

Hierarchical similarity bias in idea evaluation: A study in enterprise crowdfunding

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ABSTRACT

To be successful innovators, organizations need to select the best ideas for implementation. Research shows idea selection to be distorted by a number of biases, but has failed to consider hierarchy, a key element of organizations. We examine how hierarchical distance between the creator and the evaluator of an idea affects the evaluation outcome. We advance three competing theoretical predictions based on homophily, competition, and status. To test our predictions, we use a unique dataset from an enterprise crowdfunding initiative at Siemens where 265 employees evaluated 77 ideas by allocating corporate funds, resulting in 20,405 evaluation dyads. We find that idea evaluations are more favorable if the idea creator is hierarchically similar to the evaluator, thus supporting the homophily perspective. Idea novelty amplifies this bias, inducing more social evaluations. Our findings are robust to various specifications and tests, and are absent in a sub-sample where idea creators remain anonymous. We contribute to idea evaluation research and inform the design of organizational idea selection processes.

Keywords: idea evaluation, idea selection, crowdfunding, hierarchy, homophily, status, competition