



**Social Networking—Leverage
the Power of the Masses for
Your Next Innovation**

*An Article by Ashif Mawji, CEO, Upside Software,
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Social Networking—Leverage the Power of the Masses for Your Next Innovation

Main Points

As A G Lafley, CEO of Procter & Gamble points out, collaboration is a key ingredient in a company's arsenal to help it innovate better and faster, and proactively respond to the increased demand we face in a global and connected economy. Some key points on implementing an effective program include:

- Not all ideas should be put out on the internet for collaboration — do your due diligence and ensure only the appropriate ones are leveraged.
- Implement the right contracting framework for this model where there's significant external collaboration.
- Involve legal early on to ensure you have the right mix of IP protection and open collaboration, which will help you to achieve effective innovation.
- Embrace technology to help you facilitate collaborative innovation while ensuring efficiency, governance and compliance with company policies and local laws.

What is Social Networking?

The power behind the new communication paradigm exemplified by internet sites such as Facebook, Wikipedia and YouTube is that it promotes the flow of ideas — including advice, feedback and criticism — all of it free of charge.

I think that A G Lafley puts it best when he says, 'No company today, no matter how large or how global, can innovate fast enough or big enough by itself. Collaboration — externally with consumers and customers, suppliers and business partners, and internally across business and organization boundaries — is critical.' And Eric Schmidt, CEO of Google encapsulates the power of networking on the internet with his words: 'Thanks to the internet, masses of people outside the boundaries of traditional hierarchies can innovate to produce content, goods and services.'

The open source phenomenon is a great illustration of social networking yielding tangible results. This is where operating systems like Linux, and customer relationship management systems like SugarCRM, are being built, enhanced and maintained by thousands, if not millions, of individuals around the world. These companies have created a business model where the software is free but where services, such as support and enhanced versions of an offering, are provided at a nominal cost to consumers.

Collaboration Examples

While there are numerous examples of corporations reaping the benefits of a collaborative innovation process — including Dow Chemicals, Eli Lilly & Co., Lego and DuPont — following are some that I believe have embraced this paradigm shift and are ready for the next wave — leveraging social networking to foster innovation.

Proctor & Gamble

Proctor & Gamble (P&G) spends around US\$1.7 billion a year on R&D and has a network of over 80,000 independent professionals who provide solutions to its ideas and challenges. P&G pays upwards of \$5000 for solutions derived in this manner. Since adopting this new paradigm, P&G has seen its new products increase year on year from 20 percent in 2004 to 35 percent in 2007. As a result, its sales per R&D person have increased by around 40 percent in the same period.

Amazon and eBay

If you have transacted on eBay or purchased a book from Amazon, you may have contributed to this new communication paradigm simply by leaving feedback for the seller you purchased from or a review on a book you purchased. Neither eBay nor Amazon paid for your feedback, so you are what Don Tapscott, co-author of Wikinomics, refers to as a 'prosumer' (a consumer who is productive by adding value to a purchase he or she made).

Goldcorp Inc.

In Wikinomics, there's an excellent example of a company — Goldcorp Inc — that was on the verge of bankruptcy until its CEO, Rob McEwen, put the company's most prized asset — its geological data — on the internet. He incited the internet audience to help locate the gold deposits at the company's gold mine in Red Lake, Ontario by offering a total of \$575,000 in prize money to those who came up with the best methods and estimates. (visit www.bullnobull.com/archive/wikinomics.html for the story). For the shareholder, \$100 invested in 1993 was worth about \$3000 in 2007. Stories like this are common for those who embrace this new communication phenomenon.

Do Your Due Diligence First

Transparency versus IP Protection

When an idea becomes available on the internet, it allows people to network and collaborate — it also allows them to benefit from it. Therefore, before exposing your ideas to this social network, you first need to ensure that you conduct the appropriate due diligence to determine the risks and appropriateness of using this method. The upside, however, far outweighs most confidentiality issues. Think of the potential of millions of intelligent minds collaborating and helping you to fine-tune and deliver on your idea!

From a contractual perspective, ensure that all the goods and services you supply to build your end-product are protected, so that you retain ownership, patents and intellectual property (IP) protection, including copyright and trademarks. Also consider limiting the initial participation in the development of an idea to those that have signed a non-disclosure agreement. You may not get the full involvement of people or the best ideas using this model, but it's a good balance between protecting your IP and gaining a superior end product.

Governance and Compliance

It is important to be able to enforce your contract in the jurisdictions in which you do business. Where there's diverse supplier participation, you will find that implementing contract management processes without automation will be difficult, and ensuring compliance using manual methods will be time-consuming, not to mention extremely labor intensive.

Automation (such as contract management software) can play an important role. By implementing business rules that manage the terms and conditions, and instilling triggers that notify you when

certain terms are violated or performance levels do not comply with established service level agreements, managing a global and diverse supply chain can be made simpler and more efficient.

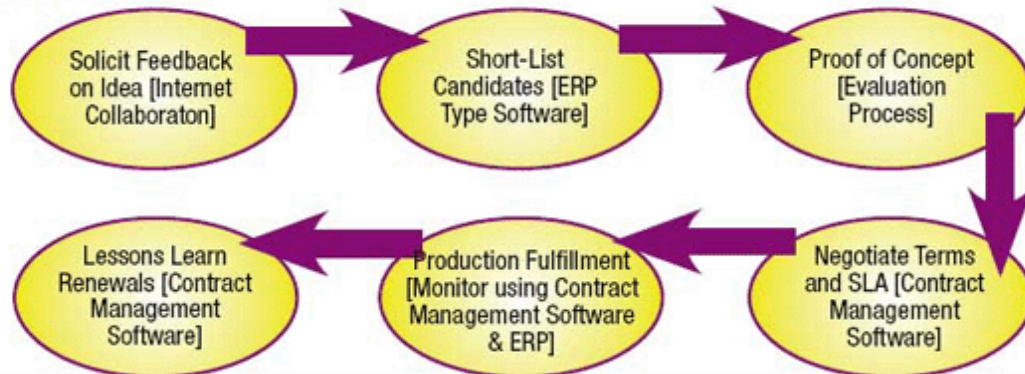
You will also need to understand the laws and reporting requirements, and ensure the proper documentation is filed. When the end product is derived from goods or services offered by suppliers from different countries, be aware of import/export control laws and appropriate classification of the end-product or service. It's best to get the advice of legal and finance professionals experienced in these matters.

Technology as an Enabler

For international business transactions that involve numerous parties, technology is a must. Software to handle the financial aspects; for example, enterprise resource planning, and contract and commitment lifecycle management to manage the contractual commitments and elements related to service levels, are a minimum requirement. The various stakeholders collaborating in this digital supply chain need to be constantly appraised of commitments, changes and adjustments in scheduling and financial obligations, as well as order processing. As such, real-time collaboration is necessary to ensure a seamless delivery process.

In an ideal world, the process would follow the Software+Services model in Figure 1.

FIGURE 1:



The prospect of numerous suppliers providing various elements and components of the finished goods or services requires parties to collaborate and transact on the same platform, or ensure there's tight integration between all the systems. In this model, real-time integration is mandatory.

Are We Ready for This?

Today, where technology has enabled the most complex processes and boundaries for resources have all but disappeared — embracing global collaboration is not just an innovative way of doing business, it is a necessity for survival.

So, do your due diligence to gain an understanding of the ideas that will be important for you and let the intellectual power of the world's citizens help to bring your next idea to commercialization in the most cost-effective way. However, don't forget the basic principles of effective contract and commitment management — that is, instill a fair and ethical win-win agreement that fosters partnership and effective collaboration— which are critical in a globally connected world.

About the Author

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Upside Software is the '2007 Supply and Demand Chain Executive Top 100 Company and 2006 Deloitte Fast 50 Company'. Ashif was named the Entrepreneur Year by the Business Development Bank of Canada in 2007 and also the 2002 Ernst and Young Entrepreneur of the Year® recipient (Prairies Region — Young Entrepreneur), ranked as Canada's Top 40 under 40TM (2004), he is a member of the Financial Executives International and was recently awarded the Queen's Golden Jubilee Medal.



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