Enterprise 2.0

How Business Is Transforming in the 21st Century

Dion Hinchcliffe
Introduction

Dion Hinchcliffe
- ZDNet’s Enterprise Web 2.0
  - http://blogs.zdnet.com/Hinchcliffe
- Social Computing Journal – Editor-in-Chief
  - http://socialcomputingjournal.com
- Enterprise 2.0 TV Show
  - http://e2tvshow.com
- Hinchcliffe & Company
  - http://hinchcliffeandco.com
  -mailto:dion@hinchcliffeandco.com
- Web 2.0 University
  - http://web20university.com
  - twitter: dhinchcliffe
Backstory

• The emergence of new ways of doing old things
• New economic and cultural models
• Using social Web technologies
• New forms of resilient and sustainable business processes
• Driven by change on the global network and rising bottom up in many organizations today
The Map of Opportunity

**Innovation**

**Leveraging Innovation**
- Product Incubators
- Open Supply Chains
- Product Development 2.0
- Some Rights Reserved

**Fostering Innovation**
- Internal Innovation Markets
- Open innovation
- Database of Intentions

**Change Management**
- Transformation Communities
- 2.0 Education
- Capability Acquisition

**Business Remodeling and Restructuring**
- BPM 2.0
- Employee Communities
- Cloudsourcing
- Pull Systems

**Transformation**

**Improving productivity and access to value:**
- Enterprise 2.0
- Open APIs
- Crowdsourcing
- Prediction Markets

**Cost Reduction**

**Driving costs down through less expensive, better 2.0 solutions:**
- Lightweight IT/SOA
- Enterprise mashups
- Expertise Location
- Knowledge Retention

**Growth**

**Creating new rapid growth online products powered by:**
- Peer Production
- Jakob’s Law
- The Long Tail
- Blue Ocean
- Network Effects

**Reinventing the customer relationship to drive revenue:**
- Customer Communities
- Customer Self-Service
- Marketing 2.0

**Current Business State**

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**Current Business State**
The Story of KatrinaList & XM Radio

- **Hurricane Katrina**
  - Survivors emerged and announced where they were on their blogs
  - People watching the Web’s syndication “ecosystem” noticed the reports
  - A small group collected the reports out of the blogosphere and centralized the listing
  - Over 50,000 survivor reports in the first 3 days after the disaster
  - Emergent phenomenon
  - A critical example for how to rethink solutions to traditional problems in a 2.0 world in which we can actually tap collective intelligence

- **XM Radio**
  - Community for Customer Service
The major shifts

- In who creates value (the network does)
- How much control we have over our businesses
- How intellectual property works
- Great increases in transparency and openness
  - Open supply chains, community-based processes and relationships
Avoiding “cargo cults”

- **Cargo Cult** n. A group conducting rituals imitating behavior that they have observed among the holders of desired objects.
An evolution in collaboration

• The motivation:
  
  • **Cheaper**: Less waste, more efficient, and lighter weight.
  
  • **Better**: Faster, richer, and other intrinsic improvements.
  
  • **Innovative**: New ways of solving problems, different strategies for reaching business outcomes. A future.
The challenges

- Cultural “chasms”
- Disruption
- Cost
- Risk
- Difficulty
- Repeatability
However, it’s usually a people problem:

The biggest challenge is in changing our thinking.
The network is a big place today

- All your customers
- All your competitors
- All the ideas and innovation
- Only a few proven strategies for long-term competitive advantage
Where change is happening now...

Product Development

Marketing

Sales

Customer Service

Line of Business

Operations | IT | Back Office

Enterprise 2.0 & Open Business Models

Product Development 2.0

crowdsourcing

online community

2.0 development platforms

Enterprise 2.0

(open APIs

SaaS

cloud computing mashups

social media in the enterprise)
No small system can withstand sustained contact with a much larger system without being fundamentally changed.
The motive forces of 21st century business

- Network effects
- Peer production
- Self-service
- Open business models
- New social power structures

The Gucci Story
What is a Network Effect?

- A **network effect** occurs when a good or service has more value the more that other people have it too. - *Wikipedia*
  - Postal Mail
  - Phones
  - E-mail
  - Instant Messaging
  - Web pages
  - Blogs
  - Anything that has an open network structure
Building Sustainable Value

- Even small networks have large potential network effects.
- But very large networks have astronomical network effects.
- Recent Discovery: Reed’s Law, which say social use of networks are by far the most valuable.
**Web 2.0 Era**
- Pull business models
- Open source software
- Customer self-service
- The Long Tail
- Social media
- Customer community relationships
- Decentralized product development

**“Web 1.0” Era**
- Push business models
- Commercial software
- Customer service
- Bestseller products
- Traditional media
- 1-on-1 customer relationships
- Centralized product development

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**Unpredictability**

** Variety**

**Volume**

**Institutions** → **Communities of Individuals**

**Shift of Control**

central production → peer production
The State of Enterprise 2.0
As of 2009, social tools are becoming mainstream in both consumer life and business

- Most organizations now have them
- But we’re still in the early adoption chasm
- Blurring of lines between consumer and workplace
- Uneven adoption; some industries must faster than others.
Rate of change in the consumer world is creating a growing gap with the enterprise.

New Social Behaviors, Skills, and Expectations Imposing Change on Traditional Organizations

Source: http://blogs.zdnet.com/Hinchcliffe
The Story So Far

- 2003: Web 2.0 Coined
- 2004: Web 2.0 Tools Begin To Be Used At Work
- 2005: Web 2.0 Defined
- 2006: Enterprise 2.0 Defined
- 2007: More Than Half Of Web Is User Generated
- 2008: Web 2.0 Sites Surpass All Other Applications Except Search
- 2009: 1/3 of all companies have Enterprise 2.0 tools
- 2010: Half of all companies have Enterprise 2.0 tools
Global Interest in Social Media, Enterprise 2.0, and KM
Global Interest in Blogs, Wikis, and Twitter
...compared to traditional forms of communication and collaboration
Is Enterprise 2.0 Still In The Adoption Chasm?
Hundreds of Enterprise 2.0 pilot projects exist worldwide currently

- Based on aggregation of all known contacts and citations
- Many implementations are not “official” pilots
- Anecdotal evidence and market research both indicate SMBs are slow to adopt
- But many large enterprises are implementing...

Stories: AOL, Constellation Energy
The State of Enterprise 2.0 in 2009

Key Data Points:

- Between a third and a half of all businesses use Enterprise 2.0 tools today.

- As of 2009, tens of millions of workers around the world regularly use blogs, wikis, social networks, microblogging, and social bookmarking in a business context.

- Unsanctioned, grassroots adoption is a leading source of Enterprise 2.0 use in business today.

- Reports on ROI range from as little as 1% up to 40% and occasionally much higher.

Growth:

- 2007: 12-27%
- 2008: 25-33%
- 2009: 35-50%

Motivation:

- Better knowledge retention
- Improved expertise location
- Faster information discovery
- Workplace modernity
- Higher levels of collaboration
- Better cross-pollination of ideas
- Fostering innovation
- Higher worker productivity
- More transparency

Sample of Organizations Reporting Active Enterprise 2.0 Efforts:

Wells Fargo, Allstate, Northwestern Mutual, IBM, Volvo, Lowe's, Pfizer, Bank of America, Disney, Sony, Johnson & Johnson, Corning, Dresdner Kleinwort Wasserstein, Alcoa, Procter & Gamble, Best Buy, TransUnion, 2.0 Adoption Council, Enterprise 2.0 Case Studies

Sources: Forrester, APC, TMCnet, Intellicom, Hinchcliffe & Co., Nielsen Norman Group, 2.0 Adoption Council, Enterprise 2.0 Case Studies
The majority of Global 2000 firms have been buying Web 2.0 tools

Figure 1 In 2008, Business Adoption Of Web 2.0 Tools Is Expected To Grow Strongly

<table>
<thead>
<tr>
<th>Sample size</th>
<th>Buying</th>
<th>Considering only</th>
<th>Not considering</th>
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<tbody>
<tr>
<td>Global 2,000 (20,000+ employees)</td>
<td>51%</td>
<td>12%</td>
<td>37%</td>
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<tr>
<td>N = 236</td>
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<tr>
<td>Very large (5,000 to 19,999 employees)</td>
<td>40%</td>
<td>16%</td>
<td>44%</td>
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<td>N = 257</td>
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<tr>
<td>Large (1,000 to 4,999 employees)</td>
<td>41%</td>
<td>15%</td>
<td>44%</td>
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<td>N = 510</td>
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<tr>
<td>Medium-large (500 to 999 employees)</td>
<td>33%</td>
<td>15%</td>
<td>52%</td>
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<td>N = 226</td>
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<tr>
<td>Medium-small (100 to 499 employees)</td>
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<td>16%</td>
<td>58%</td>
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<td>N = 481</td>
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<td>Small (six to 99 employees)</td>
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<td>13%</td>
<td>68%</td>
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<td>N = 519</td>
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Base: North American and European IT decision-makers at enterprises and SMBs (percentages may not total 100 because of rounding)
Source: Enterprise And SMB Software Survey, North America And Europe, Q3 2007

Source: Forrester Research, Inc.
Early success stories emerging

Case studies now exist from:

- Bank of America, Boston College, Dresdner Kleinwort Wasserstein, IBM, Janssen-Cilag, Motorola, Northwestern Mutual, P&G, Siemens, SAP, T. Rowe Price, U.S. Hospital, Volvo, Wells Fargo, and many others.

Most results are very positive

- Generally reporting better communication, improved cross-pollination and leverage of knowledge, higher productivity, and few of the early expected problems

- Other results harder to pin down: better innovation
• Lessons learned accumulating into early best practices
• A growing increasing body of knowledge on how to create network-based communities in the workplace
• Top issues this year with Enterprise 2.0:
  • Community management
  • Social media guidelines for workers
  • Change management methods
  • Driving adoption
  • Measurement of outcomes
• But it’s just a beginning, we have years to go
• A rapidly maturing vendor space
  • All of the big software vendors are now talking about or actively offering Enterprise 2.0 products
  • Dozens of startups now have Enterprise 2.0 products that offer most of the key capabilities required to be worthy of the name
  • Older products are also being adapted, retrofitted, and/or relabelled
“Enterprise 2.0 will be a $4.3 billion industry by 2013”
- Forrester Research Report, April 21st, 2008
Probably Larger
The Big Challenges

Traditional Organizational Hierarchy

Self-Organizing Collaborative Networks

Risk Control Trust

Front Line Issues

Push pull

ad hoc info sharing

Social Computing

Enterprise 2.0
The Other Side of the Story

• Cultural, infrastructure, and security issues are holding back adoption

• The Enterprise 2.0 tools that provide high leverage are in their infancy

• Silos and fragmentation have been common

• Organizations with low levels of knowledge workers will realize less ROI

• Infrastructure and legacy tools have been an issue for many
Emerging Developments

- The economic downturn
- The rise of social messaging (ala Twitter)
- "SharePoint Ate My Enterprise 2.0 Implementation"
- Major firms have entered the space: IBM, Oracle but especially Google
But this, it seems, was right all along

A powerful global conversation has begun. Through the Internet, people are discovering and inventing new ways to share relevant knowledge with blinding speed. As a direct result, markets are getting smarter—and getting smarter faster than most companies.

95 Theses

1. Markets are conversations.
3. Conversations among human beings sound human. They are conducted in a human voice.
4. Whether delivering information, opinions, perspectives, dissenting arguments or humorous asides, the human voice is typically open, natural, uncontrived.
5. People recognize each other as such from the sound of this voice.
6. The Internet is enabling conversations among human beings that were simply not possible in the era of mass media.
8. In both internetworked markets and among intranetworked employees, people are speaking to each other in a powerful new way.
9. These networked conversations are enabling powerful new forms of social organization and knowledge exchange to emerge.
10. As a result, markets are getting smarter, more informed, more organized. Participation in a networked market changes people fundamentally.
11. People in networked markets have figured out that they get far better information and support from one another than from vendors. So much for corporate rhetoric about adding value to commoditized products.
12. There are no secrets. The networked market knows more than companies do about their own products. And whether the news is good or bad, they tell everyone.
Enterprise 2.0 Redux
Modern Social Computing: Enterprise 2.0

- Conceived by Harvard Business School Professor Andrew McAfee
- Defined as *emergent, freeform, social* applications for use within the enterprise
- Primarily to improve the collaboration problem (discussed shortly)
- The use of blogs and wikis to capture institutional knowledge, make it discoverable and let structure and organization emerge naturally
Applying the “Web 2.0 effect” at work

• Enterprise 2.0
  – Globally visible, persistent collaboration
    • Employees, partners, and even customers
    • Leaves behind highly reusable knowledge
  – Uses wikis, blogs, social networks, and other Web 2.0 applications to enable low-barrier collaboration across the enterprise
  – Puts workers into central focus as contributors
  – Case studies of early adoption consistently verifying significant levels of productivity and innovation

Enterprise 2.0 systems adapt to the environment, rather than requiring the environment to adapt to it.
The Spectrum of Enterprise Knowledge Creation and Flow

- voice/phone
- IM
- e-mail
- SMS/text messages
- blogs
- wikis
- activity streams
- ECM data

Collective intelligence

Enterprise 2.0 ROI Gap

From http://blogs.zdnet.com/Hinchcliffe
Push vs. Pull Based Systems

- IT Department
  - Procedures and Process
  - Corporate Policy
  - IT Standards
  - Enterprise Architecture
  - Push
  - Top Down, Centralized Prescription

- Business Units
- Partners
- Line Workers
- Customers
  - Pull
  - Bottom Up, Decentralized, Emergent Solutions

- Ad Hoc Processes and Problem Solving
- Cross-Pollinating Innovative Methods
- Competition-Driven Outcomes
- Pervasive Social Computing Interactions
- Situational Software Solutions
Two more important reasons for Enterprise 2.0

• Non-interruptive and leveragable...
Significant Motivation Exists To Adopt Enterprise 2.0

- Increased levels of productivity that were inaccessible until now
- Enablement of tacit interactions on a previously unknown scale (Source: McKinsey & Company)

Workforce Job Types – Developed Countries

- Transformational: Extraction and conversion of raw materials (20%)
- Transactional: Routine interactions (standardized, invariable tasks) (40%)
- Tacit: Complex interactions (decision making, collaboration, knowledge consumption) (40%)

Enterprise 2.0 has the potential to increase productivity in complex interactions, where previous attempts have largely failed.
Determining the ROI of Enterprise 2.0

- Project costs tend to be lower than classical IT efforts (Example: Transunion, $50K to reap $2M+)

- ROI is hard to measure because of cause and effect chains

- But when I is low, R is easier to reach
Distributed Value
What it all looks like

Anatomy of an Enterprise Social Computing Effort

Enterprise Vision
Corporate Initiative
Reactive Response
Cost Cutting

Top Down

Business Needs & Requirements
Project Management
Tools & Infrastructure
Access, Search, & Discoverability
Security & Identity
Communication Plan
Content Management
Delivery Models
Knowledge Management
Community Management & Support Processes
Social Computing Strategy, Architecture, Policy, and Governance
Social Computing Patterns and Best Practices
Risk Management & Change Management

Bottom Up

Viral Adoption
Cultural Change
Local Problem Solving

hinchcliffe & company
The future of business. Now.
Latest Innovations

- Crowdsourcing has become a mature way of collaborating with the marketplace across the firewall
Enterprise 2.0 Aspects

- Open Communication
  - Conversation is visible across the enterprise and highly gregarious
  - awareness
  - transparency
  - feedback loops

- Shared Knowledge
  - The default is to create artifacts that are left behind for later reuse
  - collective intelligence
  - knowledge retention

- Anyone Can Participate
  - Collaboration and communication tools are accessible to everyone
  - authorship
  - democratization
  - Wisdom of Crowds

- Web-Oriented
  - Leverages the potent strengths of Web structure incl. link propagation, search, viral distribution, etc.
  - discovery
  - network effects
  - distribution

- Emergent, Freeform, DIY
  - Structure, organization is user defined on the fly to organically create content, connections, and apps
  - tags
  - mashups
  - blogs
  - wikis

- Increased value and richness
Enterprise 2.0: The bottom line

- Repeatable
- Medium Risk
- Proven Benefit
- Rapid ROI

- New Transunion Enterprise 2.0 case study with dramatic ROI: $3.5M recoup in 5 months with $50K investment: http://bit.ly/O74W

Ready for Wide Adoption
Questions

Slides:

dion@hinchcliffeandco.com