Though it goes by many names, crowdsourcing is simply the practice of companies using the Internet to reach out to a broad community to solve a problem, either through competition or collaboration.

In today’s fast-paced business environment, companies are having trouble allocating the time and resources needed to innovate and stay competitive. Innovation and continuous improvement are nothing new to companies. But, the explosion of user generated content as well as the exponential advances in collaborative software have caused a paradigm shift in the methods that companies must use to thrive in this new reality.

According to Eric Schmidt, Executive Chairman of Alphabet Inc, “Every two days now we create as much information as we did from the dawn of man through 2003.” The primary driver of this explosion in data is user generated via social media, blogs and forums.

This is a global knowledgebase that companies need to engage. It consists of potential as well as current customers and suppliers who have new ideas and novel solutions to tough organizational challenges. Crowdsourcing helps companies gain a competitive advantage by going outside of traditional organizational boundaries to gain access to the wisdom of more minds while saving time and money versus traditional employee hiring and training.

The brainpower of the world is at your company’s fingertips. But without a strategy to collect, analyze and put this information into action, we will continue to witness incumbents being blindsided by the next “Uber for X.”

A company has a problem that they may have previously hired an employee or contractor to perform.

Results & Benefits

- Greater breadth & depth of solutions that may have not have ever been generated internally.
- Lower overhead cost to access solutions since they come from freelancers vs. full-time employees.
- Increased brand exposure resulting in new potential customers and partners.

Instead they involve a ‘crowd’ to help them solve their problem. By getting a larger group of people to work on their problem, they hope to get a better solution.
Who is the Crowd and What Types of Crowdsourcing Exist?

WHO IS THE CROWD?

Although the crowd is normally referred to as an undefined and random conglomeration of Internet users, we like to further classify it into four groups that exist both inside and outside of traditional organizational boundaries.

Research indicates that using crowdsourcing methods can alleviate other problems facing organizations such as low employee morale, poor customer retention and supply chain bottlenecks.

EMPLOYEES

They are closest to customers and have great ideas, just no outlet to get them to management. Internal crowdsourcing gets great ideas in front of decision makers and has been shown to boost employee morale and engagement above the unacceptably low 49% average.

SUPPLIERS

Online collaboration among and between suppliers can help increase supply chain efficiency, resulting in cost savings throughout the value chain.

CUSTOMERS

Doesn’t it make sense that the people who consume your product should have a voice in shaping it? Companies engaging in customer ‘co-creation’ have shown higher customer retention rates and reduced failure rates of new product introductions.

THE PUBLIC

Engaging the public as a whole provides the best results at the lowest cost when intellectual property risks are managed effectively.

WHAT TYPES OF CROWDSOURCING EXIST?

Problem Solving Contests

Present a problem that is inefficient or cost prohibitive to solve internally and provide a cash prize to the individual or team with the winning solution.

Applications

- Engineering obstacles
- Algorithm refinement
- Marketing campaigns
- New Product Design

Use Case - Netflix

Netflix offered a $1,000,000 prize to anyone who could design an algorithm that out-performed their recommendation algorithm.

Crowd Voting

Collect the aggregate opinion of a group to forecast the outcome of future events that affect an organization’s operations or strategy.

Applications

- Product sales forecasts
- Rank new idea profitability
- Monitor project deadlines
- Measure business risks

Use Case - HP

Hewlett Packard predicted printer sales with 50 employees more accurately 6 out of 8 times versus traditional forecasting methods.

Ideation & Collaboration

Solicit, evaluate and implement new ideas from hundreds to tens of thousands of internal or external participants.

Applications

- Product design and engineering
- Generate new product ideas
- Improve customer experience
- Reduce supply chain bottlenecks

Use Case - Unilever

Unilever collaborates with the public on new product concepts and pledges to increase idea generation ten-fold by 2020.