

Tuning In to Crowdcasting

Fortune 500 companies are going open-source for corporate strategy, turning to MBA students to keep their competitive edge. **BY MELANIE HAIKEN**



FOR A COUPLE OF DAYS THIS MONTH, EXECUTIVES from American Express, General Electric Money, Mars, and Whirlpool will chuck their high-priced consultants and brainiac research and development teams and turn to 3,000 MBA students to solve their strategic dilemmas. Why? The students are competing to come up with products and services by tackling the companies' real-world problems. Megacorporations are embracing such contests—the buzzword is “crowdcasting”—to keep their competitive edge by mind-melding with the next generation of business leaders. “We’re looking for that deep insight that swings a business,” says Stephen Liguori, an executive with GE Money, GE’s financial services arm. “This is a chance to tap into not just the best and brightest business minds in America but also the thought leaders and early adopters that are going to be our best customers down the road.”

Increasing segments of corporate America are going open-source for fundamental strategies—and that’s creating a bustling business for companies like Idea Crossing, the Los Angeles startup that runs the Innovation Challenge. It has attracted clients such as IBM and Hilton Hotels, which pay upwards of \$50,000 to participate in the competitions. Idea Crossing

also earns consulting and licensing fees from companies that use its Web platform to manage their own idea challenges. The U.S. Postal Service has hired Idea Crossing; Illinois and other state governments are also getting onboard.

Another crowdcasting company, InnoCentive, a spinoff of drug giant Eli Lilly, boasts an impressive roster of multinational customers like Boeing, DuPont, and Procter & Gamble. The companies use InnoCentive to issue online challenges to scientists, universities, and research institutes when they need fixes for

seemingly insoluble problems. Corporate clients pay \$80,000 to join InnoCentive, as well as a commission for each problem solved. InnoCentive, based in Andover, Mass., received \$9 million in venture capital funding this year. “When you figure that it can take years to bring a single new product to market and cost hundreds of millions of dollars, you can immediately see how attractive open-source innovation can be,” says Frank Piller, a professor at MIT’s Sloan School of Management.

The payoff from crowdcasting is the chance to break open a closed-circuit corporate culture and profit from the fresh insights of a large group of well-educated outsiders. Unlike “crowdsourcing,” the meme of the moment that refers to tapping consumers for ideas, crowdcasting broadcasts a company’s problem to a specific—and carefully chosen—group. Think of crowdsourcing as a giant creative rave, and crowdcasting as a private backstage party you can’t get into if you’re not on the list. In Idea Crossing’s Innovation Challenge, contestants sign confidentiality agreements, and their strategic solutions become the property of the corporate sponsors.

At the 2004 Innovation Challenge, Sprint executives asked participants to devise new services featuring high-speed wireless technologies; last year IBM searched for ways to market

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itself to businesses in China and India—countries that send large contingents of MBA students to the event. Executives are tight-lipped, naturally, about the intellectual property they pick up at the competitions. But Hilton vice president for brand marketing Kirk Thompson says his company's participation in last year's Innovation Challenge resulted in a number of creative proposals to foster a stronger service culture among employees. "It gave us the important insight that, in order to market a service culture from the inside out, we need to bring a human connection to it with a face and personality," he says. Bottom line: Hilton scored enough good ideas—including one about allowing hotel guests to customize their rooms—to make it worthwhile to return for this year's challenge. The international hotel chain now is on the hunt for fresh concepts to reignite its brand among global-minded young business leaders (the demographic represented by challenge contestants, of course).

For its part, GE Money—which manages credit cards for Gap, Lowe's, and Wal-Mart—wants to exploit the insights of young hotshot MBAs "to help us get up and running as a brand name," Liguori says. "How do we grab consumer attention?"

Whirlpool signed up for the Innovation Challenge as part of the appliance maker's effort to move beyond the kitchen and laundry room. "What kinds of services and solutions do people want in their homes that we might be able to provide?" asks Whirlpool executive Nancy Snyder. "I'm a great believer in the idea that innovation comes from everywhere and every-



BRAIN TRUST Hilton's Thompson is counting on USC's MBA team to help devise new strategies for the hotel chain.

one, not just from the usual suspects who are paid to do R&D."

That notion occurred to Idea Crossing founder Anil Rathi after he unsuccessfully attempted to get tech companies interested in a pen-size scanner he developed in college. "I thought there must be companies out there open to new ideas if we could just find the right communication pathway," says Rathi, 31.

Judging by the interest in the Innovation Challenge, corporations are increasingly willing to listen to voices beyond the executive suite. The 2006 competition began in late September and was conducted

largely online. "You have to be willing to come up with very unusual solutions to problems that look very ordinary," says Alejandro Corpeno, whose Vanderbilt University team won first prize last year.

The 10 teams selected as finalists will fly in mid-November to the University of Virginia, where they'll present proposals for two sponsors' challenges in two all-day sessions. The winning team receives \$20,000 (and usually job interviews). "Turning your business innovation process over to outsiders scares the crap out of most business leaders because it challenges the power base of individuals within the company," says GE's Liguori. "But that's exactly what needs to happen for a company to grow and change with the times." ■

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Seven Steps to Your Next Big Idea

How the Innovation Challenge is helping companies to develop new strategies.

