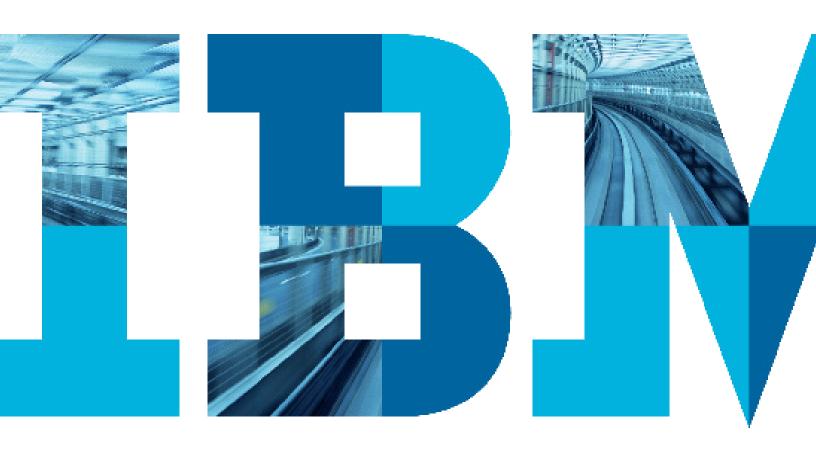# The Social Business

Advent of a new age

IBM

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 efficiencies and optimize the workforce.

Introduction

Two years ago, 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) many 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 leveling the intelligence playing field 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-to peer file sharing to the emergence of IP-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 find themselves at another junction point in the evolution of business: the coming of age for Social Business as social computing and social media are integrated into enterprise design.

What does it mean to be a Social Business?

A Social Business embraces networks of people to create business value.

Our definition of a Social Business (above) has three underlying tenants:

1. **Engaged** - A Social Business connects people to expertise. It enable 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.

2. **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 it to quickly sense changes in customer mood, employee sentiment or process efficiencies. It utilizes analytics and social connections inside and outside the company to solve business problems and capture new business opportunities.

3. **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.

We believe the most effective approach to enabling a Social Business centers around helping people discover expertise, develop social networks and capitalize on relationships. A Social Business enables its employees – and customers – to more easily find the information and expertise they seek. It helps groups of people bind together into communities of shared interest and coordinate their efforts to deliver better business results faster. It encourages, supports and takes advantage of innovation and idea creation and builds on the intelligence of the crowd.

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. By allowing people (both inside and outside an organization) to document and share their knowledge and ideas and others to recognize, refine and promote the value of those ideas and content, a Social Business

can reap great benefits. Among them: 1) the ability to leverage more expertise and a greater diversity of skills and experience, 2) better realtime use of current knowledge (contrasted with formalized, but less current knowledge) and 3) improved situational awareness and use of social intelligence in decision making.

A Social Business shifts the focus from documents, project plans and other temporary artifacts to the source of the energy, creativity and decision making that moves the business forward: people. A people-centric approach relies on:

- **Networks** – Globally integrated networks of employees, partners and customers are the backbone of a Social Business. Rich online profiles of trusted experts enable collaboration and agility and allow for exploration of expertise, publications and networks of colleagues to quickly initiate action or fulfill a business need.
- **Social and realtime collaboration** – Connecting remote teams of people to improve and decision making and discover relevant expertise or related work empowers people and enables problem solving.
- **Mobility** – A social business benefits from enabling individuals to use the device best suited to their needs and keeping them connected whenever and where ever they are. The speed and relevancy of information exchange are increasingly essential.
- **Integration** – Bringing social collaboration capabilities into the applications people use to do their jobs, without overwhelming them, allows for information sharing within the context of business processes.

A key element to the success of a Social Business is trust. First, an organization needs a certain level of trust to empower its employees to share their ideas and expertise – and it must demonstrate this trust by rewarding the behavior. By the same token, it must trust its customers to maintain an open dialogue with them.

At the same time, this trust must be balanced with an appropriate level of governance or discipline that sets the parameters of appropriate actions. This is a very delicate balance and one with which some companies struggle.

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 it into their work lives – regardless of whether it's 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.[5] 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 processes, risk management, leadership development, financial controls and business analytics. 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 efficiencies
3) Optimize the workforce

Deepen customer relationships

In today's fast-paced "always on" world, brands are getting 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.i 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.

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 user 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, and 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. In addition, it 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.
- **Address customer experiences comprehensively**. The best experiences are consistent and custom fitted to users' preferences, devices, locations, social networks and behavior patterns.

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.

- **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 efficiencies

Social Businesses can improve communication, as well as drive innovation, much faster than traditional organizations. Good ideas can be brought together. Complimentary expertise can be combined. Serendipitous connections can be made. 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 efficiency.

Some leading services 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 development 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 in under four months of the first global brand of CEMEX's Ready Mix special product. 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. 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 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.

Social Businesses are optimizing their workforces by enabling their employees to become more effective and by recognizing where which talents can be best utilized. 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.
- **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.
- **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 shift 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.

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.

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 embraces both a Social Business culture as well as the technology to deepen customer relationships, drive operational efficiencies and optimize the workforce.

And 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.

Despite the many issues to consider and the changes in organizational culture that must occur, enterprises must adapt and embrace the opportunities associated with being a Social Business. 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 enjoy deeper customer relationships, increased operational efficiency and an optimized workforce. Organizations that leverage a Social Business culture and technology framework have the potential to transform themselves and take leadership roles in their industries.

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