

# Web 2.0: the collaborative landscape

Monday 15 September – 11:00-12:00

## Banking for the masses

The wisdom of crowds will drive banking innovation for the Wiki generation

Whatever Web 2.0 is, it doesn't come naturally to anyone over the age of 20, according to A-cross CEO Peter Hinssen.

The opening panelist at a session on 'Web 2.0: The collaborative landscape', he claimed: "Young people are digital natives. If you only look at it from the perspective of digital immigrants – people who remember what a modem dialling sounded like – we'll fail." Natives – in contrast to immigrants – have VOIP, rather than the phone, as their default. Digital immigrants send email; natives rely on instant messaging.

Yet he acknowledged most of the distinctly post-20s audience came to the digital revolution as 'immigrants', rather than 'natives' – trying to fit an approach based on command-and-control into an essentially bottom-up model. "Consumerisation has embedded technology into everyday lives," said Hinssen. "Technology doesn't come from technologists anymore. It comes from consumers."

In contrast to the bilateral paradigm of Web 1.0, Web 2.0 is characterised by multilateral digital collaboration. As an example, Hinssen cited Wikipedia's "self-correcting mechanism". Similarly, to understand Web 2.0, banks need to abandon fantasies of top-down control and embrace what another panelist, Joachim von Heim-

burg, a former theoretical physicist and now director of corporate R&D at Proctor & Gamble, described as "the wisdom of crowds".

But why should banks change the way they innovate? "Imagine your customers involved in the day-to-day design of products and giving you daily – rather than occasional – feedback," said SWIFT head of product innovation Kosta Peric, introducing the panel session. "Customers could become partners – and that's where you truly gain benefits."

The increased cost of innovation, more demanding consumers, aggressive competition and vertiginous growth targets are driving the need for change. "The old, closed model was enter from the left, exit to the right. The Web 2.0 model is based on open innovation. It drives up speed, drives down risk, and potentially creates new distribution channels," said von Heimburg.

The problem is that most non-geeks – not just bankers – resist change. Described by Peric as "an evangelist" for Web 2.0, Hinssen said: "We technologists love change. The problem is that everyone else hates it."

He added: "The hype in Web 1.0 was that once you went online everything would change but people tend to put everything in the old analogy. If you remember Net-

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Peter Hinssen, A-cross

scape, it was tied into the old metaphor of software. Google is tied into a new metaphor, focused on the server."

### 'Mashup'

Another consequence of the second phase of the digital revolution is the potential for 'mashup' – that is, "combining things in an interesting way." Till Guldemann, vice chairman of Sungard, suggested SWIFT could harness this potential to develop a model involving collaborative webservers with selectively shared data contributed freely via easy web access.

The question, he said, is whether SWIFT might do the same for banking – getting involved in collecting and sharing data, establishing a web services hub outside its own hardware, and combining data to offer new services. "I think SWIFT could – and should," he said.

This hub might include a SWIFT directory and payment status reports updated by members. "There could be a race between service provid-

ers in offering information," he said. "Competition drives change."

Von Heimburg suggested that in the new phase innovators would connect and develop, rather than research and develop. "We need to harness collective wisdom and wisdom from outside," he said. "The dark side of innovation is NIH – 'not invented here' – and the idea that what we didn't invent has no value," he said.

He pre-empted the scepticism of 'digital immigrants' reluctant to believe more web hype. "I come from the real world, where real people spend real money on real products," he said. "We're not looking for ideas – I have plenty of those. We're looking for solutions, for ready-to-go products, devices and packages." This depended on developing external innovation networks, and sharing risks and rewards among partners.

The downside to the brave new world of collaborative innovation is the threat of disintermediation, Peric suggested in his introduction to the subsequent SibosLab session 'If the network powers Web 2.0, how do we leverage the power?'

"If we look ahead, we might not have banks," he said. "What if Warren Buffett opens up a network? What if Paris Hilton sets up a network? Now that's scary." <<