

# Ayudarum: an Austrian crowdsourcing company in the Startup Chile accelerator program

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“The peak is still another 4 kilometers up this trail,” announced Nicolas to Lukas and Ines, as all three were hiking in the Torres del Paine National Park in Chilean Patagonia, near the southern tip of the American continent. Nicolas, paused and continued: “this long hike up the mountain will give us a few hours to talk about your company.”

Lukas and Ines, two Germans living in Austria for the last 10 years, were partners in Ayudarum, a *crowdsourcing* startup focused on the student labor market. Nicolas a 30-something Chilean businessman had become an Ayudarum friend and business mentor. The Ayudarum partners were in Chile because they were chosen to be members of “Startup Chile” a world-famous entrepreneurial accelerator based in Santiago, the capital of Chile. About 200 foreign firms are selected to come to the business accelerator every year.

Nicolas wanted to mentor his new friends. He was unsettled about a number of things. How do we get this complicated business model to critical mass of users? And what is Startup Chile’s role in all this?

This case is about a Austrian-Chilean startup in a new part of the sourcing industry. The case takes place in 2013.

The case was developed by Prof. Erran Carmel of American University in Washington D.C. and Prof. Evgeny Kaganer of IESE in Barcelona. the case should be viewed as a foundation for class discussions and learning. It is based on actual companies and events, though some minor details have been disguised or stylized.



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A Teaching Note is available (for free) directly from Prof. Erran Carmel of the Kogod School of Business at American University, Washington D.C. USA.

## Introduction

Ayudarum is a combination of the word *ayuda* (“help” in Spanish) and *forum*. Ayudarum helps small and medium-sized businesses to find skilled and qualified labor. The firm facilitates “out-tasking”– hiring freelancers to complete a particular task or project. Ayudarum’s distinctiveness is that it is exclusively for hiring university students as solution providers. Thus, this marketplace is different from other crowdsourcing websites because only students may register on the site.

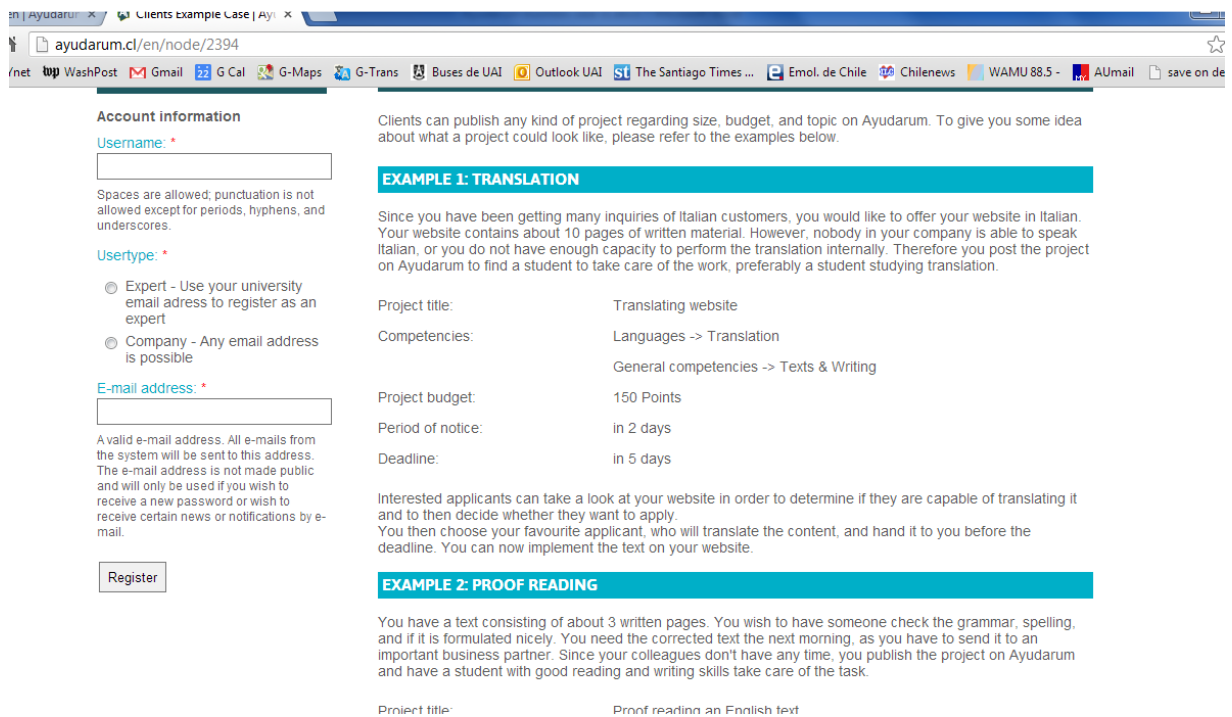
Ayudarum allows business to post jobs (tasks) intended for students. Students respond to these postings. Once the initial link is made, then the two parties go through the interview and discussion dialogue off-site. Typical projects average €230, the high is €2000 and most are in the €100-500 range. Most projects are remote and don’t require face-to-face interaction, though there may be some meetings (face-to-face or via technology) early on between the firm and the student. Examples from a 2013 sampling of the firm’s European version (See screen captures below): Translation €48, Editing €1400, Market research €195.

After a project is posted by a business that fits a student’s profile, the website generates an email so that the student can respond immediately. The student can quickly send his stored resume and a motivational letter if necessary. Once the project is complete the student can also be paid via the Ayudarum website.

The screenshot displays the Ayudarum website interface. At the top, the logo 'AYUDARUM' is visible with the tagline 'A Gateway Between Academics and Professionals'. The user profile on the left shows 'Mag. Lukas Paa' with 9,00 Punkte and 0,00 Profikosten. The main content area is titled 'Projekt suchen' and features a search bar for 'Kompetenzbereich' and an 'Anwenden' button. Below this is a table of projects:

Projekt-Titel	Auftraggeber	Bewerbungsfrist
48,00 Pkt Zeignisübersetzung Deutsch-Französisch 0 Bewerber	Topkorrekt	Projekt in Arbeit
1.400,00 Pkt Personalkosten-Berechnung mit Excel 0 Bewerber	voestalpine Stampotec GmbH	Projekt in Arbeit
195,00 Pkt Marktstudie/Situationserhebung im Bereich "Employer Branding" 1 Bewerber	ACC Cross Media GmbH	Projekt in Arbeit

A legend at the bottom explains the icons used in the project listings: 'noch nicht beworben', 'als Einzelperson beworben', 'als Gruppenmitglied beworben', 'Einzel und als Gruppe beworben', 'bereits vergeben', and 'fehlende Kompetenzen'.



## History of the Firm

The idea for Ayudarum came to Lukas and a friend, Tobi, from their work experience as students at the university of Innsbruck in Austria. (Innsbruck is a city of about 120,000 residents, of which about  $\frac{1}{4}$  are students). A manager from MPreis, the high-end Tyrolian supermarket chain, came to their undergraduate class and asked if someone would do a brand analysis for the firm. Lukas and his friend stepped up to the offer. The two students worked for six months and were proud of their work experience. They were paid €1000 each. "It was lots of work," recalled Lukas, "but it was großer Spaß (lots of fun)." Word got around and the students soon got a call from the local steel company Vostealpine. The client was delighted and came back to Lukas and Tobi again and then again for more projects. After several times they were too busy to do another study, so they offered the client to manage the project for a fee. Thus was born Ayudarum.

Lukas further recalled: "This project had a big influence on my studies. Working on a real project is much better than the theoretical stuff that we get in the classroom. Not only did I have such a profound experience but I realized that there is a need in the market for more matches like mine between a business that has a good project and a student that is seeking an internship."

In 2011 the two, along with other 3 friends who were interested in brokering between companies and students, decided to build the website and test it at their own university-- the

University of Innsbruck. At its peak the website had 800 students registered on the site. Now, some time later, it dropped down to 600 after cleaning out inactive student users. In 2013 the firm also signed a license with University of Salzburg (Austria). This sales process took a long time and soured the partners on one-off sales of licenses to universities.

But, in 2012 before the second customer finally signed, the Ayudarum owners heard of an opportunity by chance. They were displaying their product at a booth in a Berlin tech fair when one of the attendees told them about his experience participating in Startup Chile. As Lukas recalls: “As money is always short and we wanted to test a different business model anyways, which was not as easily possible in Europe, the possibilities presented by Startup Chile fitted our needs quite well, and as Startup Chile asks for social impact in Chile our project fitted their needs as well (at least in our eyes).” The team filled out the forms, gathered the recommendation letters, created a 3 minute video pitch, and entered it to the online form. two months later they were delighted to be informed that the firm was selected.

To roll out the platform in Chile, Ines joined the team. In addition the two programmers who developed the prototype for Innsbruck work part-time to update and maintain the website.

## Startup Chile: an unusual business accelerator

Startup Genome ranked Santiago 20th of the world’s top startup city ecosystems. The top location is, of course, Silicon Valley. Santiago made this honored list because of the business accelerator called Startup Chile. A business accelerator is a program, typically geared toward Internet firms, that helps them build the firm quickly with some training, mentorship, and peer support. As Businessweek states: “Unlike traditional business incubators, in which companies can share offices for years, accelerators are structured like camp sessions designed to [...work ...] in a matter of months.” In the U.S. the premier business accelerators are Techstars and Y Combinator, and recent large accelerators have been launched in Washington, D.C. called “1776” and in Chicago called “1871.”

Startup Chile began with the Chilean earthquake of February 2010 and the election, just weeks before, of President Sebastian Piñera. Piñera was looking to stimulate entrepreneurship in Chile. Meanwhile, the earthquake spurred a Chilean named Nicolas Shea to come back from Stanford to help his damaged country. Shea (and others) decided that a culture change is needed to catalyze Chile and that Chile should import those talented entrepreneurs (*emprendedores* in Spanish) that the USA is kicking out because of its broken immigration system. He pitched Startup Chile to the government. The objective was to turn Chile into the innovation and entrepreneurship hub of Latin America

The first pilot round of foreign *emprendedores* arrived in October 2010 with 22 startups from 14 countries and with several waves of new entrepreneurs each year, the program was on track to take in 1000 firms by 2014. While at first it didn’t accept Chileans, this wasn’t politically acceptable and within a year it began accepting both foreigners and Chileans. Each

*emprededor* gets 40,000 USD, a work visa, and is required to stay in Chile for 6 months. After that, there are zero obligations, not even equity. Startup founders come to Santiago where they receive mentoring, some co-work space in the heart of the city, and some introductions to investors. But they are largely on their own.

Entrepreneurs in the program are also expected to organize and actively participate in networking events and activities that foster entrepreneurship locally in Chile. This extra responsibility was conceived because Startup Chile uses government money to meet a national policy objective. In all Startup Chile was quite novel—and was quickly copied. It has received extensive major media coverage, perhaps more than any business accelerator in the world, because of its focus on foreigners.

## What is the Human Cloud?

The Human Cloud (also known as crowdsourcing) is where The Cloud meets outsourcing. Instead of hiring software testers, the employer can go to uTest.com and pay by the bug; instead of looking for part-time help by word-of-mouth to empty out the storeroom, go to taskrabbit.com and pay by the project, instead of hiring software coders to write the routing algorithm, go to Topcoder and select and pay the best submission; instead of hiring the corporate graphic designer, put up a bid request on Crowdspring.com or 99designs.com; when the Marketing department has a massive digitation project, hire microtaskers at mobileworker.com.

Thus, Ayudarum has lots of competition: there are hundreds of crowdsourcing platforms. However, only one other platform has focused on the student market, according to Ayudarum. Mindsumo is an American crowdsourcing platform targeted to the student labor market. However, it is quite different from Ayudarum for two key reasons. First, it is focused mostly on the American market. Second, it is based on a competition/challenge model in which students work on creative challenges and only the best ones are paid. This is different than the tender model used by Ayudarum.

Most of the crowdsourcing platforms have key common dimensions. First, on the labor side the labor pool (the crowd) is curated, selected, and sometimes also filtered. Once the labor is generated, it is available immediately to the employer at low cost. The various online platforms are essentially providing staffing search engines with very high granularity and broad reach.

Second, the platforms provide a range of services. The simplest ones are a bit like the old style classified adverts where buyers and sellers find each other. But such crowdsourcing platforms are rare by now as most of them facilitate matching in some way, such as sending notices to specific workers as soon as a task of interest is posted.

The platforms also provide varying degrees of governance. Some high-end sites manage the entire project. Most platforms don't go that far and instead provide project management and

tracking tools to help the buyer and seller interact. Many sites provide dashboard-like features for buyers to manage the status of their projects and workers.

## Ayudarum's Business Model

Ayudarum's approach worked in its first successful case at Innsbruck. First the university agreed to test the platform (with financial support from a local organization for SMEs -- KMU-Plattform GmbH). Second, some professors joined in to encourage students to register to the site. There were also viral effects on the student side as they could win an iPad if they motivated other students to register. Third, once there were sufficient students registered, the Ayudarum partners began calling businesses convincing them to post tasks and projects on the site. This was successful: by 2012 there were 104 projects posted at the university from 45 different businesses.

Thus the young Ayudarum erected a model. It found a university home. Then it needed firms (to hire), and students (to work). Both students and firms needed to be recruited and curated separately. Students need to be tempted to register and complete their profiles. Businesses had to be lured onto the site and pushed to continue posting projects (tasks).

The platform's differentiation has been—that unlike most other human cloud websites-- “We're not about simple competition, we're not the kind of website that does task competitions that exploit students-- having them do work for free in competitions. And our focus is solely on students,” said Ines.

In the beginning, the only revenue stream came from commission earned through projects, usually 12% of the total client project budget. That is, unless the company received a coupon code, to post a commission-free project, which was common in the first year for first-time customers.

In mid-2012 the company decided to offer the platform to other universities as well. This was motivated by positive feedback of users (students, companies, and the university). The approach was to sell licenses to other universities and offer a platform that was customizable—and brandable – basically a *white label* approach. The purchasing university would then be in charge of operation and promoting the platform.

Selling licenses to universities proved to be hard work and time consuming, In 2013 the University of Salzburg bought one license and began operating its own subdomain of Ayudarum.

## What is Ayudarum's Business Model in Chile?

Being selected to travel to Chile and accelerate the business from Chile led the Ayudarum partners to refine the firm's approach. Their strategic vision for Chile is to do one site for all of

Chile—not a university by university basis. Lukas summarized: “the plan is to go national in Chile. First get students to join, then business clients.” There are no active plans for revenues yet.

By June 2013 the site was operating in 3 languages: English, German, Spanish. The website had an informative video explaining how it works. The strategy was to turn it on in Chile slowly so that the web experience will be a pleasure and so that the bugs are removed. The firm even hired a part-time usability designer.

A few months after their Chile arrival, the Ayudarum partners were beginning to recruit students to register for the website. Startup Chile was funding the firm’s partners to travel in Chile and to drum up the entrepreneurship spirit. Speaking about entrepreneurship was in vogue in that era in Chile, mostly due to Startup Chile. The first entrepreneurship advocacy trip to three universities in Chile’s lake district (including Universidad Austral de Chile) led to 23 students registering on Ayudarum. Two months later registrations were still moderate, reaching 150 students in total.

In moments of doubt, the firm’s partners often asked themselves the same fundamental question: Businesses or students first? But, ultimately, it was clear to Lukas and Ines that it would be easier to get students to sign up first than business clients. For example, in a tactic similar to the firm’s early marketing tactics in Innsbruck, the firm decided on raffling an ipad for any registered student that recommended the website to his/her colleagues in the first 3 months. Ayudarum was also beginning to get in touch with other Chilean universities to get the word out.

Students can only register if they have an official university email address. This is a partial filter of quality—so that only real students will be on the site. Ayudarum found one obstacle in this respect: many Chilean students don’t use their university email address. Some universities, such as the university of San Sebastian in Santiago have effectively given up on having students use the university-assigned email addresses. Other universities don’t even provide student mail accounts.

## Reaching the Top

Nicolas was huffing and puffing by the time the three of them reached the top of the Patagonian trail. He wasn’t sure he knew all the answers, but the long conversations about the company strategy allowed him to focus on what’s important.

1. How to grow the number of users? There are various users here that need to sign up. Each one requires a different approach.
2. How should it target national markets? Ayudarum (temporarily?) neglected its home market, the German-speaking nations and regions, and is now focused on a new market, Chile, while at the same time eyeing other national markets, such as the USA.

3. Should Startup Chile be doing more to support the young firm? After all, Ayudarum is in a foreign land struggling to build a firm.
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## Appendix A: National norms and traditions for student employment

Each national labor market has developed rather different traditions for employing students during their university studies and in the transition of students into full-time employment into the labor markets. Ayudarum began in Austria (which has similar norms to Germany). The firm was launching in Chile and was interested in expanding to the USA.

Ines explained: “Ayudarum allows to get in touch with students before they graduate. This is quite different from when I was in university just a few years ago. I never thought of showing a resume in the middle of my studies. You didn’t need a résumé until the very end. Now websites like ours offer students an opportunity to develop their resume well before they graduate. Now students can actually work and get their first references into their résumé.” She continued: “another comparison for Ayudarum is to see it as like a LinkedIn-- but only for students.”

### Austria student internships - Praktikum

Austrian student internships are called Praktikum.

Students are somewhat interested in Praktikum to gain practical experience and build their resume. Most of the Praktikum are full-time jobs for 3 to 6 months. So students can try to get an internship during their summer holidays, but this period usually has some final exams and/or is the time most students want to travel. Alternatively, the student intern can skip one term and do the internship instead. This option, however, requires the student to study one term longer than what is assumed as the “normal study duration” which blemishes the resume. Thus, there is somewhat of a vicious circle—not enough students are willing to do internships and not enough firms offer them.

But yet another problem with internships is the type of work given to students. To reasonably integrate a student into the work process requires the hiring company to allocate lots of time - both from the student and the advisor. This often results in interns being kept busy with tasks that don’t require much advisor attention: “sitting in the company’s office preparing Kaffee and copying documents,” said Lukas with a laugh.

That’s why the team of Ayudarum believes in single projects outtasked to students, which provide the positive sides of an internship (gaining experience for the student and getting tasks solved for a lower price than hiring a new employee) without the negative ones.



Ines also argues that especially SMEs can benefit from project-based collaboration with students because SMEs don't have the time and resources to handle interns. Another positive aspect for SMEs is to gain more attention as a potential employer.

Recently, Austrian universities transitioned to the 3 year model of undergrad education. Most students work part-time in jobs of necessity such as restaurants and bars. Internships are desired but not everyone finds one. Engineering students typically find part-time or intern work. Business students less, and Liberal Arts students even less. Usually interns are paid at the tax free rate (*Geringfügige Anstellung*= tax free for the business and the student) at €300-500 month. Some students, especially at the vocational *Fachhochschule* (universities focused on professions), have an institutionalized 6 month break from school for the *Praktikum*.

### Chile student internships - *Practicante*

Chilean student internships are called *practicante*.

The Chilean economy has been booming and it has been difficult to find good workers. Most students in the better universities get jobs easily once they graduate. Chilean students are not eager to work as *practicantes*. Large companies are not expected to pay for most internships. Given the legacy norms and the booming labor market, Chilean students are not aggressive in searching out internships.

Ayudarum promises opportunities for paid work, not free work. But in Chile it will need to convince the companies to pay. Ayudarum hopes to convince the companies that there is value in student work.

### USA student internships

University students in the U.S. are encouraged to seek internships as a way to build their professional experience and further their careers; but "internship" is a construct that is undergoing change. U.S. Labor laws are narrowing the possibilities of non-paid internships, so that today, most large firms offer internships that are temporary / part-time, entry level, paid jobs. At large firms these often lead to offers of full-time employment. Meanwhile, American universities all have extensive career and job placement centers -- and one of the services offered by such centers is internship listings offered by employers. At any U.S. university these are plentiful. But many undergraduate (first degree) students are not interested in these positions and many internships offerings go unfilled.

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