

What price in trading for ideas?

by

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Most tenders are for goods and services. But what happens if what you want is something less tangible; say, an idea? For instance, you might want a solution to a particular manufacturing dilemma or quality control issue. Is it even possible to put out a tender for these things? Or are you faced with solving your own problems.

At first blush, there is a real issue here. In order to buy a solution or idea, the seller has to tell you what it is. The problem is that the solution may not be quite what you wanted or something you were already aware of. In that situation you may not wish to pay. On the other hand, if you were unscrupulous, once the idea is disclosed to you, you have no need to pay. Put simply, you could claim you already knew the idea. But in that case, that very potential may drive away potential ideas sellers. So when it comes down to it, it is fundamentally difficult to trade ideas.

But perhaps these issues can be overcome. First of all, if a seller has some intellectual property protection over their idea then there is something to sell. You are prevented from acting unscrupulously and this gives the seller assurance that a deal can be made. And this is not simple theory. Myself and two collaborators -- Scott Stern (Kellogg) and David Hsu (Wharton) -- did a study of start-ups innovators. We found their ideas are much more likely to be sold to established firms (through licensing or acquisition) than to be commercialised by competing head on with them in product markets when there is strong intellectual property protection available: like a patent.

Second, some firms may establish a good reputation for ideas purchasing. They might be involved in less disputes, law suits and through the air of the industry, may generate confidence that they deal fairly with would-be innovators.

But all this hasn't prevented some organisations from trying to institutionalise ideas trading. One example of this is yet2.com. Located in Boston but with offices in the UK and Japan, yet2.com offers a way of matching buyers and sellers of idea together.

One way it works is this: you put out a tender for an idea. For instance, as I write this, somebody located in Europe with annual revenue in excess of \$500m is looking for "a small device (< 5 mm in size) capable of moving a small mass over micrometer distances in two dimensions." They list their desired timeframe and outcome but not what they want to use it for. It is highly likely no one has yet built such a device. However, by putting the tender out there, someone may take on the challenge.

What is interesting is that this is far less detailed than your average tender. But it has the effect of grabbing the attention of potential providers. It also establishes quickly that the potential buyer does not yet have the idea. So while there may be problems in trading ideas when the seller approaches potential buyers, the issues may be less when it is the other way around.

Yet2.com is also interesting is that it provides potential respondents with some history of the buyers' transactions should they wish to divulge it. Again, this is another means of building a reputation.

To be sure, we are far from having ideas traded as freely as apples and oranges. But the value in this is critically important. For without trade in ideas, we have to solve our own problems. And I don't know about you but in most cases that means for me that the problem is left unsolved.

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