating decisions are not fundamentally changed by an increase in the accuracy of information. In other words, as long as employees cannot observe each other's ratings and rewards, managers can still avoid certain personal discomfort by providing all employees with evaluation outcomes that do not necessarily tell the truth.

When employees can observe each other's ratings and performance, their satisfaction with evaluations will also depend on how their own rat-

Leadership communication in times of crisis

Chris Murray talks with *Daan Stam*

What happens when **your new research yields the opposite of what your previous research had predicted? This happened to Daan Stam, associate professor of innovation management at Rotterdam School of Management, when he and his colleagues expanded their previous research on communication and personal motivations to include communication in times of crises.**

According to Stam, adding the crisis factor unexpectedly disrupted the proven theory on communication types that he had earlier developed. And it would take some detective work to understand why.

As Stam explains in a recent interview, the original research used motivational theories in the field of social psychology to explain why people preferred and responded better to certain types of communication. The building block of this research was the concept of self-regulation. People regulate themselves – controlling their thoughts, their emotions, and their behaviours – through their choice of what psychologists call approach systems and avoidance systems, Stam says. Approach systems involve moving toward a goal, and avoidance systems involve running away.

Based on goal-based approach theories, Stam and his colleagues identified two types of communication: *promotion-focused* communication and *prevention-focused* communication. As Stam explains, 'These are approach systems where you set a goal and you move towards that goal but you do so in really significantly different ways.'

Promotion-oriented communication, he says, is about aspiration and ambition, while prevention-focused communication is about responsibility and safety. In other words, promotion-focused communication encourages people to strive toward a positive ideal; in contrast, prevention-oriented communication reassures people by telling them how to avoid the negative
.

Personal preferences

According to Stam, most people will tend to prefer one or the other. 'If you're promotion-oriented,' he says, 'you set the type of goal that's oriented on growth. You really want to reach this goal because it will be great if you do so. So you're eager, you're enthusiastic, you're not afraid to take risks.'

Prevention-oriented people have completely different motivations, says Stam. When you're prevention-oriented, he says, 'there is something that you go to, but the real driver is something else that you want to avoid. You don't take risks because you don't want to make mistakes. You're vigilant all the time.' Prevention-oriented people, he says, 'have safety goals: things you should reach because other people think they are good for you.'

While some people are naturally inclined to be promotion-oriented others are inclined to be prevention-oriented, Stam says, and this inclination can be altered somewhat by the environment. For example, a company that rewards risk-taking may act as a trigger, pushing people to be more promotion-oriented. On the other hand, a company that punishes risk-taking or mistakes will push people to be more prevention-oriented.

Regulatory fit

When the environment matches someone's preferred orientation, there is what psychologists call a *regulatory fit*. Thus, for example, there would be a regulatory fit between a corporate culture that encourages promotion orientation and employees who have a tendency for promotion.

In his earlier research, Stam and his colleagues applied the regulatory focus concept to communication, and found that the regulatory fit rule held firm. 'We triggered in the environment a certain regulatory focus in people and we showed them both types of communication,' Stam explains. 'We found that when people were more promotion-oriented they liked promotion-oriented communication. When they were prevention-oriented, they liked prevention-oriented communication.'

According to Stam, the purpose of the latest study, published this year in the *Journal of Management*, was to apply the previous research about regulatory fit and communication to crises. 'We started out just wanting to do something practical, something that
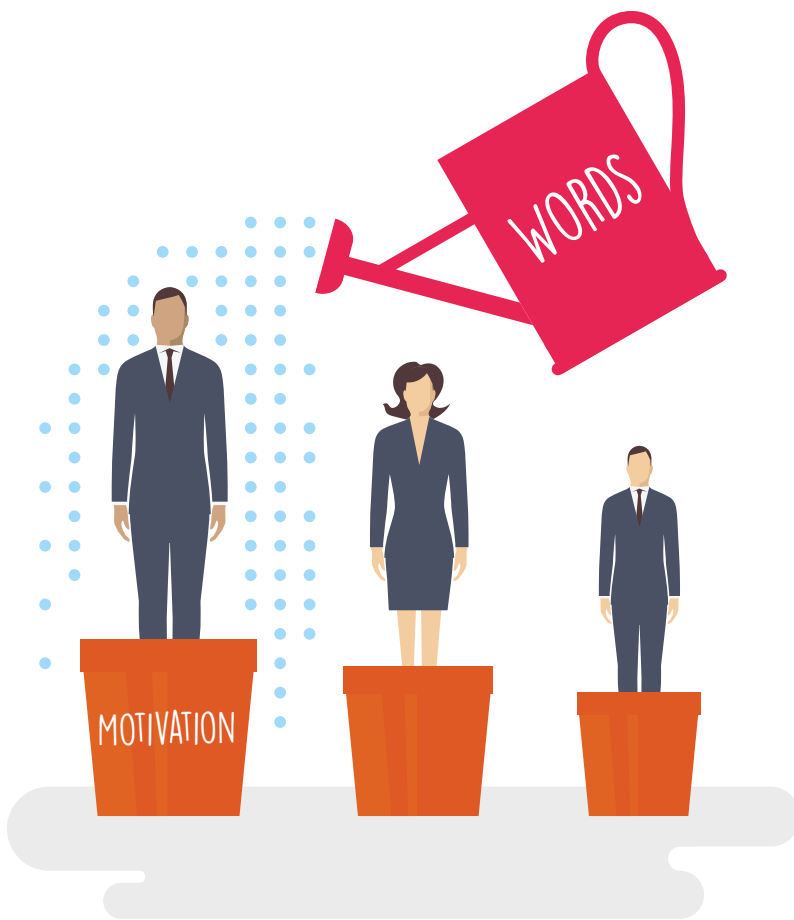
happens a lot,' he says. 'How to overcome crises is a big topic. We thought maybe the things we found earlier about communication and regulatory fit could be applied here.'

Crisis, Stam says, would seem to favour a prevention-orientated regulatory focus. 'Prevention focus is related to emotional states such as anxiety or fear. In a crisis, people will start feeling these emotions and start becoming more prevention-oriented. That was the idea.'

The misfit surprise
Times of crises tended to make people more prevention-orientated, Stam says. Then came the surprise. Rather than responding favourably to prevention-oriented communication, people during times of crises responded better to promotion-oriented communication.

'Most people would assume that since crisis is all about avoidance and it's all about fear, you probably get a better response by talking about safety,' Stam says. 'That's the inclination. Then we looked at the data and the data showed something different. You get a better response by talking about hope and talking about ideals.' In other words, the new research revealed that for some mysterious reason, regulatory *misfit* worked best in crisis communication.

To discover the reason for this unexpected result, Stam and his colleagues revisited all of the earlier studies on regulatory fit. They found a major clue in studies on regulatory fit applied to relationships. As Stam explains, these studies showed that the impact of regulatory fit is not necessarily *positive*. Instead, the impact of regulatory fit is

to increase the *intensity* of any emotion – and if that emotion is negative, regulatory fit only increases the negativity.

For example, he says, two promotion-oriented people who like each other are going to like each other even more because they share the same regulatory focus. However, if two promotion-oriented people dislike each other, their shared regulatory focus will only serve to intensify this dislike. The same dynamics apply to two people who share a prevention-oriented preference.

Enough with the negative
Applying the role of intensity in regulatory focus to crisis communication helps explain why regulatory misfit works better. In times of crisis, Stam says, people are plunged into prevention-oriented emotions, such as the desire to escape danger and find safety. Prevention-oriented communication only serves to focus more attention on the danger and the need for safety – in other words, intensifying the negative emotions. As Stam explains, 'If you talk about safety and security – and providing people with help from the disaster – you just make the point again and again that there's a crisis. It's continuously there and that makes people unhappy.'

On the other hand, Stam says, promotion-oriented communication offers some light in the darkness by emphasising hope and resolution. Everything is not dire, the promotion-focused communication will emphasise. We will emerge from this situation.

'It's also about seeing the bigger picture,' Stam notes. 'Prevention ori- ▶

entation leads people to focus on details and local issues. This small picture emphasises the misery. Promotion focuses people on the abstract, the bigger picture. If you want to get them out of it, you give them the big picture.'

people to act, which led them to support and endorse the speaker.

The first study looked at the inauguration of US presidents, says Stam. Each president's inauguration address was measured for promotion-

did not have any effect on either greatness or re-election.

A second laboratory experiment, Stam says, specifically measured the motivation level of participants to perform a task in response to a leader's appeal. In the crisis condition, the leader's appeal was more motivating when it was more promotion-oriented.

Finally, a third laboratory experiment – using scenarios involving promotion- and prevention-oriented candidates for a CEO position – established the causal link from promotion-oriented communication to higher levels of motivation to endorsement.

For Stam, the impact of words on motivation is one of the reasons he was drawn to study communication. 'We can directly turn people's motivation into words,' he says. 'So what if we use those words to motivate people?'

It's a lesson that great US presidents seem to have learned. ∎

> *"If you're promotion-oriented, you set the type of goal that's oriented on growth. You really want to reach this goal because it will be great if you do so."* **Daan Stam**
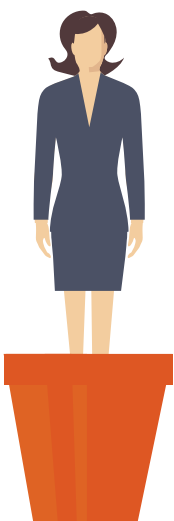
Leadership endorsement

To test whether promotion-oriented crisis communication worked better in times of crisis, Stam and his colleagues compared communication types and leadership *endorsement*. 'If people feel really negative and then someone tells them a story and that story just continues to say, "safety, watch out, fear", they'll become more negative and feel more insecure,' Stam explains. 'They will then probably blame the message for this increased insecurity, and subsequently the person who gave the message.'

As presented in the *Journal of Management* article, Stam conducted three studies that analysed this link between the type of communication that leaders offered and the ultimate endorsement of those leaders. The studies also showed, he says, that motivation was a key mediator: the promotion-oriented speech motivated

or prevention-orientation based on the number of promotion-oriented or prevention-oriented words it contained. Two proxies for leadership endorsement were used, he says. One was "presidential greatness", as measured by respected polls of historians rating the greatness of US presidents. Another was whether the president was re-elected. The level of crisis was based on inflation and economic growth numbers at the time of the inauguration.

The results confirmed his thesis, Stam says. US presidents holding office in times of crisis who used more promotion-oriented words in their inaugural address were more likely to be later considered "great" presidents, and were more likely to be re-elected – in other words, were more likely to be endorsed. One interesting result of this study is that use of prevention-oriented words in inauguration speeches

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How best to market a crowdsourced product?

By **Christoph Fuchs**

In the old days, companies developed products for their customers. The idea that the customer would have any role in the process beyond expressing a particular colour or flavour preference seemed unthinkable. Henry Ford supposedly said that if he had asked people what they wanted, they would have said, a faster horse. Today, more and more companies have concluded that Ford was too pessimistic and that customers actually have a lot of imagination.

Given the right tools and asked the right questions, customers can be a font of original, marketable ideas. Companies as varied as Dell, Lego, Starbucks, and Threadless have all run crowdsourcing contests that yielded valuable product ideas. Depending on the goal and framing of the idea contest, the results may range from incremental improvements to truly disruptive new products.

When it comes to sharing the credit for the idea, however, many of those same companies have been less forthcoming. Whether out of fear that it would diminish their brand, institutional habit, or simple pride, the fact that a product's design was crowdsourced seldom appears on labels even now.

Why this is the case is not clear. Admitting that you crowdsource your design is definitely not something that a company should be ashamed of: past research in the consumer goods domain discovered that the quality of crowdsourced ideas can actually be better than those of professional designers. In a study conducted at the baby goods manufacturer MAM, experts were asked to compare in-house designers' concepts to user-generated ideas. Overall, the experts rated user-generated ideas higher in terms of novelty and customer benefit. User ideas were also placed more frequently than expected among the very best in terms of novelty and customer benefit.

Even more surprisingly, a study at the Japanese retailer Muji revealed the company's bestselling and most profitable furniture products were often crowdsourced. After Muji's crowdsourcing programme had run for three years, the aggregate sales revenues of a new user-generated product was on average, higher, or five times greater, than the sales of a designer-generated product. The corresponding average gross margin was also six times greater than the margin for designer-generated products. In addition, products based on crowdsourced ideas were much more likely to survive Muji's three-year trial period.

This result is not unique. One study of 3M managers, for example, found sales forecasts for concepts developed by lead users to be eight times higher than those of internally developed ideas.

It's not that the designers are bad at their work – Muji's designers have won many awards for their distinctive minimalist approach – but the company's customers may have two advantages. First, use experience. Leading-edge users, in particular, may have already *used* the product a lot and their ideas may anticipate what other consumers will demand in the future. Second, large numbers: in every competition, the staff contributed ten designs while customers always contributed at least 400.

The crowdsourcing community is likely much larger and more diverse than the team of designers employed by a given firm; a firm's user community may comprise thousands of talented users from highly diverse backgrounds. Few are likely to have any background in design, a fact that may broaden the spectrum of contemplated solutions. Often in such contests, new product ideas are simply upload- ▶

> *"Admitting that you crowdsource your design is definitely not something that a company should be ashamed of..."*

How best to market a crowdsourced product? *(continued)*

By **Christoph Fuchs**

ed to an online platform in the form of verbal descriptions and rough concept drawings.

Yet despite these successes, and despite the fact that it's the store's most committed and influential customers who are likely to be among those coming up with the best innovations, many companies are still shy about revealing their crowdsourced products' conceptual parenthood. This didn't make much sense to us. After all, people often pay a premium for products when they know something about them, whether that's the origin (think of French wine and German engines), or something about the quality (organic or handmade).

To test whether advertising the product's origin as a customer idea might help grow sales, my colleagues and I conducted two real world experiments at Muji, one in collaboration with its food department, and one with its consumer electronics department. For each experiment, we manipulated the display of the product at the point of purchase. In one set of stores, the display said nothing about the products' crowdsourced origin. In another, we said Muji designers developed the products.

We found that in the stores where customers learned about the crowdsourced origin, sales rose by as much as 20 per cent. Why? In one of our fol-

tomers are believed to have expertise, but not in areas such as high-tech electronics or products that depend on the use of a special material where the designer would have special insight. Such a pitch might not work well in luxury goods either since it could spoil the illusion of rarity and exclusivity.

This should not be taken to mean that you necessarily need to crowdsource everything. Crowdsourcing can be a valuable tool, but only if it's used with the right goals in mind and in the right circumstances. Specifically:
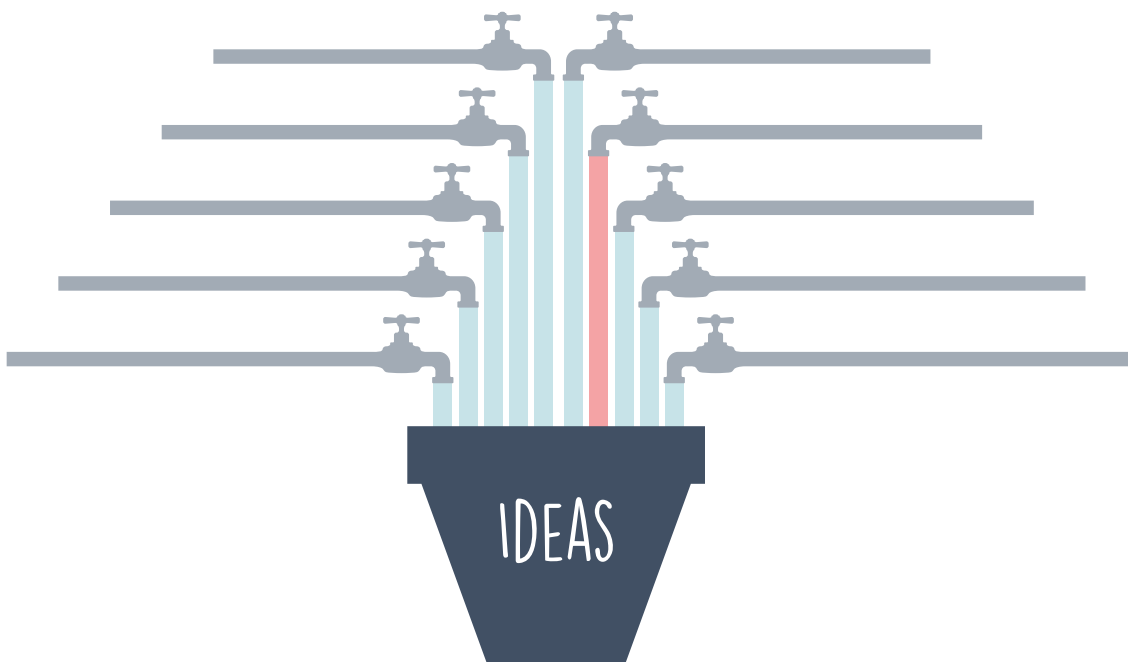
- You need to pursue a genuine goal. Crowdsourcing is a valuable tool that can help your product line, so don't waste it as a marketing gimmick. Although we have found that the public responds well to designs with a crowd-sourced origin, crowdsourcing contests that only appear to cultivate consumer responses can backfire. This tactic might help in the short run if consumers feel that the company is appreciating them and taking them seriously by making them feel that they have a voice, but if few customer ideas are implemented it can backfire. To work, a contest needs to be a very transparent process.

> *"Crowdsourcing can be a valuable tool, but only if it's used with the right goals in mind and in the right circumstances."*

Unique proposition

A crowdsourced design might offer a similarly compelling and unique proposition: that the design is based on product users' ideas. If consumers know a product is based on ideas of other users, they might think the product is superior because user designers should know better than designers what other users (consumers) really need. This belief is reflected in the slogan of the climbing shoe brand Red Chili: "Only climbers know what climbers need."

low-up studies we found that customers generally perceive products that incorporate customers' insights to be of higher quality. In technical marketing terms, emphasising the product's design was crowdsourced constitutes a kind of social proof that it's a worthy product, not unlike user reviews on Amazon or Yelp.

However, there are a few caveats. First, the product really does have to be of good quality – if it isn't, crowdsourcing could backfire. Our findings may only hold in realms where ordinary cus-

- You need a crowd. One-on-one, most professional R&D employees or designers will have more creative ideas than an individual, but pitting that individual against a community of 1,000 or more ordinary people changes the odds considerably. Even assuming that less than one per

cent of the ideas generated are original, the pursuit is still worthwhile.

- And keep in mind that consumers may have other ideas beyond the product. Consumers may also have ideas for intangibles as well such as advertising, as was seen in the crowdsourced Doritos chip Super Bowl ads. If consumers learn that an advert is made not by company professionals but by their customers, they might perceive it as more credible; consumers are generally tired of persuasion attempts by firms.

- You still need designers. Our research suggests that Muji's dual strategy of supplementing internal design with external crowdsourced

design may be the best one. Even in a crowdsourced world, talented designers remain valuable, both to create coherent product families, and to translate amateurs' ideas into workable products. No matter how popular crowdsourcing becomes, professionals will always be needed to convert a promising idea into a successful new product.

Conclusion

A number of scholars and practitioners have noted that in a variety of industries, the distinction between consumer and producer is becoming much less clear than it used to be. Crowdsourcing and the marketing opportunity a successful new crowdsourced design represents are two more signs that this

boundary is growing increasingly fluid. Understanding the role crowdsourcing could play in your own business could be an important way to add value. ■

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Design thinking: making user happiness the metric for success

By **Dirk Deichmann**

Design thinking is a human-centred approach to problem solving. You see it being applied across all industries. Everything centres on the user, the customer, and his or her needs and feelings. At its very best, you closely observe users and identify problems they were not able to express, problems they didn't even know they had.

Although design thinking began as a customer-first approach, we are seeing it more and more among businesses. Consultancies are buying entire design firms. There have been some big acquisitions in recent years by McKinsey & Company, Boston Consulting Group and PricewaterhouseCoopers in order to bring design thinking in-house, to reshape their own processes and then to consult with *their* customers in a different, more in-depth way that puts the user first.

say you can apply design thinking to everything but some would say that it's when you have these grand challenges that design thinking really works best.

A response to human emotion

Healthcare is a large complex bureaucracy with so many actors, but in the example we studied at the Rotterdam Eye Hospital the root issue is simple – the patient is afraid of going blind. It seems so logical once you know it and maybe the identification of that fear

"Apple is often used as an example of good design thinking. Their designers observe users at every step of their experience..."

Designers know that solutions are not always simple. They have to assess the diversity of stakeholders and conflicting needs. A designer will bring everybody to the table and try to map a bigger challenge by figuring out what the root cause of the issue is. I would

isn't very difficult, but what can be difficult is to always remind ourselves that whatever we design, change or reinvent, it must address this problem. The designer's job then, is to first identify the root problem, then rank all the surrounding issues according to how

helpful they can be in improving the patient's experience.

Trials in design thinking by the Rotterdam Eye Hospital were deliberately iterative and agile, building on small successes. One of the problems many hospitals struggle with is keeping equipment within a sterile area. By observing how Schiphol Airport helps airplanes navigate their way to the right gate, the hospital innovators came up with an inexpensive way to solve this problem: mark lines on the floor to indicate where medical equipment needs to be kept. A recent initiative is a virtual tour of the children's de-

▶ **Making connections...**

In one trial at the Rotterdam Eye Hospital, Dutch artist Rob van Mierlo designed beautiful t-shirts. Children receive a t-shirt printed with a specific animal in advance of their stay and were asked to wear it on the day of the operation. Just as football fans wear the t-shirt of their club in the stadium, kids are encouraged to wear theirs to give them a feeling of community. The ophthalmologists consulting with the child wears a button badge with the same animal and other staff wear the same t-shirts. The matching badge and t-shirt give the staff a way to immediately connect with the children: 'Look, you are wearing the same t-shirt as me!'

partment of the hospital. On this tour kids can see the examination rooms of the orthoptists and doctors, take a seat behind the welcome desk, and explore pieces of art positioned throughout the department.

Good and bad design thinking

Traditionally when building a product or service offering, technical key performance indicators (KPIs) have driven the process. That's understandable – deadlines have to be met, certain metrics of success means the engineer keeps their job. It's not that the engineer is being inflexible, it's that somewhere in the whole process the user has somehow slipped away. You end up with something that is easier for the company than for me, the customer.

A prime example of this is the experience of having a parcel delivered. I understand that a system like this is very complicated, but no matter which delivery service I choose I am *told* when my package might be delivered. I am never asked: 'When will you be home?' or 'What time would work best for you to receive this package?' The process is built around what is practical for the business. Even the irrelevant marketing emails in my inbox remind me that the user is not always the most important person in the value chain.

Apple is often used as an example of good design thinking. Their designers observe users at every step of their experience, starting with the most fundamental question 'How enjoyable is it to open our product packaging?' There's a good reason why Apple doesn't use that annoying unbreakable

plastic packaging you need a machine to open.

I am amazed by Amazon's customer experience. They make it so easy to return a product. When I changed my mind about a Lonely Planet book my money was refunded and they told me to keep the book as well. They even design the packaging to be re-used when returning goods. Amazon knows that returning something is a hassle so they do everything they can to take that hassle out of the experience.

Amazon uses a lot of algorithms to determine the best ways to improve their customer experience. Other companies will use customer surveys, conversations, and close observation of a user, right down to their body language and facial expressions when using a product. Good design thinking means a good user experience and measuring that experience is the most important metric for success. When user happiness is a KPI, everything changes. ▪

This article draws its inspiration from *How Design Thinking Turned One Hospital into a Bright and Comforting Place,* **written by Dirk Deichmann and Roel van der Heijde and published online in** *Harvard Business Review***, December 02 2016.**

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Does remote working really work?

By **Nick van der Meulen**

Over the past 20 years, the internet and wireless communications have made it progressively easier for people to work outside the office. Census data from the USA and the European Union show that respectively 23 and 15 per cent of employees telework at least "some of the time". But does teleworking actually improve performance?

Today, many businesses include people who not only work from home from time to time but might not even be in the same city or even on the same continent. It's true that the practice of teleworking (ie, temporal and spatial flexibility) has been popular with employees. Many people say it makes them feel more productive and more satisfied with their job. It's also true, however, that in the past three years Yahoo!, Best Buy, and HP have all gone back to thinking that having people onsite is better for their performance.

In the flurry of debate that followed, one surprising factor was that people had no hard evidence regarding the value of telework. Surprisingly, given its social and economic importance, telework has still attracted very little scholarly interest. Almost no one has studied the actual impact of temporal and spatial separation on employees and organisational cultures, and the few academic papers on the topic are largely anecdotal and predate the smartphone.

As a researcher at Erasmus@Work, an interdisciplinary research programme at RSM that focuses on advancing our understanding of new ways of working, I've been trying to change that. I began collecting data for the centre in 2009. Later, over a five-year period

beginning in 2011, I led four empirical studies of employees and managers to understand how telework affects individual and organisational performance.

Each project involved surveying several hundred employees of major Dutch government and private sector organisations. In these studies, which I summarised in my thesis, *The Distance Dilemma: the effect of flexible working practices on performance in the digital workplace* (2016), I wanted to get to the heart of several fundamental concerns about teleworking.

Those surveys and additional interviews with executives at those organisations gave me a deeper understanding of the fundamental dynamics of teleworking and the new challenges it creates for managers. I ended up with a variety of practical insights about the many ways in which teleworking is changing today's workplace.

1. Does working from home enhance performance?
As with so many things, the answer is, it depends. People find that working from home can be very productive, but only when home has fewer distractions than the office. However, if the environment at home is actually more distracting – as it might be if the employee is a

parent with young children – working remotely can hurt performance. If both home and office are equally serene, working at home won't provide any performance benefits. In cases where the work involves collaboration, working from home may also not be helpful.

For knowledge intensive organisations like the government office we studied, even a little less distraction (eg, a 1-point reduction on a 5-point scale) can result in an objective performance increase of 11 per cent per one day of telework a week. This result exceeds the outcome of the only other empirical experimental telework study based on objective data, in which call centre employees self-selecting into a four-day telework programme exhibited a 22 per cent performance increase (Bloom et al., 2015).

2. Can managers give up physical control of their employees without losing actual control?
Unlike the teleworker's concerns, which

must be resolved on an individual and maybe even day-to-day basis, the answer to the central tele-management question is simple: yes!

First, lack of direct supervision is often not a problem. Most teleworkers aren't slackers by nature. These studies suggested that the extent of telework does not negatively affect their job performance but improves it. In fact, attempts to monitor too closely can backfire: our survey suggests that most of the performance benefit of telework is less about being out of the office than about being given more autonomy. Undermine that autonomy and you undo the advantages of telework.

We also found that the conventional wisdom that remote workers must be managed through clearly defined deliverables is not true either. What matters much more is the worker's psychological contract with the employer. Having an implicit understanding of what the manager and the em-

"People find that working from home can be very productive, but only when home has fewer distractions than the office."

ployee expect from each other matters a lot for performance. Teleworkers want their managers to trust them more and in return, managers need the employee to deliver a certain level of performance.

Maintaining this trusting relationship is hard to do remotely but frequent communication (ideally several times a week) helps. The key is to realise that remote employees don't need nagging so much as coaching. For instance, managers might provide employees with additional insights into their performance or the effects of their work. An effective approach would therefore be for managers to fo-

cus on teleworkers' long-term results, and rely on employee self-monitoring and peer support to keep shorter-term performance on shared projects or objectives on target. Similarly, if managers can create greater transparency regarding peer performance, employees can better judge the results of their own work.

In addition, workshops or training sessions for managers – especially if remote working is a new and unfamiliar practice in the organisation – can be helpful. Middle managers are quite likely to oppose this practice if they relied on "management by walking around" or behaviour monitoring. ▶

Does remote working really work? *(continued)*

By **Nick van der Meulen**

3. Does working remotely reduce knowledge sharing?

Yes. Companies have long worried that remote work would not be conducive to knowledge sharing: you can't gather around the water cooler if you don't have a shared water cooler. Our research confirmed that this actually does turn out to be the case; the more an individual's working locations differ from those of their colleagues, the less likely they are to bump into them and share knowledge. Ultimately, our research shows that less frequent knowledge sharing (especially across specialist boundaries) is likely to result in reduced job and proactive performance (ie, innovation).

Geographical distance can be compensated for through telephone calls and online social networking, but people who work different hours are at greater risk of being isolated (less aware of their colleagues' knowledge and expertise), our study found. But it doesn't have to be this way, because if organisations supporting telework practices are mindful of the potential adverse effects to their knowledge base, they can encourage teleworkers to reflect on how they structure their knowledge sharing activities across working times, locations, and communication media.

4. Should my company allow telework?

Definitely. Nearly all of the high-performing organisations in our study consider telework an important practice, and it ranks among the top digital workplace practices that are correlated with above-average organisational performance. Employees also appreciate the opportunity to telework a lot.

To get those positive benefits, however, managers will need to treat teleworking as a strategic asset rather than a privilege or idiosyncratic deal limited to a select number of employees. Organisations should also keep in mind that teleworking is not for everyone. One size doesn't fit all: mandatory teleworking could be worse for some employees than being required to be in the office. Often, employees don't have access to a satisfactory or distraction-free work environment outside the office. If you do bring in telework, don't make it mandatory. Some people will still want to be in the office.

It is important to keep in mind too that the world's experiment in teleworking is just beginning. The virtual workplace is not like, say, the installation of the telephone: one day it appears on the desk and for the next 100 years, it doesn't budge. As the technology advances, our work environment is likely to continue to morph. Organisations will need to be open to initiatives from their employees to refine their virtual working networks. Managers will need to be willing to continuously experiment, learn and adapt to new protocols. And we had all better get used to it: it's my belief that in the coming years, more and more competitive advantage will depend on how keenly we integrate its new possibilities in our virtual work practices. ∎

"Teleworkers want their managers to trust them more and in return, managers need the employee to deliver a certain level of performance."

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