

Web 2.0 and the 21st Century Business Model

❖ Can Texas grow the next generation of wired entrepreneurs?

Introduction

Students at Trinity Meadows Intermediate School north of Fort Worth use specially designed cell phones inside the classroom to search the Internet for information and create short videos for team-based multimedia history projects, according to profiles in the *Dallas Morning News*. This is just one example of young Texans using technology that changes the way they interact and work. And they may be demonstrating the future of work for many in Texas.

More Texans of all ages are using peer-to-peer online technology to interact with each other as part of their work, their schooling, their career and their social life. The software behind such online communications is part of Web 2.0 — the feature-rich Internet upgrade that emerged around 2004 that allows for social networking, video sharing, blogs and hosted software. Peer-to-peer networking sites, such as Facebook, Twitter and LinkedIn, are quickly becoming a dominant form of personal communication. Friends and family can communicate and socialize in real time across time zones, closing communication gaps that often occurred with letter writing and phone calls.

These same Web 2.0 services are being adopted in the business world, creating global communities by eliminating previous communication barriers that were caused by long distances. Web 2.0 also allows for project-oriented work to be done by freelance workers across multiple time zones. It's a whole new business

model infused with Internet advances and collaborative thinking. As a result, some companies are operating more as a maze of contributors or “nodes” rather than a single, integrated firm. These companies are literally global consultants connected through the Internet.

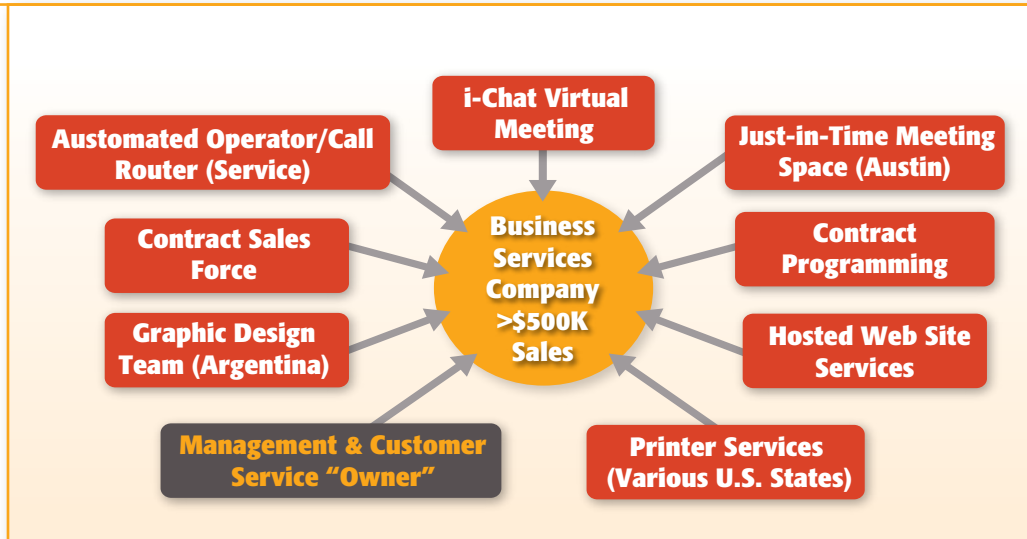
What's Happening

Web 2.0 doesn't mean the end of large office complexes and long driving commutes. But in an increasingly service-oriented economy, the small businesses of the 21st century will not necessarily be brick-and-mortar storefronts but rather a web of virtual, interconnected microbusinesses, each serving specialized needs. A global economy opens access to once-isolated consumer markets, creating enormous opportunities for business. It also opens producer markets, allowing business to access intermediate products and highly skilled talent anywhere in the world.

Web portals such as Elance.com offer structured access to more than 100,000 experts in fields ranging from Web programming to sales, marketing and legal, and writing and translation services. Elance bills itself as “an online workplace where businesses connect with qualified professionals to get work done.” They vow to “facilitate the entire work process from hiring to collaboration to payment.” This emerging 21st century business model requires a workforce whose workers continually learn, manage their own careers and work collaboratively within teams of professionals who often come from other

21st Century Virtual Business Model

Figure 7.1



cultures and backgrounds. As small Austin business entrepreneur Caesar Andreas noted, “Elance allows me to compete for big grants and projects without maintaining an extended employee network. It helps me find the talent I need for the project at hand.” Such changes in business practices can also be seen in SecondLife.com, a virtual world built entirely online by its “residents” and imbued with almost every aspect of commerce that exists in the real world.

The Data


Imagine a business — let’s call it Connected Inc. — a design services company that earns \$500,00 in annual revenue and yet has no employees, no physical office, no infrastructure, no inventory. The business owner is also the general manager, primary salesperson and creative force. But the owner is not alone. This entrepreneur contracts with Salesforce.com to essentially lease salespeople, who provide services to other businesses, not only Connected Inc. The owner acquires designers and writers on a project-by-project basis through Elance. In this business model, it is just as likely that the business owner, who lives in Texas, will use Web designers from India and graphic

artists from Argentina. Calls to the business’s toll-free number ring the owner’s cell phone and whoever is assigned to Connected Inc. at Salesforce.com. Because most meetings are held online, lack of office space is not a problem, although the owner pays a lease retainer on physical office space in a large downtown building should a client wish to meet face-to-face. Essentially, the lease arrangement provides office and meeting space inside a building and is shared by both large, permanent companies and smaller just-in-time businesses. Although Connected Inc. builds and maintains Web sites for its clients, it owns no servers; Web-hosting services are handled through GoDaddy.com or Rackspace. Printing services are procured competitively and come from various regions in the country. The owner simply creates and communicates content using common software packages, such as Adobe’s InDesign and Microsoft Office, which are available with 64 unique “language interface packs.”

Connected Inc. is run as a sole proprietorship with no employees, and the owner is not “employed” under any of the standard data collection programs. Yet this thriving business relies on the specialized talents of workers across the globe.

Connected Inc. is not an anomaly; it is





an example of a new business model taking advantage of the e-commerce phenomenon that grossed \$32.4 billion in the second quarter of 2009 alone, representing 3.6% of all retail sales. This percentage has doubled since 2004 and shows a strong upward trajectory throughout the next decade.

So What?

The Internet is dramatically reducing business expenses, making it easier and cheaper to set up a profitable business and opening many avenues for business-to-business (B2B) connections. Individuals or small collections of entrepreneurs make up this new generation. Internet outsourcing to individual “businesses” around the world has only just begun, and, as prophesied in *The Futurist*, “growth in this field will accelerate again as overseas service firms polish their English, Spanish, French and German and find even more business functions they can take on.”

The implications of Web 2.0 are enormous. Many businesspeople refer to this increased project orientation of work as the “Hollywood Model” because of the similarity in process to the film industry, which requires thousands of individual consultants who can be readily identified and engaged. This model fits particularly well for the younger Millennial Generation. Surveys show twice as many Millennials would rather own their own business than be top executive of a firm, and five times more would prefer to own a business than hold a key position in politics or government. In an article in *Strategic Business Futurists*, Roger Herman noted that “early indications suggest that the Millennial Generation has a strong orientation toward entrepreneurship. They feel confident that they can achieve great results — at least earn a satisfactory living — by going into business for themselves. This population is showing itself to be a self-aware, astute, creative, and comfortable [with] taking the risks involved with businesses.”

But the most intriguing changes are occurring at the intersection of Web 2.0, social networking and the explosion in mobile commerce. At the October 2009 Web 2.0 summit in San Francisco, Morgan Stanley analyst Mary Meeker noted that mobile commerce will explode this decade and will cause huge shifts in wealth creation — creating new corporate winners and losers.

“The iPhone is the fastest-growing piece of hardware the world has ever seen,” Meeker said. Mobile traffic at AT&T (at the time of this printing, the iPhone’s exclusive service provider) experienced a 4,932% increase between the second quarter of 2006 and that same period in 2009. Interestingly, Facebook is the leading Web site in terms of global minutes used, followed closely by YouTube.

Meeker noted that the shift to the mobile Web is no less than a new computing cycle, such as the historic shifts from mainframes to minicomputers, from minicomputers to personal computers (PCs) and from PCs to laptops and the Web. Each time a shift happens, the number of users increases tenfold.

It remains to be seen whether business-based social networking will become a successful marketing strategy. For every new job created for social media consultants, another company realizes that broad access does not necessarily translate into sales or long-term customer relationships. In the words of business writer Geoffrey James, “You can’t find out anything useful about your customer base by looking at what the ‘community’ says, because the community only represents the segment of the customer base that participates in the community. And that community could just be [and probably is] a vocal minority that’s completely off the curve or even completely over the twist.” Nonetheless, the intersection of social networking, mobile computing and an increased project orientation of work is causing a significant disruption to traditional business models.

Chapter 7 | Suggested Strategies



Think Globally, Plan Regionally

Clearly, communications technology is changing the way Texans live and work. What is viewed as advanced technology to Baby Boomers is simply an everyday lifestyle tool to younger generations and a common business tool for employers and workers. To take advantage of this new business model, communities can engage in a number of actions:

- **Encourage all students** to take a course on entrepreneurship, complete with practical scenarios for crafting and executing a business plan. Innumerable resources are available online that can accompany any entrepreneurship program.
- **Promote the concept of lifelong learning** and career lattices among students. Future careers likely will not be constructed in stair-step fashion with one employer. Rather, students will need to constantly acquire new knowledge and achieve mastery of at least some specialized skills throughout their lifetime. For the Millennial Generation, lifelong learning is nothing new; it's just the way life is. Moreover, it is likely their careers will be formed through multiple employers and will include a series of jumps in and out of self-employment, either as a contractor or a business owner.
- **Offer broadband Internet and Wi-Fi access**, which is crucial to the growing community of Web 2.0 business owners. The 21st century business model can be practiced anywhere, giving an advantage to communities with high ratings for quality of life. But those communities must offer the necessary telecommunications infrastructure.
- **Provide opportunities to gain skill** in project management, understanding of cultural differences and greater work-life balance. Even within existing companies, work is becoming more decentralized and distributed across wider regions, requiring management of people and projects in multiple locations across the globe. These skills will become even more important to accommodate a 24/7 global business environment critical to many people's individual success.
- **Find talent near and far.** Talent required of the 21st century business model does not have to come from abroad. Americans have a reputation for creativity, innovative thinking and economic flexibility. Efforts to promote social networking within communities could pay off in net job growth, both among young people and retiring Boomers or "seniorpreneurs," who, with a 28.5% self-employment rate, are just as likely to start a new business as a second chance career.