

## Survey

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### Building the Web 2.0 Enterprise: McKinsey Global Survey Results

Companies are using more Web 2.0 tools and technologies than they were last year, sometimes for more complex business purposes, according to McKinsey's second annual survey on Web 2.0. Companies that are satisfied with their use of these tools are starting to see changes throughout the enterprise.

July 2008

**Executives responding to** McKinsey's second annual survey on the business use of Web 2.0 technologies—including wikis, blogs, social networks, and mash-ups<sup>1</sup>—were asked which of these social and interactive tools their companies have adopted and for which purposes, what they are doing to encourage adoption, and how satisfied they are with their use of these tools.<sup>2</sup> They were also asked to what extent they are using such new technologies to interact with their employees, customers, and suppliers—and, ultimately, how important these tools are to their companies' competitive edge.

This year's survey reveals continuing investments in Web 2.0. Companies that are deriving business value from these tools are now shifting from using them experimentally to adopting them as part of a broader business practice. Last year, our respondents said that their companies had adopted just over two Web 2.0 tools on average; this year, those companies have adopted two and a half from the same list and more than three from an expanded one. The survey also shows that the use of these tools is both intense and wide-ranging. Companies report that they are using Web 2.0 both within and outside their walls—to forge tighter links with customers and suppliers and to engage employees more successfully.

Our findings also suggest that after an initial period of promise and trial, companies are coming to understand the difficulty of realizing some of Web 2.0's benefits. Only 21 percent of the respondents say they are satisfied overall with Web 2.0 tools, while 22 percent voice clear dissatisfaction. Further, some disappointed companies have stopped using certain technologies altogether.

However, fundamental changes are beginning to take place among the satisfied companies as a result of their ambitious use of Web 2.0. These companies are not only using more technologies but also leveraging them to change management practices and organizational structures. Some are taking steps to open their corporate "ecosystems" by encouraging customers to join them in developing products and by using new tools to tap distributed knowledge.

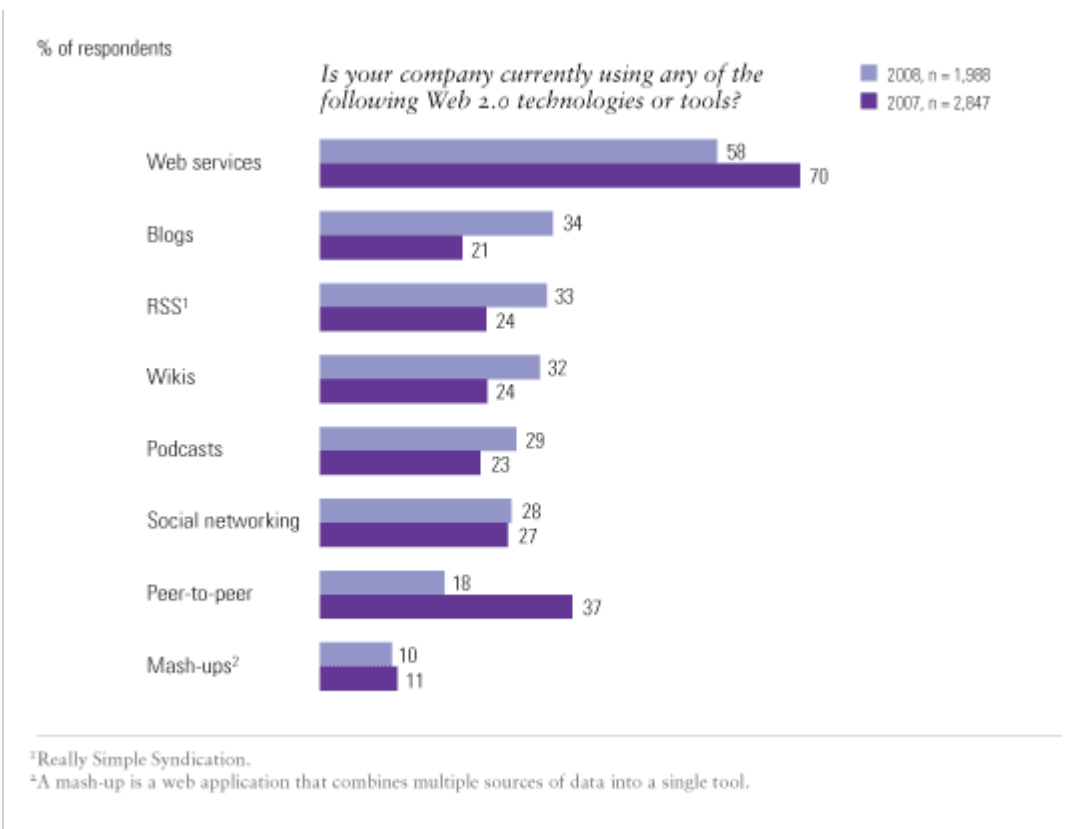
#### **Notes**

<sup>1</sup>A mash-up is a web application that combines multiple sources of data into a single tool.

<sup>2</sup>The *McKinsey Quarterly* conducted the survey in June 2008 and received responses from 1,988 executives from around the world. All data are weighted by the GDPs of the constituent countries to adjust for differences in response rates.

#### **More tools for more reasons**

At many companies, Web 2.0 is now familiar, but the mix of tools and technologies companies use is changing. Blogs, RSS,<sup>3</sup> wikis, and podcasts are becoming more common, perhaps because companies have a greater understanding of their value for business (Exhibit 1).



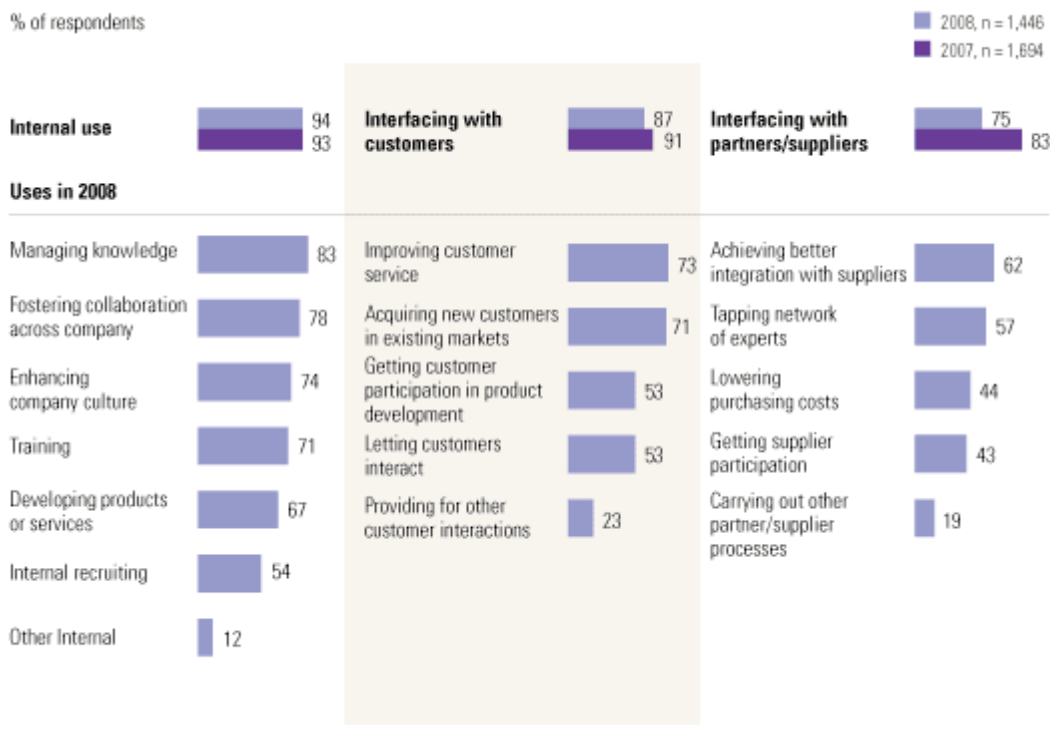
At the same time, more technologies are in use. For those listed in both the 2007 and 2008 surveys, the average rate of adoption is 2.5 tools per company this year versus 2.2 in 2007. Overall, the respondents say that their companies are using 3.4 technologies from an expanded list.

Companies use Web 2.0 technologies more frequently for internal than for external purposes, and the rate of deployment remains high for almost all kinds of uses (Exhibit 2). The survey indicates that companies are now embracing a number of potentially higher-value external objectives. Last

year, for example, one key goal was to aid entry into new markets; today, more companies are focusing on interactions with their customers. After an initial flurry of interest, some companies haven't been able to sustain participation and are abandoning the use of some tools; 7 percent of respondents have tried and stopped using one or more technologies

Still, there is wide variation in the level of overall satisfaction with Web 2.0 tools and technologies. Twenty-one percent of the respondents are extremely or very satisfied with them for most internal and external uses. Those who express satisfaction with these tools—either overall or solely for internal or external purposes—use them more intensively and say they are

less likely to stop using them.



**Notes**

<sup>3</sup>Really Simple Syndication

**What matters where**

Following last year’s pattern, Web services (software that makes it easier to exchange information and conduct transactions) remains the technology with the highest level of use among respondents across all regions. Respondents also rate Web services as the most important tool, with Europeans providing the highest marks. Companies in all regions perceive wikis and blogs as fairly important, and the use of both tools has increased over the past year. There are some notable regional differences in the importance of tools: for example, a larger share of respondents in North America (the birthplace of popular community Web sites such as MySpace and Facebook) than in other areas rated social networks as important (Exhibit 3).

% of respondents, n = 1,216

**Technologies or tools most important to respondents' companies**

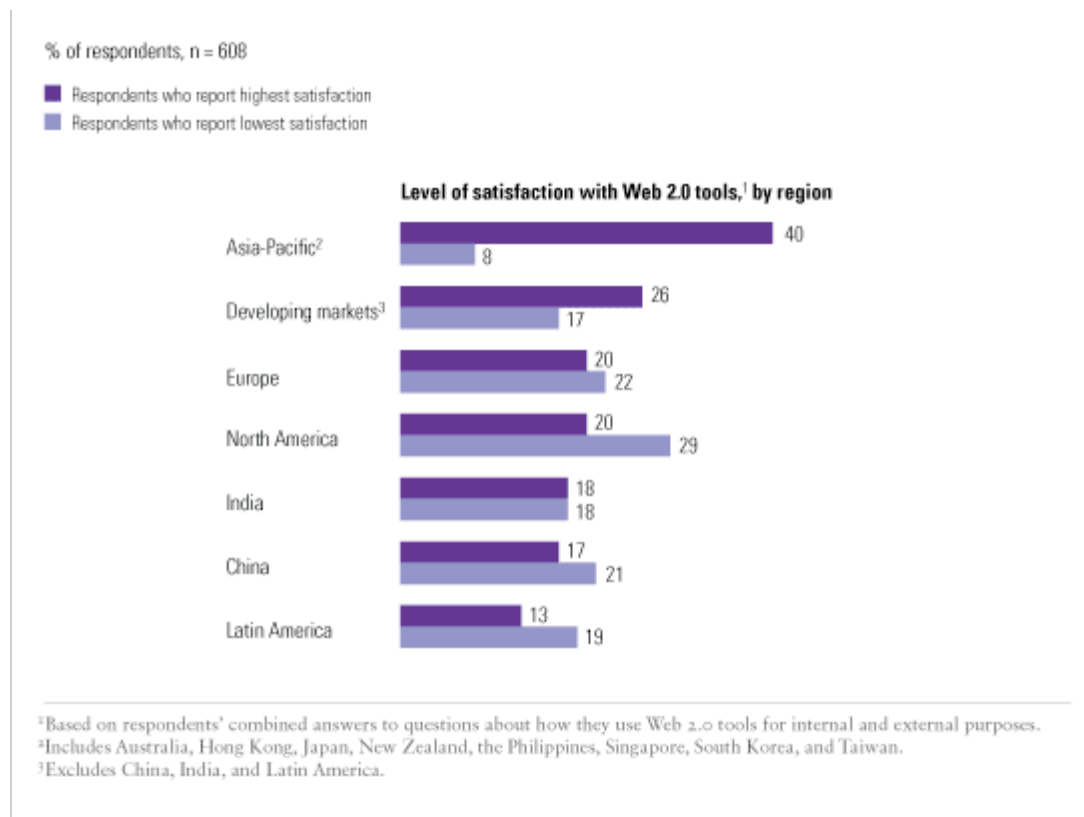
	Total	Europe	India	North America	China	Asia-Pacific <sup>1</sup>
Web services	58	62	58	57	48	45
Social networking	32	28	22	35	31	29
Blogs	31	21	46	37	35	48
Wikis	26	28	37	27	18	20
Video sharing	20	19	26	20	22	22
Podcasts	18	20	23	20	7	21
RSS <sup>2</sup>	16	17	14	18	15	7
Peer-to-peer	12	13	11	9	22	12
Prediction markets	9	9	6	7	14	5
Rating	8	9	9	7	4	7
Mash-ups <sup>3</sup>	7	10	6	6	3	3
Tagging	6	6	7	8	4	4

<sup>1</sup>Includes Australia, Hong Kong, Japan, New Zealand, the Philippines, Singapore, South Korea, and Taiwan.

<sup>2</sup>Really Simple Syndication.

<sup>3</sup>A mash-up is a web application that combines multiple sources of data into a single tool.

Satisfaction, like importance, varies markedly by geography. The developed countries of the Asia-Pacific region<sup>4</sup> had the largest percentage of respondents expressing the highest level of overall satisfaction with Web 2.0 tools, and Latin America had the lowest. At the other extreme, a larger percentage of North American respondents indicated the lowest level of overall satisfaction (Exhibit 4).



## Notes

<sup>4</sup>Includes Australia, Hong Kong, Japan, New Zealand, the Philippines, Singapore, South Korea, and Taiwan.

## Getting Web 2.0 to employees

The usage of Web 2.0 tools remains uneven among the workforce at many companies. Only about one employee in four uses Web 2.0 tools, except for Web services. But this finding masks significant differences. At the quarter of companies that are mostly satisfied with the deployment of Web 2.0 technologies, more than half of all employees are using them.

A higher level of usage is found at companies that encourage it by using tactics such as integrating the tools into existing workflows, launching Web 2.0 in conjunction with other strategic initiatives, and getting senior managers to act as role models for adoption.

As might be expected, companies whose respondents are satisfied with the overall results of Web 2.0 employ more tactics to encourage its use—an average of 4, compared with 2.5 at companies where respondents aren't

The use of incentives to encourage the deployment of Web 2.0 technologies is remarkably low; the respondents who are least satisfied with them cite a lack of incentives as a barrier twice as frequently as others do

satisfied. Further, 35 percent of the respondents at companies that are satisfied with Web 2.0 see no organizational barriers to its greater deployment inside or outside the company. Among those who are satisfied but do see barriers, no single barrier predominates.

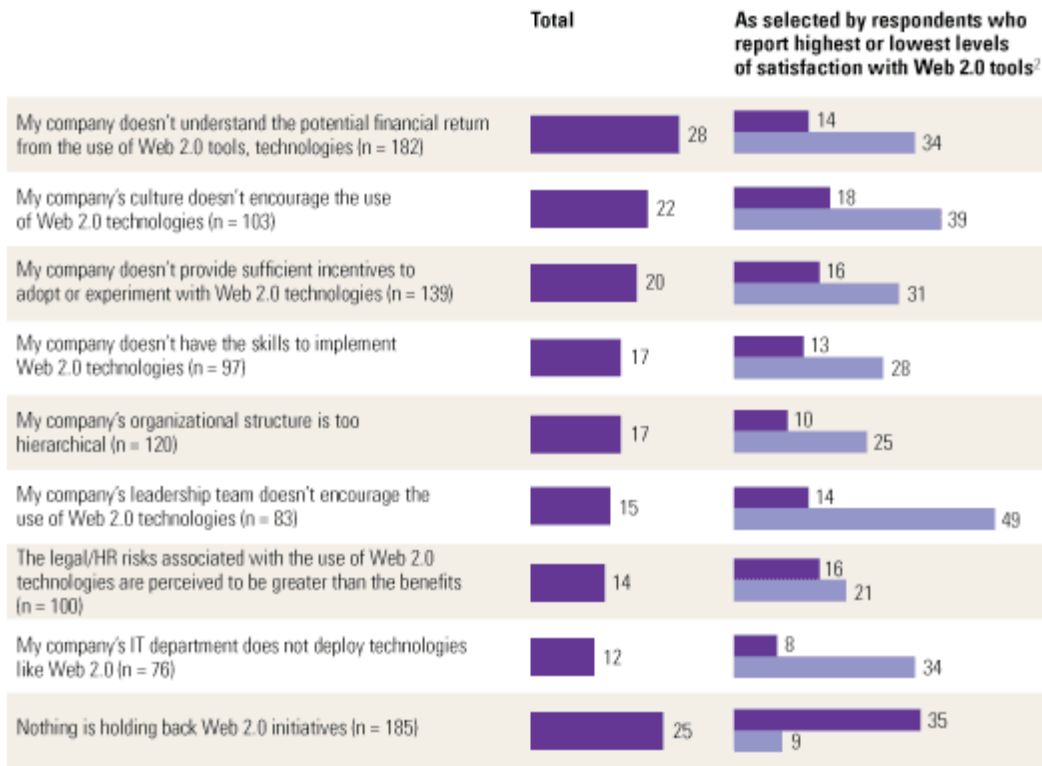
Inside and outside companies, many barriers to Web 2.0 persist. Dissatisfied respondents are likely to note more of them, including the inability of management to grasp the potential financial returns from Web 2.0, unresponsive corporate cultures, and less-than-enthusiastic leaders

(Exhibit 5).

% of respondents,<sup>1</sup> n = 1,988

■ Respondents who report highest satisfaction  
 ■ Respondents who report lowest satisfaction

*What are the top three barriers, if any, to the further success of your Web 2.0 initiatives?*



<sup>1</sup> Respondents could select up to 3 answers; those who answered 'don't know' are not shown.

<sup>2</sup> Based on respondents' combined answers to questions about how they use Web 2.0 tools for internal and external purposes.

### When Web 2.0 works

As Web 2.0 gains traction, it could transform the way companies organize and manage themselves, leading to what some have dubbed Enterprise 2.0. This year's survey suggests that some companies are starting to fulfill that broader promise. Among satisfied respondents, 26 percent report that

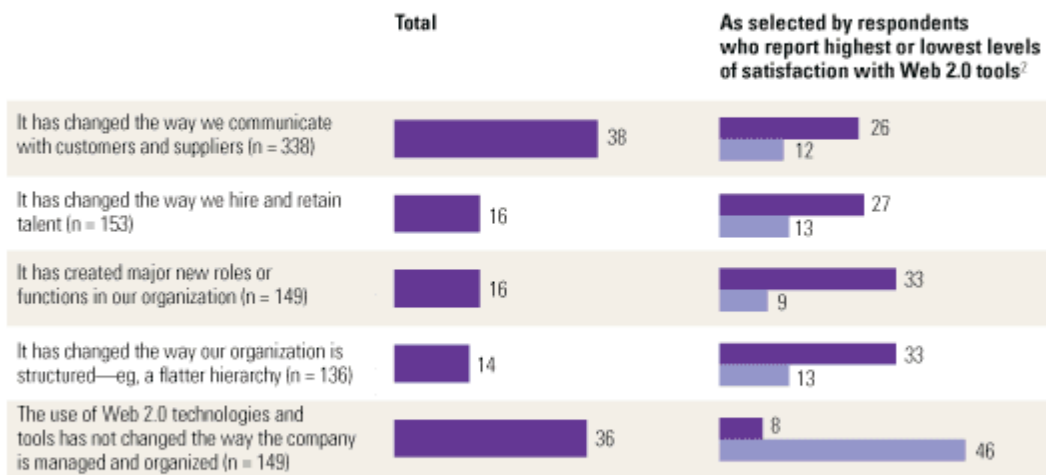
Among respondents satisfied with their companies' use of Web 2.0 tools, only 8 percent say that these technologies have not changed their organizations—compared with 46 percent of the dissatisfied respondents

Web 2.0 tools have changed interactions with customers and suppliers, while 33 percent say these technologies have created new roles or functions inside the organization. A third of the satisfied respondents even feel that Web tools are changing its structure (Exhibit 6).

% of respondents,<sup>1</sup> n = 1,477

- Respondents who report highest satisfaction
- Respondents who report lowest satisfaction

*How, if at all, has your company's use of Web 2.0 technologies and tools changed the way the company is managed and organized?*



<sup>1</sup> Respondents could select more than 1 answer; those who answered 'other' or 'don't know' are not shown.

<sup>2</sup> Based on respondents' combined answers to questions about how they use Web 2.0 tools for internal and external purposes.

Satisfied companies are using Web 2.0 tools more extensively for interactions with their customers, suppliers, and outside experts (Exhibit 7)—for example, to engage customers and suppliers in product-development efforts, also known as cocreation.<sup>5</sup>

Uses in 2008 by level of satisfaction, % of respondents who report using Web 2.0 technologies,<sup>1</sup> n = 1,446

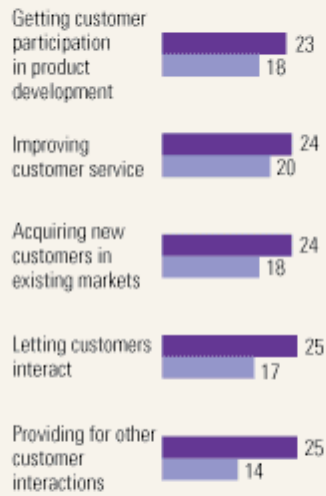
■ Respondents who report highest satisfaction  
 ■ Respondents who report lowest satisfaction

**Respondents report using some combination of Web 2.0 technologies to...**

**... manage collaboration internally**



**... interface with customers**



**... interface with suppliers/partners**



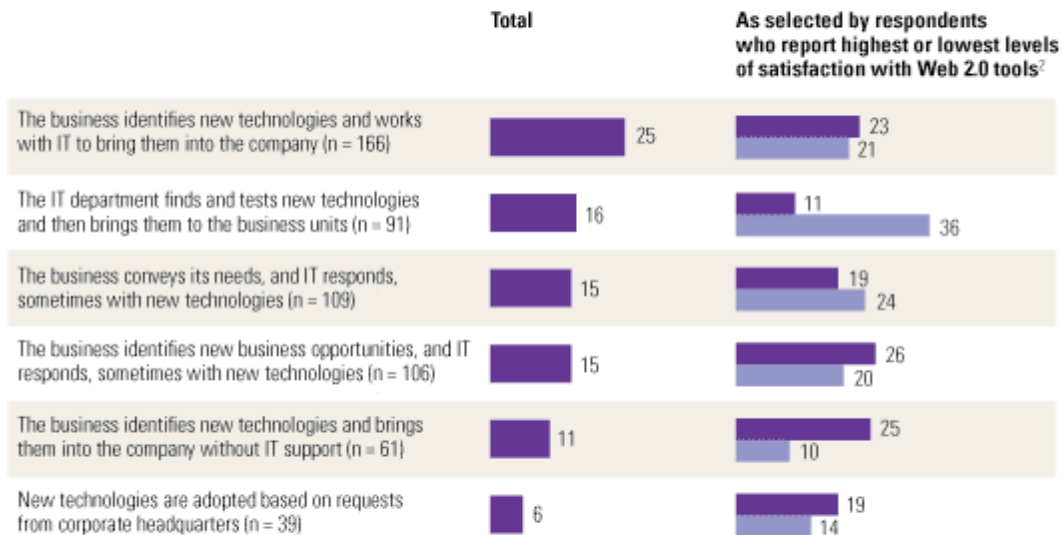
<sup>1</sup>Based on respondents' combined answers to questions about how they use Web 2.0 tools for internal and external purposes.

In addition, they are forming networks outside their corporate walls. These forward-thinking companies seem to be taking a more business-centric approach to the adoption of Web 2.0 as well. Satisfied respondents say that, in large measure, business units rather than IT departments are driving the selection of Web 2.0 technologies.<sup>6</sup> Dissatisfied respondents report the reverse: IT units take the lead, choosing the tools and then delivering them to business units (Exhibit 8).<sup>7</sup>

% of respondents,<sup>1</sup> n = 1,477

■ Respondents who report highest satisfaction  
■ Respondents who report lowest satisfaction

*Which statement best describes how Web 2.0 technologies are adopted at your company?*



<sup>1</sup> Respondents who answered 'other' or 'don't know' are not shown.

<sup>2</sup> Based on respondents' combined answers to questions about how they use Web 2.0 tools for internal and external purposes.

## Notes

<sup>5</sup> See Jacques Bughin, Michael Chui, and Brad Johnson, "The next step in open innovation," mckinseyquarterly.com, June 2008.

<sup>6</sup> This finding reinforces the views expressed in a McKinsey online discussion among respondents to last year's survey on how best to introduce Web 2.0 technologies in companies.


<sup>7</sup> See Scott C. Beardsley, Bradford C. Johnson, and James M. Manyika, "Competitive advantage from better interactions," mckinseyquarterly.com, May 2006.

## Looking ahead

**Tougher competition.** Almost 60 percent of the respondents satisfied with Web 2.0 initiatives (but only 42 percent of other respondents) see them as a driver of competitive advantage. Expect these companies to become more aggressive in the marketplace against rivals that are slower to get on board.

**Higher investment levels.** Satisfied or not, all companies plan to spend more on Web 2.0 tools—an opportunity for software developers.

**Building Web 2.0 success.** There are few differences in size, region, or even tool use between companies that are satisfied with their Web 2.0 experience and those that are not. This suggests that today's seemingly insurmountable barriers could be overcome through the adoption of managerial methods that satisfied companies use.

**Innovation.** Successful companies already use Web 2.0 for business applications such as communicating with customers and suppliers; soon they may use it to drive innovation. 

## About the Authors

The contributors to the development and analysis of this survey include **Jacques Bughin**, a director in McKinsey's Brussels office; **James Manyika**, a director in the San Francisco office; and **Andy Miller**, a consultant in the Silicon Valley office. The authors gratefully acknowledge the contributions of their colleague Michael Chui.

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