

# Driving the People Business

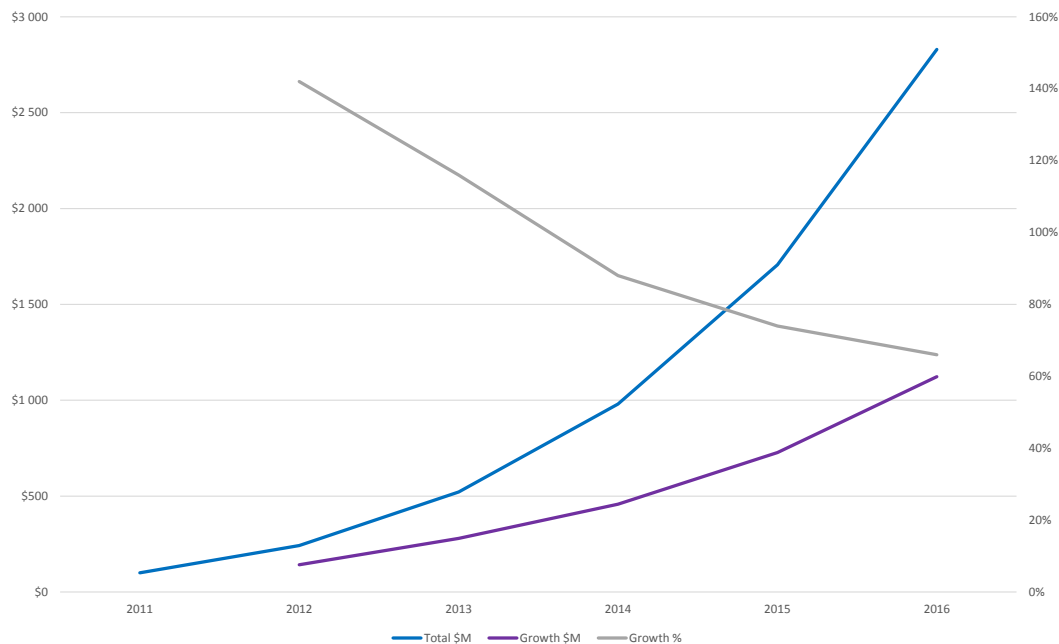
How Gamification Creates  
Sustainable Competitive Advantage  
for Your Business



clouddriven

# Introduction

Gamification market is growing fast. [M2 Research](#) has predicted that the market grows 116 percent in 2013 and 88 percent in 2014. According to [MarketsandMarkets](#), the size of the global gamification market would be 5.5 billion dollars by 2018. The biggest market is North America but Europe and Asia are right behind. But what is gamification all about? How does gamification help you to drive more customers and business?



*Gamification Market (M2 Research, 2012)*

As it is the case with all hot new technology trends, the expectations for gamification are highly inflated. Gamification is at the peak of [Gartner's Hype Cycle for Emerging Technologies](#) which means you should carefully discern the hype from what is commercially viable for your business. On the other hand, Gartner predicts that 70 % of the Global 2000 companies will have at least one gamified application by 2014 and 40 % of the Global 1000 will use gamification as a primary key to transform their business operations. Hence the question is can you afford not to investigate the opportunities gamification has to offer?

To get the best business benefits out of gamification, you should first find answers to the following questions:

1. What are the the biggest changes in the business environment that affect your company?
2. How do you create competitive advantage in the market?
3. What new should you learn and what old forget?
4. What concrete changes are needed in everyday work and behaviors for you to achieve your business goals?

# Business Environment is Changing – And It's Changing Fast!

*Perhaps the greatest challenge business leaders face today is how to stay competitive amid constant turbulence and disruption.*  
John P. Kotter, Harvard Business Review

In the 19th century, an invention that would revolutionize work was found every generation. In this day and age new revolutionary inventions are made every four years. The rapid rate of change in the business world has also had an effect on how companies implement their strategies. Instead of writing a new strategy every three or four years, companies have to adjust and adapt their business to new innovative ideas constantly. Only through **strategic agility** companies can stay competitive and create new products, services and business models.

In our opinion, the following top three changes in the business environment will greatly affect the way we work today and in the near future:

- **Everything that can be digital, will be digital.** 50 % of all companies are on their way to the cloud and one billion smart phones will be in use globally by 2016. Work will no longer be dependent on time or place and social media has become part of our everyday lives.
- **Fragmentation continues in economy and the power of networks increases.** Internet, social media, instant messaging and mobility will increase the number of weak social ties which are inherently global and formed around shared interests. The amount of choices in what to consume and how to consume will grow in number.
- **Population in the Western World ages and economic dependency ratio will grow weaker.** As life expectancy has increased and fertility rate decreased, the average age of population increases. This leads to the decline of economic dependency ratio and sustaining the current living standards will require a serious boost in productivity.

# Success – It's All About People

Engaged customers spend

**20–40 %**

more money in your products and services<sup>1</sup>

Engaged employees are

**21 %**

more productive than their disengaged colleagues<sup>2</sup>

Engaged partners make

**80 %**

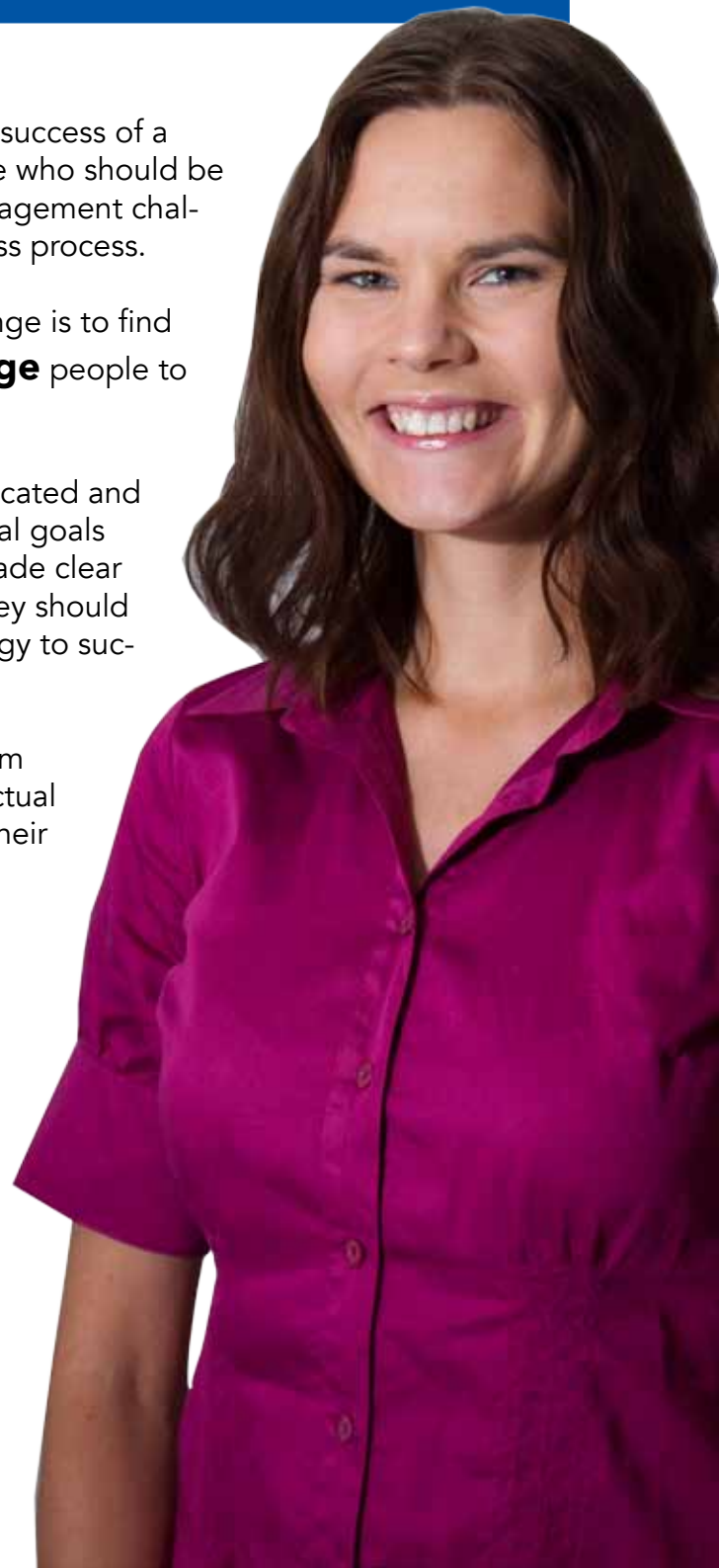
of your channel sales and promote your products<sup>3</sup>

Efficient business processes are important for the success of a company but even more important are the people who should be acting according to those processes. A huge management challenge is how to connect the people to the business process.

We believe that the best way to tackle this challenge is to find the right tools to **motivate, teach** and **engage** people to **create business value**.

Too often business strategies are poorly communicated and have no link to the employees' daily work. Personal goals in relation to company's strategic goals are not made clear which leaves the employees unsure about how they should change their everyday work in order for the strategy to succeed.

The Key Performance Indicators (*KPIs*) derived from the strategy should have a direct connection to actual work tasks; they should guide employees to use their time wisely on relevant tasks.



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<sup>1</sup> Bain & Company 2011

<sup>2</sup> Gallup 2012

<sup>3</sup> Birch Worldwide 2012, Conyngham Performance Group 2012

# Gamification and Behavior Design

## Create Sustainable Competitive Advantage

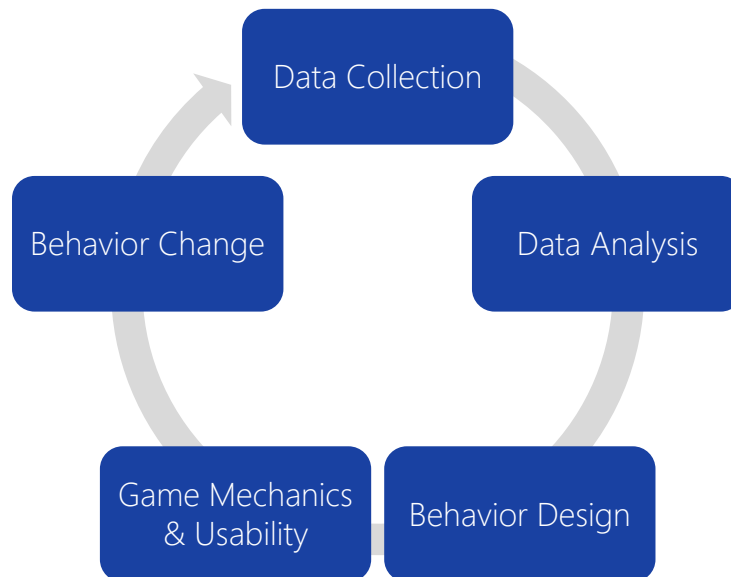
American management expert **Gary Hamel** has argued that management innovations create sustainable competitive advantage. In other words, if you want to create lasting results, you should come up with and bring into action new ideas on business management and strategy execution.



Most of the business processes can only be improved by affecting the way customers, employees and partners behave. In order to influence behaviors, you need to be able to **manage behavior** which is most effectively done by motivating, coaching, engaging and giving instant and somewhat surprising feedback which pave the way for learning and behavior change. Feedback and rewards expose people to learning by increasing the secretion of either dopamine or stress hormone; people tend to strive for situations that bring them pleasure and avoid situations that cause stress.

Company's ability to manage customers', employees' and partners' behaviors is a **management innovation** which is difficult for competitors to replicate. In other words, it creates sustainable competitive advantage for your business.

How can you affect the way people behave? Before you can put gamification to use, you should acquire the knowledge of what behaviors need to be changed.



*Clouddriven Continuous Improvement Model*

**1) Collect behavior data.** Without the data it's practically impossible to decide which behaviors best support your business goals. If you need to qualify your data or you're lacking relevant data, one considerable option is to gamify data collection.

**2) Analyze the data and make conclusions.** Based on the collected data make an in-depth analysis on what behaviors need to be changed in order to achieve the desired results.

**3) Design behaviors.** Make a detailed plan of how the change in behaviors is managed in your organization.

**4) Choose the right tools.** When you have decided what behaviors need to be changed and how the changed will be managed, choose the right gamified tools to encourage and guide the customers', employees' and partners' behaviors to the desired direction. Along with the game mechanics (points, badges, leaderboards, quests, among others), pay extra attention to usability and social features.

**5) Follow changes in behavior and collect data constantly.** In order to continuously improve the performance of your business, keep collecting data, monitor changes in behavior and make changes in the game mechanics if necessary.

## Get to Know the Players

Before you can dive deeper into the game mechanics, you should get to know the different player and user types in your organization. After all, gamification is all about people, so it's crucial to know who will play the game and what motivates them. The most well-known categorization of player types was made by **Richard Bartle**, a British writer and

professor. Bartle identified four main player types: achievers play the game to master the game and obtain some level of success, explorers are interested in having the game surprise them and discover new and unknown things, socialisers want to interact with other players and build relationships, and finally, killers are interested in competition and beating other players.

*An easy way to remember these is to consider suits in a conventional pack of cards: achievers are Diamonds (they're always seeking treasure); explorers are Spades (they dig around for information); socialisers are Hearts (they empathise with other players); killers are Clubs (they hit people with them).*

– Bartle 1996

Bartle's classification was based on his research on Multi-User Dungeons (MUDs<sup>4</sup>) and although it may be possible to apply Bartle's ideas to modern MMORPGs (Massively Multi-Player Role-Playing Game), a gamified system can rarely be compared to MUDs or MMORPGs. However, the terms are still widely used to describe players' behavioral traits in general, but as gamification guru **Yu-Kai Chou** points out, in a gamified situation the individuals usually don't have the same freedom to explore the game as in MMORPGs or MUDs. Gamification evangelist **Andrzej Marczewski** has elaborated on Bartle's classification and combined the player types with the notions of extrinsic and intrinsic motivation<sup>5</sup>. Marczewski begins by asking if the user is willing to "play" the game; if the answer is yes, user is usually motivated by extrinsic rewards. If users are less willing to play, they are most likely intrinsically motivated users. Based on these presumptions, Marczewski categorizes the gamification users into eight player types:

- Intrinsically motivated player types are **Philanthropist, Achiever, Socialiser** and **Free Spirit**.
- Extrinsically motivated player types are **Self Seeker, Consumer, Networker** and **Exploiter**.

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<sup>4</sup> MUD (Multi-User Dungeon/Dimension/Domain) is a multiplayer real-time virtual world, which is usually text-based. The first MUDs date back to the late 1970s and early 1980s.

<sup>5</sup> There are many different motivation theories in psychology and one popular method is to look at whether motivation arises from outside (**extrinsic**) or inside (**intrinsic**) the individual. Extrinsically motivated users are motivated to perform a behavior in order to earn a reward or avoid punishment. Intrinsically motivated users perform activity for its own sake rather than the desire for some external reward.



In addition, Marczewski also identifies the **Disruptor** who is not willing to “play” the game at all and in general just wants to disrupt your system.

Each intrinsic player type is motivated by a different motivational driver (see the next chapter). Extrinsic player types are expansions of intrinsic player types with the exception that they are also motivated by rewards.

## Build Engagement with Game Mechanics

According to gamification expert Yu-Kai Chou and his famous [Octalysis Gamification Framework](#), the fun and addictive elements in games can be divided into eight motivational drivers, which Chou calls the Core Drives:

**Epic Meaning and Calling.** Player believes he is doing something greater than himself. Game mechanics include for example: narrative, elitism, free lunch, beginner’s luck.

**Development and Accomplishment.** Player makes progress, develops skills and overcomes challenges. Game mechanics include: points, badges, leaderboards, prizes, quest lists.

**Empowerment of Creativity and Feedback.** Players are addicted to a creative process where they have to figure things out. Game mechanics include: milestone unlock, evergreen mechanics, instant feedback, choice perception.

**Ownership and Possession.** Player feels ownership when he innately wants to make what he owns better and own even more. Game mechanics include: virtual goods, avatars, learning curve.

**Social Influence and Relatedness.** Player is driven by all the social elements and the fact that we have to draw closer to people, places or events we can relate to. Game mechanics include: friending, group quests, thank-you economy, bragging.

**Scarcity and Impatience.** Player wants something because he can’t have it. Game mechanics include: appointment dynamics, fixed intervals, options pacing.

**Curiosity and Unpredictability.** Player wants to find out what actually happens. Game mechanics include: easter eggs, random rewards, visual storytelling.

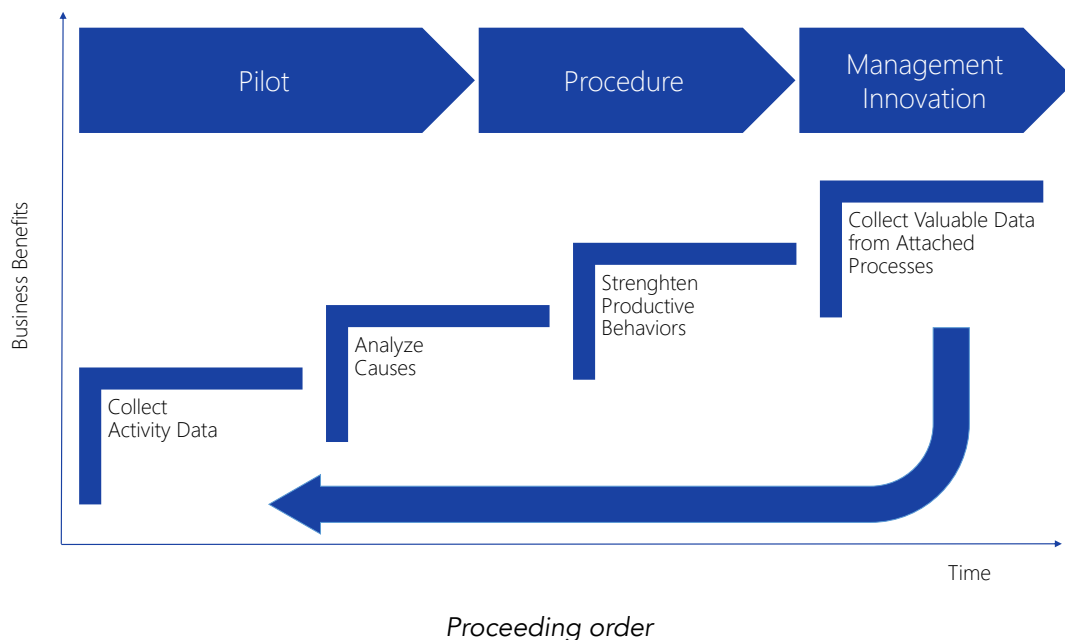
**Loss and Avoidance.** Player tries to avoid something negative to happen. Game mechanics include: sunk-cost tragedy, progress loss, evanescence opportunity.



# Conclusions

Gamification and behavior design are powerful tools for increasing customer, employee and partner engagement and affecting people's behaviors. When used properly, they will create sustainable competitive advantage for your business by radically changing the way work is managed.

To get the most business benefits out of gamification, recognize the challenges you're planning to tackle with gamification, start slow with a pilot and identify the behaviors you want to change based on an in-depth analysis of activity data. Use gamification to strengthen the productive behavior patterns found and, finally, extend the collection of valuable data to attached processes.



## About the Author



Mr. **Jukka Koskenkanto** is the CEO of [Cloudriven Ltd](#), a technology company specialized in delivering outstanding behavior management solutions. Jukka has an extensive academic track record in business management and over 10 years of consulting experience in various top-notch technology companies. He's also a very liked public speaker and lecturer.

