

# Plural-entrepreneurship and creativity : Users, communities and governance

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# Presentation outline

- 1. Definition of plural entrepreneurship & link with Open innovation in services**
- 2. Presentation of the firm / methodology**

**Case study with an approach based on ...**

- 3. ...users communities services**

# Definition of plural entrepreneurship

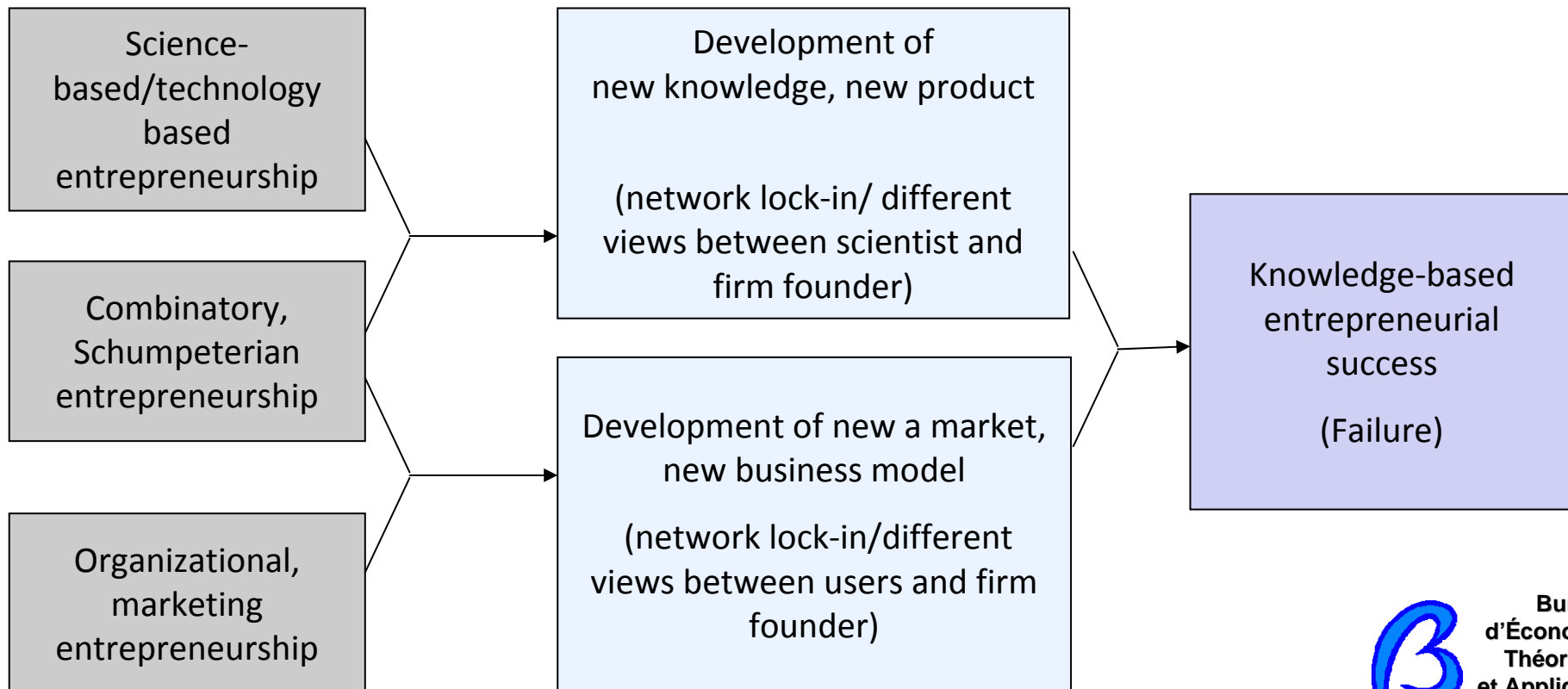
- Why do start-ups have difficulties to survive ?
  - The academic literature defines a high-tech start-up as a young firm (less than 8 years old) launched by individuals to develop and exploit (through various forms) an innovation (Shaw, 1990; Freeman, 1982)
  - Knowledge-based entrepreneurship → implies that the firm is an plural innovative bundle



# Plural entrepreneurship and innovation

## *Dimension of entrepreneurship*

## *Good outcomes (bad)*



Maurer and Ebers (2006)



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# Definition of plural entrepreneurship

- **Plural** means that the firm has :
  - to create a new product or new services, but also (if the product is really a novelty),
  - to find a new way of commercializing the product (marketing / business model), and eventually
  - to develop an innovative organization of the firm activities

# Open innovation/ user innovation

- The central idea behind open innovation is that in a world of widely distributed knowledge, companies cannot afford to rely entirely on their own research, but should instead buy or license processes or inventions (e.g. patents) from other companies.
- Open Innovation is related to (but distinct from) user innovation, cumulative innovation and distributed innovation



# Open innovation/ user innovation

- According to Baldwin *et al.* (2006) innovations made by firms can be labelled “**user innovation**” when one or more users of some goods recognize a new set of design possibilities and begin to explore it, jointly with the firm
- As we will see, in the video-game industry, the words “**design**” is a perfect one, because many video-game products include a level design phase and character design phase in which users are often involved

# Open innovation/ user innovation

- Many user innovation studies are devoted to industries which require a level of technical knowledge, and where the users innovate to ease their daily work (von Hippel, 1988)
- Other works on user/innovator are interested in users who develop products not for their work but for leisure and spare time activities



# Open innovation/ user innovation

- We can think of different types of user/firm relations :
  - The user-innovator corresponds to the situation when the user innovates and hopes to ease his work or obtain some benefits from his innovation, or adapt an existing product to his needs (Shah, 2005)
  - Eventually this user becomes a user-manufacturer to exploit his innovation commercially (Baldwin et al., 2006)
  - The users bring also their help to customized or fine tune products, by deleting errors in a trial-and-error iteration necessary to achieve a good level of quality (Thomke and von Hippel, 2002)
  - The user can also be a buzz creator easing the diffusion of the product (Hauser et al., 2006; Jeppesen and Frederiksen, 2006)



# Open innovation/ user innovation

To be successful an entrepreneurial firm has to have many links to existing firms or institutions and has to be able to tie them together:

- links with science (public or private) in the case of biotechnology firms and the laser strings
- links with institutions, in the case of biotech for the agreement reason, to obtain contracts and a sufficient level of demand for the products in the early years of the firm
- links with other firms in the industry, in the case of the development of standards
- links with users to fine tune the characteristics of the product
- links with users to develop the adequate business model
- links with users to diffuse the product.



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# Presentation of the firm / methodology

## Methodology:

- A 4 year longitudinal case study
- Based on several interviews with the founders and employees
- Financial reports, press information
- Participation in users test days
  
- The firm is based in Strasbourg, France
- Specialized in the production of video-games for mobile phones
- The firms is created in 2004 by 3 associates



# Presentation of the firm

## The video game industry

- Mobile games are the fastest growing segments of the game industry

## Actors of the mobile games industry

- *Game developer firms*
- *Game publishers*
- *Mobile phone manufacturers*
- *Carriers*



# Presentation of the firm

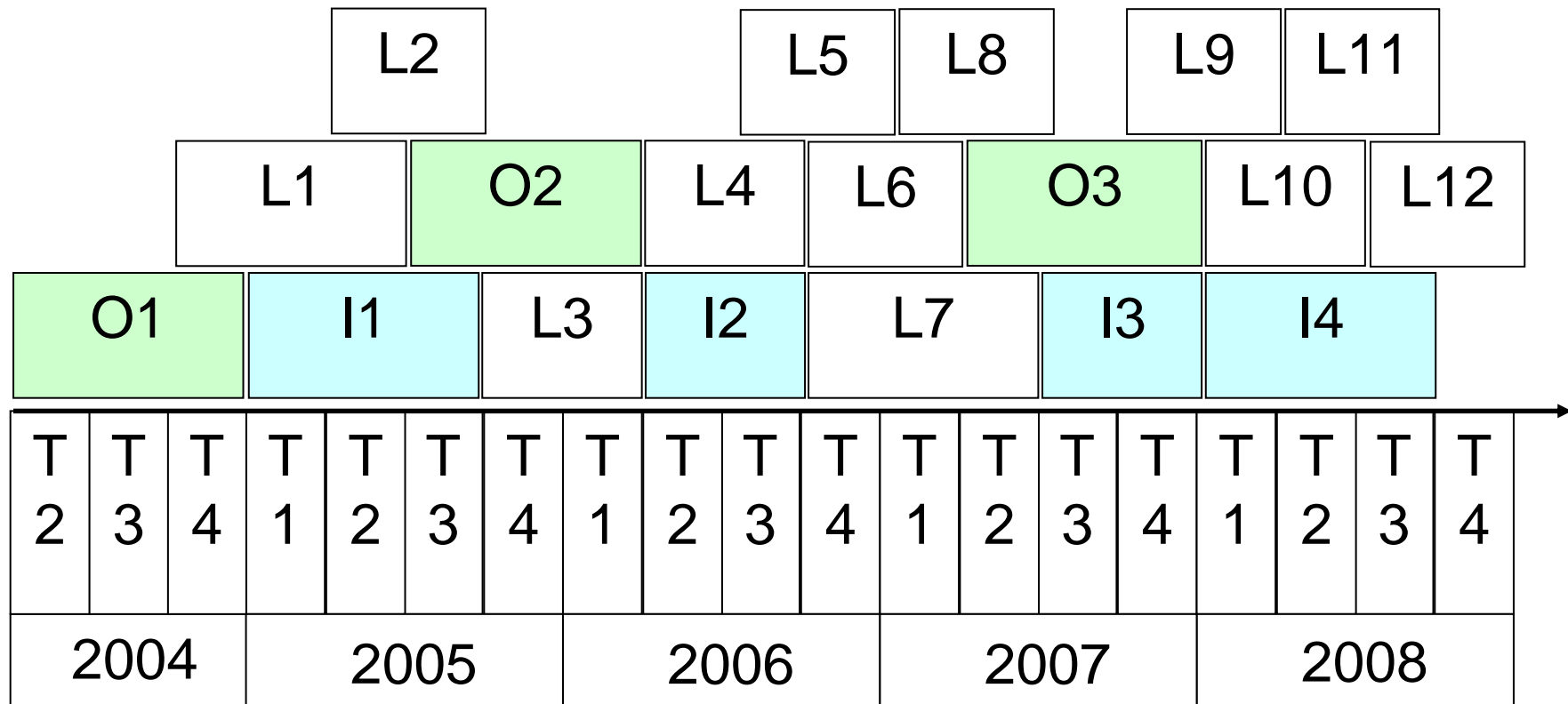
## Is the firm plural ?

- Almost by definition, a young creative/innovative start-up is entrepreneurial in its product or services (product innovation)
- In 2004, the diffusion of mobile phones was done by game publishers, or web aggregators, the idea was to sell by their own web site, and through advertising (marketing / business model innovation)
- No organizational innovation (at least at the launching of the firm)



# Presentation of the firm

## *The products and projects of the firm*



Original Games

Licensed Games

Internal projects

I1 Production tool  
 I2 web site  
 I3 Community web site  
 I4 Production tool



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# Case study with an approach based on ...users communities services

- Beta test sessions are a computer product test phase happening before the commercialisation of the product
- During this test phase the product is used by a relevant number of individuals (the beta testers)
- The beta testers use the product, report the errors encountered and can also suggest some modifications
- These individuals can be employed by the firm, but they can also be volunteers. This latter situation is frequent in the open source, free-libre community.



# Case study with an approach based on ...users communities services

Do these users form a community ?

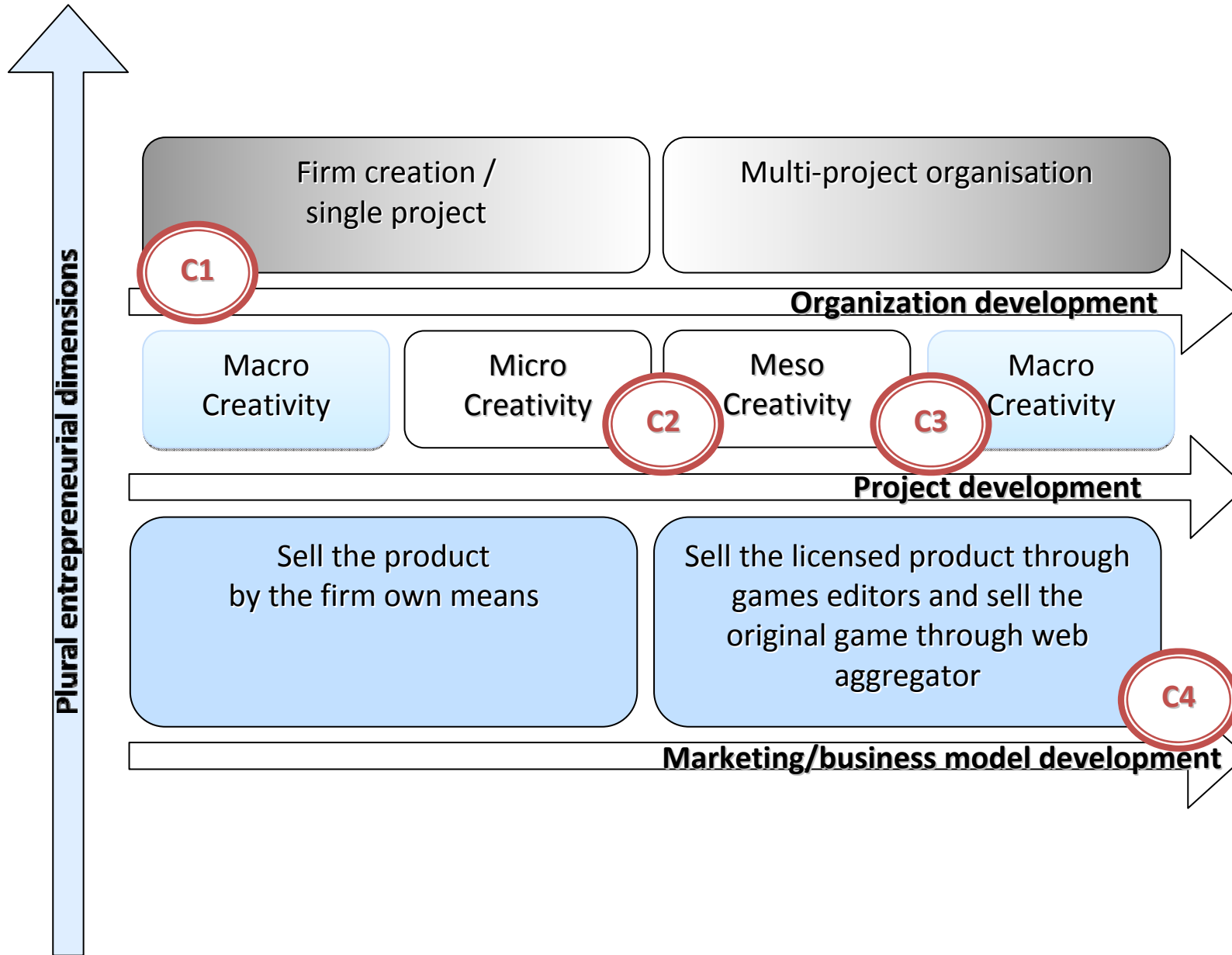
- Same background
- Same interest
- Same motivation
- Repeated interactions
- Interactions outside of the firm

# Case study with an approach based on ...users communities services

## Different phases in the users community relation with the firm (the services of the users):

1. Users provide the hardware (phones) to test the game
2. Users beta test the game, search for bugs, and give advice on gameplay (color, speed, sounds ...)  
Eventually some help to correct the bugs
3. Users beta test the game and propose new ideas on gameplay, story development, user interface (innovation insights)
4. Users create a marketing buzz





# Conclusion...

- What we can learn from open source communities :
  - Learning (Lakhani and von Hippel, 2003)
  - Altruism (Zeitlyn, 2003)
  - Community membership (Bonaccorsi and Rossi, 2003)
  - Career incentive (Lerner and Tirole, 2002)
  - Peer reputation (Lerner and Tirole, 2002)



## ...further work directions

- Plural entrepreneurship and governance
- What for an equilibrium between internal and external communities ?