

Foreword by **Dr. Timothy Chou** Author of "The End of Software"



WHY BUY THE COW?

How the on-demand revolution
powers the **new** knowledge economy

SUBRAH S. IYAR

with Cindy Gordon

*Learn how companies like WebEx, NetSuite, LuLu and RightNow
are increasing the velocity and reach of businesses worldwide!*

*Dedicated to the employees and
customers of WebEx, who saw the
power of Web collaboration and
turned the vision into a reality.*

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Foreword

By Dr. Timothy Chou

In the late summer of 1997, I met two entrepreneurs at a company named Active Touch. We didn't know it at the time, but that company would become WebEx; and those two entrepreneurs – Subrah S. Iyar and Min Zhu – would build their ideas about on-demand business solutions into one of the fastest-growing companies in the world.

Subrah and Min spent many of those early years evangelizing the idea that we should hold meetings on the Web. Most people didn't think the Web would be used for commerce, much less for holding any important meeting. Today, we accept Web meetings as easily as we do a phone call, and of course expect the same level of reliability and simplicity. Subrah's vision in those early days has now become a reality.

In these past ten years, not only has WebEx reshaped the way we think about meetings, but likewise the Web has reshaped the way we think about everything, from enterprise software to getting a date. Today, a new generation of software companies has emerged based solely on delivering their intellectual property as a service: from Google to Salesforce.com, businesses and consumers alike can access amazing functionality, built on massive computing power, by simply *connecting to it*. Which prompts the question that is the title of this book: Why buy the cow, when you can get the milk for free? Or, if not for free, by paying only for value received, completely free of the headaches and burdens inherent in “cow ownership.”

And this new generation of on-demand companies is thriving. Today, there are hundreds to thousands of new software companies providing everything from social networking software to environmental compliance software-as-a-service on the Web.

So what is next for business software? Once upon a time technological innovation started with products and services for corporations, and then moved out to the general consumer. The Web has changed all of that. For an idea of what's next for business, we should become students of what's happening in the consumer Internet. MySpace, Second Life, World of Warcraft, Wikipedia, Friendster, Skype – all hold keys to the next generation of business applications.

We are seeing a variety of new, rich-media interaction and alternative communication models: forums, blogs, wikis, instant messaging, chat, text messaging, Voice over Internet Protocols, and more to come. These multi-dimensional communication models are allowing for the emergence of communities of individuals no longer bound to the cul-de-sac where they happen to live, or to the school their children happen to go to. World of Warcraft for example is one of a growing number of online games called MMO-RPGs (Massively Multi-player Online Role Playing Games). With over seven million subscribers, at any moment in time there are hundreds of thousands, if not a million people simultaneously playing the game. But, what are they doing? While some are merely spectators, the vast numbers of people are working with other people, some they know, some they don't, some from Beijing, some from London, some young, some old... all to achieve an objective.

Sounds like the modern world of work doesn't it?

For business, these next generation sales and service networks will require that we leverage the lessons learned from the consumer Internet. Find ways to build business communities that identify the individual's roles and skills, so we can work with both people we've met, and people we'll never meet in the physical world. We'll need to develop a common language, and business processes that are unique to our community, so that the wisdom of the community can be shared, extended and codified. And we'll need to develop more sophisticated, multi-layered, interaction models that blend and extend today's forums, blogs, wikis and Web meetings to another new generation of applications. Only then will we be able to unlock the true potential of the Internet.

Subrah S. Iyar's book excels at illustrating and analyzing the critical importance of collaboration and building communities across the globe. The extensive number of cases and examples clearly reinforce how the Web already touches our businesses, and is forcing new collaborative business models into existence.

Every business today is global, every business is challenged to find and engage the best minds. Subrah's vision of building the next generation of business "social networks" and connecting individual knowledge and assets in new innovative ways has the potential to reshape how businesses develop, sell and support any of their products or services.

We can only hope that he is as right now as he was ten years ago. I encourage you to read this book, and think about how the Web will change the way you work. Enjoy reading *Why Buy the Cow? How the On-Demand Revolution Powers the New Knowledge Economy*. It will forever change how you think about how your business can be done!

– Timothy Chou

Dr. Timothy Chou is an industry visionary on the evolution of the software industry from the traditional model to Software-as-a-Service (SaaS). His most recent book, *The End of Software*, predicts a radical shift in software economics that is playing out from Salesforce.com to GoogleOffice. The book is based on his experiences as the President of Oracle OnDemand. Chou has prior career experience with Reasoning Corporation and Tandem Computers. Chou holds a PhD and a Master of Science in Computer Engineering from the University of Illinois and a Bachelor of Science in Electrical Engineering from North Carolina State University. He is a leading speaker at investor and technology conferences, and is sought after for his perspectives on the future of software. Chou is a Board Director for Embarcadero Technologies, and a Board Advisor for WebEx and Emergence Capital.

Acknowledgments

This book was written to inspire leaders to transform how work is done in their organizations – to make their companies more competitive and more successful in the global economy. There are many contributors who participated in the development of *Why Buy the Cow? How the On-Demand Revolution Powers the New Knowledge Economy*. Our virtual team collaborated to support the continual flow of rich ideas and content that comprise the book. With a core belief that growth is rooted in collaboration, we wanted to ensure this book was a collection of voices: the voices of pioneers using on-demand business models; the voices of thought leaders in collaborative commerce. In short, we wanted to share with you the thoughts of those who embrace the new “disruptive technologies” that are transforming existing businesses, and bringing groundbreaking new businesses into existence.

Special recognition goes to our Senior Editor, Dr. Cindy Gordon, CEO of Helix Commerce International Inc., and to Heidi Collins, Helix Senior Associate, for their project leadership and contributions in moving this book from vision to reality. Cindy and Heidi researched and wrote Part 2, case studies of innovators in on-demand business services. Dr. Bill Ives, PhD, Helix Associate, wrote Part 3, providing examples of on-demand business solutions operating both inside and outside the enterprise firewall. Steve Barth and Dave Snowden shared their perspectives on how work will be done in the future in Part 4. Dr. Timothy Chou, author of *The End of Software*, generously provided a foreword. Every book project requires significant market research to

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Finally, a great deal of this book became a reality due to the support of leading CEOs who generously shared perspectives on their companies, customer experience, industry trends and lessons learned. A sincere acknowledgment for their contributions goes to Ken Carroll, CEO, ChinesePod; Zach Nelson, CEO, NetSuite; Greg Gianforte, CEO, RightNow Technologies; and Barry Libert, CEO, Shared Insights. A special recognition is extended to Bob Young, founder of Lulu.com, who is changing the paradigm of book publishing. In the spirit of the book's message, this book is coming to market using the flexibility and ease of use of the Lulu.com on-demand publishing platform.

Now, join us as we embark on a journey through the ideas and technologies that are changing the foundations of business, creating remarkable opportunities for companies both large and small.

Introduction

By Dr. Cindy Gordon

Peter Drucker writes: “Innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth.” Innovation – the application of ideas, goods, services and practices in new ways – is the engine of progress.

An essential element for this progress is the application of innovation in a commercially successful way. Clayton Christensen, author of *The Innovator’s Dilemma*, describes two very different breeds of commercial innovation: slow and steady progress, and the revolutionary kind he calls “disruptive innovation.” This second breed of disruptive innovation happens when products introduce new concepts, create entirely new markets and change the rules of the game – often giving small, emerging companies an edge over their titanic, entrenched competitors. Disruptive change is evident in eBay’s community-centric auction model, in Google’s revolutionary search and advertising model, in Dell’s innovative supply chain model.

In today’s computing industry, on-demand software is the disruptive innovation that is rocking the status quo. Just as the revolution from mainframes to minicomputers to personal computers changed the notion of what computing was all about, today we are experiencing a similar revolution in software. Over the years, the workhorses of COBOL and Fortran have given way to more democratic, modular C++ code and Java applets. Yet today this revolution is only gaining momentum, as programming toolkits like Ajax and Ruby on Rails are enabling new composite software applications to draw together bits of functionality from multiple applications into new “mashup” applications.

The consequences, according to industry visionary Dr. Timothy Chou, amount to nothing less than the end of software as we know it. Currently, more than 75% of corporate Information Technology (IT) budgets are allocated to simply maintain existing software systems. In this world, innovation in software takes a back seat to the more pressing issue of putting out the everyday fires.

To thrive in the future then, companies must free themselves from the burdens of static, self-maintained software systems. Businesses are coming to recognize that it's now possible to realize the value of software solutions, without the costs and distraction of building and maintaining them internally. Just as no one would be wise to purchase a cow if the need was just cream for your morning coffee, the new mantra for those who would succeed must become "Why Buy The Cow?" whenever faced with the decision whether to bring a new software system inside the firewall.

Understanding the disruptive innovation implications of on-demand software was the inspiration for this book project. In it we explore the impact that on-demand software and Web collaboration is having on organizations, and on market dynamics. Web collaboration increases the productivity and efficiency of interactions with employees, customers, suppliers, and partners. Throughout this book we'll examine how Web collaboration is improving business practices and helping companies create sustainable competitive advantage. They are incorporating new "Web 2.0" collaboration tools like blogs, podcasts and wikis to enable knowledge workers to interact and experience more relevant and more motivating ways of doing business. As Johnson, Manyika, and Yee (2006) have written, over eighty percent of our economy is powered by knowledge workers, and businesses need to enhance the increasingly complex and dynamic daily interactions of these workers. It is these interactions that – once improved – provide an overwhelming share of business value.

Executives worldwide should pay attention to the benefits and advantages that on-demand software offers. Throughout the book, we touch upon mini-case studies of how companies today are leveraging on-demand applications or using on-demand delivery to create new, Web-based businesses. While the title of the book is meant to raise a smile, as you read these stories of thousand-fold productivity using on-demand solutions, we trust that the question "Why Buy the Cow?" will become decidedly more serious.

Finally, the journey is not over after reading this book. We invite you to explore future trends and winning approaches for increasing business productivity using on-demand software solutions with WebEx, by visiting <http://community.webex.com/book>. Here you can also register for special Webinars, and conversations with executives and customers in our book.