

Strategy Matters: Harnessing Crowdsourcing

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Crowdsourcing is a powerful new Web 2.0 business model any company can take advantage of -- not just software companies

If you've used [Mozilla's Firefox](#) to browse the Internet, you've used software developed using crowdsourcing. The Mozilla Foundation's Manifesto states, "The Mozilla project uses a community-based approach to create world-class open source software to develop new types of collaborative activities." What the manifesto doesn't state is that Mozilla has engineers working on their projects who aren't on the payroll. Like other open source projects, Mozilla uses crowdsourcing to lower their cost of doing business. We all know what that can do to profit.

Crowdsourcing is one new Web 2.0 business model any company can take advantage of "not just software companies. It enables new ideas and cuts the cost of problem-solving and content generation.

Crowdsourcing takes tasks usually performed by an employee or a contractor and applies a group of people to them. There are many current examples of companies of all sizes taking advantage of the concept: [Threadless](#), an Internet-based retailer that sells clothes designed and rated by the public, with 100% sold-out inventory on each run. [Cambrian House](#), a software development company that allows users to vote on software ideas, and thus create better software. [Goldcorp](#), a gold mining company that offered \$575,000 in prize money and netted mining targets worth millions.

A new site, [Satisfaction](#), has crowdsourced customer service helping companies like bag maker [Timbuk2](#) have employees engage in conversations with their customers. Questions run the gamut from actual customer service problems to queries about the product line and services like getting a messenger bag strap restitched. It's fast and feels like there's no wall between the customer and the company. There's a sense that companies participating actually care about their customers.

Call it leveraging geeks/moms/technophiles or anyone who wants to get involved. The common thread is that they have time on their hands. And by getting those hands to create something for and with your company, you can develop a competitive advantage. Benefits include obtaining a broad posse of talent, a small expense footprint, and the ability to get input from outside the closed universe of your company. Difficulties do exist. They include maintaining long-term relationships through the project's life, no written documents (contracts, NDAs, terms of employment), lack of repeatability, and possible quality issues.

Interestingly, it turns out that greater flexibility and imagination help many smaller companies use crowdsourcing more effectively than can larger enterprises. Software maker [37signals](#) is a good example. Its Basecamp digital project management and collaboration tool focuses on productivity and organization and competes effectively against a similar offering by Microsoft. Yet 37signals has just 6 employees and crowdsources the ideation of future software products. Microsoft? Last count was 79,000 employees worldwide, no crowdsourcing.

Ideas like crowdsourcing, coupled with new collaboration tools, help small and midsize companies compete head-to-head against much larger firms. Here are some examples:

Microsoft The world's largest software corporation has now responded to 37signals with a product called [Office Live Collaboration Beta](#). But the offer is corporatized and lifeless. Microsoft appears to have missed the flexibility and creativity inherent in sharing and collaboration.

Zimbra This small company in San Mateo, Calif, provides exceptional [messaging and collaboration software](#) for multiple operating systems, including Ubuntu, Vmware, rPath, and Mandriva. Obviously, its trajectory is far different from the one Microsoft is on. Zimbra's test approach involved users worldwide and enabled the company to develop passionate advocates while building a moat around its franchise. The company was doing so well it was recently [purchased by Yahoo](#).

Oracle Oracle offers the [10g Collaboration Suite](#), but, like Microsoft, it seems to *not* get the essence of crowdsourcing. Crowdsourcing is about creativity and innovation. Oracle's approach is the exact opposite of sharing. The company's insistence on using a proprietary system costs users flexibility and innovation.

Jive Software This [developer of forum and community software](#) produces the opposite of Oracle's big iron -- elegant, intuitive software that customers value more with each use. It's a fundamental win for users when a company doesn't overdevelop but instead meets the need. As with 37signals, this is a company that listens and acts.

Right now, small and midsize companies have an advantage in being nimble, free of large legacy platforms. They can use the crowdsourcing model to innovate faster and better. The future will be populated by companies that are poised to experiment and get an early read on what customers want. Then they'll pull together groups of people to build out the idea quickly and take the market while the concept still holds appeal for customers. And part of the "team" working on the product, service or software is very likely to be fans who think it's the greatest " and who get a charge from helping to make it even greater. And who don't get paid. It's the DIY craze gone corporate.

While David probably won't replace Goliath, there will be thousands of Davids that create new markets, innovative services and products that respond to the needs of customers by using crowdsourcing. This is a good time to look at your company. Take a risk, do something new, invite your customers to get under the hood with you. And if you're a Goliath " consider yourself warned.

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