

## **An Exploration on Community-Based Innovation: Indaba Music as a Case in Point**

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### **Abstract**

This paper focuses on how virtual communities have become a new locus of innovation and have been instrumental in defining a new type of company, the user-centric company, in which members of these communities not only use the services of the company to communicate with one another but also drive many of the key aspects of innovation occurring in the company. Formed to service communities, user-centric companies represent a significant change from traditional companies in terms of how they innovate, interact with their customers, develop products and organize themselves. They have a minimalist organizational structure, and a rich technological environment. In order to determine the salient characteristics of such user-centric companies, field research was conducted on Indaba Music, a New York City based company which has developed a global technological platform which enables musicians to collaborate and create musical compositions as well as socially network with one another. Based on this case study, conclusions are drawn about what constitutes successful value creation in this user-centric business environment and the possible implications of this kind of innovation for managers of technology.

### **1. Introduction**

During the mid-1990s, the Internet emerged as a robust technological platform and almost immediately gained traction as a value creation engine. Companies in such diverse industries as financial services, media, and healthcare, began to investing their resources in incorporating unique digital-based products and services into their cadre of physically-based businesses [1]. Indeed, managers at such companies recognized that technology-enabled innovation was now an essential part of their company's strategy [6].

These new users of technology also realized that in order to compete with companies that were basing their business models on digital products, they would have to venture beyond their traditional, circumscribed organizational structures which resided in brick and mortar environments and tap into the resources that existed in a larger more networked business environment [7]. It became increasingly clear

that one of the most important classes of ‘nodes’ in these networks of innovation was that of the customers or users. Such users created virtual communities where they interacted with one another to exchange information on topics of interest. Various kinds of communities formed including special interest groups such as Usenet groups and professional associations. In some cases, the technological platform provided users with a venue for discussing topics ranging from book reviews to politics, e.g., The Well [29]. While these communities have intrinsic value to their users, more recently, they also have become platforms for innovation and the catalyst for significant changes in how companies are organized and innovate. They have also contributed to some degree toward the transformation of entire industries, most notably the music industry [17].

This paper focuses on how the development of these virtual communities has been instrumental in defining a new kind of company, the user-centric company, in which members of these communities not only use the services of the company to communicate with one another but also drive many of the key aspects of innovation occurring in the company. Through an analysis of data from field research on Indaba Music, a New York City-based company, this paper will delineate the salient characteristics of such user-centric companies, how such companies are changing the nature of innovation and suggest possible implications for managers.

There are four sections to this paper. The first part provides some background on the evolution of the nature of companies in the pre- and post-industrial business environments, especially with regard to the impact of digital-based innovation. The second part discusses the rise of user-centric organizations and presents the results of an analysis of a selected group of mobile social media companies which were early examples of this type of organization. The analysis revealed that there were some commonalities and characteristics which defined these companies and provided the beginnings of a model of user-centric companies. The third section presents the results of field research on Indaba Music, a New York City-based company, which is an example of a user-centric company that provides a range of functionality to its users from social networking and community building to providing a venue on which sophisticated

musical collaborations can take place. In the fourth section, conclusions are presented about what constitutes successful value creation in this user-centric business environment and the possible implications of this kind of innovation for managers.

## **2. The Evolution of companies and networks of innovation**

Until recent developments in digital-based innovation, which has led to the redefinition of how companies compete, companies were defined by how they made use of resources which were tangible things such as equipment, land, raw materials and human talent for the purpose of supplying goods and services to the economy [19]. Such companies had a clearly defined central management structure which was responsible for the general policies under which the company's hierarchy operated with well delineated reporting relationships and job responsibilities [21]. Within this rigid hierarchical organizational structure, decision making was bureaucratic and an anti-innovation bias was prevalent [32]. Even with the development of electronic communications and computing systems, innovation was relegated to the purview of professional R&D departments [6] within a highly structured corporate environment [28]. Indeed, in 1992, when managers were surveyed about the structure of their companies, most answered that their companies were still structured in a very traditional way, that is, with standardized jobs, procedures and policies and a hierarchical organization which emphasized a top-down chain of command [2].

As technology evolved and became more strategic and key to a company's ability to maintain a competitive advantage, value creation became more than just the production of physical goods; a company's core competency became the ability to bundle various technologies creatively and develop products and services that would be attractive to the customer. However, companies were still internally focused, and leading customers to make product choices was considered an essential aspect of a company's core competency [20].

In the post-industrial business environment, which is characterized by the availability of large amounts of information, increasing complexity, and increasing turbulence, organizational decision

making is faster and more complex and therefore organizational structures have had to change accordingly [3]. In an environment where a robust technological platform, i.e., the Internet, has emerged on which new products and services are rapidly being created and new digital-based entrants challenge the dominance of traditional physically-based companies, the nature of innovation is of necessity undergoing change. Companies which have counted on their physical products as the mainstays of their businesses suddenly find themselves competing with smaller companies which are agile and can develop products and services for their customers on-the-fly using the technological tools available to them.

An example of a company undergoing significant change as a result of digital-based innovation is the Walt Disney Company. From its inception, Disney had always been one of the leaders in the entertainment industry. Its theme parks and branded cartoon characters were the mainstays of its business and it was an innovator in the use of sound, color, and animation. After Walt Disney, who was the founder died, the company struggled but was able to use its powerful brand to remain competitive. However, eventually it found itself in a new business landscape in which consumers were turning to digital-based content for their entertainment needs. Disney's initial foray into the Internet landscape with its Web portal Go.com was disastrous because it could not compete with the more agile companies such as Yahoo! and AOL.com, which provided a more dynamic content environment for their visitors. Coupled with the managerial style of Michael Eisner, who believed in a centralized, top-down organizational structure, Disney began to founder and lose its ability to attract audiences and turn out creative products and services.

In 2005, Bob Iger became CEO and immediately began to change the culture of the company by restructuring the organization into one which is flatter and invites its employees at all levels of the organization to participate actively in the decision making process. Moreover, the leadership at Disney has recognized that it needs to build a strategy which combines the development of its physical mainstays, i.e., its theme parks and other branded content, as well as create an integrated technology platform that provides consumers with a variety of services in the web-based and mobile arenas. It is now offering

consumers a wide array of products and services which include a website called Disney.com which enables children to surf the Web, watch a video, and chat with others and a greatly enhanced ESPN website which gives sports enthusiasts a way to dynamically access the latest sports information [13] [35].

In addition to changes in the kinds of products and services offered by traditionally physical-based companies and in the nature of innovation at these companies, innovation is now characterized by uncertainty, interrelatedness between various subsystems, and often relies on tacit knowledge accumulated by various members of the organization who may reside in different structures [28]. These structures may be internal, that is, part of the indigenous corporate structure or they may be found outside of this structure in the larger networked environment. In many companies, there is a recognition that informal networks of employees at all levels of the internal organization play an important role in gathering information and getting work done in the corporation [4].

An example of how a company is using these networks of innovation to help it stay competitive can be found at Goldman Sachs, a global financial services company which is a leader in investment banking services. At Goldman, the organization's various businesses are highly integrated with a knowledge management strategy which enables experts from various parts of the organization to share their ideas and information. For example, employees in all parts of the organization are encouraged to post their opinions, ideas, work-related status reports, and thoughts on activities outside of the workplace through formal and informal physical channels, e.g., meetings and conversation or through email or other electronic means. This continual kind of conversation has enabled Goldman's employees to network with each other and be able to comfortably work in a team-based environment in order to identify opportunities, create innovative products and services and remain a leader in the financial services sector. [10].

Given the new nature of innovation, it has become important that managers develop an appropriate 'innovation sourcing strategy' for accessing innovative capabilities from vendors, suppliers,

university experts and customers in the larger external environment [14]. While traditional companies always “pushed” their products to customers, the development of the Internet as a robust technological platform suddenly enabled such customers to communicate directly and instantaneously with businesses and express their likes and dislikes of particular products and services. Companies began paying attention to what users had to say about their products and participating in user communities of interest which existed outside of corporate boundaries [36]. Indeed, digital-based innovations, in particular the Internet, have enabled the center of creativity and product development to shift out of the corporate world and into the hands of users who were beginning to drive innovation and be a key to its success. A recent survey of media and entertainment executives indicated that they viewed user-generated content such as videos, podcasts and other digital content as one of the biggest threats to their ability to compete in the industry [13].

In summary, the highly structured organizations which dominated the industrial business environment of the early twentieth century and which enabled corporations to thrive, were being challenged as digital-based innovations proliferated and managers of ‘brick and mortar’ companies were forced to scan the environment outside their corporate boundaries in order to remain competitive. One of the most profound changes was the rise in a substantive user presence. In the next section, the discussion will focus on how communities of users have become potent sources of innovation and ultimately were the catalyst for the creation of a new type of company, namely the user-centric company.

### **3. The Rise of User-Centric Organizations**

As noted above, one of the most significant aspects of the networking of the corporation is that users began to play a significant role. The notion of users as sources of innovation is an important stream of literature in technology management. Research in the 1980s on user communities and their value in a more industrialized business environment indicated that such users were better able to innovate than manufacturing companies which did in-house development because they had no restrictions on the products they created and they benefited from trading ideas with other members of their communities.

Indeed, such users created products to satisfy a particular need, e.g., a variation on the standard surf board which was easier to use than the one manufactured by the surfboard company. After vetting these products among themselves, users would offer them to companies who could then mass produce them for the marketplace [31]. This so-called ‘democratization of innovation’ has permeated the software and hardware arenas as users have access to off-the-shelf products which they can fashion into innovative applications and devices [30].

As the technological platform matured, users who were relatively isolated from one another, or could only meet physically, began to use the virtual platform to communicate more frequently with one another and as a way of forming relationships and communities. Social networking companies proliferated in order to service these users. The majority of these virtual companies, which are part of the virtual social networking sector, e.g., Facebook and MySpace, are web-based. However, within the virtual social media sector, a number of companies which were mobile-based also formed an important sub-sector. As a beginning point for a discussion of user-centric companies and specifically Indaba Music, it is important to understand some of the salient characteristics of these mobile social media companies that were uncovered in an analysis of representative companies in this sector and how these companies are indicative of changes in the nature of innovation.

The most significant characteristic which defines this genre of companies and signals a change in the nature of innovation is that they have very few products and overwhelmingly are formed to service users who create the products or co-create them with employees of the company. Thus users are at the center of these companies and are their *raison d’être*. An example of this is Upoc, a mobile social networking company based in New York City whose core competency is providing a robust technology platform for its 40,000 community groups. One of the first mobile social networking companies established in the United States, Upoc services about 4 million unique users. Such users belong to community groups where topics range from music and dating to religion. Users in these communities participate in creating content such as microblogs and interact with one another on a regular basis. Indeed

the community itself which uses the platform and services of the host company has become a seedbed of innovation. Another example of a user-centric company is Dodgeball, a New York City based subsidiary of Google. Dodgeball's core service model entails providing users with a platform on which they can meet their friends or friends of friends in an urban setting. Using a simple set of mobile technologies, the company provides an online venue where users can create content about themselves and about the places they have visited with their 'community of friends' [36].

Along with being at the center of these service companies, users also provide valuable feedback to the management of these companies and make suggestions about how the company can improve its services. For example, at Tapuz Mobile, a mobile social networking company based in Israel, the users who are mostly young people, are early adopters of technology and provide constant feedback to Tapuz's management team. Tapuz considers these users a significant source of innovation and has often implemented suggestions from these users into the applications on the Tapuz website [36]. Thus, in the mobile social media arena, users have assumed a central role in the development of companies as they create products and services not only for their own use but also for the users who participate in the communities with them.

This notion of communities mentioned above relates to another change in the nature of innovation. Indeed, an important characteristic of the mobile social networking companies that were studied is that they are continually engaged in virtual community building. Each mobile community attracts a different kind of demographic. For example, Upoc's users are overwhelmingly blue collar workers such as truck drivers, firemen, and nurses who need to communicate in the field with one another on a continual basis. A key characteristic of these communities is that they are persistent, that is, the members tend to remain part of their respective communities for an extended period of time and build relationships with one another which give the community a feeling of permanency [37]. In other cases, Upoc's communities are theme-based and may revolve around a specific holiday, e.g., Christmas or a sport like football. In these theme-based communities, users have a sense of camaraderie as they discuss

how they are celebrating a holiday or their thoughts on a particular team or player. These communities serve as social safety nets as users feel welcomed and valued for their opinions. Tapuz Mobile attracts users to its 1100 communities from a wide spectrum of ages, socio-economic groups and interests. Dialogues are held on a continual basis on politics as well as on social issues. People in these communities depend on each other as they interact on this virtual platform to discuss problems arising in these communities. Clearly, these companies have elevated the idea of online interaction beyond just posting profiles and photos to a more engaged set of users intent on building a community [27].

In order for community building to be successful, companies such as Tapuz and Upoc use some form of moderator which is needed to keep the conversation going as well as ensure that participants do not deliberately disrupt conversations or use the groups for illegal activities. At Upoc, any user can become a moderator of a community. However, the company has a set of in-house managers who periodically check in with the groups to make sure the discussions are proceeding well and that group members are behaving appropriately. In some cases, the CEO or a member of the management team assumes the role of community manager. At Tapuz, community moderators who also come from the user communities have to be vetted by the management of Tapuz before assuming the role.

The communities and the managers who moderate them which are described above represent a new type of organizational innovation which has been identified as one of the key areas of innovation in services-based companies [11]. In this new kind of organization, community endeavors are a natural extension of the companies which service them and become in effect one of the most important organizational entities within these companies' structures. Instead of complex hierarchical organizations, these communities are part of an organizational structure which is flat and has a lean organizational team [34]. Moreover, as community manager/moderators play a more important role in building virtual communities that are nodes in their organizational network, the notion of what a manager is becoming increasingly difficult to define and thus must be reassessed in a new way if innovation is to occur.

A third aspect of innovation which is undergoing change relates to the techno-centric nature of these companies. All of the community-based innovation and participation by users in mobile social media companies could not have taken place without these companies being techno-centric, that is, having a robust technology platform. Thus Upoc has a complex technology strategy which includes applications such as SMS, WAP, voice, and MMS for the consumers, carriers, media companies and marketers who use Upoc's services. Indeed, its platform integrates text, voice, the Web and the wireless Internet and works on any mobile phone. Both Tapuz and Upoc have partnerships with major telecommunications carriers which enables them to have sustainable business models and add the technological capabilities of these carriers to the constellation of technologies they offer to their users.

Because of this set of enabling technologies as well as Location Based Services applications which some of these companies employ, mobile social networks provide multi-locational services to their user base. This ability to provide a platform on which users can be dispersed geographically and still communicate with one another on an ongoing basis is another salient characteristic of mobile social media companies. Some of these companies have localized their services and are more urban-based. Dodgeball, an early example of a social networking organization, uses Location Based Services such as GPS (Global Positioning System) to enable its community members to find each other and physically meet one another at selected locations in cities such as New York, Los Angeles, and Chicago. Upoc is more multi-locational as it provides users with the ability to connect in a local setting using the services of local carriers as well as on-the-go in a more national setting. Thus, one Upoc community during the 2007 holiday season counted among its users both those in urban environments as well as those who were in rural settings and relied on pre-paid phone cards to participate in the community dialogues [33]. Since Tapuz offers its users a hybrid environment in which both Web-based and wireless based applications are used, community members are based not only in Israeli urban environments but in international locations, thus giving Tapuz a global flavor.

Finally, another characteristic of mobile social media companies which signals a pronounced change in the nature of innovation is exhibited by mobile dating services, another branch of the mobile social media sector. By offering a robust mobile technology platform that includes Location Based Service (LBS) applications, mobile dating services, e.g., MeetMoi and Zogo, provide users with the ability to meeting someone in their immediate neighborhoods instantaneously without having to go through the process developed by web-based dating services which entails setting up profiles and waiting for emails from prospective partners. These services are based on the premise that users want immediate feedback and are not so much interested in compatibility or common interests as where and when people are available to meet them [8].

By focusing on the individual, these mobile dating companies exhibit an extreme kind of user-centric innovation which enables users to be individual nodes on a network establishing their own kind of ‘communities of one’ in which they co-create not with a large number of members but with other individuals of their choosing. Taking advantage of an integrated array of technologies, users establish dates with other individual users. Instead of building a community, these users are more concerned with establishing one-on-one relationships which they initiate. They can engage in instantaneous feedback between themselves on a very personal level. In this environment, innovation centers on the users’ ability to nurture these relationships in a continually changing environment in which users move from one locale to another with the service supporting this continual movement by updating the user’s location each time the user moves. Moreover, users can continually self-organize their relationships, pursuing good ones and discarding bad ones with lightening speed because of the technological capabilities that they can avail themselves of.

The characteristics of mobile social media companies described above are a foundation for further discussion about user-centric companies which are changing the nature of innovation albeit incrementally. In the next section, a case study of Indaba Music will be described in detail as an example of a user-centric company which exhibits the characteristics already identified in research conducted on

mobile social media companies and which also has some characteristics which shed further light on what defines these companies and the nature of innovation occurring in them.

#### **4. Case study of Indaba Music**

This section focuses on a case study of Indaba Music, which is based in New York City. Field research was conducted on Indaba during 2007 and early 2008. Indaba is part of the music industry which has undergone a significant transformation in the past several years because of digital-based innovation and a concomitant increase in user initiated changes in how music is distributed and sold. In order to provide some context for the discussion on Indaba Music, as a company which is not only a premier example of a user-centric company but also is at the leading edge of a new kind of innovation in the music industry, a very brief overview of some of the changes in the music industry will be presented.

In 1990, a group of German engineers developed the MP3 standard for music compression which was one of the technological catalysts for the transformation of the music industry. MP3 is a file format which enables users to compress digital music. With the advent of MP3 files, CDs could be decoded and transformed into files which could be easily shared, copied, and transmitted over the Internet. The digitalization of the music business began in earnest in 1999, when Napster was founded with the express purpose of facilitating easy sharing of MP3 files over the Internet free of charge. Because of this easy and free access, record labels were suddenly being deprived of their revenue streams which were in large part based on sales of copyrighted music [24].

Along with the controversy created by Napster and other similar peer-to-peer online file sharing services, the music labels now had a new set of digital competitors to contend with: online retailers; storefront retailers who were establishing online presences; and websites which enabled customers to download music directly [16]. Other important changes with regard to the distribution of music were the entrance of users into the marketplace who challenged the dominance of the record labels. One of these ‘users’ was Apple, a technology company, which entered the music business with iTunes, a new scheme which enabled users to download music for a price directly from Apple’s website. While Apple did make

agreements with the major music labels, the ability of a technology company to change the methodology of distribution shocked the music business. In addition, Apple developed the iPod, a device which enabled users to download the music from their store making it even easier for customers to get digital music selections [26]. Another set of users were musicians such as Madonna who developed websites outside of the record label's purview and sold music and ringtones directly to their fans [15].

The result of these changes in how music was distributed and sold forced the music industry's big record labels to reassess their business models and their relationships to their clients, i.e., the musicians, and their customers. Until digitalization, the record labels had basically controlled the music business, by signing up recording artists and then dictating how such artists would be marketed to the public and what kind of royalties they would receive from the sale of their records. Record companies would manage the recording process, manufacture the physical CDs and cassettes, distribute them, and pay for all costs associated with launching their products. In return, each record company would receive revenue from the wholesale price of the album less the royalties paid to the artist. Thus record companies stood at the center of the industry and produced the physical products which were the source of the major revenue streams for the industry [16].

With the advent of digitalization, record companies were faced with such challenges as defining new business models which would encompass both digital and physical modes of delivery; structuring their organizations to appropriately incorporate digital, physical and hybrid content; and developing a technology strategy that can be used to enhance existing products and develop new ones in order to differentiate a company's offerings from its competitors. Realizing that digitalization was inevitable, the record labels began to look for ways to attract customers and incorporate these new distribution models into their cadre of businesses. EMI for example, partnered with Microsoft to standardize its technology platform and develop a global online portal through which the company could market their artists [18]. In addition, the company entered into an agreement with Last.fm, a social music community which allowed

fans to discover music through social interaction on the service with other users and subsequently buy music selections or have the opportunity to subscribe to regular downloads of music [5].

While all of these changes were important in helping the companies within the industry retain their status as the premier purveyors of music in the United States and on a world wide basis, all of the efforts by these companies and others, e.g., Apple, were focused on distributing existing pieces of music to a new generation of users who were used to digital downloads rather than buying CDs in retail stores. This is important to note as it has bearing on the significance of the innovations developed at Indaba Music.

Indaba Music (Indaba means collaborative forum in Zulu) was launched in New York City in January 2007. It grew out of the desire of its two founders, Matt Siegel and Dan Zaccagnino, to connect musicians and music professionals with one another and with listeners. The two began by concentrating on artists who had the capability to record their own audio. With the advent of inexpensive and even free digital production technology, this group of users was clearly an expanding one. Within this wide-ranging group of users, the founders focused on what is known in the industry as session musicians. Such musicians are not part of a band; instead they are professionals who are hired by composers or bands to play a particular part of a musical composition. For example, a composer might need a piano player for his offering and pay a sum of money for an outstanding professional to fulfill this need. According to Dan Zaccagnino, at its most basic level these transactions are about two musicians collaborating with one another where one is paying the other for the collaboration. Many of these session musicians have their own personal recording equipment but must travel to the studio where a musical composition is being recorded. Moreover, they are limited to the musicians whom they know through personal contacts and who live in geographical proximity [38].

Indaba's founders decided to expand the geographical boundaries of these musicians and enable them to stay at home and contribute their expertise without traveling to the studio to do so. They capitalized on the fact that digitalization has enabled musical composition to be recorded in 'layers',

that is, musicians who would normally need to be in a studio at the same time, can now because of technological advances, record their part of a musical offering separately. Accordingly, the company developed a technology platform comprised of several proprietary software applications that would allow musicians to collaborate in a virtual way. Thus, this platform provides a collaborative venue for musicians so for example if one musician puts a track on the site, he or she can invite other musicians to contribute and add their tracks to this musical composition. Mantis Evar, a founding member of the management team stated that as the sessions progress, it is possible to see the evolution of the song writing process from the beginning where a composition might just be a single guitar track to the end where a full blown song has been created. The result of these sessions is an entirely new piece of music created by the members. Members can decide beforehand or as they collaborate on such issues as who owns what part of the musical composition, issues of pricing, and any other relevant agreements that the members wish to stipulate. However, while individual members and groups of members are creating the composition, the site also keeps a record of all transactions that happen in a session and lets members know who has the right to upload a session and who holds the rights to individual tracks.

In addition, the website offers users a platform on which users can develop their personal profiles which can be viewed by other users seeking a particular kind of musician. These profiles tell others who the musician is, their musical preferences, influences and skill levels. Indaba members can then search for other musicians by genre, instrument, skill level and location or for sessions that are open by other criteria. Indaba also has forums and blog posts for discussing topics of interest to their user base and periodically has contests to generate interest and collaboration among the users. Thus the site is a combination of web application for musical creations as well as a robust social networking venue with a variety of products and services [12].

The business model of Indaba is continually evolving. Initially the company was funded by angel investors. Along with this base funding, the company's revenue stream is based on a subscription model. Thus, basic membership in the company's network is free; however, there are subscription fees for

premium users who transfer more than a certain number of files per month and require more space on the company's servers. The company has begun to experiment with paid advertising such as Google AdWords but growth has been primarily due to viral marketing which has resulted in 120% growth every month in the number of users who come to the site.

While other revenue streams are being considered, the management team has focused on attracting users to its site and providing an array of products and services for these users. The management team considers their site to be unique and differentiated from its competitors who are in the collaborative music sector but focus on providing platforms on which users can connect over videochat and 'jam' in real time. There are also sites which are targeted to amateur musicians and remixers who splice together various songs in order to come up with something new. According to Matt Siegel, Indaba has been conceptualized to provide a venue for serious musicians to connect with one another and create original compositions.

Like the mobile social media companies described in Section 3, Indaba's users are central to the strategy of Indaba and form their core. Indaba's members interact with one another dynamically, that is, both the creators of music and its listeners continually rearrange their interaction with one another depending on the type of music being created and the changing interests of the listeners. Moreover, the site attracts both male and female members, as well as musicians who compose and play in a variety of musical genres and come from various countries. The founders envisioned that professionals would collaborate with professionals on the site while amateurs would collaborate with amateurs. Instead, to their surprise, professionals often collaborate with amateurs. In addition, barriers of age and location have been broken down as young musicians collaborate with older ones and musicians in countries around the world use Indaba as their platform of choice for collaboration. Along with collaborating on music, users are attracted to the site because it is a place where they can network with other like-minded people and trade ideas. Some users are relatively isolated from the large concentrations of musicians that can be found in a metropolitan area; Indaba enables such users to be connected professionally as well as

personally to a much larger virtual community than would be possible if they were confined to purely physical interaction.

As stated above, a key aspect of user-centric companies is that users are not only active members of their communities and participate in them; they also give valuable feedback to their organizations which enables innovation to occur and are valued by each other and by management. At Indaba, the management team has recognized the power of these users who in effect have become the owners of the company. As Matt Siegel stated, while it is easy to have a product development meeting and think up the next set of features for the site, ‘...we are very careful to think about what we have heard from our users when we make a decision’ [38]. In fact, many of the products created for the community are done so in response to a user’s feedback or suggestion. For example, one user wrote to the company suggesting that it would be great if members could exchange ideas along with the music itself. While the founders had thought about that idea and had shelved it in favor of other features, the user’s feedback not only helped them prioritize what features to build next, which included a forum in which members can voice their opinions and make suggestions for new features, but also validated some of their own ideas thus creating a true symbiotic relationship between users and the company. On the other hand, some users asked for the ability to copy the entire membership on an email instead of just being able to send one email at a time. This request was turned down by the management team because they felt that it would cause a flood of mass emails about topics that might not be of interest to everyone. Overall, many users are engaged in continually testing out the new products and services offered by the company and if the company’s management gets negative feedback about a feature, they reconsider whether to keep it on the site.

Like other user-centric companies already described, communities are a central part of the organizational structure of Indaba and indeed the management team is cognizant of the fact that they need to keep the community intimate and focused. Like Upoc and Tapuz, the team has recognized that there is a need for some intervention and has designated a community director whose job initially was to build the community up by attracting musicians through his personal contacts who would be willing to join Indaba.

More recently, the job of the community director has been to be in continual contact with the users and determine what is working for them and what needs improvement. Users who were interviewed differentiated the company from others which are somewhat competitive by the fact that they feel that their needs are addressed and that they are part of something where they count as individuals. One user suggested that without this differentiation, she nor other users would be so enthusiastic about the service. She liked the fact that someone on the site would almost immediately respond to a technical issue. Moreover, there is a sense that all users are equal whether they are pros or amateurs and have an equal opportunity to participate and engage in building the community from their own perspective. As there is a range of musical interests in the community, some sub-communities which focus on jazz or blues for example have also been formed and the management team anticipates that as the company grows, more of these sub-communities will emerge.

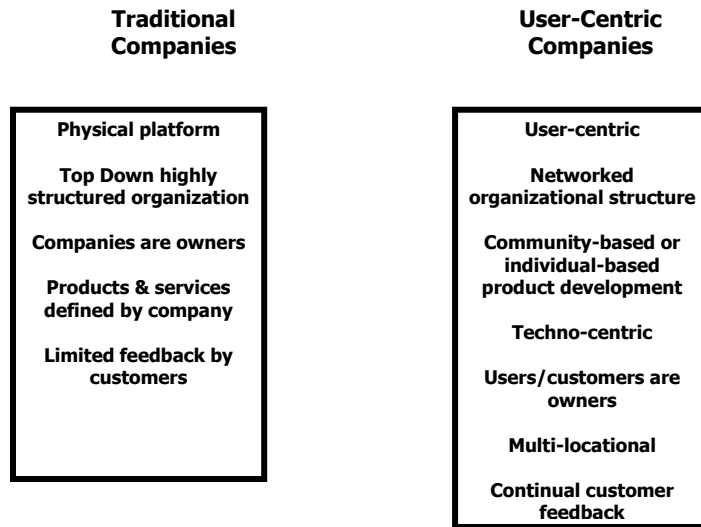
Reflecting the characteristics of other user-centric companies, Indaba could only exist because of the technical platform that it created to service and connect its users. The company has a cadre of developers who have created a platform of proprietary software tools for both professionals and amateurs and offers its subscribers services such as file transfer capabilities and such features as the ability to listen in at a session before becoming involved in it in order to see whether a user fits in with the music being created. One of the key differentiators of the site according to some of the users is that the site is 'user-friendly', that is, the site has been designed so that users who are not technologically savvy can easily use the site's products and services. This is in keeping with the overall aim of Indaba, which is community building rather than developing a technological platform that has an array of sophisticated technological capabilities. Because of its robust technological platform, Indaba can operate on a global level, attracting users from all over the world to participate in the community and collaborate. Indeed, the management team estimated that twenty-five to thirty percent of the users were not from the United States.

Indaba's organizational structure is not top heavy with senior management and tends to be lean. At Indaba, the core team consists of ten people: the co-founders, five people working on technology

development, a person who has deep experience in the music industry; a Chief Marketing Officer and an Office manager. The company brings in additional programmers, publicists and designers on an as-needed basis. It is important to note that within the company, none of the team members has an official title or designated function. Instead, the culture is one which like the site itself, values each person's contribution to the development of the company. Recently however, the team has decided that when talking to outsiders, individuals can for example indicate that they have a specific function, e.g., the Chief Marketing Officer, in order to facilitate a better communication process between the members of the Indaba team and other interested parties. According to Matt Siegel, the people in the organization are very motivated and are willing to work long hours in order to reach the common goal they have set for each other. Decision making takes place in a team setting with all members contributing their insights regarding both major and minor changes to the site. Two of the members of the management team actually live in the loft which houses the Indaba organization. They have opted to live this way in order to be available continually to their users and other members of their team in the early stages of developing their organization.

## **5. Discussion**

Indaba Music, while not a part of the mobile social media sector, exhibits many of the same characteristics which differentiates these companies from earlier types of organizations (Figure 1).

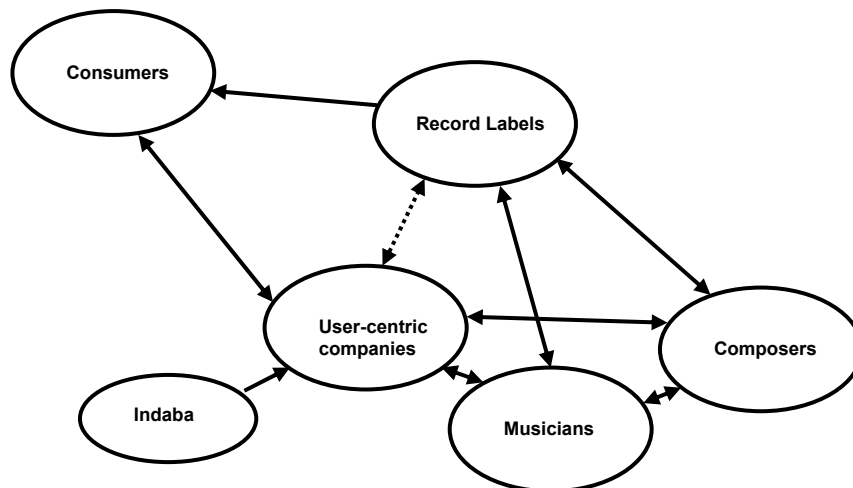


**Figure 1**  
**Changes in the Nature of Innovation**

Like these companies, Indaba is user-centric with the focus of the company being entirely on developing products and services which can benefit the users who constitute its core. Formed to service communities, such companies have a minimalist organizational structure, and a rich technological environment which is designed to encourage customers, that is, the members of these user communities, to innovate. At Indaba, the users are at the center of the company not at its periphery. Indeed, the virtual community which they inhabit is the *raison d'être* of the company and everything else that takes place in the company revolves around this community. As users contribute their ideas and suggestions for new applications and features in the form of feedback, they constitute a continual source of innovation for the company's management team and are viewed as an extension of the company's formal organizational structure which in a sense is a community itself made up of the team members. Indaba also reflects the two types of innovation identified among users in the mobile social media sector, namely, the community-based innovation where users collaborate with one another to create value, e.g., musical compositions and the more individualized kind of innovation in which users (like those who use the mobile dating services), develop unique musical sessions which they can do in a private space on the site and eventually contribute to the general community if they wish.

Indaba is techno-centric in that it like other user-centric companies could not exist without a robust technological platform on which the company can provide its services and the users can innovate. In a further iteration of the multi-locational services that the other companies provided, Indaba's technological platform is designed to provide a global venue on which users from all over the world can come together to collaborate and socialize with one another. The global nature of the platform may be because it is web-based and therefore is accessible to a wider range of users than a mobile platform is; however, many websites are still bound by national borders to a great extent while Indaba has a user base which spans continents. This global phenomenon may also be because playing music and creating new pieces of music is universally enjoyed and practiced by everyone regardless of geographical location.

While Indaba shares many of the characteristics which define other user-centric companies, it stands apart from these companies in that the collaboration among its users has led to the creation of entirely new products, i.e., musical compositions. Indaba has not only developed a social networking site for its users but also is at the leading edge of a new wave in the music business which goes beyond what the record labels have seen as their business model, the distribution of music created by artists under their control. While user-led innovations such as Napster challenged the distribution mechanism that had always been used by the music business, Indaba has shifted the use of the digital platform toward the creation and production of new music in a way that was not possible before. Thus, Indaba has redefined value creation in the industry: for Indaba's users, it is a collaborative effort where they constitute a new source of creativity and innovation in a broadly defined music industry which encompasses not only major labels and individual artists but also communities of musicians who can collaborate on a digital platform (Figure 2)



**Figure 2**  
**The New Music Industry**

The culture at Indaba is reflective of small entrepreneurial organizations which by nature tend to have flat team-based organizations where everyone is involved in the decision making process. Moreover, an air of informality and commitment pervades many of these companies with team members working and living in the same location and making significant contributions of their time and energy to the company's development. However for user-centric companies like Indaba, there are clearly a number of managerial tensions which have been created because of the community-based nature of these organizations and have an impact on the management team's ability to enable innovation to occur. One tension concerns the need for the company to grow its user population while at the same time attempting to retain the intimate nature of the community that users of Indaba find so inviting. Management team members are concerned about being able to keep in touch and respond to users once the community, which is at the center of everything they do, gets larger. Another parallel managerial tension is that the small entrepreneurial team that manages Indaba will inevitably have to expand in order to accommodate the enlarged user base and their demands. Even now, one user pointed out that many of user requests are not addressed because there are not enough people in the organization to deal with these requests. With the expansion of the organization, the team based decision making process may not be as effective and/or lose its cultural identity and community-like tenor. Finally, by being user-centric, companies like Indaba have to balance the needs of their users which appear to be paramount, with a long term vision which

guides the management team's strategy. While users are 'owners' and drive innovation, the company's leaders must also mold the company and reassess its goals in light of a continually changing business environment.

As this paper indicates, even though user-based innovation as a concept is not new, what is new is the centrality of users in a more networked, porous business environment. It is clear that in this new business environment, where users are a key component of value creation and user-centric companies are proliferating, managers must reach out into the larger networked environment in which these users thrive. To do this, they may need to look at the periphery of such networks where innovation is occurring, e.g., at companies like Indaba and other user-centric organizations, rather than at other more traditional businesses, .e.g., suppliers and vendors, which are a more obvious part of the network.

Managers may also have to restructure their organizations to incorporate such user communities or at the very least, establish close ties with them or with user-centric companies who can symbiotically provide feedback and act as sounding boards for larger organizations. Newscorp for example, acquired MySpace in order to add social networking to its cadre of businesses [22]. Other corporations such as Campbell Soup have created online communities for their customers in order to market their products and get feedback directly from their customers [25]. IBM has launched a product called Lotus Connections, a platform on which employees can establish their own internal communities [9]. Other strategies for accessing innovation by user communities include partnering with them. Thus content providers in the media industry and other content-rich sectors such as the financial services and health care are already looking at user-generated content such as blogs and You Tube-like videos as sources of content innovation and recognize that in order to be successful in the future, they may need to partner with user-centric companies that produce such content [23].

More research needs to be done on user-centric companies such as Indaba and their effect on innovation. However, it is apparent that overall successful value creation for companies in the post-industrial business environment entails a new mindset in which managers engage in continually

reassessing how their companies innovate in a networked business landscape that includes user-centric companies. Indeed, companies such as Indaba are fertile breeding grounds for the development of innovative products and services and managers need to be cognizant of this trend as they seek to ensure that their companies enjoy a distinct competitive advantage in the marketplace.

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