Chapter 3
The Power Laws of Enterprise 2.0

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ABSTRACT

Parallel to the consumer social web, a myriad of companies are adopting social software either for internal or external collaboration with suppliers and customers. This article provides key stylized facts around the adoption, use and success of social software, a phenomenon dubbed "enterprise 2.0". We observe that social software usage within companies is heavily concentrated with a long tail companies claiming limited business use and success. The head of "enterprise 2.0" distribution, composed of a small hub of high performing companies, is to be found in some sectors like high-tech, but more crucially, the success is driven by debottlenecking of organizational barriers to fully exploit "enterprise 2.0" for improved economic performance.

INTRODUCTION

The web as a collaborative platform has quickly spread in the consumer space (Bughin, 2008). More than 100 million internet users have been claimed to contribute to the social web development, -be it by writing comments and recommendations on Amazon, forwarding links of YouTube videos, or co-designing games like The Sims, applications on MySpace or developing open source codes for Linux (Pew Internet, 2006). This social web has also led to major global social networks companies. YouTube, Blogger and Facebook today are currently visited monthly by more than 200 million users.

The extension of participation in the enterprise space, dubbed by some as "enterprise 2.0", is rather new (McAfee, 2006).

On one hand, this extension is natural, given the possible large benefits of harnessing distributed collaboration through the web. For example, prediction markets tools can help aggregate a vast amount of information from employees within organizations to better guide company actions. An example of this is the sales forecast at HP through prediction

DOI: 10.4018/978-1-61520-611-7.ch003

markets as reported in Chen & Plott (2002). Procter & Gamble, through its 'Connect and Develop' platform opened to inputs from company alumni, current employees and even customers, has successfully secured a large stream of new product innovations (Huston & Sakkab, 2006). Also, new organization models linked to enterprise 2.0 are being developed, shaping successfully entire new markets. An example is Blade.org, a collaborative community-based organization initiated by IBM around its blade server technology, in the hope to accelerate its market development (Miles et alii, 2007).

On the other hand, skepticism clearly exists as to how enterprise 2.0 can truly be exploited, either because technologies are complex, or because of major organizational bottlenecks of hierarchy and control (Davenport, 2007)). High profile case of failures of the "enterprise 2.0" model exists. For example, Cambrian House failed in its crowd-sourcing model. While operating a fully open architecture for collaboration, no-one in the company had received the full responsibility for ideas development, leading to major waste and limited business development opportunities (Schonfledon, 2008). A study of large corporation's social networks was recently quoted by the Wall Street Journal, leading to the conclusion that less than 25% of corporate social software initiatives could gather more than 1,000 members despite the majority spending millions of dollars on "enterprise 2.0" developments (Worthen, 2008).

Obviously, gauging the importance of enterprise 2.0 as a major business trend requires more than just anecdotes. After a summary review of the business and academic evidence to date, this article relies upon two major surveys performed in 2007 and 2008 to provide early stylized facts regarding the "enterprise 2.0" phenomenon (Bughin & Manyika (2007a; 2008)); (Bughin, 2008 and Bughin & alii, 2008).

To our knowledge, our surveys have been the most exhaustive to date. They cover a large array of web 2.0 technologies (from RSS feeds, to web services, mash-ups, wikis, blogs, etc), including a large range of industries and countries, as well as a large diversity of companies features (large versus smaller, publicly quoted versus private, national versus multinational, companies, etc), to derive some good empirical basis of "enterprise 2.0" to date.

We concentrate especially on the "power laws" of enterprise 2.0 occurrence.

In general, one is used to describe the occurrence of many phenomena with a bell curve, that is, occurrence is much larger in the center, and extremes have very low probability of occurrence. In our cases, those will mean most of companies will cluster in their adoption and usefulness of social software, and any deviation from this cluster will be quite rare.

However, more and more, people recognize that most phenomena exhibit power law, whereby a few extreme events happen and concentrate the phenomena, together with a much longer tail of much less popular events. In our case, that would mean that a few companies are much more prone to enterprise 2.0 than others, while a long tail of companies are still not leveraging the power of "enterprise 2.0". Power laws seem to be everywhere- be it the distribution of movies hits, of open source participation, of earthquakes magnitude, of firms size, or still of consumer web sites traffic (Barabasi, 2003).

The underlying reasons besides power law distribution could be many. Regarding the web, Barabasi (2003) shows that it is driven by a preferential attachment of nodes, whereby bigger nodes continue to have more links to them than others, through social clusters. Other reason is simply intended adoption-in their model of connection model, Jackson and Wolinski (1996), show that people will connect depending on the difference between utilities derived to connect and cost of making and nurturing the link. If obviously the cost is low versus benefit, the adoption is fast and the network is fully efficient—in the case of