



ENTERPRISE 2.0

Let the Revolution Begin!

By SOUMITRA DUTTA

Corporate bureaucracies are on their way to extinction. A new organizational form is emerging that will break down walls and bring people together, and in doing so, capture new opportunities and develop innovative solutions.

That statement – repeated often as Web 2.0 evangelists preach that corporate adoption of social media tools will trigger an *e-ruption* of creativity, innovation and productivity in the workplace – was actually made just over 40 years ago by Alvin Toffler in his groundbreaking book, *Future Shock*.

In the intervening decades, one thought leader after another has made similar predictions. Toffler's forecasts – about how information technology would soon revolutionize knowledge management in organizations

– never lived up to their hype in the 1970s or 1980s.

That, however, didn't stop Jim Maxmin, CEO of Thorn EMI, from proclaiming at the end of the '80s: "In the last decade, excellence in business meant doing one thing well. In the decade to come, though, you'll have to do everything well, and do it everywhere. The image of the corporation as a pyramid is dead. The new corporation will be more like a hologram, with shared information making each person, each part, contain the whole."

Yet almost all corporations remained as rigid and hierarchical as ever.

In 2006, Don Tapscott and Anthony Williams led the charge again with their bestseller, *Wikinomics*, in which they predicted that mass collaboration would "empower a growing



Let the Revolution Begin!

cohort of connected individuals and organizations to create extraordinary wealth and reach unprecedented heights in learning and scientific discovery.”

Against such a backdrop, my latest book, *Throwing Sheep in the Boardroom: How Online Social Networking Will Transform Your Life, Work and World*, argues that the future has finally arrived. What’s different this time around is that a broader consensus seems to be forming. For Web 2.0 believers – among whose ranks I count myself – I believe there’s good reason to be more optimistic than, say, 20 or 30 years ago.

Web technology has crossed a tipping point and is now truly global and on the verge of becoming accessible to all. What’s more, companies are finally beginning to realize this.

Following initial foot-dragging, many Fortune 500 companies are now actively embracing Web 2.0 tools. In a recent McKinsey survey, “The Rise of the Networked Enterprise: Web 2.0 Finds Its Payday,” more than two-thirds of respondents admitted to using social media tools in their companies. Among the major benefits, they cite increased speed of access to knowledge, more effective marketing, lower cost of doing business and higher revenues. The revolution, it seems, is finally happening.

But revolutions can be as disruptive as they are empowering. To quote *Wikinomics*: “The new participation (brought about by Web 2.0 adoption) will also cause great upheaval, dislocation and danger for societies, corporations and individuals that fail to keep up with the relentless change.”

Clearly, if the e-revolution is indeed happening, then executives urgently need to rethink how they structure, organize and manage their companies. Their success in doing so will determine whether their companies ride the crest of the revolution or are swept away by it.

Companies will have to decide just how much transparency and openness they are prepared to offer in a bid to loosen control without losing control. This article proposes a number of strategies to do just that.

But first, let’s take a look at some of the reasons why companies should be welcoming, rather than resisting, the e-revolution.

Toward the Networked Enterprise

The broad adoption of social media tools has the potential to unleash a huge transformation in the way companies operate, resulting in a wide range of benefits, such as enhanced collective knowledge, increased productivity, sharpened strategic focus and greater innovation. Here are four ways in which Web 2.0 tools are transforming the way companies operate.

1. INCREASED COLLABORATION. In its quarterly report, McKinsey found that when companies incorporate social media across their organizations, “information is shared more readily and less hierarchically, collaboration across organizational silos is more common, and tasks are more often tackled in a project-based fashion.”

This should not come as a surprise. One of the major benefits of the networked structure is that it increases information sharing within and among an organization’s disparate departments and divisions.

The reality in most traditional hierarchical organizations, meanwhile, is one of information *withholding*. This is largely because non-expert senior and middle managers are often more preoccupied with values of vertical status, and are therefore more likely to knowingly withhold important facts.

EXECUTIVE SUMMARY

Following initial foot-dragging, many Fortune 500 companies are now actively embracing Web 2.0 tools. Among the major benefits, they cite increased collaboration, a democracy of talents, a corporate culture of trust and potential productivity gains. The Enterprise 2.0 revolution, it seems, is finally happening.

But revolutions can be as disruptive as they are empowering. Clearly, if the e-revolution is indeed happening, then executives urgently need to rethink how they structure, organize and manage their companies. Their success in doing so will determine whether their companies ride the crest of the

revolution or are swept away by it.

The author proposes five strategies that companies can pursue to push their organizations toward becoming fully networked enterprises and ensure a relatively smooth transition in the process: choose the right technology, loosen control without losing control, harness the knowledge of youth, lead from the top and integrate across the company’s operations. Attempts to restrict or control social media are futile, he says, as changing demographics and the arrival of the so-called Millennials are speeding the demise of outmoded organizational forms.



Let the Revolution Begin!

By integrating Web 2.0 into their day-to-day activities, companies can promote higher levels of collaboration, breaking down the organizational barriers that impede information flows.

The classic example of this syndrome is familiar to all managers: the senior executive who briefs colleagues on a particular issue without giving them the whole picture. The knock-on effect for the organization is non-optimal decision making due to “discussion biases” that frame issues without the benefit of all information inputs.

This need not be the case. By integrating Web 2.0 into their day-to-day activities, companies can promote higher levels of collaboration, breaking down the organizational barriers that impede information flows.

Cisco recently learned this through its deployment of a social networking product called Quad, which integrates with business and Internet content management systems and features instant messaging, Facebook-style status updates and a task manager.

The company is using “social networks to build product and project management teams. Expertise is quickly rounded up, and employees are judged on their collaboration skills,” John T. Chambers, Cisco’s CEO, recently told *Wharton Universia*.

2. A DEMOCRACY OF TALENTS. Deployed across organizations, Web 2.0 software constructs open-ended platforms on which, in theory, everybody is equal. Employees working in such a setting are much more likely to openly share ideas and information *exclusively* for the benefit of the organization as a whole – something that is rare in hierarchical organizations.

In their *Harvard Business Review* article, “Competent Jerks, Lovable Fools and the Formation of Social Networks,” Tiziana Casciaro and Miguel Sousa Lobo describe how employees invariably prefer to work with others like them – even if those people are incompetent. Conversely, they avoid those whom they consider unpleasant – even if those people could be indispensable to solve

a problem. The implications of this tendency are obvious: only ever working with “people like us” creates an echo-chamber syndrome, valuable expertise goes untapped, and low employee morale is often the result.

The solution to this problem lies in locating status tensions within a company’s organizational structure that frustrate communication, undermine optimal decision making and thwart the achievement of corporate goals. And this is where Web 2.0 comes in.

Social media tools, such as wikis, have the potential to open up the process beyond the usual cronies and favorites who regularly get invited to closed-door meetings. The person who has the winning brainwave may be a low-level employee working in the bowels of the company, or could even be a customer located outside of the corporate walls.

Salesforce.com’s Mark Benioff is one CEO who has witnessed firsthand the benefits of building a democracy of talents. Speaking at GigaOM’s Net:Work conference, Benioff said that he had begun to realize that “the people adding value in the company were not the senior VPs and the VPs, but this powerful network of individual contributors.”

3. A CORPORATE CULTURE OF TRUST. With the rise of Web 2.0 corporations, workers at all levels of the organization have a much greater say in the day-to-day running of the company, while also enjoying the benefits of a corporate culture of openness and transparency. This, in turn, engenders much stronger feelings of loyalty and trust among employees.

Surely this should come as welcome news to managers and CEOs, who stand to reap the benefits of a highly connected and motivated workforce – especially at a time when trust in companies in many countries is at one of its lowest points in history.

Sadly, many companies still seem to have an instinctive fear of the use of social media