IBM's Strategy for Taking Social Networking to the Enterprise

An Inside Look at Lotus Connections
(Reprint Version)

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July 2008

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Contents

This Report contains selected sections from a detailed report on IBM's Enterprise Social Networking strategy written by Wainhouse Research. Details concerning the full report (RE-SNS001-08), which contains additional market information and product analysis, is available at http://www.wainhouse.com/reports/.

Introduction

Nearly everyone is aware of social networks (SN) and its popularity in the consumer online world. Less visibly, though of equal importance, SN has started penetrating enterprises and will be making significant changes in the business world. Employees are starting to use technologies such as forums, blogs, wikis and personal profiles to help streamline team collaboration and enhance the quality of the communication with customers. We call this corporate use of SN technology Enterprise Social Networking (ESN).

This "quiet revolution" is happening because social networking consists of more than college students comparing notes on movies – it is the use of web-based technology to foster social ties between people based on their interests, skills or shared projects. At its core, SN enables people to self-identify, communicate, collaborate, add content, add metadata (tags) and share data. Much of SN's power comes from its self-organizing/grass roots nature that enables tapping into collective intelligence and knowledge. SN can streamline information sharing, business processes and collaborative efforts, which will boost business productivity. In addition, SN is a natural extension of marketing and customer care and can add a higher level of interaction in customer and partner communications.

These potential benefits of SN are so compelling that WR predicts that widespread adoption of SN by companies is inevitable — and that the stakes are high for both suppliers and end users. IBM was the first major enterprise software company to recognize the potential of SN for enterprises and deliver Lotus® Connections, a platform offering to deliver SN functions to in a corporate IT environment.

Overview of Lotus® Connections

Lotus Connections has five major elements (named "services" by IBM): Profiles, Communities, Blogs, Dogear and Activities.

Profiles

The *Profiles* service stores basic contact information, tags for expertise/interests and an "about me" section. It offers "friending" (ability to define who is in your network), and can be pre-populated from and synchronized with corporate directories (e.g., LDAP, Active Directory or Tivoli Directory Server) or human resource applications.

Communities

Lotus Connections' *Communities* service enables users to congregate around an area of interest, and provides online forums / discussion boards, shared bookmarks and news feeds. The *Communities* service incorporates IM and presence capability via Lotus Sametime integration, and offers advanced wiki functionality by integrating with third-party wiki software.

Blogs

The *Blogs* service enables each person in an organization to share his expertise and opinions through blogging. This service provides standard blog functionality such as tag clouds, ratings of blog entries, notifications, and flagging of content.

Dogear

Dogear is Lotus Connections' social bookmarking service *that enables* users to bookmark content inside or outside the firewall and securely share those bookmarks with colleagues inside the firewall.

Activities

Activities is a lightweight, web-based project management service targeted at professional / business users. It provides a single web destination to store to-dos, files, bookmarks and messages for a team and includes RSS type feeds of updates and changes.

Additional Capabilities

Lotus Connections recently added a home page feature, which delivers an aggregated view of the latest information contained in the Lotus Connections services. In addition, IBM (in conjunction with Research in Motion) offers client software for the Blackberry that provides direct access Lotus Connections to *Profiles* and *Dogear* so users can find internal subject matter experts and others' shared bookmarks. The other Connections services are accessible via the Blackberry browser.

IBM's SN Strategy

IBM's ESN strategy complements and extends its overall Collaboration and Unified Communications (UC2) strategy.   In WR's "IBM's Unified Communications and Collaboration Strategy" report, we described IBM's unified communications strategy as "fostering innovation and business agility by making it easier for people to find, reach and collaborate through a unified communications experience. The company does this by delivering an open and extensible software platform that integrates presence, IM, email, unified messaging, web, voice, video, telephony and business applications across multi-vendor environments." Collaboration is a key component of the strategy because it is one of the main reasons for communicating, hence the commitment to the social networking platform.

IBM's ESN strategy can be summarized as:

- Optimize user experience by integrating existing applications (e.g. via Outlook plug-in and Notes 8 integration) and enabling a broad choice in user access methods via Atom or RSS based feed readers and mashups

- Innovate with features that help enterprises become more efficient and effective (e.g. Activities, mobile device access, data visualization and data mining functionality)

- Maximize user choice of applications by adhering to standard APIs so customers can integrate third party, best of breed solutions

- Utilize the technology to promote Connections outside of (and in combination with) the traditional enterprise marketing channels to generate grassroots demand

The pieces of this strategy are discussed in detail below.

Integration with Existing Applications

IBM is attempting to bring Connections functionality to the user, in applications that they already use on a daily basis. As a result, capabilities are made available based on the context of the task and without

requiring users to change from familiar interfaces. Naturally, IBM provides integration with Notes 8, Quickr and Sametime. Nevertheless, IBM realizes that it is a multi-vendor world and it is pursuing a strategy of integrating with third-party applications that customers may already be using. Its integration with SocialText, Atlassian's Confluence, Microsoft Office, SharePoint and Live Communications Server, is further evidence of IBM's commitment this strategy.

Innovate with New Features

IBM's strategy is to continue to innovate by adding new, value-enhancing features such as visualization and mapping, federated search (ability to aggregate results of multiple searches into a single view), data mining, and social network analysis. In June 2008, IBM announced Atlas for Connections, which provides relationship discovery and social network analysis and visualization. In addition, IBM's research labs have developed and are testing Spectacular to enhance federated searching and OrgMap for visually mapping an organization chart based on organization and profile data. Figure 1 shows publicly available roadmap information, which includes enhancements in areas such as data mining, mind mapping, predictive analysis, mashups, and community health tools.
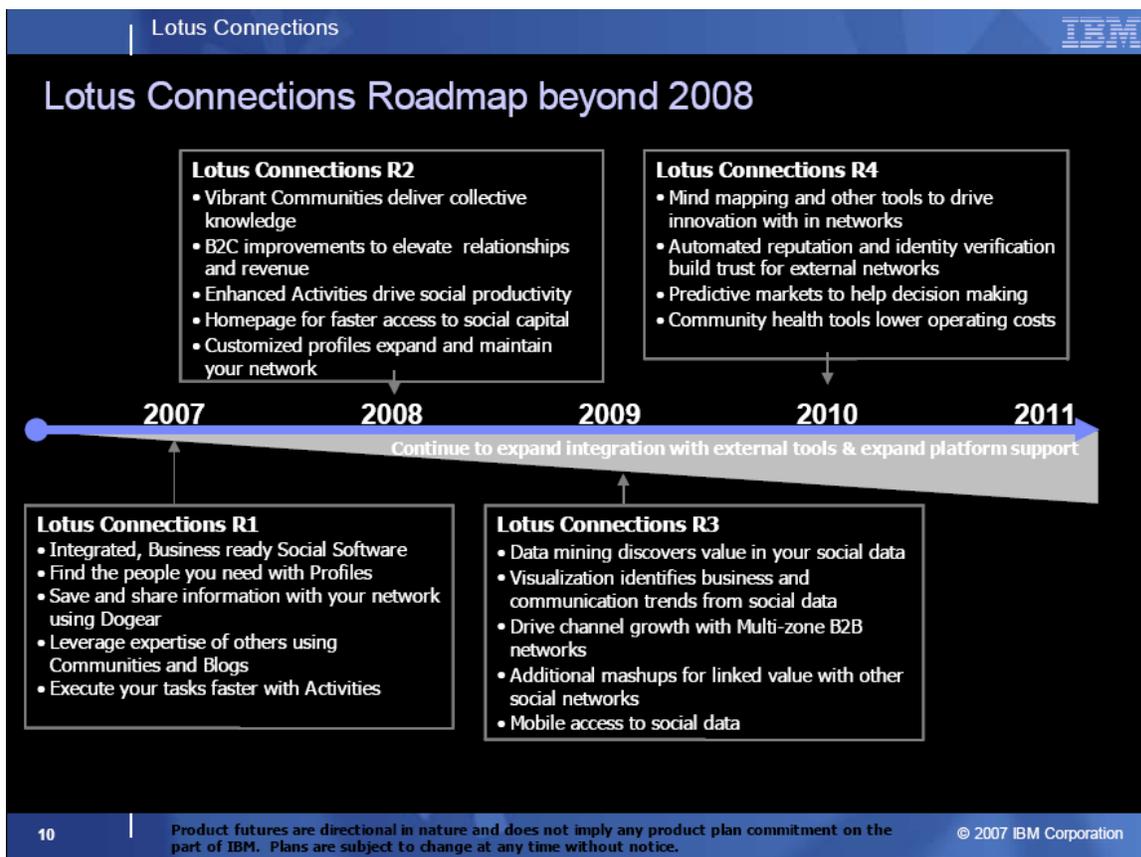

Figure 1. Connections Roadmap

Open Programming Model / Platform Approach

IBM specifically architected Connections using Service Oriented Architecture (SOA) – a business-oriented approach to designing software around reusable services. The design goal was to simplify integration with existing applications and to allow data access from multiple clients. Thus, by following open standards such as ATOM, RSS and REST, data is accessible to feed readers and mashups. Figure 2 illustrates Connections' architectural underpinnings.
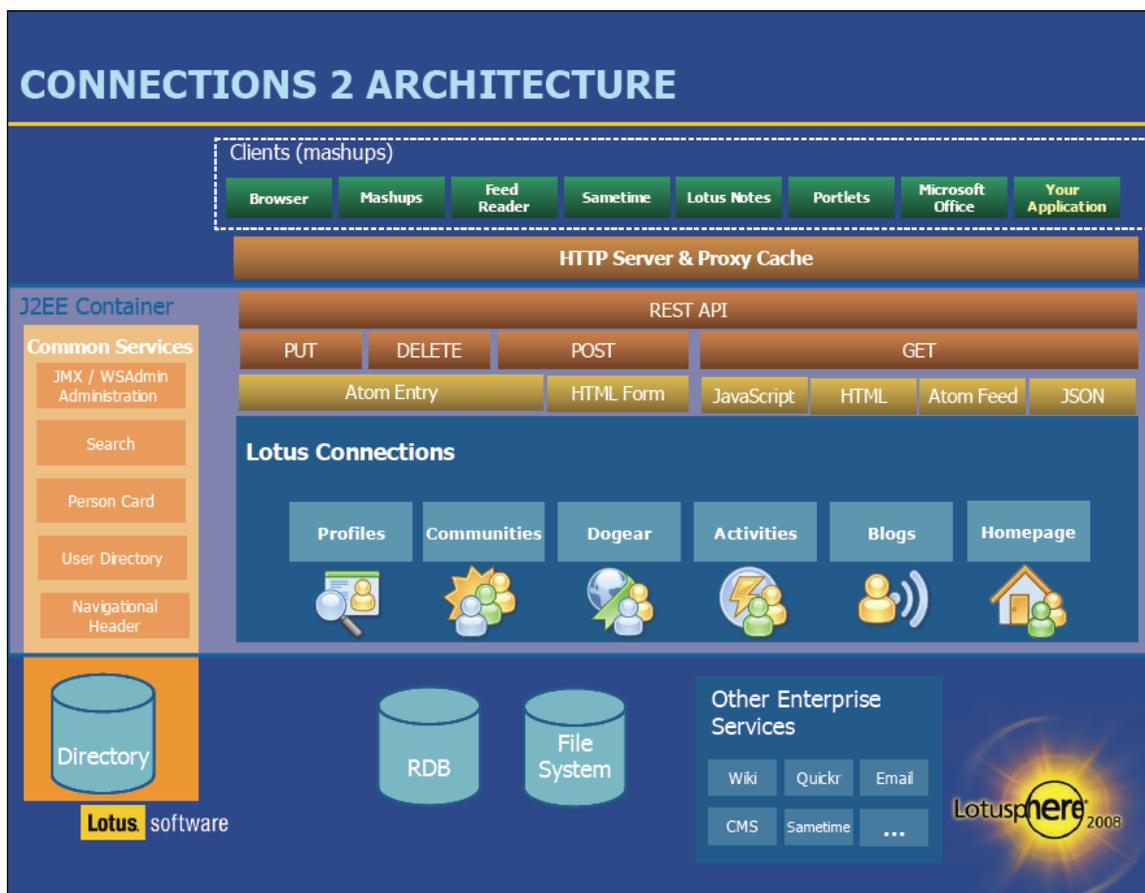

Figure 2. Lotus® Connections Architecture

Marketing Strategy

IBM's marketing strategy has been to use a combination of direct sales and partners. In 2007, the company had 200 partners, with 60 of them delivering about 25% of the Connections revenue, with the remainder from direct sales. In 2008, IBM will be expanding the program to recruit ISVs in the social networking ecosystem. The initial focus will be with existing Lotus® and WebSphere partners. In addition, IBM is working on creating end user demand-pull with a combination of TV advertising, web advertising and viral marketing. For example, the company is showcasing Connections functionality on blogs and consumer-oriented sites like Facebook, Flickr, Slideshare, Second Life, and YouTube.

Analysis and Conclusions

To summarize our opinion of IBM's SN strategy in two words, it would be IBM "gets it." We find it refreshing that a company as large as IBM can be this nimble in responding to such a rapidly evolving consumer technology. It is committed to the technology and the SN mindset, as the company extensively uses the technology internally and draws on its experience in driving new features.

IBM's vision and execution are impressive. The company was the first major IT supplier to see the potential for SN changing the enterprise landscape and the first to offer a credible application to address the market. This is not an insignificant point: in an environment where many companies are in the dark about SN, IBM is leading. The foresight is paying off, as we see Connections leading the other major vendors in SN by at least a software generation.

The strategy is very well executed. It hits the right points of adding features that matter to enterprise users, remaining open to other application providers, sticking to industry standards and leveraging partners.

Strengths

IBM's company / market strengths are in its enterprise lineage, global service organization, deep pockets, and loyal customer base. The company strengths are well known and as a result, it can be appreciated as a major player here to stay and play. IBM's global services organization is a notable advantage. Successful implementation of social networks for enterprises will take a mix of technical expertise and an understanding of organizational / adoption issues and IBM is positioned to be a leading player.

Another strength is the company's mindset behind Lotus Connections revolves around solving enterprise issues. It has a collaboration-centric approach to SN, which means that the focus is on information sharing and work flow. We particularly like the Activities service. It is intuitive and simple and yet delivers a powerful way to organize resources to accomplish tasks. We found it took only a few minutes of exploration to get started and did not take a major shift in behaviors to use. Moreover, it was easier to use than standalone project management systems and was powerful enough for simple tasks.

On the product side, IBM's breadth of offering, business focus, openness / standards based approach, and roadmap are competitive advantages. Of the major vendors, IBM has the best integration of the social (personal information), community, collaborative and communicative functions of social networking. Connections clearly leads the competitive offerings from other major suppliers (Microsoft, Oracle/BEA, and Novell/SiteScape), in breadth and depth of features, interoperability, and maturity of the product. The SOA / open platform approach to Lotus Connections is the right approach to this market. As a web service and featuring open APIs, it simplifies integration with other applications, widgets and feed readers.

IBM's strategy of integrating with other applications is the right approach. In particular, we see integration with SharePoint as very smart because it will increase the chances of IBM making inroads in Microsoft shops. IBM's roadmap for Lotus Connections is ambitious and includes important features for ESN. IBM backs the roadmap with a world-class research lab that is focusing a large percentage of its efforts on innovations that are pertinent to social networking.

Weaknesses

IBM's has some product weaknesses and several business / marketing challenges. On the product side, Lotus Connections has some notable gaps (Communities is fairly rudimentary) and its breadth of features, as a whole, lags the startup competitors. On the business side, IBM's greatest weakness is its secondary market share in IT infrastructure – which means it has less influence over the buying process than Microsoft. This is a significant disadvantage as IT departments have to deploy and manage and they often will not want to introduce another vendor into the mix if they can limit applications on Microsoft products. We see these business issues as the more significant hurdles for IBM than the technical / product issues, and will need the company's steadfast commitment to overcome.

Competitive Threats

IBM faces competitive threats from major enterprise software companies, startups / smaller players, and Google. Of the major players, Oracle/BEA and Novell/SiteScape do not pose a significant threat, as their products and installed base are not sufficient to take much business from IBM. The startups, as a group, are ahead of IBM in features deployed and time in market. While they can be worthy competitors, we believe IBM can manage the threat because the average enterprise customer will want to use a supplier with more considerable resources.

Microsoft, on the other hand, is IBM's biggest and most dangerous competitor. Even though IBM has a product lead, this lead is not sufficient against Microsoft, which already owns the corporate email market with a significant market share lead, and wants to own the ESN market as well. Not surprisingly, the conventional wisdom would give Microsoft the obvious edge, though there are many countervailing factors

Conclusions

IBM has done a good job in building an early lead, but predicting long-term success when competing against Microsoft is challenging. While Microsoft is formidable, IBM is backing the plan with sizeable resources and has indicated that it plans to aggressively pursue Microsoft Exchange/Office customers. Furthermore, IBM has committed to investing $1 billion in its unified communications strategy over the next 3 years and we expect that some of the money in this war chest will be used for Lotus Connections. Additionally, we believe that customers will want to deliver SN functionality via a service oriented architecture (SOA) / web services model, which would put Microsoft at a disadvantage given its track record with supporting open computing models.

Moreover, Microsoft may be distracted by competition from Google Sites, its efforts to acquire Yahoo! and its pursuit of consumer Internet opportunities. Therefore, we give IBM a fighting chance of building and maintaining the leading position in the ESN space. Ultimately, IBM's success will come down to its ability to flawlessly execute on an exceptional product and marketing plan.

About the Author

David F. Dines is a Senior Analyst at Wainhouse Research and practice manager for the Wainhouse Research Social Networking advisory service. He focuses on the impact of social networking on enterprises and provides strategic and tactical guidance to help clients navigate this rapidly emerging technology. As a consultant, analyst, and strategist David specializes in identifying and tracking disruptive technologies early in the adoption life cycle, and has covered Voice over IP, IP enabled call centers and streaming media during their early phases. He has authored numerous reports and articles on these technologies and maintains his blog on enterprise social networking (ESN), which can be found at enterprisesocialnetworking.blogspot.com. David holds an M.C.R.P. from Harvard University and a B.S. from Cornell University.

About Wainhouse Research

Wainhouse Research, www.wainhouse.com, is an independent market research firm that focuses on critical issues in the Unified Communications and rich media conferencing fields. The company conducts multi-client and custom research studies, consults with end users on key implementation issues, publishes white papers and market statistics, and delivers public and private seminars as well as speaker presentations at industry group meetings. Wainhouse Research publishes a variety of reports that cover the all aspects of rich media conferencing, and the free newsletter, *The Wainhouse Research Bulletin*.

About IBM

IBM is the world's largest information technology company, with over 90 years of leadership in helping businesses innovate. IBM Software offers a wide range of middleware and collaboration solutions supporting a variety of computing platforms through open standards. The fastest way to get more information about IBM Lotus Connections is by clicking on http://www.lotus.com/connections.