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Managing the Crowds: The Effect of Prize Guarantees and In-Process Feedback on Participation in Crowdsourcing Contests

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Abstract

Crowdsourcing contests are contests by which organizations tap into the wisdom of crowds by outsourcing tasks to large groups of people on the Internet. In an online environment often characterized by anonymity and lack of trust, there are inherent uncertainties for participants of such contests. This study focuses on crowdsourcing contests with winner-take-all prizes. During these contests, submissions are made sequentially and contest hosts can provide public in-process feedback to the submissions as soon as they are received. Drawing on the uncertainty literature, we examine how the use of prize guarantees (guaranteeing that a winner will be picked and paid) and in-process feedback (numeric ratings to individual designs and public textual comments during the contest) can help reduce the various uncertainties faced by the contestant, thereby attracting more submissions. We find that guaranteeing the prize increases submissions. The volume of in-process feedback (both numeric reviews and textual comments) has a positive effect on the number of submissions, and such an effect is bigger in contests without prize guarantees. In addition, providing highly positive or extremely negative feedback discourages overall future submissions, and the negative effect of highly positive feedback is mitigated in guaranteed contests.

Keywords: Crowdsourcing contest, feedback, prize guarantees, uncertainty, participation