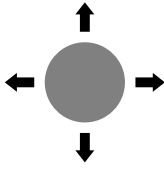


PART I

The Evolving Social Web

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CHAPTER ONE

The Social Enterprise

A New Source of Competitive Advantage

Not every organization that is engaged in social media qualifies as a social enterprise—but they all can be. Threadless, Dell, Booz Allen, GE, and ARM are all on their way as are IBM, Procter & Gamble, and Best Buy, whose efforts you will hear more about in the coming chapters.

Today, organizations are at different places on the social enterprise learning curve. While organizations are making their way up the curve in their own unique ways, Figure 1.1 captures some of the stages in which most companies find themselves as they evolve into social enterprises.

At the bottom of the social enterprise learning ladder are what I call “wait-and-seers,” those organizations that are watching on the sidelines with senior-level leaders not yet convinced of the effect of social destinations or of how to go about being a part of the new communications landscape. Close by are the “been-there-done-that” types, companies who have jumped off the learning curve altogether, dissatisfied with their early attempts’ lack of achievement.

I understand both of these camps. Social media represents a whole new way of doing business, one where, in the early days, none of us

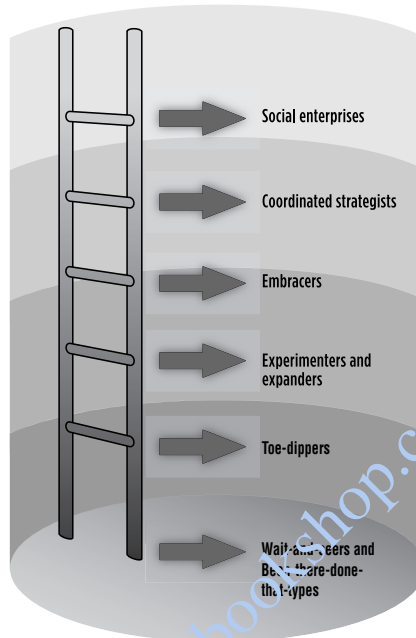


Figure 1.1 Stages in Social Enterprise Evolution

had been trained. Many mistakes were made as people forged ahead without a road map: organizations misrepresented themselves in social environments, employees acted inappropriately, and social tools came and went. Mistakes will continue to happen, but rest assured that new models and processes are emerging that are helping organizations make their way up the social enterprise learning curve—and they can help yours, too.

A rung higher on the ladder are those organizations that are dipping their toes in the social waters, perhaps experimenting with Facebook or Twitter. One step higher are the “experimenters and expanders,” who have embraced a fraction of the social web’s applications, either as an effective and inexpensive marketing opportunity or a useful internal platform. Higher still are the “embracers,” who are putting social tools to work throughout their organizations, each department discovering unique value propositions for how social media can help them meet their goals. Farther out on the curve—but still far

from the top because the curve itself continues to advance in this rapidly changing environment—are those organizations that are beginning to coordinate their social media efforts to proactively connect with their most important stakeholder communities and to create an integrated digital presence.

Social enterprises live and breathe at the farthest reach of the curve, a place that is hard for many of us to grasp today, where long-held notions about customers, competition, and commerce may no longer apply. These highly networked entities are building social capabilities seemingly everywhere.

A Closer Look at the Social Enterprise

Social enterprises are still largely theoretical; however, many organizations, across industries and sectors, are well on their way. In the chapters that follow you'll find examples of how various functional areas are enhancing their performance using social media tools today, but here is a glimpse of where they are headed.

Social enterprises are radically transparent entities that engage honestly and openly with their stakeholder communities in a way that other organizations wouldn't dream of or have the capability of doing. They are building long-term relationships with customers and other key constituents, primarily through vibrant digital communities where they connect personally and regularly. Because of these relationships, their communities alert them to problems with their products, services, and operations, share their knowledge, and introduce customers and potential customers to their organizations and their products and services. They assist consumers with purchase decisions and help them derive ongoing satisfaction from their selections. Acting as an ambassador for organizations, causes, and brands, this unpaid and valuable resource contributes directly to social enterprises' bottom lines.

Recognizing that the market demands constant innovation and that this task is often too complex, time-consuming, and expensive to be accomplished alone, social enterprises are cocreating goods and services with customers, employees, innovation brokers, and other

business partners be they universities, governments, nonprofits, or other businesses, and sometimes even with die-hard competitors. These partnerships range in complexity from advisors to risk-and-reward sharing peers. Masters at extending the boundaries of their organizations, social enterprises are building access to knowledge and capabilities far beyond what is evidenced by their payrolls.

Social enterprises apply Web 2.0 tools internally, linking employees across functions, business units, geographic boundaries, and partner networks, connecting the dots among their knowledge and expertise and enhancing their collaboration. As they do so, social enterprises are able to more fully capture the collective wisdom, enthusiasm, and commitment of the people comprising their ecosystems.

As they learn to interpret aggregated conversational data from the social web in concert with traditional metrics, social enterprises are becoming highly efficient enterprises, able to reallocate inventory, capital, and talent on a real-time rather than a quarterly basis. This ability, combined with reduced development, distribution, and marketing costs (made possible by going directly to consumers), is transforming the economics of their industries and displacing long-term industry leaders. These porous organizations are proving themselves to be agile and resilient, able to adjust quickly as market opportunities shift. As a result, social enterprises can maintain relevance in environments characterized by constant and disruptive change.

Operating with a broader notion about what contributes to their success in the long run, social enterprises pursue transparency in their actions and a moral purpose along with profits, looking for points of intersection between their value chain and the communities with which they are involved to see where social and economic goals can be achieved simultaneously. This moral commitment improves business results and builds trust with customers and other stakeholder communities in an environment in which the motivations and actions of businesses are largely suspect. It can actually go as far as to put social enterprises and their stakeholders on the same team.

Social enterprises are able to recruit and retain the best and the brightest—and to partner with those that they do not—because of

their commitment to innovation, speed, and collaboration. They are building twenty-first century work environments that capture the passion and capabilities of digital natives, those who were seemingly born with a joystick and a smart phone in their hands, as well as more seasoned employees.

Social enterprises outperform their less socially engaged competitors and are enjoying a new source of competitive advantage. Ironically, as they become more porous, social enterprises are actually tightening up organizational inefficiencies. As they broaden their inputs, they are forming clearer and more cohesive strategies. As they pursue a higher moral purpose, they are gaining profitability.

How Are They Doing It?

Managers of social enterprises know enough to let this engagement develop organically to best meet each function's strategic goals and performance indicators and to work seamlessly within their unique business processes. They support each function in determining which of its processes to "socialize" and in selecting the most appropriate vehicles and time frame for that to take place. For some functions this may translate into creating contests and coupons; for others it may mean crowd-sourcing ideas or licensing the organization's intellectual properties.

Social enterprises have integrated marketing departments that act as purveyors of the social landscape, managing the enterprise-wide brand and measuring the organization's overall effectiveness in its community-building efforts. A handful of people in new social media roles, housed internally or with an outside agency, assist individual functions in their social media engagements.

A comprehensive digital strategy, interwoven with a solid operating plan, reflects how these organizations are continually observing their multiple constituencies, engaging effectively in social communities, developing and recruiting relevant and fresh content, and gleaning the most insight currently available through social analytic tools. But social enterprises also know that to reap the real rewards of social engagement and develop sustainable competitive advantage, they

must be able to harness the insights captured by each functional area, share those findings across their enterprise, and transform that learning into operational strategy. Toward this end they have developed a cross-functional coordinating team, the social enterprise eforum, that helps build an integrated digital presence, share social media learning, and ensure that insights and knowledge gleaned through each of these touch points with customer communities are cycled through the company and its broader ecosystem to optimize performance.

Managers of social enterprises are actively examining their internal cultures and organizational structures to see what inhibits or promotes collaboration, transparency, and real-time optimization. They are experimenting with flatter structures, new control systems, and more collaborative leadership styles. They are flipping the conventional power paradigm, encouraging insights to flow upward from the trenches to senior management and throughout the enterprise, rather than exclusively in a top-down manner, resulting in smarter, more resourceful, and more self-aware organizations. They are learning to embrace the social web as a way of living.

Facing the Fear

Discussion of social web engagement among executives often elicits excitement, but more often than not, this sense of promise is accompanied by fear. And well it should be. As with any significant change, the new behaviors being ushered in by the expanding reach of the social web are causing plenty of disruption and creative destruction.

What is comfortable about a paradigm shift that brings with it the threat of obsolescence? Social environments have already leveled the playing field of many industries, providing tremendous opportunities to those enterprises, whether they are new entrants or firmly established industry leaders, who understand and are successfully harnessing the power of the social web. Consider how Monster.com reduced the need for classified ads, creating tremendous financial challenges for newspapers, and how LinkedIn, by using a social network to

access and recruit talent, is providing a more useful service than Monster's message boards.

How at ease are you with an emerging communication medium that allows anyone and everyone to say what they want about your organization, publicly? Or an internal platform that may create a source of discoverable content that could be used against you in a court of law? Or a vehicle that makes it potentially easier for confidential information to consciously or unconsciously be leaked into the wrong hands?

How do you get your arms around a communications landscape in which a new social destination is constantly going live? It's difficult to get a reliable estimate of just how many social destinations there are presently; however, in January 2009 there were more than 185 million distinct web sites. Although I believe that we will see a shakeout of the social landscape over time with the more influential and reliable social destinations continuing to gain dominance, at the moment it can seem like the Wild West to many who are not regularly engaged in the space.

How challenging is it to find the balance between tried-and-true business processes and structures and what may work better in this networked environment? Will the collaborative culture of the social web translate into fluid work groups, multiple external business partners, and responsibility without authority? If so, how does management make this leap?

Should you move your organization forward into a whole new world when the legal precedent for engagement is evolving and new cyber legal issues are still surfacing? How do you encourage your lawyers and other advisors to help mitigate these risks, to get to "yes," to allow your organization to develop this new source of competitive advantage and harness the substantial rewards?

These fears are very real. However, in my experience, they are also manageable. Once organizations gain even a small amount of successful social media experience, they invariably want more social web engagement, not less. They want to become social enterprises in a way that makes sense for their organization and industry.

Here's what would really scare me: conversations that are taking place about myself or my company throughout the social web without

me being aware of what is being said or being available to respond; stakeholders supplying reams of information to my competitors, which is helping them offer better products and services, potentially to my customers, without my taking notice; relying on traditional data to make decisions while my competitors are refining and expanding their abilities to build actionable strategy from real-time data sources; waking up to find out that my long-standing marketing and recruiting efforts are no longer effective, that the conversations and connections that are impacting customers are taking place elsewhere; sticking to my guns while other companies develop the organizational processes and structures that meet the expectations and capabilities of a new breed of employee; failing to develop an emerging source of strategic advantage while waiting for legal foundations to be put in place.

Leaders of social enterprises are proactively addressing these fears while they gain hands-on experience. They are uncovering new issues and challenges along the way and helping to source solutions. With few exceptions, they are discovering that the rewards of social media engagement outweigh the perceived risks.

Keep reading to figure out how you can get ahead of the curve, create a comprehensive digital business strategy, and build a successful social enterprise, regardless of where you are standing today.

Questions to Consider

- Where is your company on the social enterprise learning curve?
- Where are your competitors on this learning curve?
- How is social media engagement changing your industry?
- What characteristics of social enterprises would be most transformative for your organization?
- What fears do you have about social media engagement?
- What questions do you want to have answered?