

## Chapter 9

# The Emerging Value of Social Computing in Business Model Innovation

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### ABSTRACT

*The value of Social Computing and its application in business has largely remained unclear until now. However, this chapter reveals that Social Computing principles may have important business value, as they can help lower transaction costs. This makes the Social Computing development here to stay, instead of another hype. This chapter describes Social Computing with nine technological and social principles, obtained by comparing both Internet and academic sources in this field, being Open Platform, Lightweight Models, Enabling Services, Intuitive Usability, Long Tail, Unbounded Collaboration, Collective Intelligence, Network Effects, and User Generated Content. The results show that Social Computing provides most support in those aspects of business where connections with the environment exist; the relations with partners and customers. This chapter will explain what Social Computing is, and how one can use it to increase business value.*

### INTRODUCTION: SOCIAL COMPUTING AND BUSINESS MODELS

Around the millennium the hype around the Internet reached its top and we found the Internet

was highly overrated. The bubble popped. Currently too, a certain euphoria exists on seemingly unbounded possibilities coming with what has been labeled Web 2.0<sup>1</sup>. From around 2005, developments on the Internet do sometimes draw comparisons to the Internet hype around the millennium. The impact of Social Computing is not restricted to circles of technology adepts,

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but expands to the business world as well. Consider the amount of start-ups and acquisitions in the field of e-business, often in combination with astronomical sums of money. Apparently, corporations do not want to stay behind in these developments. More than half of the North American and European corporations consider Social Computing to be a priority in 2008 (Forrester, 2008). Those investing in Internet technologies in the last five years are very satisfied with the results (McKinsey, 2007). Many corporation are already rethinking their business models and say they have to make fundamental changes in their businesses. *“Business model innovation matters. Competitive pressures have pushed business model innovation much higher than expected on CEOs’ priority lists”* (IBM, 2006). The same research shows that outperformers in industry did place higher priority on business model innovation than underperformers did.

But are these developments another hype? Or is there something more happening, and are we part of a revolution? More and more indications appear, which suggest that Social Computing might be of lasting value. But there are hardly any studies on why Social Computing is valuable. History provides interesting insights on technological developments, or even revolutions, like the Internet and Social Computing. With these insights we might be able to value the Social Computing developments that are happening currently. Moreover, limited research is available on how to apply Social Computing ideas in business. Both these aspects will be examined in this chapter, guided by the idea that Social Computing developments as emerging IT innovation enablers demand new management and business models.

This chapter will perform an explorative and qualitative search towards Social Computing, since the field of Social Computing is new, and not much scientific literature is available yet. Next, this chapter will describe how Social Computing can be of value in business. The subsequent sections each elaborate on a different topic related to this subject. Section 2 revisits technological

revolutions in recent history and describes the role of standards, to provide analogies for the technologies under discussion in Internet and Social Computing. Section 3 gives a more thorough description of what Social Computing is. Section 4 elaborates on business models and their role in an organization. Section 5 describes how Social Computing can be used in business by relating it to business models. Section 6 gives conclusions and discussion.

## **STANDARDS AND TRANSACTION COSTS ECONOMICS**

Looking back in time, we can find some illustrative examples explaining the role of standards in technological revolutions. Around 1778, a French gunsmith Honoré Blanc pioneered in developing muskets from parts which were exactly the same for each musket; interchangeable parts. He created some muskets, disbanded them into separate bins and then reassembled the muskets from picking parts at random from each bin. Around 1800, Henry Maudslay pioneered by developing screw thread on interchangeable bolts and nuts, which became a practical commodity. It was a major advance in workshop technology. Not only because they were interchangeable parts themselves, but also because they boosted modularity, since they act as connectors. In the late 1880s, the invention and standardization of electric current caused the so-called ‘War of the Currents’. The feud between alternating current (AC), promoted by George Westinghouse, and direct current (DC), promoted by Thomas Edison involved demonstrations including the electrocution of an elephant and the invention of the electric chair. Only since the wide acceptance of the AC standard, mass usage of electricity, and its commoditizing, ran off. What we can learn from these cases is that standards in an industry support interchangeability, and interchangeability decreases complexness (Christensen & Raynor, 2003).

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