

Compliance

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The experience economy expands

BY CINDY GORDON

The experience economy continues to take on new dimensions. According to James H. Gilmore and B. Joseph Pine who wrote a book on the topic, the experience economy is an advanced service economy, which has begun to sell “mass customization services,” similar to the theater, using underlying goods and services as props. The experience is what drives consumer consumption and customer loyalty. If companies do not orchestrate memorable experiences for their customers, they will not have a competitive advantage. In experience terms, the memory itself is now the product.

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The adversity of knowledge

BY DAVID WEINBERGER

I’m years late getting to Jack Welch’s *Jack: Straight from the Gut*. I had to read it for a project I was working on recently, and I’m glad I did, but not so much for what he says. His story of his tenure as General Electric’s CEO is interesting, but the subtext is positively fascinating.

There’s no arguing with Welch’s success, except perhaps by arguing with his definition of success. GE was a big, profitable business when Welch got there. When he left, it was much bigger and much more profitable because Welch redefined success as *winning*. It was not enough to be profitable. Instead, the company had to shed every area of business where it could not be #1 or #2. Where global competitors were arising that would drive GE out of the business, that was a shrewd,

preemptive move. But as a strategy applied across the board, it seems from Welch’s book to have had another motive as well.

Self-created strife

Welch’s story is that of overcoming adversity. His family was comfortably working class. They did not have it easy, but they got by. That’s not the adversity I’m referring to. And while Welch obviously had to struggle and compete to make it all the way to the top, the story, as he tells it (of course), is of an honest process that rewarded his skills, drive and personal qualities.

The most important adversity in his story is that which Welch created. On the one hand, he is exceptionally modest throughout his book. He takes every opportunity to tell us of his mistakes, and to remind us that

he didn’t know as much about any of the areas of the business as those who were running them. He claims to have been a poor—or at least nervous—public speaker. So, how does he account for his rise and subsequent success? In part, it was his passion and hard work. But lots of people work hard. More important, he says, was his integrity, by which he means his insistence on being who he is and not pretending to be something else.

Rare commodity

Integrity is so important to Welch that he stressed it as GE’s #1 value. But, by insisting on his integrity, Welch implicitly defined his circumstances as corrupt: Welch succeeded because his integrity was a

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The Collaboration 3.0 approach

BY JONATHAN SPIRA

Web 2.0 is a term initially used for a 2003 conference, after the dot.com bubble had burst, to indicate a kind of turning point for the Web. Whatever validity the term might have had a few years ago has seemingly been lost as buzzword-addled companies paste the moniker on their products, with little if any understanding of what it was supposed to mean (some aspiring Web 2.0 applications don’t even use the Web).

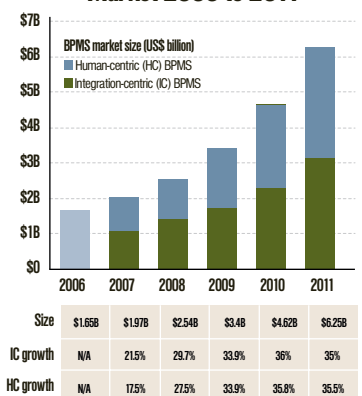
Today we have Web 2.0, Business 2.0, Collaboration 2.0, Enterprise 2.0,

Work 2.0, even Religion 2.0. The list goes on. But the designation 2.0 doesn’t really indicate a mature product. If there is one thing we’ve learned from Microsoft (microsoft.com) time and time again, it’s that Version 3.0 is the one that counts.

Indeed, what we consider to be Web 2.0 is child’s play compared to the early Collaboration 3.0 processes and technologies that a few leading companies have been quietly deploying. Collaboration 3.0 is a very high level

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Business Process Management Market 2006 to 2011



	2006	2007	2008	2009	2010	2011
Size	\$1.658	\$1.978	\$2.548	\$3.48	\$4.828	\$6.258
IC growth	NA	215%	29.7%	33.9%	36%	35%
HC growth	NA	17.5%	27.5%	33.9%	35.8%	35.5%

Source: Forrester

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Cutting mobile communications costs

Mobile communications are essential to every business, especially as the work force spends more time out of the office working from remote locations. But as employees become more mobile, the cost of staying in touch rises because wireless tends to be more expensive than landline.

Joel Sorensen, associate VP and director of sourcing and procurement at HNTB (hntb.com), an architecture, engineering and planning firm, saw his telecom costs double between the end of 2003 and the end of 2005, increasing to more than \$1 million. "We look at our spending every year," Sorensen says. "Our phone expenses were growing a lot faster than our revenue or our head count"

While mobile phones, personal digital assistants and similar devices are essential to operating a business that has more than 60 offices, the company had to rein in its telecom spending without hurting its growth, Sorensen says. To do that, the firm needed to have better corporatewide knowledge about all of its telecom spending. "We needed to see the whole forest," he explains.

So HNTB put out a request for proposal to find a firm that could help manage the expense on a corporatewide basis. The main issue, according to Sorensen, was the fast rising expense for mobile phone calls, because every time a new employee was added to the company's 3,000-plus work force, he or she tended to get a work phone with a new calling plan, rather than being part of a corporatewide plan. An enterprisewide telecom procurement would mean more purchasing power, and, therefore, higher discounts and lower costs.

HNTB selected a telecom expense management application from Avotus (avotus.com) that audits bills, handles procurement, manages calling plans from the corporate level and provides other expense management benefits.

While telecom usage and mobile communications are continuing to grow along with HNTB's business, the expense is growing about 10 percent per year now, rather than doubling every two years as it was before, according to Sorensen.

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and have employed the concept throughout the business segment of the company.

Reducing turnover

"We use [KM] to look for areas of duplication so that we can streamline them, to help determine pricing decisions, to hold people accountable—it runs the whole gamut," Mote says.

Additionally, the wireless side of the business (a separate division from Mote's) uses KM to help provide better customer service, says Ken King, senior marketing manager for business intelligence vendor SAS (sas.com).

"Telecom companies have used statistical modeling from the operational side, but historically haven't understood the customer side," King says. "They had a near monopoly and large economies of

scale. Now that the industry is more competitive, they have to capture a lot of information and use that to improve customer service and reduce churn."

By digging deep into the customer data and analyzing the customers who have left, Verizon has aggressively targeted its preferred customers and has reduced turnover to one of the lowest rates in the industry, according to King.

He and others expect the telecom industry to delve deeper into uses of knowledge management, as the industry continues to evolve and companies continue to look for competitive advantages in terms of pricing, product and service bundles and customer service. ■

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There is no better example of the notion of experience in the Internet world than with the evolution of virtual worlds. We have evolved from simple, primitive Internet experiences in the early 1980s to Web 1.0 capabilities fueled in the late 1990s by the likes of Yahoo, Amazon, AOL and eBay. Now with Web 2.0 solutions leveraging on-demand platforms and collaborative, social-mediated experiences, we are in a growth wave where virtual world real economies are intersecting real business worlds.

Virtual evolution

The blending, meshing or mashing activities of "metaverse" experiences are growing at a staggering pace, with significant implications to KM practitioners and the broader commercial software markets.

A virtual world is defined as a computer-based, simulated environment where users interact with avatars. That habitation usually is

represented in the form of two- or three-dimensional views of humans or the shape of other animated forms for communication. The earliest virtual worlds were not games, but generic virtual reality simula-

Early virtual worlds included WorldsAway, Dreamscape and The Palace—typically two-dimensional, community-driven virtual worlds. Those types of virtual worlds were inspired by the cyberpunk literary

such as real-time actions, communication, interaction, gravity, locomotion. Virtual worlds are now integrating many of the collaboration methods evolved from applications of knowledge communication practices, such as chat rooms, text messages, integration of VoIP, profiling, communities of interest, etc.

Big numbers

Of the virtual worlds known as MMOGs (massively multiplayer online games), an impressive one is Warcraft, which commands nearly 50 percent of the global marketshare. The market for MMOGs is significant, with subscription sales from online virtual worlds generating over \$500 million in revenues in North America in 2006, according to media consultancy Screen Digest (screendigest.com).

According to the Tower Group (towergroup.com), MMORPGs (massive multiplayer online role-playing games) represent a growing business that will reach 40 million

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tors. The early renditions evolved into MUDs (multiuser dungeon domain) or MUSHes (multiuser shared habitat) because the environments encouraged creating buildings, art and structures. With technology capabilities still evolving at that time, the environments did not include avatars.

movement, and particularly by Neal Stephenson's novel *Snow Crash*, where the language of virtual worlds eeks out into the new rich community and online interaction models.

Real rules, collaboration

The simulations of the virtual worlds are based on real-world rules

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U.S. users and generate over \$9 billion in direct U.S. revenues by 2010. MMORPGs now involve more than 120 million active subscribers.

Major draw

According to Gartner (gartner.com), "Eighty percent of active Internet users will have a second life in the virtual world by the end of 2011." However, most of those experiences will be proprietary, subscription-driven games with limited opportunities for

The most important point is that rich media and 3-D experiences are rapidly entering the Internet world and taking advantage of knowledge and collaboration best practices.

third-party content creation. But many (perhaps 40 million worldwide) will be in increasingly open/standardized/buildable virtual worlds that welcome business—like Second Life (secondlife.com), There.com, Entropia Universe (entropiauniverse.com) and others.

Metaverse marketing

Second Life (SL) is generating significant press and attracting hundreds of Fortune 500 companies to create virtual world experiences to test new customer concepts. The average age in SL is 32, and most residents are not past gamers. The audience has purchasing power, and many are active researchers monitoring the rich media experiences rapidly evolving in SL.

Launched in 2003, SL's virtual world was developed by Linden Research (lindenresearch.com). A downloadable client program enables users, called residents, to interact with each other through avatars. Residents, for example, can explore, socialize and participate in group activities or purchasing experiences or trade properties and services with each other in the SL virtual world.

In our research, we have learned that new approaches to marketing

and brand management are evolving from the new metaverse experiences in SL, and that the same underlying principles for effective knowledge sharing and collaboration apply.

So what is the major innovation?

The most important point is that rich media and 3-D experiences are rapidly entering the Internet world and taking advantage of knowledge

and collaboration best practices. The rich real estate dynamics are generating a new trading economy that has the potential to revolutionize new real estate market dynamics. Although early-days metaverse sites like SL do not have the user adoption or proven ROIs, they serve as an excellent vision of how virtual world experiences are striving to simulate real-life experiences.

There is no question that virtual worlds extend our experience economy capabilities. KM practitioners, who want to be on top of their game, must ensure they experiment and learn from virtual world experiences, because they will evolve into a new purchasing power segment. ■

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