

Chapter 73

Web 2.0 and Its Implications on Globally Competitive Business Model

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ABSTRACT

Considering the impact of using social media, both internal and external implications for company operations are required to be explored. The chapter explores how social media is used to enable innovation practices in company internal operations as well as external stakeholders. In addition, the objective of the study is to evaluate the need and scope of Web 2.0 behind the restructuring of the business model, with major emphasis on implementing a user-centric business model. The research questions include: (a) What are the Critical Success Factors (CSF) responsible for attracting and engaging users in Web 2.0-oriented business processes and practices?; (b) Identifying the scope of effective Web 2.0-based strategies to overcome internal resistance at operational as well firm level during deployment of new business model. The chapter also discusses the influence of Web 2.0 concepts in the Web-strategy formulation for organizations with differing requirements, characteristics, and objectives. Considering four types of Web-based business models (Wirtz, 2010), namely (a) content-oriented business model, (b) commerce-oriented business model, (c) context-oriented business model, and (d) connection-oriented business model. The chapter defines the implementation of Web 2.0-based technological strategies in evolving the business model of the firm.

1. INTRODUCTION

To remain competitive, firms must continuously develop and adapt new business models (Wirtz, et al. 2010); there are alternatives available for such transformations. Importantly, the techniques, level of adoption and blending with existing busi-

ness processes are considering factors during the transformation phase. Companies commercialize new ideas and technologies through their business models. While companies may have extensive investments and processes for exploring new ideas and technologies, they often have little if any ability to innovate the business models through which

DOI: 10.4018/978-1-4666-8751-6.ch073

these inputs will pass. These matters – the same idea or technology taken to market through two different business models will yield two different economic outcomes. So it makes good business sense for companies to develop the capability to innovate their business models (Chesbrough, 2010). The term “Business model” signifies the operation and output system of a firm which creates value. During the past two decades, with the evolved economic era, business models as well transformed from Market penetration to Market exploration (Miles et al., 2000). It can be thought of as consisting of several sub-models or domains, specifying which resources go into a company (sourcing domain); how they are transformed (value generation domain) into marketable products or services (value offering domain); how the products and services are transferred to the customer (distribution domain); and how revenues are generated and obtained from business partners (revenue domain) (Wirtz, 2010).

Existing firms’ attempts at transformative growth typically generate from a product or technology innovations. Their efforts are often characterized by prolonged development cycles and fitful attempts to find a market. Truly transformative businesses are never exclusively about the discovery and commercialization of a great technology. Their success comes from enveloping the new technology in an appropriate, powerful business model. Breakthrough, game-changing products rarely emerge from established businesses. That’s because a radically new product usually needs a new business model. It’s possible to surpass the business challenges if a firm is known for: 1) Understanding of the existing business model, so that the firm is in a position

to reinvent it; 2) Existing mindset of internal customers towards the future change in the business model. Theoretically, Existing firms do not succeed with radically new product offerings unless they understand exactly how the opportunity relates to their current business model and priced accordingly.

In the corporate context, Social Media tools are being used for content generation, community building and harnessing information (Vuori, 2012). Social media can be used within employees and between supply chain partners (Chui et al., 2009). Essential Web 2.0 technologies include blogs, wikis and interactive platforms (Ahlqvist et al., 2010). Blogs and wikis enable exchange of information and facilitate collaborative authoring and information exchange (Kaplan and Haenlein, 2010; Majchrzak et al., 2006). In 2006, Howe (Howe, 2006) coined the term “Crowdsourcing” to describe company efforts to outsource an activity to the crowds, representing an entirely new business model. The premise in crowdsourcing is using collective intelligence, i.e., the wisdom of the crowds (Surowiecki, 2004).

Crowdsourcing can be regarded as a practice of open innovation where a company regards its customer and end-users as a source of innovation, tapping into their innovative, tapping into their innovative capabilities in a systematic way (Leimeister et al., 2009).

At the firm level, social media has become a perspective set of tools that can be used for evaluating the performance of existing business processes, to evaluate the state of internally focused as well externally focused processes and their applications (Vuori, 2012) (see Table 1). As per McKinsey Quarterly, in global survey (McKinsey, 2011),

Table 1. Internal and external focused business applications (Source: Vuori, 2012)

	Internally focused applications	Externally Focused Applications
Communication	Blogs, Discussion Forums	Blogs, micro blogging, social networking, online broadcasting
Collaboration	Internal idea crowdsourcing service	External idea crowdsourcing service.
Connecting	Internal networking site, corporate wikis	Customer forums, on-line communities, virtual worlds

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