



WINNING BY SHARING

A new way of working, a different way of doing business

Léon Benjamin

A

BUSINESS FOR GOOD
making a difference, one enterprise at a time

PUBLICATION



For my wife Kerry, and our adorable children.



Thank you

Chantal Benjamin, my brilliant sister. Bianca, my indestructible mother. Anna Pollock, my best friend. Christine & Alan Kirtley, Mable MacAteer, Paul Billinge Sarah, Stoten, Mark Evans, Tom Harper, Henry Smith, and Leo Rutherford, for their life saving support. Jan Kolasinski, Mike Southon, Reg Athwal, and Steve Rock for their early advice and guidance.

My colleagues on the management team at Ecademy, Glenn Watkins, Thomas Power, Julian Bond, Andrew Widgery, Penny Power, Paul Sherman. Every member of Ecademy.com. Helen Bassett and Andrea Gutwirth for their 'final push'. Kerry Santo for showing us the way.

IN REMEMBRANCE

My twin brother, Adrian Benjamin.



WALKING THE WALK

These companies and individuals are *Winning by Sharing*. Without them, the publication and distribution of this book would not have been possible.

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The Big Picture

This book provides an *insight* into the profound changes ahead of us. The intention of The Big Picture is to provide a *guide* to surviving and thriving in the network economy. Big Pictures are designed to help people explain anything, to someone else, *in ten minutes*. You can use this A1 size mini-poster to explain the book to your friends, colleagues and family, or just take it to a dinner party as a conversation piece. We hope it's as thought provoking to you, as it was for us creating it.

Enjoy!



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Forward

During the development of this book, I sent friends, family and colleagues the first draft to read for their review. One of these is from a friend and collaborator who gave up his career in IT to become a teacher – a transition which he does not regret making. His response largely describes the purpose of this book:

“There is a lot in what I have read so far that resonates. In fact, you could say, that the reason I am no longer a corporate clone is because for years I felt exactly, as you say, that 80% of what I was doing was a complete waste of time.

I have fantasised for some time about writing a book called "My Life as a Cog" (I don't know if you get the cinematic reference) which would be an account of the empty and meaningless experiences I had working for some of the largest international companies in the world.

It is a shame that (a) I was not 10 years younger when I first met Ecademy, and (b) I was such a disaster at running my own business, otherwise a lot of what you are talking about in the book could have made a difference to my career decisions”.

Consider this book as news from the front; for those who belong to upstarts, call centre agents who've lost their jobs to the Far East, the talent that is being forced out of large companies and the risk-takers among the big companies, who are willing to bet more heavily on the future than they do on the past.

"Winning by Sharing" is for anyone for whom the Internet has caused a fundamental change in attitude towards work and the realisation that a 'career' has ceased to be a feasible way to organise working life. Despite the difficult and sometimes painful transition I am still making to cope with the network economy, I now view work as an instrument of self-development and personal autonomy, and entrepreneurship not as a status symbol, but as an attitude. An attitude I think everyone is going to need.

Like many authors, I'm re-cycling other people's material and re-interpreting it based upon my personal experience, relationships and market knowledge, to tell people that there is an alternative way of working and a different way of doing business. My approach is based on Albert Szent-Györgyi's insightful dictum "Discovery consists of seeing what everybody has seen, and thinking what nobody has thought."

It's become commonplace in commerce today to apply the biological metaphor to solve or explain complex business problems, and I guess I'm no different. I've always been fascinated with



chemistry. When I was eight I wanted a chemistry set and when I was nine, I wanted a bigger chemistry set. I didn't want to create explosives and blow up the garden shed, or make cheap alcoholic drinks to accompany my midnight feasts. I found the whole concept of creating something with completely different characteristics from its constituent parts totally captivating. I was particularly drawn to which elements created stable compounds and which ones created unstable compounds.

It took several years for me to realise why. During this time I read Mendel's laws of genetics, which still hold true today 140 years after his discovery; Watson and Crick's Double Helix on the discovery of DNA and by the age of sixteen was determined to become a genetic engineer. In my year out from school in 1981, I advised Prudential Bache Securities in London on which startup genetic engineering companies were the best long term investments despite the preponderance and huge budgets of the incumbent pharmaceutical companies. My 'big bet' was always Genentech that is now hugely successful. Had I the money to invest at the time, I would have been a rich man ten years ago.

I've continued to be quite adept at picking these winners, particularly in my chosen field of computing and specifically communications. Right now my big bets are on Bowstreet, a web services software vendor whose product concepts are introducing completely new business models, influenced by Don Tapscott's ground breaking book Digital Capital; and ResponseTek, whose real time customer feedback software is, for the first time, telling brands what customers really think of them - but more on this later.

It wasn't until I re-took my chemistry 'A' level, that I re-acquainted myself with the concept of valency. This is basically how it works. Elements in their purest form have one or more positive or negative charges. At an atomic level, when these elements combine to form compounds they give up electrons, absorb electrons or share electrons. The most stable compounds are created when electron sharing occurs. The light went on for me. I instantly identified with the relationship between sharing and stability in just about every facet of life and what happens when you give or take too much. I spoke at a conference in Brussels, twenty years later in early 2002 and learned that recent European research had unequivocally found that the most sustainable, non-destructive means of creating value was by sharing competencies, relationships, and intellectual capital across traditional company boundaries. In other words, the most economically productive approach to commerce was by cooperating in a more profound way than has previously been practised in business, and so I co-opted the dictum 'winning by sharing'.

Welcome to those people who recognise the changing concepts of value, from hard assets to intellectual property and relationship capital, for knowledge workers and micro-businesses who are crucial to global economic regeneration and have realised that the career, as an institution, is



in un-avoidable decline. Unfortunately, public policy is still based on the assumption that careers are the most desirable form of employment, and that they can be offered to more and more of us.

Tales of Power

Highlights

- A chasm in mind sets between corporations and entrepreneurs
- The horror of corporate transparency
- The blindness of corporate firewalls and how they stunt vision and curiosity
- Unproductive interactions are killing companies
- Online communities and networks are far more efficient than command and control organisations

The challenge with understanding the concept of winning by sharing is that it requires the thinker to let go of their reason and their natural instinct to rationalise everything. This is well illustrated by the Prisoner's Dilemma, an idea conceived to explain the mathematics of non-zero sum games. Consider a hypothetical scenario where two people have been arrested for committing a crime and are being held separately. The police interview each of them and offer a deal. The prisoner who offers evidence against the other will be freed. If neither of them accepts, they are co-operating with each other and both will only receive a small punishment because of lack of proof. Each prisoner has only two options but have a dilemma because each cannot make a good decision without knowing what the other one will do. The problem with the prisoner's dilemma is that if both prisoners were purely rational, they would never co-operate because natural selection dictates a decision that is best for you whatever the other person chooses. In this mathematical model, the only scenario in which there is net positive gain for both parties is if they both co-operate.



Unfortunately, mainstream business does not work this way despite high profile alliances and partnerships which so often breakdown. Customers aren't real people but only ARPU (Average Revenue Per Customer) on the balance sheet and the reality is that most companies adopt an adversarial posture towards their employees, customers, partners and suppliers, despite all of their trendy PR. Corporate social responsibility programmes are mostly reactionary, devised to avoid appearing on un-eco friendly and un-ethical lists of companies that fund managers may boycott for fear of consumer backlash. Government funded organisations responsible for distributing funds for social programs to help people escape the poverty trap, start new businesses or stimulate economic activity in some way, are frankly run by naïve posh people with an identity crisis, who perpetrate the most inexcusable and insulting form of degradation.

However, new organisational forms are now emerging that are co-operating to compete, creating wealth, collaborating at blinding speed and winning by sharing. They are providing us with a sneak preview of a powerful new way of doing business that enriches work/life balance, celebrates the differences between people and their cultures, and creates an atmosphere of trust, transparency and responsibility. These new organisations are creating online clusters of deep support that are enabling us to work in completely new ways. Ways that suit the individual whilst providing even greater benefits for the organisation(s) the individual works for. Brands and big business are completely unaware and cannot understand that it's possible to be in control, without controlling.

The Bush Hotel

I could not write this book without describing how I got involved with an organisation called Ecademy, founded by Thomas and Penny Power, supported by Glenn Watkins, CEO, Julian Bond CTO, Andrew Widgery and Paul Sherman. Many of my experiences in the past four years are drawn from my involvement with these people, their community and in particular, Thomas Power.



My first contact with Thomas was when a colleague invited me to an Ecademy event in 2000 at the Media Club in London. I subsequently developed an online relationship with Thomas after he published a book in 2001 called 'Ecosystems – Living the 12 Principles of Networked Business'. I criticised the book for reasons that are irrelevant now, but, to my surprise, rather than cease a dialogue with me, Thomas actually embraced my objections and invited me to meet with him. We met at the Charing Cross hotel and I did the proper thing: bought a copy of the book and asked him to sign it.

We talked about new business paradigms, people, technology, and, of course ourselves. We basically clicked and Thomas offered me a job. But this was a very different type of job. A few months later Thomas called a meeting at the Bush Hotel in Farnham, in Surrey's leafy stockbroker belt, inviting the people whom he most respected commercially and technically to help him devise a completely new business model for Ecademy. There were about fifteen of us and we thrashed out and brainstormed lots of different ideas.

At that time, the bottom had fallen out of what was left of the IT market following the dot com bomb and the tragic events of September 11. Most of us had technology backgrounds (Ecademy's roots are in eBusiness) and were focused on how we were going to feed our families. Ecademy had no VC cash, no wealthy benefactors, no smart offices, no expense accounts and no salaries - just a compelling idea and a cause that resonated with some of us. Only Julian and I decided to buy into this. We are both shareholders now. For me, Ecademy is an extension of my family and without it I doubt I would have survived the past four years, emotionally, socially or financially.

Julian has developed online networking functionality that is sufficiently rich for people to pay for. He has managed to create a platform that can derive multiple sources of revenue, in many cases, at zero incremental cost. This is a non-trivial exercise for a single individual, particularly as he continues to add function that eclipses Ecademy's VC backed competition.



Andrew Widgery surfaced within Ecademy after the creation of Ecademy Clubs. These, as we shall see later, are crucial to the effective organisation of online community. Andrew created and led the most successful geographic club based in Surrey and has since organised Ecademy's offline community to a point where over 80 events take place in the UK every month, with an average attendance of 15 people. He has effectively created a massive barrier to entry into the market by our competition, and this characteristic continues to be a major, major differentiator for Ecademy. He is now an integral part of the management team and UK National Development Director.

Glenn Watkins does one thing extraordinarily well. He takes the risk out of everything we do, thereby massively increasing the chances of Ecademy's financial success. He also develops and manages relationships with partners that will act as a model for others to follow and has guided Ecademy to deliver the most elegant subscription based model in the online community space today.

Ecademy is Penny Power's idea, which she conceived in Farnham's Pizza Express in 1998. Her influence on the personality of Ecademy's network cannot be overstated. Penny has made the network female.

It's easy to persuade, coerce or control when you 'have budget', dozens of direct reports and bonus payments to assign. These people have created a large, vibrant community of like-minded individuals based on personal power. The Toltec Indians describe people with personal power "to be like the flame of a candle which, in spite of being up against the light of a billion stars, remains intact, because it never pretended to be more than what it is: a mere candle."

We sell openness

We decided that our future lay in organising and managing an online community but we couldn't figure out how to monetise it. So Julian redeveloped the online platform with (free) open source



technology and I became a 'chief' consultant working on assignments mostly for BT, where Thomas leveraged his relationships with senior executives at board level. Ecademy derived its revenue from consulting, books, speaking and sponsorship until it switched on its subscription model in December 2003.

Leading up to the introduction of subscriptions, Ecademy started selling Trusted Networks to brands as it continues to do today, with Regus and Microsoft as customers. Trusted Networks are clones of Ecademy's platform, configured geographically, topically or brand specific. The first to launch was the Wi-Fi community (now Wireless) and BT was lobbied to sponsor and fund its development. The usual cycle of meetings, proposals and presentations took place, most of which aimed to educate BT on what online networks actually are, what they do and what benefits could be derived from them.

In one meeting, an executive asked the question, "What does Ecademy actually do?". Thomas answered in one short sentence, "We sell openness". The room fell silent. It was as if he'd just asked everyone to line up against the wall to be executed. At least twenty minutes of debate ensued where Thomas attempted to explain exactly what he meant. I don't have a transcript of the conversation, but it went something like this.

Execs: "What do you mean by you sell openness?"

TP: "Well, we have developed an online networking platform that enables people to search and discover each other"

Execs: "Why would they want to do that?"

TP: "Because they are micro-businesses and entrepreneurs who want to network with each other"

Execs: "Why?"

TP: "Lots of reasons. They seek contacts, business partners, customers or are socially or professionally lonely"

Execs: "So what's that got to do with us?"



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TP: "A lot of our members are geeks and in particular Wi-Fi enthusiasts. So, if you're launching a nationwide service, they can help you test and promote your offering. They're also a target rich community of potential customers"

Execs: "What if they don't like the service or complain online? We don't want our brand trashed in public"

TP: "It's just as valuable to get negative feedback. Our platform will enable you to engage in a dialogue with your market. We don't permit anti-social behaviour but we do encourage free speech, honesty and openness. You would have an insight on how to change the packaging or pricing of your product based on real customers, talking back to you in real time. This could save you money"

Execs: "We're not sure we have the time to engage this way. Are there any other benefits?"

TP: "Yes, but the most valuable one is that members see in your answers not just words but a real sense that employees care and that BT is confident enough in what it stands for to allow employees to say what they want. As a result, the company's social commitment avoids sounding like every other company's trendy PR. Because we manage and organise the community, BT's lack of direct control is precisely equivalent to the depth of its real commitment."

Execs: "Interesting. And what's the ROI (return on investment) on all this?"

Cluetrain 21: "Paranoia kills conversation. That's its point. But lack of open conversation kills companies"

Even though we had all worked in large corporations and appreciated the legal, marketing and organisational implications of implementing online community, it suddenly dawned on us that the prospect of a brand engaging with its customers in a public online space was actually terrifying. We talked to brands from other sectors, and got the same reaction.

We were actually talking at cross-purposes. Our definition of value was the cultivation and nurturing of relationships and how it would enrich the customer experience, theirs was based on cash and return on investment. We had forgotten that their approach is to calculate what financial benefit they could derive first, rather than what they could contribute first in order to derive a range of benefits that we thought were obvious, like real time product feedback, product and service ideas, customer satisfaction, loyalty, and reduced churn.

Recently, a community consultant that is advising the Institute of Directors on implementing online community told us he was blown away by the openness of Ecademy's member profiles and



stunned that members were prepared to have their profile crawled by search engines and readable without needing to sign up or login.

Despite BT's inertia and initial difficulty in grasping the benefits of online community it is one of only a small number of brands in the UK that has 'come out to play' and actually explore the possibilities, by evaluating, trialling and participating in online communities.

What are your colours?

In a meeting with another brand, Thomas and I were talking about the latest web sites of interest and their features, particularly social software sites and how convenient they were for a variety of different reasons. The executive had heard of some of them but noted that he couldn't access any of them from work because they are blocked by the company firewall, deemed un-necessary, alien and un-productive. Indeed, Ecademy.com was also blocked because it had been arbitrarily classed as an Internet chat site by a nameless, faceless IT cop. Prior to this explanation, the executive said, "We don't get this stuff in the green zone" that led to the following dialogue:

TP: "I can access everything from the green zone, how come you can't?"

Exec: "Because of the firewall"

TP: "I have a personal firewall, but I can still get access to everything in the green zone"

Exec: "That's strange, I have a personal firewall as well, and perhaps I have a configuration problem?"

TP: "What exactly do you mean by the green zone?"

Exec: "The green zone is the network in my office. The red zone is outside the firewall. The red zone is dangerous, it's the Internet"

TP: "But the red zone is where you can access everything, where you're free to do anything. Shouldn't it be called the green zone?"



Exec: "No, because the red zone is where I can be infected with viruses, Trojans and other malicious attacks"

TP: "I see. What zone are you in when you're working from home?"

Exec: "I'm in the red zone"

TP: "And where do you feel safest, at home or at work?"

Exec: "At home of course"

I was silent through this discourse because, like Thomas, I thought the green zone was outside the corporate firewall and the definition of freedom, and the red zone was where you are straitjacketed, confined and only able to access what the company deems safe for you. I didn't want to appear dim. Once again we were talking at cross-purposes. Our value systems and definitions of freedom and confinement are often diametrically opposed to those of employees working inside large corporations. I learned a lot from this conversation and have since changed the language I use to sell openness.

I was introduced to the concept of spiral dynamics not long after this conversation and quite by accident. It was conceived by Don Beck and Chris Cowan and is described on their web site as "The model describes and makes sense of the enormous complexity of human existence, and then shows how to craft elegant, systemic problem-solutions that meet people and address situations where they are."

Spiral dynamics (SD) uses a system of eight colours to classify types of thinking and their corresponding value systems. The first six colours describe "first tier thinking", with beige at the bottom. Beige is associated with survival – getting access to food, water, and shelter. This thinking exists in first human societies, newborn infants, senile elderly, late-stage Alzheimer's victims, mentally ill street people, and starving masses. SD applies two basic attributes to each colour; beige represents approximately 0.1% of the adult population and has 0% power.



The table below describes the other seven colours.

Colour	% of Population	% Power	Where Seen
Purple	10	1	Magical, animistic, ethnic tribes
Red	20	5	The basis of feudal empires - power and glory, e.g. Attila the Hun
Blue	40	30	Rigid social hierarchies; paternalistic Totalitarianism, Puritan America, Confucian China, Dickensian England
Orange	30	50	Wall Street, emerging middle classes around the world, colonialism, the Cold War, materialism.
Green	10	15	Communitarian, human bonding, ecological sensitivity, networking.
Yellow	1	5	Second tier thinking. Flexibility, spontaneity, and functionality have the highest priority. Knowledge and competency should supersede power, status, or group sensitivity
Turquoise	0.1	1	Second tier thinking. Sees multiple levels of interaction; detects harmonics, the mystical forces, and the pervasive flow-states that permeate any organization

It's worth noting that SD insists that all levels are 'valid' in that they all need to coexist with each other and as individuals we move in and out of different colours. It doesn't matter whether you buy into this model. However, it's an effective and convenient way to classify prospects and tailor the language you use to sell and interact with clients according to their value systems. After being taken through SD, I consciously changed the language I used in proposals and presentations. In one case, I had presented using my language (yellow) the week before with little traction. A couple of weeks later I gave the same presentation to the same people using their language (orange) and won the business. What are your clients' colours? What are your colours?

PowerPoint and chocolate biscuits



According to management gurus, in most organisations 80% of 'business as usual' processing absorbs only 20% of costs. The remaining 80% of costs are being absorbed by exception processing. Much of this is a result of implementing frequent regulatory and legislative changes and fixing non-compliant procedures. Recent research by McKinsey & Company indicates that "half or more of a company's spending on labour may be devoted to basic interaction activities, many of them internal to the organisation."

Ongoing research by The Work Foundation indicates that non-productive interactions in many organisations exceed 60%. Does this mean those companies' attempts to complete this ever increasing volume of work will be un-successful? Probably, because each new exception needs a modification to existing systems, and sometimes an entirely new application. Variability is now the norm and it is organisation and management that needs to be re-configured to cope with this variability. Later, we'll see how the traditional nature of the firm is creating fatal levels of stress in employees who don't stand a snowball's chance in hell of ever completing this work, and how it is largely responsible for the UK significantly lagging behind in productivity terms compared to other G8 countries.

Thomas describes the endless back-to-back meetings, teleconferences, and INSEAD training schedules of executives and middle managers that make up these unproductive interactions as "people who do PowerPoint and chocolate biscuits". For one well known US consulting firm, the effort of creating PowerPoint presentations has become so crushing that it now outsources 20,000 hours of this effort offshore to India every year.

I'm sure everyone has a story to tell and has been directly or indirectly frustrated by this behaviour. Outside the corporation, and particularly in online communities, large volumes of work are being executed on a shared basis. Value is being created by any means necessary and is no longer dictated by organisational relations and boundaries. The techniques are based on enabling and not managing these dynamic value constellations because if people don't perform, they don't eat.



According to Paul Kleindorfer, Director, Risk Management and Decision Processes Center, Wharton Business School; "The traditional theory of the firm is about the unitary, rational actor that more or less controls all the pieces of the puzzle that it needs in order to produce its outputs.....Today global companies are a part of a huge set of interlinked networks across the planet." In the UK, this fact will not be realised for some time because so many decision makers and subject matter experts are fiddling while Rome burns, spending their time doing "PowerPoint and chocolate biscuits".

Online networks present an opportunity for companies to maintain a more meaningful dialogue with their customers and stakeholders, and accelerate their understanding of how of human societies are changing the rules - in real time. Blogging communities are attracting the attention of the US government to a point where regulation is being considered. The International Herald Tribune¹ recently said "Federal election commissioners in the United States are preparing to consider how revamped campaign finance laws apply to political activity on the Internet, including online advertising, fund-raising e-mail messages and Web blogs". The US government understands the potency and effectiveness of this new "we media"; many brands and institutions still don't even know they exist.

Not doing

'Not doing' is another Toltec concept. When faced with a situation, we naturally tend to react in a few limited ways, based on our past experience. For example, we usually react aggressively to verbal abuse. If instead we laughed or just listened attentively, we take all the power away from the abuser. By changing our behaviour and reacting completely differently we open up a new set



of opportunities. A hunter that is predictable leaves himself open to being hunted. By practicing 'not doing', he becomes more flexible and enables new experiences that enrich his being.

One of the most profound discoveries I've made about the nature of online communities occurred when Ecademy members introduced Thomas to a US 'competitor' called Ryze, another online business network, serving entrepreneurs, freelancers and small businesses and also quite technology centric. Ryze had some cool features and a very active, fee paying offline events business (called Ryze mixers). More importantly, Ryze had a successful paid for subscription model and Ecademy members were prepared to pay \$10 per month to join. Thomas joined and bought the most expensive subscription; he marvelled at it and emailed all Ecademy's members (around 10,000 at that time) recommending they join. He even published Ryze's logo and link on Ecademy's home page. He wrote to Adrian Ryze, the founder, congratulating him on building a great business network. Many joined, many paid. A few months later they all came back to Ecademy, though not before telling everyone on Ryze why Ecademy was better.

So the impact of Thomas' irrational behaviour, as advocated in the Prisoner's Dilemma was actually quite sound. But the big difference here was that Ryze didn't reciprocate in any way, at any time. In this scenario, the Prisoner's Dilemma dictates that the person who defects when the other co-operates stands to gain the most. But what actually happened is that Ecademy's membership swelled. For every Ecademy member that went to Ryze, five new members joined Ecademy. The Prisoner's Dilemma model breaks in the online world. It can only be explained by 'not doing'. Thomas was *not doing* with Ryze and *not doing* with me when we met at the Charing Cross hotel.

Ecademy's posture has remained the same. It embraces new entrants because it understands that no single network can be all things to all men and the reality is that people join multiple networks for different reasons and to derive a richer set of experiences. This type of winning by sharing has made ethical sense, but it's also made economic sense. Social business networks continue to copy each other in terms of features and none has sued the other partly because



many are built with open source (freeish) software, but mostly because they all understand that the value of their company lies entirely in individual members, or in another words, their customers. It would be fatal for them to expend their energy anywhere else; instead they focus on differentiating through the quality of member generated content, ethos and sustaining atmospheres of trust.

Interestingly, Nash Equilibrium - a mathematically sound framework for achieving win-win outcomes in complex human interaction scenarios, recently popularised in the film *A beautiful mind*, have been successfully applied to solving union negotiations and analysing election strategies, the causes of war, agenda manipulation in legislatures, and the actions of interest groups. The implications of Nash's work are that a co-operative, win-win outcome is possible in any scenario. There is a different way of doing business where even a small increase in the level of trust and quality of collaboration between multiple parties in a transaction, produces disproportionately rich upsides. 'Winning by sharing' has been mathematically proven for over fifty years - sometimes learning is a process of re-discovery!

Even today, we still have companies like Kryptonite, who until recently was the number one bicycle lock manufacturer in the US, who persistently denied the overwhelming evidence that their new locks can be picked with an ordinary biro pen and refused to engage in a dialogue with their customers. Julian Bond comments "This poses a huge problem for corporate PR. For years, PR has relied on cutting services to keep track of what the world is saying about their parent company. But this is way too slow now and doesn't cover the vast number of potential websites that could be talking about you. If you're in PR now, you have to be using tools like Google News, Technorati, Blogdex, Daypop, Topix.net, or you won't be able to stay on top of what's happening. And that still doesn't answer the question of what you do next when something like the Kryptonite Factor lands in your lap."

Cluetrain 20: "Companies need to realize their markets are often laughing. At them."



The Network Economy

Highlights

- Like it or not, power is shifting to the individual
- Brands preach while consumers connect
- Networks provide unsolicited benevolence which brands cannot understand
- Social software is revolutionising people's behaviour
- Trust is emerging as the defining characteristic of that new behaviour, creating very different organisational forms

The arrival of the network economy is a natural progression from the Agricultural Economy characterised by Independent People, followed by the Industrial Economy (Corporations) which created Dependent People and now the Network Economy consisting of Inter-Dependent People.

Predictions about the emergence of the network economy aren't new although Marshal McLuhan and Bruce Powers make some particularly insightful observations in their 1989 book *The Global Village* ;

"New population patterns will fuel the shift from smokestack industries to a marketing information economy, primarily in the US and Europe.

Users will simultaneously become producers and consumers.

Culture becomes organised like an electric circuit: each point in the net is as central as the next.

Electronic man loses touch with the concept of a ruling center as well as the restraints of social rules based on interconnection."



On the back cover of this book there is a commentary from the publisher that spookily predicts a shift to “the holistic, qualitative reasoning of the East, toward which all of the latest technologies are pushing us” a type of behaviour we are now seeing manifested in social software. What’s more, recent studies into a variety of different networks conclude that a behavioural change by a small number of individuals or nodes causes a massive shift in the overall population behaviour.

One of the better definitions of the characteristics and effects of network economy is summarised by this table. It reflects the consensus and opinions of economics professionals and research institutes worldwide and particularly in the UK and USA. It was originally adapted from Atkinson's ‘The New Economy Index: Understanding America's Economic Transformation’, published by the Progressive Policy Institute.

ISSUES	OLD ECONOMY	NETWORK ECONOMY
Economy wide characteristics		
Markets	Stable	Dynamic
Scope of competition	National	Global
Organisational form	Hierarchical, bureaucratic	Networked
Structure	Manufacturing core	Services core
Source of value	Raw materials, physical capital	Human and social capital
Business		
Organisation of production	Lower cost through economies of scale	Flexible production
Key drivers of growth	Capital/labour	Innovation/knowledge
Key technology driver	Mechanisation	Digitisation
Source of competitive advantage	Lowering cost through economies of scale	Innovation, quality speed along the whole supply chain
Importance of research/innovation	Low-moderate	High
Relations with other firms	Go it alone	Alliances and collaboration or ‘winning by sharing’
Consumers		
Tastes	Stable	Changing rapidly (promiscuous)
Skills	Job specific skills	Broad skill & adaptability
Education needs	Craft, skill, degree, one of requirement	Lifelong learning
Workplace relations	Adversarial	Collaborative
Nature of employment	Stable	Risk & opportunity
Government		
Business-government relations	Impose regulations	Encourage growth opportunities
Regulation	Command and control	Market tools, flexibility



Winning By Sharing

Government services

Nanny state

Enabling state



When I show this table to my colleagues, portfolio workers, entrepreneurs and micro-businesses, they identify with it instantly. They 'get it' because they are living and breathing the network economy, 'spinning' social and business webs with remarkable ease. They cannot survive without building relationships and networks they can draw upon to reach new markets, land new assignments, develop new business and enrich their social lives. The most adept amongst them have learned *not doing* – they ask not what their network can do for them, but what they can do for their network. What's taking place here is a different form of value exchange that doesn't always involve cash – a kind of unsolicited benevolence. Networks are enabling people to accumulate social capital and relationship capital. The value of these so called 'intangible assets' is now attracting the attention of big business.

When executives are shown this table, their reactions are mixed and many of them are mesmerised by it. Some because they don't agree, others because they intuitively feel this is the direction in which the business world is moving. Occasionally, a few of them 'get it' and when they're in senior positions their challenge is persuading the rest of the organisation to act to exploit the huge opportunities this 'brave new world' has to offer. The evidence is overwhelming that the network economy exists and is here to stay. As David Weinberger² recently said, "we are not in the information age, we are not in the Internet age, we're in the connected age". Unfortunately, corporations will have to adapt or die. Right now, letting go of command and control management regimes is seen as way too risky. Within five years it will be considered necessary for survival.

William Davies is one of the foremost researchers in social software, social capital and the network economy. Whilst at the Work Foundation in London, he directed a major research initiative in 2003/4 called the iSociety programme. His rationale for this programme was based on the fact that; *"Social capital is now a mainstream political and economic concern. The importance of understanding the structures and value of social networks is now recognised by academics, policy-makers and business leaders"*



In Europe, at the Lisbon summit in March 2000, the European Union set an objective for the next decade: "To become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". There are now 25 million small businesses in Europe and over 90% of them are micro-businesses (1-3 people). Funds are being allocated to create vast online networks to connect these innovators to each other, industry and academic institutions. We're not there yet and a recent review by Wim Kok, who chairs the High Level Group that oversees this policy implementation, has found that Europe will miss its 2010 target.

In a 2002 interview with Business 2:0 magazine, Peter Drucker said: "The Corporation as we know it is unlikely to survive the next 25 years. Legally and financially yes, but not structurally or economically." Many companies have rushed to prove him right; *"257 public companies with \$258 billion in assets declared bankruptcy last year (2001), shattering the previous year's record of 176 companies and \$95 billion. This year (2002) is on pace with 67 companies in the first quarter. And not just any companies. Big, important, Fortune 500 companies"*³

Our problems cannot just be blamed on war and natural disasters but rather on a fundamental shift – not just from one economy to another but from one way of *working* and *behaving* to another. At the turn of the 21st century everything is up for grabs and, as a result, what may first appear as an endless series of threats will to others be a rich source of opportunities. Considerable prizes lay in wait for first movers.

Trust is the killer app

Everyone likes to make predictions about killer apps! Trust is crucial to the health of any type of community and in many ways is the glue that binds relationships. Trust is the raw ingredient of the network economy that mature economies are inexorably evolving into. Trust is also inextricably linked with reputation because it provides a means of measuring trust. Many



practical studies of reputation measurement have drawn their research from eBay transactions and there are now discrete university faculties dedicated to measuring reputation, or what is effectively trust. It's a complex branch of science and I don't pretend to understand all the detail, but the reason it's so important is because the network economy cannot truly emerge on an economically viable scale until there is a large critical mass of network societies who have created online spaces with high levels of trust.

In Ecademy, people are running their businesses off the platform and the members are making more money than Ecademy. Their transaction costs are significantly lower because they do not incur the inherent *cost of distrust* that is part of so many traditional business interactions. An excellent piece of research produced by IBM⁴ concludes; *"Individuals in higher-trust societies spend less to protect themselves from being exploited in economic transactions. Trust is an economical substitute for extensive contracts, litigation, and monitoring in transactions and thus economizes on transaction costs."*

Organisations (of every size) pay for a lack of trust over and over again and it is the absence of trust that is choking innovation and productivity. This does not mean that contracts should not exist between business counterparties, but the rules and acceptable use policies of networks and the reputation metrics of individual members means they can be lightweight, equitable, and in some cases, redundant.

However crude these reputation metrics are, one team of researchers⁵ states that "reputation systems are performing commercial alchemy (in auctions), where they enable trash to be shuttled across the world and in the process transmuted into personal treasures". Breakdown of trust is just about the only thing eBay has to fear, and if it can sustain its largely positive environment of trust, it will likely dominate for many years to come.

William Davies has since moved to the Institute for Public Policy Research and recently published another ground breaking paper⁶ that examines the role of the government in the increasingly



decentralised social and political activities taking place online. He states there are three sources of trust: State, Community & Online Community. Notice the absence of corporations. He goes on to say that "*out of nowhere trust has become the most talked about abstractions of our times*" and notes that online communities have an unusual propensity to create environments of trust.

One of the most comprehensive studies of the open source community was conducted by Yochai Benkler⁷ to understand how Linux, a free operating system, and a slew of other Internet facing software products (e.g. Apache), have come from nowhere to challenge mainstream, paid for products from Microsoft, IBM and others. Benkler concludes:

"Removing property and contract as the organizing principles of collaboration substantially reduces transaction costs involved in allowing these large clusters of potential contributors to review and select which resources to work on, for which projects, and with which collaborators."

In 2003, for the first time ever, Microsoft formally stated in its annual report the threat from Linux to its revenues. It has even started to play this new game by releasing portions of its Windows code 'open source' style. The big question is, does the world trust Microsoft? If it doesn't, not even its gigantic fortune can save the company. Howard Dean, a former US democratic presidential candidate, recently inferred that command and control is all over in the next generation of political activism. "We discovered that the path to power, oddly enough, is to trust others with it."⁸

Trust is *the* killer app.

Online communities - the social software revolution

The desire to communicate in groups is fundamental to human nature. The development of co-operative communities was a critical contributor to the survival and evolution of civilisation. This desire to relate to other people continues to drive society today, and it is natural that this is now



reflected in the online environment. Online communities are collections of people who share the same cause, situation, or vocation. These communities facilitate professional exchange, allow members to establish a bond of common experiences and challenges, and build networks of trusted relationships which are leveraged at offline events and meetings.

The sheer numbers and speed at which people are connecting online to form transient and permanent communities for carrying out a huge variety of tasks is, quite simply, breathtaking.

People are speaking to each other in a powerful new way. 'Smart mobs'⁹ of activists with mobile phones are coordinating and orchestrating sophisticated demonstrations 'on the fly'. Pressure groups with a million registered members are being formed overnight¹⁰, the business models of entire industries are being disrupted by the spectre of peer-to-peer networks¹¹, and knowledge is being shared on an unprecedented scale, leading to the formation of markets in their own right. Some of these markets, such as the Open Source community, are mounting serious competitive challenges to the present incumbents. Skype's Internet telephony application has over 28 million downloads and served over 2 billion minutes of calls in its first year of operation and is re-writing the rules in the telecoms industry.

Web logs (or blogs) have established themselves in the mainstream news gathering industry where they "democratize the creation and flow of news in a world where giant companies control so much of what most people see, hear and read". There are now four million interlinked, Weblogs, and their rate of growth is staggering, with hundreds of Fortune 1000 companies now using blogs for knowledge sharing purposes. The *slowest* rate, at which the so-called *blogosphere* has doubled in size, is once every five months and is currently generating 16,000 new entries per hour¹². Fortune magazine recently reported¹² that "Blogs can serve as a trusted source" and "that their communal nature pushes them toward total honesty. They can reveal different aspects of a news item (think of CBS's "60 Minutes" report on Bush's National Guard service) or discuss a product's vulnerabilities (think of Kryptonite locks)." Blogs have become sufficiently influential in politics in the United States, to attract the attention of the Federal Election Commission, who



recently stated that, "anyone who decides to set up a blog, send out mass e-mails, any kind of activity that can be done on the Internet" could be subject to Federal Election Commission regulation. Spooky!

The network economy is about conversations. **Cluetrain 18:** "Companies that don't realize their markets are now networked person-to-person, getting smarter as a result and deeply joined in conversation, are missing their best opportunity". Blogs, Skype, KaZaa, Instant Messenger and a plethora of other so called *social software* are enabling vast numbers of real time conversations between parties that are previously unknown to each other, the implications of which are only now being understood by business, government and the media.

Perhaps the most significant implication is how social software is dramatically changing people's *behaviour* and how the balance of power between consumers and the companies that serve them is shifting inexorably in favour of the individual consumer - because consumers are networked, they are re-negotiating their relationships with brands at blinding speed and becoming ever more promiscuous by the day. Online community and social software has arrived and established itself as an industry in its own right.

For the past few years, official Internet ratings agencies have consistently seen the search engines, portals and communities category ranked number one. In the UK, the latest statistics¹³ show this category with a unique monthly audience of over 22 million people. This represents some 87% of the UK Internet population, an average 15 sessions per user, spending an average 1.3 hours per session. Unsurprisingly, conversation management tools or Instant Messaging applications from Microsoft, Yahoo! and AOL are amongst the top six most used applications, alongside media players from Apple, RealOne and Microsoft – who have not realised the business advantages of creating communities around music and software. There are now so many online communities. I cover only a few here not because size is everything, but to provide a sense of scale and activity in an 'industry' which apparently so few people are aware of.



Ezboard, an American company with 14 million registered users, is one of the largest free standing online communities in the world. It provides social software as a service. It enables individuals to set up their own message boards and discrete online communities. It does this one thing extraordinarily well for over half a million discrete communities of interest. I'm going to come back to Ezboard later.

SourceForge is an online community for open source software developers. It provides a platform for hosting open source software projects and provides a wide range of premium services and resources for developers on a subscription basis. It is currently hosting over 89,000 projects with a registered user base of over 900,000 developers.

Uboot.com, a youth centric community focused around mobile communications, has 5.1 million registered users, generates 55 million page impressions per month and frequently has several thousand simultaneous users online. Why hasn't at least one mobile operator created anything nearly as successful?

Of particularly note is **HabboHotel** where children between the ages of 8-14 hang out in large numbers after school. This interactive, graphical environment simulates hotel surroundings and provides members with an animated persona and functions for buying furniture and other hotel privileges.

Neopets.com, based in California, is the home of a complex multi-player fantasy game geared to kids and teenagers. According to the company, it consistently achieves upwards of 1,000 monthly page views per active user and interaction times of more than four hours, surpassing major portal traffic statistics. Global membership is above 23 million, of which approximately 11 million are active monthly users. The site totals approximately 4.2 billion page views per month from a diverse audience of kids, teens and young adults. This is more page views than the top 100 brands of every European Union country combined.



Typepad is a software company that sells blogging software as a service over the Internet. Typepad has a number of innovative extensions that enable mobile phones to publish text and images to a weblog in real time. It recently partnered with NTT of Japan to bundle its services with NTT's broadband products to over 4 million customers.

LinkedIn is a business contact network. Members can publish a detailed profile, build personal networks and discover links between people that help them network with their industry peers. In a little over two years, it has amassed over two million, largely white collar, professional workers. After receiving \$20m in venture capital, LinkedIn has only just introduced a fee paying service for employers and recruiters. To their credit, they are reshaping recruitment business models, in a sector where change is long overdue.

Ecademy organises business communities for itself, and on behalf of brands and affinity groups. It has 51,000 members from over 120 countries and is the 'oldest' online business community, setting up in 1998. It has created software functions that go beyond the generic retrieval of documents to include the ability to retrieve people, their interests and inter-relationships. Ecademy's membership doubled last year, and now arguably operates the most successful subscription based, social business network in the world.

OpenBC is perhaps the only European centric social business network. Based in Germany and set up by Bill Liao, a serial entrepreneur from Australia. It has 300,000 members and a fee based subscription for premium services, although most of its members use a free subscription version. It is one of only a few business networks available in multiple languages, and because of its German roots, is perceived as very formal compared to Ecademy and Ryze.

Microsoft has just entered the market with MSN Spaces – social software, targeted at consumers for publishing blogs, photographs and music. Take up is massive, and means it is only now a question of time before self-publishing becomes as prevalent and ubiquitous as email.



Another independent social software play, **MySpace.com** has come from literally no where to over-take the popular social network Friendster. MySpace generated 8.9 million unique visitors and 4.6 billion page views in February 2005 (source, Media Metrix).

Yahoo announced recently that it has been working on a project, codenamed 'Mingle', for over a year. The hybrid service, called Yahoo 360 is a combined blog and networking platform, and is initially being trialled by employees. This is a significant development that emphatically legitimises the social software space, as an industry in its own right.

Some of these communities have more paying customers than many national telephone companies; they are profitable and run by dozens of people rather than hundreds or thousands of people.

The reality of large numbers of individuals forming new types of organizations across space and time is, historically speaking, a new phenomenon. Our understanding of mainstream theories of organization were developed at a time when human communication was primarily face-to-face and mediated by the printed word, and that system largely meant a number of people working under the same roof, hermetically sealed from the outside world.

Social software is creating completely new organisational forms and changing people's behaviour. Consumers have an increasingly higher predilection to publish than to consume. "We media" and the blogging community will become organised and sophisticated enough to author the entire content of daily newspapers. This change in *behaviour* has continued at pace and with a few exceptions, taken incumbent service providers by surprise who continue to lose money pushing content to consumers *whose attention is focused elsewhere*.

Businesses are already deriving measurable benefits from online communities and they are increasingly becoming a business necessity. Many economics and finance researchers are looking into radically different approaches to measuring the value of communities by analysing the assets (blogs, articles, networks, projects, contacts) community creates. The valuation of these



intangible assets is being applied to identifying nodes in terrorist networks to finding subject matter experts, influencers and connectors inside large companies to the extent that a new branch of science has formed, called social network analysis. However, more significantly, other applications of community are creating an immediate impact on the bottom line, namely:

Product & service development

Brands are starting to create customer centric communities for joint, collaborative product and service development, intelligence gathering, real time focus groups and a means of maintaining a constant dialogue with their stakeholders. Mostly US companies are trail blazing, notably:

HallMark Cards "created three online communities for parents with young children, another for Latina women aged 20 to 50 and a third for grandparents order to garner better insights into what customers want and ultimately achieve its goal of tripling sales to \$12 billion by 2010. In the meantime, Hallmark's communities, which are accessible by invitation only and feature threaded discussions, instant polling and real-time chat, are already having an impact on the way the company thinks about product development. When they asked members of the parents community how they spent Valentine's Day, discovered that there was a wide chasm between how parents wanted to celebrate the holiday and what they actually ended up doing"¹⁴

Smart interactions & corporate communities

Online communities have been an integral part of Clarica's overall knowledge management strategy for several years. Clarica is part of the Sun Life Financial group of companies and is a leading distributor of health insurance, life insurance and investments, with over 2 million Canadian customers. The company supports anywhere from 80 to 100 informal communities of practice on its intranet.



Clarica's implementation of virtual community software has provided opportunities for personal, professional and technical development; introductions to new ideas; access to colleagues; and links to product and market specialists. Agents can ask their peers in real time on how they should handle a particularly tricky sale. In some instances up to 60 people respond to the request, where their advice helps agents close otherwise difficult deals. In this example, online community has increased the efficiency of the learning process that previously consisted of non-productive interactions, and has achieved a measurable increase in productive capacity, operating performance (largely by the reduction of the costs of co-ordination), and intangible value creation. This rich, diverse set of intangibles has contributed, seemingly invisibly, to improved business performance, *where smart interactions come first and commerce comes second.*

Sense & respond

Online community offers the most profound potential when communities inside the organisation are actively and deliberately brought together with external clusters of communities. In this scenario there is a massive opportunity for the conversations taking place in these spaces to reside in one place, a kind of 'centre of gravity', where knowledge can be shared between colleagues, best practices developed, market intelligence gathered, new services developed with customer participation and where an entirely new set of opportunities can emerge. When business talks about agility, it rarely mentions community in the same breath. The opportunity for being in real time contact with its network of constituencies, and for these to be in conversation with each other, would give it a capability to sense and respond that conventional organisational structures could never offer. Examples include:

Advocacy, Loyalty & reduced churn. In 2004, Pepsi conducted a marketing campaign with HabboHotel in Sweden to introduce its Mountain Dew soft drink into that market for the first time. *In only a few months it became the number one soft drink in the youth market.* Other research suggests that customer churn can be significantly reduced by enabling conversations between customers, agents, technical support teams and marketing groups.



Once people have put so much time and effort into a community, it's hard to uproot and start again elsewhere – as one would expect in the analogue world. This applies to employees within the enterprise and their customer communities. This new form of so-called *dialogue marketing* is possible because of the emergence of networks that finally enable relationships to be nurtured 'one conversation at a time', on a global scale.

Lowering Support Costs & Extending CRM. Software vendors have been using forums, download spaces, other forms of online community and events for many years. This has become the primary means by which they communicate and manage relationships with their developer communities. It is possible to use this model in a variety of other sectors where member-to-member support can significantly reduce contact centre burden and reduce direct marketing costs. UK venture capital (VC) firm, 3i, with 750 employees, and a presence in thirteen countries, is one of the first VC firms to implement specific, people networking applications, to keep track of the connections between employees, clients and partners. It took twelve months to implement and delivered deals worth millions, within months of going live.

Corporate Social Responsibility (CSR), transparency, regulation. Shell is perhaps one of the most apocryphal stories about online community transforming relations between a company, its environment and local communities. "It's not often that a company publishes accusations of murder on its website, especially when the accusations are directed against the company. The result is a web site (online community) that sets an example for companies that want to take their customers seriously as world citizens and not just as potential revenue sources." [13] If a brand creates online communities and/or actively participates in several others on a continuous basis, regulators, shareholders and customers cannot be accused of losing touch with their customers. Heavily regulated industries such as telecoms, media and utilities have been surprisingly slow at leveraging the considerable negotiating power customer centric online communities can provide, particularly in the context of regulator negotiations.



In the UK, Forrester's ground breaking 2003 report "Emotive Networks Connect Consumers" concluded; "While consumer firms try to attract users to brand sites, consumers prefer to connect in Emotive Networks. Brands and media must accept and learn from these - or lose emotional touch with their audiences". The report asserts that "consumers connect while firms broadcast and brands need to listen not preach". Forrester says that only 2% of UK firms commit resources to listen in on these networks. Quaintly put. The Cluetrain Manifesto is a little more direct;

Cluetrain 34,35,40: "To speak with a human voice, companies must share the concerns of their communities. But first, they must belong to a community. Companies that do not belong to a community of discourse will die."

What happens when content produced by different communities references each other? We're already seeing the fusion of Weblogs (using track back), photographs and music where community generated technologies like RSS (Real Simple Syndication) are enabling a blog on the war in Iraq to automatically display the most current photographs published on Flickr.com by observers and soldiers on the ground.

The implications of this type of connectivity at the individual level are so profound, I'm not sure anyone can really predict the impact it will have on society as a whole. Clues to the potential implications, come from surprising sources. Apparently slime mould is a "primitive organism", a colony of single cells - all the same. Five years ago, when Japanese scientists put these colonies in the middle of a full size maze and placed their favourite food at two different exits, the slime mould navigated a mathematically perfect route to both food sources. Imagine what human beings could achieve with this level of co-operation?

In any case, in the UK, it's over for nuclear families and reliance on extended family where you live. People are going to need support networks like never before. According to 2004 BBC audience research, households are increasing faster than the population. In the last 30 years the population has increased by 6% and households by 31%. Right now, 79% of UK households are



not made up of married/co-habiting couples with dependent children, and by 2010 the Office of National Statistics predicts that 40% of UK dwellings will be occupied by a single individual.

The web is being turned inside out, and in the next five years, websites will become relics. If they don't offer interactivity, conversation or connectivity, they may as well not exist. Eventually, most of our visible trade will flow through online networks and provide governments with key indicators of economic activity.

Naked identity

There is a strange dichotomy taking place right now around identity particularly in the UK. New draconian anti-terror laws have introduced more stringent checks at customs and call for the implementation of a national identity card system. In the eCommerce world, identity theft is rife and is preventing much larger numbers of people from buying online. This in turn denies retailers the opportunity to reduce their transaction costs and increase national productivity – a major strategic plank of most governments.

Governments want to become more net centric and move online the millions of transactions it conducts with its citizens every year. There is no global co-ordinated effort to create a secure identity system for these transactions, and single sign-on still isn't possible across all government web sites. There is no evidence to suggest any thought has been given to bringing these two crucial identity issues together or indeed sharing the burden of solving them with groups who have already done a lot of smart thinking around this, and produced practical working protocols. Single sign on is a major challenge today for large corporations who need to access each other's systems and those of their major partners because they all have different proprietary sign on mechanisms. They also have to comply with increasingly stringent data protection and privacy legislation.



One mechanism being used to implement identity is Friend Of A Friend (FOAF). FOAF is an XML document format being used increasingly by online networks. These are machine readable documents that contain the details of an individual's profile, including their name, contact details, links to their blogs, photos and hyperlinks to the FOAF entries of other people they know.

FOAF enables community members to query another member's personal network and to get answers to questions like "who does this person know that I know", "how many steps (or degrees) am I away from this person", and so on. Like the RSS news feed format that is also used to syndicate blogs, FOAF development started as a geek activity, but is slowly being adopted by online networks as a means of linking to each other. This is potentially powerful because it can extend the FOAF search query to the "people I'm connected to in another network", although it does not solve the single sign-on issue.

The idea of single sign-on is very simple. It's a system that lets people use a single id and password to sign up or register on any web site and have their personal details auto filled. Furthermore, the individual pre-sets the basic level of details it's willing to provide according to how much they trust this web site or service provider. The individual 'buys' a globally unique name from one of a range of accredited trusted brokers.

Microsoft and AOL have tried to solve this problem with .Net Passport and the Liberty Alliance respectively. Neither has been successful because their motivations are not trusted. .Net Passport, in particular, is a centralised identity system managed by Microsoft whose credentials for maintaining the integrity and privacy of this data is doubtful given its influence on governments and big business worldwide. The Liberty Alliance has gone a step further and recognised the need to de-centralise, or federate identity management, but it's still operated by a cabal of partners of dubious trustworthiness.

Network citizens need something else and it needs to be designed for everyone. Experts involved in creating online communities came together in 2003 to publish a paper that aggregated



their knowledge and identity requirements from the Internet community – called the Augmented Social Network (ASN).

The ASN is the online community's proposition for addressing the absence of trust, reputation and identity on the Internet. It asks the question; *"Could the next generation of online communities strengthen civil society by being better at connecting people to others with whom they share affinities, so they can more effectively exchange information and self-organise?"*. The ASN paper describes an architectural model that in many ways is a public interest version of Microsoft's .Net Passport and the Liberty Alliance's identity project. It's what you'd expect a traditional Labour party to support, but *new* Labour continues to 'spin' on eGovernment and will not meet its target of bringing all major departments online by 2005.

The ASN has had an impact and influenced the Identity Commons, set up by the brilliant Owen Davies who has launched i-names based on OASIS standards. The web site describes i-names by asking: *"What if..."*

- you could navigate the Web using one easy-to-remember password?
- you could enter your personal data once and use it on many Web sites?
- you had a simple way of determining how information about you is used and disclosed by others?
- you could ensure that your personal information and identity was controlled by one person – you?"

I-names is working with another organisation from Canada called SXIP (skip) who are, according to the geeks, at the forefront of single sign on technology. It's early days but if a few major online retailers and some high profile communities adopt i-names, it could quite quickly become a de facto single sign-on standard. I-names are equitable, fair, cheap, and genuinely seeks to serve society as a whole. For corporations the benefits of using Internet scale single sign on mechanisms are substantial and include frictionless employee access to inter-company systems,



reduced password administration costs, and automation of compliance. Many organisations are missing a trick here, especially telcos and ISPs. Because i-names essentially enables environments of trust, it is potentially a killer app. Despite delivering sub-standard customer service, consumers trust phone companies with their billing data and would likely trust them with their identity, particularly if were federated.

Governments haven't understood that change is too frequent to centralise online identity management. The data management task needs to be off-loaded to the individual through trusted brokers. UK government focus is back to front because the big issues are online. Solve these first and extend the same solution to offline ID cards, even though the motivation for these is control. Their introduction already shows signs of alienating civil liberty groups and further diminishing citizens' trust of government.

Powerless leaders rule ok

Many online communities provide functions for people to set up their own discrete communities of interest. These are vital to the health and overall well being of the community because they enable sub-groups to form around more granular, focused subjects. In the offline world, we call these clubs or associations, created for people to "share a common cause, situation, or vocation". Think about how many of these you are already a member of – some of you will be leaders of these clubs. In 2003, Ecademy conducted a piece of research for a client who wanted to understand the size of the opportunity in the UK for its micro payment system as a means of collecting fees for clubs (e.g. sports and social clubs), professional bodies and trade associations. This study estimated that between £200m and £1 billion per annum is spent on subscriptions to clubs and associations.

At Ecademy we discovered that by developing clubs (or personal social software) we created perfect conditions for the emergence of leaders. Within a month of switching this service on, over



200 clubs were created with a dizzying array of subjects, causes and geographies. Today there are over 1500 Ecademy clubs many of which are active, vibrant communities that exist in their own right. Leaders have come from the most unexpected quarters and have made a significant contribution to *doubling* Ecademy's membership in the past year. Collectively the efforts of members and leaders have reduced Ecademy's need for a marketing budget to zero. How have these leaders managed to persuade hundreds of people to contribute their time, knowledge and expertise online, and travel to different countries at their own cost to attend meetings and events? In the traditional sense these leaders have no power, but they have *personal power*. They create appealing new ideas, back worthy causes, and provide practical solutions for their members that are sufficiently useful to pay for. Online communities need to stay focused, perhaps even obsessed with creating the conditions for leadership to emerge. They are the lifeblood of communities socially and economically – ask the CFO of EZboard!

Ezboard with its 14 million members and half a million community leaders has essentially created a springboard for leaders to emerge. Similarly, CommunityZero, a Canadian based equivalent has 1.5 million registered members and many thousands of leaders. Just looking at the subject and topic directories of these communities is staggering, from clerks of 7-11 stores swapping notes on procedures to black Germans connecting with each other and exchanging experiences.

Tom Peters, the management guru well known for his book *In search of excellence*, discovered that assembly workers on the factory floor were performing the most complex tasks outside work, such as leading fund raising programmes, organising huge events and leading charity funded construction projects, only to be treated like children with utter contempt by their supervisors in the workplace. Tom Peters turned around at least one major brand by convincing its management that the best intelligence on manufacturing issues were to be found on the factory floor and that leaders for implementing changes in working practices could be found in the same place. Twenty years later, in the knowledge economy, many of these leaders can be identified in



online communities. They are fertile ground for collecting a wide range of market intelligence, target rich recruitment sources, and a direct route to influencers and advocates.

David Taylor¹⁵ breaks new ground with his Naked Leader concept. One of the contentious areas in his first book argues that people are not born to lead rather they are made – shaped by their environment and experiences and through prescribed learning and training. I support this view because while some 'online leaders' are naturals, most of them are initially motivated for reasons other than to lead. Many of them evolve into good community leaders (to their surprise) and some learn they cannot lead in this way at all despite their good intentions. Some leaders are adept online but useless offline and vice versa. These online leaders provide sufficient evidence to support David Taylor's argument. The Naked Leader is also about "giving people back to themselves" as David says, but it's also about transferring *know how* to people in the front line so they can make executive decisions themselves. Corporate culture does not explicitly reward individuals for sharing their knowledge because it usually leads to job transfer and redundancy. In my experience, transferring knowledge is a key objective of professional freelancers. It allows them to move on to other challenges. Many IT freelancers I worked with ten years ago are still 'on the tools' installing file servers, network gear, and taking back ups and wonder why they've had enough and want a career change.

In the network economy, knowledge is so abundant it is pointless trying to hoard it. It's how that knowledge is applied to innovate and in networks it's happening on a continuous basis. According to the table at the beginning of this section, innovation is seen as the major source of economic growth. Government and business understand this, but they don't really *engage* the networks and therefore cannot understand how to leverage powerless leaders or learn how to channel their capital to enable more of them to emerge in an economically, mutually beneficial way.

Searching to find the one



Over the past few years, we've seen a massive uptake in the use of mobile phones, personal digital assistants and hybrid devices integrating phone, computer and Internet services, communicating with one another as well as with traditional computers. Along with the Internet they are transforming our computational environments into a sea of communication spaces which are becoming increasingly difficult to search in an efficient, uniform manner.

Some forward looking enterprises do recognise the value of their employees' knowledge but can't always find it. More and more of them are using another variety of social software that carries out Social Network Analysis (SNA) across a broad range of stakeholders. Typically this software monitors email and IM traffic inside a company and renders a real time visual map of conversations. Over time it becomes possible to identify the most effective teams, subject matter experts and the 'connectors' within the organisation.

One of the earliest solutions is Valdis Krebs' Inflow, described on his web site as - "Valdis Krebs is a management consultant and the developer of InFlow, a software based, organization network analysis methodology that maps and measures knowledge exchange, information flow, communities of practice, networks of alliances and other networks within and between organizations. Through eye-opening graphics and revealing measures, this technique allows managers to see what was once invisible". The operative word here is *invisible*. Everyone's contribution would be visible if they were part of an online community, and knowledge exchange would be transparent and observable in real time. In some respects SNA is a bit of a cop out, and enterprises need to go beyond social mapping and become *social* enterprises.

Outside the enterprise though, SNA is being applied to solve a number of real world problems. In the UK, Jocelyn Peregrine of ThoughtForge, a performance improvement consultancy, is applying quantum theories of trust, both commercially and in the public sector, pioneered by America's Professor Karen Stephenson. Through the implementation of her analysis tool, NetForm, Karen has helped the US government identify key nodes in Al Qaeda and other terrorist networks. Not



surprisingly, this is achieved by undermining levels of *trust*, and is seen just as an effective form of defence against terrorism, as attacking their key strongholds with military force.

Jocelyn Peregrine works with various government departments including the UK's Home Office to analyse the effectiveness of government procedures in a variety of socially and politically sensitive scenarios. In one case, ThoughtForge analysed the invisible networks of knowledge exchange between the police, local authority agencies and charities connected with the identification and handling of cases of domestic violence in a large city in England.

The analysis found that although the official lines of communication were being followed there were several key legal, health and social agencies almost completely isolated from the flow of information. A recently established central 'signposting' centre for victims of domestic violence was the main hub of activity. Its effectiveness relies almost exclusively around a single individual, a woman drafted in from the voluntary sector.

The study also found that innovation that had previously been very positive within the voluntary sector appeared to be stifled, due to a combination of new procedures, and the presence of these strong central personalities. The flow of knowledge across the network dealing with domestic violence is shrinking, bringing into question where real levels of trust exist, and how sustainable they really are.

A recent study conducted by a team of researchers at AT&T Labs in the U.S. found that *people still rely heavily on their personal social networks to do their work*¹⁶, and concludes that 'expensive' search and sorting tasks consume large proportions of an individual's time. These social networks are alive and morphing all the time. Organisations are in a constant state of flux, employees move frequently within and between enterprises and there is an increased need to communicate and collaborate in virtual teams with partners and suppliers across organisational



and geographical boundaries. SNA cannot realistically keep up. Incredibly, organisations are already surrounded by overlapping communities – they do not have to be created, just brought online to massively collapse search and discovery tasks and measurably improve productivity at very low cost. Why not roll out social software? It's almost as though organisations are prepared to do anything except *engage*.

For people working in the network economy, search is the single most important function they perform. They are constantly looking for people to buy from, sell to or socialise with. The most financially successful online communities all have search as their centre of gravity. Friends Reunited reports 7m registered users and charges £5 per year, although not everyone pays and renewal rates are low. In the US, Classmates.com is reported to have a current revenue rate of \$30 million annually. Dating community Match.com and Udate.com also measure annual revenue in the tens of millions of dollars. Jobs community site Monster.com, measures annual revenue in the hundreds of millions of dollars. What do these communities have in common? They are all *search* communities; people visit not simply to chat, but to find something (classmate, soul mate, employer). *People are willing to pay for search*. Search communities also enjoy powerful network effects: the larger they are, the more valuable they become (a dynamic not always true with standard online communities).

On Ecademy, the most frequently invoked software functions online are activities relating to search. Business networks like Ecademy, LinkedIn, Ryze, Spoke, OpenBC are all in the *people* search business. VCs investing in this space home in on the economics of member acquisition costs against subscription revenue – all the value is in the directory and it's monetised through its ability to be searched. I'm amazed at the search engines' lack of interest in social networks and identity in the context of search; after all, we are rapidly moving towards one billion Internet users over the next few years, with current estimates at around 650 million – what's the point unless we can find each other?



I remember working with Lycos (a search engine company) in the late eighties and how white pages and yellow pages featured so prominently on the home pages and in navigation menus. Why did white pages fade away? One reason is their poor depth of information, just name, address and maybe some other contact information. The early success of instant messaging platform ICQ (160 million users worldwide) is in large part due to its community building effects of which search is a central feature. FOAF profiles are richer than white pages and can tell people about who you know, what you've blogged, what pictures you've published, songs you like, your bookmarks and often provide a pointer to a technology for connecting right now. They are inherently transparent and more trustworthy, and this partly explains the obsolescence of white pages.

Earlier this year a large professional services firm approached Ecademy to explore how its Club functionality could be used to find the 'right' people to match their clients. They described how HR (Human Resources) processes have no means of identifying the soft skills of its resources, such as character, personality, emotional intelligence and peer rating. These skills are seen as equally important in the selection of people and teams to work on client projects. Projects overlap and often require time consuming search of the appropriate sets of skills inside the organisation.

- We proposed a trial to measure the ability of Ecademy's platform to;
- Collapse the search & discovery time associated with matching supply & demand of resources to projects
- Enable conversations between parties that are previously unknown to each other (online and face to face)
- Improve knowledge sharing through community generated content & discussions
- Apply individual content contribution and reputation metrics to the selection process
- Get a more accurate picture of individuals' soft skills



Unfortunately, this initiative didn't get off the ground as the advocates of the trial were moved onto other projects and re-establishing relationships with the organisation proved too difficult. But it underlines how critical 'higher order' search is (beyond the CV or resume) for large enterprises, companies and networks.

Who is Kerry Santo?

If there is one key message about networks I want to leave you with it's this; networks make it possible for a single individual, to come from nowhere to make a difference, and for that difference to be visibly apparent to the individual and to the entire network – often in real time. Could you imagine this happening in a multinational company? Could a junior member of staff with 'no connections' get recognition, support and encouragement say, for finding a small but practical way of making their colleagues' working lives better?

Kerry Santo, who lives in Edinburgh, Scotland, joined Ecademy in December 2003. Her Ecademy profile reads;

"After being in care and ending up homeless it has taken literally 20 years to get to the stage of buying my own flat and starting my own business. I have a small book keeping business, that caters for the micro businesses out there that just get left alone.

At present I am setting up a social enterprise company that allows others to find their own way with dignity, pride and self-confidence. It is my biggest challenge to date as I have been on both sides of the fence and know what it feels like to have nothing, be nowhere and to feel worthless.

I am looking for others who like me are sick of living in a society that would rather wait till you are on your knees before giving you the help that you need. I have found a good business way of doing this so that everybody wins."

When I read this profile I was compelled to write a blog on the homepage to help bring her to everyone's attention and to personally empathise with her. Since then, Kerry Santo has cultivated a personal support network on Ecademy of over 3,000 people, second only to Thomas



Power. She has been working with an unbending intent to succeed, on getting her new business venture off the ground called Modo Fac Central (Latin for 'just do it'):

"Our aim is to give practical help and hope to people who are overlooked by society – people who have a great contribution to make, but often don't get the chance. We do that by bringing them together with small businesses and specialists, and creating a melting pot of talent, skills, experience and expertise from which everyone can draw."

Kerry has directly experienced the "naïve posh people" holding the 'social funding' purse strings. She's written to them all and tried to meet most of them; Their contribution? Zero. Instead she is leveraging her network(s) and will eventually raise the £40,000 she needs from donations of £80 from 500 people.

During a recent email exchange Kerry told me "you know I managed to get a job for a guy called Tony (not his real name) who lives in Orange County (USA), who is 61 and had ended up sleeping in his car". I asked her to tell me more. This is her story:

"Well I met him on this other site called Omidyar, Pierre Omidyar had set it up. Anyway there was this discussion about poverty in America and they were just talking round him as if he didn't exist. He wrote in his personal news bit of what had happened to him, he had ended up that way because his parents had Alzheimer's and when they died the house went with them. His CV was tremendous, anyway what he wrote had me in tears and I couldn't stand back and do nothing. I wrote to Ivan Misner, whom I knew had just joined Ecademy and was about 45 miles away to see if he could ask the Orange County chapters of BNI if they had a job for Tony, there were a few other people on the site trying to help. So Ivan¹⁷ had a job for next year, Tony went for the interview and got it, Ivan brought the job forward for him, he is on a two week trial and it seems to be going well.

I sat up all night crying my eyes out for him and trying to reach out to some Ecademy members in the USA for help. Anyway I thought if Ivan, head of the largest network organisation in the



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world couldn't do something then nobody could, I had never spoke to Ivan before and hadn't realised he had won humanitarian awards etc. Anyway Tony is well on the way to getting back on his feet. [Ivan has since told me Tony has passed his probation period and is now in full time work.]

Just by me reaching out and asking, he was able to get a job. Tony had been a board member of some of the Jewish charities and they had all kind of turned their back on him. Funny how all your so called friends and support network disappears when you hit a rough patch.

So I am hoping when the site is up for Modo Fac Central that people will be able to ask and I will be able to find. I felt Tony's despair from what he had written and just wanted to help as it made me feel how I felt when I was in his shoes."

Her email ended with – "the power of networking, eh Leon?". Kerry Santo has made a difference; a difference to Tony, a difference to Ecademy and a difference to me. She and Ivan Misner are *winning by sharing*.



The future of work

Highlights

- Eventually most people will be portfolio workers
- Companies will be able to source people on demand, globally and virtually
- The transition will be difficult but will bring about disproportionate rewards
- The support economy has arrived to serve 21st century portfolio workers

William Gibson the science fiction author famously said, “the future is here, it’s just not evenly distributed”. I read a lot of ‘future reports’ from The Work Foundation, and The Future Foundation, to Demos and Gartner and a variety of other think tanks, but I don’t intend to formulate a rigorous argument to support the views I’m going to make in this chapter. I’m merely recounting some experiences (mine and others) to describe what’s happening ‘on the street’ as it were, because I instinctively feel it’s a microcosm of what will be, in terms of the future of work.

In the past month alone, I’ve met two people whose careers have unexpectedly and abruptly ended. One man is a lawyer who had a senior, well paid job with an investment bank in London. The other is a woman who worked as a project manager at an outsourcing company. Both of them have been through the panic stricken stage of “what the hell do I do now?”. Both of them (and they don’t know each other) seem to have evaluated the same options and asked fundamental questions of themselves; Do I look for another job? Am I still employable? What do I really want to do with my life? Do I really want to go back? How will I survive and pay the bills? Do I need social security? Have I failed my family?



Winning By Sharing

This trend isn't just anecdotal and the frequency with which I see voluntary exits is increasing, with many citing mental cruelty as the main cause. For example a recent email dialogue with a mobile telecoms employee;

LB: This is not a sales pitch but you should join Ecademy if you want to explore doing all those other things you wanted to do. If you want to accelerate your networking and business connections think about joining BlackStar.

Employee: It is a sales pitch ... :-). I cannot look at my private messages on Ecademy! Sorry I need to pay for that privilege. But that is ok! The charge for sending messages is fine - receiving should be free! But then that is your business model- and hope it works!

LB: One day you'll realise this is not a sales pitch. I'm working on bringing blocks of over ten thousand new members. Why am I bothering to give you so much airtime?

Employee: Your comment about airtime is arrogance of the first degree?? Did you work for my company at any stage? :-) It is a conversation and I would welcome any opinion on something I am trying to sell ... Oh well please feel free to dismiss me and I hope you fix whatever really bothers you ... Sorry to see people in pain of any kind.

LB: Come and see me - you don't get it because of your corporate life!

Employee: You are right. Corporate life is crap. But please understand - I've been in corporates for only 5 years. And I want to get out before they kill me mentally. Sad. I was a professor and had my own business and wanted to taste corporate life!!! As part of personal and professional development as it were. The cost of corporate life is too high for me, far too high. I wanted to get out for ages - sorry just waited for a pay off!

If this is happening on even a small scale the implications for corporate productivity and innovation are severe. If you have a large workforce (with its attendant turnover), and people are exiting like this, the potential dilution of brand equity is significant. Ex-employees will relate their experiences and whether they're good or bad, they'll tell everyone.

Just before I started writing this book, I was randomly scanning Ecademy whilst responding to some of my online private messages from other members. I love the surprises that arise out of the randomness of networks. Two women popped up out of the blue, Helen Basset in Australia and Andrea Gutwirth (who runs a charity for women in relationship crisis called- SoulTalk) based in Hong Kong. They both remarked about the concept of winning by sharing in my profile and I mentioned I had been thinking of writing a book on the subject. They both gave me the final



inspiration and impetus to actually sit down and write this book. Helen described to me why the concept struck a chord, by telling me her own story, which I reproduce with kind permission;

"I am so glad I have helped you - yes I would love to represent you in Australia. I am very passionate about helping other women because I know what it has done for me - particularly in terms of self-esteem.

To put it bluntly I handled it very badly when I was made redundant. It happened very suddenly. Here is the basic story:

I had a great job - flying around Australia with a TV celebrity promoting Internet safety, I was well paid and had just built my dream house on a mountain overlooking Hobart with stunning harbour and mountain views. I don't have a partner so I was responsible for the mortgage and everything else.

Like many women I had a huge fear of financial insecurity. I was so scared of what would happen when I was made redundant, I spent 12 hours vomiting into a bucket. I then spent the next 3 days feeling so sick I wished I would die!

Shortly after that I was driving down the highway and was about to turn left to go home when, on a sudden whim, I went the opposite way to the beach. That proved to be a life changing decision.

Ahead I saw a car with the logo "Head Coach" and a mobile phone number - I rang the number said "I think I need your help" and that was the turning point! I enrolled in the personal development program and began the mental and emotional "relearning" needed to unlock the belief that I could succeed.

Head Coach is a personal development company and I have now been involved with it for 4 years and I have seen many people change their lives dramatically.



I sold my dream house, bought another house and sold it, made heaps of money on both sales, and now live in the best part of Hobart virtually on the waterfront, so it's true the Phoenix does rise from the ashes!

Please let me know if I can help promote our concepts to women. I have just created an online training course which shows them how to set up an ecommerce business, but my real passion is getting them motivated and to have the courage to start - too many women let fear rule their lives.

Get the book finished - there is a great need for it!!"

This year I've had more approaches from outplacement firms and career guidance companies about implementing online community than from any other sector. I've learned they are dealing with large numbers of displaced workers of all ranks and industries and that networks are the only means for them to get emotional as well as practical support from their peers (remember the definition of online community? "*Collections of people who share the same cause, situation, or vocation*"). It's this emotional support that gives networks female characteristics.

The future of work is only about one thing and that's change. It makes no difference if you're an employee, an entrepreneur, a small business owner or freelance consultant, and the means by which we will secure the work we want that suits our individual lifestyles, will be by cultivating relationships.

At the Arab Strategy Forum in December 2004, it was proposed that a simple framework for this new era of the globalisation of work could be understood by the following phases.

Business 1.0: 1492-1800 countries globalised

Business 2.0: 1800-2000 companies globalised

Business 3.0: 2000-2040 individuals globalised



Thomas Friedman whose forthcoming book *The World is Flat*, spoke at this conference, and described the key government policies required to enable their citizens to succeed. More tellingly, he emphasised that the *era of lifetime employment is over* and that individuals will migrate to geographies that support *lifetime employability*. One day we'll see Scottish call centres agents working in India for US companies, in the same way we have Nigerians issuing parking tickets in London, for French owned service companies.

When I ask employees what interest lists they subscribe to, or what online communities they're members of, I rarely get a show of hands. This is understandable because their companies provide them with all the relationships they need – or at least that's what they think until they leave or are ejected. I know of some senior executives who were running departments with hundreds of people who have become plumbers (and loving it!).

I've read stories of microbiologists becoming plasterers because it pays the bills and a Reuters executive becoming a teacher. My colleagues and I see this happening every day, and witness the most dictatorial executives truly humbled when their reigns on corporate power come to an end. It's not a blip; it's an increasingly ferocious pattern that is more than a trend or "correction in the market". The reality is that most people will have to deal with the transition that "we" (in the network economy) have been through, but when you come through it, the return is so disproportionately rich, you wonder like Helen Bassett, why you even bothered with a 'career' in the first place.

HR stands for Hardly Relevant

I've been a 'portfolio' worker most of my career. I was lucky to start work at a time when demand was high for IT professionals and when you could get a job if you could spell the word computer. I've also been very lucky to have bosses who appreciated and nurtured my skills and



who understood the value of networking, relationship building and interpersonal skills as well as technical skills.

My last job on the payroll was with Dun & Bradstreet in London. It was my ideal job with frequent European and US travel, people oriented and technically challenging. My boss trusted me. He even allowed the team to expense Whisky for internal customers we were dealing with all over Europe and perfume for their PA's. He understood what this did for relationship building. After a year at D&B I wanted promotion. This was not possible; I had to be in my current role for at least five years before that could happen – company rules! I realised that most of the time I learned how to do my job well after a year. If I stayed in a company for three years, what I'd actually be getting is one year's experience three times over. A few months later, I read an article written by the CEO of D&B in the internal magazine called Customer Focus (yeah, right). The article opened with "Age and treachery will overcome youth and skill" and perversely, went on to describe why this was true. I resigned one week later and have never been salaried again.

I still get the odd call from IT recruitment agencies because these days I try to think for a living! Last year I had a call from one agency about a job that sounded really interesting so I agreed to meet them. I always ask agents about their background for reasons that will become clear shortly.

LB: "How long have you been in this business?"

Agent: "Less than a year."

LB: "And how did you get into this business?"

Agent: "I used to run my own business and fell out with my partner and decided to do something different"

LB: "What kind of business?"

Agent: "A window cleaning business. I was earning really good money"

LB: "Aren't you earning good money doing this?"

Agent: "No. It's commission only. I'm not sure how long I'll be able to survive"



This was a well known brand hiring for a pivotal role in the development of a next generation video console game. With this guy representing me, I didn't stand a chance. In the twenty years I've worked in IT in dozens of assignments, I've never met an agent who has actually worked in the industry, nor has any other IT freelancer I know or have worked with. I mean zero.

I can't speak for other sectors, but what we have here is the acquisition of talent outsourced by HR departments to individuals in agencies whose knowledge of the industry is non-existent. And then the IT department is outsourced to a third party, creating further separation between a company and its talent. Because supply now outstrips demand, agencies employ (sic) a range of successful strategies all of which are designed to avoid human contact, for example the derisory iProfile system that helps *only* the agency to automate its operations to reduce costs because its margins are being squeezed. Agencies and employers demand the most exotic combination of skills to be present in a candidate CV in order to filter the huge number of applicants. IT recruitment today is basically a lottery, although agencies do add some value because they collapse the search and discovery time for their clients. That's why preferred suppliers lists are only an aggregation of agencies that have all the names.

But what are these HR groups actually doing that makes them so busy they can't conduct this search themselves? Why won't they come out to play? To be fair, they spend a lot of their time in compliance related activities resulting from complex ever-changing employment & tax regulation (payroll was outsourced a long time ago). The rest of the time? PowerPoint and chocolate biscuits, and a posture towards employees where the difference between hiring and firing is only a question of salesmanship.

I often wonder what the reaction from shareholders would be if they had any idea the quality of their intangible assets (employees' knowledge) are determined by a roll of the dice. When the network economy starts to really scale, the agency model in its present form will become



redundant because online networks or communities will make skills available on demand. IT agencies will fade away hustling and pimping to the end or get out of the way of the transaction and add real value by becoming enablers of networks of skills. The 'adhocracy', the fluid organisation foretold by Alvin Toffler in the early eighties, has arrived.

A couple of years ago, an ex-colleague sent me a report of a study¹⁸ of Price Waterhouse Coopers' (PWC) implementation of Lotus Notes, a corporate knowledge management application used to pool and share know-how globally. This study was conducted about two years into the deployment so it's possible the situation has changed, however the central finding is summarised by "in competitive and individualistic organizational culture - where there are few incentives or norms for co-operating or sharing expertise - groupware on its own is unlikely to engender collaboration". HR policy tends to reward scarcity of knowledge rather than its abundance. This study found that the only people in PWC that benefited from Lotus Notes early on were the partners; at that level co-operation is possible because they've all 'arrived' professionally and financially.

Last year, I was invited to present some ideas on community to some senior IT managers at a London investment bank. They wanted to encourage and promote greater co-operation between senior technical architects to prevent further proliferation of technologies and achieve more standardisation across the bank's IT systems. I spent some time explaining what was happening with blogging inside companies and externally on the Internet, citing the well documented Xerox case study where engineers of their own volition set up an electronic *community of practice* to share engineering knowledge on their new range of copiers. This knowledge was mined by product design and marketing people and fed back into the design and manufacture process. Xerox still acknowledges the value created by this community as the most significant factor contributing to the dominance of Xerox in the copier industry at that period of time. I was told the key person to be persuaded of the benefits of community was an HR manager responsible for the corporate IT intranet. My dialogue with them was quite revealing, but not that surprising;



HR: "Hi. I'm responsible for all the content that resides on the IT intranet"

LB: "In what way?"

HR: "I manage the structure and navigation of the IT intranet site and approve all the content"

LB: "Can you tell me a bit more about the content?"

HR: "Yes. It's mostly comprised of policy documents (e.g. security), procurement procedures, project documents, architecture guidelines and so on"

LB: "How do people provide feedback and commentary on this content?"

HR: "They can only do this if they're on the committee responsible for that area."

LB: "So that's only a small number of your 5,000 IT staff?"

HR: "Yes, about 5%"

LB: "What's your definition of success and how do you measure it?"

HR: "If everyone sets their browser to the home page of the IT intranet, which is easy to measure"

LB: "How many people do this?"

HR: "Very few, about 10%"

LB: "If you set up blogs for everyone on the intranet with the most active on the home page, you'll give them a reason to set their browser to the home page, and a greater proportion of staff will provide feedback"

HR: "But this will be a distraction, they won't be doing their job"

"Brands *still* preach, while consumers connect" even inside companies. I went on to argue that community could provide qualitative measures of individual and group expertise, help to identify subject matter experts, be used as part of the appraisal process and reduce duplication of effort. I talked about my own experiences working in banks and how many quantitative libraries do the same thing (Black-Scholes, Bond Calculators, Value at Risk, Credit Risk and Yield calculators) and how most developers are asked to produce code with the same functionality as they move from bank to bank. Inter-bank communities could eventually provide a means for unlocking existing digital assets for other's to re-use. They could even derive revenue by making them available to



trusted partners thereby reducing their cost base. This was too much to take in. I had gone too far. I wasn't invited back. The idea of winning by sharing in banks is associated with love-ins and group hugs – totally incompatible with capitalism.

Cluetrain 44, 48: "Companies typically install intranets top-down to distribute HR policies and other corporate information that workers are doing their best to ignore. When corporate intranets are not constrained by fear and legalistic rules, the type of conversation they encourage sounds remarkably like the conversation of the networked marketplace."

The value of corporate proprietary knowledge is well known and well documented. McKinsey recently published an article called '*Making a market in knowledge*' and observes "*Establishing an effective, efficient internal market in knowledge is less about investing in technology than about encouraging authors to "sell" their valuable knowledge and other employees to "buy" it within a market that ensures its quality.*" However the report still promotes huge investments in knowledge management software from the incumbents, even though large scale sophisticated online communities are built at a fraction of the cost.

This is why traditional HR stands for Hardly Relevant. HR can only ever become relevant when it actively changes workplace relations from being adversarial to collaborative, and when it truly recognises the source of value is people and their social and relationship capital rather than fixed assets, raw materials and intranet eyeballs.

The unit of work is no longer a whole job

The best job I ever had with a big company was with an investment bank in London, the Union Bank of Switzerland. I was lucky enough to have two stints with UBS spanning almost five years during the 1990's. The first time around I was hired as a specialist for two weeks to help solve serious network failures affecting front office trade capture systems. I was there for over three years. During this time I worked with a regime that leveraged my natural networking and



relationship building skills and after a year had a 'free role'. In the end I spent most of my time informally managing the business/IT relationship worldwide for the bank's most profitable trading division, managing the global delivery of what were then, state of the art trading systems. It's hard to believe there was a time when people were retained not just for their technical competence but also their ability to bring people together, turn adversaries into friends and evangelise other people's ideas.

The second time around I was actually hunted down by an agent who was ordered to find me for a role that was mostly diplomatic in nature. I was poached from another bank – Dresdner. The reason for tracking me down was because I had previously built so much individual relationship capital with two senior executives; I was the only person they would both accept to manage this particular project. Both parties had to find a way of developing a politically acceptable policy framework for conducting business on the Internet at a time when transferring sensitive client trading data over the Internet was met with paranoia.

I had the technical competence but was hired to manage relationships. I see little evidence of this being of value to most big companies today. Because this project was policy based, it incurred high levels of wait time (or PowerPoint and chocolate biscuits) on decisions between London and Zurich and effort required to redefine security standards and procedures by other groups. I used these gaps to manage the transfer of Dresdner's small Paris based dealing room to a new building, with the knowledge of both parties. I had worked with this team before and so did not find it too difficult to run both projects over a one year period. I doubt rigid command and control based regimes in the banks would tolerate this type of arrangement today.

There is now little doubt about the impending dominance of freelance workers over traditional employees. In the US, "according to new data from a workforce study commissioned by Spherion® expects that by 2007, 52% of the U.S. workforce will be emergent and only 8% traditional" There are 25 million micro businesses in the European Union and the Spherion study estimates there are 200 million emergent workers worldwide. Where are these Emergent



Workers, who are unlikely to respond to the term if they heard it applied to them? They are in support networks online and offline and they live on the basis that the unit of work is no longer a whole job.

Everyone of average ability can learn new skills throughout their working lives. These skills are swappable, many are going to be subjected to global pricing and become similar to labour costs in low-wage economies. Relationship building skills are not learned quickly and for most people, have to be deliberately and sometimes painfully acquired. I am continually surprised by the number of executives who join Ecademy that need to be trained how to network – which is about relationship building, a skill you would expect them to have.

I try to teach my children that communications and collaboration skills are more important than straight A's. Schools and curricula have not adjusted to the emergent worker trend, are failing our children and leaving them with woefully inadequate preparation to deal with 21st century work, with government unintentionally complicit in this 'Great Training Robbery'.

Feast and famine (or choose your poison)

Emergent workers know the downsides of their freedom all too well. When they're on assignment, they have to maintain all the other activities essential for bringing in the next piece of work - networking, marketing, sales pitches, proposals, invoicing - and chasing late payment. And like everyone else they must also devote time to their families and deal with 'paperwork'.

In a project I worked on recently, a new business sponsor was appointed and needed time to familiarise himself with the project so asked if the two of us would 'come back in a month' while he got 'up to speed'. First, who needs a whole month to become familiar with any project? Second, he had no concept that we had prioritised this time in preference to engaging with other paying clients. When we explained how it works, he admitted that he had no idea of the impact his decision would have on our cash flow, time and other clients - he also hadn't read the



contract! It's these kinds of delays, changes in direction and dreadful payment cycles across multiple clients/projects that we have no control over, however well we plan ahead, that give rise to the feast and famine cycle. Isn't it odd that when the famine part of it arrives, when it rains it pours? The stress mail arrives (because no good news ever came out of a brown envelope), the car breaks down, the mortgage, rent, VAT and income tax all become due and it's half term and time to feed an army of screaming kids. It's pure hell.

Heaven, on the other hand, is knowing that whether or not you perform well at work, that salary will arrive in the bank on the due date. Your expenses will be paid, you might get a bonus this year and you've still got two weeks paid holiday. But you pay for this 'peace of mind' in other ways. If you're a woman you may be dealing with covert discrimination or sexual harassment. If you're a call centre agent you might not make your KPI's (performance measurements) this week or if you're a salesman you're dreading next quarter's targets. You have an incompetent boss, work in a competitive environment and have to constantly watch your back - in the investment banks they still say that "friends are those who stab you in the front" and everyone's (still) reading *The Art of War* by Sun Tzu!

Many freelancers I know have managed to build up enough equity and/or other sources of income to hedge against famine and as a result enjoy the most benefits. They can choose who they work for, for how long and on what types of project. They can be spontaneous and curious, spend more quality time with their families and take a nap any time of the day. It's always a trade off. You choose your poison. I'd rather be a master in hell than a slave in heaven¹⁹. I'd rather be in the red (open) zone than in the (closed) green zone.

As an aside, there is a huge opportunity for the banks and other lending institutions to create products tailored for emergent workers. Eventually they will out-number employed workers and their cash flow isn't based on a monthly salary. By definition, this means the banks' cash flow patterns are going to change dramatically, which in turn will have an impact on their capital adequacy and ultimately their licence to trade.



Cluetrain 76,77: "We've got some ideas for you too: some new tools we need, some better service. Stuff we'd be willing to pay for. Got a minute?"

"You're too busy "doing business" to answer our email? Oh gosh, sorry, gee, we'll come back later. Maybe."

People on demand – ki work

Imagine a major retail bank advertising on TV; "We guarantee to answer every call from every customer in four rings with a human voice". The agent is working from home. The agent has three jobs that he/she can blend into the working day. Today when he/she logged in there was a surge in directory enquiry calls paying a higher rate than usual so today the agent will answer DQ calls for five hours and sign off for the day. Last month the agent spent a continuous three weeks dealing with new account enquiries following a TV commercial. Tomorrow the agent will spend all day giving tennis lessons to members of the local sports club and won't logon at all. Companies only pay when they use agents and they can grow and shrink agent populations according to call traffic in real time. The agents can go to one place and derive multiple sources of work. They can invest in training and accreditation for other work that's available on the platform. The agent can live anywhere provided they have access to reliable broadband services. This is ki work; an idea conceived by the irrepressible Michael Wolff.

Michael Wolff's journey to ki work is itself a story about one person's transition from thriving in a classic command and control culture to living in the networked economy. Michael was the MD of a successful Telex company that he sold to DHL and then spent a few years on DHL's board, during which time he experienced a void in his life. He left DHL and moved from London to a beautiful, remote part of the Scottish Highlands to commence his journey as a portfolio worker. Interestingly, Michael advised BT on the implementation of its first call centre in Scotland during the 1980's and now twenty years later is trying to save the work done in them with a new model



that is the antithesis of command and control. In Spiral Dynamics terms Michael has transitioned from Orange to Green and then to Yellow.

Ki work started as a small study sponsored by the Highlands & Islands Executive (HIE) in Scotland over two years ago, to explore alternatives to off shoring which is seriously threatening contact centre jobs in the region. HIE is a government funded Regional Development Authority (RDA). RDAs are responsible for attracting inward investment locally and from overseas and rejuvenating local economies by injecting government cash into projects to achieve this. The study focused on finding working examples of organisations that use freelance home workers to deliver customer services. The study found several interesting examples in the travel industry.

They were fascinating examples of how small networks of home workers selling a complex product were outperforming the industry by huge margins in terms of value of sale, repeat business and conversion ratios. These businesses were also growing at a time when the rest of the industry was still reeling from 9/11 – the study started in 2002. One home worker based travel agency had a turnover of £26m with around 80 agents and still actively recruiting during a depression in the sector. There were eight companies like this and unbelievably, none of the big brands were using this model even though they did not dispute the verifiable performance data of these types of agents. For them, home working meant laziness, no control, and security risks, even though these agents report reduced levels of stress and greater job satisfaction – attributes that customers sense on the phone, and which increase levels of trust.

Closer examination of how these companies operated revealed one basic flaw confirmed by almost all their CEOs. This model did not scale because its success depended on deep levels of support. In other words, it was still a command and control structure except the *style* of management was TLC (Tender Loving Care) rather than carrot and stick. If they doubled the number of agents, TLC managers would need to double or treble, introducing the very layers of management that contribute to the wafer thin margins the industry is so well known for.



Michael hypothesized that if the agents could derive the TLC or deep support from each other within a collaborative trusted *community* that brings them multiple sources of work, then the conditions for self-organisation would occur. This is infinitely scalable. This is ki work. The Japanese word 'ki' loosely translated means "trusted relationship".

For the last two years ki work has been building a federation of experts in the field (over 200 of them now), nurturing relationships with household brand names in travel and technology and carrying out detailed feasibility studies with RDAs. Ki work is still a theory. After countless rounds of meetings and presentations, not one company has committed the tiny financial support needed to test the model even though they accept that if it works, it would solve their most pressing business, political and moral challenges. Interestingly, the reaction from unions to ki work is such that jobs disappearing offshore is far more palatable than the perceived loss of members resulting from a freelance model. I wonder where unions with members in the services sector will be in ten years time?

Ki work relies on proven models of collaborative networking and states in its own literature;

"For a collaborative network to be successful, members need to develop relationships based on trust. These trusted relationships are the basis for both individual and collective relationship resulting in social capital, further enhancing the overall value of the network. An example is eBay, where incidences of fraud are a minute 0.01% of total transactions.

The decentralised collaborative model is most suitable for processes where there is a need for a high level of sustainable motivation and/or creativity shared learning and problem solving flexibility and individualisation."

This *individualisation* is described by Thomas W. Malone, MIT Sloan School of Management, in his new book, *The Future of Work* (2004) and proposes that the central transformative development of our time is the fundamentally changing nature of work brought about by the Internet and



cheap wireless voice and data services and says: *"This change may be as important for business as the change to democracy has been for government."*

It's still early days for ki work and only a matter of time before a few forward looking companies test the model. The research, market intelligence and collective intellectual property of ki work's network have already made it one of the world's leading authorities on collaborative working. There is good reason to be optimistic because new types of *intermediaries* are emerging which facilitate transactions between knowledge workers and sources of work.

For example, Media Bistro has over 100,000 journalists and freelance writers whom they connect to the editors of newspapers and magazines. Both parties subscribe and there are countless other examples from industry as varied as IT and translation. The next logical step for these communities is to provide expertise at more granular levels.

I've had a number of interesting conversations with interim management recruitment firms in the past year. Some of them are beginning to accept (rather than proactively embrace new ideas), that their business models get in the way of value exchange. They can learn a lot about how to re-invent themselves from business and professional networks, where there is trend for individual consultants to create their own networks of experts and make them available to clients on a subscription basis.

I'm convinced this is the start of *a small change in behaviour by a small number of individuals that will cause a massive shift in the overall population behaviour*. I detect demand in the market by clients, who want access to expertise for fractions of an hour. They just want to "pick your brains and meet your mates". These emerging subscription models facilitate these types of services, and could make traditional recruitment firms obsolete. When mechanisms for charging on this basis are refined and made equitable for all subscribers, *the nature of work will change for ever*.



Perhaps the most remarkable self-organising company in the world is Semco, a manufacturing company in Brasil, owned by its majority shareholder, Ricardo Semler. Semco has no managers. Employees set their own wages and they can work any hours they like. Everyone shares in the profits, and the CEO is changed twice a year. This company has grown consistently over the *past twenty years*. One account of the story, an excerpt from a magazine article, says;

"... his father handed him control of the family's small Brazilian company, Semco, a maker of industrial machinery. Faced with disastrous performance, Semler (at age 22) responded radically. He fired most of the top managers and got rid of most management layers; there are now three. He eliminated nearly all job titles. There's still a CEO, but a half-dozen senior managers trade the title every six months, in March and September. Executives set their own pay, and everyone in the company knows what everyone else makes. All workers set their own hours. Every employee receives the company's financial statements, and the labor union holds classes on how to read them. Workers choose their managers by vote and evaluate them regularly, with the results posted publicly. Obviously it's all insane, except that it seems to work." (Fortune, 26 November 2001).

If Semco has been so successful for so long, why have other companies not sought to emulate its success? Learning something new is often a process of re-discovery. The emergence of ki work has the potential to create a tipping point in organisational change. This type of change is far more likely to come from a new entrant, than an existing command and control organisation, because its management team simply has too much to lose.

The network is female

I'm a big fan of an independent news site called the Yellow Times²⁰. It has a core of journalists and industry experts who write articles of the highest quality on a voluntary basis. Paul Harris, a



Canadian freelance consultant, wrote a superb article a couple of years ago called *Women have ruined the world*²¹ that illustrates a point I want to make. He says;

"It has been my experience over a half century, most of that alive, that women tend to be much better people than men: more honest, more loyal, more caring, more thoughtful, more trustworthy, and much less dangerous. But women are to blame for the state of the world because they have utterly failed to take charge of it." But wait, he goes on to say;

"I am proposing a "new world order" - not that crap that George Bush the Elder was always talking about or even the biblical stuff that believers are always trying to force on others. I mean something real, something substantive; something designed to fix the mess we're in. *I am proposing a political movement whose sole purpose is to convince all the nations of the world to change their laws so that only women can hold political office.*"

The article ends with;

"Think this is an idiotic notion? Then think on this: If men don't run things, there is no Hitler. There is no Mussolini. There is no Napoleon. There is no Hirohito. There is no Attila. There is no Genghis Khan. There is no Inquisition. There are no Crusades. There is no Robert Mugabe. There is no Ariel Sharon. There is no Stalin. There is no George Bush. Wouldn't that be a safer and happier world?"

I happen to agree with him. For all men in power, the difference between rape and seduction is only a question of salesmanship. In general, my experience of participating in online communities, mostly in the past few years with Ecademy and Ryze, is that despite their male dominance (Ecademy is over 70% male) the posture, attitude and expression of these communities are predominantly female. By this I mean people are genuinely welcoming, offer unsolicited benevolence, guidance and assistance and freely give the most valuable thing that anyone can give; their time. It's not always peaches and cream and people do fall out – a very small minority have to be banned. Many Ecademy women feel completely comfortable attending



events on their own without fear of being hit on, or their proactive approach to networking misinterpreted as a 'sure thing'. This isn't normal for other types of male dominated organisations. When anti-social behaviour arises, the community mostly polices itself in zero tolerance fashion.

I remember a film in which Jack Nicholson played a grumpy, paranoid author of romantic novels. In one scene where he's signing books in a store, a fan says to him "How do you, as a man, manage to capture the heart and mind of a woman so well?" and he says, "I write the book as a man and then I take all the *reason* out of it". I'm making a serious point here. Is there a connection between The Prisoner's Dilemma and *not doing*, both of which are predicated on individuals behaving *irrationally*?

To this day, I have no idea what particular combination of software, ethos and policies these networks have implemented, that attracts people to exhibit these female qualities online, but it's basically changing people's behaviour, and that behaviour is female in nature.

The future of brands

Highlights

- "We can't go on to together with suspicious minds". Transparency is the only option.
- Brands must do community first, commerce second
- Markets are interactions. Smart interactions create transactions.
- Hierarchical, command and control organisation doesn't work anymore.
- Brands must become like networks to serve networks



In my reading and research, one brand just keeps coming up that has not only intellectually internalised the theory of networks, but actually walks the walk; that company is Procter & Gamble (P&G). This is a company with 300 products targeted at 5 billion consumers in 140 countries that now calls the connections it has with them a supply network. "Chain connotes something that is sequential, that requires handing off information in sequence," says Larry Kellam, P&G's director of supply network innovation. "We believe it **has to operate like a network, like an Internet, so everybody has visibility of the information.**" P&G reports annualised savings of \$300m on an investment of 1% of that amount by using agent based network modeling to transform what was its supply chain to a supply network.

You could argue that the sheer size and reach of P&G forces it to adopt this approach. But size isn't relevant. The efficiencies and economics of networks are well proven, theoretically and practically on every scale. So why, for example in the UK, are so few brands leveraging networks and online communities? More clues from P&G;

"Today's marketing world is broken. I give us a 'D' because our mentalities have not changed. Our work processes have not changed enough. Our measurement has not evolved." Jim Stengel, Global Chief Marketing Officer, Procter & Gamble

The excellent TrendWatching.com recently said; "Marketing has finally become a conversation. Not, in most cases, as was intended, *between* corporations and consumers (that would make too much sense), but rather a global conversation involving millions of consumers ABOUT corporations. On sites like Planetfeedback.com, thecomplaintstation.com, Epinions, About.com, on hundreds of thousands of blogs, community sites, forums, viral emails, bulletin boards, and what have you, consumers relentlessly exchange views, complaints, opinions and comments about products and services, about brands, about companies, about YOUR company.

Why now? Because they finally can. For decades, consumers have been saving up their insights and rants about the stuff they consume, simply because there were no adequate means to



interact with companies, or with other consumers for that matter. No longer. These fickle, wired, empowered, informed, opinionated and experienced holders of a MC (Master in Consumerism) are getting used to 'having it their way', in ANY way imaginable, which includes wanting to have a direct influence on what companies develop and produce for them.”

The future of brands will be determined by how well they create social enterprises run on relationships rather than transactions and where products and services are co-created by networks of people inside and outside the organisation. Eventually, the shape of the enterprise will not be determined by command and control style organisation charts, but dictated by the nature of the fluctuating interactions it has with itself and with its environment. These enterprises will re-configure themselves into networks and demonstrate how human beings are capable of a higher order of self-organisation than ants or slime mould – it’s that simple.

Decisions, decisions

“Hierarchical structures are losing their grip on reality”. Several recent studies have proven that non-productive interactions are as high as 70% in hierarchical organisations and are continuing to deteriorate because of the rate of change and complexity. In the UK, non-productive interactions are literally killing people. Recent Work Foundation research found that the main cause of the 2.7 million people on long term sickness and incapacity benefit is workplace stress, costing the tax payer billions of pounds every year – on a long-term basis! Another ground breaking insightful technology company, called Decisionality, has been studying the ‘interactions space’ for the last few years.

Founded by Freddie McMahon, Decisionality has developed a software tool that captures subject matter expert *know how*. This know how is converted into 100% error free software that codifies the individual’s knowledge. So for example, a mid-wife keys in the set of procedures relating to a caesarian birth recording the *decisions* that need to be made at various stages throughout the



birth. The output is software (in this case web services) from a Subject Matter Expert whose knowledge can be re-used anywhere within the National Health System. So what? It means that whether a nurse is using a training system or taking a test, the mid-wife's frontline knowledge is being used consistently throughout the organisation, and, more importantly, when something changes, like a new health and safety regulation; the mid-wife adds a new decision and the changes are reflected immediately and transparently.

Decisionality says "The sheer volume of cellular decisioning is of overwhelming proportions as every 10,000 information workers are making in excess of one billion decisions every year. Any cellular branching error manifests itself in a plethora of ways, including lost opportunities, misunderstandings, misdiagnoses, litigation, and errors, affecting every thread in the fabric of our working life. The cost of such exceptions is typically sixteen times greater than a standard interaction". So what? Earlier I talked about slime mould. The Japanese scientists discovered they release chemical pheromones that not only say to the next cell "there's food here, but there's food ten feet north of here". The slime mould creates 'pheromone maps' for each other, to navigate mathematically perfect routes to sources of food.

The slime mould are interacting with their *environment*, not with *each other*. Scientists have long marveled at the highly efficient organisation of ants and how they build robust, elegant living structures. They have also found that ants leave clues in their environment for other ants to pick up. They release *knowledge* in the context of the task they're trying to achieve in a specific location. The ants are interacting with their *environment* not with *each other*.

Decisionality enables people to interact with their environment, a one to one interaction rather than one to many interactions – it's infinitely more efficient. In the UK, small businesses report that they spend something like 50% of their time dealing with 'red tape' – particularly health and safety and employment regulation. This is not going to go away and it will change frequently.



Imagine if a community of employment law experts could codify their knowledge in simple ubiquitous applications like Microsoft Word and Excel and make unique versions available to each small business owner. What would this alone do for UK productivity, which lags 40% behind the US? Furthermore, the UK's long term sickness problem could be reversed into an opportunity where many of them could go back to work by contributing their know how from the comfort of their own home. The possibilities are endless. The individual in the local charity, within the child abuse prevention network, now has a means to codify her knowledge, and the decisions she makes, for her colleagues and successors, using Decisionality's software.

The impact of Decisionality could be to accelerate the formation of social enterprises, where people congregate in communities around core competencies, and where the centre of gravity is held together by subject matter experts, or what Freddie calls, *second generation communities of practice*. The value created by these 'smart interactions' is precisely what regulators and investors need, to measure the intangible assets of listed companies. Today, we call it 'good will', and it represents a high proportion of the market value of a company. Today, some of this can be measured by tracking blogs and Google's Zeitgeist.

A community of practice called KM Cluster in the US is running a series of events on the valuation of intangible assets. The description of these events starts with;

"Do you get the feeling that traditional financial accounting measures are getting further and further from the reality of what happens in the firm? Market values compared to book values have been growing wildly out of synch since the mid 1980's. On the balance sheet, there has been a continuous shift from more traditional, tangible assets to intangible assets.

This evolution will continue and accelerate. It's because companies are becoming ever more knowledge-based. In this knowledge-based, value-driven economy, it's not so much what you have, but what you can do. So how do you adjust your view of performance and leadership



behaviors in this new world of intangible assets? How, specifically, do you identify and apply value-based metrics and measures in the new knowledge economy?".

The Financial Times reported in November 2004; "In Europe, a group of five institutional investors (The Universities' Superannuation Scheme, PGGM, the Dutch pension fund, BNP Paribas Asset Management, RCM - part of Allianz Dresdner Asset Management - and the boutique Generation Investment Management) has written to the leading banks and brokers asking for more research on intangible issues. The group feels that "non-traditional" issues of corporate performance such as overall strategy, corporate governance, human capital management and environmental management have not been integrated into mainstream analysis. They have told banks and brokers that, in future, they will be allocating 5 per cent of their research budget to these issues."

If the value of social business networks was based on relationship capital, which is essentially their core intangible assets, they would be worth more than most Fortune 500 companies.

Pick 'n' mix business

I mentioned a company called Bowstreet earlier. They were introduced to me in 2000 by the most gifted software architect I've ever known called Graeme Burnett who is a friend, ex-colleague and technology mentor. Graeme is one of the few people pushing the boundaries of computing inside investment banks, and has taken considerable political risks in introducing open source technologies like grid computing that massively reduces processing costs and actually delivers competitive advantage to front office traders. I've had the privilege to work with Bowstreet on and off for the past four years, and also the frustration of trying to persuade particularly the travel industry to buy into the concept of collaborative commerce. Bowstreet does for commerce what online communities do for people – it enables *transactions* between parties that are previously unknown to each other. Let me explain.



Imagine being able to build an entire business by walking into a store and buying the pieces you need, in the same way you would if you were building, in a do-it-yourself fashion, a new kitchen, bathroom or garage. The common components of these businesses would be functions like open an account, create a bill, process a credit card payment, lookup credit rating and auction this item on eBay. Like the DIY construction industry, the implications of the 'end user' supplying itself in the Internet arena are far reaching;

"Successful businesses need to supply computing solutions that can respond very quickly to market changes. Timescales for change will be impossible to meet using traditional code development, testing and deployment techniques. Instead, business functionality will be created dynamically by combining services from different sources and re-branding them to exhibit a company's identity" (Graeme Burnett & Mark Papiani, The Role of XML Web Services, UBS Warburg, 1999).

Enter the role of web services. Web Services are not just sources of information or handy routines, but plug points that are key interfaces and relationships that will enable a business to reconfigure itself. Think plug and play business not plug and play software.

In July 2004, Amazon announced the launch of Amazon Web Services 4.0. These allow other businesses to embed Amazon's functionality into their web sites. Amazon's CTO said *"If more of the information and processes that businesses (already) have were exposed via web services so developers could integrate them, people would do incredible things"*. The most valuable web service on earth will be Amazon's One Click™ technology, white labelled and re-used by millions of other web sites for the sale & purchase of goods. Every time another business invokes this service, it will pay Amazon a few cents. Amazon will make more money from One Click™ than it will from the sale of books, videos and DVDs combined.

But where are these software pick 'n' mix stores? They are beginning to emerge. Grand Central, SalCentral and ComponentSource are getting there but do not go far enough. There is a need for web services *brokers*, intermediaries that can bring together consumers and providers of web



services and build a critical mass of participants. These brokers will provide a *trusted* environment for the publication and subscription, secure delivery, metering and payment of services. They will enable transactions between parties that are previously unknown to each other. Brokers will eventually apply debt style reputation ratings (e.g. Standard & Poor) to these services, effectively shifting the value of an enterprise's web services from a dark corner of the IT department to the corporate balance sheet. Brokers will also enable independent programmers with good ideas to become wealthy individuals.

Eventually, web services will take on the characteristics of bonds and will be traded on open markets. Companies will finally be able to focus on delivering services relating to their main business, rather than code production. This will allow them to respond quickly to opportunities provided by new niche markets, thereby opening up new revenue streams. Six years on from Graeme Burnett's paper, the EU's IST research programme is laying foundations for component based software markets²², and has created COMPONENT+, a service for developers to publish and subscribe to standard 'off-the-shelf' software modules used by most companies. Winning by sharing?

Extending the DIY analogy to Lego™ blocks, successful businesses will be those that can create the most innovative, attractive, and useful shapes. Business models can be tested on the fly and new partners can be switched on in hours. This will have quite profound human resource implications for enterprises. People with the imagination and curiosity of children will be far more valuable than a Java architect or a .Net developer, and they will spend more of their time in conversation with the market - managing relationships and sourcing services. In California, some VCs are already adjusting their business models for start up funding requirements measured in six figures rather than seven or eight figures.

Web services are about small pieces loosely coupled and at an anatomical level are the manifestations of the connected age in which we now live. At the risk of sounding like a stuck record; "The web services paradigm is for those who belong to upstarts, who don't have anything



to lose, and the risk-takers among big companies, who are willing to bet more heavily on the future than they do on the past by embracing the concept of *winning by sharing*.”

Recently, an online travel company purchased enterprise level, web services software to accelerate its revenues by re-combining its car, hotel and air booking services and embedding them on hundreds of partner web sites. This type of distribution (affiliate program) is common in the sector and indeed crucial to service provider profitability. It spent a seven figure sum and twelve months later, had less than ten partners. Do the maths! Board level decision makers who have written off millions of dollars, in a company that has never turned a profit, have been ‘rewarded’ with more staff and bigger budgets.

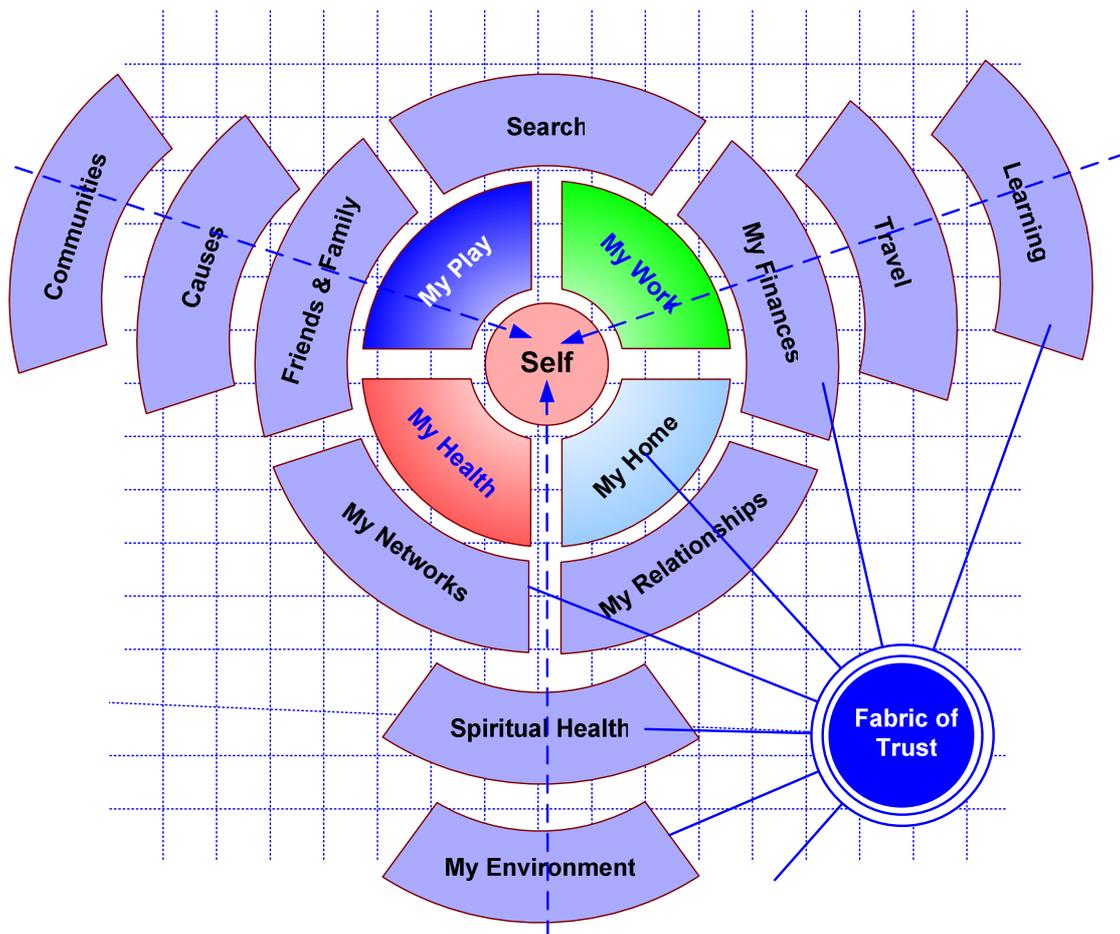
Pick ‘n’ mix business can only work when there is a change in mindset and organisation structure. When this happens they’ll be able to ask questions like these; what type of business shall I build today? Let’s change it tomorrow. Why don’t we give every single customer a unique view of our business – it’ll only take a couple of weeks? Why don’t we give some of our applications to our customers next week and take some load off our call centre?

Dancing with the customer

Anna Pollock is my business partner and best friend. She has a *peerless* ability to establish logical links between theoretical concepts and practical business problems and describe them with breathtaking clarity. Anna has applied her considerable intellect to describe the future *behaviour* of organisations with respect to how they interact with their customers and suppliers in a seminal white paper called “*Dancing With The Customer*”. I believe this paper defines the *actions* organisations need to take to change their *attitude* towards customers more completely than any analyst firm or industry expert. These attitude changes will describe their true personality (sincere or otherwise), and determine how they differentiate themselves in the market.



If you really think about how a customer’s attention is time sliced throughout their waking lives, the conversations about “who owns the customer” we so often hear alliances and partnerships argue (and fall out) over is about as futile as debating who owns the air supply. Human ‘bandwidth’ is a problem today and in many ways we all live in an attention economy²³. This diagram is a visual attempt at describing the juggling act we all have to manage in our daily lives.



Imagine an animation of this diagram where each segment moves position, jostling for the individual’s attention throughout the day. At any given moment in time, most of our attention is focused on three or four activities, which change according to the task we are trying to perform.



These changes are triggered by both random and ordered internal thoughts and external events. The ease of completion of these tasks is significantly determined by the relative trust the individual assigns to the party it is interacting with. If a service provider is really honest with itself, it only has *a chance to have a chance* to grab the individual's attention, or what Anna describes as "becoming part of our cycle of need".

When that window of opportunity arises, if service providers do not 'enrich the customer experience'²⁴ they will be consigned to the outer orbits of the individual's attention and perceived only as noise. Anna in many ways has stated the obvious – that we start to consume the moment we wake up. *We do not need to be told to consume, we just want the task of consuming to be made easier for us.*

The future of brands and service providers will be determined by how they learn to dance with their customers. With kind permission, I re-produce Anna Pollock's insightful guide to *dancing with the customer.*

"Despite enormous investments in e-commerce, regrettably much e-business appears to be failing its customers. This article delves beneath the surface and identifies four reasons why e-commerce, though huge in impact, is currently still "missing the mark" in terms of consumer satisfaction and shareholder return. We then identify five new ways of looking at the economy that we believe will foster the creative responses to this situation.

The global e-business market is forecast to reach \$240 billion by end of 2002. Yet according to a comprehensive survey conducted by AT Kearney in September 2000, e-retailers are missing out on \$6.2 billion in lost sales, equivalent to 13% in total revenue because online customers fail to complete a transaction. Last summer the Gartner Group warned that 80% of CRM deployments in Europe would likely fail and the Butler Group described CRM as "a technology graveyard, an arena where far too many well-intended projects appear to flounder on the rocks of corporate uncertainty."



Other sources corroborate a series of inadequacies in e-commerce as currently practiced: 75% of respondents abandon their shopping carts without making a purchase according to Bizrate and 80% give up according to AT Kearney.

We believe there are four root causes for the current disillusionment with matters that begin with an "e". These four causes are like the layers of an iceberg – only the top 25% is visible above the surface of the water and is attracting attention. Each layer rests upon and is supported and influenced by a layer beneath and comprise: technology and design, corporate structure, corporate culture and prevailing worldviews of life in general and business in particular.

Technology and design. The majority of articles, whitepapers and discussion groups that focus on solving the performance issue fixate on technological and design solutions. They include more sophisticated CRM technologies for customer acquisition, retention and service enhancement; site design improvements following intensive usability analyses; increased access via new devices and the adoption of integrated 360 degree approaches to deliver consistent service across multiple channels. Huge additional investments in software are anticipated. For example, the market for CRM software alone is expected to grow from \$9.4 to \$30.1 billion by 2005 .

Corporate Structure. Inappropriate corporate structures - notably the "Silo Syndrome" have only recently been cited as a cause for poor customer service. Service offerings are fragmented across multiple departments (marketing, sales, production, R & D, shipping) each operating in relative isolation often having developed their own legacy applications independently of one another. Most companies organise themselves on a mechanistic model devised in the 1920's that may have been appropriate when capital and value were based on "hard" assets, such as land and resources, but simply prove too rigid for an economy where knowledge, innovation and creativity are the real determinants of success and value. The multi-divisional firm was first modelled by former General Motors President Arthur Sloan in the 1920's and hasn't been questioned until relatively recently.



In the first half of the 20th Century, it was prudent for companies to grow in size in order to reduce and control transaction costs and gain economies of scale. Only in the 70's and 80's when transaction costs started to decrease, thanks to improvements in information technology, privatisation and deregulation, did it make sense to splinter companies into smaller business units. But size still matters and the organisational silos and associated incompatible internal management and information systems have persisted.

Business pundits such as A.T. Kearney, Tapscott & Lowry , Camrass & Farncome , and Aldrich are now urging companies to splinter even more and re-ask themselves what business they are really in?

Rather than organising around integrated business units, a company will evolve around the underlying business capabilities or core competencies. Defined by A.T. Kearney as "a set of value elements (built through knowledge, assets or processes) within the value chain that lead to a specific output".

While we agree this functional and corporate disaggregating trend is probably inevitable and will likely help improve enterprise agility and responsiveness, we also believe it will only go so far and ultimately fail if executives do not probe further and assess the corporate culture and values that drive business in the first decade of the 21st century. Hidden within the A.T. Kearney quote cited above is a perspective that, left unchallenged, will bring with it yet another slew of problems.

Corporate Culture: The organisational structure of today's corporation is informed by cultures and "ways of doing things" that may have represented brilliant breakthroughs at the time of their inception, but that have now outlived their usefulness and relevance. While the practice of marketing has increased in sophistication, it remains essentially a push activity that starts with the Product and deploys Positioning, Promotion, Pricing and Placement to push a product, service or solution to a relatively distant and passive customer.



Influenced significantly by Freud's devotees – who held a jaundiced and negative view of humans in groups – customers became objects to be manipulated, targets to be exploited or captured. Given the spate of ex-military personnel that were absorbed into commerce following two world wars, it is not surprising that military thinking has dominated the lexicon of commerce. Enterprises, like armies or battalions, compete to “capture a market” using an arsenal of weaponry (persuasive advertising and communications) to “gain the high ground”. The prizes in this war are the hearts and minds of consumers that, regrettably, are often de-humanised and objectified by the very statistical approaches used to better understand their behaviours and preferences.

Organisational structures, like armies, are hierarchical and employees, as the combat troops, are expected to obey orders (stick to the script) and are provided information on a strictly “need to know” basis. These factors have all led to a growing distance between company and customer and an inherently disrespectful, exploitive culture that treats both employees and customers as objects. Have you ever heard of FRM - Friendship Relationship Management? I doubt it.

There is considerable evidence that today's consumers are fighting back. Thanks to the ubiquity of information on the net, savvy consumers now occupy a world of near perfect information that is reducing many products and services to commodities.

Consumers are increasingly searching for meaning from experiences. not the acquisition of things. In a recent survey, acquiring material possessions was identified as important by only 38% of an adult sample compared to nurturing relationships with family and friends (98%) . Our lack of time – not always money – causes us to value enterprises that appear to help us achieve our personal objectives in a world of seemingly endless choice.

Paradigm or World View: But to attempt to “fix” or address these cultural problems without understanding and revealing their source would also prove futile. The current subject-object; I win-you lose; mechanistic and exploitive culture that underpins most corporate cultures is based



on a collective worldview or paradigm that is also being called into question. While much misused, the term “paradigm” is really the only term that describes something as fundamental as the way that human beings choose to make sense of their world at a given period in history. When established in our societies, paradigms are rarely discussed – in fact, they are so taken for granted, they become invisible. This was the case for medieval Europe at the time of the Inquisition. It took brave folks such as Copernicus and Galileo to challenge the prevailing worldview and create the conditions for a different collective agreement on reality to emerge. The mechanistic paradigm that evolved and was later based on Newton’s physics, Darwin’s survival of the fittest and Descartes’ philosophy (among others) has invisibly dominated our thinking since.

We live again at a time of shifting paradigms and to “make sense” or find meaning in the world of commerce, we need to challenge all the old, hidden assumptions about who we are and how the world really works because the old assumptions, based on old paradigms, have simply outlived their usefulness. Enough of us are challenging them, to cause them to become visible again. The culture and practice of today’s commerce is based on a worldview that views the universe as a machine, operating according to linear laws of cause and effect. The language of commerce is loaded with mechanical, engineering terms drawn from a love affair with locomotives, cars and airplanes. Companies and economies are viewed as machines that can be “kick-started”, “got back on track”, re-engineered and fine-tuned in order to wrest ever-higher productivity from employees and profit margins from customers. Back in the 1920’s, Frederick Taylor, whose landmark work, ‘The Principles of Scientific Management’ guided Henry Ford, drew his ideas on efficiency of organisations from Newtonian not quantum physics. Workers, he said, were to be viewed as passive units of production and the system or the workplace was like a machine. Old cultures die hard – old paradigms die even harder!

So if e-business is not fulfilling its promise, if customers are in revolt, if CRM isn’t working how it’s supposed to, then it makes little sense to be tinkering with existing technologies. It also makes little sense to tackle corporate structure, if the cultures on which such structures rest are also



being shaken from beneath. Furthermore, it may not be prudent to change cultures unless you can harness the underlying forces on which core assumptions about value and meaning are founded.

On the surface of things, the tourism industry seems to be in crisis but hidden within the dangers are tremendous opportunities for those who think creatively, strategically and innovatively.

Finding those hidden opportunities involves a complete change in perspective. We think there are five different ways of looking at the market that will bear the richest harvest of opportunity in tomorrow's economy.

The first and most important shift in perspective involves moving from a product centric to a customer centric perspective. The shift in power from seller to buyer is not just attention to service quality and consistency at unprecedented levels, but reversing the traditional way of conducting business.

Practicing "customer centricity" means far more than personalising a newsletter – it means ensuring that every aspect of an enterprise is devoted to helping a customer complete the task they consider to be important to them at any given time. It means rewarding not penalising your employees when they go the extra mile. It means being able to offer seamless service via multiple points of contact (print, call centre, web site, wireless device, TV, kiosk) and at every stage in the customer's experience from dreaming, researching, selecting, reserving, experiencing, reflecting and recommending.

The second shift requires that you start thinking in wholes and not in pieces. If ever there was an industry that needed to re-think its approach to the customer's experience, it's tourism. Our customers don't buy products; they have highly subjective and composite experiences (the trip) made up of various discrete fragments (the hotel experience, the airline experience, the taxi ride, the sports match, the night on the town) all of which are delivered by independent suppliers. Prior to buying something, most customers start with a vague declaration of intent, for example: "I



need a break"; "I have to move house"; "I need to plan for retirement"; " I need to educate my children". As soon as a customer declares an intent, he or she embarks on a cycle of need that involves searching for alternatives, comparing, selecting, purchasing, assembling, experiencing and evaluating. Successful companies of the future will be the ones who stop pushing products and start collaborating to support the customer through their cycle of need.

We call the process of engagement between suppliers and customers Dancing with the Customer as we believe all commercial activities in the future will need to be calibrated and choreographed in a "cycle of service" that supports the customer's "cycle of need".

Note: this cycle of service is event and profile driven – the customer calls the shots and takes the lead. The dance requires a two-way dialogue not only between supplier and customer but also between multiple suppliers who share responsibility for helping customers achieve their original intent.

Thirdly, we see a need to think small, agile and fast, not big, rigid and slow. The travel industry has blindly followed the rest of the business community and assumed that strength lay in bigness. Tour operators purchased travel agencies to control the sale and then started buying cruise lines, airlines, bus companies, hotel chains and golf resorts in order to control supply. While vertical integration might have been the best way to reduce transaction costs at the start of the Century, it is an irrelevant and downright dangerous response one hundred years later when speed, responsiveness and innovation will determine success.

And here's an interesting irony – while big businesses in other sectors are busy "unbundling" and focusing on their core competencies in order to form collaborative trading communities, the tourism industry – whose fragmentation is its core characteristic-- is still pursuing outmoded business models associated with an industrial age and the production of tangible goods and services. In the old economy, enterprises strived for production efficiencies. In today's economy,



innovation is the driver of success. Value is created by brain not brawn. Knowledge and intelligence are infused throughout all products and services.

So winning enterprises are those that conceive of themselves as inter-connected business webs or trading communities held together by a common customer. The customer sits at the centre of an orbit not at the end of a chain. Winning enterprises are those with the most “intelligence” – i.e. are able to sense and respond to visitor needs in real time. They are able to exchange and circulate this intelligence to all members of the community so that the visitor’s whole experience is a positive one.

Which leads to the fourth response or source of opportunity, and that’s learning the art of effective collaboration and relationship building. If you as an individual supplier focus on the one element of the customer’s total experience that you do really well, yet your success depends on how the guest experiences the whole, then you simply cannot “go it alone”. You have a vested interest in how other suppliers in the network look after your customer!

To survive in the networked economy, companies are learning that they must collaborate with their customers and other businesses in the design, development and delivery of a complete basket of goods and services if they expect to satisfy customer needs.

For collaboration to work effectively, all parties involved must receive something they value. Furthermore they need to engage in dialogue – i.e., engage in meaningful two-way conversations, share knowledge and ideas.

They need to trust one another and that requires higher standards of honesty and transparency than needed before. It’s a whole new ball game of experimentation and of giving up control – learning the art of allowing; creating the conditions for innovative solutions to emerge – often from the most unlikely sources.



The fifth dangerous opportunity involves investing in the technical infrastructure that makes collaboration possible, that allows your customers to pull towards them the services they need that match their context, circumstances and profile; that frees your employees from the time consuming and repetitive drudgery that distracts them from the art of caring; and that supports dialogue and knowledge sharing. The key word here is open up, connect and automate. Allow machines to do the boring stuff, quietly and in the background. If good staff are hard to find and keep today, the staffing problem is going to be ten times worse in just a few years as the true impact of an aging population is felt in Europe. At DestiCorp, we believe that "web services" and the associated features of distributed, peer-to-peer, service-oriented architectures will really come into their own because there is no other method whereby customers' demands for choice, flexibility, personalisation, affordability and accessibility can be met profitably.

In today's customer-centric economy, customers should be able to pull towards them the information and services they need that are specific and relevant to their needs, their profile and their context. Winning suppliers will be those who deliver relevant, appropriate and timely services to facilitate those needs. Winning suppliers will also recognise that they cannot go it alone – their best chance of success lies in collaborating with suppliers of complimentary services and forming a supply community to satisfy the diverse and complex needs of today's travellers. Or to quote Reed, "The most successful businesses on the Internet will be those that hunt in packs" and instead of there being a simple scramble by individual companies for market share it will be more about serving the customer with a complex orchestration of trading communities for share of experience."

Even though Anna discusses dancing with the customer in a tourism context, the same principles apply to other industries and business ecosystems. The global tourism industry is worth \$2.7 trillion annually and over 95% of the tourism providers are small businesses. It's the most fragmented industry in the world. Every brand will have to face this type of fragmentation as work patterns change and more and more people run small businesses and work within online



networks and communities of practice. Many brands don't realise that behind their consumers are micro-businesses and behind micro-businesses there are consumers but insist on having separate marketing budgets and teams to sell to them.

In 2001, I conducted an on-site training course for some call centre executives of one of the UK's largest mobile phone companies. It was a technology appreciation course based on what's out there, what's coming up and so on. During a coffee break, I had a 'water cooler wisdom' moment and a conversation:

LB: "How many agents do you have here?"

Execs: "We have around 1,000 serving consumers and a dedicated 500 agent facility for business customers"

LB: "What are the most common enquiries you deal with from business customers?"

Execs: "80% of our enquiries come from administrators of large sales organisations asking for premium rate numbers to be barred for an individual, for a handset to be switched off (because the employee has left the company) or for a handset to have international dialling to be switched on or off"

LB: "And how do the agents resolve these enquiries?"

Execs: "I'll show you. Each agent logs onto their Windows NT workstation and selects an application that switches these functions on and off"

LB: "That's interesting. What would happen if you gave your customers access to those applications instead of having them call you?"

Execs: "We could lose about two thirds of our 500 agents"

LB: "Did you know that Bowstreet could convert these existing applications and embed them on the intranet of every one of your business customers?"

Execs: "Amazing. Problem is we couldn't possibly *trust* them to use these applications properly"

Fully loaded costs for this type of agent average at about £30,000 per year, creating a saving of £9m per year for deploying self-service functions they already provide to their own agents. This



is their cost of distrust. To my knowledge, they still haven't deployed these applications, even though their customers would be using them inside the corporate definition of the green zone!

A few years ago, an email was doing the rounds written by a disaffected customer to his supplier, about his experiences of dealing with them after ordering a broadband 'service'. It is easily the finest complaint letter ever written, and the best example of how *not* to dance with the customer. I recently received a copy from a friend in New Zealand. Its impact on the brand, and people's perception of it, is still being felt four years later. Here it is. Enjoy.

"Dear Cretins,

I have been an NTL customer since 9th July 2001, when I signed up for your 3-in-one deal for cable TV, cable modem, and telephone. During this three-month period I have encountered inadequacy of service which I had not previously considered possible, as well as ignorance and stupidity of monolithic proportions. Please allow me to provide specific details, so that you can either pursue your professional prerogative, and seek to rectify these difficulties - or more likely (I suspect) so that you can have some entertaining reading material as you fritter away the working day smoking B&H and drinking vendor-coffee on the bog in your office.

My initial installation was cancelled without warning, resulting in my spending an entire Saturday sitting on my fat arse waiting for your technician to arrive. When he did not arrive, I spent a further 57 minutes listening to your infuriating hold music, and the even more annoying Scottish robot woman telling me to look at your helpful website....HOW?

I alleviated the boredom by playing with my testicles for a few minutes - an activity at which you are no-doubt both familiar and highly adept. The rescheduled installation then took place some two weeks later, although the technician did forget to bring a number of vital tools - such as a drill-bit, and his cerebrum. Two weeks later, my cable modem had still not arrived. After 15



telephone calls over 4 weeks my modem arrived... six weeks after I had requested it, and begun to pay for it. I estimate your internet server's downtime is roughly 35%... hours between about 6pm -midnight, Mon-Fri, and most of the weekend. I am still waiting for my telephone connection. I have made 9 calls on my mobile to your no-help line, and have been unhelpfully transferred to a variety of disinterested individuals, who are it seems also highly skilled bollock jugglers.

I have been informed that: a telephone line is available (and someone will call me back); that no telephone line is available (and someone will call me back); that I will be transferred to someone who knows whether or not a telephone line is available (and then been cut off); that I will be transferred to someone (and then been redirected to an answer machine informing me that your office is closed); that I will be transferred to someone and then been redirected to the irritating Scottish robot woman...and several other variations on this theme.

Doubtless you are no longer reading this letter, as you have at least a thousand other dissatisfied customers to ignore, and also another one of those crucially important testicle-moments to attend to. Frankly I don't care, it's far more satisfying as a customer to voice my frustration's in print than to shout them at your unending hold music. Forgive me, therefore, if I continue.

I thought BT were shit, that they had attained the holy piss-pot of god awful customer relations, that no-one, anywhere, ever, could be more disinterested, less helpful or more obstructive to delivering service to their customers.

That's why I chose NTL, and because, well, there isn't anyone else is there? How surprised I therefore was, when I discovered to my considerable dissatisfaction and disappointment what a useless shower of bastards you truly are. You are sputum-filled pieces of distended rectum incompetents of the highest order.



British Telecom - wankers though they are - shine like brilliant beacons of success, in the filthy puss-filled mire of your seemingly limitless inadequacy. Suffice to say that I have now given up on my futile and foolhardy quest to receive any kind of service from you. I suggest that you cease any potential future attempts to extort payment from me for the services which you have so pointedly and catastrophically failed to deliver - any such activity will be greeted initially with hilarity and disbelief quickly be replaced by derision, and even perhaps bemused rage.

I enclose two small deposits, selected with great care from my cat's litter tray, as an expression of my utter and complete contempt for both you and your pointless company. I sincerely hope that they have not become desiccated during transit - they were satisfyingly moist at the time of posting, and I would feel considerable disappointment if you did not experience both their rich aroma and delicate texture. Consider them the very embodiment of my feelings towards NTL, and its worthless employees.

Have a nice day - may it be the last in your miserable short life, you irritatingly incompetent and infuriatingly unhelpful bunch of twats. Yours, John."

The survival of brands will depend on being in a constant dialogue with their customers. Twenty first century brands will be organised as networks of community leaders rather than nameless faceless managers, real people who can be contacted by anyone, at anytime. By operating this way, they will reduce the risk of getting new product and service propositions wrong, because they'll be co-creating them with their customers.

Talking the talk

The most poignant statement from the incomparable Cluetrain Manifesto is "You want me to pay? I want you to pay attention!" It seems to echo a truth for everyone I say it to. Why can't we be



heard? Why won't our service providers listen? Why is my bank manager a call centre? Brands have always carried out customer satisfaction surveys – they measure goodwill and do have some influence on the shape and delivery of products and services. There are even league tables and ratings for 'customer sat'. They use a variety of techniques that are mostly outsourced to specialist agencies - focus groups, telephone polls, street level surveys. But there's something very static and sterile about these approaches and they don't capture a big enough sample to be representative enough, because there are now so many different classes of customer. Tesco for example, divides its customers into literally thousands of different segments.

There's also a depth of *experience* they don't pick up because by definition, they have to interrupt at a time when people's minds are focused on something else. These approaches are also non real time and by the time they're published, attitudes and experiences of those customers have changed. And agencies are incredibly slow to think differently or deploy better technology to serve their own customers.

My sister, Chantal, recently managed an agency to carry out audience research for the BBC. The agency proposed to carry out door-to-door surveys – apparently quite detailed. Chantal was curious and decided to go with the agency on their rounds. What she discovered was a series of hurried questions and answers on the doorstep, which captured what people said but without any passion or emotion. She decided to change the format. The surveys would be conducted inside the home with the agency watching the same programmes, recording commentary and reaction as well as the usual viewing habits. When the survey was completed and analysed, Chantal not only found out what people's views were about BBC soaps but *why* they held those views. The ability to record this type of *depth of experience* on a large scale and in real time is available now.

I've had the good fortune to work with a Vancouver based company called ResponseTek set up by Syed Hassan (CEO) and Yalman Khan (VP Sales), and of course their investors. They have developed a product that can record customer experiences in real time. If you think about the large financial and accounting systems that manage and record a company's flow of money



(called ERP – Enterprise Resource Management), these systems are about providing the company with a view of itself. Call centre applications (CRM – Customer Relationship Management) provide a company with a view of its customers.

ResponseTek provides a company with its customers' view of itself. ResponseTek's Experience Based Management (EBM) software works by non-intrusively popping up attractive Flash based questions which require only mouse clicks to answer. More importantly, these questions can be placed anywhere in the customer journey and on any device so feedback is being collected in the context of the task the customer is trying to complete. Like Chantal's BBC soap survey, ResponseTek is recording what and why. It's recording - the customer's *depth of experience*, except it's in real time from multiple sources (web site, call centre, air plane seat), and the results can be beamed to anyone in the organisation. Brands now know what their top five best and worst attributes are at any given moment in time. This is different. This is new.

ResponseTek is helping brands talk the talk because customers can also track the progress of their enquiry or complaint and connect with the agent responsible for resolution. A number of UK household brands are using EBM to gather feedback from a broad range of stakeholders including employees and shareholders. Some brands at last are taking the first steps to 'dancing with the customer'. The interesting thing about ResponseTek is that it couldn't exist as a software company if large numbers of consumers did not want to talk back to their product/service providers.

Proctor & Gamble has taken a community based approach to talking back. PG.com was created primarily as a "listening platform", says Greg Icenhower, associate director of corporate communities. The community section of the web site prompts visitors to share their likes and dislikes about certain products and to offer suggestions for improvement. The goal behind those efforts is to build a loyal customer base that either by an affinity for the company's brands or by a disappointing experience with one of its products provides feedback that contains disproportionately rich ideas. "In general, I can tell you that it (online community) is impacting



our products and packaging. It's impacting the way we intend to go to market. And it's feeding our continued thinking about product improvements down the road." [10]

Cluetrain 75: "If you want us to talk to you, tell us something. Make it something interesting for a change."

A word to the wise – decentralise

Recently Peter Drucker put the most important new trends in simple words. Rather than evolving into a new economy, we are quickly witnessing the birth of a completely new society – a network society. The central challenge, related to the ageing of the population and a longer working life, will be remote management: ***"New ways of working with people at arm's length will increasingly become the central managerial issue of employing organisations, and not just of businesses."***

There is a constant flow of research and commentary on decentralisation and the societal impact of peer to peer (P2P) technology in particular over the last few years, but I make no attempt to analyse it in great detail here. However, as a brand you have to ask yourself what it means to you when P2P networks like KazAa are growing at the rate of two Napsters a year despite legal challenges, and why Skype has at least half a million people online talking to each other at any given moment in time. How can you not be curious about how business networks have created member numbers equivalent to the number of your employees worldwide, in a fraction of the time it took you to get to this size? What makes you think these networks cannot evolve into next generation organisations and compete with you, with costs bases that on their own, could put you out of business?

Roger Camrass (an Ernst & Young director) and John Farncombe in The Atomic Corporation have developed a new theory of the firm that is perhaps less radical than P2P but equally relevant to the direction we are all heading in. A summary from their web site says;



"The book is about the radical changes that are going to sweep across the global economy in the next decade. Today's oversized, introspective, and often unresponsive corporations will evolve into much smaller business units. We call these units atoms.

We will describe how and why corporations will become small, specialist and very agile. Then we will explain how these new 'atoms' will bind together to more accurately and efficiently deliver the demands of tomorrow's customers. It is a dramatic thesis and we make some dramatic predictions.

Atoms will typically have payrolls closer to 100 people than 100,000. Atoms will concentrate on one specialty from a basket of business competencies - chief among which will be innovation, operational excellence, asset management, customer relationships, and value networking.

The implications for us all, as consumers, employees or managers, will be enormous. We will have to learn new skills and may very well end up working portfolio careers rather than experiencing life-long employment."

Don Tapscott said recently about the rate of change;

"The fall of the dotcoms. Technology industry turmoil. The upheaval in capital markets. The horrific events of September 11th and their aftermath, including war, restricted mobility, fear and economic disruption. When will things get back to normal? They are. This is the new normal."

Professor Gary Hamel succinctly describes the state of readiness corporations should be aspiring to; *"Strategic resilience is not about responding to a one time crisis...it's about continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power of a core business. It's about having the capacity to change before the case for change becomes desperately obvious."*²⁵



The only way of dealing with this rate of change is to be organised in networks. And it makes no difference if you look at this from a company perspective or a personal perspective, because like the fractal patterns in nature, each part is a copy of the whole - "as above so below".

Ultimately, companies will have to become networks to leverage networks. The organisational changes they will need to make are so fundamental, and require such a leap in imagination that many will have to be dragged kicking and screaming into the super efficient economics of networks.

For individuals, networks are about the future of work and the end of careers as we know them and a shift to a less stressful, more liberating work/life balance.

For the planet, our environment and nation states, online networks will enable *winning by sharing* or rather: equitable re-distribution of wealth, reduced conflict, sustainability and our long term survival as a species.

Epilogue

By Anna Pollock, CEO of DestiCorp Ltd, London

If Leon had grown up in Hawaii, I guarantee that he would be a champion surfer and his preferred playground the beaches of the northern coast. Cursed to live in interesting times in North London at the turn of the millennium, however, he has developed surfing skills of a different sort. By riding the waves of enormous but subtle economic and social change, Leon has developed exemplary skills of observation, analysis and experimentation. His heroic tale of adaptability,



agility and persistence would be worthy of Homer's focus were the ancient chronicler of adventurers alive today. True to his values, and with no hint of hubris, Leon has decided to share his journey with his peers. Those of us, faced with having to figure out what's really happening to and with our professional lives, will benefit from his generosity of spirit and insights.

Forced by both choice and circumstance to walk on ever shifting economic and financial ground since his early twenties, Leon has in his thoughts, words and deeds literally crossed the chasm that separates one way of viewing the world to another. Like the scouts hired by early explorers of exotic landscapes and unfamiliar territories, Leon has learned to read the signs and place markers for others to follow.

The book is like its author – accessible, passionate, intelligent yet unpretentious, and utterly sincere. This is no management report crammed with buzzwords, acronyms and jargon designed to impress but a set of musings, recollections and observations developed as a self-taught, white collar worker tries to make sense of the world and re-create himself in it and for it.

In the first section, *Tales of Power*, Leon explores the biggest change of all – a recognition that in a digitised, networked world, value is no longer vested in things but ideas and creativity. These invisible, intangible assets now determine the likelihood of success and prosperity for those who can generate and stimulate their appearance. Ideas, like diamonds, are mined from the creative sub and super conscious of the human mind. They emerge from people not the ground, or factories or offices. Their appearance and effectiveness is nurtured by the number and diversity of connections (i.e., relationships) between human beings; the depth and breadth of dialogue; the degree of honesty, openness and authenticity that accompanies each encounter; as well as the amount of passion, commitment and above all caring associated with each engagement.

In the old order, personal and corporate power came from a hoarding mentality and closed, secretive approaches based on separateness, scarcity and exclusivity. In the emerging new



order, power, energy and sustainability depend on an attitude of openness and sharing based on a reality of abundance, unity and inclusivity.

In human terms this shift is equivalent to the north and south poles switching places. Those of us born before 1980 and trained and brainwashed in the old worldview are understandably having difficulty coming to terms with the implications of the new. The forms and structures that will reflect this fundamental shift in perspective are only beginning to emerge and thankfully are still plastic and pliable.

In a world focused on hard, quantifiable and, above all scarce assets and resources, zero-sum, competitive games dominate and the organisational icon is the pyramid. Power is concentrated and leadership and direction emanate from the “top” of the hierarchy. In a world of hard things, change is slow and predictable. Even information is perceived as yet another scarce resource that must be protected and conserved. As each individual perceives that he can only succeed at the expense of another (there is after all only so much time, money, power, prestige to go around!) all encounters take on an adversarial form no matter how politely and courteously conducted.

This worldview collapses like a castle of cards when value is sourced from ephemeral, invisible ideas as opposed to things and when, as a result, the notion of scarcity is replaced by abundance. The organisational icon switches to a lattice, matrix and web-like structure or some form of telecommunications antenna beaming and receiving a constant stream of signals from the surrounding ether.

For ideas to grow, develop, morph and take on substance in this fluid environment of possibility they need sharing, discourse, and playfulness to the same extent that plants need water, air and soil. Connectivity and openness replace separation and secrecy. In a world of soft ideas emanating from the grey matter of organic beings, change is rapid and unpredictable. Inclusivity and diversity are the hallmarks of successful networks be they families, companies, communities, or nation states.



Most importantly, power concentrations are atomised and vaporised. It is no coincidence that in a digital, binary world of zeros and ones, we are becoming aware that we are all extensions of each other where the zero represents the whole and the one represents the unique power and manifestation of the individual. In the section titled *The Network Economy*, Leon shares his experience in information technology to describe and explain how individuals and companies can best adapt to the new game.

Once your perspective has changed, i.e., you “get it” and join up the dots in a new way, the big picture changes start to make sense at a strategic level. But that does not necessarily make it easy to determine what one should do differently as an individual. That is why Leon focuses the third section of his book on *The Future of Work* because it is the workplace that acts as the interface between old and new paradigms - no wonder Leon talks about ‘Dispatches from the Frontline!’

In a network economy, we humans can return to being living, breathing human beings rather than doings or units of production and consumption in an inanimate economic machine. More of us can and will enjoy a higher degree of self-direction, autonomy and responsibility than at any other period of history.

Global connectivity enables us to address our social and emotional needs by participating in a multiplicity of on and off line communities that are shaped less by geography and more by common interest and focus. Increasingly we are seen and see ourselves as a unique mix of skills, experience, intelligence and aspirations packaged on two legs yet capable of transcending all geographical boundaries.

We are motivated by the project, the opportunity, the cause as much as the money or identification with a company or brand. We seek stimulation, fun, growth, meaning, purpose and variety. We know we cannot “go it alone”. We expand our connections, we share ideas and contacts, we learn when and how to trust strangers; when to be proactive, when to “not do”. Our



corporate institutions – especially those tasked with managing us as a Human Resource – can't keep up with our evolution as autonomous, self-directed yet co-creative, co-caring, often work sharing individuals.

The boundaries between our work and non lives blur. Our roles as employee-producers, consumers, advocates, parents, voters, carers, breadwinners, students, teachers blend. Smart brands, smart companies are realising that the worker on the shop floor has the same intelligence as their best customer and starts to tap the knowledge and wisdom of each by treating them respectfully as equals, as co-creators of value. Smart companies, smart brands recognise that any value that exists in a transaction emanates entirely from the need and desire of the customer to complete a task or fulfil a need.

They, therefore, create the ideal conditions in which that customer can pull towards them the goods and services they need. Seller and buyer experience their relationship as a joyful dance not an exploitative game. Sellers develop a web of commercial relationships with other providers to support their customers in accomplishing their objectives. These are the themes explored in the last section, The Future of Brands.

At no point in this book does Leon claim to be anything other than a fellow explorer. While his musings pose more questions than answers, that is as it should be. We are all joined together in a shared task: co-creating a new world more in harmony with natural law, as is now being more fully understood by modern science. Leon will no doubt be pleased if he has encouraged his readers to leave the comfort of their own or borrowed preconceptions and venture forth into a world of uncertainty and change. He will be even more pleased, if you the reader are encouraged to do likewise.



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About the author

Léon Benjamin practises dialogue marketing – *the art of speaking to customers with a human voice*. His passion and domain of expertise: the Network Economy. His service: helping companies and individuals thrive in the network economy.

He was born in Freetown, Sierra Leone in 1963 to a Maltese/Italian mother, and a Sierra Leonean/Gambian father, and has lived in the United Kingdom since the age of seven. Léon has led Ecademy's community consulting practice since 2001 and has managed a number of successful online community implementations with clients including the UK government, Microsoft & BT.

Enjoyed this book?

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