

Harnessing the power of crowdsourcing

Does your company stand out in a crowd?

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*Advisory
People and Change*

At a glance

Innovation and managing talent are clear strategic focal points for CEOs today.

Unlocking worker knowledge and creativity will be key to growth.

Crowdsourcing can help ignite ideas across your organization.

How a collaborative culture promotes innovation and growth

As the global economic recovery begins to gain traction, CEOs and other top executives are optimistic about the future.

Confidence in revenue growth among the 1,200 CEOs polled in PwC's 14th Annual Global CEO Survey is at its highest level of the last decade, with 48% of respondents sure of revenue growth over the next 12 months and 51% reporting confidence for revenue growth over the next three years.¹

More than ever, CEOs see innovation as the vehicle best suited to put them on the road for growth. (See Figure 1.) In our survey, 79% of CEOs expect their innovation developments will drive efficiencies and create competitive advantages, alongside the 78% who expect innovation to generate significant new sources of revenue over the next three years.

Figure 1: Expectations regarding innovation

To what extent do you agree with the following statements about your expectations regarding your company's innovation over the next 3 years?

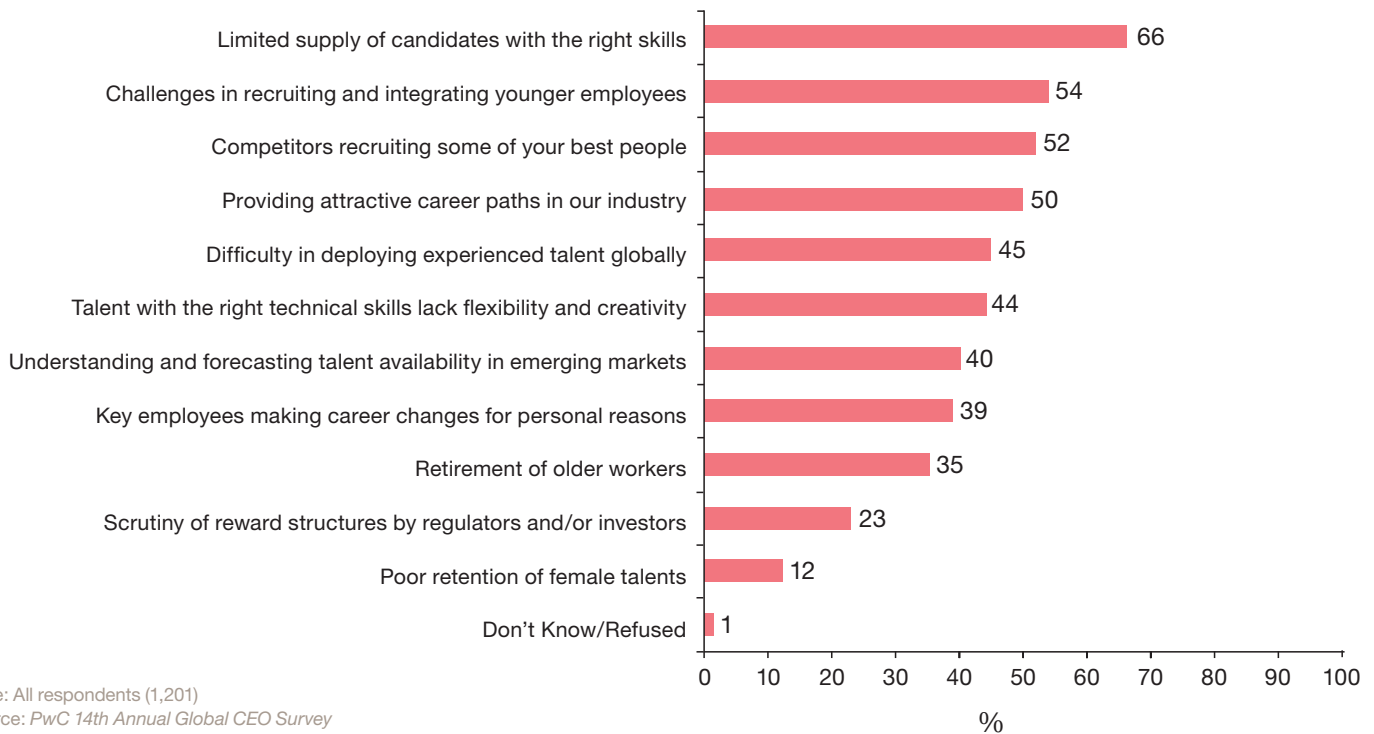


Base: All respondents (1,201)
Source: PwC 14th Annual Global CEO Survey

¹ Source: PwC 14th Annual Global CEO Survey. <http://www.pwc.com/gx/en/ceo-survey/index.jhtml>

Figure 2: CEOs foresee skills shortages

Considering the talent required for the success of your business over the next 3 years, what are the key challenges you expect to face?



Base: All respondents (1,201)
Source: PwC 14th Annual Global CEO Survey

That marks a startling shift in strategy. Previously, business leaders believed better penetration of existing markets was the most effective path to business growth. Relying on innovation to drive growth puts a whole lot of pressure on employees—and often customers—to come up with those gangbuster ideas that require innovative employees willing and able to turn on their creative energy. Today’s talent management challenges add to the hurdles.

CEOs are troubled by a dwindling supply of job candidates with the right skills. (See Figure 2.) At the same time, many worry that although existing employees may be well-qualified, they lack the flexibility and creativity necessary to generate innovation. In our survey, 44% of CEOs reported that

finding talent flexibility and creativity will be a key challenge over the next three years.

Age and generational differences also rise to the top of CEOs’ minds. In our survey, 54% of CEOs said they worry about recruiting and retaining younger employees, such as the mercurial Generation Y and the more youthful millennials, and 35% are troubled by the imminent retirement of millions of baby boomers.

Unlocking worker knowledge and creativity has been on the minds of executives for some time now, and some are taking a cue from tech-savvy Gen Y and millennials, who grew up with the Internet and social sites including Facebook, Twitter, and YouTube.

These “digital natives” routinely use collaborative sites and apps to share information, get news, and decide what products to buy. While many companies are aware of these tools, relatively few have embraced them internally.

As baby boomers begin to retire, organizations should prepare for a digital transformation that will need to adopt business models and operations that meet the collaborative expectations of tomorrow’s knowledge workers. This digital transformation will enable employees and customers to engage with businesses in the same ways they do with their friends: social networking, video on demand, smart phones, and online gaming.

The digitally collaborative enterprise—the case for crowdsourcing

The explosion of social media, mobility tools such as smart phones, and smart phone apps have profoundly altered the ways workers and tech-savvy consumers communicate. The emphasis on digital social relationships, along with the breathtaking pace of digitization around the globe, has also transformed how businesses communicate with consumers and, increasingly, their employees.

One way that companies are tapping into creativity is an approach known as crowdsourcing. Crowdsourcing enables a company to broadcast an issue to a diverse audience—using

web-based collaboration solutions such as Salesforce.com Chatter, Brightidea, Spigit, Jive, or Yammer to name a few—and ask them to contribute ideas to solve the problem. Organizations that have tried this have experienced surprising solutions to internal problems and innovation needs.

Crowdsourcing is effective, in part, because it draws upon the diverse experience and knowledge of a large, heterogeneous audience to arrive at innovative solutions. Another benefit: Crowdsourcing mirrors the social-collaborative mind-set of young audiences who are accustomed to communicating and sharing knowledge in a world where information is freely available with no organizational barriers.

More and more, we find businesses are hiring social media directors to craft strategies to build rich customer relationships on social networking sites such as Facebook and LinkedIn. Once a crowd of connected followers is in place, companies ask them for product suggestions and promote new products via social sites.

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New technology for new growth

Collaborative technology is the foundation upon which innovation and sustainable revenue growth will be built. Accordingly, a renewed focus on technology is crucial, as Johannes Teyszen, chairman and CEO of German energy corporation E.ON AG, said in an interview for PwC's CEO survey.

“For the first time in our corporate history, I've decided to task a specific E.ON board member with the responsibility for focusing exclusively on technology and innovation. We realize that our future success really hinges on our ability to innovate and mobilize new technology,” he said.

“And now, with an E.ON director focused entirely on innovation and technology, I believe that we'll have an excellent grip at the board level on the things we need to do to keep pushing the innovation envelope.”

Consider Google, for example. The technology company employs internal crowdsourcing in the recruiting process by asking its employees for feedback on job candidates based on similarities in experience—the candidate and the employee may have attended the same university at the same time or previously worked for the same company, for instance.

This form of mass collaboration has been successfully used by corporations for product design and marketing initiatives for several years. Consider, for instance, PepsiCo and its crowd-created Super Bowl XLV commercials.

For a fifth consecutive year, PepsiCo sponsored a crowd-driven contest in which consumers created 30-second commercials for its Doritos® and Pepsi MAX® products. More than 5,600 videos were submitted, and consumers voted at the company's “Crash the Super Bowl” Contest website to select six commercials that would air during the game. Based on the *USA Today* Ad Meter, these six commercials were a resounding success: One user-generated ad ranked No. 1 among all commercials broadcast during the game, and two others placed in the top five.² PepsiCo got six commercials for a bargain price of \$1.4 million in prizes to winners, while fully engaging its customers in its brands and further building its social networking base.

Companies can leverage online communities (employees and customers alike) to generate new revenue-generating innovations, discover cost savings, and even help perform processes such as reviewing resumes and providing feedback on candidates.

Given that level of participation and success, it's not surprising that companies are increasingly employing crowdsourcing as an internal tool to discuss and solve specific company issues. These companies recognize that their diverse employees collectively know more than any of their executive teams, and soliciting that knowledge has resulted in surprising solutions to difficult problems. At the same time, employees are thrilled to have an active voice in the creative process at their companies and are further engaged in the company mission.

Other companies use Twitter and LinkedIn to reach the right job candidates and even to vet open job descriptions.

This is only the beginning. Companies can leverage online communities (employees and customers alike) to generate new revenue-generating innovations, discover cost savings, and even help perform processes such as reviewing resumes and providing feedback on candidates.

² Source: <http://www.pepsico.com/PressRelease/PepsiCos-Doritos-and-Pepsi-MAX-Brands-Dominate-USA-TODAY-Ad-Meter-With-Consumer-02072011.html>

Making crowdsourcing successful for your organization

The shift toward a collaborative model requires an investment in technology and a commitment to a new employee engagement process. It means commitments from the CEO and a supporting cast of leaders across the organization.

“Companies give innovation a lot of ‘airtime’ but not enough ‘dollar time,’” said Vineet Nayar, Vice Chairman and CEO of India’s HCL Technologies. “At HCL, we put innovation on our balance sheet. We innovate on behalf of our customers and participate with them in the risk associated with innovation. When innovation results in a new revenue stream for them, we share in it. We have this arrangement now with several customers.”

There are a wide range of technologies and providers of crowdsourcing capabilities. Companies should

conduct an analysis to understand their needs and capabilities of vendors, while also considering the following five factors that set companies up for success:

1. Include a diverse audience.

The power of crowdsourcing lies in its ability to systematically engage a large, diverse group of people in collaborative problem solving. Research shows that significant advantages arise from including people with a diverse range of problem-solving approaches, backgrounds, and personal experiences. In fact, those most removed from the expertise typically associated with solving a problem often are more successful because they look at the issue from a fresh perspective.^{3,4}

2. Provide a clear purpose.

To ensure that crowdsourcing does not descend into chaos when a plethora of voices spin off topic, you should provide a specific challenge for the company. For instance, ask employees to identify a new green-tech product that could generate a specific dollar amount in revenue over a defined period. An explicit purpose should give employees a catalyst, a community, and an outlet to unlock untapped innovation.

³ Source: Jackson, S. E. (1992). Team composition in organizational settings: Issues in managing a diverse work force. In S. Worchel, W. Wood, & J. Simpson (Eds.), *Group process and productivity*. Newbury Park, CA: Sage.

⁴ Source: Bantel, K. A., & Jackson, S. E. (1989). “Top management and innovations in banking: Does the composition of the top team make a difference?” *Strategic Management Journal*, 10 (Special Issue), 107-124.

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3. Motivate to participate.

While employees are typically enthusiastic about providing input for new initiatives, there is no guarantee of universal participation. In fact, companies are likely to face the hurdle often described as the 90-9-1 principle. This tenet, premised on Web-usage statistics from popular community sites including YouTube, describes participation in online content creation: 90% of the audience will access content without participating, 9% will edit or modify content, and only 1% will create content. Participation is more likely to be self-generating in companies that have a trusting environment in which employees are engaged and encouraged to contribute.

4. Allow time to innovate.

Companies often ask employees to innovate, yet many are unwilling to grant them the time to do so. Research has shown a direct correlation between teams that are given time to innovate and those that submit a winning crowdsourcing idea. Perhaps the best-known proponent of this strategy is Google, which allows engineers to spend 20% of their time working on personal side projects, an initiative that has resulted in products such as Gmail, Google News, and AdSense. It's proof of a long-held Google maxim: Allow for freedom of thought and action, and people will surprise you.

5. Don't throw out ideas.

Diverse audiences will deliver diverse solutions, and the most viable and financially promising suggestions will typically win out. But that doesn't mean the other proposals are failures. A key to successfully fostering innovation is the ability to turn failures into lessons and future successes. Apple's iPhone and iPad, for instance, are both the result of related but "failed" products — the ROKR iTunes phone and the Newton tablet computer, respectively. To truly innovate, companies must embrace a culture in which a failed idea is acceptable and the workforce is encouraged to continually push the boundaries.

Motivating and managing the crowd

We have found that crowdsourcing—and the innovation it can unlock—thrives in a trusting and open organizational culture. Demonstrated confidence in employees' creative abilities and encouragement of active collaboration are key.

As Dr. Zhang Xiaogang, president of the Anshan Iron and Steel Group Corp. in China, noted in our CEO survey, executives must be unyielding in creating a culture of trust.

“Angang Steel has taken steps to nurture a culture in which innovation can thrive,” he said. “This includes engaging clients in research and development, creating a corporate environment in which risk taking is encouraged and mistakes are tolerated, and recognizing and rewarding individual initiative. Our staff is encouraged to participate in decision making and supervision.”

In this new world of collaborative innovation, trust in management is an imperative that can be quickly built. We have seen crowdsourcing instances in which employees were openly antagonistic to management during initial phases. But as management persevered and proved its commitment to open, honest communication, employees embraced the project and soon began the process of real collaboration. It's one thing to solicit employee opinions, but offering the opportunity to develop new products or services is empowering and can boost engagement.

It's also critical that crowdsourcing participants know their ideas are being heard and taken seriously. Accordingly, senior leaders must actively participate in discussions to demonstrate a top-down commitment. Active participation by key stakeholders will require a certain investment in time and though there is no guarantee of success, that investment can pay off in effective problem solving and a renewed commitment to innovation.

Community-centric younger workers will play a very important role and should take a lead. Gen Y and millennials grew up with the social Internet, and they can help shape a crowdsourcing program that is relevant and current because they are more likely to embrace new and innovative methods of generating ideas. This can run counter to the existing culture but can signal a new way of doing things.

Creating a culture with the courage to push the boundaries and accept failure will require a relaxed expectation for rapid return on investment. Consider, for instance, Apple's 10-3-1 product development tenet. From a pool of hundreds of ideas, 10 are chosen. Of these 10, three prototypes are created, and only one product may eventually make it to market. Using this approach, more than 90% of ideas are eliminated, and that's a level of investment that many companies cannot tolerate. But as Apple has demonstrated, taking risks can enable an organization to leap-frog its competitors and create category-defining successes.

A new order for channeling creativity and role for HR

The proliferation of social technologies among consumers virtually guarantees that corporate cultures and operating models will shift further toward an entirely digital ecosystem. And that means in the company of tomorrow, employees will work in new and very different ways. Further, employees entering the workforce today have their own distinct expectations about their relationships with employers.

“With Generation Y coming into the business, hierarchies have to disappear,” said Nayar of HCL Technologies. “Generation Y expects to work in communities of mutual interest and passion—not structured hierarchies. The far-reaching effects of a collaborative digital infrastructure and a new generation of workers

will bring tremendous cultural and organizational changes. Consequently, people management strategies will have to change so that they look more like Facebook and less like the pyramid structures that we are used to.”

Crowdsourcing presents a strategic opportunity for HR leaders to champion a collaborative digital enterprise that will bring the organization into today's community-centric culture. Because of the typical role HR plays in owning the employee experience from hire to retire, it can play a pivotal role in not only helping to drive the talent management strategies that make crowdsourcing successful, but can proactively help drive changes to the corporate culture to be truly collaborative and innovative. It seems that the role of HR is changing, and leading HR organizations will proactively seize the opportunity to lead the change versus having to follow and catch up, which may sub-optimize what is possible.

The ultimate value of an internal crowdsourcing initiative will be the creation of a collaborative culture that champions fresh ideas and mirrors the community-centric nature of the Internet at large. And that will enable the organization to channel the creativity of its employees and attract the best talent of the 21st century.

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***To have a deeper discussion
about crowdsourcing and how
it can drive innovation at your
organization, please contact:***

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