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Company Update

By 2011, InnoCentive's value proposition had evolved. No longer solely a tool for scientific problem-solving via broadcast search, InnoCentive offered a "Challenge Driven Innovation Platform" which helped clients incorporate the practices of distributed innovation within an internal organizational structure. Using the platform, clients tapped internal employee networks and external communities of global solvers to address a wide spectrum of problems; ranging from life sciences and chemistry to mathematics and engineering to finance, business and education. As InnoCentive added products to its platform from 2008 to 2010, its core business continued to expand. Revenue experienced double digit growth each year, the number of challenges published on InnoCentive.com surpassed 1,200 and the total community exceeded 220,000 members.

Open and team based collaboration were central features of InnoCentive's new model. Weighing client's reticence to share problems and solutions openly with a global community, InnoCentive's first foray into collaborative problem solving was InnoCentive@Work (IC@W), a product that facilitated open collaboration among employees in the seeker organization.

Developing InnoCentive@Work

In May 2008, the development of IC@W was propelled forward when a large pharmaceutical company agreed to jointly fund, create and provide iterative feedback on the new product. Released in October 2008, IC@W was a threaded forum in which individuals working for a client, or designated affiliates, could collaboratively solve problems. As David Ritter, InnoCentive's Chief Technology Officer, described, "With IC@W there is no concept of a project room. You are always in the open collaboration stage." Managers within the client organization, also referred to as the Challenge Owners, posted problems onto the IC@W platform. A Program Champion (a client-based IC@W program manager) and Innovation Coaches (individuals within the client organization familiar with IC@W systems) helped Challenge Owners pick the best solutions and distribute prizes. Typically, three to four individuals who made the largest contribution in a challenge were allocated virtual currency which could be redeemed for monetary bonuses.

Although 80% of problems were still solved at InnoCentive.com, IC@W was the fastest growing product in InnoCentive's portfolio. By January 2011, ten clients had signed up with IC@W and many

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more, including high profile organizations such as NASA, were in the pipeline. Because all participants were employees of the client, they had already signed intellectual property transfer agreements and non-disclosure agreements (NDAs). "Many organizations are more comfortable experimenting with open innovation inside their company before truly opening up the walls. IC@W has created a bit of a soft landing for organizations wanting to get their feet wet," shared Ritter.

An internal survey at the large pharmaceutical company that partnered with IC@W revealed that the overwhelming majority of problems published were at least partially solved and almost half were substantially or fully solved. Much of this success could be attributed to the diversity of ideas that were generated. As Ritter noted, "With IC@W, we lowered the barriers to entry by not having a big scary concept of a solution. If you have an idea, off-hand comment, or new perspective on the problem, even if you don't have the time to make a full submission, it is easy to contribute. This can lead to significant breakthroughs." Another advantage of IC@W was the ability to build networks and encourage communication within a seeker's organization. According to the survey, more than half of participants connected with coworkers that they had never interacted with before.

To InnoCentive, the benefits of IC@W ran deeper than increased diversity and connectivity. "What we are really trying to do with IC@W is create a system of record for the client; a definitive repository for the problems and solutions within an organization," said Ritter. InnoCentive envisioned IC@W as an enterprise resource planning (ERP) system for innovation, in which data related to an organization's problems and solutions could be archived. According to Ritter, this would embed InnoCentive into the client's organization, ensuring a long-term relationship. In addition, in the event that IC@W was unable to generate a solution using a client's internal resources, the case for broadcast search was strengthened. A natural flow was established: problems that IC@W did not complete were released to InnoCentive's traditional ".com" platform, giving a global community of solvers the chance to tackle the challenge. As such, problem definition and distribution became a part of the corporate work process, rather than living only within an individual employee's purview and classical problem-solving approach.

IC@W struggled when the seeker organization did not make a sufficient commitment to the platform. Ritter noted, "It's a business transformation program. It requires a lot of work on behalf of the company. IC@W fails when a company tries to do it on the cheap." According to Ritter, a client needed to pre-select a dedicated champion, complete all training sessions offered through InnoCentive's On-Ramp service, which provided key lessons on successfully utilizing a challenge platform, and communicate with employees about the change that was taking place.

Enabling Collaboration Amongst Competitors

The role of collaboration was expanded at InnoCentive when team project rooms were added in 2010. Within these rooms, a group of five to six solvers from InnoCentive's community could openly initiate discussion threads and add posts. Similar to InnoCentive's traditional process, before entering a team project room, contestants agreed to the intellectual property transfer and confidentiality requirements of the client. For team rooms, InnoCentive also created a legal framework for prize distribution and set rules for releasing solutions to the client. Dwayne Spradlin, InnoCentive's CEO, noted, however, that while some solvers "craved any opportunity to collaborate, particularly for public good problems" a few solvers "reacted negatively to the team rooms. 'Why would I want to compete with teams? My chance of solving will go down!'"

Spradlin believed collaborative problem solving was "broadcast search squared" and that creativity was greatly enhanced when ideas were shared in the open. However, beyond public goods

challenges, clients often viewed open collaboration in a global community as risky and uncontrollable. Thus, the value of IC team project rooms lay in their ability to allow a degree of collaboration in external communities while protecting a client's trade secrets and corporate strategy through the IC intellectual property platform and exposure to smaller teams of five to six people.

Spradlin thought the team room concept could be improved. Specifically, he felt community members lacked a match making service to help locate potential teammates with complementary skills. Should InnoCentive make its platform more like a Facebook for scientists? What lessons could InnoCentive draw from IC@W to further refine team based project work? How should InnoCentive sell clients on the merits of open innovation and collaboration? Spradlin was confident that collaboration would improve the quality of solutions, but he knew his systems needed some final tweaks before achieving their potential.