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WORK IN PROGRESS
ENTERPRISE 2.0

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EXECUTIVE SUMMARY

If Web 2.0 represents a new stage in consumer technology, the next wave is all about Enterprise 2.0—putting those tools to work in organizations. The trend is driven in part by the newest generation of employees entering the workforce (aka Millennials or Gen Y), who are demanding the collaborative, open source, self-publishing and social networking tools with which they've grown up.

Enterprise 2.0 has the potential to breed more internal innovation, collaboration, communication and agility, and to better leverage relationships with customers and other stakeholders. It will help develop the flat, fast and flexible businesses of the future, where ideas are free from hierarchical, geographical or technological constraints.

Key Questions

- What are the tools that fall under the Enterprise 2.0 umbrella? What type of workplace culture do they best complement?
- How can this technology help employees work better? And how can it help organizations run more efficiently and, ultimately, improve the bottom line?
- What factors are helping to push Enterprise 2.0 adoption?
- How are organizations like the CIA, Pfizer and Best Buy using social networks and wikis? How are they benefiting?
- How can 2.0 tools help foster innovation?
- What are some best practices for implementing Enterprise 2.0?

Key Findings

Online consumers can access a multitude of sophisticated tools from anywhere—Wikipedia for collaborative authoring, Facebook for social networking, Delicious for social bookmarking, Twitter for microblogging, etc. Yet many employees are saddled with the same old desktop-based applications they've had since Web 1.0. This is quickly changing as Millennials enter the workforce with expectations of using 2.0 tools and a work style that aligns with a 2.0 mentality.

These Enterprise 2.0 applications—from blogs, wikis and social networks to RSS feeds and social bookmarks—help employees share and organize information, connect, collaborate and feel they have a voice within the organization. They also broaden horizons, flatten hierarchy and capture knowledge from employees who quit or retire. They tend to be most valuable in large organizations spread across offices and time zones.

The potential benefits of Enterprise 2.0 are many: increased innovation, shorter development cycles, more engaged employees, better communication, more agility within the organization. But it requires leaders to give up some control—to empower employees and place more trust in them. This will likely prove the biggest barrier to adoption. Smart businesses will focus as much on creating a 2.0 culture—one that's bottom-up rather than top-down, flat, agile, participatory and transparent—as adopting the tools that go with it.

Consider the tools that anyone with online access has at their disposal today: Wikipedia and others for collaborative authoring, Facebook et al. for social networking, Delicious for social bookmarking, Twitter for microblogging, RSS feeds, iGoogle—the list goes on.

Tools like these are the stars of what's come to be known as Web 2.0, and for many, they are an intrinsic part of daily life—at least, the part of life that does not include work. That's because many businesses have remained stuck in 1.0 mind-sets.

"The kinds of tools we have as consumers ... are so much more sophisticated than what we have at work. This huge gap needs to be closed," Shahar Kaminitz, CEO of software developer WorkLight, told the London *Times* earlier this year.

There is a huge gap, and it is just now starting to narrow. The generation that grew up with digital technology, the so-called "digital natives," are largely responsible: They expect to work with the 2.0 tools they have helped to shape and that in turn have shaped them. At the same time, Web 2.0 tools for business—often referred to as Enterprise 2.0—are becoming more sophisticated and also cheaper as competition among Google, Microsoft, IBM and thousands of smaller firms heats up.

In June, McKinsey & Co. conducted its second annual survey on business use of Web 2.0 tools and found more extensive adoption of these tools than in the 2007 survey. The study showed that their use is "intense and far-ranging" and that companies use them both to forge links with customers and suppliers and to better engage with employees. More than half of companies satisfied with Web 2.0 initiatives see them as boosting competitive advantage, and McKinsey reports: "Expect these companies to become more aggressive in the marketplace against rivals that are slower to get on board."

ENTERPRISE 2.0

Indeed, the open source, social networking and collaboration tools of Web 2.0 have the potential to breed the flat, fast and flexible business of the future, where ideas are unrestrained from hierarchical, geographical and technological constraints. If Web 2.0 represented a new stage in digital technology, then the next wave is all about Enterprise 2.0.

This *Work in Progress* looks at what applications fall under the Enterprise 2.0 umbrella (from micro-blogs to mashups to wikis), what benefits they can bring to business and why they're fast becoming a must. We explore how Enterprise 2.0 is being deployed internally to bring employees closer to each other and externally to bring stakeholders closer to the brand, be it dog food, a political candidate or a T-shirt company.

"Charlie" is the model of a modern worker. He is part of a global team and has never met his boss in person. That's not a big issue though: By reading his boss's blog, Charlie has a good sense of what's on his mind. Charlie himself has a project blog, which his boss and team subscribe to, as well as colleagues who don't know him. And Charlie learns from his mentor through her podcasts, receiving an RSS alert whenever a new one is available.

Charlie also makes use of the company wiki, and stores and tags his bookmarks on the intranet so that others can see them. The tags point to his interests, and by exploring tags he can see which co-workers share those interests. Charlie doesn't have a favorite piece of software other than Firefox, which he uses to access LinkedIn, Google Docs & Spreadsheets, Wikipedia and other Web-based applications.

Charlie is the vision of Scott Gavin, a self-described "Enterprise 2.0 evangelist" in the U.K. who says his "Meet Charlie" slide show has received more than 100,000 views (it's online at slideshare.net).

Enterprise 2.0—a term coined by Harvard Business School professor Andrew McAfee—encompasses a range of tools that facilitate networking, collaborating and sharing: social networking software (think Facebook); collaborative publishing tools (think Wikipedia); blogging, micro-blogging and broadcasting tools (Twitter, podcasts, etc.); social bookmarking (Delicious) and social publishing (Digg). Enterprise 2.0 also marks a shift from desktop- to Web-based applications—part of a trend termed "cloud computing"—which fits the needs of today's mobile worker.

These tools are enjoying differing levels of popularity around the globe, according to the McKinsey survey "Building the Web 2.0 Enterprise." Likely because MySpace and Facebook started out in the U.S., North Americans were most likely to rate social networking as an important 2.0 technology or tool used in the company. Blogs were significantly more likely to be cited by

respondents in India and the Asia-Pacific region, and least likely to be cited by Europeans. Wikis are big in India but not in China. RSS feeds are biggest in North America and least popular in Asia-Pacific.

While Enterprise 2.0 is an umbrella term for tools and technologies, it's also tied to a distinct workplace culture. According to the organizers of the Enterprise 2.0 Conference, it's about a flat organization rather than a hierarchy, bottom-up vs. top-down, agility rather than bureaucracy, open borders vs. silos, "folksonomies" rather than taxonomies, distributed vs. centralized, emergent systems over structured ones. It's characterized by flexibility, simplicity and transparency, and also by "free-form" technologies that are informal and participatory.

Ten 2.0 Terms You Need to Know

Cloud computing: Accessing technology services from the Internet (the "cloud") rather than a personal computer or local server. It allows users to tap into the power of large networked servers and to access data and applications from anywhere. This means paying for services on a per-use basis rather than buying servers, storage and software. Google Apps is one example, but companies including IBM, Microsoft, Dell and HP are all muscling into this space.

Folksonomy: A combination of folk and taxonomy that refers to ad hoc, collaborative labeling and tagging systems. Content is categorized using keywords chosen by users rather than traditional subject indexing. Also referred to as collaborative tagging, social classification, social indexing and social tagging.

Mashup: A Web application that integrates information from multiple sources into one tool. The most prevalent type uses a mapping tool to add location information to data—for example, HousingMaps.com plots Craigslist housing ads on a map of the U.S. and Canada so that prospective buyers and renters can pinpoint locations for all listings.

Micro-blogging: Blogging in the form of brief updates that can be transmitted via text message, the Web, instant message, etc. The most popular platform is two-year-old Twitter, a free service that allows members to send "Tweets" of up to 140 characters to anyone who signs up to receive (or "follow") them.

RSS: Really Simple Syndication is a means of syndicating content to subscribers. A Web- or desktop-based RSS reader tracks the automatically updated RSS feeds to which a user subscribes. The feed may alert users to anything from new blog entries to news headlines to project updates.

SaaS: "Software as a service," a component of cloud computing, refers to hosted applications—users access software via the Web for an ongoing fee rather than buying licensed applications. This frees the user from dealing with installation, set-up, maintenance, etc., and gives the vendor stronger intellectual property protection.

Social bookmarking: A platform for people to share their Web bookmarks with others and to store, organize and search those links, allowing access to them from any computer. Users classify their bookmarks with tags. The term was coined by the Yahoo-owned site Delicious, which claims 5 million-plus users and 150 million bookmarks.

(continued)

Ten 2.0 Terms You Need to Know *(continued)*

Social networking: If you're on Facebook, MySpace, Bebo, Orkut, et al., you know what it is—and may be addicted. What most of these virtual communities have in common is that members create profiles about themselves, build networks of friends or contacts, and communicate in several ways (e-mail, IM, the “wall” on Facebook, etc.); many include an array of other features, such as the ability to form groups and to use forums for discussion.

Tag clouds: A way to illustrate the popularity of tags, showing which topics are hot (or not) on a given site. A “cloud” comprising alphabetized tags shows the most popular ones as largest and the least as smallest; clicking on one takes the user to items associated with that tag.

Wiki: It's perhaps most fitting to quote Wikipedia: “A page or collection of Web pages designed to enable anyone who accesses it to contribute or modify content, using a simplified markup language.” These multi-author databases “involve the visitor in an ongoing process of creation and collaboration.” (The word wiki is Hawaiian for “fast.”)

WHY WIKIS?

Harvard's Andrew McAfee argues that Enterprise 2.0 tools can “lead to highly productive and highly collaborative environments by making both the practices of knowledge work and its outputs more visible.”

To put it more simply, the primary benefit of Enterprise 2.0 is that it facilitates collaborating, information sharing and communicating. Like Web 2.0, Enterprise 2.0 is about group exchanges over one-way dialogue, active vs. passive participation, and making connections with people who share commonalities, be they around the corner or across the world.

The disparate tools that Enterprise 2.0 comprises help employees share and organize information, which in turn allows them to tap into collective wisdom (whether from the project team, the global organization or partners/customers). They broaden horizons and flatten hierarchy. And they tend to be most valuable when, as with Charlie, colleagues in large organizations are spread out across offices and time zones.

What potential value do each of these tools offer?

- **Blogs** and **wikis** are easy ways to share information in any format (reports, photos, video, audio); they also serve to archive wisdom in a world where employees tend to move around a lot. Wikis allow people to contribute information, challenge the findings or opinions of others, and “push ideas forward,” as writer Ron Miller notes in an extensive explanation of Enterprise 2.0 in *CIO* magazine. In a large global organization, for example, project team members can share information, files and ideas.

- **Social networks** allow people to see and build connections between each other. For example, “a project manager could build a team with the requisite expertise, and with the advantage of seeing who each person has worked with in the past,” notes Miller.
- **Tagging** is a way for people to choose how they label and categorize information, rather than fit it into predefined categories. Other employees can use these “folksonomies” to explore each other’s interests or to delve deeper into any single topic. A “tag cloud” leads users to the most popular terms.
- Sharing browser bookmarks—**social bookmarking**—is another tool that helps to retain wisdom in a workplace where staff constantly revolves. Says Miller: “Sales could use it to learn and share information about targeted companies; knowledge workers could use the technology to track a particular subject.”
- **RSS feeds** automatically apprise interested parties about updates to these systems. They are a useful alternative to e-mail, which can bog people down with messages they don’t want or need—RSS provides people with more control over what content they see and how they consume it.

The McKinsey survey found that respondents’ uses for Web 2.0 tools included internal recruiting, managing knowledge, training, fostering collaboration, developing products and services, improving customer service, enlisting customer participation in product development, allowing customers to interact, acquiring new customers, tapping a network of experts, lowering purchasing costs and achieving better integration with suppliers.

Pete Fields, at the eCommerce division of Wachovia Corp., the fourth largest bank in the U.S., says he emphasized four major benefits when he made the case for adopting 2.0 technologies: They would help a dispersed group of employees work more efficiently across time and distance; they would help people connect, in lieu of the casual activities that staffers engaged in when the bank was smaller; blogs and wikis would help capture the knowledge of Boomers before they retire; and easily disaffected young workers would have the tools to feel they could make a difference in the corporation.

Amy Shuen, author of *Web 2.0: A Strategy Guide*, tells *Computerworld* that social networking and other tools give employees “quick access to knowledge, know-how and ‘know-who.’” She explains: “It’s a way of leapfrogging quickly through several degrees of separation to find out who knows something on a topic that’s of importance to you.” 2.0 tools also expand their social connections and affiliations; help employees to build a brand, identity and reputation within the company; and allow them to benchmark against others.

**WIRED
WORKERS**

The deskbound technologies installed by slow-moving corporate IT departments tend to make the tech-savvy Millennial workers—the older members of the generation born between 1978 and 2000—feel as though they are regressing by several technological cycles. Many are responding by adopting free tools available online, making an end run around IT—which underscores why Enterprise 2.0 may be a priority sooner rather than later.

As Anthony Bradley of tech research firm Gartner noted at a conference in Las Vegas last year, Millennials “bring with them a set of expectations of how they will interact and the tools they’ll use to interact, and they can be woefully disappointed walking into organizations that don’t have some of the Web 2.0 tools they’re used to using for building relationships and getting things done.”

Millennials are digital natives who have grown up immersed in 2.0 tools. Ericsson ConsumerLab estimates that a typical 21-year-old has spent a lifetime total of 3,500 hours online engaged in social networking. This employee is accustomed to being connected with his network via text message and instant message, and he expects sophisticated information and communications technology to be available to him around the clock.

Ericsson sees two major consequences of digital natives entering the workforce: a high demand for multimedia services from a group willing to spend on these services, and a requirement for tools to support their way of communicating in both their personal and professional lives, which are increasingly commingled.

It’s not only that Millennials expect 2.0 tools but that their work style is aligned with a 2.0 mentality. According to Morley Winograd and Michael D. Hais, authors of *Millennial Makeover: MySpace, YouTube, and the Future of American Politics*, they are team players who like to find consensus solutions to problems and who prefer to learn from peers rather than official or traditional avenues.

This generation “has only known the empowerment of the Internet and has become accustomed to have their vote counted,” writes John Newton, chief technology officer at Alfresco (a developer of enterprise content management tools), in the *Financial Times*. “To try and control it can only disenfranchise them. To empower them yields an optimistic workforce, with conversation between stakeholders in enlightened collaboration.”

Gartner estimates that more than half of computer users will be dissatisfied with the slow rate of IT change in their organization by 2013, up from 30 percent in 2008—the research firm attributes this projected rise to users’ enthusiasm for Web-based alternatives to what IT already provides, the rising proportion of digital natives in the workplace, and higher overall skill levels and comfort with technology.

Indeed, demand for change is coming not just from digital natives. Today, many employees spend their free time creating or reading blogs, writing Wikipedia entries, rating YouTube videos and catching up with acquaintances on Facebook and other social networking sites. This is furthering employees' expectations of how technology should help them function.

People are starting to adopt services and devices of their choosing, beyond whatever IT equips them with, a trend that Forrester, the technology and market research firm, calls "technology populism." Forrester notes that as 2.0 applications become more abundant, it's increasingly easy for people to arm themselves with their own tools, information sources and social networks to better support their jobs.

Forrester also observes that the rise of "cloud computing"—working on Web- rather than desktop-based applications—will push corporations toward wider adoption of 2.0 tools. Microsoft, Google, IBM and others are all competing in this space, which means costs are likely to fall, making the financial risks of implementation low. Working in the cloud represents a "fundamental shift" in connecting people within big organizations, notes Forrester, as employees no longer need desktops to be in the loop.

A CLOSER LOOK WHAT EXPERTS ARE SAYING ABOUT ENTERPRISE 2.0

These five books, all published in 2008, examine the impact of Web 2.0 tools on culture and business and provide insights on how to leverage this technology to stay ahead.

Crowdsourcing: Why the Power of the Crowd Is Driving the Future of Business Jeff Howe (Crown Business, 2008)

Howe, a *Wired* contributing editor who coined the term "crowdsourcing" in a 2006 article, believes open innovation will "in a short time simply be the way things are done." The book examines a range of companies that are already doing it, from P&G to istockphoto.com.

Groundswell: Winning in a World Transformed by Social Technologies Charlene Li and Josh Bernoff (Harvard Business School Press, 2008)

The authors, analysts at Forrester Research, provide a practical, data-based approach to illustrate how marketers can find opportunity in the technologies that are changing the relationship between consumers and brands.

Here Comes Everybody: The Power of Organizing Without Organizations Clay Shirky (Penguin Press, 2008)

The impact of modern technology's ability to enable and empower groups is "so profound that it's underappreciated," argues Shirky, who studies the social and economic effects of the Internet. His book analyzes how this "social revolution" will change business and society.

The New Age of Innovation: Driving Cocreated Value Through Global Networks C.K. Prahalad and M.S. Krishnan (McGraw-Hill, 2008)

21st-century businesses must "reinvent their processes and culture" by "accessing a global network of resources to co-create unique experiences with customers, one at a time." This book, by business professor Prahalad and his IT-focused colleague, provides a blueprint for doing so.

Wikinomics: How Mass Collaboration Changes Everything Don Tapscott and Anthony D. Williams (Portfolio, 2008)

In this expanded edition of *Wikinomics*, which was named one of the best business books of 2007 by *The Economist* and the *Financial Times*, the authors cover Enterprise 2.0 and "the wiki workplace," along with other aspects of this collaborative technology.

**YOUR
COMPANY-
PEDIA**

While Enterprise 2.0 can be useful in any organization, it is especially beneficial to large, geographically dispersed enterprises where teams of employees, partners, suppliers and outsourced labor may never otherwise interact.

Take the U.S. intelligence community, a huge network of people around the globe who work with the CIA, the State Department, the military and a collection of other agencies. Two years ago the CIA spearheaded the launch of a wiki, Intellipedia, that now features 48,000 pages of articles that have received upward of 1.6 million edits. More than 35,000 authorized members can create, edit or discuss topics on the secure network.

The CIA reports that Intellipedia is used to connect related data and efforts, serves as a cost-effective way to access expertise, and addresses the problem of information discovery (information that was previously stored on shared drives and in e-mail is now accessible worldwide). It also captures wisdom accumulated over decades that would otherwise “walk out the door” when employees retire, and it provides a 360-degree view of the issues. “We can have a page that says analysts believe x and some believe y, and we make that transparent so people can look at what documentation supports what viewpoints,” says the CIA’s Sean Dennehy, whose job title is Intellipedia Evangelist, in *The Industry Standard*.

The wiki concept has also proved a boon to pharmaceutical giant Pfizer. “Pfizerpedia” developed in a grassroots fashion: A researcher downloaded some wiki software and launched it with the idea that it would serve as a scientific encyclopedia for staff worldwide. It rapidly took on a life of its own: “The wiki spread through Pfizer like a virus, filling voids, connecting dots, and attaining its own form—that of a high-level road map to research going on across the company, studded with hypertext links to detailed research,” reports *Chemical & Engineering News*.

“People were using the wiki to advertise their projects, and they were using search to find out about other work at Pfizer,” its creator, Christopher Bouton, told *ON Magazine*. “In a company this large, researchers face crucial questions: How do you prevent redundancy in research efforts and funding? How do you know what else is going on in your field? How do you share your work with others?”

A year after its launch in 2006, the wiki was getting 12,000 hits a month from 13,000 users worldwide. It was integrated with employee directories and other sources in order to facilitate people search—results show employees’ basic data and also their project details, publications and seminars. Pfizerpedia also serves as a platform for document creation, allowing teams to co-develop user manuals and jointly address software bugs. In addition to the wiki, Pfizer employees also use RSS feeds to keep up with news related to their work, and the company is starting up an internal social network (informally dubbed Pfacebook).

At other companies, social networks have been the most popular 2.0 tool. Deloitte’s D Street, launched in 2007, allows employees to add elements including photographs, resumes, community affiliations and interests to their

profiles, as well as links to blogs and external social networks. Employees can search on key words to find others who share the same interests, and can see their connections to those people (sometimes just one degree separates employees who would never otherwise connect).

At the U.S. electronics chain Best Buy, 20,000 employees participate in the social network BlueShirt Nation, where people can post profiles and host forums on topics of their choosing. In the Loop Marketplace section, employees can submit ideas to Best Buy executives. One retail associate explained to *Computerworld* that the site serves as a social outlet and a place to discuss work issues, as well as an important way to let executives know what's happening on the sales floor: "As with any big company, it's easy for the message of the customers to be lost when you don't turn your attention to the people who interact with them on a regular basis."

While some of these Enterprise 2.0 tools were instant hits, it's not generally a matter of "build it and they will come." Best practices for deployment are being developed. The challenge can be a big one because implementation requires a cultural shift, since these tools are foreign to some workers and because some are wary, fearing new tools will only add to the workload.

Successful 2.0 ventures generally start small and offer easy ways to jump in. The first page on Intellipedia, for instance, listed intelligence-community acronyms—they are so common that many people had one to contribute, and many in turn derived value from the information. 2.0 also tends to work best when it's grassroots vs. top-down. "Usually it's the person with the pain that can best imagine the cure," advises *The Wall Street Journal's* tech blog, which suggests starting a wiki with something as simple as a list of restaurants near the office. An informal rollout, perhaps to a small test group, is advised over a formal process.

Most important is that management support the initiatives and allow the open, collaborative processes to flourish.

There are several ways in which businesses and brands are using 2.0 elements to engage constituents in ways that go well beyond establishing a Facebook and Twitter presence.

Consider GM Europe's Social Media Newsroom (gmeurope.info), which launched in August 2007: Press releases, which include a full array of sharing and tagging links (from Digg to Delicious to Facebook), allow for visitor comments. There are links to GM sites on Flickr for car shots and on YouTube for video, and to non-GM-affiliated car blogs. A "tag cloud" gives visitors a view of the hottest topics, from "environment" to "Saab."

When the task is to market a candidate rather than cars, a well-implemented social network can be very effective. The campaign for U.S. presidential candidate Barack Obama has created the most sophisticated such network of any political contest thus far. Chris Hughes, a co-founder of Facebook, helped

the campaign set up mybarackobama.com, or "MyBO," where supporters can create profiles, blogs and groups. People can invite friends to join their network, and they can become involved in local action by finding like-minded neighbors or nearby Obama groups on the site. A "Personal Fundraising" function allows supporters to set a fundraising goal, watch as a thermometer displays their progress and then get credit for the results.

The site's personalized home page logs how much the supporter has raised, how many events he or she has hosted or attended, how many calls have been made, etc. It also provides links to Obama speeches on YouTube and grassroots tributes from fans. Obama has a prominent Facebook and MySpace presence as well, and about 50,000 people follow him on Twitter.

Despite the sophistication of Obama's digital outreach, "we are still at the infancy stages of what social-networking technologies are going to do, not just in our politics but in everything," Joe Trippi, the campaign manager for Howard Dean's 2004 U.S. presidential bid, told *Technology Review*. "There won't be any campaign in 2012 that doesn't try to build a social network around it."

Brands generally view social networks as a way to strengthen brand loyalty. But social networks can do more than that, replacing focus groups and surveys to more efficiently and perhaps accurately gauge what customers want, identify trends, provide insights and shape marketing decisions. Del Monte's by-invitation-only community "I Love My Dog" offers blogs, chat rooms, message boards, podcasts, photo- and video-sharing, groups—all the usual 2.0 tools but harnessed to provide feedback on ideas for new dog food products. Members discuss new items and product changes, weigh in on upcoming campaigns and assess product ideas.

Del Monte used the community to test an idea for a new treat for dogs; the vitamin- and mineral-enriched Snausages Breakfast Bites were developed in just six months, with little time wasted on ideas that testing might eventually reveal to be off-base with target customers. The company checked in with the community throughout the process, and its members helped to guide packaging and marketing.

Del Monte also runs a Moms Online community and plans to add an "I Love My Cat" social network. "Web 2.0 tools, including social networking, create a platform that's well-designed for the development, refinement and evaluation of ideas," says Mike Waite of MarketTools, the company that worked with Del Monte on the site, in *Baseline* magazine.

While Del Monte relies on a core customer base to help guide product and marketing direction, the T-shirt company Threadless in Chicago has entirely outsourced product design to customers. Threadless is structured around a social network in which participants can submit designs for T-shirts and members vote on their favorites; the company produces and sells the highest-rated designs. The concept has struck a nerve: The community has grown from 70,000 members in 2004 to more than 700,000 currently.

The Threadless network engages customers in various ways. Users who upload photos of themselves wearing Threadless T-shirts get credit toward their next purchase. Employees chat with users and discuss what they're up to on blogs—and in fact many of them were community members before they joined the company. A new physical store in Chicago is as much a retail outlet as a means of attracting people to the community—there are concerts and art exhibits in addition to a relatively small selection of T-shirts. The company is planning to expand into kids' clothing, handbags, wallets, even dinnerware, all featuring patterns generated by users.

It's not surprising that the founder of Threadless, Jake Nickell, is just 25. "Gen Y has grown up with IM, Facebook, MySpace, and all these platforms, so it's a natural thing for them to think about business models that involve community," Harvard Business School professor Karim Lakhani told *Inc.* magazine. "You see a lot of experimentation. They're just trying to get a community going and then they figure out the business."

The Threadless approach takes the open source process pioneered in the software sector into new realms. This is variously referred to as crowdsourcing, user innovation and distributed co-creation—all basically meaning that the creation process is opened up to outsiders. Some brands have been adopting participatory marketing campaigns to engage consumers and leverage their ideas, but the concept can take many other forms. For example, according to McKinsey, about 10 percent of people in Second Life are co-creating with a company—testing prototypes or helping to design products and services.

"We're confident that you'll have more and better ideas than we ever will," flatters the U.K.'s Power of Information Taskforce, which is petitioning the British public to come up with ideas for mashups that draw on government data. Mashups are Web applications that combine data from two or more sources, and they can help to make the reams of data that governments generate far more functional for citizens. For example, a site that combines Google Maps with crime statistics, housing prices and/or income levels allows people to easily compare neighborhoods.

As part of this effort, the U.K. government has posted data previously unavailable in usable formats, such as databases of parking lots and bus stops. People can post their ideas to the site ShowUsABetterWay.com, and visitors vote on their favorites. The most popular will be reviewed by a judging panel, and the winner will get £20,000 to develop the idea.

BusinessWeek is using the idea of crowdsourcing in a site called Business Exchange that will combine elements of a wiki and a social network when it launches in late September. "We're good at finding great sources of information and distinguishing what's important, but we also want to harness the very significant capabilities of our community," Stephen J. Adler, *BusinessWeek's* editor-in-chief, told *The New York Times*.

The site will be organized by topic—anything from the housing market to "BlackBerry vs. iPhone" (the first topic page created on the test site). What's unique is that users can not only post material to a page but also create pages, subject to

editorial approval. Topic pages will also feature material from sources that include competing media. The social network aspect is that users will have profiles that they can make public or private; these will log reading and posting activity, allowing friends and other curious parties to track members' current interests (e.g., "What's on Donald Trump's mind today?" if he chooses to participate).

Also in September, *The Wall Street Journal* restructured its Web site to add more 2.0 elements: Users can now create profile that enable others to see what they're doing on the site, post their own discussion questions and e-mail other users. The site has the potential to become a kind of business-oriented virtual water cooler, with users networking, exchanging views and sharing advice.

WHAT IT MEANS

In a recent study, the tech research firm Gartner emphasized that businesses should make better use of social networking to connect with employees and customers. "It will eventually be seen as essential to all large firms," said research director Nikos Drakos.

This may be true for many of the Enterprise 2.0 tools—but only if they are smartly implemented. In the McKinsey survey "Building the Web 2.0 Enterprise," just 21 percent of the nearly 2,000 executives surveyed worldwide said they are satisfied overall with Web 2.0 tools, and 22 percent said they are dissatisfied. Some have stopped using certain tools. Most likely this is due largely to a poor choice of tools and failure to inspire widespread usage. ("Adoption requires evangelism," advises Harvard's McAfee.)

McKinsey found that business units are more likely to be the ones driving the selection of 2.0 tools among satisfied respondents, while dissatisfied executives are more likely to say that IT departments are taking the lead. And among companies mostly satisfied with their use of Web 2.0 tools, more than half of employees are using them, compared with about a quarter of employees overall. Mostly satisfied companies also use more tactics to encourage the use of Web 2.0 tools.

Among companies satisfied with their use of Web 2.0 tools, however, about a quarter reported to McKinsey that these tools have changed interactions with customers and suppliers, as well as the way the company hires and retains talent; one-third said the tools have changed the way the organization is structured. "As Web 2.0 gains traction, it could transform the way companies organize and manage themselves," McKinsey reports.

Still, without a real culture change, it will never be a panacea. “Most of the barriers that prevent knowledge from flowing freely in organizations—power differentials, lack of trust, missing incentives, unsupportive cultures, and the general busyness of employees today—won’t be addressed or substantially changed by technology alone,” says Babson College business professor Tom Davenport.

But Davenport warns businesses they may not have an option: “It’s going to be very interesting to see what happens when the young bucks and buckettes of today’s wired world hit the adult workforce. Will they freely submit to such structured information environments as those provided by SAP and Oracle, content and knowledge management systems, and communication by e-mail? Or will they overthrow the computational and communicational status quo with MySpace, MyBlog and MyWiki?”

The potential benefits are clear: increased innovation, shorter development cycles, more engaged employees, better communication, better relationships, more agility within the organization. The most difficult part, however, is also clear: giving up control. This will likely prove the biggest barrier to adoption.

Enterprise 2.0 will require leaders to loosen their grip, opening the doors to a range of viewpoints and maybe even dissent. It will require putting trust in stakeholders and a willingness to empower them. And it will require enough confidence in the company to make its workings more transparent. Smart businesses will put as much focus on evolving a 2.0 culture as adopting the tools that go with it.

“[Enterprise 2.0] is not an ‘if’ anymore—it is a ‘when’ and ‘how’ these things will come to the enterprise,” Morgan Stanley’s Adam Carson, who started the company’s experiments with Enterprise 2.0, told *Computerworld* in September 2007. “The kids are starting to learn it in elementary school. If you can tap into the power of your company better than your competitors ... that is a competitive advantage.”



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