

Foreword—Social Networking Works

by Don Tapscott

Many people emphasize the *social* aspect of social networking. MySpace is growing at 2 million new registrants per week and with over 200 million members, is well on its way to half a billion. Most college students in the United States are on Facebook. There is a new blog created every second of every day. Over a million avatars live in a virtual community called Second Life.

But the smartest leaders see that the profitable word to emphasize when it comes to social networking is *working*. Deep down, nothing less than a new mode of production is in the making.

After all, if you can make an encyclopedia (Wikipedia) via social networking and mass collaboration, what else could you do? How about an operating system (Linux) or applications software (Sugar CRM is one of 125,000 open source applications projects underway)? How about a mutual fund (marketocracy.com), a peer-to-peer lending system (zopa.com), or designer T-shirts (threadless.com)? How about producing a television ad for the Super Bowl? Viewers of this year's Super Bowl XLI watched a Doritos advertisement that was created and chosen by its customers on the Internet. Perhaps a complex physical good like a motorcycle? The Chinese motorcycle industry—now the largest in the world—is a sprawling network of parts makers with no single company like Harley Davidson pulling the strings. Or take one of the world's most complicated products—a new generation jumbo jet. Rather than painstakingly designing its supply chain, Boeing coinvented the 787 Dreamliner with thousands of partners around the world in a mind-boggling peer-oriented ecosystem.

In this new world of collaboration, peers often come together to create value, often outside the walls of traditional companies. Consumer goods giant Procter & Gamble is a perfect example. Until recently, P&G was notoriously secretive, and it was failing, punctuated by a stock collapse in 2000. New CEO A. G. Lafley led the company on an ambitious campaign to restore P&G's greatness by sourcing 50 percent of its innovations from outside the company. Today, P&G searches for innovations in Web-enabled marketplaces such as InnoCentive, NineSigma, and yet2.com. These so-called eBays for innovation have led to hundreds of new products, some of which turned out to be home runs. Five years after the stock implosion, P&G has doubled its share price and now boasts a portfolio of 22 billion-dollar brands.

Around the same time, gold-mining company Goldcorp was in a similar pickle. Its geologists could not determine whether its ailing mines held any more ore. The corporation was on the brink of folding. CEO Rob McEwan did something unheard of in his industry. He published all of the company's previously secret geological data on the Web and held a contest to see if anyone could help find gold on the property. Seventy-seven submissions came from around the world, some using techniques and technologies Goldcorp had not heard of. For \$500,000 in prizes, Goldcorp found over \$3 billion of gold and the company's market value multiplied several times over. By opening up and collaborating, Goldcorp's shareholders prospered.

Predictably however, revolutionary new modes of production bring dislocation and confusion. They are often received with coolness or worse—outright mockery or hostility. Vested interests fight against change. Leaders of the old have great difficulty embracing the new. Others are concerned that the incentives for knowledge producers are disappearing in a world where individuals can pool their talents to create free goods that compete with proprietary marketplace offerings. People as wise as Bill Gates have argued that capitalism is undermined by any movement to assemble a global “creative commons” that contains large bodies of scientific and

cultural content. They fear that these massive communities and new business models will reduce the proportion of our economy available for profitable activity.

The examples in this book suggest otherwise. With more than a billion individuals around the world connected by a new multimedia high-bandwidth medium of human communications, collaboration and teamwork have become the business world's biggest drivers of success. Companies are eclipsing competitors by linking with suppliers and customers to share information, innovate, and execute. By harnessing the wisdom and ability of individuals and crowds, both inside and outside their boundaries, smart companies in every industry are thriving.

This is likely the first book you have read, created in collaboration with a crowd, and as such, I hope you will remember it and find it useful. But it won't be your last. My hope is that it may inspire you to get involved in the mass collaboration revolution and, in doing so, engage with others, have fun, and prosper.

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