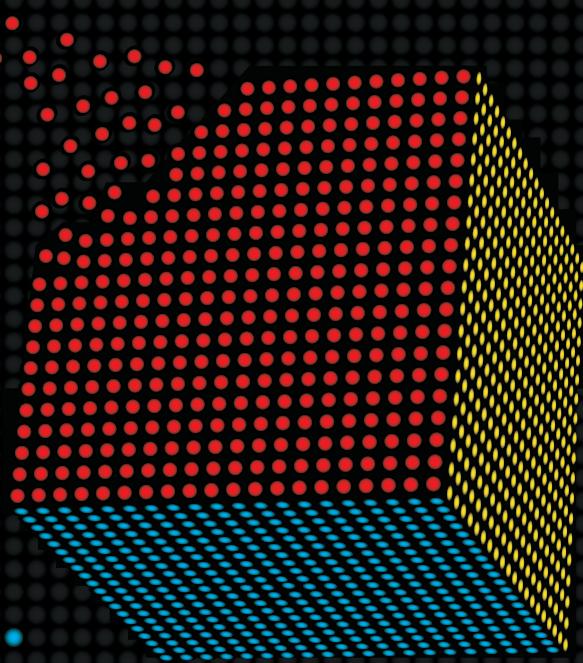


Getting **Results** From Crowds



The definitive guide to using crowdsourcing
to grow your business

Ross Dawson

Steve Bynghall



Advanced
Human
Technologies

Build your business by tapping one of the most powerful trends in business today: **Crowdsourcing**

Getting Results From Crowds provides practical, pragmatic, clear guidance on how you can draw on the power of crowds to grow your business. Filled with real-life case studies and useful examples, it gives you everything you need to know to create success in a world where talent can be anywhere.

What business leaders are saying:

"Ross Dawson and Steve Bynghall have masterfully delivered a comprehensive and strategically pragmatic guide to crowdsourcing. Each chapter elegantly lays out a key concept and then provides practical advice. This is the must read bible for effective crowdsourcing."

R "Ray" Wang, Principal Analyst & CEO, Constellation Research

"Ross's latest book is a fantastic guide for businesses looking to access skills and drive innovation through crowdsourcing. I highly recommend it."

Peter Williams, CEO, Deloitte Digital

"Ross Dawson, the 'crowd king', provides with Getting Results from Crowds a comprehensive and up to date review of how to make crowds work for you!"

Matt Barrie, CEO, Freelancer.com

"This is the smartest, most practical overview of crowdsourcing I've seen (and I think I've seen them all)."

Lukas Biewald, CEO, CrowdFlower

"To make the most of the different crowdsourcing options available for your business grab a copy of Getting Results from Crowds — it will pay for itself many times over!"

Mark Harbottle, Founder, 99designs.com

For free chapters, additional resources, and latest insights go to the book website:

www.resultsfromcrowds.com

\$25.00

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When to use crowds

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“ There is no “in” or “out” anymore. In the hyperconnected world, there is only “good” “better” and “best,” and managers and entrepreneurs everywhere now have greater access than ever to the better and best people, robots and software everywhere. ”

Thomas Friedman, Pulitzer-Prize winning journalist and author, *The World Is Flat*

The potential of using crowds continues to expand as the talent pool broadens and platforms evolve. However this doesn't mean that tapping global providers is always the best approach. Organizations need to consider when they should use crowds, and how best to go about finding the right kinds of providers for the tasks required.

Chapter overview

- Companies need to carefully consider the strategic question of what could and should be done inside and outside the organization.
- In many cases there are good reasons to draw on local rather than global providers.
- Distinguishing between when commodity or talented providers are required allows use of the most relevant approaches.
- Protection of intellectual property is a significant consideration, but risks are often over-estimated and can be mitigated.

The shifting line between inside and outside

In 1937 the then-young English economist Ronald Coase published a paper titled 'The Nature of the Firm' in which he described why organizations exist. Over five decades later, in 1991, he received the Nobel Prize in economics for his insights. Coase had pointed out that the cost of internal transactions is often lower than those for external transactions. When you go outside the firm, you have to find providers, assess offerings, develop trust, and manage the relationship. For many tasks it is more efficient to get tasks done internally than to go outside. This gives rise to large complex organizations.

As many authors of the dot-com era pointed out, in a connected world transaction costs are greatly reduced. It has become far easier to find suppliers, compare them, and build effective working relationships. The rise of crowdsourcing is one of the most important examples of this shift. Transaction costs are continuing to fall as a result of developments such as improved reputation systems.

As transaction costs fall, those organizations that do not look outside for services and talent when it makes sense to do so are at a strong competitive disadvantage. Yet there are still real reasons for organizations to exist. Certainly almost completely virtual organizations can prosper today, however there remain sometimes significant advantages to developing internal capabilities.

In considering using external talent here are three key questions to ask:

- 1** Inside or outside?
- 2** Local or global?
- 3** Commodity or talent?

Once the decision has been made to use external talent there are further issues to address, such as whether to pay using fixed fees or hourly rates, which will be examined in Chapter 8 on Specifying.

Inside or outside?

The first question to ask about any particular task is whether it should be performed inside or outside the organization. For most organizations, there are many functions that can readily be performed externally. They are a long way from hitting the boundaries of what can and should be done outside.

The first constraint is in the organization's preparedness to use external workers or crowds. Being ready culturally and having the processes and structures in place to crowdsource effectively (see Chapters 6 and 15) provide a foundation to begin taking work outside the organization.

Ultimately, there are a number of issues that constrain the tasks and functions that can be done externally. In particular, the increasingly pointed strategic question that senior executives and boards must address is what resides inside and outside the company. The organization's strategy must clearly answer that question, defining the company's position.

Limits to external work

	WHEN TO DO WORK INTERNALLY	COMMENTS
Regulation	If regulation restricts the external disclosure of information e.g. privacy.	In many cases if data is encrypted then work and analysis can be done externally.
Confidentiality	If information is proprietary and there are substantial risks if it is made available to competitors or others.	This is fundamentally an issue of trust. Some information is sufficiently sensitive never to share externally. Most confidential information can be shared with external providers once there is a strong enough relationship and sufficient trust. Contractual and legal remedies can help, but do not substitute for trust.
Understanding of context	If work requires a significant understanding of the context and issues surrounding the work to be performed effectively.	External providers can develop a sufficient understanding of context, however this takes time and is developed over the course of an extended relationship.
Teamwork	If work requires significant ongoing unstructured interaction within loosely defined teams.	External providers that over time have established trust and have good communication skills can perform effectively in distributed teams.
Core competence	If capabilities are central to the strategic positioning of the organization and should be continually developed.	The scope of an organization's core competences needs to be regularly reviewed.

Local or global?

Once a decision has been made to engage external talent for a particular task, that does not necessarily mean that the workers should be selected from a global pool. There can be many reasons to draw on local talent. Organizations that build a broad pool of external providers will often find that they have a significant number that are local, and that any cost differential is balanced with the greater value local providers can create.

There are few hard and fast rules, however there are a variety of factors that each support the use of local or global providers.

Factors in selecting local or global providers		
	SUPPORTS LOCAL	SUPPORTS GLOBAL
Scope of role	Varies in scope or expands over time.	Clearly defined.
Company contact	Interaction required with a wide range of people in the client organization.	Single point of contact at the client.
Team member location	Role requires interaction with several team members who are primarily in a single location.	Team members are distributed across multiple locations.
Trust levels	Heightened confidentiality issues mean provider in same country is preferred.	Confidentiality is not a vital issue, significant trust has been developed, or contracts provide sufficient protection.
Location of customers and community	Engaging with local community provides insights, connections, and value beyond the work performed.	Customers and work are global.
Strength of relationship	Strong ongoing relationships are easier to build when in the same location.	Long-term relationships are less critical.
Degree of specialization	Sufficient pool of relevant talent available locally.	Extremely specialist skills are required.

In one case I (Ross) used a service marketplace to look for a specialist software developer. The leading contenders appeared to be in Beijing and Tokyo, and I ended up selecting the Tokyo-based provider. It turned out he was actually currently based in Sydney, where I was also working, so we caught up for a coffee to discuss the project in more detail, and were able to build a far better working relationships than if he were remote. This helps to illustrate that there need not be a complete divide between local and global providers, as well as that for top providers fees are similar, irrespective of where they are based.

Commodity or talent?

When engaging external providers, significantly different approaches need to be taken depending on whether the work required is commoditized or requires talent. Many organizations that draw on external crowds fail to distinguish between these situations, with the most common outcome the inability to attract talented providers. Given that one of the most valuable aspects of tapping crowds is drawing on uniquely talented professionals, this can significantly limit the value available through the use of external providers.

Below are some of the factors that help determine whether tasks require a commodity provider (who should still receive respect) and talented providers (who often have distinct motivations and need to be dealt with differently).

Identifying type of provider		
	COMMODITY	TALENT
Task definition	Task can be clearly defined.	Task scope and process is unclear and the provider needs to help define these.
Task importance	Task is not mission critical and imperfections will not significantly impact final outcome.	Task outcome is critical to the organization or work done for its clients.
Output visibility	Outputs will not be directly visible outside the organization.	Outputs will be visible outside the organization, including by its customers.
Task redundancy	Task can be repeated by multiple providers as a check.	Outcome is unique.
Creativity required	No or minimal creativity is required.	Creativity is fundamental to the task.

Intellectual property and confidentiality

One of the most common concerns managers and entrepreneurs have when considering outsourcing work is that their intellectual property (IP) could be vulnerable. While it is a significant consideration, it is common for overblown fears to stop people from gaining the value possible through tapping crowds.

“ *The dangers of life are infinite, and among them is safety.* ”
Johann Wolfgang von Goethe, 18th century poet and diplomat

Mitigating IP risk in using crowds

These are some of the actions you can take to mitigate IP risk:

- Do not provide detailed information in the public work brief, just what is sufficient to get accurate bids. Either selected bidders, or only the successful candidate, will receive the full specification.
- Require workers to sign a Non-Disclosure Agreement before commencing work.
- Start workers on non-sensitive tasks, and only once you have built trust in them, give them more critical work.
- If data is involved, encrypt it before sharing with external providers. In most cases this should be a straightforward process that does not impact any analysis.
- Divide tasks so that no single provider can see how their task relates to the overall project. Note that there can be major costs and potential problems from using this approach, so it should only be used if absolutely necessary.

A key issue is the value of stand-alone IP relative to the value of execution of those ideas. Many would-be entrepreneurs restrict the potential of their ideas and energy by being overly cautious about protecting their idea from venture capitalists, partners, marketers, developers, and others. This results in vastly reduced chances of success. Many great ideas have never got off the ground because their creators were not able to trust others.

There certainly are real considerations of protecting ideas and IP in building businesses. However there are a wide range of risks in entrepreneurial ventures, and taking calculated risk relative to potential benefit is what drives success.

A reality check on IP protection

Here are a few things to keep in mind if you are concerned about protecting your IP when using crowds.

- You are in the best position to develop your idea, or if you are not your pressing issue is finding the right partners rather than trying to execute yourself.
- Crowd workers are intent on getting paid work in the present, and are very unlikely to want to develop ideas where the payoff is uncertain and distant.
- Very few crowd workers have the capabilities to execute projects on their own behalf and are very unlikely to want to try.
- While you may have somewhat better legal protection working with local providers compared to global workers, essentially the same risks exist.