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Ideagora, a Marketplace for Minds

Ideas and innovations are increasingly coming from outside company walls—and Web-based virtual talent pools are stepping in to fill the need

by [Don Tapscott](#) and [Anthony D. Williams](#)

As the late-19th century chemist and microbiologist Louis Pasteur famously said, chance favors the prepared mind. The same could be said of innovation. Companies face tough dilemmas everyday for which there is, somewhere, a uniquely prepared mind—someone with the right combination of expertise and experience to solve the problem. Conventional wisdom says companies should find those people, hire them, and retain them with money or perks.

But today, a growing marketplace for ideas, innovations, and uniquely qualified minds is changing the long-standing rules of innovation and talent management. Companies seeking solutions to seemingly insoluble problems can tap the insights of hundreds of thousands of enterprising scientists without having to employ everybody full-time. This shift is rippling through Corporate America and changing the way companies invent and develop products and services.

Take Colgate-Palmolive ([CL](#)). The company needed a more efficient method for getting its toothpaste into the tube—a seemingly straightforward problem. When its internal R&D team came up empty-handed, the company posted the specs on InnoCentive, one of many new marketplaces that link problems with problem-solvers. A Canadian engineer named Ed Melcarek proposed putting a positive charge on fluoride powder, then grounding the tube. It was an effective application of elementary physics, but not one that Colgate-Palmolive's team of chemists had ever contemplated. Melcarek was duly rewarded with \$25,000 for a few hours work.

A COMMUNITY OF IDEAS

Today, some 120,000 scientists like Melcarek have registered with InnoCentive and hundreds of companies pay annual fees of roughly \$80,000 to tap the talents of a global scientific community. Launched as an e-business venture by U.S. pharmaceutical giant Eli Lilly ([LLY](#)) in 2001, the company now provides on-demand solutions to innovation-hungry titans such as Boeing ([BA](#)), Dow ([DOW](#)), DuPont ([DD](#)), P&G ([PG](#)), and Novartis ([NVS](#)).

Today, these companies are pioneers among thousands of businesses that participate in what we call "ideagoras"—places where millions of ideas and solutions change hands in something akin to an eBay for innovation. Why would seasoned innovators like P&G have to look outside when they already employ thousands of world-class researchers? The answer is two-fold.

Today's competitive reality is that mature companies can't keep up with the speed of innovation or the demands for growth by relying on internal capabilities alone. For a \$70 billion company like P&G, organic growth of 6%, for example, would require building a profitable new \$4 billion business every year!

VAST TALENT POOL

For years, companies pursued acquisitions, alliances, joint ventures, and selective outsourcing in the quest to [businessweek.com/.../id20070215_251...](#)

please shareholders. But today, these conventional tools are simply too rigid, and not scalable enough, to drive growth and innovation at a level that will make companies truly competitive. As Larry Huston, P&G's vice-president of R&D innovation and knowledge, put it, "Alliances and joint ventures don't open up the spirit of capitalism within the company. They're vestiges of the central planning approach when instead you need free-market mechanisms."

In contrast, ideagoras create a vibrant marketplace of connections in which companies can leverage other people's talents, ideas, and assets quickly and move on. What's more, the pool of talent at their disposal in a marketplace like InnoCentive vastly exceeds what one company could hope to marshal internally.

The second reason is the changing talent landscape. The talent required to lead path-breaking innovation will increasingly reside in locations such as Brazil, China, India, and Eastern Europe, largely because a seismic demographic transition unfolding today places the locus of growth in the global economy (both in terms of consumer demand and the supply of highly skilled knowledge workers) squarely in these developing markets.

BREAKING NEW GROUND

What's more, many of the brightest researchers want to work outside the confines of traditional enterprises. P&G figures that for every one of the 9,000 top-notch scientists inside its labs, there are another 200 outside who are just as good. That's a total of 1.8 million people whose talents it could potentially tap into. So smart companies are treating the world as their R&D department and using ideagoras to seek out ideas, innovations, and uniquely qualified minds on a global basis.

Though today's nascent ideagoras have yet to reach eBay-like proportions, companies such as InnoCentive, yet2.com, Nine Sigma, and YourEncore have planted the seeds for a sea change in innovation. They could arguably spur even more profound changes if services such as InnoCentive looked and behaved a little bit more like the open source software community.

For the time being, InnoCentive solvers don't naturally coalesce into large groups focused on collaborating to solve a single problem. Nor does InnoCentive offer the openness and transparency of open-source software. Seeker businesses can cloak their identities, and solvers may never get personal credit for their contributions.

InnoCentive's new Chief Executive Officer Dwayne Spradlin, however, is keen to increase contributor activity and loyalty by addressing these issues. Spradlin plans to ignite more "viral" behavior among seekers and solvers by expanding the tools available to users to manage rights, communicate with other registered users, and self-organize into ad hoc freelance organizations. "Think 'government research retirees' or 'Chinese nanotechnologists' or 'ABC Corp.'s contract research partners,'" says Spradlin. "Then envision engaging those groups in specific challenges of interest to them."

CODER VS. CODER

Indeed, where innovation problems are highly integrated, it may be preferable to offer problems to skilled external teams rather than, or in addition to, posting them in an open market. Imagine, for example: FEMA seeking ready-made solutions for housing in the aftermath of Hurricane Katrina or the city of Los Angeles seeking help to reduce traffic congestion on its highways. The fact that InnoCentive structures its problems in a modular way already means that there are opportunities for individuals and organizations to build a business around this model of innovation.

Another company staking a claim in the new global marketplace for ideas is TopCoder, which organizes some of the world's largest computer programming competitions. Such competitions have been around for decades, but businessweek.com/.../id20070215_251...

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the world's largest computer programming competitions. Such competitions have been around for decades, but growing worldwide demand for exceptional talent has upped the ante and competitions have been growing in size and frequency as a result. Google's ([GOOG](#)) recent "Code Jam" attracted 20,000 participants from 143 nations, up from 14,000 in 2005.

Starting March 6, 2007 and running for several months, Microsoft ([MSFT](#)) and BT Group ([BT](#)) are using TopCoder to run a "mash-up" competition to encourage developers to merge telecommunications features such as voice and text messaging with Web-based applications such as mapping and search. Winners can grab prizes ranging from \$2,500 to \$25,000.

JUST REWARDS

For the winners in these tight-knit community contests, cash prizes are secondary to the potential for recognition that could jump-start a career. TopCoder claims it can be a "write your own ticket" kind of event. For competition sponsors, the contests provide a low-cost, low-risk way to identify and test out new talent.

Contests aren't perfect though. After all, contest winners may not actually make great employees. And critics question the ethics of contests in which thousands sign over the rights to valuable knowledge, while only a handful of winners take all. To be sure, sponsors such as Google, Microsoft, and BT Group have much to gain. If they launch a multi-million dollar service based on contest output, then \$25,000 in prize money looks like a pittance.

While these challenges are real, TopCoder Chairman Jack Hughes says that although 3% to 4% of the 100,000 members grab the lion's share of the rewards, 20% of their content participants have sold some code through the network. Moreover, TopCoder is putting its money where its mouth is. Wu Yingying, 21, is the new vice-president of Asia operations, fresh off of leading her own university team to victory in a 2005 programming contest.

IDEAGORAS INTO ACTION

Ideagoras like InnoCentive and TopCoder offer companies access to a wealth of new ideas and uniquely qualified minds, but learning how to tap the potential of a global ideagora means turning the R&D organization on its head. Companies would no longer invent first and ask questions later. They would ask, "What do our customers really need?" and then scour the "eBay for innovation" for the necessary inventions and technologies.

R&D labs would be ambidextrous: building on core capabilities internally, while acquiring the greatest, most complementary ideas externally. The deep-rooted "plan and push" modality would give way to a new approach to innovation in which companies engage and co-create with the best available talent.

These changes won't be easy or automatic. "It requires a lot of trust to believe that you can accomplish your goals by relying on freelance scientists to come up with solutions," explains InnoCentive founder Alf Bingham. "Most people at big companies aren't ready to entertain that idea." After all, the modus operandi of R&D departments is to invent, not to acquire outside ideas. CEO leadership and a commitment to appropriate staffing, incentives, and organization in R&D will be critical to success.

SEARCHING FOR SMARTS

For starters, companies need new capabilities to create, transfer, assemble, integrate, and exploit knowledge assets. Sensing external opportunities is just the beginning. The really hard work starts with conceiving the ultimate customer offerings, and then executing smart decisions about acquiring intellectual property and partners to design, assemble, and deliver the final value. As P&G's Larry Huston reminds us, "Once an external idea gets into the development pipeline, it still needs R&D, manufacturing, market research, marketing, and other functions

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pulling for it."

It's no surprise that smart people remain as valuable as ever, if not more so, in today's economy. But for smart companies, the notion that you have to motivate, develop, and retain all of your best people internally is old. Of course, you will still need great internal talent. But increasingly, assume that many of the best people are to be found outside your corporate walls. With an eBay for innovation, however, a massive reservoir of talent would be a few clicks away.

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