

Chapter 9

Corporate Added Value in the Context of Web 2.0

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ABSTRACT

Firms have faced and explored the increased use of Web 2.0. Driven mainly by private users, Web 2.0 may also have significant implications for corporate actions and business models. By systematically scanning and verifying possible positive and negative effects on the value of their creation, firms might be able to formulate and establish well-grounded strategies for corporate Web 2.0 applications and services. To establish such a process in an effective and adequate manner, it is necessary to analyze the relationship between Web 2.0 and corporate added value. This chapter contributes to these efforts by demonstrating that the corporate use of Web 2.0 applications is reinforced by fundamental and long-term business trends. The discussion pertains to the possibilities emerging from the application of Web 2.0 paradigms to business models: the market model, the activity model, and the capital market model. The potentials, risks, mainsprings, and restrictions associated with the corporate use of Web 2.0 are evaluated.

INTRODUCTION AND BACKGROUND

Firms have faced, and already explored, the increased use of Web 2.0. Due to the popularity of their offers, Web 2.0 applications enjoy the recognition of many private user groups. Companies, however, miss the added value of the applications. This chapter addresses this area of conflict. The companies, which expect an added value by using corresponding

offers, are of particular interest. The present chapter concentrates on the following: the internal effect amongst others through increasing networking, the simplification of communication through network-effects, increasing user-participation, and external effects (“prosumers,” “mashups,” etc.) from the use of Web 2.0. One major aim is to analyze the potential to support or thwart these trends by comparing paradigms of Web 2.0 with general trends which have an influence on the added value of a company. Following the definition of basic terms,

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essential trends and their consequences on the Web 2.0 are discussed in terms of three sub-models of business. Building on this, the chapter details the chances and risks for corporate application of Web 2.0 paradigms.

The term “Web 2.0” suggests a fundamental technological improvement by assigning a version number. This misleads insofar as it is preferably used for the characterization of a new use of Internet-technology. Common characterizations of Web 2.0 are mostly based on seven paradigms defined by O’Reilly (2005): “The Web as a Platform,” “Harnessing Collective Intelligence,” “Data is the Next Intel Inside,” “End of Software Release Cycle,” “Lightweight Programming Models,” “Software above the Level of a Single Device,” and “Rich User Experiences.”

This paradigm-catalogue clarifies the current understanding of Web 2.0 as a phenomenon, occurring in an area of conflict, which contains technological, socio-cultural, and economic influences as poles. It is essential to consider these influences as bundled. However, from the aforesaid paradigms, O’Reilly derives seven core-competences which companies should possess in case they want to implement approaches of Web 2.0 in their business processes. To this, he adds use and service instead of software packages, which are characterized by a cost-efficient scalability. He next defines the control of unique data-sources, which are hard to copy and whose value increases proportional to their frequency of use. As a third factor, correspondent companies should believe in the users as co-developers. The willingness to capitalize on collective intelligence is then presented, and the achievement and use of “the long tail” of small websites by establishing communities is fifth. A sixth core-competence is defined by the creation of software beyond the borders of individual devices, which are influenced by a seventh attribute -- the use of “light weighted” user interfaces and adequate development, especially business models (O’Reilly, 2005).

Paradigms and components of companies’

use of Web 2.0 normally require an adjustment to established business models. This is clarified by the above-mentioned core competences which mostly don’t exist bundled in companies. O’Reilly specifically explains this relation by pointing out the requirement for adequateness to business models as a separate core competence. By that, he characterizes a close relation between efforts and possibilities in the corporate use of Web 2.0 and the design of business models. Concerning business models, it should be emphasized that the concept is a further development of the strategy-concept, which has been discussed for 40 years in the literature (Chesbrough & Rosenbloom, 2002; Knyphausen-Aufsess & Meinhardt, 2002). This discussion offers possibilities of a structured analysis of corporate added value activities (Magretta, 2002). According to such an analysis, business models help corporate organizations to systemize their actions so that they can support the analysis of corporate added value. The models are discussed as a basis for corporate service provision (Pigneur, 2000). Consequently, they are considered analytical units for corporate added value activities. As a result, they offer the ability to describe the aims and tasks of corporate acting (Grob et al., 2005; Hoppe & Breitner, 2003). These can be compared to approaches of Web 2.0 as well as common trends.

Web 2.0 Business Models

Web 2.0 offers innovative possibilities for the adopting companies. Corporate action is normally determined by effective trends in the long run. Some essential trends in the context of Web 2.0 are discussed in the following.

For an effective discussion of business models, it is necessary to consider the constituent elements separately. Business models are decomposed into sub-models to fulfill this task. Hoppe and Breitner (2003) propose a regulation framework for that. The authors focus on the middle-term and long-term profit maximization of the concerned

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