Enterprise 2.0 - Benefits

The page Enterprise 2.0 already covered many of the most evident benefits of E 2.0, and thus, if you haven't yet taken a look at the section, I recommend you read it before further exploring the uses and gains presented here.

Why Enterprise 2.0 - What are the benefits?

Depending on the organization and its overall business environment and habits, Enterprise 2.0 social technologies can provide benefits to various business processes (internal and external), ranging from knowledge and innovation management to marketing and communicating with customers and suppliers. For example, a company called Salesforce.com Inc., a producer of online customer management software, tackled one of its major problems related to the preparation of new software updates, by involving its customers in the process. Previously the company had serious trouble determining which features to include in the new upgrades, as thousands of requests kept pouring in from unsatisfied customers. But then, in 2006, it launched an application called IdeaExchange, which enabled customers not only to suggest new features, but also to vote on them. Now the most popular new upgrade ideas floated to the top of the list, and thus, Salesforce.com had no problem realizing the most wanted ones. Thanks to IdeaExchange, Salesforce.com was able to produce four new updates in 2007, in comparison to only two the year before. The new releases also now contain about three times as many new features as previous ones. "Half of the new features in each release now come from IdeaExchange suggestions that have been vetted by customers. Instead of holding big meetings to wrangle over features, developers can move forward knowing what the market truly wants." (Bernoff, Li, 2008)

CIO Magazine article, ABC: An Introduction to Enterprise 2.0, goes on to explain some of the benefits related to ease of implementation, ease of use and enhanced communication and collaboration:

Enterprise 2.0 removes the size and complexity of earlier systems. You don’t need experts such as systems analysts and consultants to make these systems work and to maintain them. Unlike most corporate initiatives, Enterprise 2.0 tools, at least in their current incarnation, are not expensive to implement. By their nature, these tools don’t involve complex deployment and maintenance. You may be able to install pieces incrementally, starting small with an internal program before opening it up to outside participation.

The tools are generally easy enough to use that they require little or no training. Unlike desktop deployments, using the Web to deploy enterprise tools means employees can access their critical data — whether that's documents, RSS feeds, bookmarks or whatever — wherever they are, as long as they have Internet access. Enterprise 2.0 also provides new avenues to open up a conversation with partners, suppliers or customers. Communication flows both ways, enabling you to share information and ideas. With these technologies, you could ask customers for pictures or videos using your products in interesting ways (and thus build brand equity with your customer base). Or you could share information with partners who are working on a project with your company. You can easily start a blog or wiki for a specific product category, enabling a small niche of your market to communicate, a process that would have been much more difficult and expensive using earlier Web tools.

Enterprise systems have always pursued to promote communication and collaboration, and tried to make everything as simple-to-use as possible. So what is new now? Why the “2.0”? AIIM research, "Enterprise 2.0 - Agile, Emergent & Integrated" (available at AIIM.org), explains the new development as follows:

More than Collaboration, Integration, and Emergence

This far, we have defined Enterprise 2.0 and its value proposition from a high-level perspective. Defined at this degree, Enterprise 2.0 sounds somewhat redundant to preceding movements within business and information technology (e.g., Knowledge Management). Collaboration within a business setting is not a new concept. Similarly, neither is open access or collective wisdom. So one must ask, “What is the difference with Enterprise 2.0? Couldn’t all of this have been accomplished before?” The answer is yes and no. Yes, the ability to build online platforms to drive collective wisdom and team-based collaboration predates Enterprise 2.0. Collaboration, searchable content, and collaborative content development have all been possible in the past. But Enterprise 2.0 enables those things to happen in a far more rapid and agile fashion. Collaborative environments and projects, which once took a high degree of technical know-how and effort (to both create and participate in) can be created in hours or minutes. This particular feature of Enterprise 2.0 is stressed in the SLATES and FLATNESES frameworks (see Enterprise 2.0 for the definitions) and is a key value proposition for Enterprise 2.0.

On the other hand, while Enterprise 2.0 lowers the technical barrier to collaboration and innovation, it must be stressed that there is also a cultural side to Enterprise 2.0. Like its predecessors, (e.g Knowledge Management and Innovation Management), the members of the community and the community as a whole must be inclined to open and agile sharing, cooperative thinking and development. If not, Enterprise 2.0 may simply result in faster development of ineffective platforms. Aligning culture with technology is a significant challenge to introducing Enterprise 2.0 into an organization. (See: Enterprise 2.0 - Implementation for HOW-TOs)
Enterprise 2.0 is all about openness. Companies need to enable their employees to find the data and knowledge needed, quickly and easily. As Andrew McAfee notes in his blog, information is now essentially free to transmit, thanks to the internet. But information needs to be findable. Enterprise 2.0 tools (wikis, internal blogs, tagging, mashups, etc.) are ultimately about distributing information between different actors in the organization, breaking down the "silos" that are preventing efficient communication and information flows at present. When information does not flow horizontally across different parts of the company, the units behave independently of each other, forfeiting economies of scale and the transfer of best practices. Also, nothing can be more destructive to emergence than breaking up the information habitat into small territories that are not connected. However, McAfee goes on to point out that "Eliminating silos is much easier said than done because many times silos are there for sound business reasons. Some information should not be broadly available." This leads to a constant balancing act between the forces supporting openness, and the forces keeping the silos intact.

According to McAfee, the disappearance of information costs eventually leads to "The Great Decoupling of information flows and decision rights". This means that decisions can actually be made by the people with the knowledge, rather than by the people with the information. Historically, as it has been costly to gather and disseminate information, decisions have been made by the people with the information. But now, companies can finally start to play by the ground rule, which states that ‘decision rights should be aligned with relevant knowledge’. McAfee presents an example from banking: some loan officers at a bank make better credit risk assessments than other officers. Clearly, decentralizing the decision making to all the loan officers is counter productive - it should conversely be further centralized to just those who make the best decisions, i.e., those who have the “knowledge” (and information, of course). McAfee concludes: ‘Leaders will be able to ask ‘Who should make this decision?’ without adding ‘Keeping in mind that it’s going to be slow, difficult, and expensive to get them the general knowledge they’ll need.’”

However, Enterprise 2.0 isn’t just about information findability. One of the biggest benefits is entirely social. As stressed in the section Enterprise of the Future, the magnitude of competition and change that companies need to deal with in today's business environment, has highly increased during the past 10 years (not least because of IT investments, see Andrew McAfee’s blog post summarizing the research on The relationship between IT and competition). This means that continuous innovation becomes increasingly important, as new business models and practices can be implemented quickly throughout the company, even globally. Innovation then again is fueled by communication and social contacts. Networking. Successful companies need to effectively harness the full potential of their social networks to heighten idea sharing - no single idea is worth anything if it only remains in one person’s mind. J.P. Rangaswami, who runs technology at BT, the British Telecom giant, sums up the great possibilities social software possess in the BusinessWeek article, Beyond Blogs:

"We’ve spent years talking about the value of the water-cooler conversations," he says. “Now we have the ability to actually understand what these relationships are, how information and decision-making migrate. We see how people really work.” Why does this matter? The company can spot teams that form organically, and then can place them on targeted projects. It can pinpoint the people who transmit ideas. These folks are golden.”

Not all companies may be all that eager to experiment on these new ways of working that Enterprise 2.0 tools present. It might be that not all companies would even benefit substantially from these. However, the possibilities should at least be evaluated and explored properly before dismissing them for good. The world of information is changing and companies need to keep up. Soon, as the “Net Generation” of workers occupy the different ranks and positions in firms, they are sure to demand up-to-date and modern ways of working. Companies using modern collaborative tools, that employees are already accustomed to exploiting in their personal lives, will attract talent. If your company’s motto is “People are our main asset”, you might want to fully utilize that asset by providing your employees with efficient tools to live up to their talent.

For a look at where the business environment, and therefore also companies are headed, see Enterprise of the Future. The section explores the results of IBM's Global CEO Study 2008, where the researchers interviewed more than 1,000 CEOs worldwide (1,130 CEOs, 45 countries, 32 industries) about how they see the future of companies. The results were pretty interesting - at least Enterprise2.0-wise.

To see concrete evidence on the benefits of Enterprise Social Software see page 5 in the article, "Online Social Networks, Virtual Communities, Enterprises, and Information Professionals" (Reid, Gray & Honick, 2008), presenting the survey results, when companies were asked to "Briefly describe any tangible results your organization has experienced from the following (9) [Wiki, Blog, RSS etc.] ESS services." For example corporate wikis are attributed to, i.a., the following benefits:

- "New employee ramp-up time."
- "Project visibility and transparency and ready availability of knowledge."
- "Identified market problems posed by several new investment products and took steps to mitigate these issues."
- "Developed a team of engaged professionals cooperatively working on an issue..."
Enterprise 2.0 tool usage at the moment

So where is the “Enterprise 2.0 market” at the moment - are companies actually using the tools? One thing can surely be said: Enterprise 2.0 social technologies are not just a hype. Real companies are using them for real purposes. Furthermore, it seems that the progress has not slowed down, as more and more companies are opening themselves up to the new possibilities.

When comparing the two Global Surveys, “How businesses are using Web 2.0” in 2007 and “Building the Web 2.0 Enterprise” in 2008, conducted by McKinsey, the results are pretty encouraging. The 2007 survey concluded that

“Among the executives familiar with the nine Web 2.0 trends cited in the survey, more than three-fourths say that their companies are already investing in one or more of these trends. The most frequently cited investment is Web services, being used or considered by 80 percent of the respondents familiar with the tools. Peer-to-peer networking also is popular; 47 percent say they are using or considering it.”

Furthermore, executives approached the new Web 2.0 technologies from a strategic point-of-view, and planned to increase the investments. What was interesting was that companies weren’t necessarily relying on the most famous and best-known Web 2.0 applications, such as blogs, but instead they seemed to see most promising value in technologies enabling automation and networking. The study also brings light to an interesting issue, namely that satisfaction with the new technologies was unquestionably greatest among the companies that acted quickly in the wave of investment: “Of those who rate themselves as very satisfied, 46 percent are ‘early adopters’ and 44 percent are ‘fast followers’.”

The 2008 Global Survey Results article also begins with a very encouraging opener:

“Companies are using more Web 2.0 tools and technologies than they were last year, sometimes for more complex business purposes, according to McKinsey’s second annual survey on Web 2.0. Companies that are satisfied with their use of these tools are starting to see changes throughout the enterprise.”

Sounds like Enterprise 2.0 is gaining momentum - executives are starting to see changes throughout the enterprise! As assumed, companies see more and more opportunities for the new applications. According to the survey, companies are increasingly embracing also external objectives, such as “focusing on interactions with their customers”. Like Michael Dell, founder and CEO of Dell Inc., said: “I think being more closely connected with customers gives you deeper and better insights…and speeds reaction time. I think it’s had a very positive effect on the way our teams think about the customer.” (Bernoff, Li, 2008)

Of course reaching out to the customer and opening up your organization, involves also risks. Bernoff and Li give a couple of examples of marketing attempts gone awry:

“When Wal-Mart Stores Inc. created a social application for college students on Facebook, the application became a magnet for anti-Wal-Mart comments and discussion. When Chevy hosted a site where customers could edit clips to create their own commercials, environmentalists used that technology to post ads that dramatized how SUVs contribute to global warming.”

However, the writers conclude that despite the apparent risks, probably a greater danger would be to ignore the possibilities that the technologies offer. “Long-term engaging with the groundswell is the best possible way to promote customer-centric thinking within companies, because it confronts managers with very direct evidence of how customers think.”

The technologies also create huge possibilities for companies to go as far as to “draw customers into the heart of the product development process” (Bugnini, Chui, Johnson, 2008). Co-creation - encouraging customers to help companies develop the products and services they really want. This is the vision that Bugnini, Chui and Johnson paint in their article, “The next step in open innovation” (The McKinsey Quarterly, June 2008). They go on to state that “What facilitates this new approach to innovation is the rise of the Web as a participatory platform. What will drive its adoption in an increasing number of companies is the growing competitive need to uncover many more good ideas for products and to make better and faster use of those ideas.” We have seen many great examples of involving the customer in the creation process. The Salesforce.com IdeaExchange case presented earlier was a good example. LEGO invited customers to suggest new models and rewarded the people with best suggestions. Open Source is gaining such momentum in software that the movement has resulted in great drops in market share and profit margins for traditional software vendors. Some big players, such as IBM, actually see so much potential in harnessing the potential of the crowds, that it has adopted the open OS Linux for some of its computer systems. (Bugnini, Chui, Johnson, 2008)

The McKinsey 2008 Global Survey goes on to state that usage of the new technologies is higher in companies that use smart tactics to encourage the adoption. They, for example, integrate the tools into existing workflows, link them to other strategic initiatives, and get senior management to act as role models for adoption. The respondents expressing satisfaction with the technologies, also say that the adoption and selection of Web 2.0 tools is mainly driven by business units rather than the IT department. In the companies that are dissatisfied, the situation is more often the other way around.

For more information on who is actually benefiting from the tools, see the "Details About Who Is Using the Tools and How" section of the article.
See also

- Enterprise of the Future
- Enterprise 2.0
- Enterprise 2.0 - Risks
- Enterprise 2.0 - Implementation
- Emergence
- Web 2.0 Essentials
- Web 2.0 & Enterprise 2.0 - Enhancing collaboration with social software

External links

- IBM: Global CEO Study 2008
- Survey: Enterprise 2.0 Apps Seen as Useful to Business But Confusing - CIO Magazine (May 22, 2008)
- The Great Decoupling - Andrew McAfee (August 27, 2007)
- Businesses Embrace Blogging - Rich Karpinski in BtoBOnline (June 9, 2008)
- Yritys 2.0 - Satama slideshow (in Finnish)
- Online Social Networks, Virtual Communities, Enterprises, and Information Professionals - Reid, Gray & Honick (2008)

References

- McKinsey Global Survey: How businesses are using Web 2.0, 2007