Throwing Sheep in the Boardroom

Chapter 14

Enterprise 2.0:
Wiki While You Work

The Web 2.0 revolution has been frustrated by a powerful irony. The one place where Web 2.0 tools hold out the most promise to transform social organisation is precisely the location where there has been the most resistance to change.

That place is the corporation.

Social media, as we have seen, are revolutionising the way we interact with others, build social capital, even achieve fame and riches. Yet when Web 2.0 social platforms permeate corporate bureaucracies, they are often resisted as invasive and potentially threatening. If there is widespread agreement that Web 2.0 tools can have a tremendous upside for businesses, the reality is that, inside many companies, reactions to online social networking have been fixated on the downside.

This should not be surprising. Social networking is essentially a horizontal dynamic. The human need to connect socially is powerful, irrepressible, and indispensible for getting things done. Markets, in like manner, operate according to inexorable laws that connect sellers and buyers. Market dynamics relentlessly seek to maximise efficiency to create surplus value. Markets work best when they are free, open, unfettered,

unencumbered by monopolies, oligopolies, conspiracies, and obnoxious practices. The classic design of corporate bureaucracies, by contrast, is based on the opposite dynamic. Traditionally, the social architecture of corporations has been vertical and closed. Corporate cultures are shaped by rigid hierarchies and ascriptive values of position, title, and rank. Corporations are managed as top-down organisations that wield tremendous powers of compensatory coercion over their employees. Office environments are not cocktail parties; nor are they Greenwich Village streetscapes.

Let's face it, most employees working in corporate bureaucracies are, at present, not invited to engage in collaborative projects, contribute to company blogs and wikis, or network online with colleagues and customers. The idea of "Facebook Fridays" for employees would be a non-starter in most corporate environments. Indeed some employees, as we have seen, are getting sacked when caught logged onto social networking sites at the office. The centralising power of Philippe le Bel casts a long shadow over the executive suites at most modern corporations.

Despite the obstacle of status quo organisational cultures, Web 2.0 evangelists persist in their belief that an imminent social revolution is about to transform corporate bureaucracies. The buzz-words employed to describe this e-ruption are numerous: mass collaboration, self-organisation, open innovation, distributed co-creation, bottom-up management, networked organisation, virtual corporation. When Web 2.0 adoption reaches a tipping point, the major impact in corporations will be a diffusion of power towards employees and consumers. And corporate executives who don't exit the echo chamber to listen to what their staffs and customers are saying will suffer the consequences. Capitalism is no longer about the production and

provision of goods and services. Capitalism, says Web 2.0 evangelists, is now a "conversation".

C.K. Prahalad, arguably the world's most prominent management guru, wrote a decade ago about this New Economy power shift towards consumers. "Thanks largely to the Internet, consumers have been increasingly engaging themselves in an active and explicit dialogue with manufacturers of products and services," wrote Prahalad in the *Harvard Business Review*. "What's more, that dialogue is no longer being controlled by corporations. Individual consumers can address and learn about businesses either on their own or through the collective knowledge of other customers. Consumers can now initiate the dialogue; they have moved out of the audience and onto the stage."[1]

We saw in the last chapter, with our music industry case study, how this power shift e-rupted a multi-billion-dollar business in only a few years. In pop music, the audience literally took control of the stage and created a dialogue among themselves, as artists and fans, while cutting out traditional gatekeepers. The lesson for corporations is that market dynamics have been fundamentally transformed by this power shift. Consumers are not only seeking value as customers, they are now *creating* and *competing* for value. Corporations, argues Prahalad, should see consumers as a new source of "competence".

The companies that understand the basic dynamics of this market e-ruption, and are adapting their organisational behaviour accordingly, are frequently called "Enterprise 2.0" firms. The generally accepted definition of Enterprise 2.0 is a corporation that -- thanks to Web 2.0 software tools like

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[1] See C.K. Prahalad and Venkatram Ramaswamy, "Co-opting Customer Competence", *Harvard Business Review*, January-February 2000.

wikis and blogs – encourages horizontal collaboration and harnesses the power of collective intelligence to boost productivity, foster innovation, and create enhanced value.[2] That's a strictly organisational definition of Enterprise 2.0. In its broader definition, Enterprise 2.0 encompasses a vision advocating new modes of capitalist production and social organisation.

Charles Leadbeater, an associate at the UK-based think tank Demos, is a notable thought leader for this broader vision of social transformation. "The developed world in the 20th century was preoccupied by organising and reorganising the mass-production system, its factories, industrial relations systems, working practices, supply chains," notes Leadbeater in his book/blog *We-think.* "Our preoccupation in the century to come will be how to create and sustain a mass innovation economy in which the central issue will be how more people can collaborate more effectively in creating new ideas."[3]

Living at the dawn of a new social order is an exhilarating prospect. For corporate executives, however, it signifies an urgent necessity to profoundly rethink how they structure, organise, and manage their organisations. And for many executives, that challenge is potentially too destabilising, not to mention threatening.

Many CEOs, it is true, are intrigued by the business case for Enterprise 2.0. Surveys conducted by consulting firms like McKinsey and Forrester Research reveal that executives are showing more openness to

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[2] For a definition of Enterprise 2.0, see Andrew McAfee's Harvard blog at http://blog.hbs.edu/faculty/amcafee/index.php/faculty_amcafee_v3/enterprise_20_version_20/.
[3] See Charles Leadbeater's online version of *We-think*, available at: http://wethink.wikia.com/wiki/Main_Page.

Web-based collaboration and social networking tools.[4] Until recently, however, companies have invested mainly in "back-end" technologies that enable Web-based automation, while remaining paranoid about losing control if social networking tools like wikis and blogs become standard work tools. Forrester nonetheless forecasts robust corporate spending on Web 2.0 software – including blogs, mashups, podcasts, RSS, widgets and wikis. It projects consolidated Web 2.0 spending growth at 43% annually -- from $764 million in 2008 to $4.6 billion in 2013.[5] Still, it can hardly be claimed that Fortune 500 companies – with the exception of a small clutch of leading-edge giants like IBM – are stampeding to join a Web 2.0 juggernaut. Moreover, while $4.6 billion looks like a big number, it's only a tiny fraction – less than 1% -- of global corporate spending on enterprise software. That's not an Enterprise 2.0 revolution. At best, it's cautious evolution.

How can we explain the lag between the bold ambition of the Enterprise 2.0 vision and the slow pace of its adoption by corporations?

Dennis Howlett, a corporate software specialist who writes about Enterprise 2.0, puts the same question this way: "CEOs instinctively know that internal collaboration, whether through rudimentary technologies like blogs and wikis, hold significant efficiency promise. They know the technology is relatively inexpensive compared to other types of enterprise technology and that implementation can be rapid. They also get that, in the

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[4] See "How Businesses are using Web. 2.0", *McKinsey Quarterly*, 2007, available at: http://www.mckinseyquarterly.com/How_businesses_are_using_Web_20_A_McKinsey_Global_Survey_1 913_abstract.
[5] "Global Enterprise Web 2.0 Market Forecast: 2007 To 2013", Forrester Research, April 2008, available at: http://www.forrester.com/Research/Document/Excerpt/0,7211,43850,00.html; and "Forrester: Consolidated Web 2.0 Market to Reach $4.6 Billion By 2013", CIO.com, 21 April 2008, available at: http://www.cio.com/article/338617/Forrester_Consolidated_Web_._Market_to_Reach_._Billion_By_.

longer term, these technologies could hold incredible promise for business effectiveness across their entire value chain in releasing huge amounts of resource back into the business. None of that is disputed. What is disputed are two things: social media and social networking as applied internally. Why?"[6]

Good question. Let's try to answer it.

One possible explanation is that corporate executives simply don't understand Enterprise 2.0. In other words, it's fear of the unknown. Another theory is that executives consider Enterprise 2.0 to be little more than a trendy buzzword. They regard Web 2.0 tools like blogs and wikis as a distraction, if not a complete waste of time, whose downside risk is not worth betting on. A third explanation is that executives understand Enterprise 2.0 only too well – and that's precisely why they fear it. We can call these possible hypotheses *conceptual resistance*, *risk management*, and *fear factor*.

First, the *conceptual resistance* hypothesis. Some Enterprise 2.0 evangelists argue that corporate executives, blinkered by Old Think, just don't "get it". Many senior managers mistakenly believe Enterprise 2.0 is a product, like the latest Microsoft Office suite. They don't understand that Enterprise 2.0 is not a cost centre, but rather a "state of mind" – a revolutionary new way of managing companies and conducting business. Or as *Cluetrain Manifesto* put it, the "end of business as usual". Enterprise 2.0 evangelists believe that old-style, hierarchical corporations have a "DNA" problem with Web 2.0. Most corporate executives aren't even aware that a

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[6] See Dennis Howlett, "The Poverty of Enterprise 2.0 and social media", ZDNet, 16 April 2008, available at http://blogs.zdnet.com/Howlett/?p=370.

social revolution is about to sweep them with tsunami force from their C-suites.[7]

Andrew McAfee, a Harvard business professor who has written extensively about Enterprise 2.0 issues, has assessed this conceptual blockage. "We need to keep in mind that most Enterprise 2.0 tools are new, and that their acceptance depends on shifts in perspective on the part of business leaders and decision makers, shifts for which the word 'seismic' might not be an overstatement," notes McAfee. "Enterprise 2.0 tools have no inherent respect for organisational boundaries, hierarchies, or job titles. They facilitate self-organisation and emergent rather than imposed structure... They require, in short, the re-examination and often the reversal of many longstanding assumptions and practices."[8] That's a diplomatic way of saying what Web 2.0 evangelists put more bluntly: corporate executives just can't get their heads around the Enterprise 2.0 revolution.

Marc Smith, a senior research sociologist at Microsoft Research, says that many corporate executives tied to traditional knowledge-management reflexes, fail to appreciate the potential of social networking in creating "architectures of co-operation". Noting that "the biggest asset of any enterprise is what your people know and they keep going home with it", Smith believes that socially-oriented platforms like wikis allow corporations to identity and reward internal expertise on the basis of performance.

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[7] See Rick Levine, Christopher Locke, Doc Searls, David Weinberger, *The Cluetrain Manifesto: The End of Business As Usual* (Basic Books, 2000). See also Dion Hinchcliffe, "The state of Enterprise 2.0", ZDNet, 22 October 2007, available at: http://blogs.zdnet.com/Hinchcliffe/?p=143.
[8] See Andrew McAfee's Harvard blog posting, "Enterprise 2.0 May be Fine for the Business, But What About the IT Department?", 14 November 2007, available at: http://blog.hbs.edu/faculty/amcafee/index.php/faculty_amcafee_v3/enterprise_20_may_be_fine_for_the_business_but_what_about_the_it_department/. See also Andrew McAfee "Enterprise 2.0: The Dawn of Emergent Collaboration", *MITSloan Management Review*, Vol. 47, No. 3, Spring 2006.

"Often enterprises spend a lot of effort incentivising the wrong behaviour," argues Smith. "They don't see themselves as a group -- and a group that doesn't know itself is not even a group. Software can make businesses visible to themselves; social networks are often the real structure of a company. Making all this visible will mean that what should have been rewarded all along gets rewarded -- and once you reward the right thing, you probably get more of it. In the world of Sarbanes-Oxley, we're talking about helping people who want to help each other by making their help of one another visible and accountable to their management."[9]

This excerpt was provided by author Matthew Fraser. Matthew Fraser is a consultant and professor at the American University of Paris. He can be contacted at fraser.matthew@orange.fr

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[9] See "Social skills that confer a business advantage", *Financial Times*, 3 October 2007.