

The Social Business

Advent of a new age



As the world becomes more instrumented, interconnected and intelligent and the population continues to embrace social computing, today's enterprises face the dawn of a new era – the era of the Social Business. Just as the Internet changed the marketplace forever, the integration of social computing into enterprise design represents another enormous shift in the landscape. Organizations that successfully transform into a Social Business can potentially reap great benefits – among them the ability to deepen customer relationships, drive operational effectiveness and optimize the workforce.

Introduction

In late 2008, IBM shared a vision for a smarter planet – an opportunity to infuse intelligence into every system through which the world works. Three broad trends made this opportunity possible: 1) everything is becoming instrumented with sensors and computational power; 2) the world is becoming interconnected via vast, ubiquitous networks; and 3) all things are becoming intelligent by applying analytics to the mountains of data they can collect.

Since then, remarkable progress has taken place to make the complex systems that people rely on – cities, energy grids, food distribution chains, healthcare networks, banking systems, etc. – smarter. Perhaps most remarkable of all, however, has been the application of this vision to people themselves. Instrumentation, in the form of smartphones, has put unprecedented power literally in people's hands, anywhere they go. The meteoric rise of social networking, which now accounts for 22 percent of people's time spent online, has connected nearly every individual on earth.¹

And the emergence of social analytics means not only are individual people intelligent, but networks of people have become intelligent as well and are able to learn from interactions and associations to deliver recommendations and take action.

As the global network of people becomes instrumented, interconnected and intelligent, dramatic shifts are taking place. The ways individuals interact, relationships form, decisions are made, work is accomplished and goods are purchased are fundamentally changing. Consumers now wield unprecedented power over how brands are perceived. Crowdsourcing is changing industry landscapes by altering the playing field and bringing new solutions to bear at an extraordinary rate. In addition, employees are demanding social tools in the workplace – and are actively sidestepping established hierarchies and IT processes to use them. As a result, the world finds itself at a transformative point with regard to how business is done. We believe it is the dawn of a new era – the era of the Social Business.

A similar tectonic shift in the marketplace occurred a little more than a decade ago when the Internet went through its first maturation phase. It changed from being a digital novelty for technologists to being a platform for doing business. From e-commerce and peer-to-peer file sharing to the emergence of Web-based solutions for financial, accounting and supply chain systems, the Web became a serious business tool for organizations and industries of every kind.

Just as the dawn of e-business changed business forever, ten years later organizations are integrating social technology into enterprise design and are leading the way into the Social Business era.

What does it mean to be a Social Business?

A Social Business activates networks of people that apply relevant content and expertise to improve and accelerate how things get done, delivering unprecedented return for the time invested.

At its core, a Social Business is one that creates an environment to enable and encourage people to connect with one another to accomplish just about anything. It has distinct characteristics that set it apart from other types of businesses. A Social Business is engaged, deeply connecting people to be involved in productive, efficient ways. It is transparent, providing line of sight across traditional boundaries and better aligning actions to needs. And it is nimble, speeding up business with insight to anticipate and address evolving opportunities. (See sidebar: The Tenets of a Social Business). These characteristics are resetting the bar for success in a competitive marketplace.

Key to becoming a Social Business is connecting people, allowing them to participate in people networks and explore the connections they have with other individuals and groups. This approach creates new pathways centered on people and the relationships between them, helping to solve the persistent problem of searching for information needed to accomplish tasks, make decisions, purchase goods, and inspire new ideas. This people-centric approach shifts the focus from documents, static content, project plans and other temporary artifacts to the source of the energy, creativity and decision making that moves the business forward: people. As a result, people not only find what they need, but also discover valuable expertise and information they weren't even looking for that solves a problem in a new way.

The Tenets of a Social Business

- **Engaged** – A Social Business connects people to expertise. It enables individuals – whether customers, partners or employees – to form networks to generate new sources of innovation, foster creativity, and establish greater reach and exposure to new business opportunities. It establishes a foundational level of trust across these business networks and, thus, a willingness to openly share information. It empowers these networks with the collaborative, gaming and analytical tools needed for members to engage each other and creatively solve business challenges.
 - **Transparent** – A Social business strives to remove unnecessary boundaries between experts inside the company and experts in the marketplace. It embraces the tools and leadership models that support capturing knowledge and insight from many sources, allowing the organization to quickly sense changes in customer mood, employee sentiment or process efficiencies. A Social Business utilizes analytics and social connections inside and outside the company to solve business problems and capture new business opportunities.
 - **Nimble** – A Social Business leverages these social networks to speed up business, gaining realtime insight to make quicker and better decisions. It gets information to customers and partners in new ways – faster. Supported by ubiquitous access on mobile devices and new ways of connecting and working together in the Cloud and on open platforms, a Social Business turns time and location from constraints into advantages. Business is free to occur when and where it delivers the greatest value, allowing the organization to adapt quickly to the changing marketplace.
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To get there, a Social Business is underpinned by technology. It can be argued that business has always been social; what has changed is technology enables social interactions to take place on a broader scale, to happen quickly, and to happen online. A Social Business makes interaction as effective as possible for people by integrating social technology into the applications they use and making it available on the devices that best suit them. This allows organizations to drive social interactions more meaningfully into business processes in order to address inefficiency caused by exceptions and to inject creative problem solving into ad hoc efforts. And because these interactions are happening online, a Social Business has the opportunity to analyze the interactions and “learn” from them, creating an ever smarter organization.

But it is not just a matter of deploying technology, it is a shift in culture that drives new results. An effective Social Business embodies a culture characterized by sharing, transparency, innovation and improved decision making. Such a culture enables deeper relationships with customers and business partners and allows all types of people associated with the organization to document and share their knowledge and ideas and others to recognize, refine and promote the value of those ideas and content. Such a culture helps a Social Business reap great benefits, such as an ability to leverage more expertise and a greater diversity of skills and experience, better realtime use of up-to-date knowledge and improved decision making based on greater situational awareness and use of social intelligence.

Ultimately, a Social Business is built on trust. It creates an environment of trust both by placing trust in people and by acting in a way that causes people to place trust in it. A Social Business trusts its employees by empowering them to share ideas and expertise, and demonstrates that trust by rewarding the right behavior. It trusts its customers and partners by encouraging an open dialogue with them, which sometimes means confronting uncomfortable disagreements head on.

Did you know?

- Smartphone shipments will outpace PCs by 2012.²
 - Online users in rapid-growth regions like Latin America, the Middle East and China are now spending more time on social-networking sites than on e-mail.³
 - Gartner Research predicts that social networking services will replace e-mail as the primary communications vehicle for 20 percent of business users by 2014.⁴
 - Globally, the total minutes spent on social networks monthly saw a more than 100 percent gain over the same time last year.⁵
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And it balances this openness with an appropriate level of governance and discipline that sets the parameters for constructive action among all parties.

Turning challenge into opportunity

Becoming a Social Business is not merely a matter of deploying a tool or taking on a new mindset. Done right, it can unlock opportunity in the way every aspect of the business is run, and shifts the culture of an organization to a new plane. The journey carries with it several challenges that demand focus.

One such challenge is how to employ social collaboration in a way that creates business value and not chaos. Many organizations worry that they will lose control and take their eyes off of traditional metrics of success that remain important. The answer is not to scrap the elements of an organizational structure that provide value. Rather, a Social Business focuses on maintaining the discipline and focus of hierarchically organized teams while creating an environment where people naturally work horizontally across boundaries, forming and dissipating teams as needed.

A second challenge is how to avoid making social collaboration simply an extra place people have to look to find the person or insight they need to get things done. A Social Business is one where the right connections are made easily, and applying analytics to social networks provides an answer. By filtering out the noise, offering recommendations, and aiding prioritization, analytics allow employees, partners, and customers to cut through vast data and crowded communities of people to access what they need, when they need it.

Common industry terms

- **Enterprise 2.0:** Mostly focused on collaboration behind the firewall between employees and partners. When applied effectively, it can enable large organizations to become more nimble and agile and, in many ways, act more like a “small” business in the best sense of the word.
 - **Social CRM:** A strategy that allows an organization to make customers a focal point of how it does business, where the customers are actually a key force behind the development of the ideas, services and products that the organization produces.
 - **Social media:** Social media is a relatively new type of communications channel composed of various social sites such as Twitter and Facebook. These channels have their own processes, guidelines, governance and forms of accountability. As an organization develops a social business strategy, social media might be one of the channels to pursue.
 - **Social software:** The broader set of social tools (messaging, chats, blogs, wikis, activities, file sharing, profiles, forums, analytics, tagging, etc.) that enable all of the concepts above and include applications used within an enterprise behind a firewall as well as services that extend beyond the firewall.
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The third major challenge that organizations face when becoming Social Businesses is how to evolve in a controlled way in order to avoid harmful mistakes in today’s unforgiving landscape. To cope, organizations are establishing governance models and applying best practices to guide deployment, manage risk, monitor performance, and measure progress.

Planning for these challenges at the outset opens the path to significant new business value.

What is the value of Social Business?

As the rapid growth of social networking and mobility has erased some of the boundaries that separated individuals in the past, people increasingly use their relationships with other people to discover and use information to accomplish innumerable tasks. New opportunities for growth, innovation and productivity exist for organizations that encourage people – employees, customers and partners – to engage and build trusted relationships. Individuals are using social networking tools in their personal lives, and many are also incorporating them into their work lives – regardless of whether doing so is sanctioned by their employers. Astute organizations will embrace social software and find the most effective ways to utilize it to drive growth, improve client satisfaction and empower employees.

In fact, Social Business software has gained significant momentum in the enterprise, and this trend is expected to continue, with IDC forecasting a compound annual growth rate of 38 percent through 2014.⁶ However, becoming a Social Business is not simply a matter of deploying some collaboration tools and hoping for the best. It is a long-term strategic approach to shaping a business culture and is highly dependent on executive leadership and effective corporate strategy, including business process design, risk management, leadership development, financial controls and use of business

analytics. In fact, one of the key findings from the 2011 IBM Social Business Jam – an online realtime discussion among almost 4,000 registrants that focused on top Social Business issues – was that Social Business activities need to be integrated and aligned with business processes to truly be effective. Realizing the potential value of Social Business is predicated on an organization’s ability to recognize and design for this transformation.

Social Businesses can orchestrate and optimize new ways of generating value through innovation, creativity and utilizing the right skills and information at the right time. They become more flexible and agile in the face of the global market’s competitive pressures and rapid rate of change.

We see three key business value opportunities arising from the Social Business transformation. Becoming a Social Business can help an organization:

- 1) Deepen customer relationships
- 2) Drive operational effectiveness
- 3) Optimize the workforce

Deepen customer relationships

In today’s fast-paced “always on” world, brands are being strengthened and destroyed in a fraction of the time it once took due to the proliferation of instant, viral feedback via social media and social networking tools. The combination of social media and the growth of Internet use has essentially changed the way consumers interact with brands. Now, more than ever, organizations must understand and communicate with their customers.

Most business leaders understand this. In fact, 88 percent of all CEOs who participated in the 2010 IBM CEO study picked “getting closer to the customer” as the most important dimension to realize their strategy in the next five years.⁷ However, understanding the importance and knowing how to act on it are two different things.

Consumers are connecting with brands in fundamentally new ways. The ways individuals become aware of, research, purchase and obtain support for products have changed. Increasingly, customers rely on digital interactions, peer evaluations, social media and online after-purchase support to make their decisions about which brands to engage. While customers have historically interacted with trusted sources to help make purchasing decisions, technology is enabling them to do so on a much larger and more organized scale using more resources.

Social marketing is becoming an increasingly effective and essential mechanism to engage customers. The benefits to brand building and engagement are obvious, but organizations are challenged with delivering a consistent, compelling brand experience across their channels and breaking through the “social clutter.”

To truly become customer centric, an organization needs to have the social media tools ingrained in its end-to-end business. And it needs to listen to its customers when they volunteer information – because customer feedback obtained via social media is many times quite different from information gained through surveys and other market intelligence tools. Social Businesses are finding ways to mine this information while also creating a consistent, truly interactive and context-aware experience.

Deepening customer relationships to speed development

China Telecommunications Corp. (China Telecom) is the largest fixed-line service and third-largest mobile telecommunication provider in China. It offers a full range of integrated information, Internet connection and application services. With over 200,000 employees, it operates subsidiaries in 31 provinces and branches in the Americas, Europe, Hong Kong and Macao. To stay competitive, the Shanghai branch of China Telecom wanted a way to accelerate creation of new telecom services by optimizing use of its employee base in a unified innovation process. China Telecom developed an innovation platform with a Web portal interface that enables collaboration among employees, partners and customers. The portal accepts ideas from this enlarged community, expanding the sources of innovation and helping to filter the best quality ideas. More than 550 new “voices” joined the development process in the first six months of the portal launch, with publication of the first idea a mere ten minutes after launch. Marketing teams can analyze new intelligence gathered directly from consumers’ Web 2.0 entries and introduce new services with the knowledge that subscriber demand exists. More product ideas of higher quality reduce opportunity costs and risks, and increase the chances of marketing success. And as Niu Gang, Associate Director of the Shanghai Research Institute for China Telecom observes, this solution enables the company to deliver exciting products to the marketplace at a faster pace than ever before.

Instead of simply pushing messages and offers out to the market, marketing is engaging customers through open dialogue integrated with rich media capabilities that cater to customers’ preferences, buying patterns and personal networks

(see sidebar: Extending relationships with and among clients). From a marketing and sales perspective, a Social Business can create, manage and publish personalized content (text, pictures, audio, video, documents, etc.) based on profile data from the Web, optimized for customers’ behavior patterns.

In addition, it can provide consistent branding and experiences across multiple sites and channels seamlessly through Web content management. Finally, a Social Business is better able to target the right content to the right customers based on personal attributes, patterns of behavior, segmentation and loyalty programs through personalization engines, Web analytics, instant messaging and online meetings.

In terms of customer service, a Social Business can provide an online experience through “real people” showing personalized profile information via instant messaging, community blogging or Web conferences – turning customers into advocates. As one of the IBM Social Business Jam participants pointed out, many customers embrace social media when making purchasing decisions because they appreciate “the candor from other customers about the products, quality of support and value of a company’s offerings.” A Social Business will take advantage of this and encourage its customers to engage with others about their positive experiences.

In addition, a Social Business can strive to deliver realtime information to online customers through multiple devices (mobile, smart-phone, tablet PCs, etc.) to help ensure effective communication anytime and anywhere. As part of all this, an effective Social Business can also implement a flexible model of customer self service capabilities, such as chat forums and communities, to increase responsiveness and decrease costs.

Essentially, Social Businesses are successfully building deeper customer relationships and impacting the traditional role of the Chief Marketing Officer by concentrating on some key actions:

- **Put customers at the center.** Embrace an open dialogue with customers through social tools to involve them in both internal processes, like product development, and external processes, such as promotion and customer service. As one of the participants in the 2011 IBM Social Business jam said, “Social technologies...provide a helpful platform for cocreation, collaboration and community interaction between customers and a company.”
- **Address customer experiences comprehensively.** The best experiences are consistent and custom fitted to users’ preferences, devices, locations, social networks and behavior patterns.
- **Utilize technology to build competitive advantage.** Analytically derived customer insights that leverage customer information from across internal and external data sources (Facebook, Twitter, etc.) feed marketing programs which, in turn, deliver the ultimate engaging customer experience.

Drive operational effectiveness

Social Businesses can drive innovation much faster than traditional organizations. A Social Business can bring together good ideas, combine complementary expertise, and make serendipitous connections. Ideas can be discovered, stand on each others’ shoulders and be refined, expanded on and turned into valuable goods and services much more quickly. This sharing of ideas and increased communication can lead to increased operational effectiveness.

Some leading development organizations have begun to utilize social tools to drive product innovation and service improvement. Progressive development teams are using social capabilities to connect with new, broader perspectives, which

are enriching the quality of their efforts. As they extend their reach beyond conventional networks within an organization, their knowledge base and problem-solving capacities can grow exponentially (see Sidebar: Fostering communication, improving efficiency). The Social Business model is changing the traditional roles of development managers by emphasizing the importance of their ability to:

- **Bring more diverse opinions together to form novel ideas.** Build focused communities that help improve the quality and speed of gathering business insights and generating improvement ideas.
- **Gather better requirements straight from the customer’s voice.** Gather high-quality input and ideas, as well as frequent feedback, from motivated customers and partners who broadcast their product needs through daily commentary via external communities and blogs.
- **Bring break-through products to market faster while preserving quality and traceability by sharing product ideas and production processes across organizational boundaries.** Product developers can obtain early feedback on development prototypes and incorporate feedback on in-flight projects or prototypes via file sharing, forums, blogs, tweets and other social media to refine and perfect designs before committing to fixed production volumes and costly reworks.
- **Continue to connect developers with feedback from the field.** Improve quality and service by actively communicating externally to solicit quality concerns, offering appropriate expertise to solve problems and getting answers into the hands of those who may need it most at any given time.
- **Rapidly form small, focused teams to innovate.** The best innovations often come from small teams. A Social Business is not just about bringing together more opinions; it is about enabling the right people to come together to solve problems, unimpeded by organizational boundaries.

Speeding innovation and time to market

CEMEX is the third largest building materials company in the world, with employees in 50 countries. To meet business challenges, it had to bring its global community closer together, so it created a social network initiative, called Shift, for open collaboration across its entire workforce. Within a year, over 20,000 employees were engaged, over 500 communities had formed, nine global innovation initiatives were underway – and ideas started flowing around the world among specialists in all areas and levels of the company. Wikis, blogs and communities became links between operating units around the world, and the collaboration among employees led to impressive results – for instance, the launch of the first global brand of CEMEX’s Ready Mix special product in under four months, rather than the traditional twelve month launch cycle. If the same level of collaboration now enabled by Shift were conducted today through traditional meetings by phone and travel, CEMEX would be spending an additional US\$0.5 to US\$1 million per year.

Optimize the workforce

Social Businesses are utilizing social technologies to connect workers with each other, with experts both internal and external to the organization and with context-relevant content. In fact, a poll conducted during the IBM Social Business Jam revealed that 52 percent of those surveyed use social software extensively both internally and externally. Such workers can leverage these tools to coordinate activities such as completing projects or tasks, reporting status, keeping managers up to date, getting help and helping others (see sidebar: Collaborating to improve productivity, decrease costs).

There are two major trends driving the need for organizations to adopt these capabilities:

1. Millennials are entering the workforce. They are well versed in a social culture of sharing and transparency. It is second nature to them to communicate their status, update their superiors, seek out others to make decisions, and get feedback on their activities – and technology is core to how

they do it. Organizations that want to get the most out of these new people resources will need to give them the tools to best leverage their work habits and potential for idea generation.

2. More and more teams are geographically distributed. As firms continue their geographic expansion, find talent in far flung places, look to moderate their real estate costs or give their employees more work/life flexibility, they are considering options such as “hoteling” or telecommuting. These strategies make improved collaboration even more critical. Social, collaborative and rich communication technologies that are seamlessly deployed across all mobile devices, as well as integrated into existing applications and into the fabric of business culture, offer the potential to make a distributed workforce more productive.

Collaborating to improve productivity, decrease costs

Sogeti is one of the world’s leading providers of IT consulting services and solution integration. As it expanded across 15 countries, information silos made locating and collaborating with the vast expertise in the company difficult. Sogeti needed new ways to foster teamwork and peer communication among its many business groups and locations.

To tie together over 20,000 people across 200 locations, Sogeti deployed an enterprise-wide social networking and collaboration platform for finding and leveraging expertise, knowledge transfer, close teaming across distances and sharing of best practices. Now, integrated multiple active directories provide a unified approach to identifying expertise wherever it may be. Easier access to the tacit knowledge of others helps co-workers develop their skills, and fast identification of people’s skills supports efficient staffing with the right people for any project or mission. Together, accelerated knowledge transfer, better use of expertise and the ability to staff the right people quickly is preparing Sogeti to enter new markets. And being able to share rather than having to reinvent key processes is yielding significant savings in project startup costs.

Social Businesses are optimizing their workforces by enabling their employees to become more effective and by recognizing where which talents can be best utilized. Every organization is made up of a diverse set of people, and tapping into those different skills in the most effective ways is a challenge. Human resources professionals in a Social Business can expand their roles and help:

- **Encourage a culture of information sharing.** Social tools provide a gateway for current and relevant information exchanges across geographies and organizational silos. Building trust and encouraging social interactions are essential to driving a social change in the workforce.
 - **Empower workers to foster innovation and growth.** Quick access to information and collaboration with an expanded professional network stimulates creativity, idea generation and problem solving.
 - **Help employees find people and build relationships.** Social tools can support people's intrinsic sense of "belonging" by recognizing contributions and building stronger communities and relationships across the organization.
 - **Improve leadership development.** Strive to retain top talent and develop the next generation of successful leaders through leadership development communities, expertise tracking and personal brand management.
 - **Mobilize for speed and flexibility.** It's important to be able to rapidly respond to customer demands and changing market conditions through rich profiles, expertise tagging, file and bookmark sharing, team libraries and group broadcast tools, and to do so from anywhere, at any time.
- **Rapidly develop and deploy skills and capabilities.** Human resources professionals should serve as a repository to catalogue – and continue to develop – the vast talents and expertise that exist. They can utilize a number of methods to improve this process, including social learning, expertise tagging and folksonomies, social rewards and technical communities of interest. Such tools can enable HR to identify the right individuals for the right opportunities, benefitting employees, the company and, ultimately, the client. These tools can also encourage employees in developing their personal brands, which can benefit the organization. As one Jam participant noted, "People develop their own perceptions of brands by the people they have conversations with. The best thing big business can do is to enable all their people to have personal brands and to engage in conversation. If the people live the organization's values, there's your brand."
 - **Enhance skills transfer and new employee onboarding processes.** By creating shared repositories of social and business information, human resources professionals can enable new employees to more rapidly acclimate. Group chat rooms, social bookmarks and shared team repositories can also help teams rapidly transfer realtime information from one shift to the next, such as recent customer requests, special outcomes of note, etc.

Social Businesses recognize that employees need to be agile, informed and able to work beyond their specific job descriptions. As such, they provide tools and the cultural incentives that allow employees more access to the right information and the right people. Social Businesses reduce both the cultural boundaries as well as the technical obstacles for people to connect with people and information, allowing unprecedented access. All this equates to an optimized workforce – one that is able to feel closer to its customers while driving operational efficiencies.

Preparing for the future

A challenge faced by virtually all enterprises in these turbulent times is how to build organizations that are more adaptive and agile, more creative and innovative, and more efficient and resilient. Increasingly, it is becoming clear that the traditional hierarchical enterprise, built on a structure of departments and a culture of compartmentalization, will give way to a socially synergistic enterprise built on continually evolving communities and a culture of sharing and innovation.

As such, we predict the path to becoming a Social Business is inevitable. However, the differentiating factors – those which will separate the leaders from the masses – will stem from how effectively an organization combines a Social Business culture with the technology to deepen customer relationships, drive operational effectiveness and optimize the workforce.

Even the most successful organizations will encounter potholes along their paths. For example, in today's open world, disgruntled employees, partners and customers have a tremendous voice – something that must be considered as a business plots its Social Business strategy. In addition, issues relating to protection of intellectual property in the socially networked world, as well as an enterprise's potential legal risks associated with social media, must be considered. Finally, HR policies likely need to evolve to take into account the massive increase in public information about employees, candidates and alumni.

In a world of incremental improvements designed to wring the last drops of efficiency out of established business processes, becoming a Social Business offers a rare opportunity to achieve step change improvements that impact growth, efficiency, innovation, and competitiveness. By harnessing the creative and productive potential of employees, customers and partners across the enterprise and expertise across a value network, companies can position themselves to take leadership roles in their industries. It is a new era, and the winners will step forward as Social Businesses to define it.

IBM Social Business Jam summary report

For additional insights about the IBM Social Business Jam, which took place February 8 through 11, 2011, please view the Social Business Jam Summary report. The report can be located via the Jam Web site: www.ibm.com/social/businessjam.

The Jam report will include more in-depth information, key findings and creative ideas that emerged as Jam participants discussed the following topics:

- Building the Social Business of the Future
 - Building Participatory Organizations Through Social Adoption
 - Using Social to Understand and Engage with Customers
 - What Social means for IT
 - Identifying Risks and Establishing Governance
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