

## Shattering the Myths About Enterprise 2.0

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### Introduction: What Is Enterprise 2.0?

Enterprise 2.0 is the use of emergent social software platforms, or ESSPs, by an organization to pursue its goals. Here's a breakdown of what the term means:

- *Social software*, as a Wikipedia entry roughly characterizes it, enables people to rendezvous, connect, or collaborate through computer-mediated communications and to form online communities.
- *Platforms* are digital environments in which contributions are interactions are visible to everyone and remain until the user deletes them.
- *Emergent* means that the software is “free-form” and contains mechanisms that let patterns and structure inherent in people's interactions become evident over time.
- *Freeform* software has many or all of the following characteristics: its use is optional; it does not predefine workflows; it is indifferent to formal hierarchies; and it accepts many types of data

Digital collaboration is all the rage in the world of business. Companies in every industry are adopting collaborative software platforms that enable employees to generate more and better output. A May 2009 Forrester Research study found that almost 50% of companies in the U.S. use some kind of social software, and a July 2009 Prescient digital media survey revealed that 47% of respondents were using wikis, 45% of respondents were using blogs, and 46% internal discussion forums.

Underpinning this trend is Web 2.0, a term coined in 2004 to describe the internet's capability to allow everyone, even non-techies, to connect with other people and contribute content. Facebook, Twitter, YouTube, and Wikipedia are the best-known examples of this trend, and they have become some of the Web's most popular resources. Three years ago, Professor McAfee coined the term Enterprise 2.0 to highlight the fact that smart companies are embracing Web 2.0 technologies, as well as the underlying approach to collaboration and creation of content.

Enterprise 2.0, which is sometimes called E2.0, refers to how an organization uses *emergent social software platforms*, or ESSPs, to pursue its goals. This definition emphasizes the most striking feature of the new technologies. They don't impose predetermined workflows, roles and responsibilities, or interdependencies among people, but instead allow them to emerge. This is a profound shift. Most companies use applications like ERP and CRM software, which create cross-functional business process and specify – in detail and with little flexibility – exactly who does what and when, and who gets to make which decisions. E2.0, in contrast, requires companies to take the opposite approach: to let people create and refine content as equals and with no, or few, preconditions. Using ESSP's enables patterns and structures to take shape over time.

There are several benefits to ESSP's. The tools help people find information and guidance quickly – and reduce duplication of work. They open up innovations process to more people, which is an advantage because, as open source software advocate Erik Raymond put it, “with enough eyeballs, all bugs are shallow.” They harness collective intelligence and the wisdom

of crowds to obtain accurate answers to tough questions. They let people build, maintain, and profit from large social networks. They allow executives to realized the dream of creating an up-to-the-minute repository of everything an organization knows. Underlying all these benefits is a style of interaction and collaboration that isn't defined by hierarchy and is relatively unconstrained by it.

However, E2.0 hasn't delivered results or even gotten off the ground everywhere. Many companies refuse to take the plunge because the possible drawbacks – the misuse of blogs or the possibility of information theft, for instance – seem concrete and immediate, whereas the benefits appear nebulous and distant. In addition, many corporations have walked away from their E2.0 initiatives, for three reasons.

1. One doubts persist about the value of these collaboration tools even when they are being actively used.
2. ESSP's often seem unimpressive initially. Pages corporate wikis read documents in a binder; blog posts look like newsletters, and personal pages look like Facebook profiles.
3. Many projects simply never took off. Employees didn't flock to use the new technology, and sponsors wound up with digital wastelands instead of the rainforests they had expected. In fact, a 2008 Mckinsey survey showed that only 21% of companies were entirely satisfied with their E2.0 initiatives and that 22% were entirely dissatisfied.

Professor McAfee has been studying E2.0 projects, both successful and unsuccessful, since companies started deploying these technologies in earnest four years ago. His research shows that, despite the failures, there have been striking successes – and that more big successes are possible if only companies would learn to use these tools well. Most initiatives fail because of five widely held beliefs: reasonable attitude held by well-meaning people, not the handiwork of saboteurs. Nonetheless, data ,

research, and case studies show that the beliefs are wrong; they're the myths of Enterprise 2.0. In the following pages, Professor McAfee will refute them, starting with two that crop up before an E2.0 initiative is launches and finishing with three that can take hold after deployment.

### **Myth 1: E2.0's Risks Greatly Outweigh the Rewards**

When CEO's first hear about how Enterprise 2.0 works, many become queasy about allowing people to contribute freely to the company's content platforms. They voice a consistent set of concerns: What if someone posts hate speech or pornography? Can't an employee use the forum to denigrate the company, air dirty laundry, on criticize its leadership and strategy? Don't these technologies make it easy for valuable information to seep out of the company and be sold to the highest bidder? If we use these tools, how can we avoid breaking agreements with partners about information sharing? What if rivals use customer-facing websites to air grievances or malign our products and service? Are we liable if people give incorrect information or bad advice on the forum we host? Won't employees use the collaboration software to plan social events instead of work-related activities?

Those risks all exist in theory – but rarely in practice. Over the last four years, Professor McAfee asked every company he worked with about the worst things that have happened on their ESSP's. His collection of horror stories is nearly empty. He has yet to come across a single episode that has made me wonder whether companies shouldn't invest in E2.0 technologies.

Four factors work together to make E2.0 horror stories so rare.

1. One, although anonymity is the default on the internet, on company intranets attribution is the norm. Users are circumspect and unlikely to “flame” colleagues. If works do misbehave,

companies can identify, counsel, education, and if necessary, discipline them.

2. Participants usually feel a sense of community and react quickly if they feel that someone is violating the norms. Counterproductive contributions usually meet with a flurry of responses that articulate why the content is out of bounds, reiterate the implicit rules, and offer correction.
3. In addition to an organization's formal leaders community leaders form a counterbalance.
4. The internet has been in wide use for more than a decade, so most people know how to behave appropriately in online context.

If corporations don't believe that these factors provide sufficient protection, they can easily set up a moderation process whereby executives vet contributions before they appear. This precaution is common on customer-facing sites, where spammers and vandals can wreak havoc, but companies can use it internally too. Don't forget, e-mail and text messages are invisible to everyone except senders and receivers, but ESSP's make content visible and thereby turn the entire workforce into compliance monitors. It's a myth that E2.0 is risky; if anything, it lowers companies' risk profiles.

### **Myth 2: The ROI of E2.0 Must Be Calculated in Monetary Terms**

The one aspect of Enterprise 2.0 is that Professor McAfee is asked about more than the risks is the business case for it. E2.0 initiatives, like all IT projects, appear similar to other investments opportunities in that a company spends money to acquire assets (such as, in this case, servers and software CDs). But that's a surface-level matter; the company's deeper goal is to develop its intangible assets – notably its human, organizational, and information capital.

The value of intangible assets can't be measured independently, as several experts have noted; it stems from the assets' ability to help the organization implement its strategy. "Intangible

assets, such as knowledge and technology, seldom have a direct impact on financial outcomes such as increased revenues, lowered costs, and higher profits," state Harvard Business Professor Robert Kaplan and David Norton unequivocally in their book *Strategy Maps*. Therefore, it's tough to create a business case for E2.0 projects by estimating the monetary returns on investment.

Companies that are launching Enterprise 2.0 initiatives would do better to focus on three elements other than ROI:

1. *Expected cost and timeline.* By now, managers know how to break down the cost of IT projects. They should also estimate how long the E2.0 effort will take, work out the implementation stages, and lay out the milestones.
2. *Possible benefits.* The expected benefits from E2.0 must be stated, although descriptions needn't be as detailed as those for the features of a piece of software or a grandiose as the promised results from ERP and CRM implementations such as "organizational transformation" or "customer intimacy."
3. *Expected footprint.* Managers should detail the geographic, divisional, and functional reach of the E2.0 projects they are planning.

These three parameters are usually sufficient to allow executives to make decisions about whether it's worth investing in E2.0 projects. Most have little trouble answering questions such as "Is it worth spending \$50,000 over the next six months to build a broadcast search system for the company?" The answer won't be an ROI number, but managers can nonetheless address it adeptly. Walking away from the classic business case doesn't mean abandoning clear thinking or planning. However, it's time to replace the myth that E2.0 requires an ROI calculation with the fact that tangible assets can deliver intangible benefits.

**Myth 3: If We Build It, They Will Come**

Given the popularity of Wikipedia, Facebook, and Twitter, many executives assume that their companies' collaboration platforms will also attract masses of people. They adopt a passive rollout strategy, introduce a few ESSPs, and formally notify people that the forums exist. They then wait for the benefits to accrue – and are shocked when nothing happens.

Popular as large Web 2.0 communities like Facebook, are, they still attract only a tiny percentage of internet users. The main task that E2.0 champions face is to draw in a greater fraction of their target audience. That's difficult for two reasons.

1. People are busy. Few knowledge workers feel they have the time to take on an additional responsibility, especially one with ill-defined goals and expectations.
2. Employees don't know how top management will view their participation in ESSPs. Will senior executives value employees who contribute, or will they assume that those workers aren't interested in their "real" jobs?

When the answer isn't clear, an unfortunate sequence of events unfolds. A few people start using the new tools out of curiosity or enthusiasm. They soon perceive that they're talking only to each other or, worse case, to no one. Shouting into a void loses its appeal quickly, so they stop. The project is then considered a failure.

To avoid this outcome, professor McAfee advocates the use of explicit recognition programs, incentives, and other types of top-down support for E2.0 projects. That's how the formal organization can show that it values employees' contributions. Leaders also should use ESSPs themselves. When senior executives allow their blog posts to receive comments and then respond to the feedback, or use social networking software to create a profile and connect with others in the organization, they're demonstrating their belief

in E2.0. Similarly, when a company recognizes those who answer other's questions, it asserts that this type of work is valid and valuable. That E2.0 will automatically lure people is a myth; only when people know they're being heard by those who matter will E2.0 become mainstreamed.

**Myth 4: E2.0 Delivers Value Mainly by Helping Close Colleagues Work Better**

Most companies currently use ESSPs to support people who are already collaborating. The Prescient Digital Media survey cited earlier, for example, found that E2.0's most popular uses are employee collaboration (77% of responders) and knowledge management (71%). When those are the goals, a typical scenario is for the organization to establish group-editing environments for all the units – such as labs, workgroups, business units, client teams, and so on – they want them, or to let the entities set them up for themselves. In most cases, these environments are closed: Nobody outside the predefined group can see or edit the content.

However, this approach has shortcomings. Consider the types of interpersonal ties of a typical knowledge worker. She has a small group of close collaborators with whom she has strong professional relationships. There's also a large set of people to whom she has weak ties: coworkers she interacts with periodically, colleagues she knows through coworkers, and other professional acquaintances. Next is another, even larger set of employees who may be valuable to her if only she knew about them. They could keep her from reinventing the wheel on her next project, answer pressing questions, tell her about a good vendor or consultant, let her know that they're working on similar problems, and so on. Finally are the people who wouldn't become colleagues of the knowledge worker even if she had ties to them.

Pictures of bull's-eye with four rings; it can represent these four kinds of ties. When E2.0 initiatives consist of closed editing environments, it ignores the benefits that the

three outer rings can deliver. Network formation often happens in the second ring. Authoring and broadcasting search convert potential ties into actual ones, so they extend to people in the third ring. And collective intelligence works across all four rings; even strangers can trade with one another in prediction markets and generate accurate forecasts. In short, the benefits of E2.0 technologies manifest themselves in all four rings. It's a myth that companies should focus on group editing among close colleagues; the reality is that Enterprise 2.0 is valuable at every level of interpersonal ties.

### **Myth 5: E2.0 Should Be Judged by the Information it Generates**

It's commonly believed that the value of E2.0 can be assessed by looking at the information it yields. Popular Web 2.0 resources reinforce this idea: Wikipedia is a huge collection of articles, Flickr of pictures, and del.icio.us of web bookmarks. All of them deliver value to users mainly because they're comprehensive and of reasonable quality. It seems logical then, to judge an organization's collaborative software platforms with one eye on quality and the other on comprehensiveness. This isn't unfair, but it is incomplete.

1. ESSPs often capture work in progress rather than polished deliverables. Wiki pages and blog posts will look rough because they're essentially drafts. They're meant to present raw ideas – not refined ones. People should be encouraged to air first-cut concepts in order to show what they're planning to work on, what they're interested in, and what they know.
2. Content points to people. Imperfect or incomplete information is valuable when the organizations can identify who posted it. The social connection is often the real benefit that E2.0 delivers.

### **How Smart Companies Use Enterprise 2.0**

Enterprise 2.0, when it works, delivers impressive results, as these four examples show:

- Office supply company VistaPrint started a wiki in order to capture what a new engineering hire needed to know. Because this knowledge base often changed quickly, the company suspected that a paper-based solution would become obsolete. Within 18 months, the wiki grew to over 11,000 pages and 600 categories, all generated by employees rather than by a knowledge-management staff.
- Serena Software encourages its employees to create profiles on Facebook and other social networking sites, both to learn more about one another and to interact with outside parties such as customers and prospective employees. The company eventually attracted twice as many people to its annual user conference – and much better candidates for its job openings.
- The U.S. government has deployed ESSPs across its 16 intelligence agencies, which include the CIA, FBI, national Security Agency, and Defense Intelligence Agency. An internal report concluded that these tools, which include blogs and the Intellipedia wiki, are “already impacting the work practices of analysts. In addition, {they are} challenging deeply held norms about controlling the flow of information between individuals and across organizational boundaries.”
- A U.S. gaming company set up an internal prediction market to forecast the sales of a new product. Consumer enthusiasm for new titles is notoriously hard to predict, but the market provided a good crystal ball. The 1,200 employees who traded in the market collectively generated a forecast that turned out to be 61% more accurate than the initial prediction, which had been yielded by conventional means.

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