

OECD-Canada Technology Foresight Forum
Session 2a
Business 2.0 and innovation: Business use of the
participative web

1 Ottawa, ON
2 --- Upon commencing on Wednesday, October 3, 2007
3 at 11:24 a.m.

4 MR. OXLEY: Without further ado
5 it's my pleasure to introduce to you David Crane.
6 He is going to be leading a session on Business
7 2.0 and innovation: Business use of the
8 participative Web.

9 David is the global issues
10 columnist at the Toronto Star so not a better
11 person to lead us off.

12 Thanks, David.

13 MR. CRANE: I want to welcome
14 everybody to this session, which I think you will
15 find follows very nicely on the first session we
16 had. So I think there is a nice fit there.

17 We have asked each panellist to
18 speak for about 10 minutes. That should allow for
19 a healthy kind of discussion afterwards.

20 We hope to create a few waves.
21 There's an old Chinese saying: In order to have a
22 wave you have to have a stir of the wind. So
23 maybe we will get some stirring from our

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1 panellists. I hope so.

2 It's a very exciting time. You
3 heard this morning that we have about a billion-
4 odd Internet users around the world and now we are
5 thinking, as we look into the future, the next
6 billion is going to be coming along and this is
7 just part of the compounding effect of the
8 Internet.

9 We are at a very exciting time
10 because we have now had a decade of learning
11 curve. We have now had a period in which an
12 Internet generation has started to emerge, so this
13 is a very nice time to be talking about some of
14 these issues.

15 Our focus is going to be on the
16 business side, which is very important because in
17 the rich countries of the world we are facing this
18 great challenge of adjustment, where do the new
19 jobs come from, what are going to be the new
20 activities that we will create to provide a decent
21 standard of living in our own societies to replace
22 those activities we lose. So how do we create new
23 businesses.

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1 We are confronted with a major
2 challenge of aging societies, so how do we improve
3 productivity? We know that the main driver of
4 productivity growth comes from innovation.

5 So I would like to start our
6 session going with Anthony Williams who will be
7 our first panellist.

8 --- Pause

9 MR. WILLIAMS: Thank you very
10 much.

11 I wanted to start with a couple of
12 reflections.

13 First of all, over the past, I
14 think five years, I have engaged with a company
15 called New Paradigm doing large syndicated
16 research studies. Our focus has been on the
17 impact of technology on business innovation and
18 new models of wealth creation in the economy.

19 One of the things we started to
20 observe is that there was a fundamental shift in
21 technology around 2005, a kind of rethinking of
22 the way that you build successful web-based
23 communities and platforms and services.

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1 Part of that was technological,
2 but I think an increasingly important part of it
3 was a new business philosophy about what it takes
4 to build a successful online community or a
5 successful Web service.

6 Now, the technology part was
7 largely about the usability and accessibility of
8 Web technologies. If you think about it, even
9 with the birth of the Internet there was still --
10 for the most part people were passively conceiving
11 or receiving information. Increasingly today we
12 have tools that increase access, that increase
13 usability that allow ordinary people to become
14 programmers on the Internet.

15 So every time, for instance, an
16 individual updates an entry on Wikipedia, every
17 time you tag a photo on Flickr or upload a video
18 to YouTube, or perhaps modify your profile and
19 Facebook, you are effectively helping to build
20 this global Web tapestry. You are effectively
21 programming the Internet.

22 That's a fundamental change in the
23 way that the Internet works today, I think in the

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1 way that people enjoy and use it.

2 But, as I said, I think this is
3 also about a broader business philosophy, the way
4 that companies, say like YouTube and Flickr and
5 Wikipedia, and so forth, thought about the way
6 that they build a successful Web service.

7 In the first generation of the
8 Internet it was largely about creating a web site
9 and pushing out and publishing information.

10 Increasingly today companies that
11 are successful want to create platforms where
12 individuals can co-create services and products
13 and services or information, and so forth. I
14 think that's a fundamental change.

15 The other thing that has changed
16 is the way that -- the economics of the business.
17 So rather than create a walled garden where people
18 pay for access, they increasingly create an open
19 space, a public square if you will, where
20 individuals get access to free content and they
21 find new business models to support that content
22 creation or that content delivery.

23 Those business models today have

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1 largely focused on advertising, but I think,
2 increasingly, they will find new and creative ways
3 to create business models to support content
4 creation on the Internet.

5 I think the other thing that's
6 fundamentally changed is that there's a new
7 approach to intellectual property and thinking
8 about the way that companies leverage their
9 internal sources of data and their software
10 interfaces and so forth.

11 You know, initially, people
12 jealously guarded that intellectual property and
13 they jealously guarded the data and the software
14 interfaces and so forth. Increasingly, today, you
15 see companies opening up those software interfaces
16 through application programming interfaces.

17 Amazon is a good example. We may
18 hear a little bit about that in the future. But
19 other companies, too, have found that by providing
20 open access to the data and the software
21 interfaces they can actually create a large
22 community of external developers, and
23 increasingly, users, who help build functionality

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1 on their platforms.

2 So one example would be Flickr,
3 you know, where people not only upload their own
4 photos, they tag them. Increasingly, you have
5 seen individuals going on Flickr and actually
6 building new ways to upload photos via mobile
7 phone. A lot of the actual functionality on the
8 Flickr platform was created by users and external
9 developers, and I think the same is true of many
10 of the most successful web services that we have
11 seen evolving today.

12 The broader point I wanted to
13 make, though, the implication for business are not
14 confined simply to web services or online
15 communities, but increasingly to a broader change
16 in the economics of business.

17 I mean, what we are witnessing
18 today is that some of the most exciting products
19 and services are created not necessarily just by
20 large, vertically integrated firms, but by teams
21 numbering in the thousands, and sometimes even
22 millions of individuals.

23 That's a pretty profound change,

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1 if you think about it. I think it's largely
2 driven by the shift in the critical resources
3 shifting from physical and financial assets to,
4 increasingly, knowledge assets, and that's driven
5 to profound changes.

6 One is that the barriers to entry
7 in the economy have fallen dramatically. Because
8 when you have a knowledge-based economy,
9 effectively, the means of production, if you will,
10 are largely a computer and Internet connection and
11 a bright spark of creativity, so that individuals
12 can participate in economic value creation in ways
13 that were previously impossible.

14 The other change that is
15 significant is the declining cost of
16 collaborating, so that many of the activities that
17 previously would have taken place inside the
18 boundaries of a vertically integrated firm
19 increasingly take place across large networks of
20 partners and suppliers, and increasingly customers
21 and other key stakeholders.

22 Because these costs are now lower,
23 it's actually advantageous for companies who can

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1 find ways to leverage external knowledge, external
2 skills, external sources of value, and build that
3 into their value proposition that they deliver to
4 customers.

5 So I think over time we have seen
6 a shift from this large industrial corporation,
7 which created most of the products and services
8 that we enjoy today, to an extended enterprise,
9 where the large, vertically integrated
10 corporations started to extend globally and build,
11 essentially, you know, replications of itself in
12 other geographic markets.

13 In the 1990s, we saw the rise of
14 business webs. Cisco was an interesting example,
15 where it really said, We are going to focus on our
16 core competency, which is in marketing and
17 providing service and so forth, so we are going to
18 build a large, vast, dynamic business web that
19 involves hundreds of individual suppliers and
20 partners that do everything else, and these
21 business webs were increasingly enabled over the
22 Internet.

23 I think what we are seeing today

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1 is the rise of something even different, what we
2 called "mass collaboration" in our book
3 Wikinomics. This is where you invite not just
4 partners and suppliers, but a large external
5 community of thousands, sometimes even millions of
6 individuals, who find ways to contribute to the
7 company.

8 In some cases, these things don't
9 even involve companies. If you look at the Linux
10 operating system, if you look at Wikipedia, these
11 are products and services that are created almost
12 entirely by large networks of individuals with no
13 real central leadership, although -- I will get to
14 this point in a second -- leadership is important.

15 The ability to filter, to set the
16 values, to set the norms and so forth is
17 important, but it operates on a different
18 principle. Rather than having top-down
19 hierarchical control, increasingly you see
20 individuals who sort of rise through the ranks of
21 the leadership on a meritocratic basis. So it's a
22 meritocracy, rather than just a hierarchy.

23 I wanted to provide a couple of

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1 examples. And I realize that the time is fairly
2 tight here, but one of the interesting
3 conversations that we had was with Procter &
4 Gamble, and I think this puts the whole picture in
5 context.

6 In 2000, they had what they called
7 a "near death experience". Their stock price was
8 declining, they were finding that their innovation
9 success rates were also declining. The whole
10 prospect of putting more money into their internal
11 innovation processes was increasingly less and
12 less attractive, so they said, We are going to
13 source 50 percent of our products from outside of
14 the boundaries of our company.

15 That was a fairly radical
16 proposition and few companies had even
17 contemplated something as dramatic as sourcing 50
18 percent of all their innovations for products and
19 services from outside the company.

20 To put this into perspective,
21 Larry Houston said, Look, we have got 9,000 world-
22 class chemists inside of our company, they are at
23 the top of their field, they are producing great

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1 products and services, but for every one of the
2 9,000, there are 200 that we know of who are just
3 as good.

4 If you do the quick math, that's
5 1.8 million whose talents they think they could
6 tap into. So a lot of what Procter & Gamble has
7 done over the past few years is building that
8 external network so that they can instantly tap
9 into that wealth of 1.8 million people.

10 There was a gentleman who
11 mentioned Innocentive, a network of 120,000
12 scientists, in 175 countries around the world, and
13 this is one of the venues that Procter & Gamble
14 uses to source external innovations. If there's a
15 problem that the 9,000 people internally can't
16 solve, there's a good chance that the 120,000
17 scientists in Innocentive can solve it.

18 So Procter & Gamble can post that
19 challenge in Innocentive, and then hope that one
20 of those people can solve it and, if they can
21 solve it, they will get a cash reward.

22 There's many other examples that
23 we could talk about, but I think I will just point

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1 out that for companies, if you think about the
2 traditional product lifecycle, there is an
3 enormous range of opportunities to get customers
4 and other partners involved in the value creation
5 process, everything from design of the actual
6 product itself to testing.

7 Testing is an interesting thing.
8 Mozilla Firefox, probably a few users in the room,
9 have a network of tens of thousands of people who
10 help test new iterations of the software.
11 SecondLife, we heard about that fact that 99
12 percent of the value creation within SecondLife is
13 done by the users.

14 Customization is an important role
15 for customers.

16 Distribution, we have seen the
17 rise of new distribution mechanisms for content.
18 Napster was an early example, uTube, of course, is
19 one of the most popular examples today.

20 The role of customers in marketing
21 has become increasingly exciting. We once talked
22 to Harley Davidson. They said the measure of
23 customer loyalty for Harley Davidson is actually

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1 dermatological: it's the number of people who
2 tattoo the Harley logo on their bodies.

3 And increasingly what you find is
4 that, you know, people are expressing their
5 enthusiasm for products and services over the
6 Internet.

7 I will just conclude with one last
8 thought, and perhaps we can talk about this a
9 little bit during the discussion. One of the key
10 challenges here are two things: one, the
11 InnoCentive systems; and two, the intellectual
12 property models.

13 The InnoCentive systems for most
14 of the peer collaboration systems that we have
15 seen, the InnoCentive systems have been mostly
16 based around personal interest and fulfilment,
17 things that all personally benefit from by
18 collaborating with this particular community.

19 Increasingly, as companies move
20 into this space, we are going to have to find new
21 InnoCentive systems that actually reward people
22 monetarily for their contributions, because if a
23 company is going to make \$1 billion off a product

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1 and service that customers contributed to, you
2 better be sure that they can find some way to
3 compensate the people who have contributed to that
4 product.

5 So we have seen two models. One
6 is contents. I think contests is a fairly weak
7 mechanism because, at the end of the day, only one
8 person wins a contest, and perhaps thousands have
9 contributed. The most important thing is what we
10 might call the long tale -- and I think Bob may
11 talk about this -- the fact that, you know,
12 individuals can find ways to actual monetize their
13 individual contributions.

14 And uTube is an interesting
15 example because they have said, We are going to
16 share revenue with the contributors of the most
17 popular video. So I think that's a very promising
18 development.

19 I think I'm out of time, so we can
20 talk about intellectual property during the
21 discussion.

22 Thank you.

23 --- Applause

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1 MR. CRANE: Thanks, Anthony.

2 I think this whole world of open
3 innovation and involvement with the Internet and
4 enabling that kind of business model would be
5 something we can discuss in our questions and
6 answers afterwards. It's very exciting.

7 It's also an area of priority for
8 the OECD as a big project on globalization and
9 open innovation.

10 Our next speaker is Shenja van der
11 Graaf.

12 MS VAN DER GRAAF: Thank you.
13 Well, thank you for a very good first introduction
14 of our business, 2.0.

15 What I would actually want to
16 start with is actually with the whole idea that
17 mass collaboration and communal activity defines
18 the way people will work and live in the future.
19 That's a big claim that we're all making here
20 today that it will spur innovation and growth.

21 We heard that, during our first
22 sessions that all users supposedly contribute
23 content out of a basic human need, so to speak, to

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1 communicate or to gather knowledge and information
2 or to express oneself creatively.

3 As such, users can create value
4 for shareholders and firms in general and the firm
5 can provide the platform for people who like to
6 share and create content.

7 I think as most of us know, is
8 that not all users do this and actually only a
9 very small percentage of users currently are doing
10 this. But there is a big differentiation as well
11 among what people create. So, we've heard a
12 little bit about lead edge users and people who
13 just like to be in SecondLife and just have an
14 avatar to people who just comment on someone's
15 Flickr pictures.

16 So, another thing that I would
17 like to say is that the whole idea of everything
18 being collective and goal driven is maybe quite
19 misleading. As research done at the LSE and also
20 others like Forrester Research has come with
21 results that a lot of individuals who do create
22 and who are online, they're, a lot of them are
23 actually individual driven. And they only like to

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1 collaborate to the extent if they gain something
2 out of it or if they don't know exactly what
3 they're supposed to be doing.

4 Like for instance, my focus has
5 focused extensively on SecondLife and other
6 virtual worlds, gaming, like Valve who made
7 Counter-Strike and Half-Life, is that a lot of
8 users who go into these kind of environments have
9 particular needs. And they like to develop them
10 and they like to create them. And these are
11 really the most innovative kind of user you can
12 actually think of.

13 What they do a lot of times is use
14 their skills. But not everybody has all the
15 skills if you want to come up with a -- to create
16 a completely new first person shooter. You may
17 only be able to program particular parts. So, you
18 need the help of other people.

19 And this actually means that in
20 the case of SecondLife or in the case of Valve or
21 even Phillips Electronics who is experimenting in
22 SecondLife and I work with them as well, is that
23 they offer tool kits for user creation or co-

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1 creation.

2 So, the firm, whether that's
3 Linden Lab, whether that's Valve or whether that's
4 Phillips in this case, they can actually provide
5 the kind of instruments for the users to play with
6 and to develop particular types of content. And
7 what this means for the firm, as we've heard, is
8 value but especially a lot of knowledge.

9 And this kind of knowledge can
10 help these companies to become maybe more
11 efficient. Also they learn a lot about -- they
12 reduce and eliminate the costly exchange of need
13 information between the users and the firm. So
14 the firm actually has a relatively low cost means
15 to access information and search functions that
16 are provided by users about issues such as problem
17 solving, idea generation, idea value.

18 So, the firm gets information
19 about what users are of interest to them. And
20 they are alerted to new tendencies. They can
21 build (inaudible) in this way and so forth.

22 Obviously a lot of users are not
23 necessarily aware of what this means for them

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1 because when consumers articulate their particular
2 niches there are all kinds of issues regarding
3 privacy, security. So the whole idea of being
4 able to participate in this new environment, firms
5 can collect a lot of data. And we may hear about
6 this a little bit more.

7 But I think from a policy
8 perspective we need to start thinking about what
9 this actually means for users when they are
10 unaware about obviously this kind of information
11 that's being collected.

12 So, the control is limited because
13 the traffic is strictly regulated by the
14 technological platforms and the social protocols.
15 And whether that's in a wiki, which the
16 advertising is a lot of time, most of it is coming
17 from Google, you can question actually how
18 collaborative and how free we really are and about
19 the democratic tendencies.

20 Not that I want to be negative
21 because there's a lot of good about it. But I
22 think these are issues that we really need to
23 think about, about how open this is.

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1 And especially if you start
2 thinking about our younger people coming online,
3 the so-called digital natives which actually has a
4 really cool stand here at the OECD (laughter) --
5 I'm promoting it. It's really -- we really need
6 to start thinking about education, about media
7 literacy and all these policy issues that are
8 derived from these thinkings of converging
9 (inaudible) of participation and also that this
10 whole idea of participation may not be a one to
11 one copy to and apply to the business structure.

12 But I can talk about that during
13 the discussion a little bit later. I want to give
14 the word to the next speaker.

15 --- Applause

16 MR. CRANE: Thank you. I think
17 that this reinforces what Anthony had to say, that
18 we're creating a whole variety of conditions which
19 can only accelerate innovation which is going to
20 be very good for all of us I hope.

21 Our next panellist is Daniel
22 Bretons who will continue. I think it's been so
23 far a very interesting panel.

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1 MR. BRETONS: Hello and good
2 morning. I try to speak a few words in English
3 and then I keep on going in French as I feel
4 easier in my native language. So for those who
5 want to activate your translation systems, I would
6 give you some time to activate those systems.
7 Just telling history before you implement and
8 activate the system.

9 So, I'm a professor of information
10 systems management at the ESCM School of Business
11 in France who are located in both places
12 (inaudible) Poitiers cities. And for those who
13 don't know those cities, if you draw a line
14 between Paris and Bordeaux -- Paris everyone
15 knows, Bordeaux many people know for another good
16 reason. Okay, so you have two major cities, one
17 is 200 kilometres from Paris and the other is
18 closer to Bordeaux, 300 kilometres from Paris to
19 Poitiers. This is where I'm teaching.

20 Okay. I think now I can keep on
21 going in French. Thank you.

22 MS VAN DER GRAAF: Thank you.
23 Well, thank you for a very good first introduction

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1 of our Business 2.0.

2 What I would actually want to
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4 mass collaboration and communal activity defines
5 the way people will work and live in the future.
6 That is a big claim that we are all making here
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8 We heard during our first sessions
9 that all users supposedly contribute content out
10 of a basic human need, so to speak, to communicate
11 or to gather knowledge and information or to
12 express oneself creatively.

13 As such, users can create value
14 for shareholders and firms in general and the firm
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16 share and create content.

17 I think, as most of us know, is
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11 and who are online, a lot of them are actually
12 individual driven and they only like to
13 collaborate to the extent if they gain something
14 out of it or if they don't know exactly what they
15 are supposed to be doing.

16 For instance, my focus has focused
17 extensively on SecondLife and other virtual
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9 what users are interested in and they are alerted
10 to new tendencies. They can build brands in this
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12 Obviously, a lot of users are not
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15 niches there are all kinds of issues regarding
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18 because it is, I feel, easier in my native
19 language.

20 So for those who want to activate
21 your translation systems, I will give you some
22 time to activate those systems.

23 I will just tell some history

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1 before you implement and activate the system.

2 So I am a professor of information
3 systems management at the ESCEM School of Business
4 in France, who are located in both places, Tours
5 and Poitiers cities.

6 For those who don't know those
7 cities, if you draw a line between Paris and
8 Bordeaux -- Paris everyone knows, Bordeaux, many
9 people know for another good reason. So you have
10 two major cities, one is 200 kilometres from Paris
11 and the other is closer to Bordeaux, 300
12 kilometres from Paris to Poitiers. This is where
13 I am teaching.

14 Okay, I think now I can keep on
15 going in French. Thank you.

16 Je voudrais commencer, en fait,
17 par une petite histoire pour vous dire que, pour
18 les écoles de commerce, pour les business schools,
19 le Web 2.0, ce n'est pas tout à fait virtuel, et
20 pour les étudiants, ça peut être très réel.

21 J'ai un de mes étudiants qui avait
22 beaucoup de mal à avoir un stage, à trouver un
23 internship, un placement dans une grande

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1 entreprise de conseil à Paris, et il n'arrivait
2 pas à avoir l'entretien. C'était très, très
3 difficile pour lui. Alors, il a trouvé une
4 astuce. Il y avait un forum de recrutement sur
5 SecondLife, et comme il était très débrouillard,
6 il a réussi à aller sur le forum de recrutement de
7 SecondLife, et ça lui a permis, cet entretien
8 virtuel lui a permis d'avoir un entretien réel.
9 Donc, à travers SecondLife, ça facilité sa vie de
10 tous les jours. Il était très heureux, donc,
11 d'avoir ce stage de haute qualité.

12 Je voudrais revenir, avant de
13 parler des modèles économiques... et je dis pour
14 la traduction, modèles économiques, c'est ce que
15 vous appelez au Canada les modèles d'affaires.
16 Pour qu'on soit totalement clair, je vous le dis
17 dans le même sens.

18 Je voudrais revenir, en fait, sur
19 le rôle, en fait, de l'évolution des entreprises
20 au niveau mondial depuis 20 ans.

21 En fait, on a vu depuis 20 ans, et
22 c'est principalement parti de l'Amérique du Nord,
23 et ça s'est étendu en Europe puis au Japon, en

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1 fait, un transfert massif de la production d'un
2 certain nombre d'entreprises, production physique
3 vers l'Asie et, notamment, vers la Chine, et on a
4 assisté, ensuite, à une délocalisation en ce qui
5 concernait les systèmes d'information,
6 principalement sur une autre destination, l'Inde.

7 En fait, cette réorganisation de
8 l'économie au niveau mondial, alors, si on prend
9 une entreprise comme HP, Hewlett Packard, qui
10 avait des centres mondiaux de recherche à Grenoble
11 en France, elle les a, en fait, transférés en
12 Asie, parce qu'elle avait, effectivement,
13 probablement autant de compétences, et peut-être
14 plus, à un coût inférieur.

15 Donc, il y a une étape majeure
16 dans les années '80, et je pense qu'avec le Web
17 2.0, on arrive à une deuxième vague de mutations
18 profondes.

19 Ces vagues de mutations profondes,
20 par exemple, si je prends le cas de l'industrie
21 pharmaceutique, c'est une industrie,
22 effectivement, où le développement des produits
23 est soumis à des contraintes réglementaires

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1 extrêmement fortes, pour les raisons qu'on
2 imagine, et le coût des développements, qui était
3 de 400 à 500 millions d'euros, est passé
4 maintenant à 1 milliard ou à plus pour les
5 nouvelles molécules, en sachant qu'on trouve de
6 moins en moins de molécules innovantes et que les
7 coûts augmentent de plus en plus.

8 Donc, qu'est-ce qui se passe? Je
9 regardais les statistiques de l'OCDE en matière de
10 R&D, il n'y a pas très longtemps, et je me suis
11 aperçu de quoi, que, notamment, l'investissement
12 privé en R&D des grandes firmes américaines qui
13 sont leaders dans certains domaines, et en
14 pharmacie, notamment, baisse, et à ce moment-là,
15 on s'aperçoit que plutôt que de dépenser de
16 l'argent sur des équipes qui n'arrivent pas à
17 trouver de nouvelles molécules ou avec des
18 résultats en terme d'innovation difficilement
19 mesurables, il est extrêmement intéressant
20 d'ouvrir une plate-forme Web 2.0 à tous les
21 chercheurs du monde entier, de leur soumettre des
22 appels à projet, et de stimuler, finalement, la
23 créativité en essayant de développer des molécules

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1 de cette manière, en réduisant les forts de R&D en
2 interne.

3 Donc, je crois que, effectivement,
4 c'est peut-être un nouveau modèle qui s'applique à
5 l'industrie pharmaceutique qui va probablement
6 s'appliquer à d'autres industries. On va vers une
7 deuxième vague de modifications massives ou de
8 mutations accélérées.

9 Maintenant, je vais vous parler,
10 effectivement, de ce que nous faisons en France
11 pour essayer de développer le Web 2.0.

12 Alors, en France, il y a une
13 association qui s'appelle le Club informatique des
14 grandes entreprises françaises, avec lequel j'ai
15 eu l'occasion de travailler, et je travaille, bien
16 sûr, encore, et ce club regroupe à peu près les
17 120 plus grandes entreprises françaises. Il y a
18 celles que l'on connaît, comme L'Oréal, Michelin,
19 Peugeot, Renault, et toutes les autres, et, en
20 fait, avant de venir ici, Sasha (ph) de l'OCDE m'a
21 posé la question et m'a dit : Est-ce que tu peux
22 regarder en France où est-ce qu'on en est par
23 rapport au Web 2.0?

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1 Alors, en fait, j'ai sollicité,
2 donc, les gens de l'association, et un groupe qui
3 travaille sur le sujet des petites communications
4 et médias, et, en fait, la réponse, c'est que dans
5 l'ensemble, ces groupes qui sont des
6 multinationales qui agissent au niveau mondial ont
7 bien intégré les technologies des réseaux et les
8 technologies des webcams.

9 Par contre, en ce qui concerne le
10 Web 2.0, c'est différent. On peut noter que les
11 entreprises qui ont une culture industrielle sont
12 plus hésitantes à passer au Web 2.0 parce qu'elles
13 ont une tradition de secrets, de protection de la
14 propriété intellectuelle. Ce sont peut-être des
15 modèles plus hiérarchiques, et quand elles
16 testent, par exemple, leurs produits sur des
17 groupes de consommateurs, elles le font d'abord
18 faire... elles passent pas des agences de service
19 externes plutôt que de le faire directement parce
20 qu'elles ont peur d'un effet retour négatif au cas
21 où ça se passerait mal ou elles ne contrôleraient
22 pas les rumeurs.

23 Par contre, on peut dire que les

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1 entreprises de média en France ont l'habitude de
2 l'interactivité beaucoup plus forte puisqu'il y a
3 déjà des sondages en ligne, à la télévision, on
4 peut envoyer des SMS sur son téléphone, répondre,
5 et que ces entreprises, elles mutent beaucoup plus
6 vite, et c'est lié à leur culture, en fait, vers
7 le Web 2.0.

8 Je vous dirais que,
9 fondamentalement, la vitesse d'évolution dans le
10 Web 2.0, elle est liée à un certain nombre de
11 valeurs qui caractérisent les entreprises, de
12 valeurs culturelles.

13 Alors, on va peut-être passer à la
14 diapo suivante.

15 Le président de cette association
16 des grandes entreprises françaises, du Club
17 informatique des grandes entreprises françaises,
18 est le directeur des systèmes d'information d'une
19 entreprise qui est leader mondial dans son
20 domaine. C'est Essilor, et c'est grâce à cette
21 entreprise que je peux voir bien ce qui est écrit
22 sur ma feuille de papier, et un certain nombre de
23 vous utilisent peut-être des verres Essilor.

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1 En fait, c'est un homme
2 d'avant-garde, et il a commencé à introduire, au
3 niveau du CIGREF, il a commencé à introduire,
4 donc, des wikis, des forums Web 2.0, à l'intérieur
5 du CIGREF et dans son entreprise Essilor, ce qui
6 veut dire que le mouvement vers le Web 2.0, il va
7 se faire. Il va se faire lentement, mais il va se
8 faire en France, en tout cas.

9 Maintenant, je vais vous parler,
10 effectivement, d'une question qui m'a été envoyée,
11 parce que nous avons des groupes de travail en
12 interne en France.

13 On m'a dit : Tous ces gens qui
14 participent au Web 2.0, ils passent du temps, ils
15 dépensent de l'énergie. Dans certains cas, il y a
16 une création de valeur au bout.

17 Alors, comment est-ce qu'on la
18 mesure exactement?

19 Est-ce qu'elle est prise en compte
20 dans les statistiques de l'OCDE, et effectivement,
21 si le phénomène Web 2.0 se développe, avec toutes
22 ces énergies qui vont participer, est-ce que
23 l'OCDE pourra dire c'est des productions

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1 nationales ou des productions mondiales de
2 création de valeur à la production qui va
3 augmenter? Comment le mesura-t-on exactement?

4 Alors, cette question, elle m'a
5 été posée par Gilbert Réveillon, qui est le
6 directeur marketing d'une entreprise de service en
7 France qui s'appelle Laser Marketing.

8 Voilà! C'est ce que j'avais à
9 vous dire sur ce sujet. Donc, je vous remercie,
10 et je répondrai avec plaisir à vos questions.
11 Merci.

12 --- Applaudissements / Applause

13 MR. CRANE: Thank you, Daniel.

14 I think an interesting idea in the
15 pharmaceutical industry, again a further
16 elaboration and open innovation and what Anthony
17 called the extended enterprise.

18 Our next speaker is Paul Misener
19 from Amazon. I am in their computer and
20 categorized in a certain way, because periodically
21 I get e-mails telling me a new book on a certain
22 subject.

23 MR. MISENER: Thank you, David.

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1 And thank you for being a customer. We need all
2 of you.

3 Thanks also to Industry Canada,
4 the OECD, for bringing this group together. It's
5 an important conversation to have and we ought to
6 all be grateful to the Government of Canada for
7 pulling this together. I look forward to working
8 with you all in leading up to next summer's
9 meeting in Asia.

10 Also, I would like to commend
11 Graham and Sacha's(ph) work in the OECD document
12 that you may be aware of. It's a great survey.
13 Although it's a bulky document, it is a quick read
14 and so I do commend that to you.

15 I want to use my time this morning
16 to talk about two things. One are some of the
17 UCC, User Created Content services that Amazon
18 helps support, and then I want to talk about some
19 of the key public policy and policy-making
20 challenges that are generated by the participative
21 Web and UCC.

22 The first Amazon service is, 12
23 years ago when we opened our virtual doors we were

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1 a pure retailer. We bought goods wholesale and
2 sold them off retail. But right now we have
3 changed fairly dramatically and the key component
4 of our business is serving as a platform and
5 service provider. We provide goods and services
6 to buyers and sellers on the Web.

7 A couple of those services I think
8 you have all become accustomed to. One of them,
9 one of the initial UCC services, is customer
10 reviews. It was a very novel concept at the time,
11 now accepted generally, but the novel concept was
12 that a retailer selling a good actually allowed
13 consumers to come on and criticized the good that
14 is being sold. Imagine a brick-and-mortar store
15 allowing someone to walk in off the street and say
16 "This is a lousy piece of junk" and put a sign in
17 front of it saying so. We did that and our
18 customers have been the beneficiaries of it.

19 We have also provided this
20 platform for sellers. We call this "marketplace"
21 at Amazon, but it is doing what eBay and other
22 companies do as well, allowing sellers to come on
23 our site and sell their goods, which we never

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1 touch. We never see these goods.

2 In fact, we have well over a
3 million sellers selling through Amazon.com today
4 and competing directly with the things that we
5 sell. So our retail business is but one of the
6 many retailer sellers that operate using the
7 Amazon platform.

8 There is something novel and
9 sometimes misinterpreted news service that we
10 provide called "Mechanical Turk". The concept is
11 the selling of human intelligence from the
12 providers of human intelligence to a central buyer
13 of that intelligence.

14 For example, photographs are very
15 difficult for machines to analyze and categorize
16 and describe, but they are very easy for humans to
17 do. So one of the tasks available through this
18 service is for human beings to look at a set of
19 photographs and categorize them, and these human
20 beings are paid for it. This is all done through
21 the Amazon platform in a marketplace fashion.

22 There are also some sort of
23 seemingly mundane avenues of supporting UCC -- I'm

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1 sure Bob will discuss this a little bit more -- by
2 providing for the long tail of, for example, the
3 sale of books.

4 The largest brick-and-mortar on
5 the planet. Maybe the ones in New York City, near
6 Time Square, probably carry about 100,000,
7 120,000, maybe 150,000 different titles. Amazon
8 carries millions. It's no fault of theirs. They
9 have to support the shelf space, they have to air
10 condition and light this building and pay
11 Manhattan rents. We don't.

12 We even go further than just
13 putting books in warehouses in obscure places, in
14 deserts, and shipping them from there. We
15 actually have now a thriving print-on-demand
16 business, which means we only manufacture,
17 actually press and bind a book, when it's been
18 ordered. As a result, there is no upfront
19 investment that is required, typically, of authors
20 and small publishers.

21 So if you are not one of the best-
22 selling authors, if you are not Margaret Atwood,
23 you don't necessarily have access to the large

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1 publishing houses, this is a way that you, as a
2 small or up-and-coming, soon-to-be-big author can
3 start participating.

4 But I think there are really two
5 principal public policy challenges that face
6 governments around the world as a result of the
7 participative web. The first, it seems to me, is
8 balancing the responsibilities of UCC creators and
9 UCC platforms.

10 The platform business that I
11 describe to you is one that is different than
12 having complete responsibility or complete control
13 over a business, like we do for our mainstream
14 retail business. The question is...well,
15 obviously, I think I will start off with the
16 obvious. The obvious is that providers of user
17 created content ought to be held libel for
18 damnation, for copyright infringement, for theft,
19 fraud, counterfeiting, all those things. The
20 difficulty is, of course, they are difficult to
21 find. They may not be local, they may not
22 identify themselves well, they may come and go
23 quickly.

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1 So the easy-to-find player in a
2 possible transaction that involves, for example,
3 copyrighted material or infringed copyrighted
4 material is -- the easy player to find is the
5 platform. So the question is: to what extent
6 should the platform be responsible for combatting
7 infringement or fraud or theft?

8 Should we require platforms,
9 platform providers, to police their sites? Should
10 they be required to actively seek out counterfeit
11 materials, copyrighted goods, stolen goods?

12 Well, is that possible? I mean,
13 when a third-party seller sells something through
14 us -- and it could be a seller as large as Target
15 or as small as you and me unloading a few items --
16 we never touch the item, itself.

17 So it may be fairly easy to tell
18 that a new Canon EOS Rebel camera offer for \$100
19 might not be legitimate, but it's difficult to say
20 whether something that is priced fairly
21 rationally, or perhaps not even rationally, maybe
22 pennies on the dollar, if it's not a counterfeit
23 product. It could just be something that was

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1 liquidated by the manufacturers. But if it is a
2 counterfeit product, how can we possibly know?
3 It's a tough one.

4 Also, is it fair? The question is
5 would requiring platforms to police their sites,
6 would that fair? The analogous off-line models,
7 such as carriers or mall owners, they are not
8 required to do the same thing. It really presents
9 a difficult question to single out these providers
10 of platform services.

11 So if mandatory policing doesn't
12 make sense, perhaps just the market will solve
13 this in a lot of respects.

14 We have instituted a lot of self-
15 policing mechanisms simply because we want our
16 customers to trust what they buy from us is
17 legitimate or through us is legitimate. So maybe
18 that is the best way to respond.

19 But if there is some sort of
20 regime, like a "notice and take down" regime,
21 applied to providers of platform services, who
22 should the platform be responsible to? Just law
23 enforcement? Just private entities that have some

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1 privity with the good in question, like the
2 rightsholder for a pirated music CD? Or could it
3 just be someone complaining about the low price of
4 an item and claiming that if it's that low a
5 price, it must be fraudulent or stolen?

6 So the second question, and I want
7 to move through this quickly, the second question,
8 I think, the major policy challenge facing
9 governments around the world as a result of UCC
10 and the participative web are the effects of
11 borders -- the effects of borders.

12 Now, there are different kinds of
13 borders. There are technical borders, and you
14 will hear at lunch today about open-sourced
15 standards. That's probably the easiest kind of a
16 border to get around, to circumvent. And I mean
17 "circumvent" in a good way. There ought not to be
18 these sorts of borders. Thankfully, open
19 standards have helped thwart that kind of a
20 technical border.

21 There are also business borders,
22 of course, walled gardens being an option. But if
23 it's a competitive market, well, consumers can

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1 choose to be in our out of the garden. The only
2 difficulty, the only time this arises as a policy
3 problem is when consumers don't have the choice.

4 This is the fundamental concern at
5 the heart of network neutrality, where there's a
6 concern where the market power that exists among
7 network operators could somehow be extended from
8 market power over the network to market power over
9 content. That certainly would be untoward, in our
10 view.

11 Lastly, there are legal borders.
12 Right now, there are overlapping jurisdictions and
13 rules applied to online behaviour and, in
14 particular, the operation of platforms.

15 There are geographical and
16 substantive conflicts. Oftentimes even in the
17 same country there are conflicting rules because
18 there are conflicting agencies, either
19 geographically based, like in a federal system,
20 like in the United States or in Germany, or where
21 substantive agencies have grown up in regulatory
22 silos and our business models all of a sudden
23 start to transcend the silos.

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1 These kinds of challenges, it
2 seems to me, these two policy-making challenges,
3 balancing the responsibilities of the creators and
4 the platforms, on one hand, and secondly, dealing
5 with the effects of borders on the participative
6 web, I think, are the ones that are best addressed
7 by groups like this.

8 And I'm delighted that this kind
9 of conversation is taking place because they are
10 tough questions.

11 Thanks very much.

12 --- Applause

13 MR. CRANE: Thank you very much,
14 Paul.

15 Two things. One is that I think
16 you have reminded us, as we need to be reminded,
17 that the Internet is not just about technology,
18 it's about institutional and organizational
19 arrangements in our society and law and Canadian
20 newspapers, newspapers responsible for whatever is
21 said in a Letter to the Editor that is published
22 and have to verify that the person sending the
23 letter actually exists and actually wrote it.

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1 So you have described something at
2 a different, but that is the same thing, the
3 responsibility for assuring somehow the voracity
4 or the genuine nature of what you are putting on
5 your place, which in the newspaper is on the
6 letters' page, and also making sure that it does
7 not break some law in the content. Interesting.

8 Our final panellist is Bob Young,
9 and he has, I think, some exciting things to tell
10 us, as well.

11 MR. YOUNG: Thank you, David.

12 I just wanted to echo Paul's
13 comment, which is to thank all of you for coming
14 out to the conference and for working hard at
15 understanding these issues.

16 You know, there's a reason I
17 didn't go into government, and I think it's
18 because I'm not smart enough. So let me leave you
19 with sort of three thoughts from how I see the
20 world, and I see the world from an entrepreneurial
21 businessman's perspective.

22 Keep in mind, you know how
23 monopolies are supposedly bad things and even all

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1 businessmen will tell you that the evil guy in,
2 you know, pick a place, Redman, Washington, has to
3 be evil because he owns a monopoly, the reality is
4 every single one of us businessmen, when we get
5 out of bed first thing in the morning we dream
6 about owning a monopoly. We go to work and we
7 work as hard as we can in order to achieve a
8 monopoly. That's the Holy Grail of being an
9 entrepreneurial businessman.

10 So the role of government, at the
11 end of the day, is to foster freedom, but to
12 foster freedom to protect us from guys like me who
13 are trying to build monopolies, so the structure.

14 Larry Lessick speaks very well on
15 this topic of old eastern Europe, after the Berlin
16 Wall fell. The politicians there for a while all
17 equated constitution and equated laws with
18 oppression, so they all had this default saying,
19 Oh, we don't need laws, we don't need
20 constitution, because that's the evil Soviets.

21 Larry had to explain to them that,
22 no, actually, America works precisely because we
23 have a set of laws that work and he had to re-

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1 educate these guys, that, no, it wasn't laws and
2 structure that's bad, it's the wrong laws and
3 structure that's bad.

4 Our goal of laws is to maximize
5 freedom, so here's the three thoughts. One is,
6 what's the unique value of the Internet? What is
7 the one thing?

8 You know, again, I'm not a smart
9 guy which is why I appreciate you guys working on
10 this stuff. So, I try and simplify everything
11 down to one idea that I can understand and that I
12 can act on.

13 The unique value of the internet
14 is it connects everyone on the planet with
15 everyone else on the planet. And so it's
16 astounding. You know, we talk about Amazon, we
17 talk about Google. You know, we think of these
18 guys as great gateways to the internet but the
19 beauty of the internet is they aren't.

20 They are simply service providers
21 on an internet where you can do remarkable things
22 without ever using SecondLife or Amazon or Google
23 or Lulu for that matter. It's this phenomenon

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1 of connecting every consumer to every other
2 consumer that does things like create the
3 opportunity for radically new business models.

4 So here's the second thought for
5 you. And this is a prediction that I've been
6 expanding on for the last, well, five or six
7 years. And I still believe it to be true, which
8 is that ten years from now the top ten internet
9 sites that you can name, you know how we think of
10 Google and Amazon and Facebook and you know,
11 whatever the other top ten are, five of those top
12 ten are not in the top ten today is my prediction
13 five years from now which means the laws you have
14 to come up with are not to cater to me or to
15 Amazon or to, you know, the guys at Google, it's
16 to create an environment where, you know, the guy
17 in his garage in Kanata has every bit the
18 opportunity that I do to be successful.

19 And so then let me talk briefly
20 about Lulu and The Long Tail. Because here's the
21 key concept, again, this idea that if the internet
22 connects everyone to everyone else, we got 6
23 billion people on the planet, we have the

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1 potential of connecting all 6 billion people to
2 all the other 6 billion people, the idea is, and
3 this is Chris Anderson who wrote the book, The
4 Long Tail, talked to guys like Amazon and in
5 particular NetFlix.

6 And the numbers, I don't actually
7 have them off the top of my head but the
8 fascinating thing about NetFlix, this is the video
9 rental, DVD rental company who stock a vast number
10 of titles, they rent, more of their titles rent,
11 something like 60 percent of their titles are made
12 up of rentals of titles that are not in their
13 10,000 most popular titles.

14 Paul, do you know that number? Is
15 it 10,000? It's some huge number like that.
16 Okay.

17 The point being, they rent more
18 titles that are on a list -- if you and I sat down
19 and tried to think of all the videos, all the
20 movies, you know, Pirates of the Caribbean, Star
21 Wars, that we could think of, we'd spend all day
22 coming up with a list of 10,000 and we wouldn't
23 have a single title that makes up 60 percent of

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1 Netflix viewing.

2 And that's the definition of long
3 Tail. What Netflix actually benefits from are
4 markets of a huge number of small markets. So,
5 they are people who watch Quebec films, they are
6 people who watch films on fly fishing, on drilling
7 for oil in Iraq, specialized film that there are
8 only 100 or 1,000 people on the planet who care
9 about.

10 Okay. So, armed with these three
11 thoughts -- two thoughts, something like that, a
12 couple of years ago I wanted to start the next Red
13 Hat. I built a company called Red Hat. It was in
14 the Linux business. It's going on doing extremely
15 well. But I'm an entrepreneur. I've never worked
16 for a company as big as Red Hat is today, much
17 less tried to manage one. So, of course my
18 colleagues at Red Hat kicked me out which just
19 goes to show that they're really smart.

20 And so I was looking for the next
21 interesting thing to do. And what I stumbled
22 across was if I believed in these three things, if
23 I believed that the internet's unique feature is

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1 it connects everyone to everyone else, that the
2 established players are not established, the
3 internet is still the Wild West -- there is no
4 measurement, there's a huge amount of lawlessness,
5 there's no police forces, it's the Wild West.

6 So, it's an area of huge
7 opportunity. And if it creates an opportunity to
8 not create large markets but create a large number
9 of small markets, then what business should I
10 start in? The one that we stumbled into is a
11 print on demand publishing business where we are
12 not the publishers, you are.

13 So, we just looked at the fact
14 that most authors who send their manuscript to a
15 publisher get rejection slips, something like 9
16 out of 10, something greater than 9 out of 10 of
17 authors who write a book and send it to a
18 publisher never get published.

19 The reason they don't get
20 published, in some cases it's because these are
21 really bad books. And one of Lulu's claim -- you
22 know we don't have, you know we're still growing.
23 We're quite large; we're signing up 34,000 new

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1 authors a month now. We're selling about a
2 quarter of a million books a month that we print
3 on print runs of less than 2. So, we print them
4 one at a time as the customer buys them.

5 But the idea was that we're not
6 the publisher. The idea is most of these books
7 that get rejected by the publishing industry get
8 rejected not because they aren't good or don't
9 have some value to them, it's because they aren't
10 going to sell more than a thousand or 2,000 or
11 3,000 in a year.

12 But yet the people who were going
13 to buy the 1,000 books on, I don't know, some
14 specific form of genetic research into some weird
15 toe cancer -- so, no one wants to buy the thing
16 except for the doctors who specialize in toe
17 cancer -- now have a venue. They can publish the
18 books themselves. We're in effect eliminating the
19 gateway.

20 So, our goal is not to compete
21 with the publishing industry. It is to serve the
22 needs of the long tail. It's to serve the fact
23 that of the 6 billion people connected to the

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1 internet, we all want to watch Pirates of the
2 Caribbean, but equally we all have some area of
3 interest that we share with only a few other
4 people. And that's the concept of businesses that
5 are catering to the long tail.

6 Anyways, just the last thought on,
7 again, an internet made up of billions of people
8 talking to billions of people: intellectual
9 property protections are of huge value and are
10 very important for people who produce multi
11 million dollar works of art like Pirates of the
12 Caribbean.

13 In case you haven't picked up on
14 it, I like Pirates of the Caribbean. Maybe it's
15 because all entrepreneurs identify with pirates
16 and I'm not sure of the connection. They deserve
17 real protection for their investment of that work
18 of art.

19 But the fact is, even their work
20 of art is built on public domain knowledge. It's
21 built on the whole concept of pirates and
22 swashbuckling which goes back hundreds of years.

23 So, we've got to get that balance

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1 right. We've got to get fair use right. We have
2 to allow the next generation of creators to be
3 able to build on what has gone before.

4 Thank you.

5 --- Applause

6 MR. CRANE: Bob, thank you. When
7 I'm filling in my tax return next year I'm going
8 to feel a lot better because I'll be able to think
9 of the government as a freedom fighter for trying
10 to (inaudible).

11 You raised the point that five
12 years from now that five of the top ten internet
13 players will be those not on the list today. Do
14 you think any of them will be from China or India
15 or another part of the world or will they all be
16 basically or largely based in North America or in
17 Europe?

18 MR. YOUNG: Do these things work
19 or --

20 MR. CRANE: Yes.

21 MR. YOUNG: Okay. The one thing I
22 have learned in my career on the internet is not
23 to make predictions (laughter). But I would say

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1 that would be a safe bet; but I'm not going to
2 predict it.

3 MR. CRANE: Okay. Because you did
4 make a prediction that five of the ten would be
5 new players, so...

6 MR. YOUNG: I guess I did.

7 MR. CRANE: Yeah.

8 MR. YOUNG: Okay. I stand
9 corrected.

10 MR. CRANE: I think we have time
11 for not as many questions as we would like but
12 about 15 minutes. So, I'd like to invite those
13 who have had the benefit of listening to some very
14 interesting presentations now to ask their
15 questions or challenge what was being said or
16 offer an alternative view of the world.

17 We have mikes spread all the way
18 around the room and this is a chance. We have
19 about 10 to 15 minutes, so don't be shy.

20 We'll start, mike 58, Michael
21 Binder and then we'll go over to the other corner.

22 Okay, Michael.

23 MR. BINDER: I'm from the

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1 government and what I'm interested in knowing is
2 you keep talking about the kind of rules that we
3 put in place do not interfere with this
4 entrepreneurial spirit. What I want to know is:
5 Are you talking about a global set of rules or
6 every country come up with their own
7 entrepreneurial set of rules so we win. So being
8 selfish Canadians, and you know us a little bit,
9 particularly you Bob, what's your advice for the
10 Government of Canada in what kind of rules we set
11 up to succeed in getting some of those fives
12 coming on?

13 MR. YOUNG: I'm a huge fan of
14 competition, whether it's competition in the
15 marketplace or, in this case, competition among
16 governments.

17 So, as you know, within Canada we
18 have different tax jurisdictions as our Canadian
19 governments compete to try and attract businesses
20 into their jurisdiction. I think that's actually
21 healthy to have that debate.

22 So there has to be some
23 international coordination, but there's a lot of

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1 dangers. As you guys I'm sure know and struggle
2 with every day, with international legislation,
3 which is that the parties who have the strongest,
4 what, political power internationally tend to get
5 their agenda listened to.

6 The one we are all very aware of,
7 let me talk a specific example. In media creation
8 the U.S. -- it's a huge export industry for the
9 U.S., so the U.S. would love it if everyone would
10 impose the strongest possible intellectual
11 property protections around content because that
12 benefits their media export industries.

13 But in Canada, where we are trying
14 to compete, we don't have yet a really strong
15 media industry, suddenly being more innovative,
16 not necessarily following the rules that work in
17 the U.S. but coming up with a set of rules that
18 allow Canada to create a content industry that's
19 viable, might require a different set of rules,
20 but yet if we coordinate these internationally we
21 will be forced to adopt rules that might not suit
22 the Canadian industry simply because everyone else
23 is adopting the rules.

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1 So this is why you guys are the
2 smart guys and I'm happy that you're here.

3 MR. CRANE: Okay. Thanks.

4 Did anybody else want to say
5 anything on that point or should we go to the next
6 question?

7 Okay. A question over here now.

8 QUESTION: Thanks. My name is
9 Michael Geist. I'm a Law Professor at the
10 University of Ottawa.

11 Thanks to all the panels for some
12 really interesting remarks. It's only to make a
13 small remark to Paul.

14 I appreciated you raising the
15 notion of balancing responsibilities between UCC
16 creators and UCC platforms and it's only to remind
17 people that particularly in a participative world
18 that the creators are themselves platforms in many
19 respects. The individual blogger who ensures or
20 allows people to comment -- and of course many do
21 -- faces precisely the same kinds of questions
22 that those very large platforms do and oftentimes
23 don't have the resources to try to ferret out

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1 whether or not something is infringing or
2 defamatory and the like.

3 So when we are talking about the
4 balance one of the interesting aspects I think is
5 that the creators are themselves using your
6 platforms to create their own platforms and face
7 exactly the same kinds of questions.

8 MR. CRANE: Paul, did you want to
9 say anything?

10 MR. MISENER: It's a good point,
11 Michael. Thanks.

12 MR. CRANE: Questions?

13 Could you just identify itself at
14 the start?

15 QUESTION: It's Jay Thompson from
16 Ellis(ph), a carrier here in Canada.

17 I was at a Web 2.0 conference a
18 couple of weeks ago in Washington and one of the
19 panels there on innovation suggested that
20 companies like Facebook, Amazon, and so on, would
21 not have been able to develop and innovate to the
22 extent they have if it hadn't been for, in the
23 U.S., section 230 of the CDA, which protects them

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1 from liability as a publisher, and protections
2 against liability on conduits against copyright
3 liability, in the States being a notice and
4 takedown regime, in other jurisdictions perhaps
5 something else such as notice and notice regime.

6 Absent either or both of those
7 laws, which is the case we have currently in
8 Canada, what is the future for innovation by
9 Canadian companies who want to get into the 2.0
10 space?

11 MR. MISENER: I will take a stab
12 at it. Thanks for the question.

13 I think the future for Canadian
14 innovation is very bright for a lot of reasons,
15 not the least of which is an educational system
16 which is excellent. and I think you have a
17 government, as witnessed by this conference, that
18 is very interested getting things right.

19 You know, I don't feel a political
20 agenda here. I grasp a sense of urgency in
21 learning what's actually going on, the facts
22 should lead to inform to policy-making. So I
23 think the future is very bright.

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1 Your specific question had to do
2 with safe harbours, I will just kind of
3 characterize it that way. Those safe harbours
4 have been important in the States and elsewhere
5 around the world to protect platforms from
6 immediate liability. But there are attempts all
7 around the world, including in B.C., to chip away
8 at those kinds of protections simply because, as I
9 mentioned in my remarks, it's easy to find the
10 platforms and sometimes difficult to find, as
11 Professor Geist would say, the smaller platforms
12 that use a bigger platforms.

13 So I would just urge any movement
14 in that direction be checked until we get to the
15 real facts of the matter, which is that it would
16 be extraordinarily difficult, if not impossible,
17 for a distant, remote platform provider to do the
18 sorts of policing that some people seek us to do.

19 MR. WILLIAMS: I think in addition
20 to that, I mean the safe harbour to me seems to be
21 fundamentally important because it enables a much
22 more fluid and open approach to content creation
23 that would be completely disabled if platforms

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1 like Facebook or Amazon or YouTube had to screen
2 in advance every piece of content that came onto
3 the system.

4 The other thing that will help of
5 course would be some sort of technological
6 screenings capabilities that have been put in
7 place, but I think fundamentally you should allow
8 people to contribute content and then not hold up
9 the platform necessarily liable but find ways to
10 then provide the right intellectual property
11 rights, a system that can enable that kind of
12 content creation.

13 MR. YOUNG: Yes. If I can comment
14 on the second part of the question simply of is
15 Canada good place to build a technology company.

16 I work mostly down in Raleigh,
17 North Carolina and the Government of North
18 Carolina are constantly worried about this
19 themselves because they have the same sort of
20 sense of inferiority relative to California where
21 it seems all the cool stuff is happening.

22 And I'm having to reassure the
23 Government of North Carolina and I will do the

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1 same for the Government of Canada, the amount of
2 exciting stuff that goes on in Canada, the amount
3 of innovation that I just bump into literally at
4 any industry conference up here, you don't have to
5 worry about the health of innovation in Canada.
6 This is a very exciting place to do business.

7 MR. CRANE: It's a nice note to
8 hear.

9 We will have one more question.
10 The lady a microphone 58.

11 Then I will do a very fast sum up,
12 and then I think, John, you want to talk about
13 lunch.

14 Is that correct?

15 MR. OXLEY: Yes.

16 QUESTION: Thank you.

17 I'm Katarina Labrisis(ph). I come
18 from the Government of Norway.

19 I have a question about this
20 problem of sorting out the liabilities between the
21 platform and the users. In order to sort out
22 liabilities you have to know the identity of the
23 users and it differs across different platforms

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1 that are being available on the Internet for
2 collaborative use of the Web whether the user is
3 actually operating under there or an identity or
4 not.

5 Do you see the problem of managing
6 identities as something that may have some kind of
7 impact on this business and, if so, what kind of
8 impact? Thank you.

9 MR. CRANE: You, Paul.

10 --- Laughter

11 MR. MISENER: I'm happy to let
12 someone else answer that.

13 Just quickly, it's easier for us
14 simply because we are in a buying and selling --
15 we are in a marketplace environment and so at some
16 point everybody has to be identified because we
17 are either getting money or sending money and that
18 requires a modicum of identification that we can
19 rely on.

20 I think it's much tougher for the
21 businesses that are social networking sites where
22 you can be an imaginary person, but you can't be
23 imaginary and use a credit card.

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1 MR. YOUNG: Yes. I tend to agree.
2 But I think we have to think of
3 the Internet a little bit the way we think of
4 Speakers' Corner in London in Hyde Park, is you
5 can get up and say whatever you want but you are a
6 real, physical person and if you incite people to
7 riot the Bobbies can come along and throw you in
8 jail. So society has to protect ourselves from
9 people who might otherwise damage our society.

10 True anonymity, as some of the
11 more radical Internet enthusiasts would have you
12 believe, is probably not healthy, but neither
13 would it be healthy to provide pure, what,
14 transparency to who everyone is and what they say
15 at all times. So, again, this another one of
16 those gnarly problems that governments around the
17 world are going to get to wrestle with as to what
18 the correct balance is between privacy and
19 anonymity and accountability, on the other hand.

20 MR. OXLEY: Did anybody else want
21 to talk on that before I conclude or...?

22 Mr. Crane.

23 MR. CRANE: Well, first of all, I

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1 would like to thank our panel. I think they have
2 done a superb job, raised a lot of very
3 interesting points.

4 I think coming out of this,
5 perhaps the overriding message is, of course, that
6 technological innovation requires institutional,
7 legal and organizational innovation, it doesn't
8 happen in isolation, and therefore governments and
9 entrepreneurs need each other and they have to
10 work together. I think that came through.

11 I think, also, this whole idea on
12 public policy, where the public policy side plays
13 in, it's not only in the laws and InnoCentives
14 that we have governing things like privacy and
15 access, but, in a broader sense, the InnoCentive
16 systems and our tax policy and matters of that
17 sort.

18 I think that Bob made a very
19 interesting point that one of the roles of
20 government is there to be the freedom fighter, to
21 make sure that on these principles which we value
22 in our society of fairness and competition and
23 proper access, and these matters that we sought,

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1 these can only be carried out and the institutions
2 and laws can only be put in place by smart
3 governments to do that. The private sector needs
4 government to do this well if people are going to
5 trust the systems that they want to offer for
6 sale.

7 I think the other thing which to
8 my mind was very interesting, which came out at
9 the beginning and which was addressed by quite a
10 few of our panellists, that's this whole idea of
11 open innovation, the extended enterprise, that we
12 are moving from one kind of way of doing business
13 to a totally different way of doing business.

14 Procter & Gamble was mentioned by
15 several panellists on the connect and develop
16 strategy which they are following. This is an
17 example, actually, Daniel, of an industrial
18 company which has gone the open innovation route.
19 You mentioned that they tend to have a different
20 culture, but there's nothing much more industrial
21 than making soaps and products of this sort. So I
22 think that was very important.

23 And it is an aspect of

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1 globalization that's very interesting because open
2 innovation leads to much greater opportunity for
3 all kinds of suppliers and people to start
4 businesses and jobs by feeding into these open
5 networks of design, research, production and so
6 forth.

7 The final point is that, with the
8 web and open innovation, we have the prospect for
9 accelerating the rate of innovation and bringing
10 on new things at a much faster pace.

11 So I would like to, on your
12 behalf, thank all our panellists, I think, for
13 advancing our understanding and helping advance
14 our thinking on this very important subject. And
15 as a last point, just mention, as I did earlier,
16 that this is one of the areas of research at the
17 OECD now, the whole program dealing with
18 globalization and open innovation, and what this
19 means to the structure of how ideas and innovation
20 occurs around the world in the years ahead.

21 So thank you very much.

22 --- Applause

23 MR. OXLEY: Well, thank you,

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1 David. And, wow, that was a powerful morning.

2 I stand between you and lunch, so
3 I'm going to be very, very brief.

4 IBM's going to be speaking in the
5 main hall here at 1:15, so please go grab your
6 lunch and make sure that you have set aside some
7 time for that. As well, the demos are in the
8 back, take some time out there.

9 We are going to be starting right
10 away at 1:45, as much as possible, to make sure we
11 get you out of the food area into the different
12 rooms. In this room, Michael LeBlanc is going to
13 be leading a panel on user content creation, and
14 in the Sussex Room, in the back, we are going to
15 have Government 2.0, Government 2.0 and -- just
16 let me get this right here -- Government 4.1, it
17 went up earlier today, Government 2.0, by Hugh
18 Stevenson.

19 So thank you, let's go have some
20 lunch.

21 --- Whereupon the session concluded at 1234