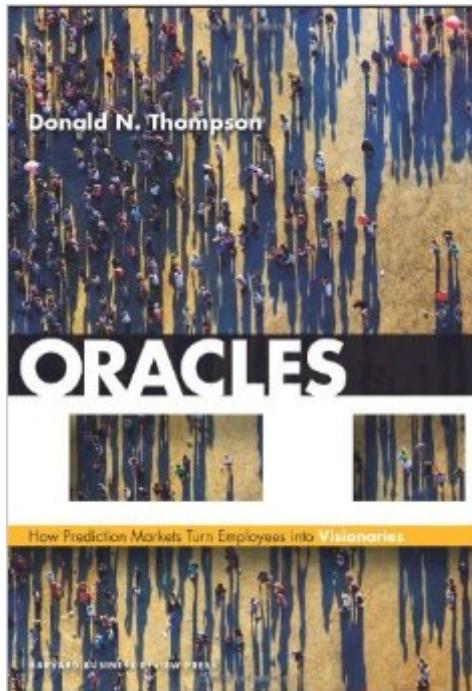


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# Oracles: How Prediction Markets Turn Employees Into Visionaries



## Synopsis

Why Prediction Markets Are Good for Business From selecting the lead actress in a Broadway musical, to predicting a crucial delay in the delivery of Boeing's 787 Dreamliner months before the CEO knew about it, to accurately forecasting US presidential elections; prediction markets have realized some amazing successes by aggregating the wisdom of crowds. Until now, the potential for this unique approach has remained merely an interesting curiosity. But a handful of innovative organizations—GE, Google, Motorola, Microsoft, Eli Lily, even the CIA—has successfully tapped employee insights to change how business gets done. In *Oracles*, Don Thompson explains how these and other firms use prediction markets to make better decisions, describing what could be the origins of a social revolution. Thompson shows how prediction markets can: draw on the hidden knowledge of every employee; tap the intellectual bandwidth of retired employees; replace surveys; substitute for endless meetings. By showing successes and failures of real organizations, and identifying the common roadblocks they've overcome, *Oracles* offers a guide to begin testing expertise against the collective wisdom of employees and the market; all to the benefit of their bottom line.

## Book Information

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## Customer Reviews

This is a very readable book. If you are interested in learning about prediction markets this book is not the best starting point. Managers interested in collaboration technologies should read James Surowiecki's *The Wisdom of Crowds* first. If you already know a bit about prediction markets, this

book has some collected some useful examples, but doesn't add very much to the existing texts. For anyone planning on setting up a prediction market it does provide very useful insights on how one might deal with the cultural problems and institutional resistance that markets may face, and this book covers more of that ground than any other. Readers might be confused by the author's very broad interpretation of the term "Prediction Market" and a title with "prediction" removed might be more accurate. The opening example used in the book describes a very interesting and very clever idea generation and development tool used by Rite-Solutions. However, this tool is not, strictly speaking, a prediction market. Elsewhere in the book, Google's PageRank algorithm is also described as a prediction market. This is a bit of a stretch and may confuse rather than clarify the important points. On occasion the author strays too far from the point. Chapter 17, that debunks the most impressive example used in Surowiecki's book, could have been summarized in a few paragraphs. If you are a computer scientist or an engineer the MBA style of this book may frustrate you in places. And the assertion that the Y2K bug was an elaborate money-making hoax is sure to alienate software professionals.

Donald Thompson is an advocate of "prediction market democracy" because a prediction market can "revolutionize the way companies operate." As I began to read his book, I was reminded of material in *Judgment Calls*, co-authored by Tom Davenport and Brooke Manville, in which they offer "an antidote for the Great Man theory of decision making and organizational performance": [begin *italics*] organizational judgment [end *italics*]. That is, "the collective capacity to make good calls and wise moves when the need for them exceeds the scope of any single leader's direct control." I was surprised to learn that "the prediction market business" has a long history, dating back to ancient Greece and an oracle, Gaia, an earth goddess in residence at Delphi on the slopes of Mount Parnassus. According to Thompson "business organizations are bad at aggregating their employees' thinking on critical issues. Also, Gaia is no longer available. In the absence of divine revelation or assistance in lesser form, organizations are relying more heavily on what can be learned from successful prediction markets, those that meet four requirements: diversity of experience and talents among the human sources; an independent decision-making process that protects participants from external pressures (e.g. "bullying"); an effective way to aggregate information from various sources; and incentive(s) sufficient to get participants to "take the exercise seriously." This book's subtitle refers to employees who can become "visionaries.

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