

## InnoCentive Case Study

### Introduction

Whether you call it “crowdsourcing,”<sup>1</sup> “open innovation,”<sup>2</sup> or “the wisdom of crowds,”<sup>3</sup> the collaborative approach to innovation is becoming a force. It is an increasingly common tactic employed by businesses, individual inventors, and government bodies. After having set aside any sense of paranoia about protecting their intellectual property rights, these leaders are turning to customers, competitors, and even the public at large for inspiration in solving a host of technological and design problems.

Sometimes, firms with a problem turn directly to the “crowd” for help in finding a solution. For example, Rob McEwen, chief executive of U.S. Gold, turned to the public for help finding gold when he was the head of a Canadian company called Goldcorp.<sup>4</sup> McEwen published all of the mining data, maps and geological information relating to Goldcorp’s property on the company’s website, and offered \$575,000 to anyone with suggestions on how the company could find 6 million ounces of gold.<sup>5</sup> More than 1,400 people from 50 countries responded, identifying 55 new drilling sites.<sup>6</sup> In the aftermath of this experiment, the company’s value shot from EUR 70 million to EUR 6 billion.<sup>7</sup>

More often, though, firms turn to companies like [IdeaWicket](#)<sup>8</sup>, [NineSigma](#)<sup>9</sup>, and [Napkin Labs](#)<sup>10</sup>, all of whom act as innovation “middlemen” by connecting seekers with solvers. The best-known of these entities is [InnoCentive](#),<sup>11</sup> a company founded within Eli Lilly in 2001 that became independent in 2005. InnoCentive strives to “[help companies innovate better, to find the fastest path to solutions](#).”<sup>12</sup> Firms that want to take advantage of InnoCentive’s services first

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<sup>1</sup> See JEFF HOWE, CROWDSOURCING: WHY THE POWER OF THE CROWD IS DRIVING THE FUTURE OF BUSINESS (2008).

<sup>2</sup> See HENRY CHESBROUGH ET AL., OPEN INNOVATION: RESEARCHING A NEW PARADIGM (2008).

<sup>3</sup> See JAMES SUROWIECKI, THE WISDOM OF CROWDS: WHY THE MANY ARE SMARTER THAN THE FEW AND HOW COLLECTIVE WISDOM SHAPES BUSINESS, ECONOMIES, SOCIETIES, AND NATIONS (2004).

<sup>4</sup> Joel Achenbach, *Government Finds Giving Prizes can be Rewarding; Contests Offer Different way to Find Solutions for Problems*, WASH. POST, Apr. 30, 2010, at A18.

<sup>5</sup> Joel Achenbach, *Government Finds Giving Prizes can be Rewarding; Contests Offer Different way to Find Solutions for Problems*, WASH. POST, Apr. 30, 2010, at A18.

<sup>6</sup> Joel Achenbach, *Government Finds Giving Prizes can be Rewarding; Contests Offer Different way to Find Solutions for Problems*, WASH. POST, Apr. 30, 2010, at A18; Haydn Shaughnessy, *Marketplace for Minds and Ideas*, IRISH TIMES, Sept. 22, 2008, at 17.

<sup>7</sup> Haydn Shaughnessy, *Marketplace for Minds and Ideas*, IRISH TIMES, Sept. 22, 2008, at 17.

<sup>8</sup> IdeaWicket, <http://www.ideawicket.com/> (last visited August 16, 2010).

<sup>9</sup> Nine Sigma, <http://www.ninesigma.com/> (last visited August 16, 2010).

<sup>10</sup> Napkin Labs, <http://www.napkinlabs.com/> (last visited August 16, 2010).

<sup>11</sup> InnoCentive, <http://www2.innocentive.com/> (last visited August 16, 2010).

<sup>12</sup> What is InnoCentive?, <http://www2.innocentive.com/what-is-innocentive> (last visited August 16, 2010).

post a project by constructing a detailed list of their goals. Then, InnoCentive's community selects projects to "solve" from among those listed. The [result](#) can be hundreds of ideas for the firm's technological or design problems.<sup>13</sup> Prize money for the best ideas, which serves as an inducement for the problem solvers, ranges from \$5,000 to \$1 million.<sup>14</sup> The solvers come from 175 countries. More than one third have doctorates.<sup>15</sup>

Dwayne Spradlin, president and chief executive of InnoCentive, [says](#) that, for many companies, embracing open innovation requires a large cultural shift.<sup>16</sup> Two particular concerns are that companies that post information about their problems risk giving valuable information to competitors, or that a solver will devise a useful solution but refuse to hand it over to the organization that initially sought it.<sup>17</sup> So far, neither concern has materialized.<sup>18</sup> In fact, InnoCentive appears to have been remarkably successful. Giants like Procter & Gamble and even the United States government have turned to the InnoCentive community for help in solving their problems.

## NASA

When the Space Life Sciences Directorate (SLSD) at NASA's Johnson Space Center in Houston needed solutions to a variety of astronaut health and performance issues, they turned to InnoCentive and its network of over 200,000 problem solvers.<sup>19</sup> Dr. Jeffrey R. Davis, director of Space Life Sciences, believed that "[a]ccelerating the solutions to problems which affect astronauts will have a major impact on the future of our space program."<sup>20</sup> Dwayne Spradlin shared Dr. Davis' enthusiasm: "InnoCentive is pleased to work with NASA to apply the power of open innovation and the expertise of our Solver community to explore new approaches to significant problems in the aerospace industry."<sup>21</sup>

Three challenges were initially posted.<sup>22</sup> They were won by Yury Bodrov, a scientist from Saint Petersburg, Russia; Alex Altshuler, a mechanical engineer from Foxboro, MA; and Bruce Cragin, a retired radio frequency engineer from Lempster, N.H.. Mr. Bodrov proposed a

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<sup>13</sup> See Laura Rich, *Tapping the Wisdom of the Crowd*, N.Y. TIMES, Aug. 4, 2010, available at <http://www.nytimes.com/2010/08/05/business/smallbusiness/05sbiz.html>

<sup>14</sup> Scott Kirsner, *Necessity Forces Companies to look for Outside Ideas*, BOSTON GLOBE, Dec. 27, 2009.

<sup>15</sup> Cornelia Dean, *If You have a Problem, ask Everyone*, N.Y. TIMES, July 22, 2008, at F1.

<sup>16</sup> Shelly DuBois, *X Prize goes Corporate*, FORTUNE, Aug. 5, 2010, available at [http://money.cnn.com/2010/08/05/news/companies/xprize\\_corporate\\_consulting.fortune/](http://money.cnn.com/2010/08/05/news/companies/xprize_corporate_consulting.fortune/)

<sup>17</sup> Cornelia Dean, *If You have a Problem, ask Everyone*, N.Y. TIMES, July 22, 2008, at F1.

<sup>18</sup> Cornelia Dean, *If You have a Problem, ask Everyone*, N.Y. TIMES, July 22, 2008, at F1.

<sup>19</sup> *NASA Announces Winners of Space Life Sciences Open Innovation Competition*, DEFENSE & AEROSPACE WEEK, July 21, 2010, at 18.

<sup>20</sup> *NASA Announces Winners of Space Life Sciences Open Innovation Competition*, DEFENSE & AEROSPACE WEEK, July 21, 2010, at 18.

<sup>21</sup> *NASA Announces Winners of Space Life Sciences Open Innovation Competition*, DEFENSE & AEROSPACE WEEK, July 21, 2010, at 18.

<sup>22</sup> *NASA Announces Winners of Space Life Sciences Open Innovation Competition*, DEFENSE & AEROSPACE WEEK, July 21, 2010, at 18.

new, lightweight, flexible graphite material for food packaging that can maintain food quality over a three-year shelf life. Mr. Altschuler proposed an aerobic and resistance exercise device which allows astronauts to exercise under limited or zero gravity. Mr. Cragin designed a solution that allows for the prediction of solar radiation during a 24-hour forecast window with 75 percent accuracy.

[NASA's Innovation Pavilion](#)<sup>23</sup> on InnoCentive recently listed seven challenges. They range from designing a process for [tracking](#) medical consumables used from medical kits<sup>24</sup> to determining the optimal method of [coordinating](#) swarms of sensors to collect data on extraterrestrial environments.<sup>25</sup> The [prize amount](#) for the challenges runs from \$15,000 to \$30,000, and the number of solvers ranges from a low of 174 to a high of 598.<sup>26</sup> Currently, all challenges have either been [awarded or are under evaluation](#).<sup>27</sup> However, the partnership between NASA and InnoCentive shows no signs of ending, ensuring that “anyone with interest and ability can impact how the U.S. explores the final frontier.”<sup>28</sup>

## BP

When an explosion at a BP-owned rig unleashed the [largest oil spill in US history](#) in the Gulf of Mexico,<sup>29</sup> InnoCentive decided to launch a [challenge](#)<sup>30</sup> seeking ideas to help the company clean up the spill. InnoCentive's community of problem solvers has dealt with similar problems before. In 2007, they devised a method of removing frozen oil from the bottom of Prince William Sound after the Exxon Valdez oil spill, a problem that had gone unsolved for 20 years.<sup>31</sup> For the BP challenge, InnoCentive saw its [fastest response ever](#), with over 1,000

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<sup>23</sup> NASA Innovation Pavillion, <https://gw.innocentive.com/ar/challenge/browse?pavilionName=NASA&pavilionId=1918&source=pavilion> (last visited August 16, 2010).

<sup>24</sup> NASA Challenge: Medical Consumables Tracking, <https://gw.innocentive.com/ar/challenge/9455022> (last visited August 16, 2010).

<sup>25</sup> NASA Challenge: Coordination of Sensor Swarms for Extraterrestrial Research, <https://gw.innocentive.com/ar/challenge/9232382> (August 16, 2010).

<sup>26</sup> NASA Innovation Pavillion, <https://gw.innocentive.com/ar/challenge/browse?pavilionName=NASA&pavilionId=1918&source=pavilion> (last visited August 16, 2010).

<sup>27</sup> NASA Innovation Pavillion, <https://gw.innocentive.com/ar/challenge/browse?pavilionName=NASA&pavilionId=1918&source=pavilion> (last visited August 16, 2010).

<sup>28</sup> *InnoCentive and NASA Offer Global Community Opportunity to Advance U.S. Space Program*, MARKETWIRE, Jan. 13, 2010.

<sup>29</sup> See Tom Zeller, *Estimates Suggest Spill Is Biggest in U.S. History*, N.Y. TIMES, May 28, 2010, at A15, available at <http://www.nytimes.com/2010/05/28/us/28flow.html>

<sup>30</sup> Emergency Response 2.0 : Solutions to Respond to Oil Spill in the Gulf of Mexico, <https://gw.innocentive.com/ar/challenge/9383447> (last visited August 16, 2010).

<sup>31</sup> *InnoCentive Issues Call to Action for Innovative Solutions to Oil Spill in the Gulf of Mexico*, MARKETWIRE, May 4, 2010.

solvers registering to work on the problem, 61 percent of whom had Ph.Ds or masters degrees.<sup>32</sup> More impressive was the fact that this response was generated without the aid of any financial inducement.<sup>33</sup> “In a crisis situation we thought our network would get involved because it was the right thing to do,” said Spradlin.<sup>34</sup>

Spradlin and InnoCentive reached out to BP with their suggestions. BP was at first receptive to the suggestions of InnoCentive’s community, identifying remote sensing of oil and better skimming technology as two areas where InnoCentive’s solutions could be most helpful.

The open innovation approach to problem-solving is not always met with open arms. BP ended up declining to cooperate with InnoCentive – this time around, anyway. On June 19, 2010, BP said that an agreement with InnoCentive would be “too complex and burdensome” and rejected their solutions.<sup>35</sup> In a blog post on Perspectives on Innovation, Spradlin responded: “These agreements are simple, allow us to use BP’s name without InnoCentive taking on liability, and set the price of engagement at \$0.” Nor were InnoCentive’s ideas the only ones rejected. Over 100,000 other suggestions were sent to BP’s offices in Houston, TX.<sup>36</sup> BP claimed that “nearly all are impossible, impractical, obvious or likely to make things worse.”<sup>37</sup>

Spradlin, however, did not leave the experiment with BP completely dejected. The impressive response of InnoCentive’s community has given him confidence in the network’s ability to mobilize itself to assist with future emergencies. “We know we’ve got an ability to tap bright minds in a variety of crisis situations . . . Now we can prewire some of these things that will allow us to use them on demand,” he said.<sup>38</sup>

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<sup>32</sup> Alissa Walker, *BP to InnoCentive: Sorry, We Don't Want Your 908 Ideas for Saving the Gulf*, FASTCOMPANY, June 23, 2010, available at <http://www.fastcompany.com/1663156/bp-to-innocentive-sorry-we-dont-want-your-908-ideas-for-saving-the-gulf>

<sup>33</sup> Alissa Walker, *BP to InnoCentive: Sorry, We Don't Want Your 908 Ideas for Saving the Gulf*, FASTCOMPANY, June 23, 2010, available at <http://www.fastcompany.com/1663156/bp-to-innocentive-sorry-we-dont-want-your-908-ideas-for-saving-the-gulf>

<sup>34</sup> Alissa Walker, *BP to InnoCentive: Sorry, We Don't Want Your 908 Ideas for Saving the Gulf*, FASTCOMPANY, June 23, 2010, available at <http://www.fastcompany.com/1663156/bp-to-innocentive-sorry-we-dont-want-your-908-ideas-for-saving-the-gulf>

<sup>35</sup> David Brown, *What's Harder than Stopping the Oil? Getting BP to Listen to Suggestions*, WASH. POST, July 3, 2010, at A1.

<sup>36</sup> David Brown, *What's Harder than Stopping the Oil? Getting BP to Listen to Suggestions*, WASH. POST, July 3, 2010, at A1.

<sup>37</sup> David Brown, *What's Harder than Stopping the Oil? Getting BP to Listen to Suggestions*, WASH. POST, July 3, 2010, at A1.

<sup>38</sup> Alissa Walker, *BP to InnoCentive: Sorry, We Don't Want Your 908 Ideas for Saving the Gulf*, FASTCOMPANY, June 23, 2010, available at <http://www.fastcompany.com/1663156/bp-to-innocentive-sorry-we-dont-want-your-908-ideas-for-saving-the-gulf>