Chapter 5
Evolution of Business in Virtual Environments

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ABSTRACT
Virtual business as defined in this chapter is any business interaction that takes place in an immersive digital space in which individuals are represented by “avatars” in three-dimensional, user-created environments. While there are hundreds of virtual worlds and hundreds of millions of people globally participating in them, this chapter focuses on Second Life®, owned by Linden Lab. At the time of this writing, eighteen million Second Life® accounts have been registered and participants have spent a billion hours in-world. US $1 billion has changed hands in Second Life® between people in more than 100 countries representing hundreds of cultures. Thousands of universities, companies, institutions and organizations have Second Life® bureaus. This chapter will examine the evolution of some of the most remarkable projects taking place within this virtual world, featuring the passion of early adopters, the role of the media, current examples of virtual work, the evolution of the virtual workforce, the shift in the role of managers toward a collaborative virtual model, the relationship between education and virtual work, and virtual goods and services.

INTRODUCTION
The most important fact about virtual business is that it’s real. The contents of this chapter are based largely on my own experiences as the CEO and Creative Director of Dancing Ink Productions (DIP), a company that works toward the evolution of a new global culture and economy in the Imagination Age. DIP works globally to maximize the real-world benefits of digital culture in all its forms, and many of our clients, including Fortune 500 companies, universities and think tanks, have created a significant presence in Second Life®. Linden Lab, the company that owns Second Life®, is also now a client.
Virtual work offers a geographically dispersed global workforce an opportunity to gather, work and learn in real time without the cost of time and resources spent on unnecessary travel. Virtual work enhances vital face-to-face meetings by facilitating gatherings between teams, partners, potential clients and collaborators between real-world meetings. Second Life® is also an extremely useful platform for mixed-media broadcasting to the internet, where a live participatory audience can experience speakers sharing ideas and contribute their own in live, real-time chat, without having to be in Second Life®.

With its focus on user-created content, Second Life® is an ideal venue for collaboration. It allows people to imagine, create and inhabit shared environments that can be infused with multiple streams of mixed media and other business tools. Communication can take place in private or group voice and text chat, enabling multiple simultaneous conversations to unfold. User-created content permits developers to create and sell virtual items, goods and services. This chapter will begin with the earliest pioneers.

**EARLY ADOPTERS**

When cars were first introduced to the cultural and economic scenes, many people considered them horseless carriages. The idea of traveling 60 miles in an hour’s time held little allure for people who had no interest in going that far from home when communities, families and friends were all nearby. Moving pictures seemed similarly absurd at their advent. Why look at moving pictures when life moves right in front of you with no special arrangement required?

Virtual worlds fit into this same category of mainstream reception, but like their predecessors, the novelty will give way to a major cultural and economic transformation. The shift will be tumultuous for those who don’t refresh their skills in time, and lucrative for many who have long waited for technology to catch up with the sheer force of the human imagination.

Early adopters of virtual worlds were creative pioneers, learning how to inhabit and collaborate on one another’s ideas in three dimensions. This is particularly attractive for sophisticated, tech-savvy employees of companies such as IBM, often working in remote locations without colleagues on site.

I first became aware of IBM’s presence in virtual worlds on November 10, 2006, after I completed six months of work on an investigative report, “Big, Easy Money: Disaster Profiteering on the American Gulf Coast.” The field of journalism was at the beginning of its own massive, technology-driven shift, creating as many dilemmas as opportunities. Innovation doesn’t happen just by peeking over the edge of a competitor’s cubicle to see sketches on the drawing board, and the saturation of industry-wide confusion and panic began to far outstrip progress.

I was married not to the idea of print, but rather the profession of storytelling. Instead of documenting what had already gone wrong, I wanted to contribute to finding solutions to economic and cultural crises and document those stories. As I mulled my options, I had no idea that I would soon discover a virtual world in which it would be possible to create a new reality.

Over lunch that fateful day, Clifford Pickover, a friend who works at IBM, asked me if I’d ever heard of Second Life®.

“Second Life®? What’s that?”

“In Second Life®, you can be anything or do anything,” he said. “You can live in a massive beach house, or in a tree house in the woods with beautiful stained glass windows, and you can create your own appearance, right down to the shape of your nose and the color of your eyes.”

He wrote a name down on a napkin and slid it my way. It contained the avatar name of IBM’s