Web 2.0: Capabilities, Business Value and Strategic Practice

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Web 2.0: Capabilities, Business Value and Strategic Practice

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ABSTRACT
Web 2.0 is the adoption of open technologies and architectural frameworks to facilitate participative computing. Web 2.0 has the potential to deliver rich peer-to-peer interactions among users, enable collaborative value creation across business partners and create dynamic new services and business models. With the emergence of new information technology it is necessary for organizations to redefine and reassess the new technology and its business value. Extant research does not provide managers guidance on how they can utilize their web 2.0 presence to add value creating activities for the organization. In this research we develop a conceptual foundation for the value propositions enabled by web 2.0 technologies. We provide taxonomy of features, capabilities and organizational value added activities. We develop a model of Web 2.0 capabilities and the nature of value adding services they can provide.

Keywords
Web 2.0, business value, wiki, blog, social networking, strategy, collaboration, e-word of mouth (eWOM), knowledge management.

INTRODUCTION
Web 2.0 is set of applications that harness network effects by facilitating collaborative and participative computing. (O’Reilly,2006, Ganesh and Srinivash,2007). Web 2.0 technologies include, but not limited to, Wiki, Blog, RSS, Aggregation, Mash ups, social networking. Web 2.0 has the potential to deliver rich peer-to-peer interactions among users, enable collaborative value creation across business partners and create dynamic new services and business models.

Web 2.0 impacts the way users work and interact with information on the web by shifting the focus to the user of the information. Rich user experience is a critical aspect of Web 2.0 and plays an important role in encouraging collaborative information exchange. Web 2.0 has the potential to enable rich peer-to-peer interactions that foster collaboration (Ganesh and Srinivash,2007). Web 2.0 relies heavily on creating and leveraging network effects by attracting a large number of participants and enabling rich interactions between them. Such interactions have significant impact on customer-driven innovation, maintaining market orientation, addressing customer concerns and development of the product-service mix(Eccleston and Grisi, L.,2008). Organizations invest significant financial resources to develop their Web 2.0 presence. However, extant research does not provide managers guidance on how they can utilize their web 2.0 presence to develop value creating activities for the organization. Hence, our research is guided by the following research question.

How can organizations generate business value through strategic investment in web 2.0 technologies?

In this research we develop a conceptual foundation for the value propositions enabled by web 2.0 technologies. We examine the nature of web 2.0 technologies and applications and identify their essential capabilities. These capabilities provide the set of foundational technological capabilities that are available to organizations to develop their web 2.0 capabilities. We examine the academic and practitioner literature for existing organizations that have adopted web 2.0 technologies to provide value adding capabilities. We identify the nature of successful activities and capabilities that are enabled through a web 2.0 presence. We provide taxonomy of features, capabilities and organizational value added activities. We develop a model of Web 2.0 capabilities and the nature of value adding services they can provide. The following section provides an strategic overview of web 2.0 technologies and the resulting Web 2.0 enabled IT capabilities that they provide. We then discuss the business value propositions that organizations can potentially employ through the strategic use of Web 2.0 technologies. We conclude this paper with a summary of the value propositions and directions for future research.
IT CAPABILITY AND BUSINESS VALUE

Capability of a particular Information Technology has been conceptualized as functionalities it can provide (Zhu and Kraemer, 2002). For example, Zhu and Kraemer (2002) conceptualized capability of e-commerce as combination of functionalities such as functionality of providing product related information to customers, functionality of providing customers after sale support and so on. Similarly, we conceptualize web2.0 capability as combination of functionalities web2.0 technology can provide.

With the emergence of new information technology it is necessary to redefine and reassess the new technology and its business value (Zhu & Kraemer, 2002). Meville et al. (2004) have conceptualized IT business value as impacts of information technology on the organizational performance at both the intermediate process level and the organization-wide level. A new technology enables a company capability of doing new things or the same things in a different way. Those capabilities help businesses to redefine their IT business value propositions (Porter, 2001). With the emergence of internet and ecommerce, organizations had enabled themselves with new capabilities and reassessed their IT business value (Zhu and Kraemer, 2002). Similarly, with the emergence of web2.0 technology and its capability of enabling businesses to do different business related activities in a new or different way, require businesses to redefine and reassess their IT business value propositions.

Resource Based View (RBV) has been applied in the literature to identify how new technology and its capability can provide businesses competitive advantage (e.g. Zhu and Kraemer, 2002). However, how capabilities enabled by an Information technology provided competitive advantage depends largely upon how they have been implemented and adopted (Teece et al., 1997). This is applicable to web2.0 technology (Chui et al., 2009). Therefore, in this paper, we assess the IT capabilities of Web2.0 technologies, without differentiating between competitive and efficiency, and examine the innovative of these technologies in generating business value. Essentially the model in figure1 guides the rest of the paper. Hence, we first discuss about different web2.0 technologies, their capabilities and finally business value propositions of those web2.0 technologies.

WEB 2.0 TECHNOLOGIES AND WEB2.0 ENABLED CAPABILITY

Wiki

A wiki is a server program that allows users to collaboratively develop content based on the principle of collaborative trust and contribution. With wikis, a user, with sufficient privilege, can use a regular web browser to edit the content of the site including other users' contributions. Visitors can also create new content and change the organization of existing content. The simplest wiki programs allow editing of text and hyperlinks only, while more advanced wikis facilitate adding or changing images, tables and other interactive components. In addition, Wikis provide a history function that allows previous versions to be examined, and a rollback function to restore the content to previous versions (Anderson, 2007).

A Wiki provides a decentralized approach to managing information where all involved parties can view, add, edit or comment on the information on the wiki pages in an asynchronous and simultaneous manner. Key capabilities of a wiki include the ease with which with multiple users can collaboratively create and update content. When compared to alternative collaborative technologies, a wiki provides greater efficiencies in cost, maintenance and training. By leveraging these capabilities, an organization can improve both internal and external collaborative business processes and build knowledge bases with relative ease. For example, multiple engineers working collaboratively on a project can use a project wiki to collaborate on design development and project documentation. All stakeholders including engineers, project managers, designers and test teams can view, comment on, edit, as well as add more documents as and when needed. This allows for easier collaboration with instantaneous access to an easy to use platform for sharing ideas and information. Such rich collaborative interaction is critical for the success of collaborative processes where the efficacy of the exchange of ideas and information impacts the quality of the result. Similarly, a sales team may use a wiki to set up a request for proposals knowledge base or the support team could use a wiki to coordinate customer support activities and take advantage of the collaborative nature of the tool to enhance the information sharing in a collaborative process. By introducing wiki for project
documentation maintenance, essentially a traditional linear business process, such as design development project, can be executed with greater parallelization in a more efficient manner.

By using wikis to manage collaborative content, businesses can achieve a higher level of transparency and more effective information exchange for all involved stakeholders. This transparent and decentralized characteristic of wiki can help businesses in new information-based product creation (Intellectual Property Generation) and problem solving. Wikis enable and enhance collaborative business processes in an organization and enable multiple stakeholders to exchange information as needed. Hence, they provide significant potential benefits for multiple collaborative business processes in an organization including software development, e-learning, project management, knowledge management, brainstorming, technical support, resource management, marketing and customer relationship management, and research and development — all activities at the core of many businesses.

Many businesses (e.g. Cisco, Deutsche Bank, Expedia, the FBI, Gartner, Lockheed Martin, Microsoft, and Motorola) are using wiki extensively for internal as well as external communication. Cisco uses wiki extensively for internal communication between different people working on the same project (e.g. R&D). At Cisco, people working on projects from different parts of the world use wikis for greater transparency and better collaboration between all stakeholders and collaborators involved in the project.

Blog

A typical blog comprises multiple ‘posts’, which may contain text, images as well as links to other blogs, web pages or other media related to a central topic that the blog is focused on. The blog is usually arranged in chronological order from the most recent post at the top of the main page to the older entries towards the bottom. Blogs often center on a single topic or theme and are usually written by one person or group and updated in a fairly regular manner (Anderson, 2007). Blogs harness valuable network effects by allowing readers to leave comments at will. Archiving posts and the ability to provide comments on posts are common features in a blog.

Blogs facilitate bi-directional and transparent communication between users. In other words, a visitor on a blog site can simultaneously assume the roles of reader and writer, which is not possible in a traditional web application. Companies use blogs for both internal and external communication wherever transparent bidirectional communication is needed. The transparent bidirectional communication facilitated by blogs can help businesses reach and communicate with their customer base directly and identify customer needs through direct posts made by customers. For example Netflix uses their blog site (blog.netflix.com) extensively to keep in direct contact with their customer base. The Netflix official blog site facilitates direct interaction between management and customer base. Customers use the Netflix official blog site to inform management of their concerns. In turn, management gets to know customers’ needs, complaints and concerns directly from the customers. Through blogs, management also provides updates to the customer base on steps underway to resolve issues raised by customers on the blog. Using blogs, Netflix also solves technical problems for customers, particularly related to movie streaming service. In addition, customers often also help each other to resolve any technical problem. This sort of transparent and bidirectional interaction is not possible in traditional web.

Another interesting aspect of a blog is that it can facilitate electronic Word of Mouth (eWOM) communications coveted by marketing strategists (Novak and Hoffman, 2000). Customers often discuss product(s) on the blog and recommending it for other readers of the blog. For example, a comment left by a satisfied customer on Netflix blog is “I put Netflix as a poster child of a good company. First giving us instant watch with no extra cost and now giving additional movie in case of late delivery. I hope you never give me a reason to change my mind”. Blogs can help in generating eWOM for organizations. By facilitating blogs, business can get a unique and effective way of promoting products and generating word of mouth recommendations on the . There are other companies such as Amazon, Nike, Microsoft, Sony who are also using blog extensively for external communication (Anderson, 2007).

General Motors (GM) uses blogs extensively for internal communication. They are using blog to bring their different departments together so that they can share their experience with each other and management. This bidirectional and transparent to all users internal communication helps the management to create a suitable policy by accumulating all the stakeholders’ opinion on the blog transparently and then to disseminate the policy.

Recently, blogs are emerging as a useful component of educational technology. The literature discusses a number of interesting possibilities for the use of blogs in education (Flatley, 2005; Huffaker, 2006; Perschbach, 2006; Quible, 2005; Richardson, 2006; Selingo, 2004). For example, it is suggested that students can use blogs to publish their own writings, discuss group assignments, peer review each other’s work, collaborate on projects and manage their digital portfolios.
Table 1: Web2.0 Technologies, Business values and Examples

This practice can enrich students’ overall learning experience. As distance learning becomes more pervasive, blogs can become an especially useful tool for communicating with students in online learning environments.
RSS and Syndication, Aggregation, Data mash ups

RSS is a web2.0 technology that allows users to receive updates to the content of RSS-enabled websites, blogs or podcasts without actually having to visit the site. Using RSS, an organization can gather information within a feed and send it out to users in a process known as “syndication”. This is in contrast to the traditional web where a user would have to visit a website to get any updates. Aggregation services facilitate gathering RSS and syndicated feeds that the user chooses from diverse sources, and aggregates them in a single place. Data mash ups are similar and build upon the capabilities of aggregation services. Data ‘mash-ups’ are web services that pull together data from different sources to create a new service by aggregation and recombination. Usually the data are combined based on a particular theme or area of interest expressed by the user. On the conventional web a user would have to visit different websites to collect the necessary information. However, using web2.0 technology, based on user specifications, data is collected from different sources, aggregated, recombined and delivered. Typically, the content used in mash ups is sourced through a third party via a public interface or API such as Google, Amazon, Flickr, and Yahoo! APIs.

Researchers at Pennsylvania State University demonstrated that personalization in delivered content generates more positive attitudes than generic content (Yaros, 2008). That is where RSS and syndication, aggregation and data mash up capabilities add value to an organization. Unlike the traditional web where websites provides generic information for customers and customers have to visit the website to collect the data that is available; Web 2.0 technologies deliver information which are personalized and customized for each consumer based on a customer’s own interest. Aggregation provides the businesses capability to mass customize information by collecting and aggregating user data, user ‘attention’ (what one looked at) and intentions. Based on this information, aggregation service creates an “architecture of participation” for each customer and provides customized and personalized service based on that architecture. Data mash up also applies mass customization in a similar fashion by delivering customized and personalized digital product, fetched from different sources for their customers (e.g. Yahoo, Google).

Social Networking

Social Networking is facilitated by professional and social networking sites for meeting people, finding like minds, sharing content. Social networking uses ideas from harnessing the power of the crowd, network effect and individual production user generated content. Primarily, businesses use social networking for knowledge management and expertise location. Providing access to extended profiles that include competencies, project experience, past positions, and even the ability to share bookmarks or tags can make it easier to harness an enterprise’s internal knowledgebase, not to mention the potential of additional valuable network effects (Anderson, 2007). AT&T uses its internal social networking site very effectively for communication between employees; Disney uses social networking extensively to promote their product. Other organizations such as Marcel Media have used social networking to recruit suitable candidates for their company too.

Other web 2.0 technologies include Tagging and social bookmarking, multimedia sharing networking generate IT capabilities that organizations can generate business value. An overview of those has been provided in table1. In the following section, we provide multiple illustrative examples of how organizations can use Web2.0 Capabilities to develop Web2.0 enabled business value propositions. We identify the web technologies utilized and the web2.0 capabilities needed to realize the efficiency and competitive impacts of these business value propositions.

WEB2.0 ENABLED BUSINESS VALUE PROPOSITIONS

Organizations can use the efficiency and competitive impact of Web 2.0 IT capabilities to create business value propositions for activities that interface with customers as well as for a variety of collaborative business activities including training, project management and collaborative product development. Here we discuss these value propositions and the impact of Web 2.0 capabilities in delivering these value propositions to the organization.

Leveraging Customer Relationship for Growth

Businesses spend enormous amounts of money to attract customers to their business and lock in sales (Novak and Hoffman, 2000). Once they acquire customers, stabilizing customer relationships and utilizing existing relationships to enhance growth can have significant economic benefits for businesses (Reichheld 2003). Reichheld (2003) claims that metrics such as satisfaction and loyalty used to predict growth are not accurate measures but ultimately what is important is “what your customers tell their friends about you” (Reichheld, 2003 pp. 46). Bernard (2005) states that word-of-mouth carries much more weight than corporate advertising and public relations. This is also evident in a recent customer behavior study (Newton 2008) that shows consumers trust the opinion of the other users more than a company’s own advertisements (Newton, 2008). Therefore, generating eWOM through web 2.0 applications is an effective strategy for the companies to leverage existing
customer base for growth. Web 2.0 has created new avenues for promoting products in the form of electronic Word of Mouth (eWOM), viral marketing, customized product promotion and social media marketing.

One important and useful aspect of web2.0 based product promotion is the network effect of eWOM through an official blog site or sponsored blog sites that brings together people with common interest. As blog empowers customers to discuss and review different products, it is an effective way of promoting products to the potential customer base through eWOM. While Amazon is using their blog site to promote different sorts of products to increase their sells, Sony is using blog to promote their products in particular through eWOM.

Another venue for promoting a company’s product is through viral marketing. Viral marketing is a product promotion strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence (Ralph, 2005). Companies can take this strategy to promote their product, and web 2.0 technologies, multimedia sharing and social networking can help accomplish that. This social network effect was not possible in the traditional web environment. In addition, multimedia sharing features of web2.0 technology gives users an opportunity to promote products or services in different formats (e.g. video, audio). The effect of this product promotion becomes stronger as more people share the content in the form of viral marketing. Companies can have either have their own multimedia sharing facility (e.g. Amazon.com) and social networking site (e.g. Disney) to promote their product through these platforms to promote their product. Companies also use multimedia sharing social networking sites (e.g. You Tube) to promote their product through viral marketing (e.g. Nissan).

Web 2.0 technologies have also created an opportunity for organizations to promote their products and services in a way that it is customized for each potential consumer. RSS, aggregation, and data mash ups give businesses the necessary capabilities to customize their product promotion together with the service they provide for each customer. Such web2.0 technology based product promotion is not generic like traditional email based product promotion. In traditional e-mail based product promotion same message is sent to all subscribers. However, in web2.0 products are promoted based on customers’ interest and hence more effective. Google is a prime example of this strategic approach to customized product promotion using web 2.0 technologies. When customers use Google’s services (e.g. RSS feed, search engine), Google promotes customized products based on each customer’s interest.

Mass Customization (Personalization)
Mass Customization (MC) is defined as customization and personalization of products and services for individual customers at a mass production price (Davis, 1996). Pine et al.(1993, 1996) coined the idea of “Mass Personalization” to point out how internet’s capability allow customers to interact with a company and specify their unique requirements which are then manufactured by automated systems. According to Rautenstrauch (1998) MC is achieved through four steps – configuration, acquisition, production and distribution. The process starts with the configuration of the desired product or service by the customer. Then, it is necessary to check which parts need to be acquired to produce the product or service. Acquisition is followed by the production of individual product or service and then the product or service is delivered. Bazijanc et al.(2007) suggests that if the product or service is in digital format then the web 2.0 technologies can become significantly effective in MC especially in the configuration and the delivery phase of MC.

Web2.0 technologies including RSS feeds syndication, aggregation and data mash ups are highly suitable and effective for mass customization. Aggregation and Syndication are simple and low cost way to get a company’s name and content to new customers and remind existing customers that it is time to pay the company site another visit. RSS allows users to receive updates from RSS-enabled websites, blogs or podcasts without actually having to visit the site. Once aggregation has been set, subscribers automatically receive new content based on their interest as the company makes updates. Like Aggregation and Syndication, data mashups help the service provider retrieve data from different sources in order to provide customized information to each customer. By having a combination of these web 2.0 technologies, a company can mass customize their digital product or service for the customers. If a company decides to take advantage of the mass customization facilitated by web2.0 technology then it has to have its own RSS feed, aggregator, or data mash ups capability. Alternatively, a company can take the advantage of mass customization to reach target audience group by collaboration with an aggregator company such as Yahoo or data mash ups service provider such as Google.

Education and Training
Web 2.0 technologies and its capabilities have created new avenues for organizations and educational institutions to provide education and training in a more interactive and effective way than traditional web. Web2.O technologies enable instructors to engage students in distance education classes, where they lack the traditional interactions with other students, by providing
the participants a convincing and engaging “In class” experience. A case study by Churchill (2008) demonstrated that blogs can be an effective educational technology.

Training is an important aspect for companies and many struggles to provide training effectively because of the expenses and the lack of expertise. Web 2.0 technologies have created a unique and effective way of training their employees. Through the use of web 2.0 technologies like blog, wiki, audio podcasting and multimedia sharing, businesses can train their employees in more interactive and effective way than traditional web. Through web2.0 technology, businesses provide their employees access to experts within and outside the organization in a much cheaper yet effective way. Inclusion of audio podcasting and videos can make the learning experience even more effective (Anderson, 2007).

In addition, businesses can use this bi-directional interaction capability of web 2.0 technologies to train and educate their customer base especially regarding new product or service use. Businesses (e.g. Motorola) use some combination of blog, wiki, podcasting and multimedia sharing to train their customer for optimal use of their product.

**Knowledge Management (KM)**

Knowledge management (KM) plays an important role in a company’s overall performance and manifests itself through four knowledge processes: (1) creation of knowledge, (2) transfer of knowledge, (3) integration of knowledge, and (4) leveraging knowledge (Tanriverdi 2005). Web 2.0 capabilities can play an important role in each of the above four knowledge processes. In any business, knowledge is scattered in among people in different departments.

Knowledge Creation: Blog and wiki can facilitate an online read and write space for an employee that is transparent to all users and is easily accessible from multiple locations over the internet. Such a level of transparency with read and writing capabilities were not facilitated in the traditional web. By providing such a space, blog and wiki allow businesses (e.g. Cisco) to accumulate knowledge from different sources and from different location.

Knowledge Transfer: Trouble shooting is a prime example of effective use of wikis. A wiki facilitates accumulation of people’s problem solving experience(s) which eventually turns into a repository for problems and solutions. Therefore, any employee can access that repository looking for a viable solution and that employee can also add a solution to the problem thus enriching the repository.

Knowledge Integration: Blogs facilitates problem solving (e.g. technical support) in a slightly different way by providing a transparent cyberspace where employees can interact with experts to solve problems. By using a blog those bidirectional interactions gets a higher level of transparency (in terms of having access to the knowledge source) which is almost impossible to achieve on a traditional web based communication method e.g. email.

Organizing knowledge: Together with generating knowledge, organizing knowledge in a meaningful way is an important aspect of KM. Web2.0 technologies like tagging and social bookmarking are facilitating systemic arrangement and storage of the knowledge embedded within the organization. Tagging and social bookmarking allows the creator of the content item as well as the readers to classify and categorize content using keywords that are relevant and useful to them. By arranging knowledge using the keywords defined by the user, knowledge becomes much more accessible, searchable and usable. Hence, we can see that proper combination web 2.0 technologies can help businesses in different aspects of knowledge management.

**Collaboration**

Schräge (1990) defines collaboration as "the process of shared creation: two or more individuals with complementary skills interacting to create a shared understanding that none had previously possessed or could have come to on their own”. A key capability of Web 2.0 technology like wiki is the ability of the end user to edit or create information provided by another user and have access to them simultaneously. These second generation Internet technologies have opened new doors for educators, researchers, scientists and businesses to share information, ideas and even data to further our understanding of specific topics. The use of open access Web sites and blogs offer new opportunities to move collaboration to next level. Businesses (e.g. Cisco, Motorola) are using web 2.0 technology especially blog and wiki to collaborate both in intra and inter organizational setup.
In general, web2.0 technology facilitated collaboration has created a window of opportunity for research collaboration and development (e.g. Green Place project). Social networking facilitates a meeting place for people who are working on similar problems (e.g. Oracle professionals) whereas blogs and wikis give them an opportunity to share and work on problems simultaneously.

**Project Management**

In today’s global business world, managing projects is becoming increasingly difficult for management because participants with distinct technical skills are dispersed in different parts of the world. However, use of web2.0 capabilities has a unique many-to-many structure that can dispatch information to large number of people in real time, making it a highly efficient conduit (Anderson, 2007).

Blogs and wikis are used by businesses (e.g. Cisco) to manage projects efficiently as these technologies provide transparency and sharing of information between all participants of the projects in a way that was not possible in traditional web.

**Business values and Associated web2.0 Technologies**

An Overview of the business values those can be generated by a combing different web2.0 technologies have been presented in Table 2.

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<th>Wiki</th>
<th>Blog</th>
<th>RSS and syndication</th>
<th>Aggregation services</th>
<th>Data Mash ups</th>
<th>Social Networking</th>
<th>Tagging &amp; Social Bookmarking</th>
<th>Multi Media sharing</th>
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Table 2: Business Values and Associated Web2.0 Technology

This table highlights the fact that in order to web2.0 technology enabled business value, it is important to combine more than one web2.0 technology. Therefore, while developing an IT strategy based on web2.0 technology, management needs to decide what business value they want to gain through web2.0 technology and what associated web2.0 technologies are needed to for that.

**CONCLUSION AND FUTURE RESEARCH**

In this paper, we have presented an overall view of various web2.0 technologies and the business value propositions that they enable. We have identified individual web2.0 technology and combinations of web2.0 technologies that can help an organization realize business values that are made possible by these web2.0 technologies. We have identified different features of web2.0 technology and the IT capabilities that the technology can provide through our conceptualization of Web2.0 enabled capabilities. In addition, by investigating the current use of web2.0 technologies, we have extracted examples to demonstrate how IT capabilities enabled by web2.0 technologies can be used to create business value propositions. Emergent technologies require that organizations redefine and reassess the new technology and its business value.

We demonstrate, albeit through the use of secondary data sources including practitioner trade journals and white papers, how companies are realizing business values enabled by web2.0 technology. The emergence of web2.0 technology and its capability of enabling businesses to perform business activities in an innovative or more efficient manner require an organization to redefine and reassess their IT business value propositions. We believe our findings inform information technology and business managers in developing web2.0 based strategy. For academics, this paper enhances IT enabled business value literature stream by identifying the business value enabled by an emerging technology i.e. web2.0 and...
provides directions for future investigation on the realization of the business value through web2.0 technologies. Our future research investigates web2.0 and its business value propositions for organizations through case study that will identify the features that make a company’s web2.0 presence successful.

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