



## WHITE PAPER

# Business Networks: The Next Wave of Innovation

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## In This White Paper

The business network is forming a new framework for productivity and value creation across a broad set of business functions. In particular the network provides platforms for 1. Customer communities (customer experience), 2. Enterprise Social Networks (ESN) and 3. Commerce. All three areas are creating disruptive value propositions for businesses and changing the way work gets done. For connected commerce, leveraging the Internet and new connected technologies like mobile, cloud and the Internet of Things is offering networks that can increase business performance and reduce costs while creating competitive advantage. In particular marketplaces create a high performance platform for suppliers and procurement professionals to build collaborative relationships and execute in more efficient and effective ways.

## Business Networks and the Modern Enterprise

The widespread availability of the Internet has created a broad business disruption that is driving change across all business functions. Ubiquitous connectivity and the free flow of information across the open network has opened up unique business models, ways to streamline and operate business processes, new ways of communicating and connecting, and massively scalable ways for creating and sharing content. The move from the Industrial Age with its make - sell driven business models, to the Information Age and the sense - respond business model, is impacting the world across social, technology and economic arenas in a way that is reminiscent of the shift from the Agricultural Age to the Industrial Age a few hundred years ago. The disruption reaches into all business processes and functions, and is driving socially enabled, fact / information based, connected experiences into the mainstream.

The disruption itself stems from a technology platform, the Internet, much like it did in the move to the Industrial Age with its labor saving farm machinery and technology enabled factories. In much the same way today we're seeing changes that impact society and social interaction, and shifts that have broad economic implications. The Internet is the platform that has opened up a wide range of technology innovations too. The biggest trends in technology; mobile, cloud computing, and big data, all exist because of the Internet platform.

During the Industrial Age product and process innovation were most often the biggest disruptors. In the Information Age though, another type of innovation is proving to be just as, if not more, disruptive: business model innovation. Business model innovation that leverages the Internet and the

technologies that it has spawned, is creating new and exciting ways to deliver value. This disruption was evident with brands like Amazon and eBay in the 1990s and in the so-called sharing economy brands like Airbnb and Uber today. In most of these disruptions there is an underlying marketplace / community, or perhaps it should be called network. The community or network is a key building block of the new connected, information economy.

Before examining the network and its role in the information economy though, there are other drivers of change and disruption that need some explanation. The following factors are creating pressure on businesses to change and adapt:

- The Great Global Recession and the resulting productivity imperative
- Connected mobile devices
- Cloud computing
- Data-driven everything

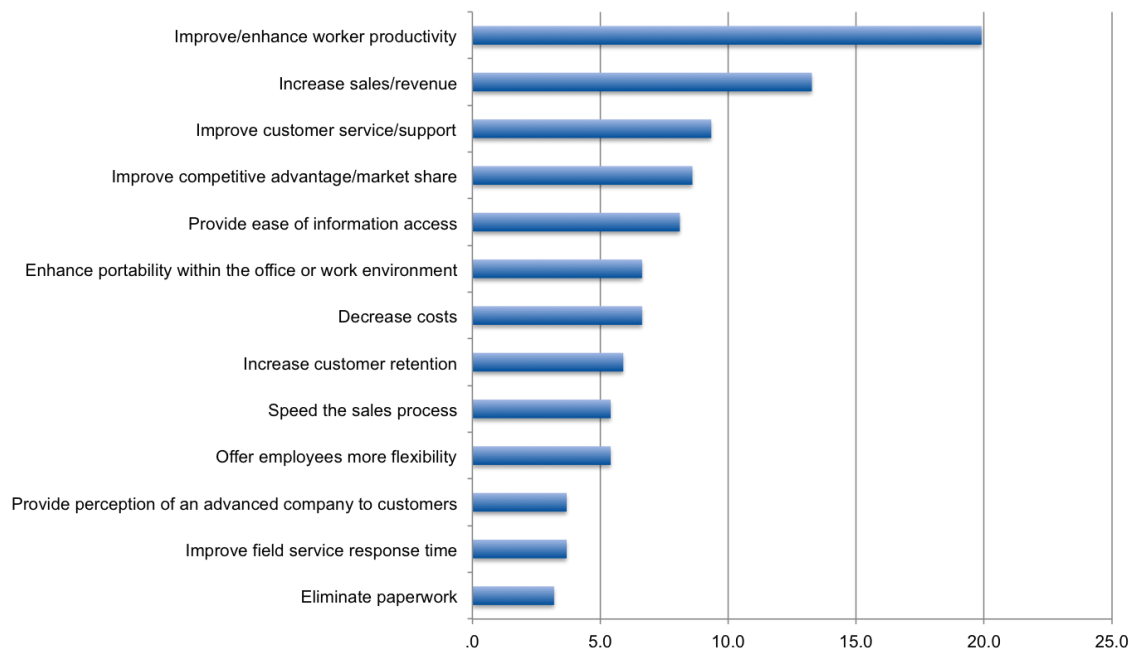
### *The Productivity Imperative*

In the aftermath of the Great Global Recession of 2009, businesses are presented with a modified reality that is accelerating the rate of change - at least for the companies that are trying to maintain a competitive posture. While on the one hand the recession accelerated the adoption of some new technologies that are helping them compete more effectively, the downside found many companies also presented with a shortage of resources. In other words they found themselves doing more and more with less and less resources (people and budget). Competitive pressure also accelerated and became more unpredictable.

Specifically the need to produce more with less people and less expense has created a critical situation for most companies. Automating business processes with technology was the equalizer for productivity gaps in the past, but this time many businesses are finding that they are near an automation limit with current technology. Automation through technology alone is not closing the gap sufficiently to create sustainable operations for the long term and companies are looking for additional ways to create significant increases in productivity. They must leverage people to drive new levels of productivity and close the productivity gap by creating new ways to get work done more efficiently and effectively. To some extent mobile technologies and cloud computing are helping to close the gap by creating a work everywhere / anywhere workforce, but again, that alone isn't enough.

Figure One

Q: Select the **most important** benefit that your organization expects to gain from current or future mobile enterprise application deployments

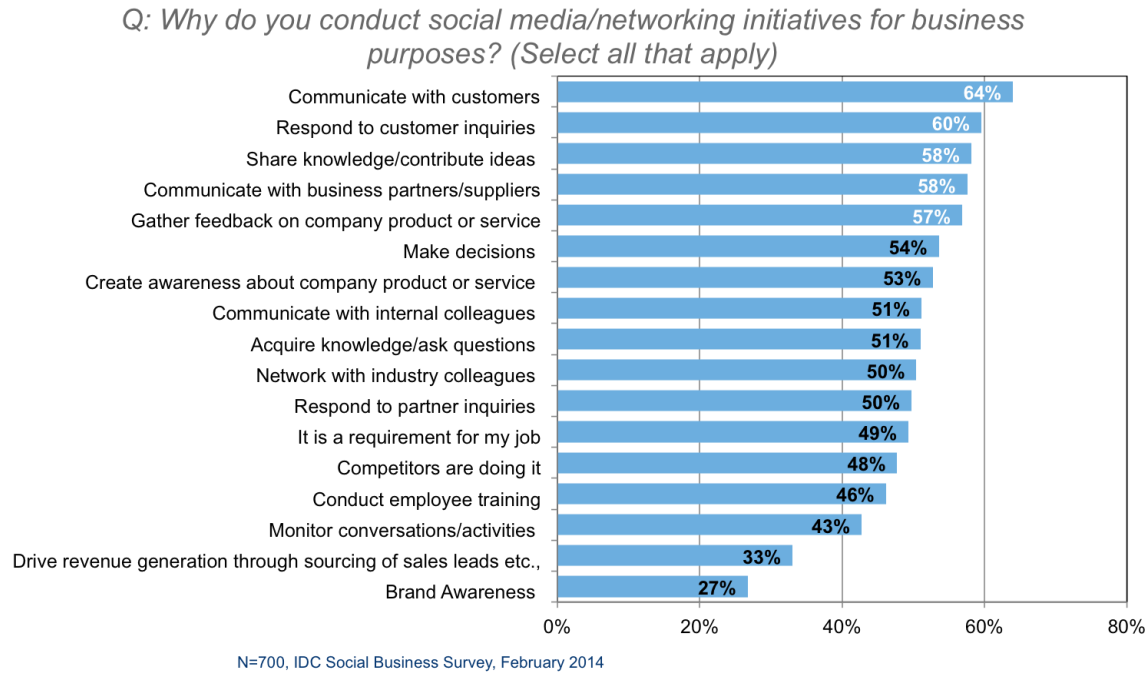


Source: IDC's 2014 MEA Survey  
N=407

Building a collaborative workforce and then extending that collaborative framework out into partners and customers has long held promise, but in the past often failed to garner adoption. Today though, with new social technologies this is changing. With the Internet as the platform and new enterprise social networking (ESN) software / services, companies are finally able to create broader collaborative networks. Alone though, ESNs aren't enough. They must be accompanied by process, change management, organizational alignment (including incentive compensation and organizational structure and support), and finally the ESN framework must be embedded inside the workflow. This "embedding" occurs by building ESNs inside of all technology driven business processes.

Collaborative employees are more productive and more engaged.

**Figure 2**



Beyond just employee productivity though, by creating the broad business ecosystem or network, companies can bring customers and partners into many formerly isolated processes and create a co-innovation culture that leverages a much broader set of people. The voice of the customer and of partners can permeate product / service development activities. The entire ecosystem can interact much more freely and actively across a broad range of business functions. In effect the business network creates the ability to more effectively manage resources in a scarcity-motivated environment.

### **Resource Management**

Effective resource management in the new agile, lean and flexible business world of the post-recession and Internet connected business reality is even more of an imperative for thriving and competing. Resources; people, capital, equipment, inventory and data, are much more scarce in today's businesses, and must be managed in a more flexible and adaptive manner. Competing means having the capability to respond in real time, or near real time to new threats, including not only product and service innovations, but business model innovations that can completely disrupt an enterprise. Assembling and reconfiguring resources around emerging threats is a key part of a credible response to these threats.

The business network is the connective framework for effective resource management. The new ecosystem-driven business can leverage the network to connect people to people, and to data and other enterprise assets in real time, and in the context of the event, issue or threat. This contextual reconfiguration of assets in the shortest time possible creates the capability to operate in an agile way

and provides the flexibility to respond to any business challenges with an efficient, data driven process of change.

## *Connectivity*

The Internet, empowered by connected mobile devices, Internet of Things (IoT) and cloud computing has created one massive global network with the capability to segment that network into an infinite number of sub networks and expand it to an infinite number of nodes. Any entity can become a node on this massive network that consists of businesses, people, and things, and underpinned by software services and utility computing power. This network empowers personal interaction with people and things, enables commerce and provides the foundation for business operations. From a business perspective this global business network powers employees, connects the business to customers and partners, creates business and product / service model innovation, runs business processes ranging from marketing/sales/service to supply chain and finance.

Mobile everything creates new avenues to increase business productivity and get work done. The connected employee has greater flexibility and can work anywhere through the business network, reaching all enterprise assets from multiple devices and virtually unlimited locations. Collaboration between employees is enabled through the connected mobile device, and not just with each other but outside the “firewall” with prospects, customers and partners as well. The increasing number of connected consumers and customers are much easier to reach and the customer experience can be greatly enhanced through this new opportunity to interact. Communication, education (marketing and sales) and service all benefit greatly from the opportunity to reach out to a customer that is likely connected and open to interaction.

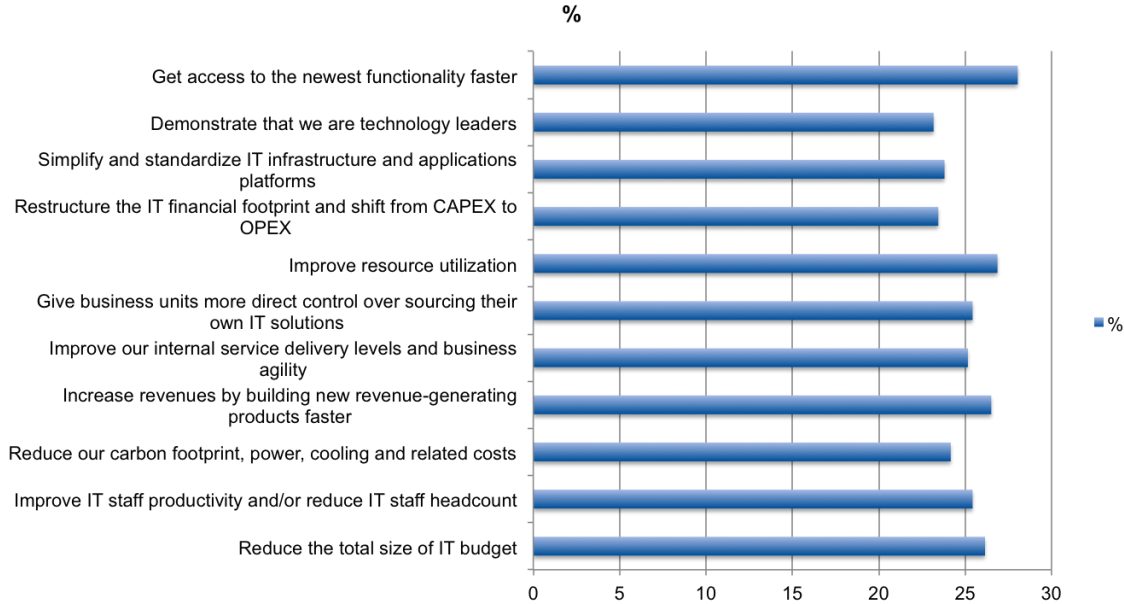
## *The Cloud*

Cloud computing is a revolution in delivery of computing resources and applications as services across the Internet. As computing power is made available across the Internet the consumption of those resources resembles that of any other utility. The platform services allow anyone to easily consume infrastructure services like storage, identity and security, integrate across clouds and also to on premises applications, and to build and deploy application services that are either constructed from a catalog of existing services to match a specific business process, or even purpose built for a specific use case. Once built and deployed these services are easily accessed from any connected device, and can have embedded shared services drawn from the platform like security, identity, social collaboration and data analytics.

Cloud computing is having a profound impact on businesses today. It is fast becoming the way that businesses access automation for executing business processes. It is providing a new level of support for the overall connected enterprise and is changing the way employees and partners work. In general it is easier to implement, easier to integrate and easier to consume from any device, dramatically increasing productivity while lowering costs and the resource investment required to run traditional on premises systems.

**Figure Three**

Q. Of the following potential reasons for moving to Cloud, which are considered **IMPORTANT DRIVERS** that you expect to achieve when moving to the Cloud



IDC CloudTrack 2013

### **Data-Driven Everything**

The by-product of the Internet and the Information Age is data. In 2013 IDC found that the “digital universe” had reached 4.4 Zetabytes (ZB) and was growing at a rate of 40% per year (source IDC, 2014). At that rate it would be 10 times larger by only 2020, or 44 ZB. This massive increase in data holds great promise for businesses, but also creates many challenges. Big data as it is commonly referred to, has the potential to support a growing need to build and operate data-driven businesses. Unfortunately though, without a way to make data relevant, contextual and get it into the “right” hands at the “right” time, this data is virtually useless. Big data must be transformed into smart data - that is, data that is associated to a business process and need, at a specific time of need, and in a workflow that delivers it to the person or group of people that can use it to make a business decision / take some business action. The transformation of the data is a function of highly specialized analytics and the delivery is accomplished via the ESN. The network plays a key role then, in transforming “big” to “smart”. Smart data is the fuel on which the modern data driven business operates.

In the past, data was used to create reports of historical activities. From that historical report, people tried to make some inference to future activities. At best this created a reactive decision model for the business...something happened and from that happening the business reacted to try and make some use of that happening. In a modern business context though, this is not sufficient. The reaction time for making decisions and the need to respond to changing competitive and market conditions means that businesses cannot simply react. Using modeling algorithms, businesses are starting to predict outcomes through interpretation of the data. This predictive capability extends beyond transactions though, and is moving into behavioral analysis as well. Building predictive models and using those

models to provide analysis that predicts outcomes is essential from a competitive standpoint. It can also provide essential insight into meeting customer expectations and buyer behavior. From predictive analysis business can move to prescriptive action and decision-making.

### Network is the Building Block

Businesses are learning the inherent power of the network and starting to incorporate the concept into many parts of their operations. In the new business network there is a broad shift to incorporate other businesses and entities; the network consists of people as nodes, but is moving beyond even that to include connected things and devices as well. These online communities or networks form an essential new platform for business operations and activities, providing a vehicle for everything from customer interaction to executing transactions.

**Figure Four**

*Q. What specific initiatives are you planning to conduct using social software for BUSINESS purposes in the next 12 months?*



Here are some of the use cases for the modern business network:

- Customer Online Community for building a better, more positive customer experience (CX).
- Enterprise Social Network which forms the interaction backbone of the entire company and the broader company ecosystem including partners and connecting to the customer community.
- Marketplace which can provide a strategic business opportunity to distribute goods and services in a trust-based community

- Supplier Network that provides strategic opportunity to purchase more competitively in a collaborative marketplace environment
- Partner network that connects critical business channels together in a broader interactive ecosystem

In general then, there are several high-value use cases for the business network across the enterprise. For the sake of simplicity, the business network can be broken down into 3 broader categories: 1. Customer Community (customer experience), 2. ESN (which includes partners) and 3. Commerce.

### *Customer Experience and the Customer Community*

Customer communities are becoming a critical element in any CX strategy as more companies leverage the community platform as a way to foster relevant customer interaction. The community forms the hub for sales, marketing and customer service and is an important part of providing a full view of the customer across multiple channels. Companies that are building a CX strategy use the community as a key method of communication and for providing access to content for the customer and prospect. The community becomes the foundation of the CX strategy and provides mutual value to the company and to the customer, who gains a closer relationship and better access to company / brand resources.

### *Enterprise Social Network*

The ESN is the foundation for connecting employees to each other, to partners and to the customer community. It is the distribution network for the voice of the customer, for critical business data and for network communications. It forms the network “backbone” through which all business connectivity can flow and is embedded in all business processes. As a part of the enterprise workflow the ESN connects employees in a work context and creates significant productivity enhancement through a more collaborative and relevant work environment.

### *Connected Commerce*

Connected commerce consists of two halves, the procurement / supplier network and the marketplace. The supplier network is a technology-enabled community of vendors and customers/prospects that forms a marketplace of goods and services. The network provides procurement organizations the opportunity to participate in this marketplace of goods and services with strategic benefits like spend reduction, more collaborative supplier interactions, improved supplier performance and in general more repeatable and predictable outcomes.

Connected commerce creates scale, efficiencies and other benefits for both suppliers and customers while much more effectively leveraging the Internet and other technologies like mobile and cloud. The technology framework for the network creates the opportunity to collaborate and leverage the community to improve performance and communications for both suppliers and consumers. The data from the network also provides a valuable tool for all involved to increase business performance and desired outcomes.



## Conclusion

Using business networks across the three broad categories of customer community, ESN and commerce can open up many opportunities for businesses to improve performance and increase profits. The network has the potential to make the business much more competitive and create value in unique ways. Businesses need to examine the opportunity and leverage business networks effectively across the enterprise:

- Customer Community / CX
  - Deploying a customer community platform provides the key destination for connecting with customers and prospects, and forms an important part of any CX strategy.
  - A customer community delivers value to the customer by providing relevant content and a platform for closer interaction and relationship building.
  - The customer community provides businesses a platform for interacting more effectively with customers, a way to deliver education and relevant content and a way to learn more about customer needs and desires.
- Enterprise Social Network
  - Implementing an ESN connects employees and partners for collaboration and increased productivity. The ESN can also connect to customer communities and deliver customer information and insights to critical business functions.
  - The ESN creates the distribution capability for providing critical business data and supporting business decision processes.
- Commerce - Marketplace
  - Creates the ability to connect procurement functions to an active supplier network
  - Provides the capability to improve supplier performance and quality and to push supplier communications into the network for a more collaborative relationship
  - Helps measure performance and in particular, leverages advanced analytics to manage costs and improve relationships
- Commerce - Supplier Network
  - Provide a unique business opportunity to increase reach and grow business by building closer, more collaborative relationships with customers through the network.
  - Provide the capability to leverage network technologies to more effectively manage all aspects of transactions
  - Helps suppliers use data and deeper analytics to build predictive models for better forecasting and business execution.

New technologies add to the benefits of these networks, including the support for a broad range of devices and a marketplace platform in the public cloud. In particular the public cloud platforms offer the most advanced platform features and the ability to leverage the platform inside the complete business network and ecosystem.

The Internet and its connected technologies are creating massive business opportunities and opening up new paths to innovation. The online community or networks is a major benefit of the connectivity delivered by the Internet. It has a broad set of business use cases and delivers significant value across many business functions and activities. Disruption and change have a price of course, but the value of changing to leverage the business network far outweighs the costs.

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