

CHAPTER 1

First, Some Context

*No matter who you are, most of the smartest people work
for somebody else.*

—Bill Joy

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In 2000, Goldcorp CEO Rob McEwen was frustrated with the relatively poor performance of Goldcorp's Red Lake Mine in Ontario, Canada. Goldcorp's geologists had experienced limited success in pinpointing the gold's underground location. McEwen knew he was literally sitting on a gold mine but unable to realize its potential. Then McEwen found himself at an executive education session at MIT. In a session where open source software was being discussed, it dawned on him what needed to be done. Open source software benefitted from the ongoing analysis, review, testing, and contributions of a large diverse group of people working for multiple different organizations. Could he employ similar principles to help his team improve their understanding of his mine's potential?

McEwen took an unprecedented step in his industry. He assembled digital representations of Goldcorp's proprietary geological data and made it available to people outside the company. He challenged *them* to prospect, using the digital representations of the mine. The challenge was launched on Goldcorp's website. Everything related to the Red Lake Mine—400 megabytes worth of data about the 55,000-acre site—went online and was transparent to the world. Participants were offered prize money of \$575,000 for the best ideas.

The response was astonishing—especially for an industry that had always believed the key to success lay in making its proprietary knowledge accessible only to its own employees. Over 1,400 scientists, mathematicians, geologists, engineers, military officers, students, and consultants from 50 countries downloaded the company's data for virtual exploration. In all, participants identified 110 sites that might yield gold. Fifty percent of these sites were previously *unknown* to the company. Of these new targets, *more than 80 percent* yielded significant gold reserves. The group with the winning entry was from Australia

and had never even visited Canada. McEwen estimates that the collaborative process shaved two to three years off their exploration time. The value of the gold found: *\$6 billion*.¹

Another remarkable story of a company looking to external talent comes from the world of toys. LEGO is one of the fastest growing and most profitable companies in toy industry today, but back in 2003, the company was on the verge of bankruptcy. LEGO's story is revealing not only for the way it tapped into external talent to get creative ideas but also for how it used creative collaboration to vet and find ideas that had the greatest potential to become profitable.²

From the mid-1990s to 2003, LEGO's business stopped growing. After decades of doubling its revenue every five years, changes in the market slowed LEGO's growth to a standstill. The impact of video and other technologies were shifting its core customer base's buying patterns. Distribution channel changes—from mom-and-pop toy stores to retail giants like Carrefour, Walmart, and Target—impacted how LEGO interacted with its end customers. And changes in supply chains, from domestic manufacturing to offshore sources, altered the cost structure of toy production and negatively impacted the bottom line.

By 2003, the company was almost broke and a new CEO was appointed, Jørgen Vig Knudstorp. Under Knudstorp, LEGO made the transition into being an innovative company that was (and still is) highly profitable. That transition had many facets, but one that has significance for this discussion concerns the impact one single new product experience had on the way LEGO now manages innovation.

The product was called LEGO Mindstorms. Mindstorms is a configurable robotics product that LEGO successfully launched in 1998. However, during the trying times at LEGO, much of the original team had moved on. But LEGO knew there was an enthusiastic group of people who were very familiar with Mindstorms—Mindstorms customers. So they reached out to this group—first on an individual basis and then through a consumer products show. They had hoped to get support from 100 of these fans; they were inundated with responses from 10,000. The new development team was flooded with new ideas for the product.

What LEGO discovered was an external pool of design talent that was smart, enthusiastic, and motivated by their love of the Mindstorms product. LEGO quickly recognized that this group could not only *provide them with product ideas* but, more importantly, they could *help evaluate which ideas were best*, and thus help ensure that the new product would be profitable.

By the time Mindstorms was launched in 2006, the company had handed over incrementally more control for idea creation, refinement, and selection to the external community of Mindstorms enthusiasts. The launch was a huge success. LEGO even turned over part of the marketing—interviews with the press—to the community. This external community turned out to be not only more knowledgeable about the product, but more believable in extolling the virtues of LEGO's newest offering.

Almost a decade after they began, LEGO has not slowed in its pursuit of new and better ways to work with outside talent. In 2011, LEGO launched a process called *Cuusoo* (which means *wish* in Japanese) to find and evaluate new ideas for LEGO products. Anyone can submit ideas to the Cuusoo site. Idea owners are encouraged to promote their ideas. If 10,000 people vote for an idea, LEGO will review the idea. If the idea meets certain guidelines related to considerations like design, brand, pricing, availability of a license, LEGO will put the idea into production and share royalties with the idea owner. In the case of LEGO Minecraft, the product was already a smash hit game. Cuusoo made it easy for this already engaged and excited community to begin creating brand extensions on their own for the benefit of both LEGO and MineCraft. And, while LEGO is certainly well known for deals with brands from Disney to Starwars, this time the new partnership idea and validation came from a different place—the smart, insightful, and engaged people outside LEGO.

ABUNDANT TALENT OUTSIDE

Goldcorp and LEGO could not be more different businesses. But both tapped into abundant external talent to help them succeed in the face of some of their greatest challenges. They discovered people who had the background, interest, or enthusiasm to engage with their organization

and innovate. They found ways to organize interactions with people outside their internal structure, in part out of a confluence of necessity and design—but, more tellingly, because they *could*. And, while their approach to innovation might seem to be new, it is in fact a very old idea.

In his 1937 essay on the “Theory of the Firm,”⁴ Nobel Prize winning economist Ronald Coase asked this question: Given that “production could be carried on without any organization [that is, firms] at all,” why and under what conditions should we expect firms to emerge? Coase’s essay looks at two competing sets of costs. On the one hand, Coase finds that organizations tend to become less successful at allocating resources as they grow; more specifically, they tend to *misallocate* resources. On the other hand, Coase looks at the hidden costs of transacting with the market—such as searching for talent, evaluating skills or bargaining, securing trade secrets, and enforcing contracts.

In 1937, Coase’s costs were determined in part by the business processes of the time, and also by the communication options. Today, online platforms and social networks are reducing some of the transaction costs and the increasingly competitive global market is escalating the costs of misallocated resources inside the firm. In other words, it’s a perfect time to revisit the balance between when to use internal resources versus when to go out to the market. We also see that, with these lower costs, there is a third type of relationship—people who are not employees and who are not accessed via the market. Like LEGO’s community of Mindstorms fans, their relationships to the organization are different as are their motivations.

In his 2008 book *Here Comes Everybody*,⁵ author Clay Shirky hints at the shifting role of the organization in his subtitle: *The Power of Organizing Without Organizations*. He examines how new forms of social interaction enabled by technology are changing the way people are forming groups and working—from political movements that topple dictators, to consumer cooperation that causes corporations to change behavior. And, in *Imagine: How Creativity Works*,⁶ Jonah Lehrer suggests that most innovation and creative ideas do not occur when we are alone, but instead emerge from social interactions that “inspire novel thoughts.” Lehrer explains, “It doesn’t matter if this sharing takes place on Hudson Street or at a bar full of engineers . . . the exchange is all that matters.”

While Coase is focused on the pure economics of the organization versus the market, author and law professor Yochai Benkler introduces additional forms of cooperation. In *The Penguin and the Leviathan*,⁷ Benkler tracks the broad expansion of cooperative systems while making a case for the reduced impact of pure self-interest—and the rise of more cooperative alternatives. He points to the “disruptions wrought by the internet” that are “accelerating the rate of globalization and scientific growth, all of which are forcing an increased number of businesses to examine how they can emphasize learning and innovation rather than mere efficiency.” Benkler makes the case for balancing social and selfish incentives. He notes how organizations are seeing the best talent drawn to work that is either inherently rewarding or widely associated in the society with respect and value. And, he concludes, “As our world continues to flatten and the boundaries of communication continue to disappear, more and more companies are adopting . . . collaborative strategies. . . . In a global economy, you never know who, somewhere in the world, will be willing and able to help you or who will come up with a new and better way to do what you are doing. . . . The most successful know that innovation happens everywhere. Not just in executive boardrooms, or R&D labs, but everywhere.”

One of the first to explore the shifting balances between transaction costs and resource allocation was Henry Chesbrough. In his book *Open Innovation*,⁸ he proposes that there are a much greater number of smart, creative, and innovative people and ideas *outside* an organization than within it. Chesbrough says that innovative solutions to challenges exist somewhere in the world and an organization’s “innovative” process is no longer problem solving but “solution finding.” Thus, the innovative process needs to focus on the methods needed to do the outreach to talent and then manage the process. He indicates that bringing resources together to collectively work on challenges creates a much broader network to address problems. To be successful, the innovative process needs to focus on ways to motivate and manage this truly diverse and often global resource.

Organizations such as Goldcorp and LEGO—along with many others that we will discuss in this book—have been exploring how to

leverage external talent to address all kinds of creative and innovative challenges: from new product design to making sense of massive data sets, from architectural challenges to reframing social issues. As the projects above highlight, companies adopt crowdstorming for varying reasons. These organizations are finding new ways to live with Joy's Law, that most of the best people work for somebody else. But this no longer needs to mean that you cannot work with them in new ways.

In *The Power of the Pull*,⁹ John Hagel III and John Sealy Brown lay the groundwork for organizations to access external talent by pointing out what is happening in today's business environment. Organizations that were used to planning their operations with long-term horizons and focusing on operational efficiency must now respond rapidly to a business environment characterized by fluidity. They must become learning organizations and figure out how to achieve extreme performance by learning to scale their organization's talent base quickly. Hagel and Brown state that the twenty-first-century organization will still use tools within the firm but will need to access a much broader ecosystem. Their takeaway: learning and innovation will come from collaboration with *talent outside the organization*.

Leading business consulting organizations like McKinsey are helping clients evaluate when and how to use collaborative planning to set strategic direction for their companies. In a 2012 *McKinsey Quarterly* article entitled "The Social Side of Strategy,"¹⁰ Anna Gast and Michael Zanini argue that, while it's certainly not a replacement for the strategic planning edifice, engaging larger groups in strategy discussions is valuable for generating ideas, prioritizing them, and challenging operational plans. McKinsey continues to explain that this represents a shift in how an organization should think about its leadership roles and structure: the "C" suite moves from their traditional roles of all-knowing decision makers to "social architects" who spend a lot of time thinking about how to create the processes and incentives that unearth the best thinking and unleash the full potential of all who work at a company."

Finally, in business academic circles, reviews like the *MIT Sloan Management Review* have been providing research and analysis for years on how to engage in what they call *collective intelligence*. In a seminal article from 2010 entitled “The Collective Intelligence Genome,”¹¹ a team led by Thomas Malone starts with the premise that collective intelligence has already proved that it works. It suggests that there are four building blocks, or genes—what is being done, who is doing it, why are they doing it, and how it is being done—that help organizations create their own systems for setting up and managing open innovation projects effectively.

WORKING WITH CROWDS

Crowdsourcing is the term most often used to describe how organizations work with large groups to achieve any number of ends. When Jeff Howe first presented examples of the concept in his 2006 *Wired* article,¹² he covered a broad range of activities. Tasks differed by the level of expertise required, as well as by the amount of time required to participate. Figure 1.1 offers a perspective of what is being sought from crowds.

Jeff Howe’s original examples were mainly focused on labor. This was an extension of an older concept of outsourcing. But rather than have one organization outsource from another, organizations can work directly with the crowds—as Shirky observed, people are organizing (and being organized) without organizations. Now crowdsourcing has taken on a much bigger definition, covering much more than labor resources.

- *Assets*: When we use Skype, we effectively borrow bandwidth and computing resources from our peers. It is invisible to us. In *What’s Mine is Yours: The Rise of Collaborative Consumption*,¹³ Botsman and Rogers highlight a range of more explicit resource sharing arrangements. Car2Go or ZipCar enables sharing of cars and ride sharing services like Zimride or Lyft fall into this category. Another example is Airbnb, which provides an alternative to hotels—only the rooms are made available by individuals.
- *Capital*: One of the first very large-scale examples of soliciting funds from the crowd (that was not a tax system) came in 2008 during the presidential election in the United States, when

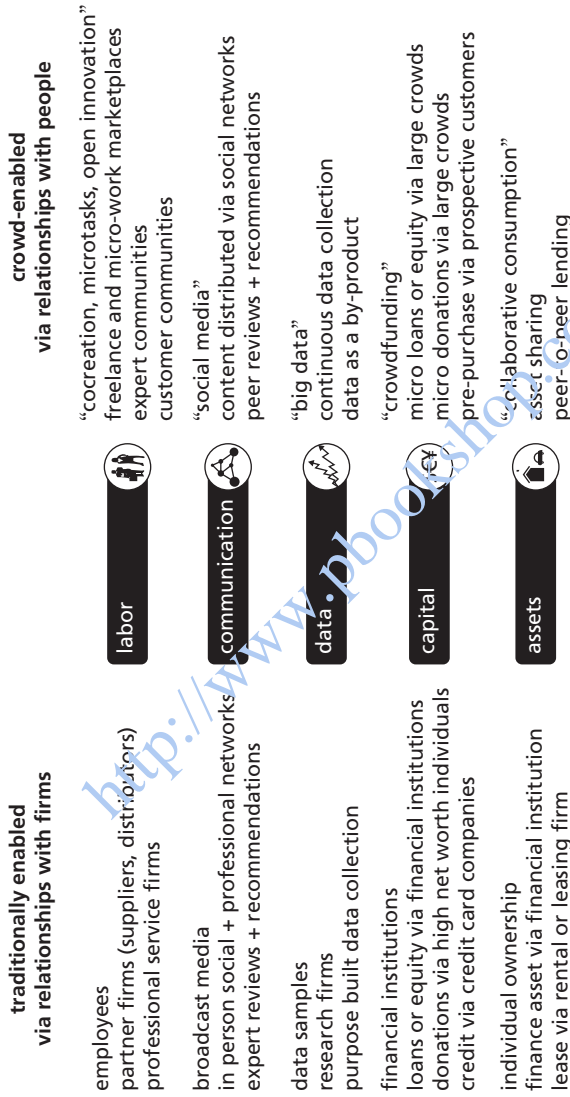


Figure 1.1 The Ways Crowds Deliver Value

then-candidate Barack Obama made use of a whole array of crowd funding sources. This approach tends to focus on different models for sourcing and allocating capital, usually in return for products, services, or equity. Examples of this approach include IndieGoGo, Kickstarter, and LendingClub.

- *Networks*: A good deal of social media is concerned with how organizations can get people to influence their social networks, very often via content that is likely to be shared for a variety of reasons, including humor or utility. Having the crowd distribute content in this way is not just cheaper than paying for distribution (often called paid media), but it often has the benefit of being more believable because it comes via people we know.
- *Data*: As we have shifted more of our business and social interaction online, we are creating “Big Data”—that is, massive amounts of data that organizations are trying to understand to use for many purposes. For example, the data is used to determine what ads we see online and what we might prefer to purchase or rent. The data can be used to monitor our driving, qualify us for better insurance, or compute traffic flow and propose better routing. The main challenge is understanding all of this data. Of course you can connect with a crowd to help with this now. Kaggle will let you connect with data scientists who are expert in the processes of teasing insights and models from these large data sets.

Each of these are fascinating, fast-moving shifts in how we (and our organizations) access resources. But our primary concern is the *Labor* category. Within this category are a number of models for connecting organizations and crowds. There are labor marketplaces (e.g. oDesk, Task Rabbit, eLance, Workmarket, Mechanical Turk) to connect organizations with independent professionals in areas ranging from administrative tasks to software testing, from graphic design to assembling Ikea furniture. These are classic jobs made more accessible because of lower transaction costs, which is what Coase was concerned with. Then there are microtasks—small pieces of work that

may not require domain expertise, but require human judgment—like determining whether content is pornographic or what words appear in an image. Neither of these models is our main concern, though.

We are interested in a particular type of work—the generation and evaluation of ideas. In the cases we will explore, ideas take many forms—from short text descriptions like the ones you might find in a suggestion box, to complex prototypes (from prediction algorithms to robot cars). Ideas can be business plans or proposals for new business strategies. They can be beautifully rendered homes barely distinguishable from real photos or flowcharts illustrating how a proposed software application might work. And, just as important, we are interested in the reactions to these ideas. We want to understand the conversations that are inspired by the ideas that can help to improve and evaluate the ideas. In the end, all the ideas require some level of investment, and we want to know which ideas we should expend time and effort to develop.

STARBUCKS BETACUP CHALLENGE—NEW SOURCES OF SUSTAINABLE INNOVATION

When Starbucks decided to sponsor the complex problem of reducing waste generated by coffee cups in 2010, it was already well on its way to finding solutions to the problem.¹⁴ But they recognized that they could use additional help. Director of Environmental Impact Jim Hanna put it this way: “Given the complexity of the disposable cup waste issue, we need a broad range of stakeholders to become involved in finding solutions. In addition to working with local municipal governments, materials suppliers, and cup manufacturers to improve recycling infrastructures, we believe in harnessing the creativity of environmentally conscious individuals to identify new alternatives.” To do this, Starbucks sponsored an outside group of partners who had initiated the Betacup Project to address the global problem of disposable cups.

While Starbucks sponsored the contest initiative, the Betacup team managed the challenge. It was led by Toby Daniels, social crowdsourcing agency Mutopo, and run as an online contest on Jovoto, a platform designed to cultivate creators and innovators to work

together collaboratively on challenges and which had its own creative community. Notably, Starbucks, along with the Betacup team, reached out to include additional partners including Core77, Denuo, Good Day Monsters, Instructables, and Threadless—all of whom brought their own community of professional designers, design students, and enthusiasts, as well as media outreach and ongoing exposure for the contest.

The contest provided a brief that outlined the problem, as well as a cash incentive of \$20,000 for the winners, which would be divided among those whom the creative community—as well as an expert panel—judged to have the best solution. The challenge was open to all and encouraged public discussion and feedback that allowed for ongoing refinement and updates on submissions. Evaluation and curatorial input by the creative community encouraged networking and teaming. The low barrier of entry—along with the collaboration-enabling infrastructure—allowed the Betacup organizers to tap into a new audience of creators: a community that not only provided new ideas, but could also validate ideas that were submitted, as well as validating Starbucks' three-pronged approach to addressing the paper cup waste issue.

We can measure the results of the Betacup challenge in two ways that shed light on important aspects of crowdstorming. First, Starbucks received a lot of good ideas. The Betacup contest ran for two months, received 450 idea submissions, and 1,500 idea revisions from all over the world. The contest logged over 5,000 comments and 13,000 ratings. The winning idea was not even a product. It was a low-tech solution called the *Karma Cup* whose elegance is in its simplicity. Every Starbucks store captures reusable cup usage and posts it on a chalkboard; when the tenth beverage is sold to a person using a reusable cup, that beverage is free. The solution resulted not only in a cool new initiative, but in a behavioral change among customers as well. It was designed to change the global conversation that had begun the platform into a local conversation in each Starbucks and bring customer awareness to the local level, stimulating conversation as customers discussed reusable cup activity in their local store. The idea was eventually prototyped and in-store trials showed that it worked as proposed—it was possible to inspire more reuse.

The second element of the project's success was that, by working with partners, Starbucks expanded outreach beyond its own fan base. This opened up the possibility of generating ideas from around the world and dramatically increased awareness of the problem—and in so doing cast Starbucks as an environmentally conscious company. The creative collaboration contest not only produced a huge number of innovative ideas for Starbucks and provided it with insight about its product strategy, it raised awareness of an important issue that Starbucks was addressing and thus earned Starbucks valuable media.

TRIPLE EIGHT HELMET DESIGN—BENEFITS FOR SMALLER FIRMS, TOO

We have talked about large organizations using external talent to tackle creative challenges. But crowdstorming is not only for large companies.

Imagine you are standing on a street corner in LA, San Francisco, São Paulo, or Cape Town waiting for the light to change. A skateboarder rolls by on a long board and you are instantly taken by the design on his helmet: an image of a robot clutching a balloon as it floats over the city. While the helmet's unique design may not be an unusual sight on city streets these days, the story *behind* the helmet artwork is the result of a creative collaboration challenge run by the helmet maker Triple Eight.

Triple Eight is a small, privately held company that has been making professional and amateur protective gear for a wide variety of action sports since 1995—from skateboarding and bicycle riding to snowboarding and skiing. Throughout its history, Triple Eight has worked closely both with its customers and with athletes in designing its products. As Triple Eight president Bobby Oppenheim says, "Community has always been a key ingredient in Triple Eight's success. We're inspired by the industry we work in; in the action sports community, competitors use collaboration to continually improve and develop new ideas. This spirit is pervasive at Triple Eight: We work with our team, distributors, and customers throughout our product development process."¹⁵

In 2010, what was unique for Triple Eight was handing over the artwork design for its *Brainsaver* skate helmet to creative talent with which it had no relationship. When Bobby first discussed the project he asked: “Why would I work with people I don’t know?” It’s an understandable reaction and we expect some of you might be contemplating the same question. But the answer makes a compelling case for the power of crowdstorming—bringing together a diverse, unknown community of design talent to join Triple Eight’s known skateboard community resulted in the delivery of unexpected, creative ideas vetted by the combined community.

The first step in the process was inviting creative design communities as well as skaters. Triple Eight’s goal was to look to a variety of different groups to gather feedback about the designs—to explore the art of the possible. In a coordinated effort, Triple Eight, Mutopo, and Jovoto spread the news of the contest to different parts of the skateboarding community and to existing design communities (such as Jovoto itself, which consisted of over 15,000 product and package designers, branding professionals, and graphic artists). Secondly, Triple Eight decided on a revenue-sharing compensation option to motivate participation. For work such as this, designers are typically compensated by the hour or perhaps by the project. Triple Eight was running this particular challenge as a contest, and was asking people to propose designs in return for the *possibility* of winning a prize and receiving a contract. The contract then would be tied to a shared risk/reward structure—in this case, sales numbers.

Finally, Triple Eight elected to run the challenge in an open contest format. Submitted ideas would be publicly available; open to comments and evaluation. Like Starbucks, the approach was designed to get a lot of great ideas and also to enable Triple Eight to gather insights from comments, understand the community’s choice by tracking voting, and encourage a broader conversation with its customers.

The results were impressive: 170 submissions, over 900 comments, and 3,300 ratings. The top three submissions selected by the community were then presented to 20 members of Triple Eight’s professional team as well as retail partners and Balloon Robot design was selected.

OUTCOMES BEYOND IDEAS

Starbucks, LEGO, Goldcorp, and Triple Eight were working on diverse issues—but they all had one thing in common: all tapped into abundant talent outside their organizations to help them achieve the desired outcomes to their challenges.

Despite the similarities of their processes, the desired outcomes and measures of success *varied* for each of these challenges. While the focus of crowdstorming is generation and evaluation of ideas, the process can generate other valuable by-products too. Most notably, the discovery of the people behind the ideas or the feedback about the ideas, can be as valuable as the resulting ideas. And the conversations resulting from the process can have important communication value in an increasingly social business landscape. Table 1.1 outlines the range of outcomes.

Table 1.1 Five Crowdstorming Outcomes

Outcomes	Descriptions
Getting Ideas	Obtaining a large number of ideas beyond the scope of what is possible with internal team or traditional partners.
Evaluating Ideas	Efficiently receiving feedback and interpretations from a wide range of stakeholders to determine where to make future investments.
Finding Talent	Through the proposals, identifying new individuals, teams, and organizations to work with.
Causing Conversation	Generating content and often provocative ideas that in turn lead to conversations and media coverage.
Transforming Relationships	Enabling stakeholders to participate in generating and selecting ideas can positively change the relationship between the organization and stakeholders.

We have focused so far on organizations working to improve existing products and services. But our last example shows how an organization uses a crowdstorm process to identify new partners and investment opportunities, finding not just new ideas, but also the teams capable of making the ideas real.

GE ECOMAGINATION CHALLENGE—A NEW PATH TO CORPORATE DEVELOPMENT

In 2010, corporate giant General Electric launched a \$200 million global challenge called “The Ecomagination Challenge: Power the Grid.”¹⁶ GE’s starting point: “Since good ideas can come from almost anywhere, GE has opened its digital doors to inventors all around the world.”

In 2005, GE CEO Jeffrey Immelt launched Ecomagination to develop new power grid technologies—a market that the company estimated could be worth hundreds of billions of dollars in the coming years. GE committed to investing \$10 billion in Ecomagination between 2010 and 2015, but realized that it would have to look beyond the corporation’s four walls for ideas—and determine how to collaborate with small companies to accelerate innovation and production in order to meet its ambitious goals. It made three important decisions: to partner with venture capital firms Emerald Technology Ventures, Kleiner Perkins Caufield & Byers, and Rockport Capital; to commit (along with its partners) \$200 million to entrepreneurs to develop new ideas and bring them to market, in addition to offering \$100,000 in prize money to the top winners; and to choose a technology partner, Brightideas, to run an open contest on its platform. GE coordinated outreach and media support with its partners and ran a 10-week challenge that generated over 3,800 ideas, 80,000 comments, and 120,000 votes. The community voted for its winners and the ideas were routed to subject matter experts at both GE and the venture capital firms for evaluation and further development. The evaluation committee considered ideas for the following: (1) an equity investment by GE or others; (2) a cooperative agreement to develop a product or technology; and (3) a review of the product or service for possible qualification to be a part of the GE Ecomagination program.

The results of this open crowdstorming project were again impressive: GE partners committed over \$134 million for cleantech startups that showed promise. A company press release called the Ecomagination Challenge an “efficient magnet, attracting so many good ideas that GE has been able to enter into commercial partnerships with 22 startups representing a broad spectrum of technologies, including wireless power transmission, thermoelectric materials that transform heat into electricity, grid-scale energy storage, self-tinting energy saving windows, software energy management systems and much more. . . . GE has even acquired one company. . . . As an innovative approach to finding and funding the next generation of energy technology, GE’s Ecomagination Challenge has been an outstanding success.”

In a further show of commitment to the practice of open innovation, GE has since expanded its efforts using external talent. In September 2011, GE created the *healthymagination challenge* to identify and accelerate ideas to advance breast cancer early detection and diagnosis in order to help save lives affected by breast cancer.

THE BUSINESS MODEL IMPACT

Crowdstorming has the potential to help transform businesses. Each example provided had different outcomes and the impact on their business has been different. To help us see how organizations have used crowdstorming (and to get you thinking about how you might), it is useful to see how they have considered using it in the context of their business models. To help with this, we can use the *Business Model Canvas* from Alex Osterwalder’s book *Business Model Generation*,¹⁷ shown in Figure 1.2.

What tools such as the “Canvas” help us do is to see how organizations have used crowdstorming to improve their business.

As we work through the stories we have covered so far, we can see the different ways the crowdstorm process has impacted each organization. For Goldcorp, their Key Resources were simply not able to determine where they might find gold. When they engaged an outside crowd, they transformed their Value Proposition—they were able to










 <p>Key Partners</p> <ul style="list-style-type: none"> + GE identified new potential partners and investment opportunities + Triple Eight found new design partners 	<p>Key Activities</p>  <ul style="list-style-type: none"> + Goldcorp was able to greatly augment its ability to identify the best locations for gold 	<p>Value Propositions</p> 	<p>Customer Relationships</p>  <ul style="list-style-type: none"> + Starbucks Betacup found solutions that asked customers to play a role in reduce paper cup waste. 	<p>Customer Segments</p>  <ul style="list-style-type: none"> + LEGO was able to identify ideas to serve new customers segments (like adult fans of LEGO or Minecraft fans).
<p>Key Resources</p>  <ul style="list-style-type: none"> + LEGO found new, key resources to support new product development 	<p>Channels</p>  <ul style="list-style-type: none"> + GE, LEGO, Starbucks Betacup, and Triple Eight benefitted from increased awareness by crowdstorming in public. 	<p>Revenue Streams</p>  <ul style="list-style-type: none"> + Goldcorp, GE, Triple Eight, and LEGO all found new revenue streams 	<p>Cost Structure</p>  <ul style="list-style-type: none"> + GE, LEGO, Starbucks Betacup, and Triple Eight found efficient ways to earn media and generate awareness for their brands and offerings. 	

Figure 1.2 The Business Model Canvas—Showing How Crowdstorming Impacts Business Models for GE, LEGO, Goldcorp, Triple Eight, and Starbucks

Source: Alexander Osterwalder and Yves Pigneur, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* (Hoboken, NJ: John Wiley & Sons, 2010).

more efficiently locate gold. Understanding where to expend effort to look for gold is at the heart of their business, and this is where crowdstorming helped. For LEGO, they did not lack innovation, but they lacked the ability to understand where they might invest. Like Goldcorp, they did not know where to focus and their crowd helped them ignore the less promising new products and focus on areas they knew LEGO customers would love. In the process, they also transformed their Customer Relationships, bringing them closer and giving them a stake in shaping the products they love.

For Starbucks, the impact is less clear. The crowd did not save the business, and it is not clear how the crowdstorming will impact how they deliver value. However, in the short term, the discussion around the ideas had a positive impact on communication about the company. It impacted their communication “Channels,” generating awareness of Starbucks’ commitment and efforts to operate a more sustainable business. Finally, for GE Ecomagination, the crowdstorm process provided access to new Partners, which in turn offered GE a new Value Proposition and Channels.

As exciting as these stories are, they are just the start. These organizations are tapping into crowdstorm processes selectively, as a complement to existing business processes. But what happens when we create organizations that place crowdstorm processes at the core of their business model? We’re going to introduce you to a few organizations that are doing just that—like Giffgaff, Quirky, LocalMotors, and Threadless. The oldest is just over a decade, while the youngest have been around for only a few years. And yet they reveal what might be possible when we engineer organizations around outside talent, to take advantage of the massively reduced transaction costs that defined the shape of organizations created before the Internet.

We’re excited about the potential. But we are even more excited that we are starting to understand how you can make crowdstorming work. We know from experience that when you have the capacity to transform organizations at this scale, you are going to meet resistance. You will encounter resistance simply because of the scale of the proposed changes. And you will encounter resistance because of the risks associated with change. For all the insights we will share, we know that

few of the success stories could have happened without substantial support from the most senior people in the organization—and the combined efforts across multiple groups within each organization from IT and legal to marketing and R&D.

To address this issue head on, the next chapter lays out a framework for thinking through ways to balance the business benefit of using crowdstorming while assessing and managing the risks related to intellectual property, confidentiality, and the brand.

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