



Wikis, Weblogs and RSS: What Does the New Internet Mean for Business?

Published : June 29, 2005 in [Knowledge@Wharton](#)

The Internet may be entering a new phase that will decentralize control inside companies, enable employees to collaborate more easily, and drive efficiency. But corporations that want to use the web strategically to build corporate value will not just need to make radical cultural changes, they may also need to master a new vocabulary with terms such as Wikis (software that allows anyone to update and edit web pages instantly and democratically); Weblogs (online journals more commonly known as blogs); and RSS (really simple syndication) feeds, which distribute content from the Internet.



This is a single/personal use copy of Knowledge@Wharton. For multiple copies, custom reprints, e-prints, posters or plaques, please contact PARS International: reprints@parsintl.com P. (212) 221-9595 x407.

Arcane as these terms may sound to anyone but the initiated, the technology behind them is hardly fancy. Wikis, blogs and RSS feeds are relatively simple tools that will have a huge impact on the way people -- and companies -- communicate and do business. So how is the Internet changing? How can companies seek to understand the technological effects of these changes? And what cultural adaptations should companies make to capture value from these new tools?

[Kevin Werbach](#), a Wharton professor of legal studies and business ethics, discussed such questions with three experts who will be speaking at the [Supernova 2005](#) conference later this month in San Francisco. Philip Evans is a senior vice president at Boston Consulting Group, known for his work on information technology and business strategy; he is the co-author of the book, *Blown to Bits*. Janice Fraser is CEO of Adaptive Path, a user experience consulting firm. Her essay, "[It's a Whole New Internet](#)," will be the basis of a workshop at Supernova 2005. Ross Mayfield is CEO of Socialtext, a startup provider of lightweight business collaboration software based Wikis. (*Disclosure: Werbach serves on Socialtext's advisory board.*)

Werbach: Let me start with you, Janice. You recently posted an essay that got a great deal of attention called, "It's a Whole New Internet." I'm curious what you think is potentially new about the Internet today and what that might mean for business?

Fraser: Two things are new about the Internet today. I'm going to separate technology from human beings. Some new technologies are coming out now that make different kinds of interactivity possible with online applications. But what is really new is what people are doing with existing technology.

I have seen lots of excitement in the last six months about what's possible. There have been, for example, applications such as Google Maps that have allowed people to envision new ways of working -- but when I say it's a whole new Internet I mean there's new vigor. And that's going to lead to more creative thinking.

When you look at the trends in web development, you will see a shift from what I call host-provided value -- such as CitySearch (where publishers provide local events listings in different cities) -- to user-provided value in websites such as Upcoming.org (a global events calendar managed by users). There is a giving up of control. The new web applications are lightweight, single function and focused on a specific problem or interaction. When you combine that trend with creative developers who are beginning to have the energy and insight to recombine technologies in new ways, you get not the explosive growth of the

1990s, but you get something more relevant. I can't anticipate exactly what that will be, but I see the potential for businesses to change the way they think about developing and deploying technologies.

When you combine applications like blogs, Wikis and RSS feeds and put a front end on them, that's a different vision for the Internet and knowledge-sharing and management. One of my favorite examples is: What happens when you allow IT managers, who are looking to buy enterprise software, to create their own tags for the product documentation on Oracle.com? What has to change in business when you let users take control of their own experience? When I introduce that to experienced designers, their response is that this would never happen because it requires a cultural change inside Oracle. But that's the point.

Werbach: Just to make sure people understand, your firm does user experience and information architecture work for various companies. Tags are user-generated classifications of data where the users label something as opposed to a more centralized approach. Correct?

Fraser: That is correct.

Werbach: Let me ask Philip and Ross. Do you see the same kind of enthusiasm?

Evans: I agree strongly with the picture Janice is presenting. It's interesting because if you go back to the thinking of the earliest visionaries with respect to the Internet, that was exactly the picture they were painting. But then we went through a period when people believed that the gravity-defying dot-com was going to inherit this technology and redefine institutions -- and that phase came and went rather fast. In the years that followed, the Internet was perceived as just an extension of business as usual. A lot of activity on the Internet moved to a point where corporations saw it as simply another distribution channel, advertising channel or platform where consumers could fill out forms or whatever.

Now we are seeing companies choose to work in ways that's much closer to the original vision of the Internet being a medium that is genuinely peer-to-peer, is loosely coupled and sparks different kinds of interactions. The great step forward is not the technology itself -- the blogs, etc. are wonderful, but technologically minor -- but rather one of new perceptions or how people see fresh possibilities and may be willing to invest in them in new ways. We have come full circle.

Mayfield: When we co-founded Socialtext at the first Supernova conference, there was this amazing panel on collaboration describing highly structured workflow-oriented ways of collaboration for the sake of compliance. Back then, we saw the opportunity to create tools that could serve as centralized resources with more decentralized authority. That kind of framework changes a couple of things. How do you approach it as a tool designer? For one thing, you are creating tools to hand over control to users to create their own environments better adapted to their own situation. The other part of it is that as others have said, it's not so much about the technology, but more about the practice and how it is used in a way that's actually changing people's minds and the way they are working.

We see wonderful rich cultures in communities such as [Wikipedia](#) (a free encyclopedia that any user can edit) that are doing things that people thought wouldn't work if you stepped back and tried to design it. But somehow these things -- messy as they are -- happen to work in ways that shouldn't work. You're encouraging collaboration on a large scale, you're giving users control over a resource, and by sharing that control you actually foster trust between the participants and the community.

Werbach: If it's not technological breakthroughs, what has changed that has enabled us to finally get back to where the Internet was going to begin with?

Mayfield: I can explain that a little bit. We spent a lot of time developing physical infrastructure, and now we have to develop the social infrastructure on top of it. The earliest adopters of the Internet were the

geeks and hackers who were using the web for social purposes. Out of all that social interaction they realized that if they could find a way to let go of a tiny bit of control, they could invent whole new models of production. They could encourage common-goal production, rather than production driven by markets or companies.

As more and more people are on the web longer, they have more access to tools and discover new ways to interact. This means you end up with a phenomenon that is as disruptive as the open source phenomenon in software -- but now you see it in the media, with blogs, with communities like Wikipedia, in politics (as evidenced by the Howard Dean campaign) and many other sectors. I think such interactions have now reached a critical mass. There may be some value to letting these tools evolve in almost a Darwinian fashion on the public Internet.

One danger, however, is that of assuming that you can just grab some of these tools that have great social dynamics on the public web and believe they will work equally well inside an enterprise. Let's say you develop a great tool that lets you build new applications on your own for generating forms and collecting data. Imagine what would happen to the HR department when you get all those decentralized reports. There's a risk there too.

Fraser: There's a tremendous amount of risk involved here, which is why it will take quite a while to really change enterprises. As for the question regarding what has changed to make this possible, I think the large, feature-rich multimillion dollar IT systems aren't working as promised. Over the last eight years, so much investment has been made in infrastructure within the enterprise and the human infrastructure to support costly functions of business such as email, product support web sites, travel tickets. These have gone electronic and increasingly have a self-service model, but they result in terrible experiences and are not accomplishing what they were supposed to. So you have a highly skilled workforce of people who know what's not working, and I believe a lot of that experience is being applied outside the enterprise in new and different ways. It's as much of a reaction *against* something as much as it is *for* something.

When it comes time to move these innovative approaches around collaboration, it's going to mean more culturally and operationally. It's going to have to change how information technology departments operate and how legal departments get involved with other different functions. A fellow organizational consultant recently told me about a large *Fortune* 100 corporation that is trying to figure out how to integrate open source concepts within its internal IT development because it realizes the old methods aren't working. The major roadblock is not changing the behavior of the developers; it is with the compliance and legal departments. How do you convince the general counsel and CFO that it is necessary to change the way you develop products? It's going to take 10 to 15 years to figure this out.

Werbach: Philip, you work with a lot of large corporations. How do you convince them to operate with a more decentralized approach?

Evans: One of the simplest arguments I've used to get people out of a traditional mindset is to point out a statistic -- the cost of transactions in the U.S. More than 50% of the non-government GDP in the U.S. is based on transaction costs. Now, what's interesting is that the way most people think about economics is that execution costs are on the periphery. If you start from the premise that transaction costs are central to the productivity of any system, and if you then recognize that most of our time is spent negotiating, securing, monitoring, making sure people did what we expected them to do, dealing with the fact that motivations aren't entirely aligned, and so on, you realize that we have to find a way of working together amid this asymmetry of information. About half of our time is spent doing those things.

This changes the way you think about productivity in organizations where innovation, adaptability and dealing with complexity are the key challenges. So much of reengineering, which is what major corporations have been about for the last 10 or 15 years, has been about linear efficiency -- lining everything up in as tight a way as possible along a path. That's wonderful if you know exactly what it is

you want to do, and the aim of that task will never change. Increasingly, that's not the relevant challenge. The challenge is adaptability, complexity, uncertainty and your capacity to mine the elements of your business, people and knowledge into different and new combinations. If that's what you are trying to do, then your transaction costs become the biggest inhibitor to your capacity to do that. The key thing about the principles that Ross and Janice were describing is that they enable an environment where transaction costs are lower.

Mayfield: Philip is making a brilliant point. It used to be easy to measure transaction costs especially when looking at economies of scale and speed. That's what helped justify centralization in vertically integrated firms. In the more dynamic and decentralized world, the value shifts to economies of scope. The real problem that we have is we have no transaction-cost analysis like "build versus buy" for determining whether I should share an asset and cooperate with other firms to develop greater capabilities. To create such opportunities and convince managers and decision makers that they are worthwhile, you have to deal with the fact they have been schooled in a different kind of thought. Fundamentally they have been schooled in a competitive environment where you gain by hoarding information and where there's no rationale for more open architectures and participation.

Evans: That's exactly right. There's a spectacular example which illustrates that technology isn't really the key. When you compare Toyota with the Big Three automakers in the U.S. there's a fundamental difference in the way they deal with their suppliers. The Big Three basically negotiate to the last penny. In particular, if a supplier succeeds in a process improvement that lowers costs, he knows darn well in one negotiation round that General Motors will come back and demand a price concession taking away that benefit. That gives that supplier a very powerful incentive not to share with anybody, least of all General Motors, what that process improvement was.

Toyota has a different philosophy. The company allows its suppliers to keep the benefits of their innovation, but it insists that that process improvement in technology is shared not just with Toyota but also with all the other component suppliers. As a result, you see among that population of 60 or 70 companies a rate of sharing ideas beyond what you see in the U.S. It has a cumulative effect over time of driving up productivity in the whole Toyota supply chain. Over a 30-year period, its productivity has gone up six times as much as in the U.S. system. I think that's entirely because of the difference in philosophies. At a time when 50% of the cost of a car comes from outside components, and your suppliers are 600% more productive, that buys you one hell of an advantage -- even if you give some of it back to them in price concessions.

Werbach: Let's take it down a level. Can you give concrete examples of how Wiki-based collaboration software actually applies in an organization?

Mayfield: The more traditional uses of Wiki-based software involve project communication and documentation. In the case of an intranet, you can take what was essentially a 30-day process for getting anything posted and open it up for more decentralized contributions. Most of the use for social software in enterprises ends up coming in from the bottom up.

Fraser: Dreamworks has moved over to a Wiki-based intranet. For me, the connecting theme is about decentralization and relinquishing control and allowing the intranet to grow in ways that are useful to the people using it.

This is a single/personal use copy of Knowledge@Wharton. For multiple copies, custom reprints, e-prints, posters or plaques, please contact PARS International: reprints@parsintl.com P. (212) 221-9595 x407.