Inbound innovation across the organizational life cycle
A multiple case-study

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Abstract:
The digital sector is often described as rapidly evolving, hence organisations within it need to remain innovative in order to cope with the changes. However, the traditionally closed approach towards innovation has been increasingly criticized. Inbound innovation is an alternative approach described as the purposive pursuit of gaining external knowledge for product enhancement and new product development. This knowledge can be gained by using tools such as innovation contests and creating innovation communities. Through a multiple case study focusing on three companies within the digital sector, this thesis explores a potential connection between how these companies use inbound innovation in regard to the different phases in the organizational life cycle. The data was collected using both qualitative and quantitative data collection techniques, and analysed using a cross-case analysis method. This thesis found that the examined organisations, each specified in different phases of the organisational life cycle, uses inbound innovation differently. Furthermore, as the examined organizations progress through the organisational life cycle a shift, from using inbound innovation to optimize execution towards using it to find new growth options, was found.

Den digitala sektorn beskrivs ofta som snabbt föränderlig och organisationer i den behöver förbli innovativa för att klara av förändringarna. Samtidigt har traditionella innovationsstrategier, som beskrivits som slutna, blivit allt mer kritiserade. ”Inbound” innovation är ett alternativ till tidigare innovationsstrategier. Strategin beskrivs som ändamålsenlig strävan efter att ta in extern kunskap för produktförbättring och gynna utvecklingen av nya produkter. Denna kunskap kan fångas upp genom användandet av verktyg som innovationstävlingar och innovationssamhällen. Genom en multipel fallstudie med fokus på tre organisationer inom den digitala sektorn utforskar denna avhandling det möjliga sambandet mellan hur dessa företag använder sig av ”inbound” innovation genom organisationens utveckling i organisations-livscykeln. Information kring ämnet har samlats in med hjälp av kvalitativa och kvantitativa datainsamlingsstekniker och analyserats med hjälp av en tväranalys. Avhandling fann att de studerade företagen befinner sig i olika faser inom organisationenslivscykeln och använder ”inbound” innovation på olika sätt. Dessutom påträffades ett samband, nämligen, när de studerade organisationerna fortskrider genom organisationenslivscykeln ändrar de sitt användande av ”inbound” innovation från att optimera organisationens genomförande till att använda strategin för att hitta nya tillväxtmöjligheter.
Keywords:
Innovation, Open innovation, Inbound Innovation & Organizational life-cycle

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PART 1; Introduction

I) Background

Why are we economically better off than our parents? The economist Josef Shumpeter tried to answer this question more than fifty years ago and arrived at a powerful insight: The prime driver of economic progress is technological innovation (n.d cited in Tushman and Andersson 2004 p. 1).

However, what does the term innovation mean? According to Bessant and Tidd (2011 p. 7) it is the ability “...to see connections, to spot opportunities and to take advantage of them.” For Tushman and Anderson (2004 p. 1) innovation “...advances a novel idea to the next level, reducing it to practice in a way that creates economic value for some group of customers.”. This constant process of seeing and reacting to opportunities might explain why we today are economically better off than our parents, as according to Acemoglu (2012) innovation and growth are strongly interconnected. A recent global study supported Acemoglu’s (2012) findings since it found that 93% of senior business executives considered innovation as a top strategic priority (Townsend et al., 2008). This could possibly be explained by the fact that the ability to use innovation effectively can create competitive advantages (Qingrui et al., 2011).

The digital sector is one of the fastest growing sectors and it is characterized by a high degree of uncertainty and rapid development (Girard, 2009). In this thesis, organizations that belong to this sector are defined as “...an organization that leverages digital technology as a competitive advantage” (Searchcio, 2015). According to Girard (2009) organizations in this sector often adopt highly flexible structures to increase their responsiveness to change and to remain innovative. Consequently, according to Nylen & Holmström (2015 p.57) manager's interest in the topic of innovation is not surprising, particularly in the sense that their research illustrated that digital technologies “...give rise to a vast potential for product and service innovation that is difficult to control and predict”. Therefore, firms need dynamic tools to support themselves in managing the new types of digital innovation processes that
emerge, particularly if they grow quickly.

Traditionally new technologies and competitive advantage has been developed by employees in closed environments, thus adopting a so-called closed innovation strategies with no or limited interactions with the external environment (Ahlstrom, 2010; Wyld & Maurin, 2009). However, such innovation strategies are being increasingly criticized. According to Trott (2002) performing innovation inside an organization is not sufficient to stay competitive. This argument is supported by Wynarczyk (2013), which highlights that in order to remain competitive it is necessary to approach innovation from a different perspective.

One new way for organizations to become more innovative is by adopting open innovation (Chesbrough 2003). Open innovation is defined as: “The use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively.” (Chesbrough et al., 2006 p. 1).

Open innovation, can be narrowed down to three different types depending on the direction of flow of knowledge (Chesbrough 2003):

- **Inbound innovation:** External knowledge is brought into a company, for example the external knowledge can come from customers, suppliers or universities (Herzog et al., 2011).

- **Outbound innovation:** Internal knowledge is brought out from the company to an external market, this could be when a firm commercialises its inventions or technology through selling or licensing technology to a third party (Herzog et al., 2011).

- **Coupled innovation:** where organizations collaborate by combining “the outside-in and inside-out processes by working in alliances with complementary partners in which give and take is crucial for success (Gassmann and Enkel 2004 cited in Herzog 2011 p. 18). This would for example correspond to co-funded research by two separate companies.
The three sub-groups of open innovation can be seen in figure 1 below which visualizes the flow of knowledge, the boundaries of the company and the different types of open innovation.

**Figure 1: Open innovation processes (Gassmann and Enkel 2004 p. 3)**

![Diagram of open innovation processes](image)

**II) Problem definition and formulation**

Innovation and being innovative can bring many advantages to organizations and particularly those acting in the digital sector (Girard, 2009). According to Nylén & Holmström (2014) organizations within this sector continuously need to consider how they can be an active participant and generate value through opportunities. To do so, organizations need to keep up-to-date with and analyse the progress of digital technology (Nylén & Holmström, 2014).

However, managing innovation is a complex, cross-functional and difficult to manage (Tausman 2004). It is also not the same as managing research and development, project management or implementing change (Tausman 2004). Furthermore, according to Bessant and Tidd (2011) the way organizations use innovation differs according to their organizational
life cycle, with several existing phases and a changing pattern when it comes to using innovation. On one hand open innovation represents a new way for company to become innovative. But on the other hand generating innovative activity is a complex task often restricted by the “...firm’s existing structures, processes, and limited resources.” (Bucic and Ngo 2012 p. 18).

Earlier research has studied how small, medium and larger organizations work with open innovation but little data have been collected on organizations that have a business model heavily integrated with digital technology. Most research within this field of open innovation has also had a broad approach to open innovation including all different types of open innovation. The authors also found limited research specifically targeting how organizations work with inbound innovation. Furthermore, our preliminary research identified little to no research on how organizations in the digital sector work with inbound innovation across the organizational life cycle. There seems to be a gap of knowledge when it comes to combining the organizational life cycle and inbound innovation within the digital sector.

**III) Research question**

Accordingly, the research question for this thesis is:

*How do organisations within the digital sector use inbound innovation across the organizational life cycle?*

**IV) Purpose**

The purpose of this study is to explore the identified gap of knowledge within the digital sector regarding the connection between the organizational life cycle and inbound innovation. By studying three different companies, preliminary identified within different phases of the organisational life cycle, this thesis examines whether similarities and differences can be found between the studied variables. Through this study, the authors want to expand the scientific and managerial knowledge of the topic, and to generate insights for further research.
V) Disposition

This study’s introduction is followed by the thesis’ theoretical framework, method, empirical findings, analysis and finally conclusion, implications and the limitations of the study. The theoretical framework provides the reader with an overview of previous research within the field of innovation management and strategy, organizational life cycle and digital sector, to then move on to theory about Open and Inbound Innovation. This is then followed by the thesis’ methodology and then by study’s empirical results which starts with a brief description of the three organizations, to then move on to the organizations’ phase in organizational life cycle, and how the three organizations use inbound innovation tools. The analysis uses a similar structure, and analyses the data by comparing the data from the three companies in combination with the study’s theoretical framework. Finally, the authors present the thesis’ conclusion, further implications for managers & future research, and the limitations of the study.

PART 2; Theoretical framework

I) Innovation

According to Bessant and Tidd (2011 p. 7), innovation is the ability “To see connections, to spot opportunities and to take advantage of them”. This thesis will be using this definition throughout this paper.

A) Corporate innovation management and innovation strategy

Corporate innovation management is according to Zhang (2012 p. 1) “…corporations’ processes for managing innovation.”. This allows “…the company to respond to external or internal opportunities by using its creative efforts to introduce new ideas, processes, or products.” (Zhang 2012 p. 1). One part of corporate innovation management is innovation strategy. According to (Dodgson et al, 2002 p. 95) a company's innovation strategy refers to an organization's policies and management approach that “direct efforts towards developing products in line with the firm’s overall strategy.” This also guides how the organization will
use its resources to meet the firm’s objectives for innovation (Dodgson et al, 2002). Accordingly a firm’s innovation strategy relies on the direction and vision of the company. This is done within the limits “of resources available to the firm to support current and future innovation efforts and its evolving corporate strategy, organization, and culture” (Dodgson et al., 2008 p. 95).

One-way innovation strategy is materialized, is by the way the organization uses incremental and radical innovation (Zhang 2012). To put it simply, these two types of innovation refer to the degree of novelty involved (Bessant and Tidd 2011). According to Bessant and Tidd (2011 p. 21-22) incremental innovation is about “…doing what we do better.”, and therefore it is a “…systematic pursuit of making products, a service or a process more effective or efficient.”. Incremental innovations thus “…builds on the firm’s existing competencies and are characterized by minor technological changes.” (Herzog et al 2011 p. 10). In contrast, radical innovation is doing things in a new way, thus the solution is “…new to the world.” (Bessant and Tidd 2011 p. 21-22). According to Dodgson et al (2008 p. 57) radical innovation represents “…critical events that reshape designs, knowledge, and the nature of competition in the product market.”. Thus, radical innovations “…are competence destroying, since they fundamentally change the technological trajectory.” (Herzog et al., 2011 p. 10).

B) The organizational life cycle

Organizations, just like living organisms, have life cycles (Miller and Friesen 1984). They are born, they grow, they reach maturity, begin to decline and age, and finally, in some cases, they die (Miller and Friesen 1984). Bessant and Tidd (2009) define this life cycle as composed of 4 phases:

- The start-up phase
- The growth phase
- The sustain phase
- The renew phase

In the start-up phase, the company will focus on exploiting new technology or market opportunity (Bessant and Tidd 2009 p. 12). The prime distinguishing features of the firms in
this phase are that they are young, dominated by their owners and have simple and informal structures (Miller and Friesen 1984 p. 1162).

In the growth phase the “...business will grow its business through adding new products or entering into new market.” (Bessant and Tidd 2009 p. 12). The emphasis is upon achieving rapid sales growth and amassing resources in an attempt to realize advantages accruing to larger scale. Typically, a functionally based structure is established, some authority is delegate to middle managers, and procedures are formalized (Miller and Friesen 1984 p. 1162).

During the sustain phase the company will focus on incremental improvements, while slowly expanding its portfolio to include radical innovations (Bessant and Tidd 2009). This is done in order to sustain the business and/or to spread its influences into new markets (Bessant and Tidd 2009 p. 12). Miller and Friesen (1984) describes this phase as the maturity phase where the growth levels stabilize and moderate differentiation occurs.

Finally, in the renew phase, the focus will change to radical innovation, as the company will try to move towards something different (Bessant and Tidd 2009 p. 12). This is typically a phase of diversification and expansion of product-market scope. It shows firms adopting divisional structures for the first time in order to cope with the more complex and heterogeneous markets (Miller and Friesen 1984 p. 1162).

However, according to Miller and Friesen (1984) some organizations fail to reach the renew phase and instead enter what they describe as the decline phase: a period characterized by encroached stagnation of profits due to lack of innovation, which finally leads to the organization’s death. Additionally, according these authors, the phases of the life cycle does not need to happen in a deterministic sequence. Accordingly organizational can evolve through different patterns, moving for example directly from start-up to decline.

Nonetheless, this thesis did not take these two aspects into account, and used Bessant and Tidd’s (2009) model as the theoretical framework point for the organizational life cycle.

To summarize, in the early phases of the organizational life cycle the organization will start within a radical framework to then move towards incremental innovation then it reaches the
growth & sustain phase. Finally, when the company reaches the renew phase it will focus on using radical innovation (Bessant and Tidd, 2009).

C) The digital sector

Girard (2009) describes the digital sector as characterized by a high degree of uncertainty and rapid development. In order to survive, organizations within such a sector adopt highly flexible structures in order to increase responsiveness and their odds of survival (Girard 2006). To remain innovative, organizations will thus need to develop high innovative capabilities, and the ability to develop and exploit established technologies as well as to explore new and emergent technologies (Herzog 2007). According to Herzog (2011 p. 16) this is due to the fact that firms, “…on the one hand, need to exploit resources to generate rents for today and, on the other hand, need to explore new fields of knowledge and technologies for the future.”. Failures to do so, can have potential fatal consequences, and can result in a loss of competitive advantage and market share (Bessant and Tidd 2011). According to Nylen & Holmström (2015 p. 63) “…digital technology seems to evolve out of itself”, by starting out with relatively simple systems to then form increasingly complex ones. During the last decade, this evolutionary process has been speeding up, resulting in radical restructuring of entire industries (Nylen & Holmström 2015). Therefore, according to Nylen & Holmström (2015) companies need dynamic tools to support themselves in managing the new types of digital innovation processes that emerge, as well as new ways to approach innovation.

II) Open innovation

In a traditional sense, innovation within organisations is often developed internally, and entitles a great amount of secrecy (Chesbrough 2003). Innovation is thus fostered and created within the company, and can therefore be defined as closed innovation (Chesbrough et al., 2006). The rationale behind this is that “…successful innovation requires control” (Herzog 2007 p. 19). According to Bucic and Ngo (2012 p. 1), today’s “…borderless business landscape means that business as usual is a dead end.”. In the last 10 years, organizations have increasingly recognized open innovation as a new source of business success (Chesbrough 2003), and as a way to complement their in-house innovation (Bucic and Ngo 2012).
Open innovation “...assumes firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology.” (Chesbrough et al., 2006 p. 1). The corporation thus uses a combination of external and internal sources for innovation. Open innovation has thus much more of a collaborative approach in comparison to closed innovation. Accordingly, an organization doesn’t need to hire all the “smart people” to remain innovative, but can look on the outside for expertise and insights (Chesbrough et al., 2006). This new approach to innovation can be seen in the figure 2 below.

Figure 2: Open innovation (Herzog 2011 p. 23)

In figure 2 the black dots represent innovation projects moving into and out of the organisation representing inbound and outbound innovation.

A) Open strategy

Chesbrough and Appleyard (2007) argue that if we are to make strategic sense of open innovation there is a need for a new approach when it comes to innovation and business strategy. They call this new approach: open strategy (Chesbrough and Appleyard 2007). Open strategy “…balances the tenets of traditional business strategy with the promise of open innovation” and embraces “…the benefits of openness as a means of expanding value creation for organizations” (Chesbrough and Appleyard 2007 p. 58). Open strategy actively
promotes open innovation, and “...introduces new business models based on invention and coordination undertaken within a community of innovators.” (Chesbrough and Appleyard 2007 p. 58). At the same time, in order to become a sustainable business strategy, open strategy needs to balance value creation and value capture.” (Chesbrough and Appleyard 2007).

**B) Adopting open innovation**

In 2006, Chesbrough and Crowther created a theoretical framework for how companies adopt open innovation. The results indicated that there were two different approaches for adopting open innovation. Either the organization chose to adopt open innovation as a way to optimize its execution or it adopted it in order to create growth options (Chesbrough and Crowther, 2006). On one hand if the organization chooses to optimize its execution, then it will focus on “…optimizing incremental development to improve existing technologies and increase efficiency. “(Chesbrough and Crowther, 2006 p. 233). On the other hand, if the organization pursues open innovation activities in order to create new growth options, they will “…do so with the intention of growing by using emerging technologies or entering into new markets. “ (Chesbrough and Crowther, 2006 p. 236). Accordingly, organizations can use open innovation strategies to improve their current business model or find potential new business alternatives.

**C) Inbound innovation**

According to Sisodiya et al (2011 p. 836) inbound innovation is defined as the “…firm's purposive pursuit and integration of external inputs for new product development”. The external ideas and knowledge to be brought in the company can be from any source (Singkarin et. al 2010). Singkarin et. al (2010) described inbound innovation as the practice of establishing relationships with external organizations or individuals with the purpose of accessing their competencies for improving internal innovation performance.

Möslein’s (2013) research suggest that there exists five different tools through which organizations can work with open innovation: innovation contests, innovation communities, innovation toolkits, innovation technologies and innovation markets. However, according
the authors only two of these tools can actually be used for inbound innovation; innovation contests and innovation communities.

**D) Tools for adopting inbound innovation**

According to Möslein (2013) innovation contests and communities are two tools through which organizations can gain external knowledge. Both of them can vary in size, target different audiences and occur over different amounts of time (Möslein, 2013).

Innovation contests are an inbound tool, where innovators use their skills, experiences and creativity to provide a solution for a particular contest challenge defined by an organizer (Möslein 2013). The authors sub-categorized this tool into two categories:

- Hackathons
- Innovation competitions.

This was done since hackathons usually occur during a shorter time frame, are smaller and target a more specific audience than bigger contests. Furthermore, the three studied organizations made a distinction between the both of them. The division is visualised in diagram 1.

The other inbound tool is innovation communities, which according to Möslein (2013 p. 75) “...enable innovators to collectively share and develop ideas, discuss concepts and promote innovation.”

**Diagram 1: Inbound Innovation tools (Möslein 2013)**
1) Hackathons

The term hackathon is a combination of the concepts hacking and marathon and implies an intense, uninterrupted, period of programming (Komssi et al., 2013). In greater detail “...a hackathon is a highly engaging, continuous event where people in small groups participate in an intensive activity aimed at producing a working software prototype in a limited amount of time.” (Komssi et al 2013 p. 6). According Komssi et al (2013) they are sometimes, but not always, structured as competitions with prizes for the winners (Komssi et al., 2013).

Hackathons can be both internal and external for the arranging party. An internal hackathon would be when only employees within the company are invited to participate and an external hackathon is when the arranging party invites external people to participate (Komssi et al., 2013). This thesis focuses on the latter. By arranging external hackathons focusing on the rapid creation of software prototypes the arranging party gain knowledge since they can use the solutions as a proof of concept which could increases the level of confidence for decision-making bodies (Komssi et al., 2013). Thus, hackathons effectively address the need of transforming ideas into concrete and demonstrable solutions in a short period of time.

2) Innovation competitions

The idea of using contests to stimulate innovation has a long history (Möslein., 2013) and according to Adamczyk et al (2012) in the last few years it is something that has become very popular within all sorts of organizations. Apart from arranging hackathons, where small groups of people work on a problem on a limited time, companies have also started to arrange so called innovation competitions where the general public or a specific target group, work on submitting a solution to a previously described task.

According to Adamczyk et al (2012 p. 355) innovation competitions could be generally defined as “... competitions arranged by an organization or individual calling on the general public or a specific target group to make use of their expertise, skills or creativity in order to submit a solution for a particular task previously defined by the organizer who strives for an innovative solution.”. Previous studies have concluded that innovation competitions are beneficial for organizations due to their power to attract committed innovators and to motivate them to generate new ideas which in the end are handed over to the arranging organization (Piller & Walcher, 2006). Academic research on innovation competitions has
also concluded that innovation competitions are powerful alternatives for generating new ideas compared to traditional new product development initiatives (Fox, 2007).

3) Innovation communities

Innovation communities enable innovators to collectively share and develop ideas (Möslein 2013). Innovation communities are also commonly referred to start-up communities. According to Engel these communities (2015 p. 37) “are economic hot spots where new technologies develop at an astounding rate.”. These highly diverse environments create a synergy effect which fosters entrepreneurship and new ideas (Up Global, 2014). This also creates an environment where new and small firms can create and develop new business neglected by more established organizations (Up Global, 2014). The Up Global report also finds that many successful start-ups are born in innovation communities or co-working spaces since they “... create a supportive environment to foster new businesses” (Up Global, 2014 p. 7). Möslein (2013) describes firm-sponsored innovation communities as parts of business models which could result in increased revenues.

III) Theoretical summary

Corporate innovation management is the process of managing innovation, and innovation strategy represents the extension of the organization's business strategy through innovation (Dodgson et al, 2002). These two elements shape the way organizations uses radical and incremental innovation (Zhang 2012). The corporation’s innovation management & strategy is influenced by the sector the organization belongs to, and the organizational life cycle. One of these sectors is the digital technological sector. This sector is characterized by a fast pace of change and of technology (Girard 2009). Organizations within this sector adopt highly flexible structures in order to adapt to a rapidly changing environment (Girard 2009).

According to the organizational life cycle theory, during its lifespan, companies will enter and progress through different life-cycle phases. Bessant and Tidd (2009) argue that there are four different phases in the organizational life cycle, and that each phase is unique when it comes to innovation management and strategy.
Another element that is linked to innovation management and strategy is open innovation. Open innovation assumes “…firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology.” (Chesbrough et al., 2006 p. 1), and represents a new way for organizations to work with innovation. The way an organization uses and integrates this to their business model is called open strategy (Chesbrough and Appleyard 2007), and research has found that organizations can use open innovation for different purposes, depending on their business goals (Chesbrough and Crowther, 2006). Accordingly, the organization can use open innovation for incremental reasons “…to optimize execution.”, or they can use it for more radical purposes, to “…create new growth options.” (Chesbrough and Crowther, 2006).

Open innovation can be divided into three categories: Inbound, outbound and coupled innovation (Chesbrough 2003). Inbound innovation is the “…firm's purposive pursuit and integration of external inputs for new product development” (Sisodiya et al., 2011 p. 836). According to Möslein (2013), there are two tools for adopting inbound innovation, which in this thesis are further divided into:

- Hackathons
- Innovation competitions
- Innovation communities

The diagram below represents how these aspects are connected. The numbers corresponds to the arrows in the diagram.

Accordingly:

1. The organizational sector (digital) and the phase of the organizational life cycle influence corporate innovation management & strategy.

2. In the same time, corporate innovation management & strategy influence the open (innovation) strategy and how the organization adopts open innovation.

3. As inbound innovation is a part of open innovation, the way an organization approaches open innovation strategy and how it adopts open innovation influences inbound innovation.
4. There are three ways different ways for the organization to adopt inbound innovation: hackathons, innovation competitions and innovation communities.

5. As indicated in the diagram, the arrow between the organisational life cycle (which lies within the digital sector) and inbound innovation is our research question. Thus this study wants to explore how digital organizations across the organisational life cycle use inbound innovation.

Diagram 2: Theoretical summary

Note that organizational life cycle is placed within digital sector. This is because the thesis studied how digital organizations in different life cycles used inbound innovation.
PART 3; Method

I) Research design

A) Research approach, method and strategy

The authors have chosen an abductive research approach as the purpose of this study is to “...explore the phenomenon and identify and explain themes and patterns.” (Saunders et al., 2012 p. 147). Furthermore, this thesis used a mixed-methodology (qualitative and quantitative) research method to explore the chosen topic. The qualitative method was the primary methodology used, with the quantitative method used to support the qualitative method’s results. The qualitative part used a multi-method approach, as it used “...more than one data collection technique.” (Saunders et al., 2012 p. 165). The quantitative method relied on secondary data, and the qualitative on both secondary and primary data (interviews). The quantitative data is presented in the form of tables.

The research strategy for this thesis was a multiple case study, as the thesis explores how different organizations use inbound open innovation and “...whether findings can be replicated across cases.” (Saunders et al., 2012 p. 180).

B) How the cases were selected

The cases were selected on the basis that:

1. Digital technology represented an integral part of their business model
2. Our preliminary research identified that open innovation was used and that they could be in different phases in the organizational life cycle.
3. The authors had access to company representatives, and previous research and data existed and was available.

The three organizations of iZettle, Spotify and Google, were selected since our preliminary research suggested that they fit this criterion.
C) Unit of analysis

The unit of analysis can either be holistic or embedded (Yin 2009). A holistic approach would mean studying the organization as a whole, as opposed to the embedded approach, which is concerned with studying a certain section within the organization. As this thesis focuses on how the organization as a whole uses inbound innovation, the unit of analysis is thus holistic. Despite that the thesis is holistic in nature, the authors did not interview representatives from all the internal departments in the organizations. Instead the respondents were chosen on the basis that they had a connection to the thesis’s research topic.

D) Operationalization

<table>
<thead>
<tr>
<th>Topic</th>
<th>Theory</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Bessant and Tidd (2011)</td>
<td>According to you, what does the term innovation mean?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>According to you, what is an innovative company?</td>
</tr>
<tr>
<td>Corporate innovation management and innovation strategy</td>
<td>Bessant and Tidd (2011)</td>
<td>Would you say that this company is innovative? Why or why not?</td>
</tr>
<tr>
<td></td>
<td>Dogson et al (2008)</td>
<td>How does the company promote/work with innovation? Could you give a concrete example?</td>
</tr>
<tr>
<td></td>
<td>Zhang (2012)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mintzberg (1985)</td>
<td></td>
</tr>
<tr>
<td>Open innovation</td>
<td>Bucic and Ngo (2012)</td>
<td>Do you know anything about the term “open innovation”?</td>
</tr>
<tr>
<td></td>
<td>Chesbrough et al (2006)</td>
<td>Within the field of open innovation, there is something called inbound innovation, do you have any knowledge regarding this?</td>
</tr>
<tr>
<td></td>
<td>Herzog (2007)</td>
<td>Can you think of an event that the company has done that fits this</td>
</tr>
<tr>
<td>Inbound innovation</td>
<td>Chiaroni et al (2010)</td>
<td>description of inbound innovation?</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>Chesbrough and Appleyard (2007)</td>
<td>Do you know who came up with the idea of this event?</td>
</tr>
<tr>
<td></td>
<td>Sisodia et al (2011)</td>
<td>Do you know the purpose of the event?</td>
</tr>
<tr>
<td></td>
<td>Mösl ein et al’s (2013)</td>
<td>Who was your target audience?</td>
</tr>
<tr>
<td></td>
<td>Ratikainen et al (2013)</td>
<td>Why did you target them and how did you select who could come?</td>
</tr>
<tr>
<td></td>
<td>Walcher (2007)</td>
<td>What was your role during this event?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adopting open innovation</th>
<th>Chesbrough and Crowther (2006)</th>
<th>What was the outcome of the event?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open strategy</td>
<td>Chesbrough and Appleyard (2007)</td>
<td>How was the event beneficial for the company? Did you use any of the information, ideas or feedback from the event?</td>
</tr>
<tr>
<td>OLC + Inbound innovation</td>
<td>Bessant and Tidd (2009)</td>
<td>Will you do more events of this nature in the future?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OLC</th>
<th>Bessant and Tidd (2011)</th>
<th>(Shows Diagram)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Miller and Fiesen (1984)</td>
<td>Where would you place your company in this diagram?</td>
</tr>
</tbody>
</table>

Please plot the two other companies on the same diagram.
The interview questions are based on the thesis’s theoretical framework aiming to empirically
capture how organizations within the digital sector use inbound innovation. Therefore the
theoretical framework begins with a broad explanation covering the field of innovation and
open innovation. This is followed by more specific questions regarding inbound innovation
and the organization’s life cycle.

E) Data collection

The data for this thesis were collected by using both primary and secondary data through
quantitative and qualitative methods. For the qualitative method, the thesis used interviews
and secondary data. This was then complemented by the quantitative method which used
secondary data.

The data from the organizations was collected using interviews, and secondary data
(quantitative and qualitative). For the interviews, as the data were mainly generated
through the interviewee’s answers and discussion, semi-structured interviews were used.
This format has the advantage that is allows the interview great flexibility for the authors
to explore the topic, while having access to a set of questions that will guide the discussion
(Saunders et al 2012). For this study, the respondents wished be anonymous by name and
title, however we were given permission to name the organization, date of interview and
location. Accordingly, the different respondents will be cited as: Name of Organization,
Respondent Number, Year and Location.

The interviews were divided into three sections/parts:

- Introduction
- Discussion
- Conclusion

In the first part the interviewers introduced themselves, thanked the respondent for taking
part in the interview, and then proceeded to the “...warm-up and ice-breaking session.“
(Carson et al., 2001 p. 189). This was to break the ice, and to familiarize the respondents
with the research topic. After this was done, the interview entered its second part: the actual
discussion. Sixteen questions were asked, with a gradual complexity level, as well as a mix
of different question formats. This was done in order to make the respondent become more
accustomed to the topic and gradually develop more complex and well-thought answers. In the last part, the authors summarized the respondent’s answers and asked the respondents if they agreed upon the summary or if they had any additional comments.

During the conducted interviews the authors explained the different phases and respondents were then asked to place the studied organizations within the four steps described by Bessant and Tidd (2011). However, the respondents found the four steps too few and to clarify it, and thus to ensure a higher quality of primary data, the authors re-designed the existing model. The authors re-designed the model described by Bessant and Tidd (2011) by adding three more phases in between the original four phases. The re-designed figure is called figure 3 and it is shown below.

**Figure 3: Redesigned phases of the organisational life cycle**

![Diagram of Redesigned Phases](image)

Figure 3 visualizes the re-designed model by Bessant and Tidd which now contains seven phases instead of four. The arrow indicates organisations movements within the organisational life cycle.

**F) Sampling technique**

When it comes to the interviews, the authors choose to use a purposive sampling technique, meaning that respondents were selected on the basis that they could generate interesting insights (Saunders et al 2012). For this study it meant that the authors identified their role as...
being connected to the topic of inbound innovation. In total five interviews were carried out, with three company representative from iZettle, and one from Google and one from Spotify.

**G) Choice of literature**

The literature was chosen based on the topic of innovation, and more specifically open and inbound innovation. The authors started with a more general approach, and then narrowed the literature search to more specific topics. This often represented the transition from books to research articles. Accordingly, books with a more holistic approach, such like Bessant and Tidd’s book from 2009, provided the thesis with a general framework. This was then followed by books, and articles that focused on more specific topics such as Chesbrough’s (2003) book on Open Innovation.

When it came to the data regarding the three organizations, the main focal point was previous research and books written about the organizations, such as the “The Google Way” (Girard 2009), as well as any data available from their website. If this data were insufficient, we would expand to research to credible data sources.

**H) Validity and reliability**

According to Saunders et al (2012) in order to ensure the quality of the study, research needs both high validity and reliability. Validity is “...the extent to which data collection methods accurately measure what that they were intended to measure.” (Saunders et al., 2012 p. 684). Reliability is about whether similar results can be replicated by using the same procedures and case (Yin 2009). The goal of reliability is to “...minimize the errors and biases in a study.” (Yin 2009 p. 45).

In order for the study to meet these requirements, the authors examined how previous research had approached the topic, with specific attention to their data collection methods and interview guides. In order to develop a well thought research method and structure, several method books were used.

According to Malhotra (2014) interviews heavily rely on the skills of the interviewer in guiding and monitoring the discussion, and their ability to do so directly affects the quality of
the data. Accordingly, preparations were put into developing an interview guide and questions, to compensate for the author’s lack of experience in doing interviews.

Finally, qualitative research by its definition is highly subjective and its unstructured nature makes interpretation, analysis and coding difficult (Malhotra 2014). One researcher might interpret the situation differently, or notice something that the first moderator didn’t. In order to minimize any data pitfalls, the authors used both primary and secondary data collection methods in order to compensate for each one’s weaknesses. Furthermore, to ensure the interviews quality, an interview guide was developed. The data from the interviews was collected through both note-taking and through an audio-recorder. When it comes to the use of secondary data, the authors often used several sources to ensure credibility and validity.

I) Critical thinking

There are a number of research limitations within this research paper. The first one concerning the subject itself: open innovation. The term’s multifaceted nature makes it difficult to study, particularly considering that data generated from interviews heavily relies on the respondent’s answers. In order to provide insightful data, the respondents thus not only need to have knowledge of open innovation and inbound innovation, but also how the company uses it. To ensure that this was the case, the respondent were chosen based on that the authors identified their role as being connected to the topic of innovation. An email was also sent one week ahead of the planned interview, shortly introducing the topic and the research question. Furthermore, the authors defined the terms during the interview to avoid any confusion.

The method of placing the different organizations across the organisational life cycle can be criticized. The primary reason is because it asks respondents to place two organizations that they do not work within, and thus have limited knowledge of, in the figure. Because of this the data from non-employees were mainly used as a frame of reference. Furthermore, the data collected was complemented by secondary data.
II) Data analysis
A) Method

The general strategy to analyse the data was to build case descriptions, developed on the basis primary and secondary data (Yin 2009). In order to analyse the collected data, this paper used a cross-case synthesis analytical technique to analysing the three different cases (Yin 2009). This technique “...treats each individual case as a separate study” (Yin 2009 p. 156). The aim was to create word tables that display the data from the individual cases around the key topics of the thesis. This was done in order to look for cross-case patterns, and to generate interesting insights about the different topic of interest.

All the interviews were audio-recorded and transcribed. Furthermore the interviews took place in booked rooms, where the interview could be completed in an environment free of disturbances and distractions. This was done in order to ensure high quality data for the audio and note-keeping recording (Malhotra 2012). After the interviews, each respondent's answers was then summarized into key points, and then compared to the other’s respondent's answers in order to generate interesting insights.

B) Plan of data analysis

1) Organizational life cycle

The data regarding the organisational life cycle was analysed using the Table 1 in which the data from employees and non-employees was separated.

Table 1: Organizational life cycle data analysis

<table>
<thead>
<tr>
<th>Phase</th>
<th>Startup phase</th>
<th>Growth phase</th>
<th>S &amp; G</th>
<th>Sustain phase</th>
<th>G &amp; S</th>
<th>S &amp; R</th>
<th>Renew phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonemployees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The result regarding where the employees placed the three companies in the organisational life cycles was then summarized into table 2. In the table S & G equals “in between the start-up and growth” phase, G & S equals in between the “growth and sustain” phase and S & R equals “in between sustain and renew” phase.

Table 2: Organizational life cycle phase data analysis

<table>
<thead>
<tr>
<th>Company</th>
<th>Phase within the organisational life cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>-</td>
</tr>
<tr>
<td>Spotify</td>
<td>-</td>
</tr>
<tr>
<td>Google</td>
<td>-</td>
</tr>
</tbody>
</table>

2) Inbound innovation

The data collected regarding the inbound innovation tools was summarized in the table 3.

Table 3: Inbound innovation data analysis

<table>
<thead>
<tr>
<th></th>
<th>Hackathon(s)</th>
<th>Innovation Competition(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>Yes/No</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Spotify</td>
<td>Yes/No</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>Google</td>
<td>Yes/No</td>
<td>Yes/No</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>

PART 4; Empirical studies

I) iZettle

A) iZettle’s background and business model

iZettle is a Swedish multinational technology company specializing in payment services
The company was founded in 2010 and provides the market with a card payment service based on connecting a small card reader to a smartphone (iZettle, 2015a). With this combination, iZettle enables its users to accept card payments wherever they are (iZettle, 2015a). As mentioned the service is based on an application which is installed in the user's smartphone. Within this application the user can add products and when a customer wants to buy a product the user selects it within the app and then the payment is completed in the connected card reader. The business model is focused on charging a transaction fee for the company, organization or private person which uses the payment solution (iZettle, 2015b). iZettle is compatible with the major smartphone models (iZettle, 2015d) and card providers such as VISA, Mastercard and American Express (iZettle, 2015d). According to a valuation from 2014 iZettle is valued at 200 Million USD (Leijonhufud 2014).

B) iZettle’s current situation

Currently iZettle exists in 11 countries, namely: Sweden, Denmark, Norway, Finland, Germany, the United Kingdom, the Netherlands, Spain, France, Brazil and Mexico (iZettle, 2015a). In fact, during the time this thesis was written, iZettle launched into the eleventh market; France (iZettle, 2015e). The company does not release the exact amount of users it has, but they have stated that they are “Europe's number one provider of mobile payment services.” (iZettle, 2014a) and have more than one hundred thousand users (Mamce, 2014). Currently the company has 203 employees and the majority of them are located at the global headquarters in Stockholm (iZettle, 2015a). The company is continuously expanding and according to iZettle Respondent 3 (2015), the company grows with around 50 to 70 persons per year. The data in table 4 summarizes iZettle’s current situation.

Table 4: iZettle’s current situation

<table>
<thead>
<tr>
<th>Founded</th>
<th>Employees</th>
<th>Offices</th>
<th>Presence</th>
<th>Users</th>
<th>Valuation</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>203</td>
<td>6</td>
<td>11 countries</td>
<td>Over 100 000</td>
<td>200 Million USD</td>
<td>Private</td>
</tr>
</tbody>
</table>
C) iZettle within the organisational life cycle according to the respondents

According to the CEO and co-founder Jacob de Geer, iZettle currently focuses on expansion rather than profitability (Leijonhufvud, 2014). This statement was supported with primary data gathered during the conducted interviews where all the employees placed iZettle within the growth phase of the organizational life cycle (iZettle Respondent 1, 2 & 3, 2015). Also one of the two interviewed non-employees also placed iZettle within the growth phase (Spotify, Respondent 1, 2015). The other interviewed non-employees placed iZettle within the “in between startup and growth” phase (Google Respondent 1, 2015).

Table 5: iZettle Organizational life cycle

<table>
<thead>
<tr>
<th></th>
<th>Startup phase</th>
<th>S &amp; G</th>
<th>Growth phase</th>
<th>G &amp; S</th>
<th>Sustain phase</th>
<th>S &amp; R</th>
<th>Renew phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonemployees</td>
<td>1/2</td>
<td>1/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the table S & G equals “in between the start up and growth“ phase, G & S equals in between the “growth and sustain“ phase and S & R equals “in between the sustain and renew” phase”.

D) How iZettle works with inbound innovation

1) Hackathons

iZettle has arranged one hackathon called “Hack-Night” where external developers were invited to iZettle office to solve a task along with internal iZettle developers. The event was done during a week-day night and in total some 24 external developers collaborated with 12 internal iZettle developers solving different technological challenges (iZettle 2014b). According to iZettle Respondent 1 (2015), for this event, iZettle chose to have a narrow frame when it came to choosing potential candidates Accordingly, the event focused solely on developers within a field “related to iZettle” (iZettle Respondent 1, 2015).
The event was set up as a competition where the developers competed in teams where they worked together to solve different challenges. The challenges were not focused on iZettle’s core product and the winning team was the one which solved all the different tasks the quickest (iZettle Respondent 1, 2015).

According to iZettle Respondent 1 (2015), iZettle did not gain any external knowledge which could improve the iZettle’s product. However one of the participating developers was hired after the event and two more are currently being interviewed thus bringing knowledge into the company. iZettle Respondents 1,2 and 3 (2015) also noted that organization is planning to have similar events in the future. In correlation to this iZettle Respondent 3 said “the more open the company becomes, the better”, and that “entrepreneurship and being innovative is all about the people”( iZettle Respondent 2, 2015).

According to the authors, the previously described event indicates that iZettle uses hackathons as a part of their innovation strategy since it matches Komssi et al’s (2013 p. 7) definition of a hackathon.

**Table 6: How iZettle works with inbound innovation**

<table>
<thead>
<tr>
<th></th>
<th>Hackathon(s)</th>
<th>Innovation Competition(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Table 6 summarizes which inbound innovation tools iZettle currently uses.
II) Spotify

A) Spotify’s background and business model

Spotify is a Swedish commercial music streaming service (Spotify, 2015a). Daniel Ek and Martin Lorentzon founded Spotify in 2006 and the first version of the product was launched in October of 2008. Spotify’s unofficial mission is to “Give people access to all the music they want all the time - in a completely legal and accessible way” (Spotify Respondent 1, 2015).

Spotify is an application compatible with computers, smartphones and tablets which enable users to listen to streamed or downloaded music. The service is partially dependant on an Internet connection through which music could be streamed or downloaded to the device. The business model is split between two streams of revenue (Spotify Artist, 2015). The first one is selling advertising placements to organizations and the second stream of revenue is selling “Spotify Premium” to users which is completely “ad free” (Spotify Artist, 2015).

B) Spotify’s current situation

Currently Spotify operates in 58 countries and has 19 offices all around the world. The headquarter is located in Stockholm where the majority of the 1500 employees are located (Spotify, 2015b). Through Spotify users get access to over 30 million songs and currently they have 60 million users of which 15 million are paying for the service (Spotify, 2015b). Currently the company is privately owned and does not reveal all financial data. However Spotify’s latest annual report showed a loss of 525 million SEK for 2013, and the year before that the loss was 790 million SEK (Statista, 2014). However, this is of no concern to Daniel Ek, the CEO and co-founder, as it seems to fit with his long-term plan for Spotify:

“We are focusing on growth at the moment. We have a situation where people’s behaviour is changing from buying physical CDs to streaming music via the internet. We are talking about a growth measured in 100’s of per cent each year.”

(Nordic Startup Bits, 2015)
The data in table 7 summarizes Spotify current situation

Table 7: Spotify’s current situation

<table>
<thead>
<tr>
<th>Founded</th>
<th>Employees</th>
<th>Offices</th>
<th>Presence</th>
<th>Users</th>
<th>Valuation</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>Over 1500</td>
<td>19</td>
<td>58 countries</td>
<td>Over 60</td>
<td>8 Billion</td>
<td>Private</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Million</td>
<td>USD</td>
<td></td>
</tr>
</tbody>
</table>

C) Spotify within the organisational life cycle according to the respondents

At the same time as Spotify is growing the company has been increasingly challenged by rivals and new-comers (Cellan-Jones, 2015). Resulting in an in increased focus for Spotify to keep its customers and users (Cellan-Jones, 2015). This mixed position between both growing and sustaining users was supported with data gathered during the conducted interviews where the employee placed Spotify within the phase called “in between growth & sustain phase” within Figure 3 (Spotify Respondent 1, 2015). This was also supported by the perception of the non-employees, as two out of the four respondents placed Spotify within the “in between growth & sustain” phase, and the remaining two, within the “sustain” phase. (iZettle Respondent 1,2, 3; Google Respondent 1).

Table 8 summarises how the employees and the non-employees placed Spotify within the organizational life cycle.
Table 8: Spotify Organizational life cycle

<table>
<thead>
<tr>
<th>Phase</th>
<th>Startup phase</th>
<th>S &amp; G</th>
<th>Growth phase</th>
<th>G &amp; S</th>
<th>Sustain phase</th>
<th>S &amp; R</th>
<th>Renew phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1/1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonemployees</td>
<td>2/4</td>
<td>2/4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the table S & G equals “in between the start up and growth” phase, G & S equals in between the “growth and sustain” phase and S & R equals “in between the sustain and renew” phase”.

D) How Spotify works with inbound innovation

1) Hackathons

Since Spotify was launched in 2010 at least three hackathons have been arranged all over the world (Spotify 2012; Spotify 2013a; Spotify 2013b). The most recent event was arranged during a weekend in Stockholm and it was called Diversify (Spotify Labs, 2015). The event was unique since it was gender-equal with 50% male and 50% ratio of participating technology students. The event was founded on the belief that “...diverse teams create better products.”(Spotify Labs, 2015). During the event the participants worked in mixed teams, with the goal to invent, design and develop a new working application which could become a part of the Spotify product range or a new feature in the existing product (Spotify Labs, 2015). In total, ten new concepts and prototypes were designed, resulting in Spotify gaining new knowledge from arranging the event. (Diversify, 2015)

According to the authors the previously described event indicates that Spotify uses hackathons as a part of their innovation strategy since it matches Komssi et al’s (2013 p. 7) definition of a hackathon.
2) Innovation Competitions

Spotify annually arranges the Student Innovation Award which is an national competition aimed at Swedish university students (SIA, 2014). In this competition students are given an opportunity to come up with a new feature which could benefit Spotify in any way and in order to participate, the students need to design, explain and promote their solution to a jury which then selects a winner (SIA, 2014). The Student Innovation Award has been arranged two times since 2013 and the last time it was arranged Spotify received 85 suggestions for new features, functions or solutions which they could use to develop their core product (SIA, 2014). In general, the purpose of the event was according our respondent to foster innovation and entrepreneurship between Spotify and the students (Spotify Respondent 1, 2015). The respondent also added that these events are also done in order to strengthen the bond between the student community and Spotify, and that Spotify plans to continue to hold these sort of events (Spotify Respondent 1, 2015).

According to the authors, the previously described competition indicates that Spotify uses innovation competitions as a part of their innovation strategy since it matches Adamczyk et al (2012) definition of an innovation competition.

Table 9 summarizes how Spotify currently uses inbound innovation tools.

Table 9: How Spotify uses inbound innovation tools

<table>
<thead>
<tr>
<th></th>
<th>Hackathon(s)</th>
<th>Innovation Competition(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spotify</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

III) Google

A) Google’s background and business model

Google is an American multinational technology company specializing in online search. The company was founded in 1998 by two American doctoral students at Stanford University.
called Sergey Brin and Larry Page (Girard, 2009 p. 9). Google is mainly known for providing the market with a free Internet search engine where users can find information ordered by relevance. Google’s mission is to “Organize the world’s information and make it universally accessible and useful.” (Girard, 2009 p. 22). Google core business model is called Google AdWords and it gives companies and organizations the option to pay for the opportunity of having their products or websites appear higher up in the Google Search result page. AdWords has evolved to become Google's main source of revenue and it accounts to more than 68 % of their 66 billion dollar revenue (Google Investor, 2015). Since 2004 is Google a publicly owned company with a current valuation at 368 billion USD (Google Investor Relations, 2015).

**B) Google’s current situation**

Currently Google has over 55000 employees globally with more than 70 offices in over 40 countries (Google, 2015a). According to Internet Live Stats (2015) Google processes over 40 000 search queries each second resulting in more than 115 billion search queries each month. The amount of search queries per month has increased substantially since 2008 when the same number was 55 billion search queries per month. At the same time as Google has grown to become the market leader within online search (Alexa, 2015) the company has also diversified away from the search engine (Faktor, S, 2013). Some of the products in Google's portfolio is: Google Maps, Gmail, and Google Documents (Girard, 2009 p. 92). Google has also developed a research lab, called Google X, for groundbreaking new technologies. Here products such as self-driving cars, a drone-delivery program and diabetes-tracking contact lenses are developed (Eweek, 2015) and according to the Director of Google X, these projects are important to Google, because they have the potential to fundamentally change industries (Rowan, 2013).

The data in table 10 summarizes Google's current situation.
Table 10: Google’s current situation

<table>
<thead>
<tr>
<th>Founded</th>
<th>Employees</th>
<th>Offices</th>
<th>Presence</th>
<th>Users</th>
<th>Valuation</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Over 55000</td>
<td>Over 40</td>
<td>Over 200 countries</td>
<td>Over 1.17 Billion</td>
<td>368 Billion</td>
<td>Public USD</td>
</tr>
</tbody>
</table>

C) Google within the organisational life cycle according to the respondents

According to the Google employee, Google is currently placed within the phase “in between sustain & renew” within Figure 3 (Google Respondent 1, 2015) A position supported by two of the non employees (iZettle respondent 3, 2015 ; (Spotify respondent 1, 2015). The remainder two placed Google within the “renew” phase (iZettle respondent 1 and 2, 2015).

Table 11 summarizes how the employee and the non-employees placed Google within the organisational life cycle.

Table 11: Google Organizational life cycle

<table>
<thead>
<tr>
<th>Phase</th>
<th>Startup phase</th>
<th>S &amp; G phase</th>
<th>Growth phase</th>
<th>G &amp; S phase</th>
<th>Sustain phase</th>
<th>S &amp; R phase</th>
<th>Renew phase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1/1</td>
<td>Nonemployees</td>
<td>2/4</td>
<td>2/4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In the table S & G equals “in between the start up and growth“ phase, G & S equals in between the “growth and sustain“ phase and S & R equals “in between sustain and renew” phase”.

33
D) How Google works with inbound innovation

1) Hackathons

Google is a heavy user of hackathons, arranging roughly one per week globally (Google for Developers, 2015). More recently Google launched a geographically limited hackathon initiatives called “Hackfest” during which many hackathons are arranged within the same country during a limited time-period. Currently, a Hackfest is arranged all over Turkey, where 10 hackathons are planned for May and June of 2015 (Hackfest, 2015). The event focuses on software, with “developers and designers coming together and trying to create a project from the ground.” (Hackfest, 2015). The aim of the event was to generate ideas, and to improve our technological abilities (Hackfest, 2015). Google also arranges hackathons focusing on specific products within the Google portfolio, ranging from being themed around Google Glasses, to Google Analytics and Android programs.

According to the authors, the described events indicate that Google uses hackathons as part of their innovation strategy since they fit Komssi et al’s (2013) description of Hackathons.

2) Innovation competitions

Google has arranged a number of different innovation competitions such as the Google Online Marketing Challenge (Google, 2015b), Google Code Jam (Google, 2015c) and the Google Science Fair (Google Science Fair, 2015). These competitions are opportunities through which professionals and students from all around the world can compete against each other in different fields. From example the Google Online Marketing Challenge is an opportunity for students to experience and create online marketing campaigns using Google AdWords“ (Google, 2015). In 2014, over 80 000 students from over 100 countries participated (Google, 2015b). During the Google Online Marketing Challenge, the teams presented their logic, results and strategy of their campaign in a written report that was sent to Google. Thus Google gains knowledge through the summarized and gathered data which they can then use later on. Google Code Jam and Google Science Fair is in general structured in the same way, however the challenge differs from competitions to competitions. Our
respondent described these competitions as ways to “find new solutions to old problems” (Google Respondent 1, 2015).

According to the authors the described competitions indicate that Google uses innovation competitions as a part of their innovation strategy since they fit Adamczyk et al’s (2012) description of innovation competitions.

3) Innovation communities

Google for Entrepreneurs is a sub-division of Google through which Google supports existing startups communities (Google For Entrepreneurs, 2015). The initiative was launched in 2011 and since then, Google for Entrepreneurs has formed partnerships and supported entrepreneurs in over 125 countries. According to our respondent in order to be innovative organizations need create, foster and develop a good relationship with the community they operate in (Google Respondent 1, 2015). Currently Google also owns and manages two so called Campuses which are buildings ”..where entrepreneurs come to learn, share ideas, and launch great startups.” (Google For Entrepreneurs, 2015). Currently, two such Campuses exist and they are located in London and Tel-Aviv (Google For Entrepreneurs, 2015). Four more campuses are to be launched during 2015 and 2016 (Google For Entrepreneurs, 2015).

According to the authors the previously described sub-division of Google indicates that Google uses innovation communities as a part of their innovation strategy since its fits Up Global’s (2014) definition.

Table 12 summarises how Google currently uses inbound innovation tools.

Table 12: How Google works with inbound innovation

<table>
<thead>
<tr>
<th></th>
<th>Hackathon(s)</th>
<th>Innovation Contest(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Additionally, our respondent concluded that these sort of events are created in order to “to get new patterns and insights” and that innovation is “all about the people” (Google Respondent 1, 2015). He also notes that by “bringing in new players” organizations can avoid developing a “monoculture and normative consistence” (Google Respondent 1, 2015).

**IV) Summary empirical results**

**A) Organizations’ current situation**

Table 13 summarizes the current situation of iZettle, Spotify and Google.

**Table 13: Summary current situation**

<table>
<thead>
<tr>
<th>Company</th>
<th>Funded</th>
<th>Employees</th>
<th>Offices</th>
<th>Presence</th>
<th>Users</th>
<th>Valuation</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>2010</td>
<td>203</td>
<td>6</td>
<td>11 countries</td>
<td>Over 100 000</td>
<td>200 million</td>
<td>Private</td>
</tr>
<tr>
<td>Spotify</td>
<td>2006</td>
<td>Over 1500</td>
<td>19</td>
<td>58 countries</td>
<td>Over 60 million</td>
<td>8 billion</td>
<td>Private</td>
</tr>
<tr>
<td>Google</td>
<td>1998</td>
<td>Over 55000</td>
<td>Over 40</td>
<td>Over 200 countries’</td>
<td>Over 1.17 billion</td>
<td>368 billion</td>
<td>Public</td>
</tr>
</tbody>
</table>
B) The organizations’ position within the organisational life cycle according to the respondents

The result regarding where the employees placed the three organizations in the organisational life cycles is summarized in table 14.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Phase within the organisational life cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>Growth phase</td>
</tr>
<tr>
<td>Spotify</td>
<td>In between the Growth &amp; Sustain phase</td>
</tr>
<tr>
<td>Google</td>
<td>In between the Sustain &amp; Renew phase</td>
</tr>
</tbody>
</table>

C) Inbound innovation

Through the primary and secondary data gathered for this thesis table 15 summarises how the three organizations work with inbound innovation.

<table>
<thead>
<tr>
<th>Hackathon(s)</th>
<th>Innovation Competition(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Spotify</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Google</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

As table 15 indicates the studied organizations do not use inbound innovation to the same extent. Instead a gradual increase in the amount of inbound innovation tools which the studied organizations use was found. Where iZettle uses one of the studied three tools, Spotify uses two and Google uses all three inbound innovation tools.
Figure 4 describes the empirical results by combining the findings regarding employees and the non-employee's placement of the organizations within the organisational life cycle and how the organizations use inbound innovation.

**Figure 4: Summary of empirical studies**

<table>
<thead>
<tr>
<th>Hackathon(s)</th>
<th>Innovation Competition(s)</th>
<th>Innovation Communities(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>iZettle</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Spotify</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Google</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

In the diagram, S & G is equal to the phase called “in between start up and growth”, G & S is equal to the phase called “in between growth & sustain” and S & R is equal to the phase called “in between sustain & renew”.
PART 5; Analysis

I) Organizational life cycle

When analysing the empirical results through figure 4, a pattern emerges. Namely that the order in which the employees and non-employees placed the organizations within the organisational life cycle aligns with the secondary data regarding the organizations’ age, number of employees, number of offices, number of countries where the organizations are present, number of users and finally the valuation of the organizations.

The respondents placed iZettle earliest within the organisational life cycle followed by Spotify and finally Google. iZettle is the youngest of the three organizations, being founded in 2010, followed by Spotify which was founded in 2006 and finally Google which was founded in 1998. iZettle, has the fewest number of employees, 203 persons, followed by Spotify, who currently employs over 1500 people and ultimately followed by Google who employs over 55000 persons. This order was also indicated by looking at the number of offices and by the organizations’ presence in international markets. The numbers of users also indicated this pattern, since iZettle currently has more than 100 000 users, Spotify over 60 million users and Google over 1.17 billion users. Finally, the valuation of the three organizations supports the identified order, as iZettle is the least valued company at 200 million USD in 2014, followed by Spotify, valued at 8 Billion USD in 2015, and Google at 368 Billion USD.

According to Bessant and Tidd’s (2009) the where the organisation is within the organisational life cycle will affect how the organization use innovation. According to this theory, organizations in the start-up phase will have a radical framework. Which changes towards incremental innovation while the organisation is growing. In the sustain phase it will focus on incremental and radical innovation and finally in the renew phase return to radical innovation framework. As of such, iZettle being in the growth phase will focus on incremental innovation. Spotify finding itself in between growth & sustain will also has a focus on incremental innovation, while being on the lookout for opportunities for radical innovation. Finally, as Google is in between the sustain renew phase this means that the organization will focus on radical innovation.
II) Inbound innovation

Figure 4 also indicates that the studied organizations use inbound innovation tools differently. The three organizations thus approached open strategy differently, and used different ways to capture and create value (Chesbrough and Appleyard 2007). However, according to the respondents, all three organizations plan to continue holding these sort of events, and pointed towards the importance of “people” in the innovation process.

The findings showed that all three organizations used Hackathons as an inbound innovation tool. Innovation competitions were only used by Spotify and Google, and finally creating and supporting innovation communities was solely done by Google.

For these events, iZettle had the narrowest scope when it came to its target audience, followed by Spotify which mainly targeted Swedish university students (iZettle Respondent 1, 2015; Spotify Respondent 1, 2015). Finally, Google had the broadest target audience, ranging from developers, programmers to university students all across the world (Google Respondent 1, 2015).

It should be specified however, that while all three organizations used hackathons, iZettle had only done so in Sweden, in comparison Spotify and Google which has organized hackathons across the world. Furthermore iZettle had only organized one hackathon, in comparison to Spotify’s three hackathons and Google’s weekly usage of the tool.

Interestingly enough, according to the interviews, iZettle’s hackathon had no correlation to the company’s product, and resulted in no knowledge gained to improve their products.

However, according to Chesbrough and Appleyard (2007 p. 58) an effective open strategy balances “value capture and value creation”. By definition this means that iZettle’s approach to open strategy is incomplete, as they did not attempt to capture the generated knowledge. This could potentially be explained by the fact that the event was iZettle’s first hackathon, and the focus was on learning on how to manage and create the event, rather than benefiting from it in terms of the generated knowledge. The event could thus be thought of as a prototype for
the planned events to come, particularly in the sense that our interviews showed that the organization is very positive towards open innovation (iZettle Respondent 3, 2015).

When it came to innovation competitions, iZettle was the only company that had not organized any innovation competitions, in contrast to Spotify and Google. Spotify has held two innovation competitions since 2013, which were called the “Student Innovation Award”, and Google has had several innovation competitions since its beginning, with the “Google online marketing challenge” being one of the bigger ones. Both the events were themed around the two organizations products, and ways of using and improving it. For example, the Google respondent noted that the Google Online Marketing Challenge was about finding new solutions to old problems” (Google Respondent 1 , 2015). While the “Student innovation award” is limited to Sweden, the Google Online Marketing Challenge is an international innovation contest, with more than 100 countries participating in 2014.

Finally, Google was the only company that actively creates and supports innovation communities. Interestingly Google does not disclose the specific details how Google benefits from the Google for Entrepreneurs program. However according to the authors by creating and supporting these communities, Google can gain knowledge through helping and observing the different start-ups. Furthermore it also presents an opportunity for Google to recruit new employees and the potential to early acquire growing start-ups, which could be integrated into Google.

According to Chesbrough and Crowther (2006) there are two ways for an organization to adopt open innovation, namely to optimize execution or to create growth options. The first one represents a way to improve “business as usual” and the second one refers to finding new ways of doing business (Chesbrough and Crowther 2006). As of such, in this case the number of different inbound innovation tools used by the different organizations could be explained by the fact that the organizations are looking to either optimize execution or to create new growth options. As Spotify has only used inbound innovation tools that are centered on its current product, it can be assumed that it is currently looking to use open innovation as a way to “optimize its execution” (Chesbrough and Crowther 2006 p. 236). Google on the other hand, has used inbound tools centered on its products, while also investing into creating innovation communities. It can thus be presumed that Google is looking for ways for “optimize its execution”, but also to create “new growth options”
(Chesbrough and Crowther 2006 p. 236). iZettle approach to open innovation did not match this description since it’s open strategy is incomplete.

III) Cross-case analysis

As described earlier, when combining the organizational life-cycle and the way the three organizations use inbound innovation, a pattern emerges: the further the organization is in the organization life cycle the more the organization is inclined to use inbound innovation. According to Bessant and Tidd (2009) organizations in the start-up phase will have a radical framework, to then move towards incremental while it is growing, and finally returning to radical innovation when it approaches the decline phase, effectively entering the “renew phase”. In correlation to this Chesbrough and Crowther (2006) describe that are two ways an organization can adopt open innovation, namely to optimize execution or to create growth options. The first one represents a way to improve “business as usual” and the second one refers to finding new ways of doing business.

If one combines Bessant and Tidd’s (2009) and Chesbrough and Crowther’s (2006) theories, it would mean as the organization progresses through the organizational life cycle, the way it uses open innovation and inbound innovation changes. Accordingly, in the start-up phase the organization would use open innovation as a way to “create growth options” by using emerging technologies or entering into new markets (Chesbrough and Crowther, 2006 p. 236). When the organization progresses into the growth phase it would use open innovation within an incremental framework, to “optimize execution” (Chesbrough and Crowther, 2006 p. 236). In the sustain phase the organization would start diversifying its portfolio to include both incremental and radical innovation, looking for ways to optimize its execution, while looking for growth options. Finally in the renew phase, the organization would change its focus towards radical innovation, and thus use open innovation as a way to create growth options.

According to our respondents, iZettle was placed in the “growth phase” within the organisational life cycle (iZettle Respondent 1,2 & 3, 2015). This would mean that according to Bessant and Tidd (2009) and Chesbrough and Crowther (2006 p. 236), that the organization would use inbound innovation tools in an incremental fashion, to “optimize its
execution”. However according to the respondent, iZettle did not attempt to capture any external knowledge, failing according to Chesbrough and Appleyard (2007 p. 58) to implement an effective open strategy that balances “value capture and value creation”. The respondents did however answer that the organizations have plans for more events like this in the future. This could possibly indicate, that iZettle is currently still in the planning and experimentation phase when it comes to inbound innovation, but it is something that the organization has identified as a way to “optimize its execution”. As of such, according to iZettle’s organizational life cycle and use of inbound innovation, it can be argued that iZettle is currently becoming more open, as it has shown interest in both launching and organizing inbound innovation events. In order to carry out an effective open strategy the next step would be to use inbound tools as a way to achieve both “value capture and value creation” (Chesbrough and Appleyard 2007 p. 58) in order to “optimize its execution” (Chesbrough and Crowther 2006 p. 236).

The data generated for Spotify indicated that it is in between the growth & sustain phase. According to Bessant and Tidd (2011) and Chesbrough and Crowther (2006) this would mean that the focus of the company is on “incremental” innovation and to “optimize its execution”, while slowly starting for to look for “new growth options”. These theories, match the description of what Spotify has done in terms of inbound innovation tools, with the majority of the events themed upon improving the company’s product by adding its features in order to “optimize its execution” (Chesbrough and Crowther 2006). However, no data seems to indicate, that Spotify has attempted to use any inbound tools to create “new growth options” to foster radical innovation (Chesbrough and Crowther 2006).

As Google is in between the sustain & renew phase, it should, according to Bessant and Tidd (2011) and Chesbrough and Crowther (2006), be inclined to adopt a radical innovation framework, and use open and inbound innovation in order to “create growth options”. However, our data suggests that Google uses inbound innovation tools that match both incremental and radical innovation at the same time. Google has accordingly arranged events focusing on incremental innovation, while fostering radical innovation through investing and creating its own innovation communities. While not much information has been released on these innovation communities, according to the authors it is not unreasonable to think that Google created these communities to create” new growth options” (Chesbrough and Crowther 2007). Following this process of thought, Google will
acquire any start-ups that has potential to foster its growth. The idea behind this is that these start-ups are, according to Bessant and Tidd (2009) are still in their “radical innovation” phase. Google, having been determined as in between the sustain and the renew phase, will thus use the startups to fuel its return to the radical innovation framework, and to create new growth options.

PART 6; Conclusion, Implications and Limitations

I) Conclusion

The research question for this paper was:

“How do organisations within the digital sector use inbound innovation across the organizational life-cycle? “

Our research indicates that as organizations within the digital sector progress through the organizational life-cycle, the way they use inbound innovation changes. Our data suggests that in the growth & sustain phases of the organization life-cycle, organizations will focus on using inbound innovation as a way to optimize its execution. As the organisation evolve, the way they use inbound innovation evolves as well, moving from focusing on “optimizing execution” towards finding new “growth options”.

Our exploratory research has thus possibly found a link between the different phases of the organizational life cycle and the use of inbound innovation within the digital sector.

II) Implications

A) Managerial implications

This thesis advances the knowledge of open innovation and particularly within the field of inbound innovation. The purpose of this study was not to create a general framework for adopting inbound innovation. However, our collected data find that there is possible evidence explaining how digital organizations use inbound innovation across the
organizational life cycle. This generated knowledge can assist future researchers and practitioners within the digital sector to understand the way organizations use inbound innovation across the organizational life cycle, and how it evolves. Additionally, this thesis could be used in order to help organizations plan how to integrate inbound innovation into their innovation strategy.

B) Implications for further research

This study was an exploratory study which means that the next step would be to conduct a larger study, and use this study’s result to develop “…specific techniques or focus the scope of larger study.” (Smith and Albaum 2005 p. 77).” While this thesis used a multiple-case study which allowed the authors to compare the different organizations, it would have been interesting to focus on just how one organization uses inbound innovation. This could for example taken the format of a longitudinal study, to see how the organization’s use of inbound innovation evolves over time.

Furthermore, our research focused on just one aspect of inbound innovation, accordingly it would interesting to do the same study, instead focusing on coupled and outbound innovation.

III) Research limitations

While this paper explores how organizations within the digital sector use inbound innovation across the organizational life, it is important to have in mind that this is an exploratory study. This means that further research is needed before the results can become generalizable (both in terms of the three organizations and in terms of the theory). While all three organizations are multinational organizations, it can be argued that these organizations are not representative of the entire digital sector. Particularly in the sense, that the digital component of their business model varies, with iZettle using it to complement a product, and Spotify and Google having a more digital service approach. Furthermore, all the interviews were done in Sweden. This might mean that their answers are only valid for the Swedish part of the company, and not the company as a whole.
While this study focused on the organizational life cycle and the digital sector, according to Bessant and Tidd (2011), there exists other factors and contexts that influence how an organization uses and becomes innovative. According to Thompson et al (2012), there are also many other ways a company can gain competitive advantage, and inbound innovation represent just one way for an organization to achieve it.
PART 7; Reference list

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iZettle Respondent 3 Stockholm, May 5, 2015, Spotify. Personal interview
Spotify Respondent 1, Uppsala, May 5, 2015, Spotify. Personal interview
Google Respondent 1, Uppsala, May 10, 2015, Google. Personal interview
### PART 8; Appendix

**Appendix A: Interview Guide**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Interview procedure</th>
</tr>
</thead>
</table>
| **Preamble and introduction** | A. Thank you for participating  
B. Objective and rules of the interview  
C. Warm-up question and ice-breaking  
   1. Please describe your role within the company.  
   2. When did you join?  
   3. Why did you join this company? |
| **Discussion**             | 1. According to you, what does the term innovation mean?  
2. According to you, what is an innovative company?  
3. Would you say that this company is innovative? Why or why not?  
4. How does the company promote/work with innovation? Could you give a concrete example?  
5. Do you know anything about the term “open innovation”?  
6. Within the field of open innovation, there is something called inbound innovation, do you have any knowledge regarding this?  
7. Can you think of an event that the company has done that fits this description of inbound innovation?  
8. Do you know who came up with the idea of this event?  
9. Do you know the purpose of the event?  
10. Who was your target audience?  
11. Why did you target them and how did you select who could come?  
12. What was your role during this event?  
13. What was the outcome of the event? |
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14.</td>
<td>How was the event beneficial for the company? Did you use any of the information, ideas or feedback from the event?</td>
</tr>
<tr>
<td>15.</td>
<td>Will you do more events of this nature in the future?</td>
</tr>
<tr>
<td>(Shows Diagram)</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Where would you place your company in this diagram?</td>
</tr>
<tr>
<td>17.</td>
<td>Please plot the two other companies on the same diagram.</td>
</tr>
</tbody>
</table>

**Closing statement**

|   | A. Summary statement and thank you |