

Business Management in the Age of Enterprise 2.0: Why Business Model 1.0 Will Obsolete You

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EXECUTIVE SUMMARY

In this white paper, we advocate a new definition for Enterprise 2.0. We explain the business drivers and demographic changes that are forcing new, collaborative business models. We identify the technological capabilities required for an Enterprise 2.0 platform, and highlight the transformational abilities of such a platform.

INTRODUCTION

Many have applied the Web 2.0 definition to the enterprise. They believe that Enterprise 2.0 simply means using Web 2.0 technologies such as wikis, blogs, mash-ups, and gadgets within the organization. *Or does it?*

IT architects are quick to point out that such technologies can only work if they are based on a service-oriented architecture (SOA) and supported by a solid middleware layer. *But to serve what business purpose?*

Tenured IT professionals will quickly see many parallels between the Enterprise 2.0 enthusiasm and the knowledge management hype of the 1990s that—worthwhile as it was—never made it into the main stage. *So what is different today?*

Drawing on our diverse backgrounds in customer relationship management, enterprise content management, enterprise performance management, and human capital management, we define Enterprise 2.0 in a different way. We believe Enterprise 2.0 creates competitive advantage through interactive and collaborative business models. In this sense, Enterprise 2.0 is not a vision for the future, but today's reality. It has become a business imperative. Because business requirements are leading technology, organizations risk lagging seriously behind. The following trends are causing companies to respond urgently:

- Most new business models are based on mass customization and customer self-service. Organizations routinely outsource activities and collaborate with partners and customers to innovate.
- Demographics have changed. Customers are very comfortable with technology and are “always on.” Moreover, a new generation of people—one that has never *not* been connected to the internet—is entering the workforce and moving into management positions.

Enterprise 2.0 is the creation of competitive advantage through interactive, collaborative business models.

- Technologies are open and collaborative in nature, so that end users can combine various tools can by assembling, disassembling and reassembling applications. In the context of Enterprise 2.0, these newly created applications also need to be secure.

Wake-up call.

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- Instead of discussing aligning the way the business is managed with these new business models, many organizations are still discussing whether business and IT are aligned.
- While the highest-performing organizations shape a complete value chain, many others feel accountable only for their own results.
- While leading organizations connect workers through collaborative software that leverages best practices, many others still focus on transactional business process integration.
- While social networking has achieved enormous popularity in the Web 2.0 world, administrators within the enterprise still worry most about user access control.
- Dramatic changes are affecting traditional business models across most industries, making the case for a different approach. Competitive advantage today is achieved not through command, control, and operational excellence. Instead, it is realized through collaboration, communication, and management excellence.

Enterprise 2.0 has become Business 101.

CHANGES TO SOCIETY

Now digital natives—also known as Generation Y or the Net Generation—are entering the workforce.

Baby boomers are retiring, and current managers view technology as merely a necessary tool set supplied by IT departments. Now, Generation Y is entering the workforce. More broadly defined as the Net Generation or, in general, “digital natives,” nearly all members of this group own computers and cell phones, download music, shop on the internet, and interact with each other through instant messaging and social Web sites.

Only 25 years ago, workers in most Western companies would spend their entire careers with a single employer. In some industries and professions today, it is remarkable for an employer to retain an employee for more than two years. Instead of long-term careers with stable employers, college graduates seek employers who will quickly give them the most knowledge. These graduates also look for flexible compensation, a work culture focused on social responsibility, and options for work-life balance to suit their individual lifestyles.

Yet, if asked to describe their organization, many people still draw an organizational chart such as the one illustrated in Figure 1. Such organizational charts show senior management at the top and functional domains—such as marketing, sales, procurement, HR, and IT—below.

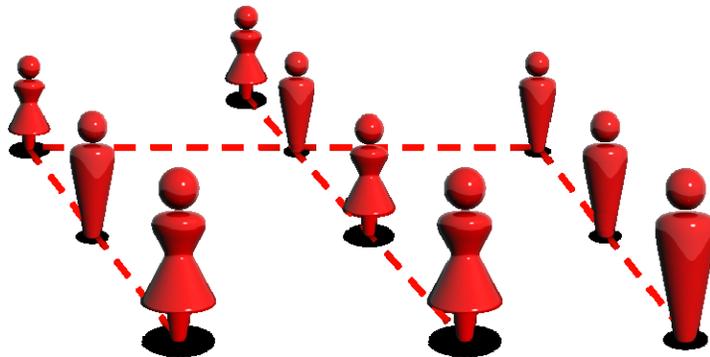


Figure 1. Many employees still draw traditional, hierarchical organizational charts to describe corporate structures.

While the chain of command is still relevant for managing people and setting strategic direction, it does not work for optimizing business results and solving problems. The current generation of professionals and managers use social networks within the organization to accomplish tasks and achieve their goals.

Such a hierarchical model no longer represents how organizations really function. While the chain of command is still relevant for managing people and setting strategic direction, it does not work for optimizing business results and solving problems. The current generation of professionals and managers use social networks within the organization to accomplish tasks and achieve their goals. They also consult peer professionals in other organizations and work freely with partners and customers. This corresponds to how digital natives manage their social and educational environments, and this is what they expect from the workplace. Business has become a network.

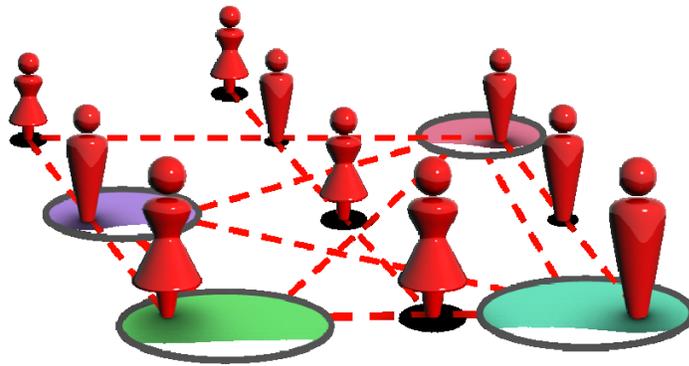


Figure 2. Most organizations now function as egalitarian networks that share information freely.

The way the new generation of managers shape their work and their environment transforms the way organizations need to be managed, the processes that need to be put in place, and the IT systems that should support the networked paradigm.

The way the new generation of managers shape their work and their environment transforms the way organizations need to be managed, the processes that need to be put in place, and the IT systems that should support the networked paradigm. Having grown up with modern technology, digital natives simply require the presence of technology in order to be successful.

In dealing with this reality, organizations should focus on the following critical success factors:

- Provide open access to information and technology
- Create a culture of participatory management
- Provide constant feedback

Open Access to Information and Technology

The new generation of professionals does not settle for working with antiquated technologies. Pervasive broadband has allowed peer-to-peer communications and business-to-consumer innovation to outpace business-to-business applications. In many cases, people have more bandwidth at home than in the office. The effect of this has been to set and grow employees' expectations for technological availability and interaction. Professionals—who are able to find, use, and engage with the information they need at home—expect even more at the office, where they can leverage the extensive resources of employers. Employees assume that the efficiencies experienced at home and applied socially or recreationally are available in a business setting, where results are measured in bottom line analyses.

The majority of workers are upwardly mobile, seeking an environment of learning where they can enhance and develop their expertise, learn new skills, and take on additional responsibilities. People want access to knowledge. But organizations must understand that as they give employees this access, employees will want even more. Workers across the globe, and digital natives in particular, are accustomed to finding almost any information, at any time, via the internet.

Digital natives are accustomed to engaging with numerous concurrent sources of information and are capable of true multitasking.

Communication, education, and even social experiences used to move linearly with a structured order and determined sequence. But the digital world is nonlinear; it runs at a rapid pace and is full of limitless stimuli. Digital natives are accustomed to engaging with numerous concurrent sources of information and are capable of true multitasking. This is a good thing for businesses because such employees can typically accomplish more in a shorter timeframe than previous generations. But the work is done in a much less traditional way. Such a personalized, yet collaborative way of working will also require executives to adapt different ways of motivating and rewarding employees.

Create a Culture of Participatory Management

Across the organization, people want to participate in corporate decisions and prefer to be intensely involved in any form of organizational change.

Today's professionals and managers have a strong voice. Organizational hierarchies have already begun to flatten and will continue to do so. Across the organization, people want to participate in corporate decision-making and prefer to be intensely involved in any form of organizational change.

Such an opinionated, involved corporate culture will also continue to be a key differentiator, enabling customers and suppliers to easily identify with a company. A successful organization builds a widely recognizable culture that values employee input and treats people as primary assets. A shared sense of purpose, an accommodation and celebration of diverse ideas, and meaningful participation in company decisions binds people to the organization.

Provide Constant Feedback

Young professionals are accustomed to continuous feedback. They receive recognition for academic or athletic accomplishments from teachers, coaches, and parents. They also participate in online networks, Web sites, and communities of interest that provide comments, feedback, and opinions. This need for feedback becomes apparent in the world of work. Earlier generations were comfortable with an annual review, but the new generation of workers might feel a lack of direction—that could lead to resentment—if regular communication from superiors is absent.

With Enterprise 2.0 technologies, feedback can be provided easily and shared openly. Rankings can be based on performance indicators such as productivity, quality of work, and time spent. More important than giving hierarchic feedback, organizations should encourage constant peer-to-peer feedback. Many Enterprise 2.0 technologies support such conversational collaboration styles.

The Impact of Demographics on the Business Model

Demographic changes and innovation in business models are highly interconnected. The manager as a digital consumer, the growing importance of information, and the rise of contingent workers are driving businesses to adopt new models.

With 80 million representatives of Generation Y in the United States alone, the force of change is enormous and pervasive. Demographic changes and innovation in business models are highly interconnected. The manager as a digital consumer, the growing importance of information, and the rise of contingent workers drives businesses to adopt new models. This means that the way organizations are managed and structured is changing. And the way organizations do business has already profoundly changed. Organizations that successfully adapt to recent demographic and cultural changes are attractive employers for the new generation of professionals and managers.

The first change that impacts the business model is the manager as a digital consumer. Not only are the current new professionals and managers all digital natives, so are the most profitable customer segments. To target these profitable segments, managers are creating interactive and collaborative business models that are attractive to digital natives. That is, new managers and professionals create business models that they would expect as consumers.

When generated from customers and shared with them, information and instant feedback allows businesses to get the most from their customer relationships. Feedback and information sharing become loyalty instruments, key channels for gathering business intelligence, and new ways for engaging with—rather than simply selling to—the customer.

Most businesses have become knowledge businesses. The flow of goods and money has become secondary; the flow of information drives business processes. Information about customer preferences—collected from self-service processes that enable a company to present customers with the right offer at the right time—is a differentiator that drives market leadership. Information about individual customer orders allows businesses to move from mass production to mass customization. Manufacturing environments have been leading this trend for the past ten years. Administrative, marketing, and sales processes are now following their example by introducing mass customization of experiences—or mass personalization.

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Another trend of the digital world is the rise of the contingent worker. The number of part-time employees, contractors, and consultants will continue to increase. Some predict that this segment will comprise as much as 40 percent of the workforce by the year 2020. The current generation tends to be more loyal to their network of colleagues and professionals than to any particular company. When asked what they want to be doing in the next 10 years, many digital natives respond that they want to be running their own business—as an independent consultant.

Web 2.0 technologies will provide the glue that helps organizations to seamlessly use talent from all sources. Companies that provide an environment of collaborative learning and growth will be able to attract and retain the best and brightest individuals. Companies will learn to compete not *for* talent, but *with* talent.

This talent will be virtual, mobile, and global. Employees will work from anywhere, at any time, and on virtually any device.

In the knowledge economy, the focus shifts from tangible assets to intangible ones such as patents and people. The ability to generate ideas is most valued. In earlier decades, companies competed on quality, cost, and speed-to-market. This decade's business models focus on different characteristics. To achieve competitive advantage, organizations need to

- Build deep insight into their industries to become smart
- Implement changes instantly on a global basis to become agile
- Share these best practices with others in their value chain to become aligned

If your business model has not yet changed, it is about to.

BUSINESS EVOLUTION

Many contemporary business models have already moved to embrace Enterprise 2.0 principles. Companies have implemented customer self-service models allowing mass customization, co-innovation drives new products and services, and new forms of sourcing are established as best practices. Unfortunately, how companies are managed usually does not reflect these new ways of doing business. When asked to describe their processes, most businesses would describe a value chain, such as the one shown in Figure 3.

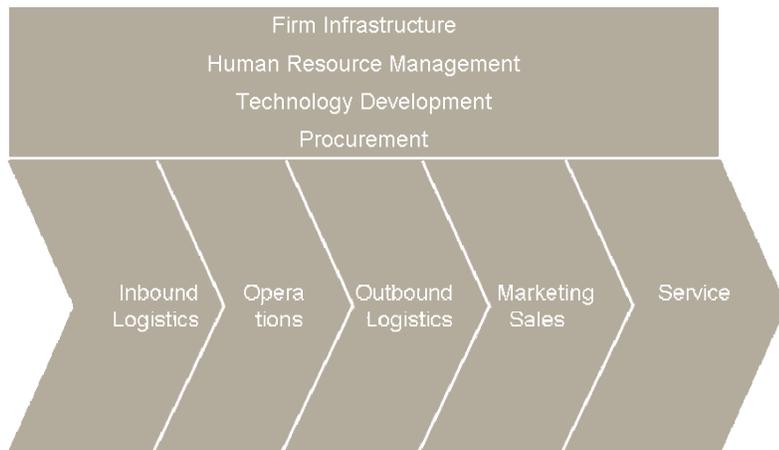


Figure 3. A traditional value chain is based on Michael Porter's analysis of competitive advantage.¹

Today's reality has changed. Value chains are rarely effective if they are managed purely within the walls of the organization. Enterprise 2.0 is an *extended* enterprise, where multiple stakeholders collaborate to deliver results to a shared target audience—the consumers.

The next-generation enterprise is an extended enterprise, where multiple stakeholders collaborate to deliver results to a shared target audience—the consumers.

Customer Self-Service

A new way of achieving operational excellence is by allowing customers access to the organization's systems and processes. Internet banking at financial institutions; online flight check-in with airline companies; or directly booking flights, hotels, and rental cars with travel agents are all examples of customer self-service. The advantages are clear. When customers take over front-office work, the company's costs are lowered and high-quality data is ensured. (It is in the customer's best interest to enter their data correctly). Moreover, it strengthens the company's value proposition, as customers are requesting self-service capabilities.

Often customer self-service models are combined with mass customization where every transaction is tailored to the customer's specific needs. The examples can be found in nearly every industry.² The options available when buying a car are orders of magnitude higher than just ten or fifteen years ago. Insurance coverage is

¹ Michael Porter. *Competitive Advantage: Creating and Sustaining Superior Performance*. 1985.

² Examples may not necessarily represent Oracle customers or projects.

personalized, made-to-measure is a trend in the fashion industry, and most personal computers are built-to-order. Amazon produces personalized homepages, Build-a-Bear allows children to create their own stuffed animal, and at Coldstone Creamery you can even customize your own ice cream. Figure 4 shows that today's value chain has reversed its direction. Formerly an inside-out model in which the organization determines and performs the processes, the Enterprise 2.0 value chain is now an outside-in model in which the customer is responsible for driving the business processes so that it is relevant to them.

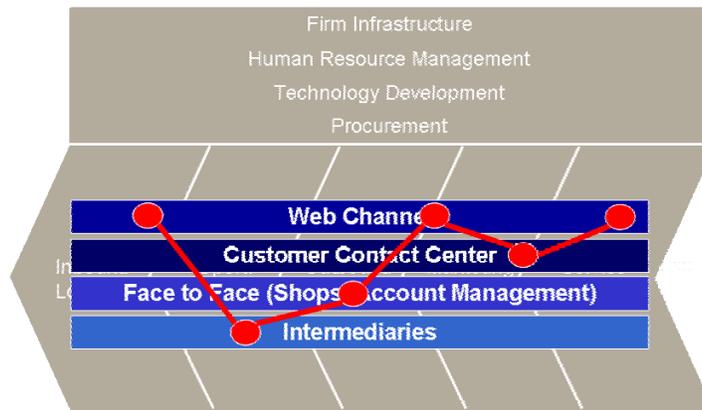


Figure 4. The traditional value chain changes direction when companies implement customer self-service. It becomes an outside-in model in which customers execute business processes.

Customers are effectively directing the organization's processes. They choose which customer contact channel is used at each process step, and they execute those tasks at a convenient time for them.

Customers are effectively directing the organization's processes. They choose which customer contact channel is used at each process step, and they execute those tasks at a convenient time for them. In companies that have mass customization of processes, there is no longer a difference between front- and back-office. In Enterprise 2.0, they are completely integrated and transparent to the customer. Doing business is a process of continuous interaction and collaboration.

Expanded Sourcing

In the industrial age, organizations would grow until the cost of doing things themselves become greater than the cost of conducting transactions in the market. Today, due to globalization and technology, market transaction costs have dramatically decreased. In many cases, it is now cheaper, faster, and better to outsource activities such as accounting, IT, human resources, logistics, manufacturing, call centers, indirect sales, and even research and development. Cost savings are often cited, but it is increasingly apparent that sourcing is considered and implemented for more strategic reasons. These include access to new markets, faster time to market, and access to specific skills. As a result, organizations have been shrinking in size. Companies compete not only for customers, but also for partners, for talent, and—depending on the economy—for capital. This concept is called multidimensional competition. An organization's true value chain usually looks like Figure 5.

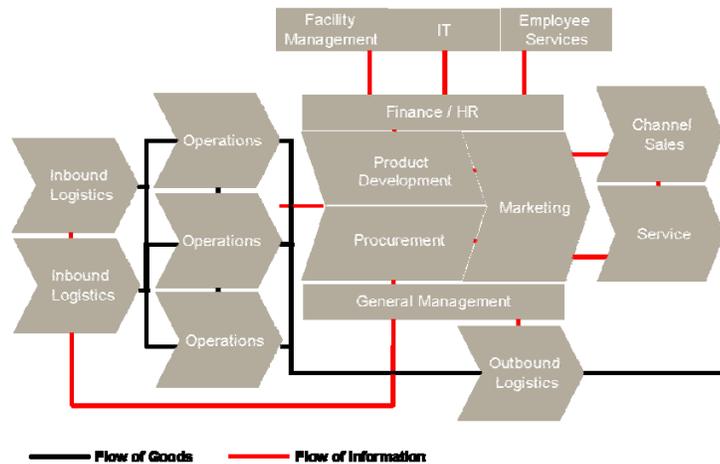


Figure 5. A company with multiple sourcing arrangements displays a complex value chain that incorporates many entities from outside the organization.

In this example, the organization has fully concentrated on its core competencies—development, procurement, marketing, management, and some staff functions. All other areas of the business are outsourced. If we examine the flow of goods in the value chain, most products never even touch the organization. It is only the flow of information that connects all the elements. The organization cannot be viewed as a single, hierarchical entity. It has become a performance network. Many organizations may already be an Enterprise 2.0 even without fully realizing it.

Co-Creation

Even innovation has moved beyond the walls of the business office in many companies. There are countless examples of organizations collaborating with external stakeholders to create competitive differentiation. For example, marketing departments ask customers to submit homemade commercials to YouTube. Organizations create relationships with nonprofit institutions to meet social responsibility goals and create a more meaningful working environment for employees. Technology is licensed from partners and then incorporated into an organization's own products and services.

In many cases, multiple companies collaborate in order to create a new product or service. Sometimes companies come together from different industries to co-develop a new product, such as Nike and Apple (Nike+), Douwe Egberts and Philips (Senseo), HP and Oracle (Oracle Exadata), or Adidas and Goodyear (sports shoes with special soles). Sometimes even competing companies offer a joint service, such as in the airline industry where alliances are formed to extend the benefits of loyalty programs (OneWorld, Skyteam, StarAlliance).

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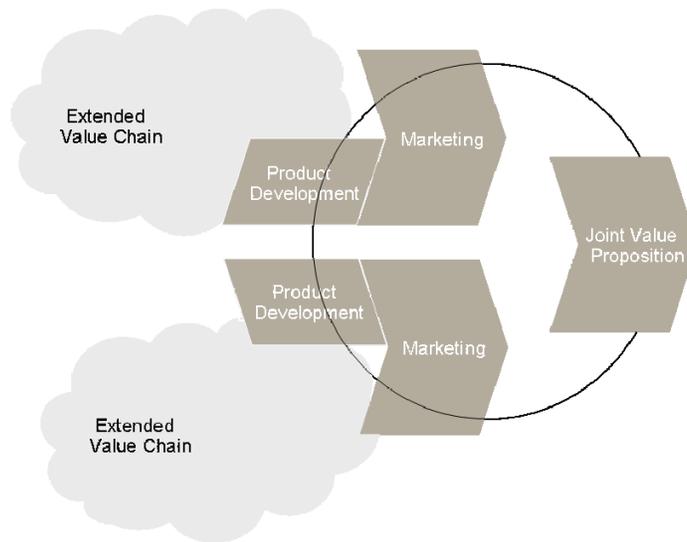


Figure 6. Collaborative creation produces joint-value relationships.

In these cases of co-innovation, there is no traditional supplier-customer relationship. Each partner contributes vital skills, ideas, market access, or products that are used to create a joint product. The collaborating companies market to a common set of customers. These relationships bring value to both parties.

Business Evolution

Customer self-service models, mass customization, expanded sourcing, and collaborative creation all provide examples of how Enterprise 2.0 business models have become a reality. Business processes are networked. Workers communicate conversationally by tapping their web of information and contacts to collaboratively solve problems. The majority of relevant business events take place outside the office walls.

Yet, management remains hierarchical. It reinforces chains of communication, rigid procedures, and implements “need to know” as a way of preventing error or retaining control. The scope of traditional management is focused on what happens within the boundaries of the organization.

Organizations can no longer be managed in a way that divorces them from the evolving business model. Information must not be exclusive to management, but should be seen as a factor of production that provides the glue for a complete and competent performance network.

Technology makes Enterprise 2.0 business models possible. Without the internet, transaction costs would not have dropped and globalization would have occurred more slowly. Sophisticated customer relationship management (CRM) systems that provide a 360-degree view of the customer drive multichannel strategies. Supply chain management systems have allowed organizations to outsource many products

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and activities while keeping integration and alignment tight. Business intelligence systems have created transparency and provided the ability to closely monitor business processes.

Unfortunately, awareness of how to use Web 2.0 technologies is still limited. Tools enabling interaction and collaboration should not be used to fix old, nonintegrated processes. That leads to band-aid solutions and disappointing results. Neither should businesses promote knowledge management for its own sake; this has been tried many times before. Rather, Web 2.0 technologies should be used to create competitive advantage and to support new Enterprise 2.0 business models.

ADVANCES IN TECHNOLOGY

The popularity of Web applications such as Facebook (which hosts almost 34 million monthly users) and MySpace (which averages 72 million active monthly visitors) are indicative of a shift in the way people communicate with each other. Social networking applications are becoming the preferred method of communication between not only friends and family, but also between businesses, customers, partners, and markets. In their work environment, digital native managers and professionals expect the same methods of communication. This is because social networking applications have, for the first time, technologically enabled conversational communication on a mass scale.

New business models tap this intrinsic collaborative and conversational mode of information exchange. The exchange occurs between organizations, employees, partners, and—most importantly—customers. As a consequence, hierarchical communication of essential business information is no longer effective or efficient. Instead, existing technology should be leveraged to make relevant information available so that all workers who need the information can consume, modify, and replicate it. Such an organic and networked communication paradigm has important implications for how content and messaging are changing. The focus is no longer on pushing out information or opening an exclusive channel to specific groups in a linear fashion. In fact, the exponential growth of available information does not even allow that approach anymore. Instead, the focus has changed to collaborating with people and systems.

Organizations know that online communities formed around specific interests could help promote their products and services. However, the public Web has few, and often no, rules of engagement or controls over what is said or how content is presented. This is where Enterprise 2.0 technology differentiates itself from Web 2.0 technology. Because it originates from within the business, users of Enterprise 2.0 technologies begin as known—rather than anonymous—entities with a specific identity or role. After all, they are employees of an organization working toward a common goal: the success of the business.

Andrew McAfee of Harvard Business School defines Enterprise 2.0 as the use of emergent social software platforms within companies or between companies and their partners or customers. Such software enables collaboration and promotes community. Emergent platforms lack a defined workflow and are indifferent to organizational identities. Instead, they contain mechanisms to let the patterns and structures inherent in people's interactions emerge over time. One of the most powerful aspects of social networks is the ability to provide nearly instantaneous connections to people that one knows only casually. McAfee refers to this as the value of "allowing knowledge workers to maintain and exploit weak ties."

Hierarchical communication of essential business information is no longer effective or efficient. Instead, existing technology should be leveraged to make relevant information available so that all workers who need the information can consume, modify, and replicate it.

An Enterprise 2.0 technology strategy combines the different aspects of Web 2.0 capabilities into a secure and comprehensive platform where business conversations and tasks are executed in the context of business goals.

The successful Enterprise 2.0 platform is modular in its architecture so companies can add the components, resources, and services that are required as the business evolves and grows.

An Enterprise 2.0 technology strategy combines the different aspects of Web 2.0 capabilities into a secure and comprehensive platform where business conversations and tasks are executed in the context of business goals. Part of the overwhelming aspect of the public Web 2.0 environment is the abundance of narrowly targeted solutions. Flickr is for photo sharing. LinkedIn is for business networking. Wikipedia is for socially created, topical information. If you want to share an in-depth, factual article complete with pictures with a business colleague, you might have to log into these three separate systems (often with separate user IDs and passwords). You would then create an amalgam that your colleague must assemble by clicking through a collection of e-mailed hyperlinks. The Enterprise 2.0 platform, however, combines all of the point features of Web 2.0 sites into a single, business-enabled system that is context and security aware.

The successful Enterprise 2.0 platform is modular in its architecture. This way, organizations are able to add the components, resources, and services that are required as the business evolves and grows. Unlike a piecemeal deployment of distinct islands of information or capability, the Enterprise 2.0 platform allows services to be snapped in, turned on, and rolled out without long, expensive integration projects. Most importantly, the platform model means that employees are not required to constantly learn new software products and business processes in order to use the technology. Instead, the technology enables and enhances familiar, existing processes. The technology evolves processes where possible, eliminates them when they are obsolete or redundant, and makes the employee's interactions more conversational and convenient.

There are three fundamental capabilities that any rich Enterprise 2.0 platform should incorporate from the outset:

- A centralized information management system that contains both structured and unstructured information
- Native collaboration services
- Enterprise applications that are enabled to participate in the business conversation

Centralized Content or Information Management Systems

In a business setting, sharing content and information is vital. Mass customization, customer self-service, expanded sourcing, and co-innovation cannot be efficient without continuous information exchange. In many cases, the content has become the competitive differentiator itself. Content takes the varied forms of usage reporting, customer feedback in an e-mail, product ratings, discussion threads, documentation, images, videos, Web sites, and project specifications.

Content is a priceless, competitive asset. At the same time, sharing content is subject to regulations and best practices. Distributing content erroneously—or failing to distribute the right information at the right time—can be a costly or even illegal action. For these reasons, the information must be robustly managed with

rich enterprise content management capabilities. While humans assemble conversational information in their minds, an Enterprise 2.0 platform aggregates conversational information in the content management repository.

Native Collaboration Services

An Enterprise 2.0 platform needs to incorporate native collaboration services. The ability to participate conversationally with users, systems, and information in fundamentally new ways requires a seamless blending of collaboration services. Participation services should include voice participation, instant messaging (social, real-time conversations), wikis, blogs, in-context Web site creation capabilities (social content creation), communities and team sites, tagging, user ratings, and expert or credibility services (socially defined trust and authority). While humans converse with voices in real time, the Enterprise 2.0 platform facilitates asynchronous conversations between people, communities, and systems.

Enterprise Applications Connected to the Enterprise 2.0 Platform

The rich Enterprise 2.0 platform must enable enterprise applications to participate in the business conversation. Knowledge and process workers collaborate on information that is used as the input to or output from business processes and applications. Because the Enterprise 2.0 platform is built with the business objectives in mind, it must bring information from enterprise resource planning applications, customer relationship management (CRM) systems, enterprise performance management applications, human capital management systems, and transaction management infrastructure to the employee. This information must be delivered in the context of conversations in a way that makes accessing and interacting with that information easier, quicker, and qualitatively better. While humans converse on a wide range of topics, the Enterprise 2.0 platform ensures that those conversations are relevant to the business.

The Value of Context

With today's business processes and systems, workers are forced to work in one environment while looking for answers or updating information in separate environments. For example, a user who is working in a CRM system might need to access a separate content management system to locate policy details and then open yet another system to update a document in a partner extranet. The Enterprise 2.0 platform forms an information fabric where knowledge and process workers are woven together with colleagues, customers, systems, and information. All relevant information is presented to the employee in the context that best suits the job or task at hand.

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In addition to higher productivity, providing information within its context leads to increased worker participation. That, in turn, generates a richer, improved context for others users to leverage in their work conversations.

In addition to higher productivity, providing information within its context leads to increased worker participation. That, in turn, generates a richer, improved context for others users to leverage in their work conversations. In contrast to business applications with predetermined workflows, the Enterprise 2.0 platform allows systems to expose content to users in new and unexpected ways. This causes new patterns of conversations to emerge that were unexpected when conversations were initiated.

Oracle's Solution for Enterprise 2.0

How do you make the social Web a reality in today's business? Most companies' needs extend beyond a "Facebook-for-the-enterprise" solution. They require an array of social networking and communication applications that improve productivity across business processes and spur innovation across the enterprise. These social applications must promote and enable user experiences that encourage employee participation while assuring enterprise security. What most businesses want is a flexible, enterprise-class platform for building and deploying social applications as their needs evolve.

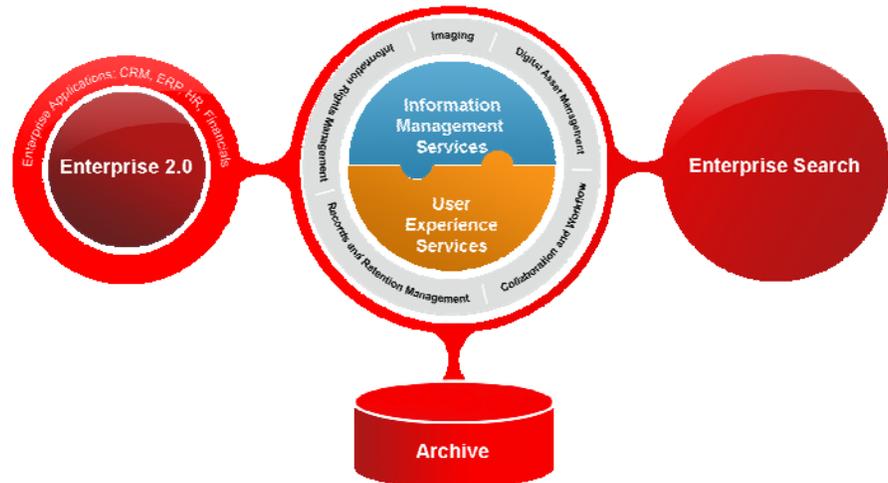


Figure 7. Oracle offers an Enterprise 2.0 platform that includes a complete portfolio of Web 2.0 and user interaction capabilities.

Oracle addresses this market need with an Enterprise 2.0 platform that provides the industry's most complete, open, and manageable portfolio of Web 2.0 and user-interaction capabilities. The platform includes rich Web 2.0 services for communication, collaboration, structured and unstructured information management, and social networking. These Web 2.0 services power Enterprise 2.0-enabled applications that spur knowledge workers to greater productivity and innovation in the workplace.

ENSURING A POSITIVE RETURN ON INVESTMENT

An Enterprise 2.0 strategy should focus on integration. Enterprise 2.0 is not a single discipline. For example, a solid business process management infrastructure is needed to connect collaborative services to enterprise applications. In addition, a centralized enterprise content management repository should be in place to create a single version of the truth. But Enterprise 2.0 is still more than that. Human capital management solutions organize constant feedback on personal performance, and enterprise performance management systems provide participative management and integrated planning. Finally, social CRM connects customers to the organization, completing the picture. This example incorporating multiple systems demonstrates that Enterprise 2.0 is a business strategy that demands a concerted approach.

When Enterprise 2.0 is understood as “creating competitive advantage through interactive and collaborative business models,” the business case is not about technology but about organizational effectiveness and driving profitability.

As with any business initiative, there should be a solid return on investment (ROI). In the 1990’s, establishing an ROI for knowledge management was a struggle. However, the business case for Enterprise 2.0 is an easy one to make. When Enterprise 2.0 is understood as “creating competitive advantage through interactive and collaborative business models,” the business case is not about technology but about organizational effectiveness and driving profitability. Performance indicators linked to the business case include

- Customer satisfaction; customer loyalty; and increased recency, frequency, and monetary value per customer segment based on interactive processes and information supplied in conjunction with products and services
- Employee satisfaction and employer attractiveness based on offering knowledge workers advanced systems that fit their work preferences and lifestyle
- Revenue and profitability of new business models and innovations as a percentage of overall revenue and profitability
- Forecast accuracy, due to participative management and integrated planning

Efficiency is also important. Key performance indicators aimed at efficiency include

- Time to market and shortened research and development processes due to improved collaboration
- Time to resolution in customer contact moments due to real-time collaboration or time to resolution in issues involving back-office systems
- Cost savings through value chain integration in which partners and suppliers invest in logistical and administrative integration
- Increase in the percentage of “first time right” customer service due to increased real-time collaboration between service representatives

CALL TO ACTION

Enterprise 2.0 is an integrative business strategy that combines multiple disciplines, technologies, and experiences. Businesses can no longer wonder *if* they will have an Enterprise 2.0 strategy; they must determine *how* to have such a strategy. Analyst studies have suggested that over half of all Enterprise 2.0 implementations based on Web 2.0 technologies will fail due to the lack of an overarching business purpose guiding their rollout and measuring their success. Technological advancements that provide no business benefits are merely hype.

To ensure a successful Enterprise 2.0 strategy, consider the following suggestions:

- Allow stakeholders internal and external to the organization to access as much management information as possible. This drives commitment, spurs participation, and empowers people to make the right decisions.
- Choose a business problem and form a task force of young managers and professionals to address it. Provide the group with a small budget to create an IT-enabled, collaborative environment that connects multiple departments. Limit the role of the IT department to providing guidelines about security. Replicate their successes in other areas of the company.
- Choose one upcoming project and embrace the social computing paradigm. For example, introduce social CRM in the customer contact center or the Web channel. Copy this success elsewhere in the company.
- Invest total cost of ownership savings from other projects in an IT innovation budget—ideally a certain, small percentage of the overall IT budget—and give free reign. Aim for 25 percent of the output to be transformational, 50 percent to provide interesting new angles to existing projects, and 25 percent to be failed experiments.

In your IT strategy, more than anything else, focus on developing an infrastructure that enables and supports the Enterprise 2.0 business paradigm. Build a solid IT infrastructure that allows different systems both within the organization and outside the firewall to interact with one another. Standardize on established, published standards as much as possible. Allow users to create their own collaborative, integrated processes using Enterprise 2.0 technologies. Make sure the architecture connects all parts of the organization. Such an infrastructure is complete, open, and integrated.

Enterprise 2.0 business models have clearly arrived. Yet creating an Enterprise 2.0 company is a journey, not a destination. If there is one constant in the Enterprise 2.0 world, it is change.

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APPENDIX 1: CONTRIBUTING AUTHORS

The following Oracle thought leaders have contributed to this white paper.

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