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## Panel: Going Virtual: Are there Real Opportunities for Business in Virtual Worlds?

M Ahonen

B Donnellan

S Mahaley

B O'Donovan

R Teigland

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**Going virtual: Are there real opportunities for business in virtual worlds?**

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## Going virtual: Are there real opportunities for business in virtual worlds?

### Summary of Panel Topic (related to ICIS track theme on Social Networking)

Virtual worlds are becoming increasingly sophisticated, thus enabling organizations and individuals to “step into the internet”. A virtual world is a computer-based simulated environment where individuals assume an identity as an avatar. Avatars inhabit the virtual worlds and interact with each other via computer-based chat or more recently, voice. Virtual worlds are common in multiplayer online games (such as World of Warcraft), virtual environments (such as Second Life) and role-playing games (such as Lineage). Due to increasing broadband internet access, virtual worlds are rapidly emerging as an alternative means to the real world for communicating, collaborating, and organizing economic activity. For example, one of the most popular teen worlds, Habbo Hotel, has approximately 7.5 million unique users; and Cyworld, a combination of Second Life and MySpace, has more video traffic than YouTube and boasts that 96% of all 20-30 year olds in Korea are users.<sup>1</sup> In the virtual world Second Life, numerous organizations such as Harvard are holding classes; over 400 individuals earn more than USD 2,000 in net profit monthly through their online activities<sup>2</sup>; and Anshe Chung, the avatar for a Chinese-born woman living in Germany with 60 employees in China, conducts virtual real estate activities.<sup>3</sup> Companies such as Protonmedia and Qwaq provide Fortune 500 companies, such as Johnson & Johnson, Novartis, Motorola, Intel, completely secure, private virtual business worlds to collaborate and conduct economic activities.

Originally only populated by small start-ups, recently real world companies across industries have been exploring the opportunities presented by virtual worlds. The first effort by real world companies was led by large media companies and retailers whose objective was to push their brands in online space through creating a presence in worlds such as Second Life. However, the hype of Second Life seems to have receded due to the many empty SIMs<sup>4</sup>, and has recently been described as a virtual revolving door.

However, in addition to marketing and branding, another use for virtual worlds is taking form – that of open innovation and co-creation.

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<sup>1</sup> Computer Sweden, <http://computersweden1.idg.se/2.2683/1.110503>

<sup>2</sup> Second Life, [http://www.secondlife.com/whatis/economy\\_stats.php](http://www.secondlife.com/whatis/economy_stats.php)

<sup>3</sup> Second Life Herald, [http://www.secondlifeherald.com/slh/2006/11/its\\_official\\_an.html](http://www.secondlifeherald.com/slh/2006/11/its_official_an.html), and CNNMoney.com, <http://money.cnn.com/blogs/legalpad/2006/11/anshe-chung-first-virtual-millionaire.html>

<sup>4</sup> “Sims” are simulators, which are square regions that make up the Second Life world.

Organizations such as Reebok, Wells Fargo, and Toyota have begun to explore virtual worlds such as SecondLife and Active Worlds as a potential space for open innovation.<sup>5</sup> For example, Philips Design has created the Co-creation Experience<sup>6</sup> and several open air meeting areas on Second Life with the purpose of testing virtual concepts and allowing SL residents to participate in dialogue and co-design projects. Another SecondLife example is that of HSB, one of Sweden's largest real estate organizations. HSB runs a series of competitions where the task is to design and build the "house of the future" on HSB's sims in Second Life. While anyone may participate, it is focused towards two groups of participants: 1) future HSB residents (i.e., teenage and young adult HSB members saving money through HSB towards their first home or apartment) and 2) students studying for a Master of Science in Architecture at the Royal Institute of Technology in Stockholm, Sweden (KTH). In this manner, the company not only is able to access talent, but it also gains access to numerous ideas from its current and potential future customers. Moreover, to invoke user interest and creativity, companies are providing users in virtual worlds with design tools and toolkits to enable them to design their own products efficiently. Manufacturers can therefore attract a variety of users to kits of design tools that ease their product-development tasks and to products that can serve as "platforms" upon which they may develop and operate user-developed modifications.<sup>7</sup>

IBM has been at the forefront in developing and exploiting this new technology. Irving Wladawsky-Berger, Chairman Emeritus of the IBM Academy of Technology, put it thus;

*"It's not often that the media industry goes through major upheavals. There was the television back in the 1940s; the VCR in the 1970s; and of course, the Internet in the 1990s. But now, in 2007, we are facing the second major upheaval in just the last decade. Before the dust has a chance to settle from the Internet revolution, we are already taking our initial steps into the next: the virtual world revolution."<sup>8</sup>*

Over 20,000 IBM staff are already active in virtual worlds such as Second Life and OpenWorlds. These virtual worlds are used as collaborative environments for learning, training, corporate announcements, conferences, alumni meetings, commerce – 'vBusiness', recruitment,

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<sup>5</sup> Virtual worlds are three dimensional metaverses that are visualized graphically, where individuals are represented by "avatars", and interact with other avatars and their environment. For examples of virtual worlds, see [www.secondlife.com](http://www.secondlife.com), [www.activeworlds.com](http://www.activeworlds.com), or [www.entropiauniverse.com](http://www.entropiauniverse.com).

<sup>6</sup> <http://www.design.philips.com/about/design/designnewscenter/news/article-15083.page>

<sup>7</sup> Hippel, Eric von. 2005. Democratizing Innovation. Cambridge, Mass: MIT Press.

<sup>8</sup> IBM Global Outlook 2007 p.43

simulation, visualization, and modelling. IBM and IRCSET (The Irish Research Council for Science and Engineering Technology), in conjunction with NUI Galway have recently embarked on an exciting new project to leverage virtual world technology to link academic researchers and industrialists for value creation through innovation and collaboration. The project team is drawn from the members on this panel.

In the context of Corporate Education (CE), a range of possibilities are emerging for applying virtual world experiences. The range can be described as one that is bounded on one end by highly scripted largely passive experiences for participants to, on the other end, open-ended and entirely hands-on experiences. For example, Duke University CE has conducted avatar-led tours of Second Life businesses for participants who are attending a classroom session on Future Business Models and Innovation. Those tours can involve live interviews with virtual workers or other business representatives, and can include participants assuming control of a few avatars to experience the sense of presence that the virtual world provides. The discussion points can revolve around innovation in business practices, marketing in a virtual world, what 'product' means in this context, new possibilities for collaboration, etc.

On the open-ended side, Duke CE has collaborated with the Stockholm School of Economics in providing a hands-on virtual teaming exercise in Second Life. The participants each have an avatar that they control, are assigned to teams, and must work together using the tools and communication channels in Second Life to complete the task before them. The link to innovation comes when the participants realize, in the midst of the teaming activity, that real world rules do not necessarily apply in the virtual space, thus opening up a stream of creativity that is later debriefed and considered for application back at work.

In addition, this panel has a secondary intent, one of investigating how to attract and leverage the "gaming generation" for value creation in virtual worlds. Increasingly, the borders between work, play, and learning are dissolving as the demands of the virtual gaming generation are fundamentally changing how and where work gets done (Beck & Wade 2006, Johnson 2006). One of the significant management challenges in an open innovation approach is how to attract and motivate individuals to generate and contribute their knowledge (West & Gallagher 2006). Today the first generation of individuals who grew up familiar with virtual worlds through playing MMORPGs (massively multi-player online role-

playing games) is now entering the workforce in earnest<sup>9</sup>. Yet we know little about how firms can attract these individuals as participants in open innovation and other value creation activities in virtual worlds.

Looking into the future, Gartner Group predicts that by 2012, 80% of all active internet users and Fortune 500 enterprises will have an avatar or a presence in a virtual world.<sup>10</sup> However, since the entrance of business organizations into virtual worlds is relatively recent, there is a limited understanding of the factors necessary for firms to create value within this new medium. Thus, the primary intent of this panel is to investigate how organizations are creating value through virtual world activities with a secondary focus on understanding how to attract and leverage the “gaming generation” for value creation in these activities.

### **Questions to be discussed and debated**

How are business organizations using virtual worlds to create value?  
What are the benefits of private vs public virtual worlds in these efforts to create value?  
What are the best practices for implementing these virtual world efforts?  
How are organizations attracting avatars in world?

### **How the panel will engage with the audience**

The panel is conscious of the need to make the discussion as interesting and engaging as possible. In an effort to generate lively debate and to facilitate an understanding of the topic of this panel, the avatar of one of the panelists (who will be physically located in the USA) will take the audience on a guided tour of sites in Second Life that are relevant to the theme of the conference and panel. The audience will be encouraged to engage in discussing their impressions of what they see.

### **Short CVs of the panelists**

**Mikko Ahonen** works as a Researcher at the Department of Management at the University of Tampere, Finland. Before his academic career, he worked in the Telecommunications and IT industries. His research is focused on the interconnection of IT, open innovation, and management. Within virtual worlds, he investigates what motivates communities of inventors to work together.

**Brian Donnellan** works at the Cairnes Postgraduate School of Business and Public Policy at the National University of Ireland, Galway. His research

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<sup>9</sup> [http://domino.watson.ibm.com/comm/www\\_innovate.nsf/images/gio-gaming/\\$FILE/ibm\\_gio\\_gaming\\_report.pdf](http://domino.watson.ibm.com/comm/www_innovate.nsf/images/gio-gaming/$FILE/ibm_gio_gaming_report.pdf)

<sup>10</sup> Gartner Group, April 2007, <http://www.gartner.com/it/page.jsp?id=503861>

interests lie primarily in the area of innovation systems, a broad area that encompasses knowledge management, new product development, and technology management. Prior to joining NUIG faculty in 2004 he spent 20 years working in the high-tech industry.

**Steve Mahaley** is Director of Learning Technology at Duke Corporate Education where he collaborates with corporate clients and internal teams in Europe and the US to discover how communications and other electronic technologies support the design and delivery of educational services, modules, and programs. Current areas of interest include game-based learning, virtual worlds, distributed teaming, mobile learning technologies, and advances in learning theory and methodologies.

**Brian O'Donovan** is Program Director for the IBM Dublin Centre for Advanced Studies and Senior Development Manager for the Lotus Sametime product. Brian has a Ph.D. in Computer Science from Trinity College in Dublin and over 20 years of experience of working in the Computer industry with companies such as IBM, Digital, and Verbatim. His current focus is on the convergence between voice, video, and textual communications and the building of on-line communities.

**Robin Teigland** is an Associate Professor at the [Center for Strategy and Competitiveness](#) at the [Stockholm School of Economics](#) (SSE) in Sweden. For more than ten years, she has researched and lectured on social networks and their relationship with strategy and performance at the individual, firm, and regional levels. More recently she has turned her attention to virtual worlds, and her avatar, Karinda Rhode, is the caretaker of the Stockholm School of Economics island on Second Life. Robin is a Guest Editor for a forthcoming special issue on virtual worlds for *MIS Quarterly*.