



E2.0 technologies

Blog
(an individual's online journal)

Wiki
(users create and edit content)

RSS
(really simple syndication)

Tagging
(one of the ways of organizing content)

Webshop
(Web site or Web application that allows users to buy and sell goods and services)

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& Entertainment

Enterprise 2.0

The Benefits and Challenges of Adoption

KPMG INTERNATIONAL





Enterprise 2.0

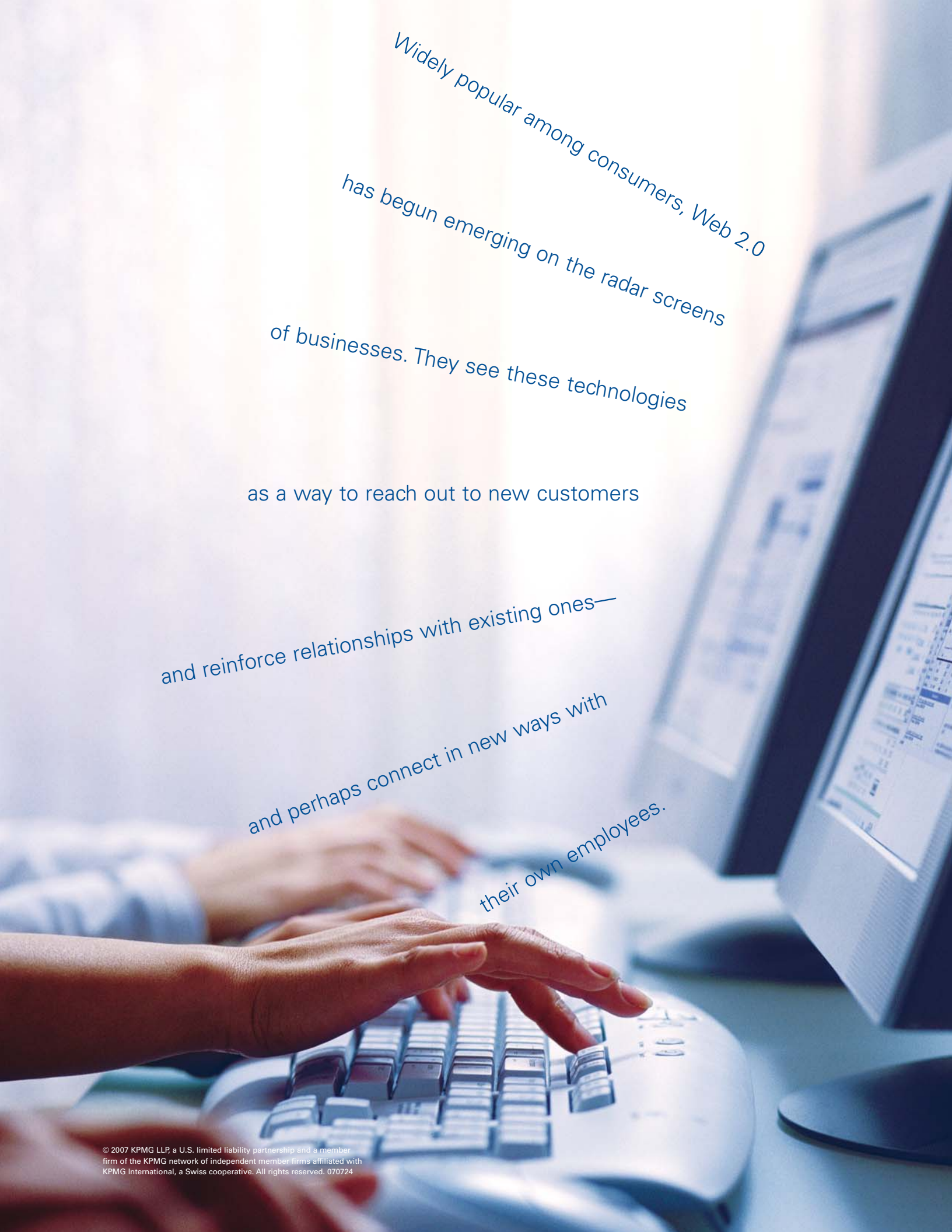
The Benefits and Challenges of Adoption

Wikis. Blogs. Mash-ups. Folksonomies. Social networks.
Collectively part of Web 2.0, these Internet applications

have changed the face of the Web by encouraging
individuals to repurpose existing technology and content.

They allow users to create entirely new media and

give them new ways to connect with one another.



Widely popular among consumers, Web 2.0
has begun emerging on the radar screens
of businesses. They see these technologies

as a way to reach out to new customers

and reinforce relationships with existing ones—
and perhaps connect in new ways with
their own employees.



The Enterprise 2.0 Adaptation

In a survey conducted by the Economist Intelligence Unit and sponsored by KPMG International, corporate executives across a range of industries agreed that adapting consumer-based Web 2.0 tools for commercial use has the potential to transform businesses. This “Enterprise 2.0” adaptation could offer benefits in several important areas:

Fostering collaboration.

Many Web 2.0 technologies connect people in ways that make it easier to collaborate. Targeting such connections could lead to increased knowledge sharing between highly skilled workers, refining the information available to them. By tapping into the collective wisdom of the group, this type of collaboration could lead to better decisions and aid in problem solving.

Innovation.

The openness of Web 2.0 holds out the prospect of breaking down the research and development (R&D) silo and allowing a broader range of collaborators to participate. Traditionally a secretive function, R&D could be transformed by Web 2.0 into something more inclusive and eclectic, engendering new possibilities for creation and discovery throughout the enterprise.

Enhanced productivity.

Enabling employees to do more—and do it more efficiently—has always been a fundamental business goal. Web 2.0 has the potential to create network effects that leverage the productive power of the group, improving both the quantity and the quality of work.

Because of these potential benefits, some companies are moving quickly to embrace Web 2.0. But others see challenges and barriers that must be addressed before their organizations can realize the new technologies’ full potential. They see security risks and governance issues as paramount, particularly the development of security policies specifically tailored to Web 2.0. On a more basic level, some are unsure how to measure the benefits of Web 2.0 while others are struggling to understand what Web 2.0 even has to do with their businesses.

To date, Web 2.0 as a tool for the enterprise may seem more promise than reality. Yet as this survey shows, many organizations (and in fact whole industries) are taking steps to ensure that their stance on Web 2.0 will be very different two years from now.



Key Findings

Companies are confident that Web 2.0 will eventually deliver business benefits.

See Appendix Chart 7

This is especially true in the areas of innovation, efficiency, and customer development. Fully 75 percent of respondents agree or strongly agree that Web 2.0 will foster innovation at their organizations as employees use it to communicate and share ideas. Indeed, 86 percent agree or strongly agree that Web 2.0 will help their companies share knowledge more efficiently. More generally, 69 percent agree or strongly agree Web 2.0 has enabled or will enable employees to work more efficiently.

Chart 9

When it comes to customer development—a goal strongly correlated with growth—62 percent of respondents agree or strongly agree that Web 2.0 will help their companies generate sales leads and build relationships. At the same time, 60 percent believe further deployment of these technologies will help their organizations reach new customers. In fact, nearly half of respondents (48 percent) said marketing and sales was the business function currently making greatest use of Web 2.0. Customer service (28 percent), IT (28 percent), and strategy and business development (19 percent) all rate highly as well.

Despite general confidence about the benefits of Web 2.0, companies remain unsure about how to measure its benefits.

Chart 8

A substantial percentage of companies, nearly 38 percent, make no attempt to measure the return on their Web 2.0 use. Those organizations that do measure return on Web 2.0 use cite increased productivity (21 percent), acquisition of new customers (19 percent), and increased revenue (17 percent) as their principal metrics. In general, the inability to systematically quantify the business results of Web 2.0 remains a significant barrier to wider adoption: one third of respondents say not knowing how to measure Web 2.0's overall impact is the most serious challenge to implementing it more broadly at their organizations.

Chart 6

Such uncertainty might flow from an even more basic problem, namely that some managers fail to see the relevance of Web 2.0. When respondents were asked what they see as the most serious hurdle to adoption, more than 45 percent cited a fundamental lack of understanding about how Web 2.0 relates to their businesses. Half of general managers surveyed responded in this way, as did 55 percent of IT executives. If the benefits of Web 2.0 are not clear (and measurable), achieving buy-in among senior management will be problematic.



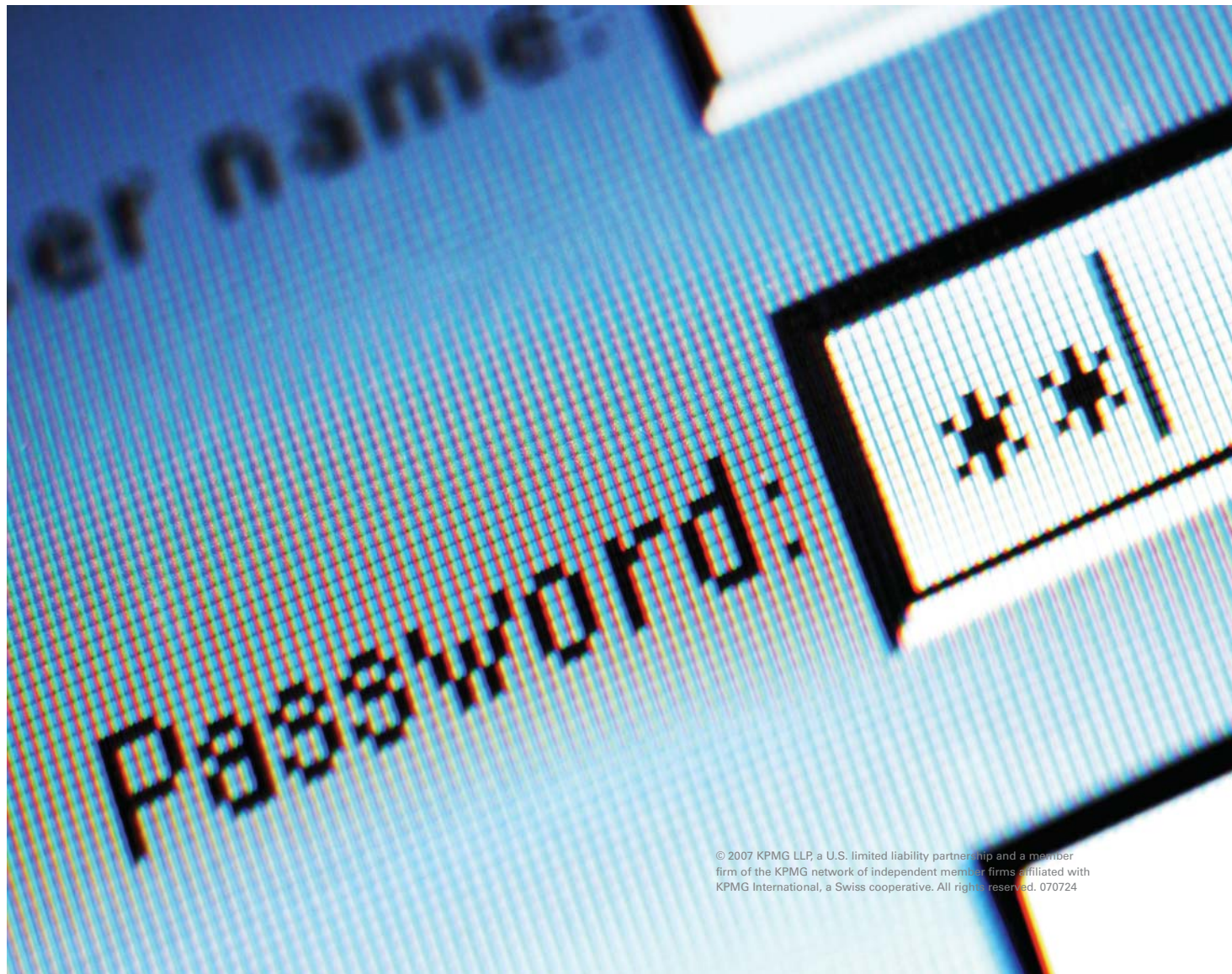
Even more than relevance, companies view security as the primary challenge to incorporating Web 2.0 into their business processes.

More than half of all respondents (52 percent) feel that protecting and securing critical data is the chief barrier to adoption. About one quarter of those surveyed believe compromised financial and business information is the leading risk associated with Web 2.0, while more than 22 percent believe Web 2.0 could lead to breaches of proprietary data.

Chart 6

Chart 10

Given this concern about security, what are companies willing to do to address the risks they see in Web 2.0?



Implementation of Web 2.0 governance structures varies by industry, with some industries indicating they are “already there” and others planning to make significant changes in the next two years.

Many executives responding to our survey indicated their organizations have not yet addressed the risks of Web 2.0 in any systematic way. Fewer than half (47 percent) say they’re currently putting in place governance programs that will guard data from unauthorized external access. Meanwhile, only 28 percent say they have included Web 2.0 tools in their risk management processes.

Chart 11

Below we see some of the policies respondents were asked about, and take a look, by industry, at the extent to which their organizations have put those policies in place or plan to do so.

Clear Web 2.0 policies are in place, protecting digital content from unauthorized access.

- **IT/technology companies:** 52 percent have these policies in place already, with 48 percent indicating they will do so in two years. This indicates that most tech companies are “already there” and those that are not will be soon.
- **Financial services:** 60 percent say they have policies in place; 40 percent plan to do so in two years. Like IT companies, financial-sector organizations seem well aware of the risks of Web 2.0 and have taken steps to head them off.
- **Consumer goods:** Perhaps surprisingly, just one quarter of survey respondents in this sector say they have Web 2.0 policies aimed at protecting digital content.
- **Telecommunications:** Just over one third of respondents (35 percent) say they already have policies in place. The remaining two thirds (65 percent) indicate they will have policies in place in two years.
- **Entertainment, media, and publishing:** Like telecommunications, this sector is behind the curve. But plans are in place to tighten security related to Web 2.0 applications. Currently, just one third (33 percent) of respondents have security policies, but two thirds (67 percent) say they will move to close this gap within two years. Similar figures are noted for the governmental/public sector.
- **Automotive:** So far only 40 percent of respondents in this sector have taken steps in this area, with the remaining 60 percent saying they will do so by 2009.
- **Construction and real estate:** Half of respondents say they’ve got security plans in place, with the other half planning to join them within two years.





Companies are assessing and managing digital security provided by third-party vendors.

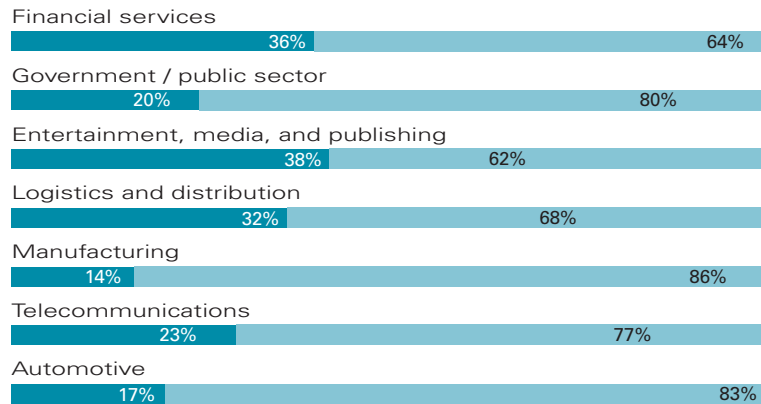
When working with Web 2.0 tools and exchanging intellectual property, companies realize they are only as secure as their business partners, a realization reflected in these results.

- **Telecommunications:** Currently, less than one third of respondents (31 percent) have policies and procedures for assessing third-party security practices; however, this percentage is predicted to jump to 70 percent in two years.
- **Energy and natural resources:** These companies plan similar security enhancements. Currently, just 37 percent have policies in place, but 63 percent say they will have policies in place by 2009.
- A similar situation exists among companies in **entertainment, media, and publishing**, with only 38 percent indicating they have policies in place now, and 62 percent saying they have plans to implement policies within two years.
- **Government/public sector:** Currently, one quarter of respondents say their entities have third-party digital security processes, with three quarters saying they will implement them in the next two years.



Governance of Web 2.0 at the enterprise level should become much clearer in the next two years.

Delineating ownership and control of Web 2.0 is an area where the survey showed big gaps between the level of governance companies currently have in place and the level they plan to have within two years.



1 Current level of governance 2 Within two years

ICE and non-ICE organizations show significant differences in attitude toward Web 2.0.

Companies in the Information, Communications & Entertainment (ICE) sector have clearly adopted Web 2.0 technologies more widely than their non-ICE counterparts.

Chart 4

Personal use of particular tools—wikis, mash-ups, tagging, RSS (really simple syndication) feeds, and social/professional networking sites—is far more prevalent among employees at ICE organizations than it is at non-ICE companies. The same

Chart 5

holds true for the business use of Web 2.0 applications. ICE companies make greater use of online communities (55 percent versus 44 percent for non-ICE) and collaborate with customers using Web 2.0 tools far more than non-ICE companies do (28 percent versus 19 percent).

Chart 7

More fundamentally, ICE companies seem to place greater faith in the potential benefits of Web 2.0. For example, 46 percent of ICE companies strongly believe that Web 2.0 currently helps or soon will help them improve their time-to-market. Less than a third of non-ICE companies (31 percent) believe this is true. Other areas where the two groups show significant differences in opinion are:

- Whether Web 2.0 will help with problem solving (23 percent of ICE companies say it will, compared with just 15 percent non-ICE respondents)
- Whether Web 2.0 will help companies generate leads and build relationships with customers (22 percent of ICE companies say yes, versus 13 percent of non-ICE companies).

This suggests that ICE companies may have work to do in convincing their non-ICE customers of the importance of Web 2.0.

Conclusion

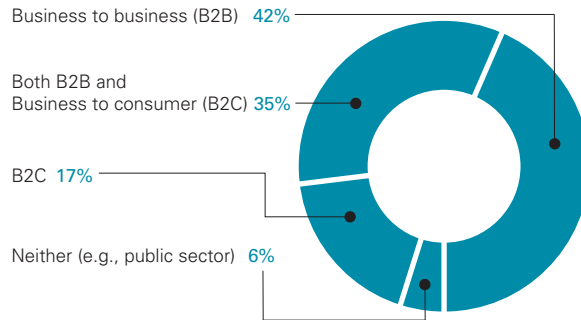
Many organizations seeking to understand how emerging technologies will affect their businesses tend to focus on the technologies. Yet, the real issues are often human. Cultural barriers thwart the adoption of new applications. Conservative attitudes make organizations reluctant to embrace an open-standard platform that gives outsiders unprecedented visibility into the inner workings of the enterprise.

Yet proponents of Web 2.0 say it is only by permitting greater transparency, and by fostering greater collaboration and knowledge sharing across organizational boundaries, that companies can reap the benefits of tomorrow's emerging technologies. Given that Web 2.0 holds the potential for increased productivity, more effective collaboration, and enhanced problem-solving capacity, it seems likely that many companies will want to at least try to incorporate Web 2.0 into their businesses. The challenge will be to do so in a way that delivers maximum benefits while protecting the enterprise and its assets.

Appendix

Chart 1

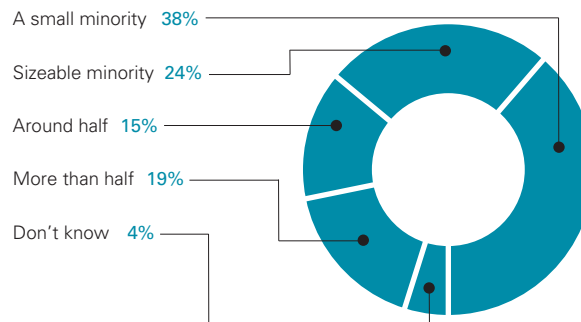
How would you describe your organization's business model?



Source: Enterprise 2.0 Survey, KPMG International, 2007

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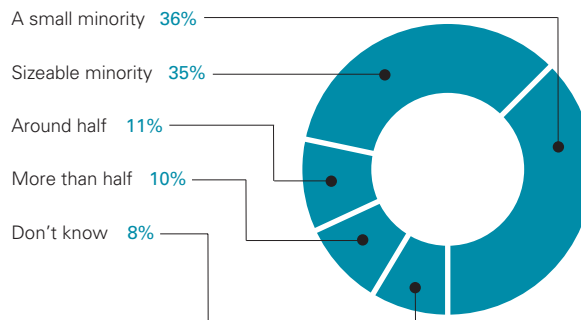
In your estimation, what percentage of your organization's workforce can be considered active Web 2.0 users* in their day-to-day jobs?



Source: Enterprise 2.0 Survey, KPMG International, 2007

3

What percentage of your organization's customers would you say are active Web 2.0 users*?



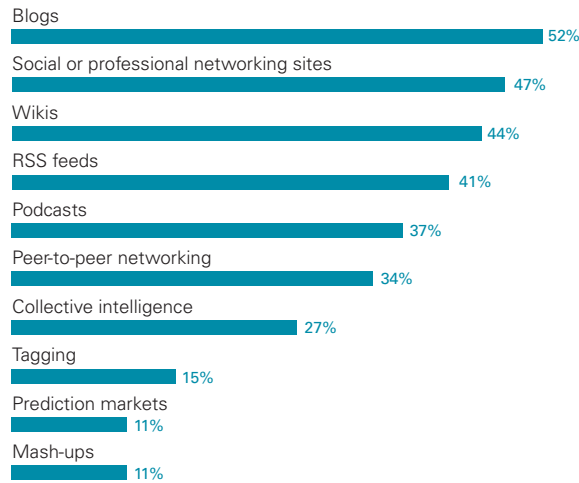
Source: Enterprise 2.0 Survey, KPMG International, 2007

*Active users = daily users.



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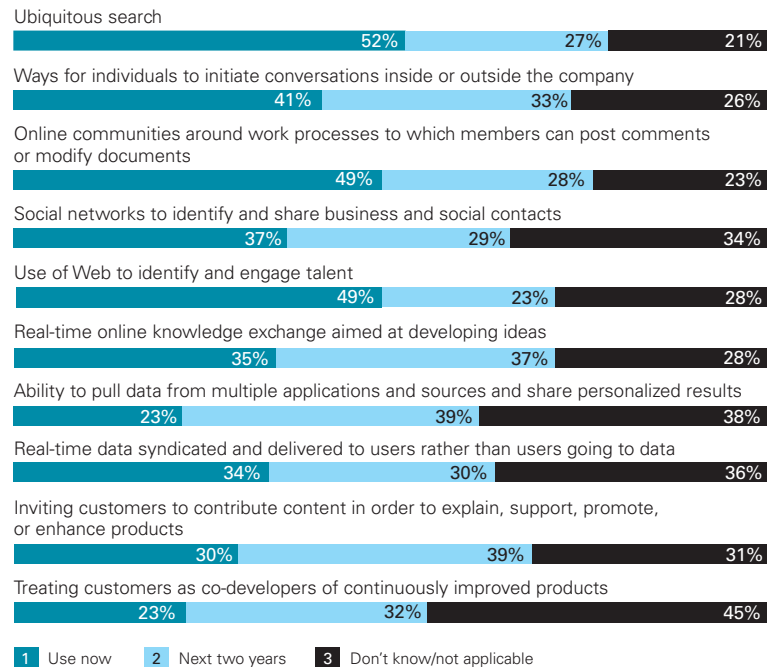
Which of the following Web 2.0 technologies do you use daily? (Select all that apply.)



Source: Enterprise 2.0 Survey, KPMG International, 2007

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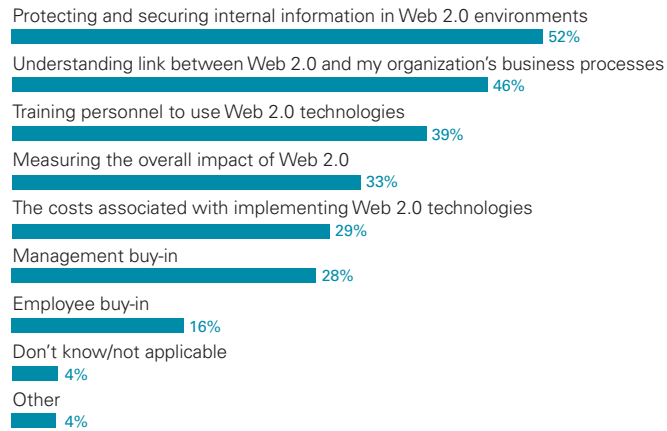
Which of the following Web 2.0 concepts or technologies does your organization currently use? And which does your organization plan to use within two years?



Source: Enterprise 2.0 Survey, KPMG International, 2007

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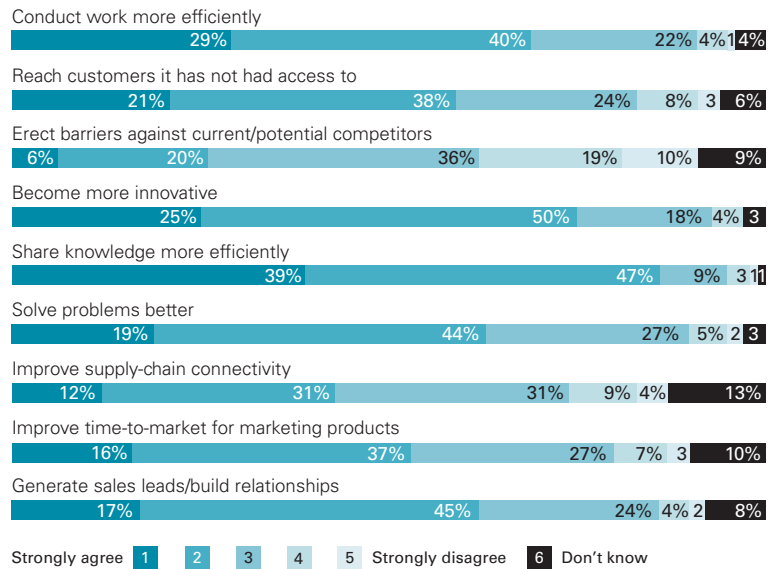
What are the biggest challenges for your organization in adopting Web 2.0 tools—whether in a given business unit/function or across the enterprise? (Select up to three.)



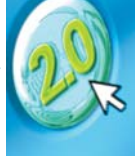
Source: Enterprise 2.0 Survey, KPMG International, 2007

7

Web 2.0 technologies allow, or soon will allow, your organization to do the following: (Rate on a scale of 1 to 5 where 1 = Strongly agree, 3 = Neutral, and 5 = Strongly disagree.)

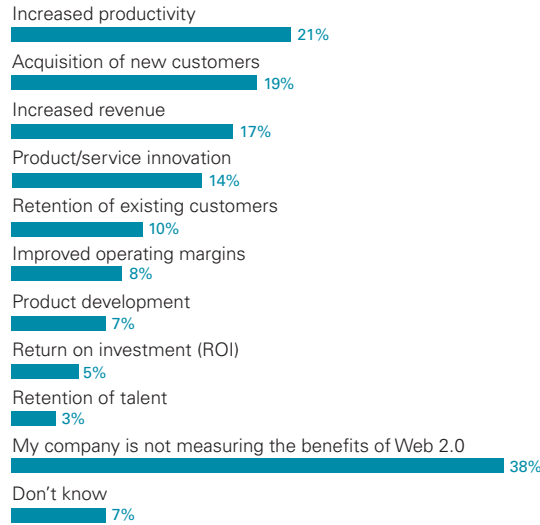


Source: Enterprise 2.0 Survey, KPMG International, 2007



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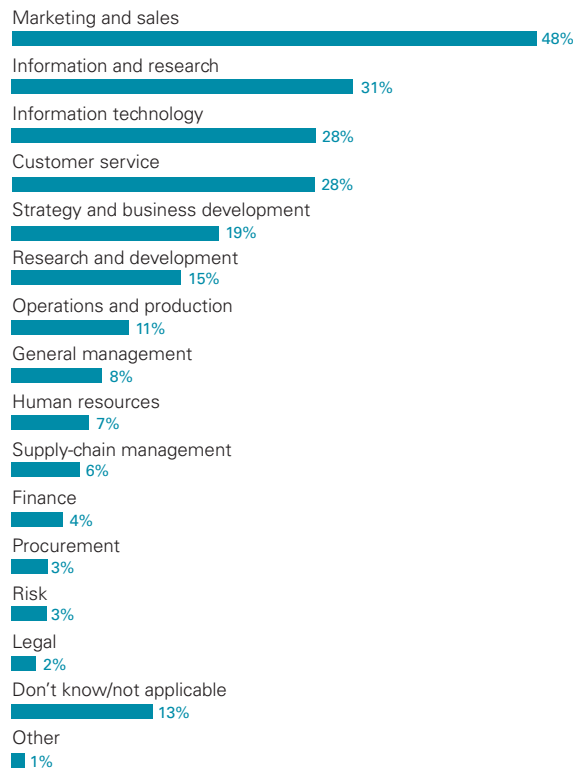
How does your company measure the benefits of using Web 2.0?
(Select up to two measurement criteria.)



Source: Enterprise 2.0 Survey, KPMG International, 2007

9

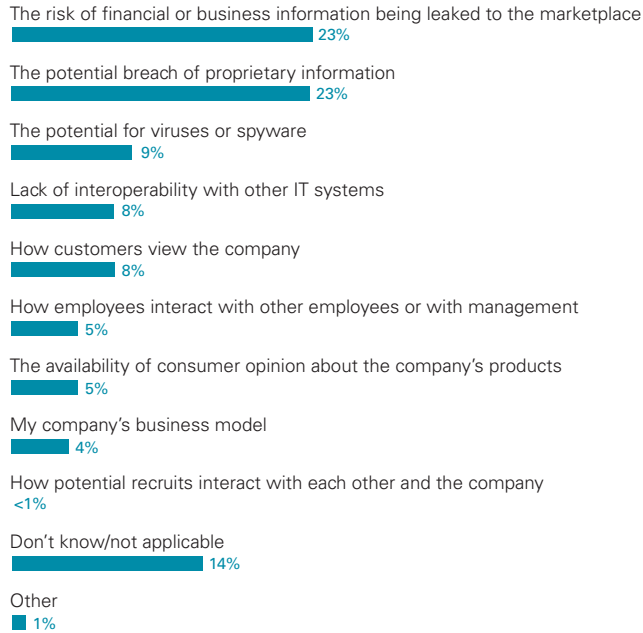
If your company uses Web 2.0 tools, which business functions would you say are making the greatest use of those tools?
(Select up to three.)



Source: Enterprise 2.0 Survey, KPMG International, 2007

10

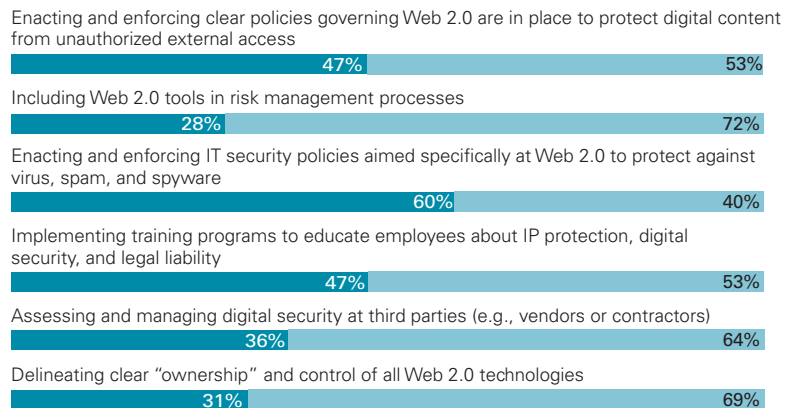
Which of the following dimensions of your organization's business do you think is most likely to be put at risk by Web 2.0? (Select one.)



Source: Enterprise 2.0 Survey, KPMG International, 2007

11

In response to the risks created by Web 2.0, which of the following actions has your organization taken? And which actions will it take in the next two years? (Select all that apply.)



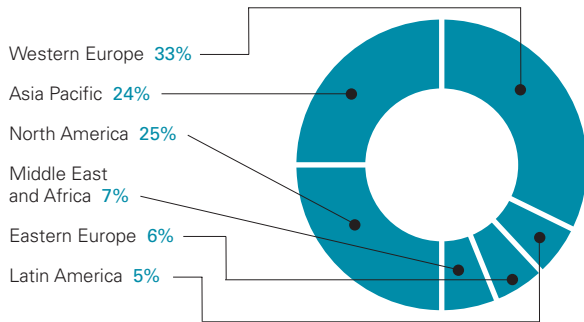
1 Now 2 Within two years

Source: Enterprise 2.0 Survey, KPMG International, 2007



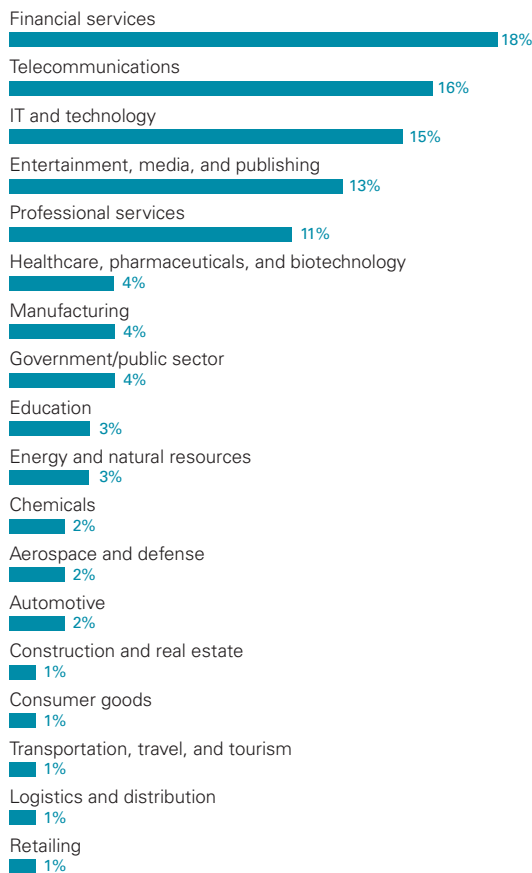
Demographics

In which region are you personally based?



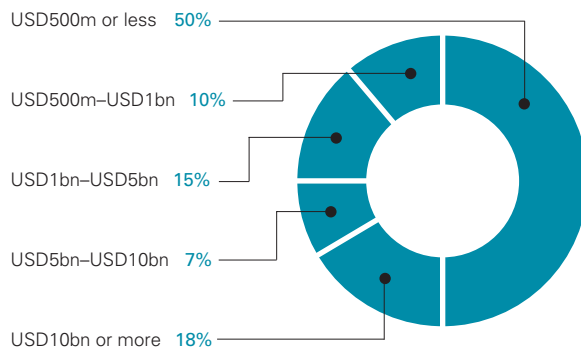
Source: Enterprise 2.0 Survey, KPMG International, 2007

What is your primary industry?



Source: Enterprise 2.0 Survey, KPMG International, 2007

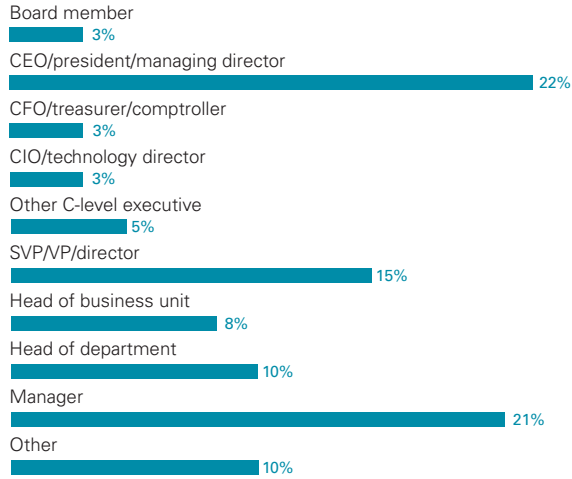
What is your company's annual global revenue in U.S. dollars?



Source: Enterprise 2.0 Survey, KPMG International, 2007

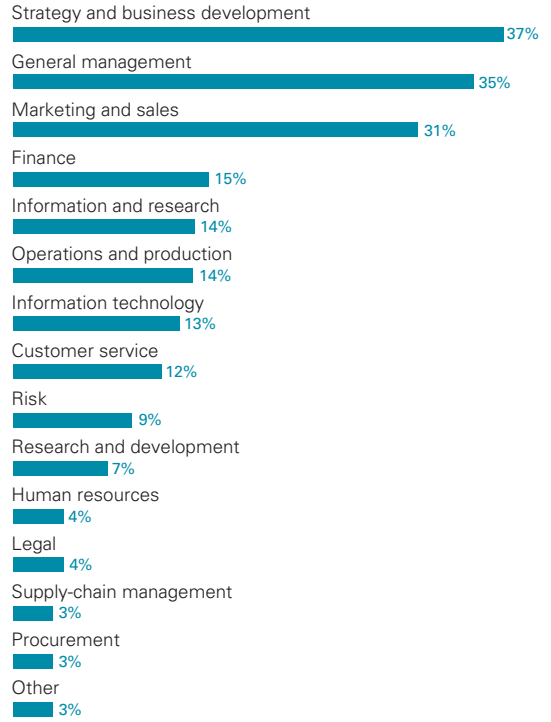
Continued on next page.

Which of the following best describes your title?



Source: Enterprise 2.0 Survey, KPMG International, 2007

What are your main functional roles?
(Select up to three functions.)



Source: Enterprise 2.0 Survey, KPMG International, 2007



About the Author

Gary Matuszak is a partner and global chair of KPMG’s Information, Communications & Entertainment practice. A business adviser to many of the world’s leading high tech companies, Mr. Matuszak is active in thought leadership as well as various industry and community organizations in the United States and around the world.

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The Impact of Digitalization – A Generation Apart

The report examines the impact of new digital media on consumer generations, from Baby Boomers to Generation Y, and features interviews with David Weinberger, author of *The Cluetrain Manifesto*; Chris Anderson, author of *The Long Tail*; Frances Cairncross, author of *The Death of Distance*; Cory Ondrejka, chief technology officer of Linden Labs and creator of Second Life; and Paul Saffo, a forecaster and fellow of The Institute of the Future.



The Digital Bubble: Balancing Operational Challenges with Growth

This white paper addresses some of the critical market conditions media and communications companies face in a digitized world, including the conditions that point to the possibility of a digital bubble.



Revenue Assurance for Digital Content: Adequate Controls for Optimal Performance

Marketing content via digital channels is on the rise for a growing number of companies and sectors and has emerged as a substantial and lucrative revenue component. This paper examines the assurance issues posed by these new revenue channels.



Consumers and Convergence: Challenges and Opportunities in Meeting Next-Generation Customer Needs

This global survey, completed in late 2005, examines consumer trends in digital services across the mobile, PC, and home entertainment platforms. The 2007 survey, released in October 2007, extends this analysis to those factors that drive consumer loyalty to a given site, platform, or device.

