Alumni Magazine
IESE
22
APRIL–JUNE 2010 / No. 117

SOcial Media

Doing Business on the Social Network

Web 2.0 technology will become omnipresent in all areas of business and consequently there will be a need for a global management framework that takes into account not only strategy but also users and the impact of the technology.

Blogs, online social networks, microblogging, wikis, and other Web 2.0 (or social web) technologies have long become the mainstay of personal online experience. Organizations, on the other hand, had been reluctant to venture into this unfamiliar territory. Many viewed Web 2.0 as yet another potential workplace distraction, while others dismissed it as a new dotcom bubble—high on hype but low on revenue prospects. It seems, however, that this situation is shifting. Organizations of all sizes, representing a wide range of industries and geographies, are starting to explore how Web 2.0 may help them enhance their business capabilities.

In this article, we explore the shifting nature of enterprise use of Web 2.0, identify key challenges and risks associated with this shift and suggest that organizations need a comprehensive governance framework to ensure a smooth transition. Our arguments are based on the results of a global study carried out between April and October 2009. The study involved in-depth telephone interviews with over 100 senior and middle managers responsible for spearheading Web 2.0 initiatives in their respective organizations.

THE SHIFTING LANDSCAPE OF ENTERPRISE USE OF WEB 2.0

Web 2.0 is bleeding into the enterprise. Web 2.0 initiatives can now be seen in all major areas of the value chain, yet their number and, more importantly, their level of maturity varies significantly from one area to another. Given the origin of Web 2.0 in the consumer web, it comes as no surprise that marketing, PR and sales dominate Web 2.0 portfolios at most organizations. Today, companies regularly employ public and private online social networks, blogs, microblogging services and video-sharing services, among others, to engage customers and external stakeholder audiences.

Marketing, PR and sales, however, are not the only enterprise Web 2.0 activities today. Companies are starting to take a closer look at how they can leverage Web 2.0 tools and platforms to enhance their capabilities in core areas of the value chain. Customer and supplier relationship management, human resource management, service delivery, product development and innovation all are seeing a significant upswing in Web 2.0-enabled initiatives (see sidebar, p. 20). And although many of these initiatives remain in the very early stages of development (we classified their maturity as either adolescent or infant), organizations believe they

INFORMATION TECHNOLOGIES • STRATEGIC MANAGEMENT
hold a tremendous potential to drive business value.

**NEED FOR BETTER GOVERNANCE**

- As the spread of Web 2.0 across the enterprise continues, corporate initiative portfolios of the future will become much less skewed towards stand-alone communications-based initiatives, such as those taking place in marketing and PR today. Instead, a major emphasis will be placed on providing a seamless, flexible collaboration environment encompassing core business processes throughout the enterprise. As a result, Web 2.0 technologies will become ubiquitous in the workplace, much like traditional business applications are today. This shift, which is already gaining momentum at...
more forward-looking organizations, will present companies with a new set of challenges and risks. Dealing with these will require a move from the ad-hoc governance of Web 2.0 initiatives prevalent today to establishing a comprehensive, enterprise-wide governance framework. Such a framework will need to address four broad areas, related respectively to strategy, users, technology and impact:

- **Strategy**: Companies need to develop a strategic vision for the use of Web 2.0 tools across the enterprise focused on business drivers, not tools availability. They need to establish mechanisms – that is, processes and organizational structures – to make sure that individual initiatives that are being launched are aligned with the vision.

- **Users**: Here the challenge is to find the right balance between establishing user control mechanisms to address security, confidentiality, compliance and legal concerns and allowing enough flexibility to preserve the emerging free-flow nature of the Web 2.0 environment. To accomplish this, organizations will have to adapt their internal policies and provide ample user education. Besides, they should leverage the transparency of the Web 2.0 space to foster accountability and trust.

- **Technology**: Organizations need to take a much more proactive approach to managing the enabling Web 2.0 technologies. Informed decisions have to be made about standards and tools that are being deployed to ensure their fit with the overall enterprise architecture as well as future flexibility. In addition, issues of scalability and security need to be given serious consideration as firms decide whether to opt for public-cloud solutions, private-cloud solutions or a combination of the two.

- **Impact**: Demonstrating business value of Web 2.0 initiatives is key to securing broad organizational buy-in and guaranteeing the long-term success of enterprise Web 2.0. Nonetheless, pinning down direct financial benefits of Web 2.0 initiatives has proven problematic for most organizations. An alternative approach would be to focus on capturing improvements at the function or capability level (e.g. higher customer satisfaction due to peer community support) and then try to quantify these.

It remains to be seen how much of a “revolution” or “evolution” Web 2.0 will bring about in the enterprise. But it seems clear that companies will not be able to simply opt out of the shift towards socialization of the online space, which today transcends many business processes and functions. The choice that organizations must make is whether to take a proactive stance and craft their own strategy on how, when and where to engage in Web 2.0, or wait until their customers, employees and investors take the reins and demand it.