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Maximizing ROI on Crowdsourcing and Internal Collaboration

This White Paper identifies common mistakes organizations make when running crowdsourcing initiatives. It then suggests four simple steps for addressing these mistakes, allowing organizations to maximize ROI and zero in on finding solutions to what matters most. The White Paper was written by Stephen Shapiro, renowned innovation speaker, author and adviser.
About InnoCentive

InnoCentive is the global pioneer in crowdsourced innovation. We help innovation-driven organizations solve their critical business, scientific and technical problems by crowdsourcing ideas and solutions, either from our global network of highly educated problem solvers or from their own internal networks. By accessing vast virtual workforces with InnoCentive, organizations have been able to innovate faster, with less risk, and at a lower cost. We offer our proven Challenge Driven Innovation™ methodology, unrivalled network of over 380,000 problem solvers and purpose-built technology, as well as accompanying training and program management services. To date, InnoCentive have conducted over 2,000 external Challenges for organizations including NASA, DARPA, Thomson Reuters, AstraZeneca, GSK, Anheuser-Busch InBev, and Ford Motors.
Introduction

On April 20, 2010, the Deepwater Horizon oil rig exploded spewing 180 million gallons of crude oil into the Gulf Coast of the United States. After several failed attempts to stop the flow of oil, the Deepwater Horizon Unified Command turned to a technique used by many organizations when looking to innovate: crowdsourcing. They created a website where concerned citizens could submit ideas on how to stop the flow of oil. It is reported that they received nearly 123,000 submissions. On the surface, this might sound like a huge success. People were clearly engaged. But out of all of these ideas, only a dozen or so were deemed as having any value. This means that 99.99 percent were duds. The amount of energy required to submit and process this many bad ideas is massive.

The fatal flaw with this external crowdsourcing initiative is the same one that plagues internal collaboration. Generating a lot of ideas creates noise and wasted energy.

A major UK bank tried a similar approach, asking their employees for suggestions on how to improve the business. Although they received several thousand ideas, none were implemented, and the entire innovation team was fired. A well-known software company used the same strategy, hoping for different results. After receiving over 10,000 ideas yet only implementing two, the program was shut down.

I could give you dozens of other innovation programs that suffered the same fate. These “suggestion boxes” might provide some initial value helping you capture low-hanging fruit. But in the long run, they produce low innovation ROI.

These examples lend credence to Einstein’s perspective when he reputedly professed, “If I had an hour to save the world, I would spend 59 minutes defining the problem and one minute finding solutions.”
From my experience, most organizations are running around spending 60 minutes working on things that don’t matter.

Your organization is probably drowning in ideas, suggestions, and opinions. Although there might be some nuggets of value, it takes a lot of panning to find the gold. Instead of focusing on ideas, get everyone in your organization focused on finding solutions to important Challenges.

**Four Steps for Accelerating Crowdsourcing and Internal Collaboration**

How can you do this effectively?

Following four simple steps will help you zero in on finding solutions to what matters most:

- **Identify** the right question or task: ensure organizational value
- **Frame** the question or task in the right way: maximize chances of finding a workable solution
- **Distribute** the question or task to the right people: get fresh perspectives
- **Motivate** people in the right way: encourage participation

This four-step process is at the core of InnoCentive’s Challenge Driven Innovation methodology. In InnoCentive’s nomenclature these questions or tasks are called ‘Challenges’.

Let’s explore each step.

**1. Identify The Right Question Or Task**

The first step in driving a culture of innovation is to make sure that everyone is working on innovations that are of strategic importance. You don’t want employees innovating everywhere. Instead, you want them to innovate where you differentiate. That is, focus your energies on those capabilities that set you apart from the competition and make a difference to your customers.

One company that has done this exceptionally well is the financial services firm, USAA. They only offer services to members of the military and their families. Their mantra is to serve those who serve our country. Given the unpredictable and often transient nature of those in the military, being ‘easy to do business with’ is critical. Their differentiator is world-class customer service. They define innovation as “anything that makes the lives of their members better” and their ability to align
GOLDILOCKS PRINCIPLE
The Goldilocks Principle: Challenges can't be too big (broad and abstract, e.g., asking for 'new ideas') or too small (overly specific, e.g., an extremely technical problem that can only be solved by one discipline). They must be 'just right' - framed in a way that maximizes the likelihood of finding workable solutions.

with this has generated top ratings for customer service of any company in any industry.

This clarity helps them focus their innovation investments to produce unprecedented results.

Innovate Where You Differentiate
How do you differentiate yourself? Do you innovate where you differentiate? That is, are you investing a sufficient amount of your innovation efforts on your differentiator(s)?

When defining and aligning with your differentiators, consider the following:

• **Ensure your “core” is working first** – Although working on something “new and different” may draw attention, you must first make sure that your most basic functions are operating properly. You will kill your business if you focus on being different while your shipments are late and your quality is poor.

• **Cascade your targeting strategy to every level** – Everyone in your organization needs to understand your differentiator so that each and every person knows where to focus his or her innovation efforts. Innovating on things that aren’t important wastes your time.

• **You can’t catch your competition** – Recognize that it is difficult to be better than the current market leader in their area of differentiation. You will most likely lose at a game of catch-up. Instead, choose a different angle that has you play in the white space.

• **Your differentiator should be difficult to replicate** – If your competitors can easily copy your differentiator through a fast-follower strategy, your innovation efforts may only be serving to help your competitors do the difficult work. Choose an area of focus that is unique and defensible.

• **Your customers ultimately determine your differentiator** – At the end of the day, you don’t choose your differentiator; your customers do. What do your customers say sets you apart from the competition? Ideally it should be something that your customers directly see, touch, and buy. Saying your culture or leadership is your differentiator may be complicated to implement.

2. Frame the Question or Task in the Right Way

Once you have identified your differentiator, identify and frame the Challenges that will make it reality.
In order to accomplish this, use what I call “The Goldilocks Principle.” In that children’s fable, Goldilocks enters the house of the three bears and tests out their respective beds. One was too soft, another was too hard, yet the third was “just right.” Like the bed, you want to frame your Challenges “just right.” Ensure they are not too broad or abstract.

Avoid Overly Abstract Challenges

It is quite common for a company to ask its employees to find ways to improve productivity or increase revenues. But these are broad (too soft) questions that lead to abstract and irrelevant solutions. Unfortunately, as we saw with the Deepwater Horizon and bank examples, this unbounded approach actually reduces creative thinking and leads to abstract or impractical solutions.

In fact, contrary to conventional wisdom, to create a culture of innovation, you do not want people ‘thinking outside the box.’ The belief behind this overused and potentially damaging philosophy is that by eliminating constraints and allowing people to think freely, they will increase creativity. Instead, help them ‘find a better box’ — a well-defined Challenge with proper constraints. This will reduce the low-quality solutions while increasing the speed of finding good ones. Establishing boundaries does not necessarily put constraints on innovation efforts. In actuality, if done correctly, it has the capacity to dramatically enhance creativity and increase organizational effectiveness.

Avoid Overly Specific Challenges

Conversely, sometimes Challenges are overly specific (too hard), reducing the possible areas where you can find solutions.

This was the case with the Exxon Valdez oil spill cleanup efforts back in 1989. Although some of the oil was recovered, a large amount remained trapped under the ice. When teams tried to move the oil, the water/oil mixture “froze.” For two decades, oil engineers worked on this problem without any viable solutions. Only when they stopped thinking about the issue as an oil problem, and, with the help of InnoCentive and their Challenge Driven Innovation methodology, reframed it as a more general fluid dynamics issue (technically called “viscous shearing”), were they able to find a suitable solution. This was achieved after posting it as a Challenge to InnoCentive’s global Solver network, comprising of individuals and companies with diverse areas of expertise. In just six weeks, it was discovered that a similar problem exists in the construction industry where wet cement pouring through chutes can sometimes ‘freeze’, preventing flow. The solution that solved
the cement problem was successfully adapted to solve the oil problem. This example powerfully demonstrates that when problems are framed overly specifically, you limit the potential areas where you can find solutions.

Again, we see this same problem manifest itself with internal collaboration. Quite often inside of organizations, ‘Challenges’ are really just solutions masquerading as questions.

For example, most companies are working on the problem: “How do we use big data to better understand customer needs?”. Unfortunately this assumes that the solution involves big data, analytics, and other expensive technology. What you really want is to understand customer needs. There are many ways to do this that don’t involve technology. For example, ethnography is a powerful tool for understanding latent customer desires. This requires very little technology, although technology may enable it. Regardless, the technology involved is not big data, but rather observational tools. When framing an apparently technological problem, ask yourself, “How could I solve this problem without technology?”

Consider these lenses to frame your Challenges:

- **Leverage**: What are the leverage points for finding a solution? What is the one thing that has the greatest impact in delivering the desired result? Instead of focusing on improving the “education system,” one non-profit focused on “encouraging parental involvement.” This is proven to have the greatest impact on a child’s learning.

- **Solution Avoidance**: Does your question imply a solution? What are you really looking to achieve? Frame the question so you consider other approaches. If you want to attract millennial customers, don’t assume that the best way involves social media. Although this seems like the obvious answer, it actually can lead you down a dead-end path.

- **Domain Reframe**: Does your question imply a particular area of expertise? If so, re-frame it so that other domains of expertise can offer solutions. This is what was done for the Exxon Valdez oil spill.

- **Data-Driven**: Have you researched the facts your question involves? Too many questions are formulated on conjecture rather than on real data. A mobile phone company wanted to improve response times in their call center. Solutions typically involved more people or more sophisticated technology. But when they did some digging, they determined that a few lines on the customers’ bills were causing confusion. Fixing that decreased call volume drastically.

- **Word Substitution**: Can you substitute words in the Challenge to get a different thought process? For example, change “increase sales” to “increase customers.” Of course, you may play around with
the wording further to “get fewer high-margin customer.”

- **Task Focus:** Can you look at the task instead of the result? Improving productivity is difficult because it is too abstract. But what if you focused on “making jobs easier?” This begs the question, “Where are jobs complex today?” We often find that one issue begets another.

- **Investigative:** If you don’t have the information necessary to frame a Challenge, it is useful to ask “What don’t we know about this problem?” or “What is getting in the way of finding/implemented a solution?”

I’ve identified 70 different lenses that you can use to reframe your Challenges. Why? The way you ask a question will have a profound impact on how people think about the problem and the thought process they use to find solutions.

There is one other important point about the value of a Challenge-centered approach versus an idea-driven one. When you focus on Challenges, you are able to assign owners, sponsors, resources, money, evaluators, and evaluation criteria up-front before you invest significant energy. This means that you will have objective criteria for determining a good solution. And, when you find a good solution, you have all of the resources and support necessary to start implementation.

We often hear the mantra, “Don’t bring me problems; bring me solutions.” This is bad advice. Instead, ask for bigger and better problems. When you can turn a problem or opportunity into a well-framed Challenge statement, you will massively accelerate your innovation efforts.

This leads us to the third step... finding solutions.

### 3. Distribute the Question or Task to the Right People

Innovation requires ‘fresh thinking.’ You need to look at Challenges and opportunities from different angles. Unfortunately, when you are an expert and know a topic really well, it is difficult to look at it from different perspectives. As a result, the best breakthroughs are often found by connecting with entirely different areas of expertise.

What we find is that experts are great at finding incremental improvements that build on past successes. This is incredibly valuable and can account for as much as 80% of a company's innovation.

But we face completely new Challenges each and every day. Therefore,
in addition, we need solutions that are discontinuous in nature and are not adaptations of past work.

Fortunately, in many cases, you may find these breakthrough solutions internally. This can be done by looking somewhere else in the company for a solution to your Challenge. Or, you can proactively find other opportunities for existing solutions.

For example, when a company wanted to find a new formulation for whitening toothpaste, they didn't turn to dental experts. Instead they looked for someone else who had solved a similar problem. They asked, “Who else makes whites whiter?” They recognized that laundry detergent — a different division inside this company — makes whites whiter. They achieve this by putting a blue dye inside the laundry detergent that creates an optical effect that prevents the reflection of yellow. Building on this concept, the dental experts formulated a toothpaste with a blue dye that instantly creates the illusion of white teeth. By looking internally for a solution to their problem, they found a novel and previously unconsidered approach.

Conversely, there are times when you want to proactively take an existing solution and find how it might apply elsewhere. New research conducted at 3M proves that individuals who cross-pollinate their solutions to other areas of the business provide significantly more value than those who go deep into one area. For example, researchers that take their solution from the adhesives business and find ways to apply it to Challenges in the abrasives group created significantly more value.

Of course there are times when the best solutions can be found outside the four walls of your organization. In those cases, open innovation in all of its forms can be of incredible value. If you are looking for “off-the-shelf” solutions, tech scouting can be a great way to quickly find solutions. For Challenges that require a lot of background knowledge or where confidentiality is critical, alliance partners (e.g., universities, consultants, etc.) may be your best option. For Challenges requiring less contextual knowledge or are less sensitive, crowdsourcing is a viable option.

4. Motivate People in the Right Way

Once you determine the best method for sourcing a solution, you now need to motivate people to participate in providing innovative perspectives.

One way to do this is to stop recognizing your employees for doing their job. When you hire someone to work for you, it should be expected that
they are competent. When you recognize people for doing what they are hired to do, it reinforces a ‘culture’ where the status quo is good enough.

Instead, recognize (and reward) people for going beyond their job—for doing things that are unexpected.

If you want to encourage open innovation or cross-business unit collaboration, then recognize people for that. If you want employees to take risks, make a big deal out of individuals who do that. If you want to let people know that failure is OK—when done the right way—then promote situations where something didn’t work as planned yet powerful lessons were learned and risk was mitigated.

Define what your organization values and then reward it.

Individuals are motivated on three core levels:

1. Compensation
2. Community
3. Contribution

**Level 1: Compensation**

The most basic motivation involves compensation: bonuses, pay raises, or gift cards. This is a direct payout for participation. Unfortunately, when a dollar amount is associated with the prize, people subconsciously ask, “Is the prize I will get worth the extra effort?” and often decide the answer is “no.” Therefore, the best compensation is one without a direct financial amount, such as dinner with the CEO, a prime parking space, or an extra day of vacation. These items cannot be bought and therefore have more value to the individual.

**Level 2: Community**

Inside organizations, this level is actually the most useful and practical. Here is where we get status, competition, and peer recognition. This can be extremely effective, especially in organizations where ‘intelligence’ is highly valued, such as in pharmaceutical companies or R&D departments.

For some individuals, being recognized by their peers is in fact the highest form of motivation. In some circles, being published in a peer-reviewed journal is an incredible honor. Therefore, find ways of recognizing people, especially when it involves peer recognition.

**Level 3: Contribution**
The highest level of intrinsic motivation is where ‘the work is its own reward.’ The open source software movement was largely built on this model. Millions of people have helped develop software without any formal extrinsic compensation. People often get involved just because it feels good to contribute.

Although this is an incredibly effective motivator for many, this is difficult to put into practice inside a ‘typical’ organization. When I worked for a Formula 1 team, I could see that people truly loved what they did because they were fans of the sport. But this is usually the exception, not the rule.

Regardless of what motivation strategies you use, remember that your organization’s culture is nothing more than what individuals say to each other and what they think to themselves. When you shift the conversations, you shift the culture. These types of programs are a great opportunity to create an environment of innovation and promote the values/conversations you want to instill.

Accelerate the Way You Collaborate

Contrary to conventional wisdom, innovation is not about creating new products, processes, services, or business models. It is about adaptability, repeatability, and efficiency.

Although no organization has an unlimited amount of time, money or resources, the innovation strategies often used are wildly inefficient with a low return on investment.

According to an Accenture study of executives in 639 companies, the top two reasons for innovation failure was that their products and services “failed to meet customer needs” and innovations were “slow to market.” This four-step process addresses both of these concerns, and more.

- **Ask the Right Challenge:** when you work on the “right Challenges,” you ensure you are focused on solutions that will be valuable to the market. You also get every employee “rowing” in the right direction, helping to prioritize investments.
- **Pose the Challenge to the Right People:** another way of accelerating innovation and hence improving time to market is by looking every-where for solutions. Avoid going to only the people in your department or the domain experts. Are there solutions in other functions? Business Units? Product lines? Also, when appropriate, look outside the four walls of your organization to find existing solutions that will help you avoid reinventing the wheel.
- **Motivate in the Right Way:** of course the engine behind internal
collaboration is your people. Only when they are properly incentivized will they participate in your innovation efforts. Old-school extrinsic measures are the least effective motivation strategy. Tap into the human desire for community and contribution as a way of getting people engaged.

When the pace of change outside your organization is faster than the pace within, you will be out of business. Although these four steps are only part of what is needed to create a sustainable innovation capability, they are a good starting point for enabling an adaptable organization.

This white paper was authored by Stephen Shapiro, Innovation Evangelist, speaker, author, and advisor. [http://stephenshapiro.com/](http://stephenshapiro.com/)

**About the Author**

*During the past twenty years, Stephen Shapiro’s message to hundreds of thousands of people in over 40 countries around the world has focused on how to enable innovation by bringing together divergent points of view in an efficient manner. He is the author of five books on innovation, including his latest book, Best Practices Are Stupid: 40 Ways to Out-Innovate the Competition, (Portfolio Penguin) which was selected as the best innovation and creativity book of 2011 by 800-CEO-READ and was a #1 international bestseller. Previously, during a 15-year tenure with Accenture, he led a 20,000-person process and innovation practice. Learn more at [www.StephenShapiro.com](http://www.StephenShapiro.com)*
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