Monetary Incentives and Pro-Social Behavior in Idea Co-Creation

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EXTENDED ABSTRACT
Instead of solely using in house R&D, the use of external ideas has become popular and accepted among organizations in various industries. Prevalent examples for this are firm-initiated innovation or ideation contests, which can be defined as a competitive activity hosted by an organization in order to gather external ideas from consumers with respect to specific topics (Piller and Walcher 2006). Typically, the hosts incentivize consumers’ contribution by offering a monetary reward.

Within this paper, we show that the decision to offer such a monetary incentive greatly influences consumers’ exerted effort. For showing this, we incorporate three different aspects that play a key role in how monetary incentives are perceived, namely the amount of monetary incentives offered (low vs. high), the organizational stereotype of the host (for-profit vs. non-profit) and the task domain (commercial ideas vs. pro-social ideas).

Concerning the role of monetary incentives, prior research shows ambiguous findings. Since ideation resembles a creative task, it profits from high levels of intrinsic motivation (Burroughs et al. 2011). Many authors therefore highlight the negative impact of monetary incentives, since they lower intrinsic motivation (Ryan and Deci 2000) and lead to a crowding out (Frey and Oberholzer-Gee 1997). However, marketing literature proves evidence for the opposite showing that awarding participants can indeed be beneficial (Toubia 2006; Burroughs et al. 2011). These ambiguous results show that it seems beneficial to further explore the role of monetary rewards as an incentive for participation in idea co-creation.

Regarding the organizational stereotype of the host, the predominant examples of ideation contests consist of many large companies, like for example Dell (Bayus 2011). However, more recently non-profit organizations have also begun to host ideation contests for pro-social topics. Contrarily to all for-profit examples, many of them do not provide a monetary incentive to the participants. Hence, the question arises if this is the right choice.

For for-profit hosts, Harhoff and Mayrhofer (2010) argue that monetary incentives are mandatory, since ideation contests resemble a form of innovation, where the host is capable of systematically utilizing the outcome of an innovative community. However, it remains questionable if this is also valid for non-profit organizations, since consumers perceive non-profits differently from for-profits (Aaker, Vohs, and Mogilner 2009).

Finally, we examine the impact of the task domain. Heyman and Ariely (2004) find that monetary incentives have an ambiguous effect depending on for what they are offered. They explicitly differ between money markets, where relations among actors are based on the basis of economic principles, and social markets, where relations among actors are based on social exchange. Consequently, the impact of monetary rewards in money markets, where people intend to earn money, is positive, while it has a negative impact in social markets, where people intend to engage socially. This is closely related to the task the hosts ask for, since the actual perception of the relevant market could change, when, for example, a for-profit firm asks for a pro-social task or the non-profit host asks for a commercial task. When outside their original activity domain, consumers could perceive a lack of competence for both kinds of organizations. Following Vohs, Mead, and Goode (2006), who find that monetary incentives have a strong signalling effect, Aaker et al. (2009) find that monetary rewards can be used to signal competence, which could also be the case for monetary incentives offered for idea co-creation participation.

Hence, we postulate the following research questions: (1) Is the effect of monetary rewards different for non-profit and for-profit organizations? (2) Is the effect of monetary rewards different, when organizations ask for tasks outside their original domain?

For testing our assumptions, we choose to run an online scenario based choice experiment with different scenarios of ideation contests. For data collection, 537 participants are recruited by an online panel. All participants are shown four different possible idea contest scenarios dealing with cars and mobility. This leads to a total of 2148 observations. For the scenarios, we use a reduced design that includes the three main factors of interest and additionally factors that are included as controls. Two of these factors are within factors, namely the host (non-profit vs. for-profit) and the monetary incentive (low amount vs. high amount), and one is a between factor, namely the task domain (pro-social vs. commercial).

Due to the nested nature of our data (four observations per participant), we use a Random Coefficients Zero-Inflated Negative Binomial Model with the hours participants would invest in the contest as a dependent variable. Following the procedure for interaction terms in non-linear models suggested by Greene (2010), all interaction effects are plotted in order to interpret their effect.

Results show that indeed monetary rewards play an important, yet ambiguous role as an incentive for participation in idea co-creation. Whether this role is positive strongly depends on who offers the monetary rewards (the host’s organizational stereotype) and for what they are offered (the task domain). For both organizational stereotypes, monetary incentives work as suggested by literature—they are beneficial for for-profits (Harhoff and Mayrhofer 2010) and negative for non-profits (confirming literature on crowding out). However, when outside their original activity domain (when for-profits ask for pro-social tasks and a non-profit asks for commercial tasks) both need to introduce monetary rewards in order to signalize competence and the willingness to utilize the consumer generated ideas.

Our study contributes to theory by showing that monetary rewards for a pro-social task do not necessarily lead to a crowding out. Moreover, it shows that monetary rewards can indeed fortify pro-social behavior, if they are used by the for-profit host to show competence and willingness to utilize the idea. Further, we contribute to motivational theory by giving further examples for the fact that the efficiency of monetary incentives is contingent not only on the traits and preferences of individuals, but also on the circumstances under which they are provided, in this case for what and by whom they are offered.

REFERENCES