
the wisdom of the crowd

Crowdsourcing provides auditors a powerful means of harnessing collective knowledge.

Craig Guillot

Illustrations by Doug Ross

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s the saying goes, there is strength in numbers. That can be true not just in physical endeavors but in brainstorming and problem-solving as well. With the rise of social media and high-speed Internet across the globe, we're living in an interconnected world where people 5,000 miles away from each other can easily share and collaborate via the phone in their pocket. As ideas and information flow like a river, brainstorming sessions are no longer limited to the person in the office down the hall—they're open to just about anyone, anywhere on the planet.

From engineering to law to nonprofit, professionals in a wide range of industries are increasingly looking to leverage this expanding interconnectivity and tap the collective knowledge of the crowd. Once thought of as digital begging for struggling artists, "crowdsourcing" is going mainstream in the world of



business as a way to obtain information and ideas from a pool of experts or customers.

While not yet widespread in internal audit, crowdsourcing is a valuable tool that can help auditors gather more insight on everything from technical processes to potential fraud vulnerabilities. Practitioners can broadcast a problem to a select group of knowledgeable individuals and post an open call for solutions. But to ensure effectiveness, crowdsourcing must be practiced judiciously. Audit experts say crowdsourcers need to carefully select their audience,

choose the right format, and consider the data or feedback they receive.

BRINGING KNOWLEDGE TO AUDIT

Norman Marks, a chief audit executive and chief risk officer at major global corporations for more than 20 years, says crowdsourcing hasn't quite taken off in the audit community — at least not yet. "One of the biggest problems for auditors is to recognize that they are not the sole source of ideas and that they can obtain valuable [information and ideas] by tapping into the wisdom of the crowd," Marks says.

Whether by surveys, question and answer sessions, polls, games, or simple roundtable brainstorming meetings, Marks says auditors can learn a lot from the crowd. The information sharing and resource tapping crowdsourcing enables can be especially helpful in areas where auditors lack expertise.

Tom McLeod is an independent internal audit practitioner in Melbourne, Australia, who has used crowdsourcing in audit report writing. He says it resulted in greater participation in the preparation and finalization stages and significantly reduced the time required

to finalize the report. Through the use of wiki technology, he was able to involve stakeholders in crafting recommendations for control improvements and for distributing draft content for comment. McLeod is also aware of instances where companies have used crowdsourcing for areas such as office design, product brainstorming, and product evaluation.

Because the word *crowdsourcing* often brings to mind social media, forums, and online networking groups, it gets confused as a purely technological effort. But given that it's simply about the transfer of information and expertise, McLeod says it doesn't have to occur digitally. Crowdsourcing often occurs during in-person meetings among sources from within and outside of the organization. "It can occur whenever there is an environment where the talents or opinions of many are sought out. It's often face-to-face," he says.



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Abhilash David

Likewise, Matt Harrell, senior auditor for AutoZone in Memphis, Tenn., says crowdsourcing often entails bringing together individuals from throughout multiple departments in the organization for a brainstorming session. Whether in person, via the Web, or by phone, Harrell says it's simply laying out a problem or idea before a group of people and then asking for feedback.

"The idea of crowdsourcing is new but it has been done in some fashion for years," he says. "In our field, it gets people from outside audit to come together to work toward a common solution."

Abhilash David, assistant manager of internal audit for Max Healthcare Institute Ltd. in New Delhi, says auditors can use crowdsourcing to obtain expert advice and information when it is not available in the organization. David says one of the advantages is that such information is often easily accessed and free of charge, making it a valuable option for auditors during any engagement.

Through social media, such as discussion groups on LinkedIn,

crowdsourcing can be an effective means of obtaining several opinions from a variety of professionals in a short time. Whereas in the past auditors working on a specialized project might have consulted an experienced professional in their community or network, they can now consult with dozens or hundreds on a forum-style Web page. David says that easy access to information makes crowdsourcing a highly valuable tool in some situations.

"I have used crowdsourcing in the audit of a legal function and security function by [obtaining] information from legal experts and other internal audit professionals," David says. "I used it to understand more about medico-legal cases, and how other hospitals have managed such issues. I used their input to develop my recommendations."

SELECTING THE CROWD, STRATEGY

Crowdsourcing can involve little more than two people meeting in a conference room or on a social media page. But because it can also comprise thousands of sources across multiple organizations around the world, it may become very complex. McLeod says the results of crowdsourcing are directly tied to the sources or population one selects.

He says the selection criteria need to help ensure participants are not biased or unreflective of the greater population. He adds that the individuals need to have knowledge of the issues and a high level of expertise, and the problem to be addressed should not be overly unique or complex. Additionally, there should be no risk to intellectual property or confidentiality based on the selection of the participants.

"No one person can have the best idea for the whole or knows if this idea exists in the whole organization," McLeod says. "But you need to choose the right participants who have the knowledge and buy-in."

Nearly **three-quarters** of HR professionals say **crowdsourcing** provides a more accurate picture of employee performance, according to a recent SHRM/Globeforce survey.



Brian Thomas, a partner in Advisory Services at Weaver LLP in Houston, says the motivation and reasons for participation also have to be factored in during crowd selection. Are they participating because they have a vested interest in the problem and solution? Is it for reward or monetary gain? Or is it because they truly want to provide their expertise and feedback to help solve a problem? Auditors should heavily weight the motivation, the value of the audience, and the problem for each crowdsourcing effort.

David says each crowdsourcing project should be individually designed with its own methods and a carefully selected pool of sources. He also recommends trying multiple options.

“[The success of crowdsourcing] all depends on the quality of the crowd,” David says. “I generally try all the methods and options at my disposal, including LinkedIn professional groups and relevant professional websites.”

Harrell says auditors who use crowdsourcing need to be discerning and effective in selecting a strategy that is right for the project. Along



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with choosing the right pool of participants, he says they must select the right strategy to gather the feedback and information. There are endless methods for engaging the crowds, ranging from polls and open questions to games and surveys.

He says the method needs to meet the nature of the problem or information the person is seeking. A company budget problem may involve a simple brainstorming session among department heads. Customer input on product selection could entail a poll, and a company seeking new and innovative ideas may use a simple, open-ended question and feedback form on a website. Harrell says organizations that are successful with crowdsourcing will often use multiple strategies.

“Crowdsourcing is not a singular activity,” he says. “You have to have multiple strategies and focuses to get to that one solution. It is going to be as effective as you make it.”

Another unique form of crowdsourcing is through “gamification,” a process of gathering information and feedback by creating a game for users. Marks says in one instance, a company used a game that involved players buying fictional shares in the company based on their belief in the success of an ongoing project. They found share price

had a direct correlation to confidence in the project and its impact on the company. Trading the fictitious shares gave managers and stakeholders a constant pulse on the direction of the project simply by checking the going price.

“It helped them get an honest assessment of what people felt about the project, the risk, and its impact on the company,” Marks says. “It was a very effective game and way to measure [these areas].”

CROWD ENGAGEMENT

Internal crowdsourcing can be used to great effect, particularly in larger organizations, to better leverage in-house knowledge and expertise. While seeking ways of using mobile technology to improve the organizational work experience, Thomas enlisted the help of MBA students from the University of Texas to set up a crowdsourcing project. They created an online portal and invited all 550 of the firm’s employees to participate in the project. With a forum-style format, the site allowed users to post a running list of ideas upon which other users could build.

“We enabled a portal where employees could create innovations and ideas,” Thomas says. “It was basically a mass suggestion box that allowed the



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CROWDFUNDING

Crowdsourcing can encompass a wide range of activities, but “crowdfunding” is one of the most popular. Crowdfunding is a concept whereby small startups, entrepreneurs, and creative types seek funding for small projects. Through such websites as Kickstarter and GoFundMe, they pitch their project and solicit donations from as little as US \$1 from hundreds or thousands of people. Its popularity has risen so rapidly that a *Forbes* magazine article estimated it to be a US \$6 billion industry in 2013. Crowdfunding has sparked a growth in general crowdsourcing, which in most cases is simply about collaboration and sharing ideas and information.

crowd to continuously improve upon its own ideas.”

The MBA students warned Thomas that participation in such endeavors can be very low, even within an organization. The firm sought to increase participation by offering incentives and rewards to some of the top

While it can't substitute for an official field audit, crowdsourcing can also be used for informal field audits that are not possible for an audit team to complete. Marks says an extended crowdsourcing campaign to get simple client feedback on compliance issues can provide auditors with valuable information.

work the best. You don't want to just toss seeds in the wind and hope they land and take root.”

There's a risk that auditors could waste a lot of time if they're swamped with worthless, unhelpful responses from the crowd. This is especially true when the mission is to solicit random ideas or solutions for a problem. Ideas could flow abundantly, but someone will have to sift through that information and validate responses. When dealing with a campaign that involves thousands of sources, Harrell says it can be very time-consuming and lead to little results.

“I have seen examples where a company solicits favorite ideas from customers or clients, but they get nothing in return,” he says. “For every good viable result, you might have a thousand that were just a waste of time.”

McLeod says if crowdsourcing is used too often, auditors run the risk of failing to develop internal technical knowledge due to overreliance on external sources. Moreover, they may signal to those within the organization on whom they've previously relied that they no longer value those individuals' opinions.

RISK RADAR

While Thomas hasn't used crowdsourcing directly in an audit capacity, he sees potential use for it from a risk assessment perspective and for broadly asking employees risk-related questions. Along with value in providing fresh ideas and expertise, crowdsourcing can help auditors see things they might otherwise miss.

“When you look back at some of these companies in the 2008 meltdown, they had risks they didn't know they were exposed to but you found out many people in the organizations knew about it,” Thomas says. “It's good to get that input and feedback.” [la](#)

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participants and ideas. They also implemented a continuous communication program that consisted of voice mail, email, posters, and various reminders during the two-week crowdsourcing period. Thomas says they worked hard throughout the project to reach the audience and get them interested in what they were talking about. Using multiple channels of communication and selling to employees how this would affect them helped the company garner a near 20 percent participation rate.

“You need to keep them interested and give them a reason to participate,” Thomas says. “It's one of the biggest challenges because participation rates are normally not very high.”

Crowd engagement is critical. McLeod says it's important first to determine whether crowdsourcing is truly the best method of problem resolution. Auditors should then ascertain whether the environment they are working in is conducive to the use of a nontraditional method of problem solving. Finally, he advises auditors to fully understand the demographic of the population that they are using in the crowdsourcing effort. “Crowdsourcing from an audit perspective should never be seen as the sole basis upon which an assessment of the quality of internal controls is taken—it should be a tool,” he says.

Campaigns can be conducted through surveys or questionnaires to targeted clients or end users who have insight into a location's activities.

LIMITATIONS

Crowdsourcing is not without risk. One of the biggest problems is that when providing information for creative problem solving, organizations can potentially open themselves up to confidentiality breaches. Within audit departments, practitioners may not want to publicly reveal issues or problems they are investigating. David says auditors should always abide by the organization's policies when sharing information with the crowds. When soliciting information, he also avoids using real figures and real names, instead using screen names and similar hypothetical situations.

While Harrell says social media has great value in crowdsourcing, it also comes with its share of risks. He says highly targeted social media groups such as those on LinkedIn can be valuable, but he cautions against mass broadcasting on Facebook or Twitter. The latter can produce a high volume of responses that are unvetted and do little to provide value.

“Your page could just be bombed or littered with spam,” Harrell says. “I think more focused sourcing activities