



Setup	
Title	Nobody's As Smart As Everybody: Unleashing the Quiet Genius Inside the Organization
Summary	Rite-Solutions flips its top-down approach to strategy setting and decision making by creating a novel internal marketplace for ideas and innovation. Anyone within the company can propose an idea for the company to pursue and "invest" in it via a virtual stock market.
Moonshots	<ul style="list-style-type: none">• Create internal markets for ideas, talent, and resources• Make direction setting bottom-up and outside-in• Experiment more often and more cheaply• Depoliticize decision-making• Create a democracy of information
Context	
Background	<ul style="list-style-type: none">• Rite-Solutions is a software company that builds advanced command-and-control systems, games, and modeling technology for the Navy and other clients.
Triggers	<ul style="list-style-type: none">• After successfully growing their company to 150 employees and \$20 million in revenue, founders Jim Lavoie and Joe Marino, came to the realization that the top-down model they had traditionally used to make decisions about new ventures was no longer capable of keeping up with changes in the marketplace.• As CEO Jim Lavoie put it, "We're the founders, but we're far from the smartest people here. At most companies, the most brilliant insights tend to come from people other than senior management."• One day in October 2004, while sitting in his car listening to a roundup of the day's financial news, it struck Lavoie that the stock market might be a great model for harvesting those insights from all over the company and baking innovation into its daily work.• Fired up, Lavoie quickly recruited a few lateral-thinking colleagues and challenged them to find a way of building a market-based innovation process.



<p>Innovations and Timeline</p>	<p>January 2005 Rite-Solutions launched an internal stock exchange called “Mutual Fun”, which featured three different idea markets, each with a slightly different focus. The “Spazdaq” is a market for risky ideas focusing on entirely new businesses and technologies; the “Bow Jones” is a market for ideas adjacent to the company’s current products and competencies; and the “Savings Bonds” lists ideas that offer up short-term improvements or cost savings.</p>
<p>Innovations and Timeline (cont’d)</p>	<p>Any would-be entrepreneur inside Rite-Solutions can launch an “IPO” by preparing an “Expect-Us” (rather than a prospectus)—an offer document that outlines the value-creation potential of the new idea, as well as a “Budge-It”—a plan breaking down the idea into manageable steps required to move it forward. Each new stock debuts at \$10.</p>
	<p>Each week a “market maker”—typically a retired CTO from a large IT company—revalues each stock based on the number of Budge-It items completed, inflows and outflows of Mutual Fun money, and the opinions expressed on the stock’s discussion board.</p>
	<p>When an IPO gains momentum and cracks the “Top 20” list of most valuable stocks, Lavoie and Marino (dubbed “Adventure Capitalists”) accelerate the pace of Budge-It activity by awarding the initiative actual funds. At any time, employees can volunteer their time and self-organize to develop a stock. If a stock fails to generate enough interest, the market maker eventually de-lists it.</p>
	<p>2005-2006 One of the first stocks proposed on Mutual Fun (ticker symbol: VIEW) was a proposal to create a 3-D, video game-like environment for emergency decision making for the company’s Navy and domestic security service clients. That product, called Rite-View, now accounts for 30% of Rite-Solutions’ revenues.</p>
	<p>2007 The Rite-Solutions leadership team is constantly upgrading and introducing new features to Mutual Fun. For instance, the company added a “Player Tracking” component in early 2007, which features a leaderboard showing the “innovation earnings” of each employee over time (calculated using an algorithm that weights the number of inventions, participation in the discussion, Budge-It items volunteered for and completed), and offers risk-innovation metrics for</p>



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Challenges and Fixes	Challenges	Fixes
	Creating and managing an approval process for submitted initiatives.	Eliminate the approval process altogether – allow anyone to conduct an “IPO,” and delist those that fail to generate any interest.
Ensuring that the price of each stock approximates its true value absent actual stock trading.	Enlist the help of volunteer “market makers” to revalue each stock based on progress against plan, inflows and outflows of investor money, and general buzz around the underlying initiative.	
	Benefits	Metrics



Benefits and Metrics	Benefits	Metrics
	Dramatic growth in the company's new product pipeline.	Share of revenues derived from idea market initiatives: 10% Share of new business growth attributable to idea market: 50% Mutual Fun itself is now a source of revenue as Rite-Solutions licenses the technology and consults to organizations looking to develop a similar internal market
	Broader employee participation in the innovation process	44 "IPOs" in first year alone with 20% of workforce contributing new initiatives
	Radical revision of assumptions about where ideas come from	Some of the Mutual Fun's best ideas come from the unlikeliest places (e.g. Win/Play/Learn initiative later licensed to Hasbro)
	A "heat map" of the innovative energy and collective passions of the company	Rite-Solutions' leadership is constantly devising new tools and metrics to provide a view into its overall investment innovation, individual contribution, forward progress on innovation. Mutual Fun is now Rite-Solutions core new employee orientation tool.



Lessons	<ul style="list-style-type: none">• It's not the leader's job to think up all the great ideas or to have all the answers—but to cultivate the motivation and channels for the “quiet genius” and collective brilliance of the organization to emerge and develop• The process is as important as the outcome One of the ancillary benefits of the idea market is that it provokes everyone in the company to think (on a daily basis) about how to grow the company—and shifts the balance of work toward meaningful value-creation.• Keep it fun The extraordinary level of detail and personality injected into Mutual Fun not only makes it, well, fun, but also makes it intensely engaging and reinforces the idiosyncrasies that bond people together inside an organization. The more detailed the feedback loops, the more rewarding the experience. Mutual Fun metrics keep getting more sophisticated—and offer everybody inside the organization a robust view into their own contribution, the contribution of their peers, and the direction of the company• Share the rewards When an idea finally springs to life and helps the company make or save, contributors to the idea receive a share of the money, through bonuses or real stock options.
Endnotes	
Credits	Jim Lavoie, Joe Marino, Gary Hamel, Polly LaBarre
Tags	RiteSolutions, idea markets, collective intelligence
Materials	“Here's an idea: Let Everyone Have Ideas” -- William Taylor, New York Times, March 26, 2006.