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Dion Hinchcliffe's Next-Generation Enterprises

Dion Hinchcliffe

Crowdsourcing: 5 Reasons It's Not Just For Startups Any More

 By *Dion Hinchcliffe* on September 25, 2009 9:01 AM 9 Vote 0 Votes

Next-generation enterprises looking to drive efficiency and innovation have recently been able to tap into online communities to offload work. For the first time since outsourcing became prevalent in the 90s -- making it easier to move tasks out to partners that could do something better or more cheaply than you could -- businesses now have a new, potent, and often far cheaper option thanks to the Web.

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Frequently referred to as **crowdsourcing**, and a darling of the Web 2.0 industry, it has recently come of age as the tools and marketplaces for on-demand work capacity on the network have expanded far beyond the early volunteer communities that originally proved out the concepts. These pioneers, which include the world of open source software and online services such as YouTube and Threadless, get most of their value from a large group of people or community through the simple use of an open invitation.

How Crowdsourcing Works in 6 Easy Steps



From <http://www.ebizq.net/blogs/enterprise>

While Internet startups have had considerable success with crowdsourcing over the last few years, including with its more serious cousin **peer production**, it's only recently that they've focused on creating the tools and communities that can be readily consumed by enterprises. One of my favorites is **Crowdspring**, an online design service. I've submitted work there in the past and was amazed at the number of community responses I received (well over 40 for a single design request) for the smallest fraction of what it would cost using traditional services. LG recently designed one of its new phones this way for a paltry \$20k ([details and submissions here](#)). The economics and results of crowdsourcing are thus often compelling.


Related: Crowdsourcing is one of 18 key topics for IT and business leaders this year.

Now we're beginning to see a more complete picture emerge as various providers begin filling in the blanks in terms of the type of work that can be done. I've been tracking early providers such as Amazon's excellent Mechanical Turk and Innocentive for years, but there now both more specialized providers across more aspects of what we do in business. This includes idea generation, design work, execution of business processes, testing services, and even customer support. All of these can now be connected, often programmatically, directly to a company's supply chain.

While some companies, notably Netflix (the just renewed **the Netflix Prize**) and **Emporis** (real estate data), have built their own crowdsourcing capabilities internally, this is not something most companies are experienced with or prepared to do themselves. It also often doesn't make sense to build a crowdsourcing environment in-house unless the work to be done is strategic to the business. For these organizations there are now commercial services available which have all the necessary ingredients to begin using them right away to crowdsource. These including configurable **architectures of participation**, legal constructs, customer support, as well as communities of users ready to contribute. Depending on the kind of work required, organizations that use crowdsourcing typically pay by the unit of work (such as a successfully completed task) or for a successful solution to a problem, usually in the form of a prize.




Dion Hinchcliffe's blog explores current and emerging trends at the intersection of IT and business today.



Dion Hinchcliffe

Dion Hinchcliffe is an internationally recognized business strategist and enterprise architect who has worked for over twenty years bringing innovative solutions to clients in the Global 2000, federal government, and Internet startup community. He is a frequent keynote speaker on emerging technology and business topics and, as president and CTO of **Hinchcliffe & Company**, he is a well-known author, blogger, and consultant on Web 2.0, Enterprise 2.0, SOA, and next-generation business. [View more](#)

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The reasons that a business would use crowdsourcing is varied. They include ability to offload peak demand, access to cheaper business inputs, generating better results, and tackling problems that would have been too difficult to do otherwise. Often the challenge is that the contributions from the community can be large. This richness and variety is wonderful to have but sometimes requires considerable review to find the best one. Such a swamping of inputs led to early problems, such as when [Amazon's Mechanical Turk](#) was used to try to find [Steve Fosset's plane](#) using an army of 50,000 volunteers a few years ago. Newer more mature crowdsourcing services now have filters and controls, such as [Kluster's](#) ability to more readily tune the "relative influence" of various types of participants.

Five Functional Business Areas Suitable for Crowdsourcing

A number of crowdsourcing services have become available over the last few years. Some of these are well-known players but there are also many interesting new entrants. What is clear now is that most companies have ready access to crowdsourcing across a wide set of functional areas, to the extent that it's often the easiest thing for them to try before going the more expensive outsourcing route. This has implications for business agility as well that can't be ignored and with opportunity costs so low, I expect more and more businesses will be experimenting with these tools over the next year to find out what they can do.

Here is how the major types of crowdsourcing break down today with examples of some of the providers operating currently for business use:

- 1. Problem Solving.** The leading service in the area of open innovation is almost certainly [Innocentive](#), which has over 180,000 contributors that can work on problems in science, manufacturing, biotech, medicine and many other fields. They offer rewards ranging from \$5,000 up to \$1 million for solutions to submitted problems. Does this model really work better for solving difficult business challenges? A [new article in The Economist](#) says it does, reporting up to a 74% ROI for crowdsourcing over central production methods. Other options include [GuruStorms](#), [Philoptima](#) and [PlanetEureka](#).
- 2. Design.** Today crowdsourced design often means Web design and leading offerings like [Crowdspring](#) provide marketplaces to crowdsourcing Web designs cheaply and quickly. That doesn't mean that's all there is and some marketplaces, like [Denook](#), offer design for other things as well, such as apparel. [BootB](#), for example, will help you crowdsource marketing and creative work, and general purpose tools like [Kluster](#) can help you strategically farm specific design decisions across your own private or public community. More traditional services such as [Elance](#) also provide on-demand design work, but are less structured to create multiple competing inputs.
- 3. Work.** For many kinds of simple tasks, particularly if they are small, there have emerged highly granular on-demand work marketplaces. While [Mechanical Turk](#) is one of the top solutions in this space, there are others including the new [CrowdFlower](#). You can't outsource complex tasks to these platforms, they're primarily designed for simple things. A good example of a service built on top of these types of crowdsourcing tools is [CastingWords](#), one of the best audio transcription services on the Web. It breaks up recordings into tiny pieces and distributes them across the world to Mechanical Turk workers for conversion to text. For IT shops there is even crowdsourcing for software development from [TopCoder](#), the "*world's largest competitive software development community with 220,326 developers representing over 200 countries.*"
- 4. Testing.** "Users as testers" has been a growing meme for assuring user input from customers is broadbased and thorough. However services such as the popular [uTest](#) are bringing crowdsourcing to testing of software and other services.
- 5. Support.** Online customer communities have been a steadily growing source of crowdsourced customer service and support for [companies that understand how to grow and nurture them](#). For everyone else, there are services such as [Fixya](#), which crowdsource customer support to get the answers you need, often much better and more accurate than what you can get from the companies that make the products themselves. Other options include the terrific [GetSatisfaction](#) and [CrossLoop](#).

Like many aspects of digital business, crowdsourcing is a strange and foreign creature to most non-Internet businesses. While it's very early days for this approach, the evidence is beginning to show there can indeed be significant operational and sometimes direct competitive advantage to using them. Successful next-generation enterprises will carefully pilot crowdsourcing approaches and technologies, cultivate competencies in the techniques, and begin applying them edge to center in their organizations whenever it makes sense.

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[Mrinal](#) | [September 25, 2009 2:31 PM](#) | [Reply](#)

Dion - thank you very much for using 'terrific' along with us, CrossLoop! :)

Great post on crowdsourcing - we love it.

If you or your users have any questions on CrossLoop, you can email me at anytime or catch me on twitter: <http://www.twitter.com/mrinaldesai>



[Matt Johnston](#) | [September 25, 2009 3:21 PM](#) | [Reply](#)

Excellent article, Dion. You cover a wide range of service categories in a pretty short read.

And you're 100% correct that "crowdsourcing" as a concept is still in its formative stages. But it's exciting to see companies of all sizes and industries beginning to tap into crowds & communities all across the value chain -- from idea generation, to research, to design, to development to testing.

I know for uTest (software testing), we launched in 2008 and were working mostly with startups and SMBs. But now, Fortune 500 software giants are one of our fastest growing segments.

Keep up the good work!

Matt J.

uTest

<http://www.utest.com>



[Bethany](#) | [September 25, 2009 4:59 PM](#) | [Reply](#)

Hi Dion-

Thanks for this great article on crowdsourcing. I'm so glad to hear crowdSPRING is one of your favorite crowdsourcing sites! We get excited every time we hear about a different industry that's adapting to this business model. It's become a great option for the small business, entrepreneur or mom and pop shop that simply can't afford a consultant or agency. And it's even more thrilling to see large corporations like LG supporting this method.

Thanks again for keeping your crowd informed of this very clever solution. If you or any of your readers ever need help with branding, come on over to www.crowdspring.com.

All the best,

Bethany

crowdSPRING



[Philip Letts](#) | [September 26, 2009 5:45 AM](#) | [Reply](#)

One of the more detailed articles on crowdsourcing. You may also want to examine 'managed crowdsourcing' and a new breed of crowdsourced conglomerates - using the energy of synergistic, focused crowds.

For example see <http://blurgroup.com>.



[bob lieber](#) | [September 26, 2009 7:16 PM](#) | [Reply](#)

Dion,

Just wanted you to know, I found your article to be outstanding and immensely helpful.

I'm working on a start up and am looking for great, emerging companies to collaborate with.

I spent over 2 hours today clicking on at least 5-6 of the companies you listed...and will probably use a few of them as I launch my business.

Thanks for publishing such a strong article with an amazing amount of useful information and links.

bob



[Frank J](#) | [September 29, 2009 2:47 PM](#) | [Reply](#)

Nice article.

To your list of crowdsource functional areas I might add: training & elearning. For software companies making technical tools (think Adobe Photoshop or Microsoft SQL Server), user-generated tutorials and

Tag Cloud

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how-to's are often *far* superior to those produced by the parent company.

Nice post!

Frank J.



[Anthony Schonek](#) | [September 29, 2009 9:31 PM](#) | [Reply](#)

Thanks Don - Very informative! Curious, would you draw a distinction between Crowdsourcing and Employeesourcing; or, are they one in the same???

Also, the products mentioned for "problem solving" seem to be all external based... what about for behind the firewall / enterprise 2.0 implementations?

Finally, Is it possible there's a 6th functional base? Perhaps "Idea Innovation / Brainstorming" or do you include this in "problem solving"?

thanks!

<http://twitter.com/schonek>



[Chris](#) | [September 30, 2009 6:34 PM](#) | [Reply](#)

Dion,

I appreciate your take on what crowdsourcing can offer. It seems as though "crowdsourcing" and "design contest" have become interchangeable terms and I am glad that this doesn't have to be the case. My company just recently beta launched www.freshlybranded.com and we focus on a variety of crowdsourced solutions for small businesses. We obviously feel that crowdsourcing can be a great tool, especially for businesses.



[Deborah Mourey](#) | [October 5, 2009 5:44 PM](#) | [Reply](#)

Dion, thank you for an excellent article and for pulling together the landscape in one picture. What is most exciting to me is that we are only at the beginning of how these technologies will be used. Our creativity and necessity will drive yet to be dreamt of innovations.

I am grateful to have a framework for talking to others about the path forward by describing where we are today. Great stuff.

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