

**RESEARCH
REPORT**

2012

FINDINGS FROM THE 2012 SOCIAL BUSINESS GLOBAL
EXECUTIVE STUDY AND RESEARCH PROJECT

Social Business: What Are Companies Really Doing?

Social business is still just getting started.
But its value is clearly emerging for marketing,
innovation, operations and leadership.

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Preface

The rapid adoption of technology-based social networking has been transforming politics and social norms on a global scale for the past decade. Will social networking and social software have a similarly transformative effect on business? Are they already doing so? What kinds of enterprises are benefiting the most? And how are they benefiting?

To answer these questions, *MIT Sloan Management Review* and Deloitte¹ conducted a survey of managers from companies in 115 countries and 24 industries. We had 3,478 respondents to our questionnaire. They represented a wide range of management roles (from coordinators to board directors), functional areas and business sizes.

We supplemented the analysis of our survey results with interviews with thought leaders and business executives, as well as a review of recent research on social business. Our in-depth interviews included conversations with senior managers from companies at the cutting edge of social business practice, including McDonald's, IBM, Salesforce.com, SAP and Yammer.

Although enterprises have only just begun to embrace social business, many leaders — especially in the media and technology industries — are enthusiastic about its value. Others are more cautious but recognize its potential a few years out. Our survey points to marketing and innovation as key areas for capturing value, while our interviews suggest that operations and leadership stand to benefit as well. To capture this value, companies should consider taking steps to ensure that their leaders and culture are aligned with the new opportunities.

We conclude with considerations for how to put social business to work in your enterprise. Leaders need to recognize that social business:

- Adds value far beyond marketing;
- Needs leadership support to gain traction in the organization;
- Can deliver benefits to leadership via strategic insight and strategic execution.

We hope that this report provides executives food for thought as they consider how to incorporate social business activities into their organization.

For more about our work in social business, including exclusive in-depth interviews and additional feature articles, please see the online exploration in the Social Business area of *MIT Sloan Management Review's* website: sloanreview.mit.edu/socialbusiness and at Deloitte's website: www.deloitte.com/us/socialbusinessstudy.

Key Findings

Social Business Matters Today — and Will Matter Even More Tomorrow

A majority of respondents (52%) to our survey believe that social business is important or somewhat important to their business today. Fully 86% of managers believe social business will be important or somewhat important in three years. Social business is viewed most often as a tool for external-facing activities.

- Survey respondents say marketing, sales and customer service are most responsible for driving social software use in their organizations.
- On average, respondents say the most important use of social software is for managing customer relationships.
- The second most important use of social software is to innovate for competitive differentiation.

Key takeaways: Managers surveyed believe that social software will become increasingly important to their organizations during the next few years. Although most managers continue to view social software as an externally facing activity, its relevance to innovation is also being recognized.

Some Leaders Are Enthusiastic, but Lack Metrics to Prove Value

Most respondents to our survey believe that successful social business activities require leadership but acknowledge that their organizations are not measuring social software use.

- In our survey, leadership and a clear vision are cited most frequently as critical to adoption of social software. Lack of management support is cited most frequently as the biggest barrier to adoption.
- At the same time, the most common answer to the question, “How do you measure social software use?” is: *Do Not Measure*.
- Leaders most responsible for the strategic direction of an organization — CEOs, presidents and managing directors — are almost twice as likely as CIOs and CFOs to say that social business is important to their organization.

Key takeaways: Social business depends on leadership. Metrics may not be critical when companies are experimenting with using social software, but as social software use becomes more important to an organization, having metrics in place can help managers assess, encourage and reward related behaviors. These metrics may be even more important in organizations that need to shift their cultures to be more compatible with social business. In addition, while the survey results indicate that social business depends on leadership, our interviews indicate that leadership can be improved with social business. CEOs may recognize this more than other members of the C-suite.



Size Matters

Respondents from small and large companies say social business is important to their organization at twice the rate of managers from midsize companies.

- To back their social business activities, both small companies (those with fewer than 1,000 employees) and large companies (those with more than 100,000 employees) tend to have stronger management support for social business initiatives than do midsize companies.
- Over time, the gap between small, midsize and large companies may narrow. When managers were asked about the importance of social business to their organization three years from today, there was little difference between how these groups view the future importance of social business.

Key takeaways: With social tools, small companies are demonstrating that they can appear larger than their actual size; large companies can appear less like corporate behemoths. Midsize companies see the advantages of social tools but, in general, do not see themselves exploiting these advantages for another few years.

Media and Tech are Leading the Way

Based on our findings, social business is thriving in at least two industry sectors: entertainment, media and publishing (*Media*) and IT and technology (*Tech*).

- In the Media industries, 74.9% of managers say that social software is important or somewhat important to their companies today.
- In the Tech industries, 65.9% of managers say that social software is important or somewhat important to their companies today.
- Managers who are least likely to say social software is important are from the energy and utilities, manufacturing and financial services industries.
- However, respondents from these industries say that social software will become much more important in three years.
 - >**Energy and Utilities:** 7.1% of respondents in this industry say social software is important today, but 46.8% say social software will be important in three years.
 - >**Manufacturing:** 9% of respondents in this industry say social software is important today, but 50% say social software will be important in three years.
 - >**Financial Services:** 10.4% of respondents in this industry say social software is important today, but 58.4% say social software will be important in three years.

Key takeaways: Some industries are seeing more value from social tools than other industries. But even managers in industries that place a lower value on social business believe social tools will become much more valuable over time. Energy and utilities, manufacturing and the financial services sectors expect that social business will become five to six times more important to their organizations in three years.



We've Only Just Begun

INTRODUCTION

SUPERVALU is the third largest grocery chain in the U.S., with a network of 4,300 stores. When SUPERVALU CEO Craig Herkert joined the company in 2009, he realized that in order to be an effective leader, he would need to increase collaboration among store managers and enhance his and his management team's ability to see what was happening across SUPERVALU's many brands and locations. At the time, store managers met only once a year at an annual conference and did not talk regularly with one another. Herkert found a solution to both problems in a single internal collaboration tool that a few store managers were using to share leading practices, an application from Yammer, the enterprise social networking company. Herkert supported the use of Yammer across the organization.

Subsequently, more store managers began using the tool to exchange ideas and to post photos or videos of successful merchandise displays and specials. An experiment run during a holiday period demonstrated that stores participating on the Yammer platform had 13% more sales revenue than nonparticipating stores.² Through the many videos, posts and profiles on Yammer, Herkert and his executive team gained visibility into what was happening in their stores without any filters. Herkert was also able to better see the opportunities and challenges related to consolidating SUPERVALU's brand identity.

SUPERVALU'S experience highlights several important themes that cut across this report. First, social business is more than a way to get closer to customers: it is influencing a wide range of activities within the enterprise, from marketing to operations to innovation to leadership. (See sidebar for definition of social business.) Second, social business is more than a phenomenon best suited to technology and consumer goods companies: it is gaining traction in many organizations across all industries. Finally, social business is about more than just collaboration for collaboration's sake: it can also inform decision making, from the strategic to the mundane.

Social Business:

In our survey, we defined social business as activities that use social media, social software and social networks³ to enable more efficient, effective and mutually useful connections between people, information and assets.⁴ These connections can drive business decisions, actions and outcomes across the enterprise.



THE GROWING IMPORTANCE OF SOCIAL BUSINESS

Almost all of the business leaders we interviewed describe their social business efforts in terms of “infancy” or “just beginning” or “early days.” Those with sophisticated social networks, including IBM and SAP, stressed that these have taken years to develop. Mark Yolton, senior vice president of SAP communities and social media, told us that SAP has taken nearly a decade to refine its developer network, and they are still improving upon it. IBM has been developing its enterprise-wide social network for at least 15 years.

The importance of social business to organizations is expected to grow over the next few years. While just 18% of all survey respondents believe social business is important to their organization today, 63% say it will be important in three years. That’s a jump of 250%. (See Figure 1.)

Charlene Li, author of the *New York Times* bestseller *Open Leadership* (Jossey-Bass, 2010) and founder of the research-based advisory firm Altimeter Group, described to us the growing importance of social business:

Over the past few years there’s been an awakening: people have moved on from asking “what is social business?” to “what do I do about it now? How do I integrate this into my business?” The line between real business and social business is diminishing.

A new generation of workers is building momentum for new modes of collaboration and communication enabled by social business. MIT

Sloan School of Management professor Wanda Orlikowski, who researches the interface between technology and organizations and the implications of new digital tools in the workplace, says, “Companies need to get started because this is here and it’s here to stay, especially for the Millennial generation. This is what they are used to.”

Perhaps the most telling anecdotal evidence about the present and future of social business comes from an unlikely source: the utility sector. In our survey, managers from this sector had the lowest appreciation of social business out of all the industries we surveyed. (See Figure 2.) However, even in this heavily regulated sector, which has been traditionally slow to adopt new technologies and new methods, we found a social business proponent. Charles Dickerson, vice president of customer care at Pepco Holdings, an American utility holding company in the mid-Atlantic region with 1.9 million customers, says: “I sincerely believe that social is one of the most important and significant tools that we have in our promotional efforts with customers.”

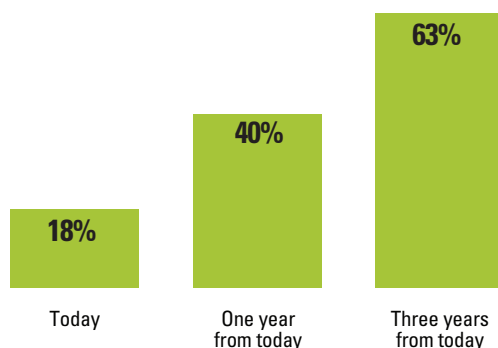
Dickerson, who has earned industry recognition for his work on educating customers about the smart grid, is developing several customer-focused social business initiatives. One of these will use social gaming to entice customers to reduce their electricity consumption. Customers will be awarded points based on their energy reduction, which will go to a school of their choosing. Whichever school has the most points will win prizes, including laptops for students. “Customers will reduce their electricity use, post tips and see how others save,” Dickerson says. “At the end, both the customers and their school systems will be better off.” Pepco itself will benefit as well, as it will achieve a better understanding of the value customers assign to new services and their willingness to use the services.

The Challenge of Social Business

Implementing social business initiatives has been a difficult process for many organizations, however. The research and advisory firm Gartner estimates the failure rate for social business projects at 70%.⁵

Why such a high failure rate? A number of factors could be responsible, including not using enterprise software to solve a true business prob-

FIGURE 1
THE IMPORTANCE OF SOCIAL SOFTWARE
The importance of social software is expected to rise by 250% within 3 years.



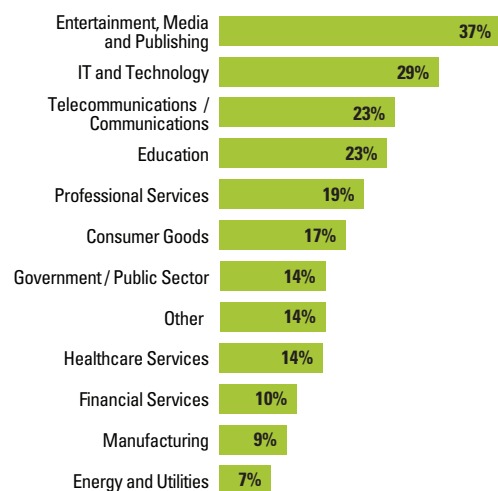


FIGURE 2 THE IMPORTANCE OF SOCIAL SOFTWARE BY INDUSTRY

When asked how important social software is to their organizations, those in the energy and utility industries believed it to be least important, while those in Media and Tech believed it to be most important.

lem; failing to integrate social software into an organization's daily workflow; and a lack of understanding and support from senior management.

Whatever the difficulties organizations have with adopting social business activities, social business appears to be a trend with staying power. Andrew McAfee, a principal research scientist at MIT's Center for Digital Business and the author of *Enterprise 2.0* (Harvard Business School Press, 2009), told us, "I have never spoken to an executive or a manager who says, 'I just long for the days when we collaborated in the old style and e-mail was all we had and nobody had a voice. Man, that was so fantastic. Let's please go back there.'"⁶

In practice, the term social business is used to refer to either activities, a phenomenon or trend, or a type of organization.⁷ Jeff Schick, IBM's vice president of social software, describes his company as a social business: "I see IBM as a social business because of how we've broken down the barriers of reaching out to the people within the organization, but also how we're leveraging these same tools externally facing, to interact with our partners and clients."

Using the term "social" in conjunction with "business" can elicit a mix of reactions. Critics observe that every organization is already social in some way, so it is not clear what the new term adds. Another objection is that "social" activities are seen as unproductive. On the other hand, advocates have embraced the term, asserting that social business fulfills the basic human need to connect with others.⁸

This need to connect with others is one of three basic psychological needs.⁹ The other two — the need to feel competent and the need to feel autonomous in one's actions — may also play a vital role in social business activities. When we asked why respondents use social business at work, for instance, the top three answers were to network with others, to work more effectively and to voice opinions. (See Figure 3.) Motivations to participate in social business activities are thus far from superficial and even go beyond just our social nature. They can help fulfill basic psychological needs.

WHO VALUES SOCIAL BUSINESS TODAY MAY SURPRISE YOU

Our survey data offers several insights into how the value of social business is perceived among small, mid-size and large companies, within the C-suite and across industries.

Opposite Ends of the Spectrum

According to our survey, the largest organizations (those with over 100,000 employees) and the smallest organizations (those with fewer than 1,000 employees) tend to appreciate the value of social business today more than midsized organizations. (See Figure 4.)

Gerald Kane, an assistant professor at Boston College who studies the strategic use of information

FIGURE 3

WHY PEOPLE PARTICIPATE IN SOCIAL MEDIA
The main reasons people participate in social media at work are to network, work more effectively and voice their opinions.



* **Note:** Survey respondents were asked to rank their top three selections. To determine an overall ranking, a composite score was computed by assigning a higher weight to a higher rank and a lower weight to a lower rank.



technology to create business value, says this is not surprising. “I think smaller firms like social business because they don’t have the buying power or the resources to conduct traditional media campaigns. They can use social media to increase their voice and connect with customers to really make themselves seem bigger than they are.”

He notes that very large, resource-rich organizations can afford to experiment with trendy technologies like social media. “It can make them seem smaller, more intimate than they are, less the big corporate monolith than a collection of people who really care about their products and customers.”

As an example, Kane cited Coca-Cola’s official historian, who is charged with supporting nostalgia collectors. “Midsize companies can’t afford to have a position like that on staff. He’s using blogs and Facebook to do a Coca-Cola memorabilia / history focus.” Kane believes that midsize companies, for whom traditional media and traditional technologies are working just fine, may be skeptical of moving into new frontiers.

McDonald’s is one of the most widely recognized brands in the world, with more than 2 million online mentions a month, according to Rick Wion, director of social media for McDonald’s. Wion explains how his company is able to engage with customers in a way that makes his company seem small and responsive:

We received a tweet one day from a mom who said, “Hey, McDonald’s, do you know what it does to a little boy to get The Littlest Pet Shop when he wanted a Wolverine toy?” The mom had ordered a Happy Meal for her four-year-old son, but instead of getting the boy’s toy, he got the girl’s toy. The boy was upset, which created a major headache for her. In response to her tweet, we mailed her a boy’s toy, and she was super

happy. It turns out that she writes a blog that’s read by about 50,000 people each month, and she wrote a post saying, “Hey, McDonald’s, I’m loving it.” She’s turned into a huge advocate for us. I see her all the time on Twitter, talking about McDonald’s and even defending us against critics. We changed this person from a customer with a complaint to a huge advocate, all by doing this one little thing on Twitter. We understand the power of making one customer happy.

Industry Spotlight: Media and Tech

Based on our survey data, respondents in the entertainment, media and publishing along with the IT and technology industries tend to see the most value from social business. (See Figure 2.)

As might be expected, culture seems to play a role. Managers from these sectors see their companies as both more open to new ideas and innovative at higher rates than respondents in other industries. (See Figure 5.) Fully 88% of managers in what we are calling the Media industries believe their companies are open to new ideas, and 68% consider themselves innovative. For the Tech industries, the numbers were 77% and 69% respectively, both higher than the average in other industries.

Media and Tech share other distinctive practices. Managers in these industries are more likely to say their companies are consistently creating or introducing new social business initiatives with customers and suppliers than do managers in other industries. Moreover, they are much more likely to incorporate social data into their ERP systems than other industries (though no industry scores high on this measure). A senior operations executive at a large entertainment company describes how social business is changing the way work is done at his company.

A Large Media Company¹⁰ The company’s staff uses Chatter, a social enterprise platform from

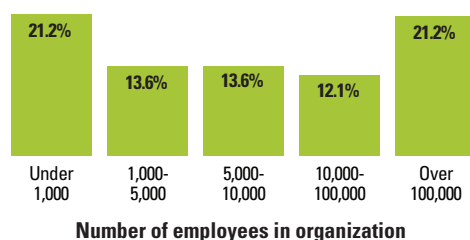


FIGURE 4 THE IMPORTANCE OF SOCIAL SOFTWARE BY COMPANY SIZE
Size matters: the smallest and largest companies perceive more value from social software.

Salesforce.com, to help fill 2 million advertising spots per year across 15 television properties. Before they began using Chatter, employees described the coordination between the sales and marketing teams as “disjointed.” Salespeople did not have a clear understanding about the availability of slots they could offer to advertising customers.

As the company’s staff started using the social enterprise platform, coordination between marketing and sales dramatically improved. Account executives from any of the company’s properties could use the Chatter platform to view advertisers and advertising slots at other business units and then interact with their counterparts in these business units to fill gaps in their own advertising portfolios. One manager cited a 300% jump in return on investment just a few weeks after his group started using the internal collaboration platform.

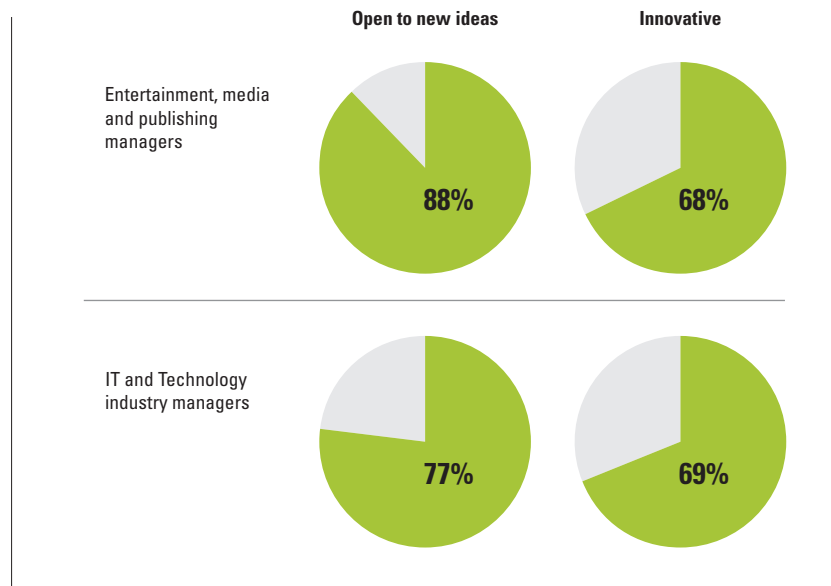
Another value that comes from the media company’s improved coordination emerged in 2011, when a cruise ship sank off the coast of Italy. One of the company’s executives received an e-mail about the disaster the next morning when he was still in bed, and he quickly realized that the company had a lot of ad spots that day from cruise advertisers. Through Chatter, he was able to pull the ads because he believed it wouldn’t benefit anybody to be advertising cruises that day.

Two hours later, the owners of the cruise ship ads requested that the media company pull the advertising. The executive was able to say, “Don’t worry, guys, I already pulled them for you.” The executive said that his team’s level of coordination and speed of response would have been difficult to achieve without using the social platform.

The View from the C-Level

C-level executives vary considerably in their perceptions about the value of social business to their organizations today. (See Figure 6.) On average, across all industries, CEOs, presidents, managing directors, board members and CMOs are most likely to perceive social business as important today. Indeed, CEOs are twice as likely as CFOs and nearly twice as likely as CIOs to view social tools as important right now.

It is not altogether surprising that CFOs place



less value on social business. After all, CFOs tend to focus on investment returns, and our respondents tend not to measure the ROI of social software use. That CIOs perceived so much less value than CEOs, presidents and managing directors did, on the other hand, was more surprising. Gerald Kane explains CIOs’ relative lack of interest in social business:

CIOs can be terrified of social for a number of reasons. In many cases, social wasn’t their idea. In addition, employees are going to use it anyway, because they can use smart phones or laptops offline to circumvent all of the blocking of the sites that happens in most organizations. Another reason is that this is a data security nightmare. In the previous generation of IT, like ERP systems, IT was a very controlled environment. Social is the opposite.

Kane’s assessment has quantitative research support. In 2010, Gartner surveyed 757 non-IT professionals in Germany and the U.S. and found that 15%-30% of this group used unofficial social software for work purposes, “even in enterprises with an official tool in that category. For example, 21% of respondents use mostly unofficial wiki tools in enterprises that have official wiki tools.”¹¹

Social business may occupy a “blind spot” for some CIOs. Keri Pearlson, an entrepreneur, consultant and adjunct professor at Babson College, suggests:

FIGURE 5
INDUSTRIES
WITH OPEN
AND INNOVATIVE
CULTURES
Media and technology industries tend to have more open and innovative cultures relative to other industries.

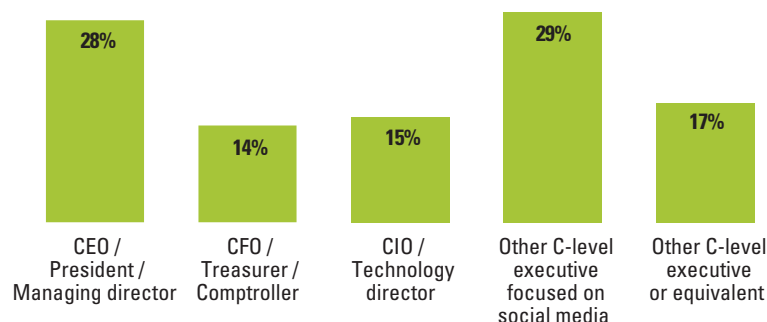


FIGURE 6
THE IMPORTANCE OF SOCIAL BUSINESS TO THE C-SUITE
CEOs, presidents and managing directors say social business is important to their organizations at twice the rate of CFOs and nearly twice the rate of CIOs.

CIOs tend to be either strategists or keep-the-lights-on kind of executives. The strategist CIO may be preoccupied with large-scale, enterprise-wide kinds of issues, and few companies have articulated a vision for how they want to use social business corporatewide. The keep-the-lights-on CIO may not see a value in social business because it is difficult to immediately see how it will reduce the cost of operations. It's just not a priority for them. That said, many CIOs do understand that social business is coming and they will have to deal with it.

Despite their differences regarding its importance today, 70% of CEOs, presidents, managing directors and CIOs in our survey believe that social business will be important to their organization in three years. This suggests that many CIOs regard social business as neither a threat nor a passing fad — they may simply be cautious about jumping in before others demonstrate its value. (See Figure 7.)

WHERE'S THE BUSINESS VALUE? (NOT JUST IN MARKETING)

We asked our respondents how important they thought social software would be to their organization's success in meeting eight specific business challenges

FIGURE 7 THE IMPORTANCE OF SOCIAL SOFTWARE IN 3 YEARS
A strong majority of CEOs and CIOs believe social software will be important to their organizations in 3 years.

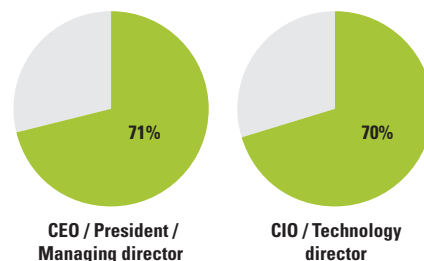
over the next two years. (See Figure 8.) The top two business challenges that could be addressed by social software were managing customer relationships and innovating for competitive differentiation.

The importance of marketing and innovation to an organization is difficult to overstate. According to management theorist Peter Drucker, "Because it is its purpose to create a customer, business has two — and only two — functions: marketing and innovation. Marketing and innovation create value; all the rest are costs."¹²

But marketing and innovation are just the start of the value story for social business. In our interviews with thought leaders and executives, we also found that operations and leadership are benefiting from social tools. These four areas — marketing, innovation, operations and leadership — are where social business is creating significant opportunity and, for some companies, significant value.¹³ Using social tools for marketing is not the be-all or end-all of social business: it is a component of the overall value that social business can deliver.

Marketing

Organizations are using social software, social media and social networking to improve their relationship with customers in a number of ways: monitoring online communities; creating and supporting virtual communities; developing new communication channels; and fostering a wide range of customer engagements, including coupons, contests and other sponsored events. With their social business activities, enterprises have been able to enhance their understanding of and engagement with their customers. At the same time, customers, vendors and suppliers are clearly willing to engage with business



in online social forums. In particular, product fan sites have proliferated across the Web, increasing the visibility of influencers and a core customer base.

McDonald's In 2010, McDonald's launched McRib, a limited-time-offer sandwich. It quickly developed a loyal fan base that was "raving about the product in social media," according to Rick Wion, the company's director of social media:

When we saw these superfans, we decided to use social media to engage with them. We found three of the biggest McRib fans. One had built the first Facebook fan page for McRib. Another was an author who had written a book chapter about McRib. A third man, from Minnesota, built a Google map of McRib locations. If you saw the McRib at a restaurant, you could pin it on a Google map, and other people could see it and know where they could go and get one.

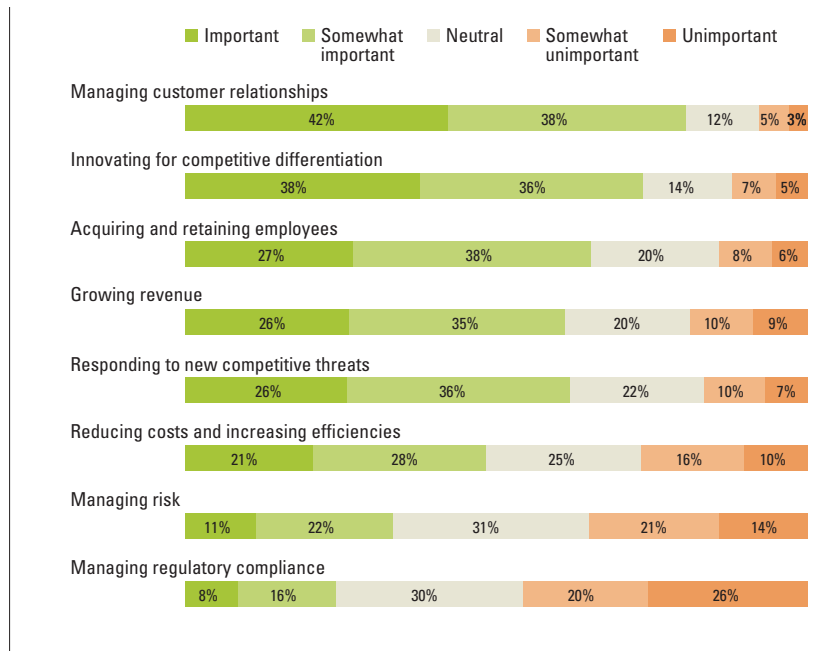
We used their stories to tell the McRib story through Facebook and Twitter, and connected them with bloggers so that people heard about these fans. We had them at a media launch event. These customers were amazing spokespeople. What better way to get people excited about McRib than showcase three of its biggest fans?

It created not only a huge buzz in the core audience for McRib, but it also had a ripple effect. We started to see people saying, "What's all this buzz about? I've never had McRib before. I'm going to go try it. I'm going to go buy it." The buzz of the core audience brought in new customers. This was a huge success for us.

Innovation

Companies are using social business activities to source new ideas and refine existing products and services. Survey respondents say that innovation will be the second most important challenge facing their organization over the next two years, after managing customer relationships.

These new ideas are coming not only from within the company but also from a more engaged group of customers. This is a relatively new phenomenon, or at least newly recognized. The traditional view has been that producers, and only producers, innovate.



"This traditional innovation paradigm is fundamentally flawed," writes MIT professor Eric von Hippel and colleagues. "Consumers themselves are a major source of product innovations."¹⁴ In many instances, social business activity mediates or forges the links between these consumer innovators and business. Volvo, Nike, Lego and Threadless (a Chicago-based clothing manufacturer and retailer) are just a few of the companies that are using virtual consumer environments to help improve products.¹⁵

Lego Group The Danish toy company Lego Group plans to launch Minecraft Micro World, a Lego set based on the wildly popular Minecraft video game by Swedish game developer Mojang, in summer 2012.¹⁶ As in the video game, Lego fans will be able to build landscapes with removable surfaces that shield mines and "hidden resources" and create a physical world that mimics their virtual online play.

The idea for Minecraft Micro World did not come from a veteran Lego product developer but from an adult Lego fan who submitted his idea to Lego through Lego Cuusoo, a website where Lego enthusiasts submit and vote for new product ideas. Within 24 hours of submission, the Minecraft Micro World idea received 10,000 votes, automatically kicking the concept up to Lego management. The idea received the green light within a month.

FIGURE 8
THE IMPORTANCE OF SOCIAL SOFTWARE IN MEETING CHALLENGES
Social software is perceived to be important to managing customer relationships and innovating for competitive advantage.



Lego Cuusoo, which was launched to encourage the development of “community-supported” Lego sets, is only one of many ways that Lego uses social tools to create greater intimacy with its consumers. When he joined Lego in 2004, CEO Jorgen Vig Knudstorp announced that transparency and collaboration would be the keys to innovating new Lego products. The company drew fans deeply into the brand experience by giving them a voice in identifying new product lines and distribution strategies. To Lego, consumers are far more than mere purchasers: they are true collaborators with a vested interest in ensuring that the company creates products that meet their needs.

Operations

From the perspective of operational performance, social business offers value by enabling knowledge to flow within, and into, an organization. MIT’s Andrew McAfee sometimes cites former Hewlett Packard CEO Lew Platt’s comment, “If only HP knew what HP knows, we’d be three times more productive,” when trying to persuade CEOs of the value of social business. John Hagel III, co-chairman of Deloitte’s Center for the Edge, suggests that social business can help improve operational performance by advancing knowledge flows:

Increasingly, the ability to succeed hinges on participating in a broader and more diverse range of knowledge flows, both internally and externally to the enterprise. Sixty to 70% of headcount time in most functions is consumed by handling exceptions, things that get thrown out of automated processes. The employee typically scrambles around, can’t resolve it on his own and needs to get a number of other people engaged. We need to find those people, find ways to engage them as a group, get the relevant data. That is a hugely inefficient process today. Social technologies are providing an opportunity to significantly increase operating performance of a business, and that’s really the key driver of adoption of social technologies. This is a generation of technology that can be extremely helpful in terms of scaling participation in knowledge flows.¹⁷

We have found many companies in a range of industries that use social tools to enhance their collaboration efforts. Below are examples from the insurance, financial services and agriculture industries.

Nationwide Nationwide Mutual Insurance Company, a U.S.-based insurer with annual revenues in excess of \$20 billion, offers a window into how companies are creating knowledge flows to solve real business problems. Last year, a Nationwide customer was stranded on vacation when his RV broke down. The customer called the Nationwide call center to see if his policy covered the situation. Due to the particulars of the customer’s circumstance, the call center agent was unsure and posted the case on the company’s internal collaboration platform. People from across the company, from product, claims and underwriting groups, began offering their feedback. Within 30 minutes, the call center rep had a detailed approach to helping the customer and covering the repair costs. Without this internal collaboration tool, this particular issue might have taken hours or days to resolve; the typical call center software has no ability to let people from other parts of the company participate in problem solving.

Capital One At financial services giant Capital One, teams are using tools like Facebook to facilitate group communication. Tom Poole, managing vice president, mobile and social media, at Capital One, says:

People have begun to realize there’s a better model to how we work as teams that is socially driven. Instead of a push model, where everybody is told about everything via the e-mail channel, you have more of a pull model, similar to an RSS feed. You actually subscribe to the content you want to hear about, and you contribute to the communities you want to contribute to. And the communities accept you or they don’t.

There is an incredible opportunity to use channels like Facebook or Chatter to drive this change. I use Facebook private groups with my social media team, and the amount of interaction is twice as much as on any other team. The ability to share articles and insights and industry

happenings and to riff back and forth on ideas for new promotions is off the charts. Because it's Facebook, it's connected into our social lives as well, so it promotes connection throughout the day. When you have the idea, you share it and you're hearing back an hour later. This is lightening in a bottle. I'm optimistic we can make this scalable and keep security where it should be.

Almond Board of California Creating efficiencies with collaboration tools is not restricted to internal efforts. Consider the Almond Board of California, an association of over 6,000 almond growers and 104 almond handlers. Richard Waycott, Almond Board of California's CEO and president, says that Huddle, a cloud-based collaboration platform, has become "a mission-critical part of our market development and execution process." He adds:

It's the best way that we have found to develop strategic plans and communicate with agency partners around the world. It allows us to begin documents. It allows people to add content to those documents. It allows us to create approval checkpoints. It allows us to conduct minimal project management in terms of timelines and set up deadlines. It's a very important tool for us right now, albeit still a very new one.

Leadership

Social business activities can make valuable contributions to leadership in at least two different areas: strategic insight and strategic execution. In these areas, social tools can help leaders sharpen their vision and extend their reach.

Strategic Insight: Consider the problem of myopia, first popularized by Theodore Levitt in his famous *Harvard Business Review* article, "Marketing Myopia."¹⁸ Levitt made the point that many companies failed to anticipate changes to their business landscape and lost their way as the demand characteristics of their products and services changed. As the transportation industry was revolutionized by new services, railroad executives continued to see themselves in the railroad industry, rather than the transportation industry. They subsequently failed to take advantage of new op-

portunities, such as air travel and automobile transportation. Levitt's question, "What business are you in?" became a clarion call for businesses to focus on customers, rather than on improving operations for a product or service that, in a changing competitive landscape, may not advance the company's long-term prospects.

Social business can help avoid marketing myopia in at least two ways. One is to use members of an online community to identify shifts in customer preferences. For example, SAP, the enterprise resource planning software provider, has an online community with more than 2 million members. This community annually nominates about 100 of its members to be SAP mentors, influencers recognized for their subject matter expertise and their willingness to mentor other community members. SAP mentors are expected to mentor SAP itself. They are given extra access to product managers and can influence product development. As Mark Yolton, senior vice president of SAP communities and social media, explains, these mentors also mentor SAP's executive team:

Hasso Plattner, our co-founder and chairman of the board, invites mentors to brainstorm with him. No PowerPoint, no set agenda. He just gets a bunch of mentors in the room, usually at one of our big events. They give him honest feedback from the field about what's really going on with our customers and our partners — and our employees as well. Our co-CEOs and a board member, who is responsible for innovation at SAP, also meet with the mentors to hear their feedback. Mentors are people in our community who are very engaged with SAP partners and customers. They have a great deal of influence on outside perceptions of SAP, on influencing our own product direction and on our strategy.

Another way that social business can help companies avoid marketing myopia is through sentiment analysis — for example, analyzing Twitter streams or activity in online communities — to anticipate shifts in the competitive landscape. "Before, you might hear problems with the brand or product through a 1-800 number or complaints or warranty issues," says



Donna Hoffman, professor at the University of California, Riverside and co-director of its Sloan Center for Internet Retailing. “Now it is coming from the product development function or from listening to what is happening online.”

New technologies are enhancing organizations’ ability to listen to and analyze what is happening online. New software technologies can make sense of massive amounts of streaming data from Twitter or Facebook and provide insights about real-time consumer trends. The applications of these technologies, however, transcend analyzing word frequency patterns. Luminoso, a text-understanding company, offers a glimpse into a future in which computers make sense of the meaning behind natural language. (One caveat: The future is already here — Luminoso is currently generating revenues from its service.)

Luminoso Catherine Havasi is co-founder and CEO of Luminoso and a research scientist at the MIT Media Lab. Luminoso works with organizations in a variety of industries, including consumer goods, financial services, pharmaceuticals, media and information technology. Luminoso’s technology has intriguing applications for the health care sector as well. In one case, Luminoso analyzed a dataset of very brief (tweet-length) patient reviews about visits with their doctors. Havasi explains the value her company can provide:

Suppose a person responded to their doctor visit by saying: “He showed me my CAT scan, which was good; but he didn’t answer all of my questions.” Our system was able to discern that that person was not entirely happy with the visit despite their use of the word “good,” and that the patient felt “rushed.” It turns out that patient satisfaction depends on knowing that your doctor is intelligent, able to explain himself well and responds to your questions. The ability to analyze not just what is said, but what survey respondents actually meant, has big implications when you consider that the reimbursement system for government-covered health care will be determined, in part, by patient satisfaction and quality of care.

Strategic Execution: Social business activities also offer a way to extend the reach of organizations, including that of their leadership. A business-to-business company with a strategy to reach the end user in order to build product demand can use social tools to engage directly with the consumer. In corporations with a franchisee network, social tools can be used to effect change in front-line behaviors, even when these front-line employees do not work directly for the organization. Social business can advance a leader’s strategic agenda in a number of ways.

Cara Group Natasha Nelson is vice president of business intelligence at Cara Operations, a Canadian restaurant chain with five brands and 700 franchisees. When Nelson joined Cara, the CEO asked her to engage the company’s associates to improve service delivery on the front lines. The problem was that the associates worked for the franchisees, not corporate. Many associates were young, worked part-time, and for some, this was their first job. There was a high degree of turnover. Yet this group was an important factor in determining the quality of the customer experience. How could Cara engage this group in a way that was simple and easy, and use that engagement to improve front-line service?

Nelson researched the problem and found little assistance. An article from one of the leading technology research firms advised against using Facebook to engage with employees. She explored using a portal technology platform, but could not find a way to drive associates to use it since they were not typical information workers. Eventually, Nelson’s IT department partnered with HR and marketing to develop a strategy built upon a Facebook application:

The associates all have it on their mobile devices, and go onto Facebook anyway every day. That’s how they communicate, that’s how they stay in touch. So we decided to use a platform that they already are on and that they know and love. We launched this very, very slowly, starting at 12 locations of one of our more upscale brands, Milestones. We launched an application on Facebook, called the Staff Room, where we encouraged the associates to share stories about restaurant service and tips about managing

FIGURE 9 THE FACTORS LEADING TO ADOPTION OF SOCIAL SOFTWARE

Adopting social software requires clear vision and strong leadership.

their jobs. We are trying to encourage a hospitality gene, qualities that everyone should aspire to, like love serving people.

From this pilot we decided to make the Staff Room into a peer-to-peer recognition platform, because the center point of our strategy is guest experience. We'll celebrate associate stories connected with the hospitality gene. More importantly, we'll let staff recognize one another. Because their friends and family are also on their Facebook page, they'll be recognized by them too. We believe that this will be very powerful. People will share stories of how they've improved the guest experience; and their peers, friends and family will recognize them.

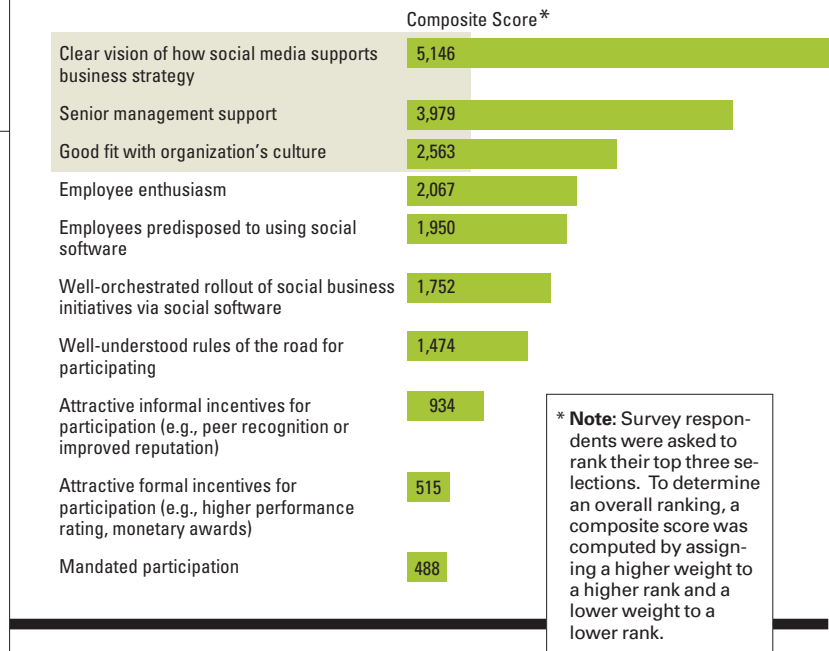
CONNECTING LEADERSHIP AND CULTURE

In order to create value with social business, some companies must address difficult organizational issues that arise with leadership and culture. According to Charlene Li, “The biggest determinants, by far, of whether you will be successful at social business are leadership and culture.”

Vision and Strong Management Support

Our research suggests that leadership is critical to increasing the use of social tools within an organization. (See Figure 9.) We asked, “What factors do you see facilitating the adoption of social software in your organization?” The top two answers were clear vision for how social media supports business strategy, and senior management support. Lack of management understanding was the top answer to the question, “What internal barriers do you see impeding the adoption of social software in your organization?” (See Figure 10.) (Risk and security concerns are the top external barriers to social software adoption.)

But do leaders have the tools they need to drive



adoption? Our findings suggest that an important resource is missing — measured results for social software. In our survey, the most frequently cited type of measurement of social software use is *Do not measure*. (See Figure 11.) Lack of business case was the second most-cited internal barrier to adoption. Without measured results, it can be difficult to create effective incentive structures or monitor the progress of pilot initiatives.

FIGURE 10 THE OBSTACLES IMPEDING THE ADOPTION OF SOCIAL SOFTWARE
The top barriers to social software adoption are lack of management understanding, no strong business case and too many competing priorities.



Do your leaders have the right mindset for integrating social business into your organization? MIT's Andrew McAfee notes that someone's receptivity to social business has a lot to do with his or her qualities as a leader. For those who encourage the free exchange of ideas, there's no conflict. But for those who prefer to suppress opinions, social business can be seen a threat:

Social business can undermine people's power. Especially if you're a jerk boss who has thrived on being the gatekeeper for information and suppressing your people's opinions, this could be unpleasant for you. If you're the boss of a project that's behind schedule and you try to convince your higher-ups that it's on schedule, these new social tools will be uncomfortable for you. For what I would call high-quality or more enlightened leaders, there is no conflict here. For command-and-control bureaucrats who are afraid of having a more multivoiced organization, this stuff is scary. But I don't want a lot of those managers in my organization.

Having the right leadership mindset — being open to new ideas and encouraging others to share rather than hold onto information — is an important determinant of whether social business will gain traction in your organization.

Sharing Knowledge

As mentioned earlier, companies that are already deriving value from social business have cultures that tend to be more open to new ideas and more collaborative than other companies. For other companies, sharing information may not come easily, especially

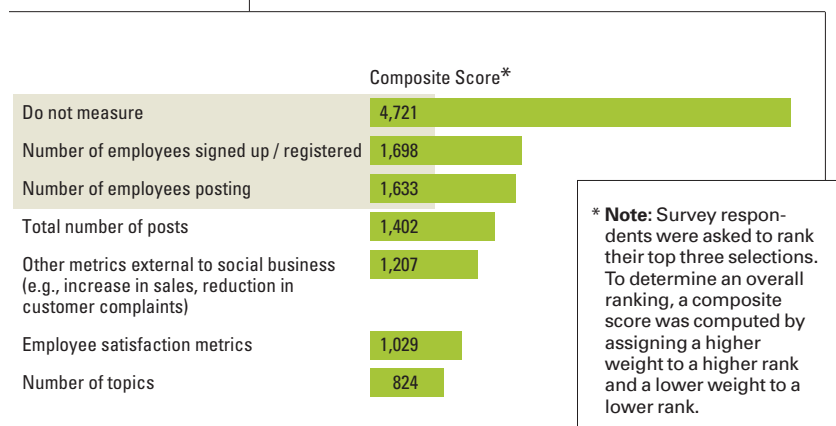
in corporate cultures where what you know is an important source of your power in the organization. Transitioning to a culture in which *sharing* knowledge is a source of power can threaten a nonsocial feature of human nature — self-protection. We asked several thought leaders what they believed about the challenge of making this organizational transition.

Marshall Van Alstyne, an associate professor of information systems at Boston University, suggests that one way to promote a cultural shift toward social business is to ensure that people have incentives to share rather than hoard information:

Think of it in terms of information scarcity versus information abundance. If information is scarce, then you, as the control point for access to that information, have a lot of power. If information is abundant and it's easy to go around you, you can benefit by being the first to provide that information. In a rich social business environment, information is abundant, so you have an incentive to share information you have, or someone else will and you lose out. Even if it's not quite as good, you can provide it a lot earlier and in such abundance that other folks are still happy to have it.

Consider SAP's developer ecosystem where developers can answer each others' questions. Before this system, a value-added reseller on top of SAP's software had no particular reason to help out another value-added reseller. As a matter of fact, one might not want to answer the question of another reseller because it might actually help them out and make them more competitive. But after the introduction of this question-and-answer marketplace, things shifted completely. Now you earn points in proportion to the value of your answers. Now the value-added resellers are telling their employees to go in and answer the questions of other resellers to prove, "Hey, we're the ones with the expertise, not those guys." It's completely shifted the incentives. Folks are now pushing their information into the marketplace in a way that benefits SAP. It's a really clever mechanism that completely inverts the incentives from one of hoarding to one of information sharing.

FIGURE 11
MEASURING THE EFFECTIVENESS OF SOCIAL BUSINESS INITIATIVES
Few companies are measuring the effectiveness or success of their social business initiatives.



Other Requirements

As these observations suggest, social business, considered as a group of activities, can be challenging or even threatening to the status quo. Meeting one organizational requirement like leadership is not sufficient for an effective social business engagement or for an effective execution of an enterprise-level social business strategy. “Social initiatives within an organization need champions to support and grow these initiatives,” says Gerald Kane, an assistant professor at Boston College, “but champions and strategies alone will not push the organization forward.” In addition to leadership and culture, other factors include social tools that are simple to use, properly structured incentive systems, a clear purpose for what problems the social initiative is intended to solve and clear direction about how to communicate with social tools, both inside and outside the organization.¹⁹

PUTTING SOCIAL BUSINESS INTO ACTION

We have discussed some of the many opportunities and challenges associated with social business activity. In this final section, we offer some practical and prescriptive guidance on how to begin (or accelerate) your social journey. It’s essential to develop a long-term vision about how your social business activities will connect with the realities of your organization. Beyond just buying social tools, the organization must commit resources (people and funding) to support their adoption. Integrating external data sources into enterprise systems and tackling the challenge of measuring results will also be critical to the long-term results of many social business strategies.

Start with a Long-Term Vision

A “clear vision of how social media supports business strategy” was the top facilitator of adoption in our survey. Therefore, we believe the first step in your social business journey is to create and communicate the broader social strategy for your organization. What business problems are to be solved with social business activities? What is the strategy for making this happen? What technology

best supports these objectives? What kinds of social networks will support this strategy? Recognize that your social business journey will take time and that it will require and drive changes to your business processes, your organizational structure and how you interact with customers and employees.

Assess Where You Are Today

Identify problems that are currently being addressed with social tools. Explore whether the right social business resources are being directed toward the right business problems. If your organization is in a heavily regulated industry, are your regulatory affairs personnel talking about social business? What coordination exists between those who are most invested in social business activities and those who know how regulations address social business issues? Make sure you have a governance process in place to address these and similar questions as part of your initial social strategy.

Identify the people or roles that will focus on social business and how these individuals are to coordinate with one another. What, if any, relationship exists between your CMO and CIO around social business? Individuals in both roles should have a shared understanding of the risks and opportunities of social business.

Use listening tools to collect information on what is being said about your organization, your brands, your customer service and your competition. Our research indicates that only a small percentage of organizations have begun to connect external social data into existing enterprise systems and data. We see this as an area that holds tremendous potential value for organizations.

Support Adoption

Ensure that social business initiatives have enough resources. It is not uncommon for organizations to allocate funds for social software tools and then neglect or underfund the adoption components. Is an individual assigned responsibility for this effort, or is this an additional duty on top of someone’s current job? Are the right incentives targeting the right people? Are resources allocated for activities such as user training, communications, content building and community management? Is training available to distinguish personal and professional



uses of social networks? Are sufficient resources in place to respond to brand issues that might develop in social channels?

Measure Results, Not Adoption

It is clear from our survey (and many other research efforts) that enterprises are having difficulties measuring the relationship between investments in social business and returns from these investments. Capital One's Tom Poole echoes what we've heard from a number of executives: "We try not to hold ourselves to a pure constraint of measurable gains. I think we still believe we're in an experimentation phase and trying to learn."

Measurement may become increasingly important, especially if these activities require rethinking and redesigning practices, processes, measurement systems and information systems in significant ways. Although a consensus has yet to emerge on measuring social business activities, managers have several options. One is to conduct experiments that compare the performance of groups that are heavy and light users of social software and social networking.

Measuring adoption can be a misleading indicator of value. In fact, focusing on adoption as a success metric may lead to failure, according to the Deloitte study "Social Software for Business Performance," since adoption metrics do not address what matters most to employees, managers and executives.²⁰ For managers, what matters most is often whether the tool helps them do their jobs more effectively.

SUMMARY

Given that social business is still just getting started, you may be tempted to wait until the technology matures or there is more evidence to support its business value. But that approach may delay achieving its potential in your organization, to the detriment of your marketing, innovation, leadership and operations. According to MIT professor Alex "Sandy" Pentland, "Like any emerging technology trend, social business can seem perpetually just out of reach. Let's wait a year, the thinking goes. It's not quite real, not quite ready

for prime time. If that's your approach to social business, you may be overestimating the amount of effort it takes to start putting this trend to work for your organization today."²¹

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1. As used in this document, "Deloitte" means Deloitte Consulting LLP and Deloitte Services LP, which are separate subsidiaries of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.
2. Source: *MIT Sloan Management Review* interview with David Sacks, CEO of Yammer, February 24, 2012.
3. *Social media* is how people get together virtually to accomplish outcomes. *Social software* is the set of tools that gives people in a social network the means for automation, virtualization, scale and abstraction. *Social networks* are formal descriptions of groups of people who congregate in a social medium.
4. Not all social business activities will produce mutually useful connections between individuals. In some cases, it may be beneficial to diminish certain connections between staff or with some customers. Further, the use of emergent communication and collaboration tools like Yammer may one day become part of the baseline. When that happens, using these tools may cease to qualify as a social business activity as we're defining it, not because they are any less social but because they no longer "amplify" connections.
5. D.M. Smith et al., "Predicts 2010: Social Software Is an Enterprise Reality," Gartner, December 3, 2009.
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7. Other uses of "social business" might refer to organizations or to economic systems that promote some notion of social welfare. For an example of the latter, see M. Yunus, "Building Social Business: The New Kind of Capitalism That Serves Humanity's Most Pressing Needs" (New York: Public Affairs, 2010).
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13. Of course, social business activities can be valuable in many ways. It is our belief that social business activities in these four areas have the potential to generate substantial value.

14. E. von Hippel, S. Ogawa and J.P.J. de Jong, "The Age of the Consumer-Innovator," MIT Sloan Management Review 53, no. 1 (fall 2011): 27-35.

15. S. Nambisan and P. Nambisan, "How to Profit from a Better 'Virtual Customer Environment'," MIT Sloan Management Review (spring 2008): 53-59. For an analysis of Threadless and social media, see D. Hinchcliffe and P. Kim, "Social Business by Design: Transformative Social Media Strategies" (San Francisco: John Wiley and Sons, 2012).

16. This example is based on Y.M. Antorini, A.M. Muñoz, Jr. and T. Askildsen, "Collaborating With Customer Communities: Lessons From the Lego Group," MIT Sloan Management Review 53, no. 3 (spring 2012): 73-79.

17. J. Hagel, "Pull Platforms for Performance," February 20, 2012, <http://edgeperspectives.typepad.com>.

18. T. Levitt, "Marketing Myopia," Harvard Business Review, September/October 1975.

19. Providing clear guidance about communications external to a business can be tricky, especially in regulated industries like health care and financial services. Too much guidance can put a damper on social business activities. "If I ask an organization for their social media policy, and I get back a 50-page document," says MIT's Andrew McAfee, "that might as well just say, we'd prefer it if you don't use social media." Even in unregulated industries, too much oversight can cast a shadow on innocent interactions. Babson College's Keri Pearlson describes a recent meeting with a colleague and two representatives from a large technology firm. Her colleague tweeted that she and Pearlson were at a lunch meeting, naming the firm but not the individuals. When the representatives returned to work, the office was buzzing about who was speaking without authorization about the company. Staff had been monitoring information flows from Twitter about the company and had seen the tweet from Pearlson's colleague.

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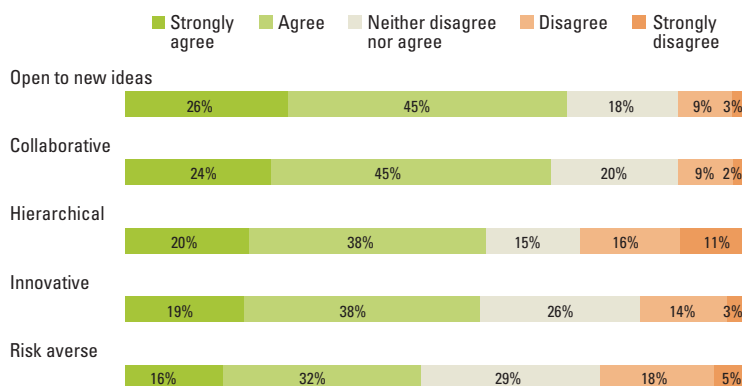
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THE SURVEY: Questions and Responses

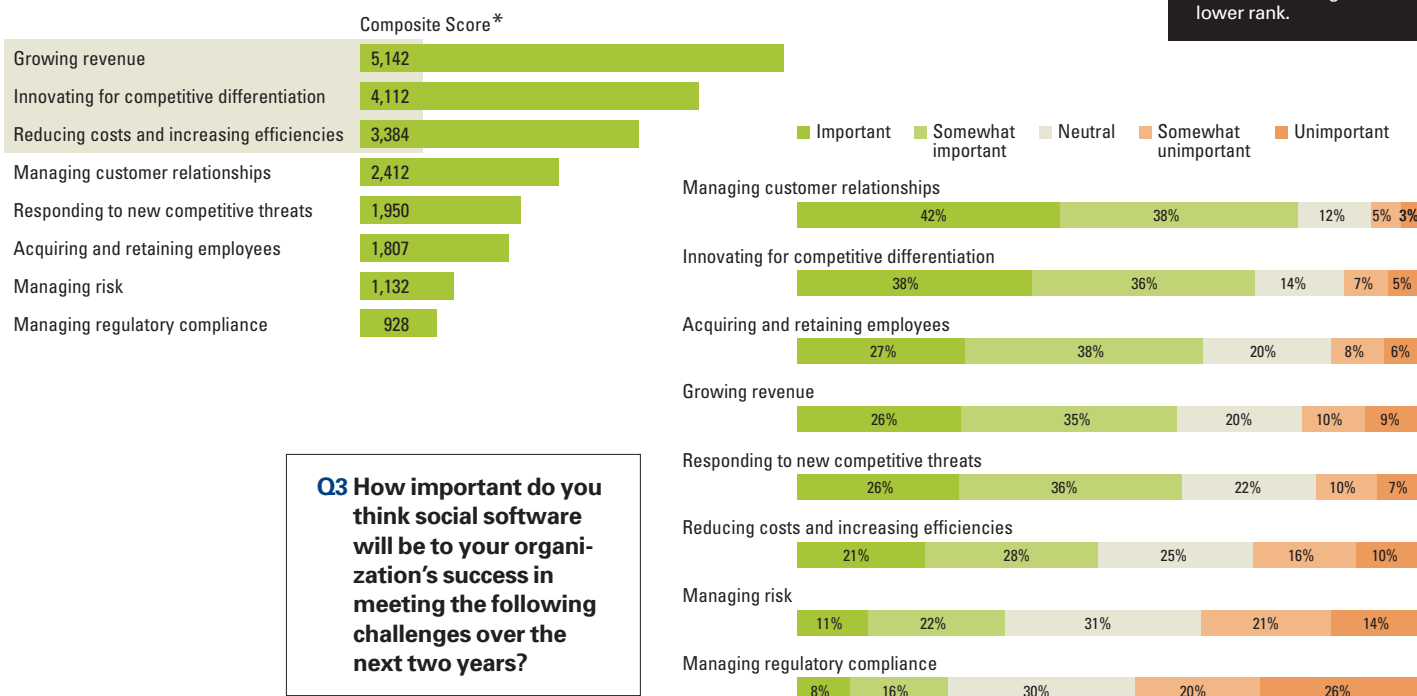
Results from the 2012 Social Business Global Executive Survey

Q1 To what extent do you agree that each of the following accurately describes your organization?



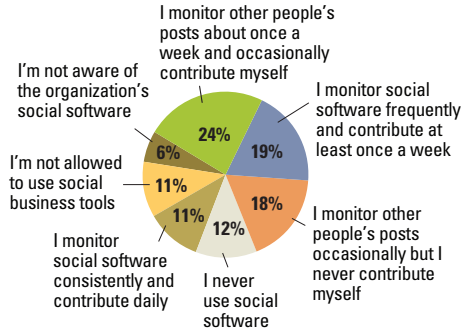
*** Note:** Survey respondents were asked to rank their top three selections. To determine an overall ranking, a composite score was computed by assigning a higher weight to a higher rank and a lower weight to a lower rank.

Q2 What are the primary challenges facing your organization over the next 2 years?

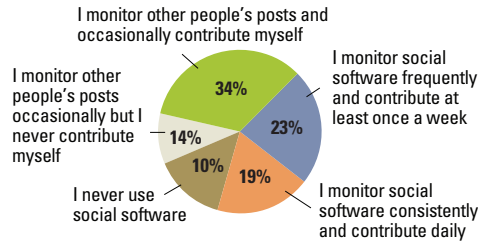


Q3 How important do you think social software will be to your organization's success in meeting the following challenges over the next two years?

Q4 Which of the following best describes your own use of social software to complete daily tasks for your job?



Q5 Which of the following best describes your own use of social software for personal purposes?

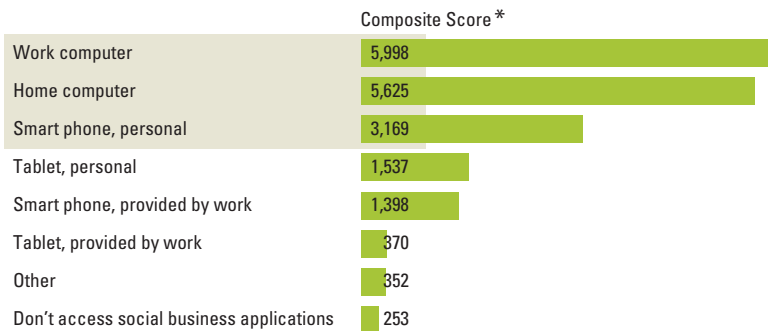


About the Research

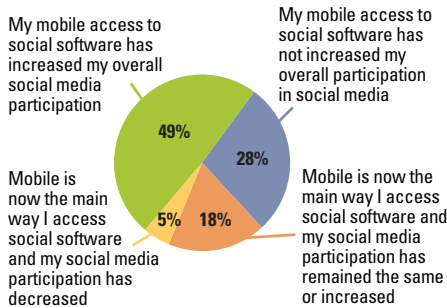
To understand the challenges and opportunities associated with the use of social business, *MIT Sloan Management Review*, in collaboration with Deloitte, conducted a survey of nearly 3,500 business executives, managers and analysts from organizations located around the world. The survey captured insights from individuals in 115 countries and 24 industries and involved organizations of various sizes. The sample was drawn from a number of different sources, including MIT alumni and *MIT Sloan Management Review* subscribers, Deloitte Dbriefs subscribers and other interested parties.

In addition to these survey results, we interviewed executives, academic experts and subject matter experts from a number of industries and disciplines to understand the practical issues facing organizations today. Their insights contributed to a richer understanding of the data and to the development of recommendations that respond to the kinds of strategic and tactical questions senior executives address as they operationalize social business within their organizations. We also drew upon a number of case studies to further illustrate how organizations are leveraging social business and illuminate how real organizations are putting our recommendations into action in different organizational settings.

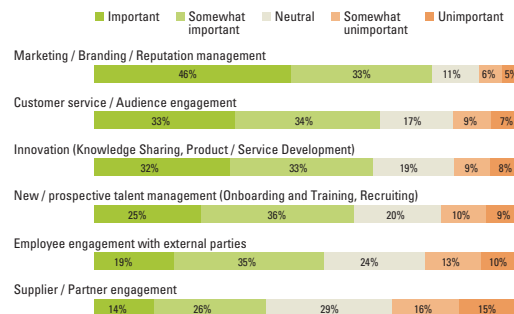
Q6 What devices do you use to access social software? (Please rank top 3 in order of significance.)



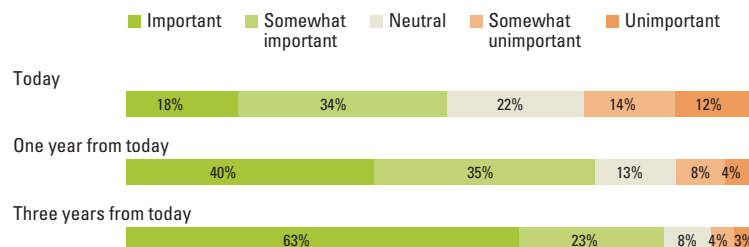
Q6A How has mobile technology affected your use of social software for personal and business use?



Q8 How important are social software to your organization's activities in the following externally facing areas?



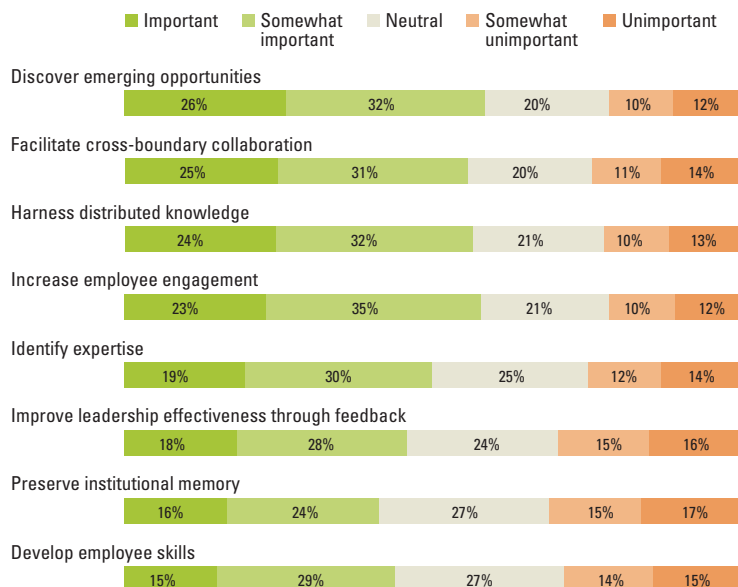
Q7 How important do you consider social software to be to your organization?



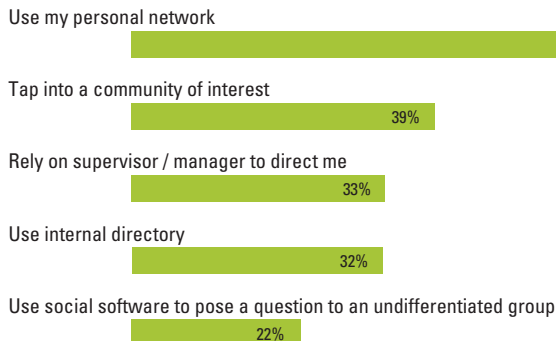


RESEARCH REPORT SOCIAL BUSINESS: WHAT ARE COMPANIES REALLY DOING?

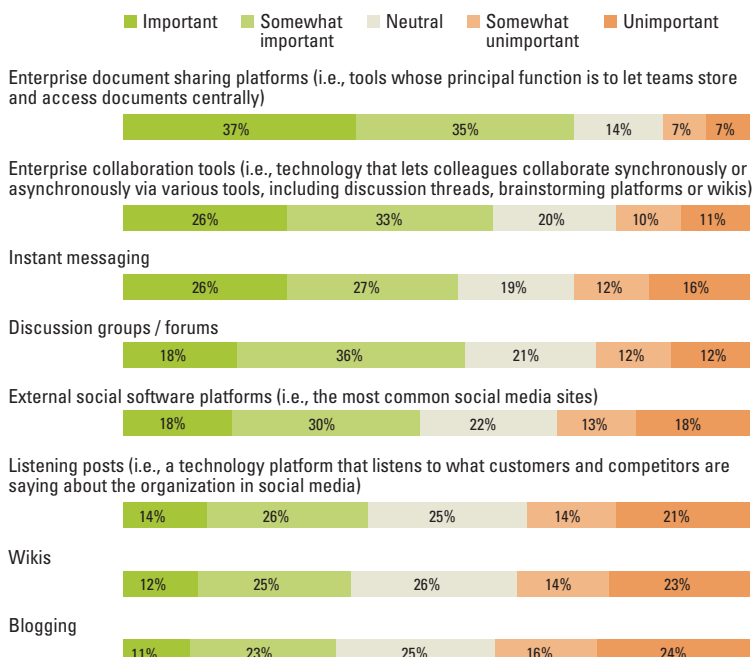
Q9 How important is social software to your organization's activities in the following internally oriented areas?



Q10 How do you find expertise in your organization? (Please check all that apply.)

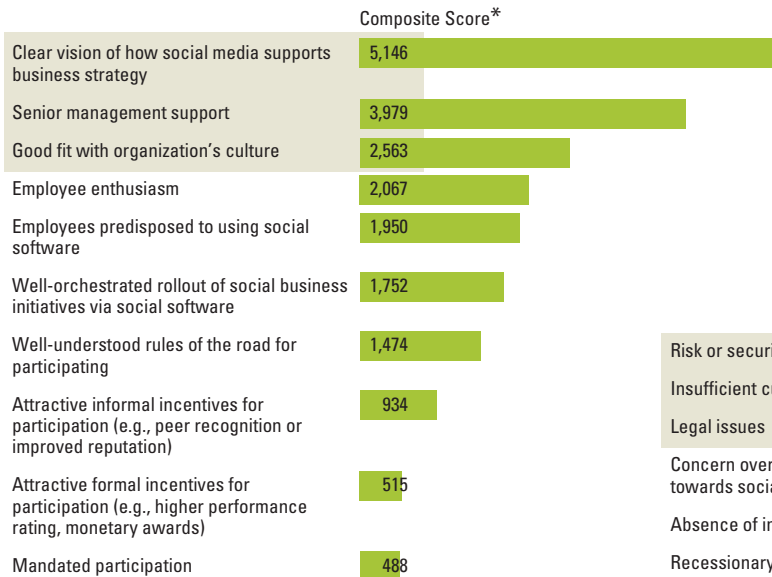


Q11 How important are each of the following for you to do your job successfully?

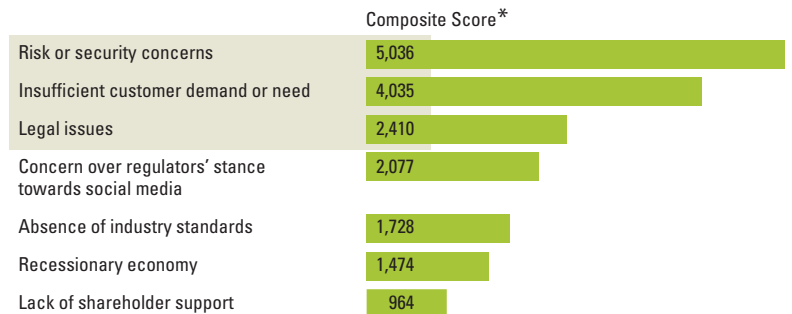


* **Note:** Survey respondents were asked to rank their top three selections. To determine an overall ranking, a composite score was computed by assigning a higher weight to a higher rank and a lower weight to a lower rank.

Q12 What factors do you see facilitating the adoption of social software in your organization?



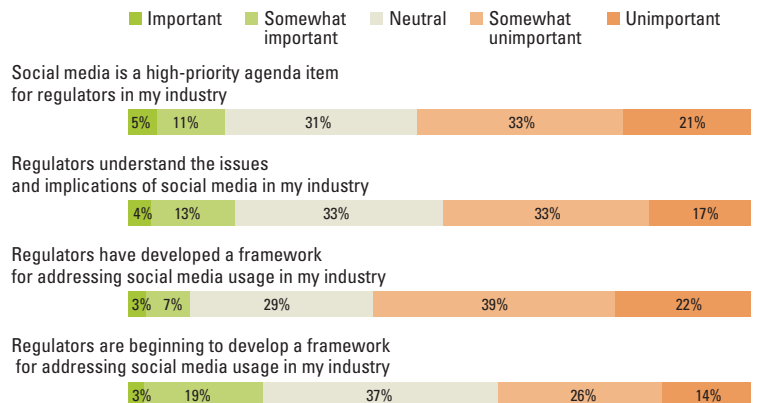
Q14 What external barriers, if any, do you see impeding the adoption of social software in your organization?



Q13 What internal barriers, if any, do you see impeding the adoption of social software in your organization?



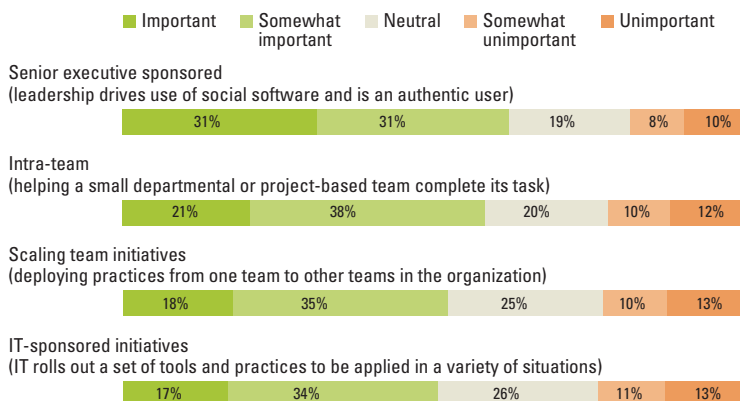
Q14A How strongly do you agree with the following statements?



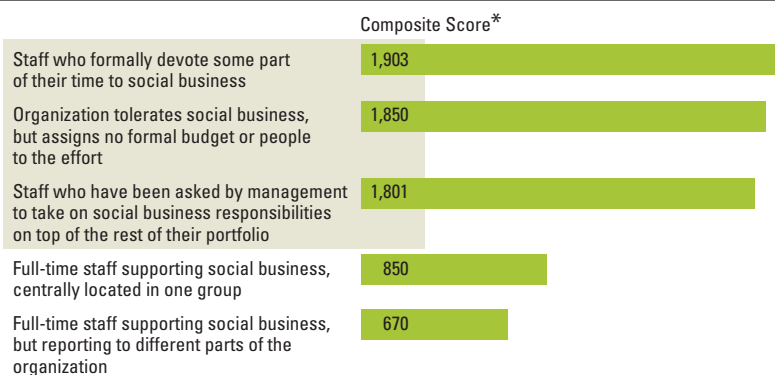


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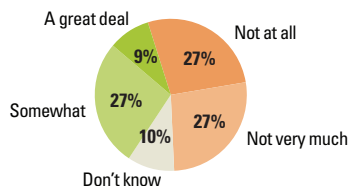
Q15 How important is each of the following as a source of new social-related initiatives?



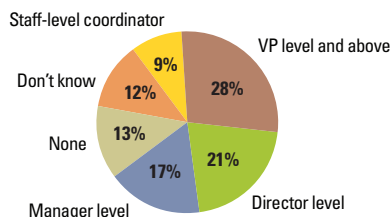
Q16 How does your organization support social business initiatives?



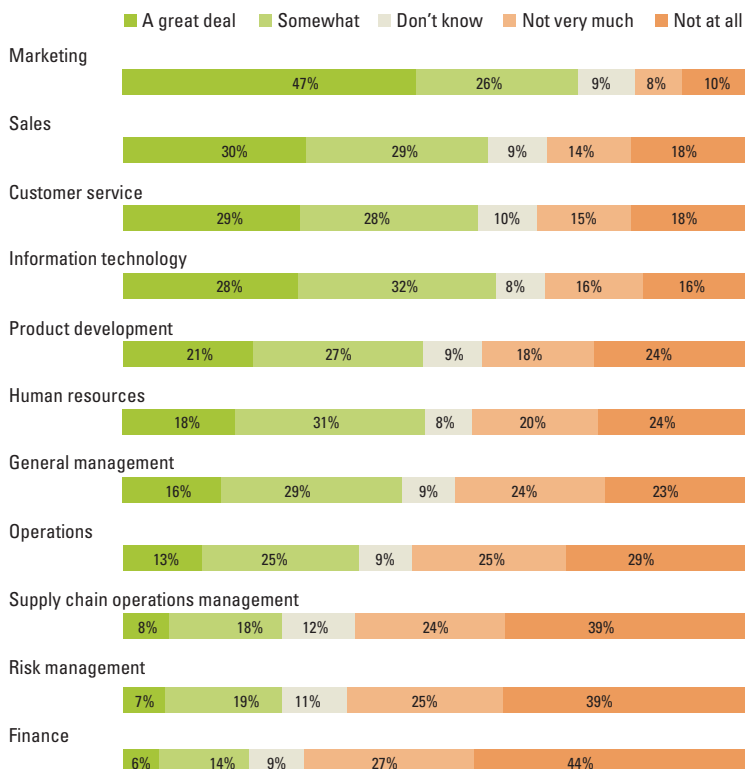
Q17 To what extent does your organization incorporate externally collected data from social software into its business practices and systems (e.g., enterprise systems, including CRM or ERP)?



Q18 What is the highest level / rank of the individual whose job it is to oversee / manage your organization's social business initiatives?



Q19 To what extent do each of the following functional areas drive the use of social software within your organization?

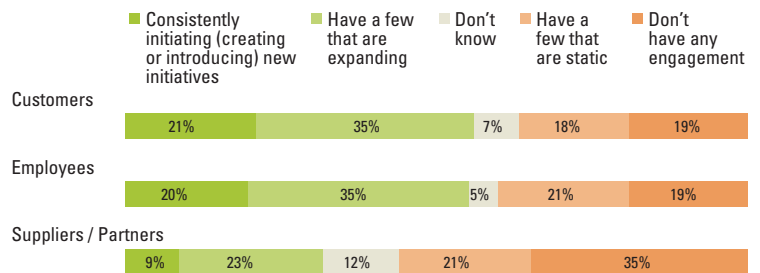


Q20 What are the main reasons employees participate in social business activities at your organization?

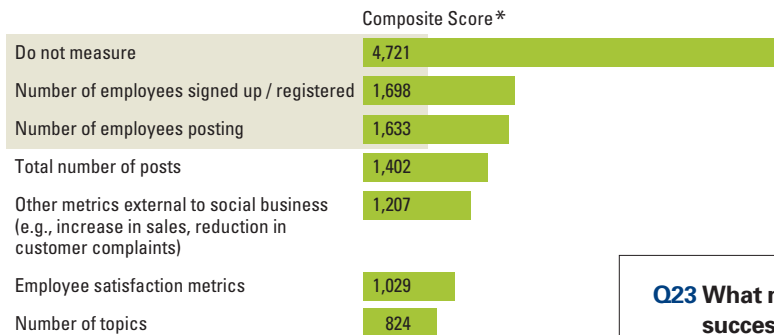


* **Note:** Survey respondents were asked to rank their top three selections. To determine an overall ranking, a composite score was computed by assigning a higher weight to a higher rank and a lower weight to a lower rank.

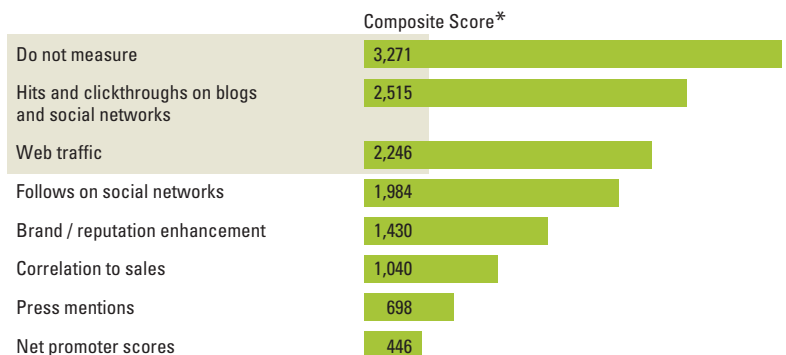
Q21 What best describes the level of your organization's social business initiatives with each of these audiences in the past year?



Q22 What metrics does your organization use to determine the success of internal social business initiatives?



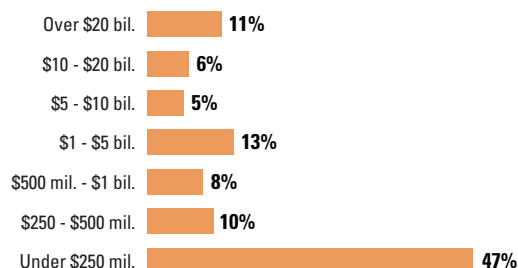
Q23 What metrics does your organization use to determine the success of externally facing social business initiatives?



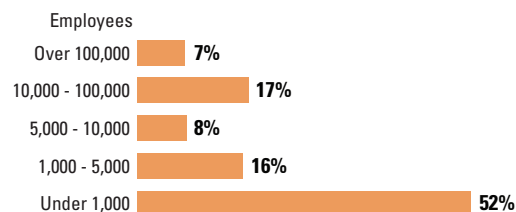


Demographic Questions

A. What were the revenues of your parent organization in its last fiscal year (in US dollars)?



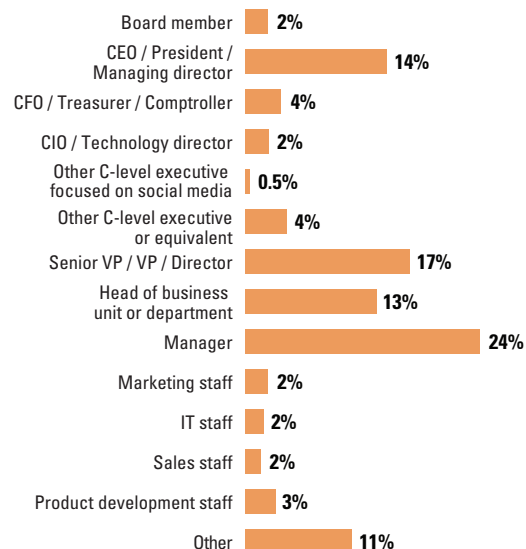
B. What is your organization's total headcount?



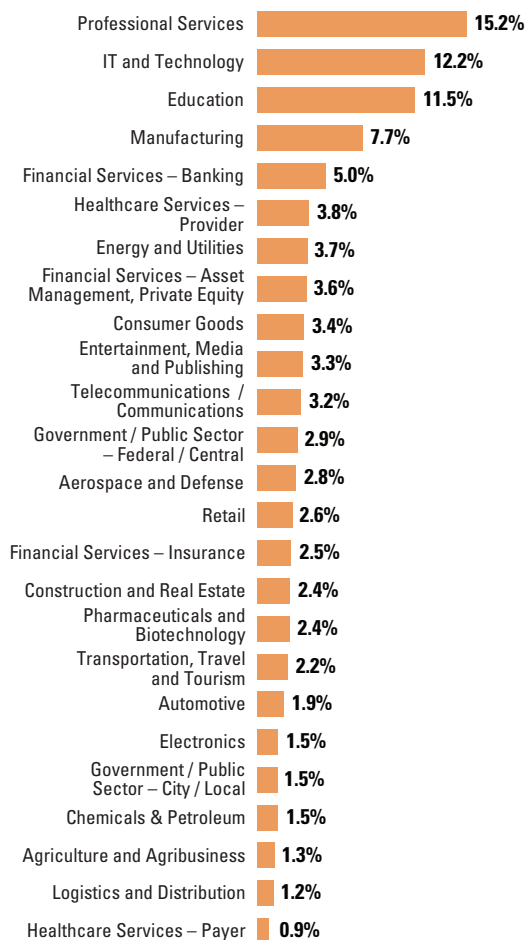
C. What is your primary functional affiliation?



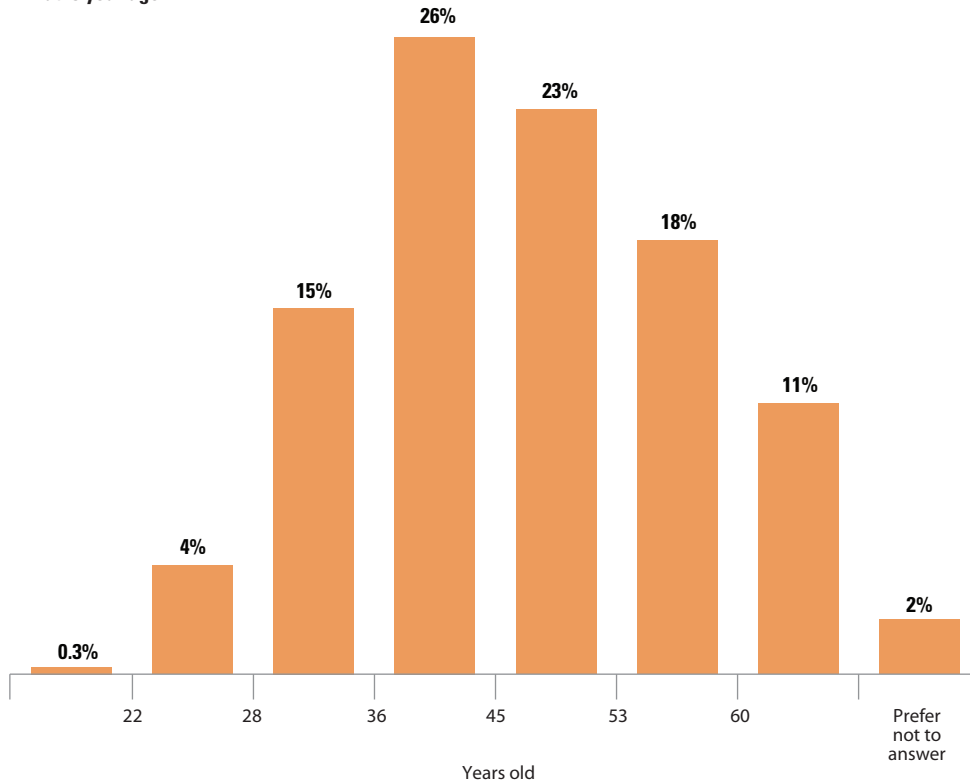
D. Which of the following best describes your role?



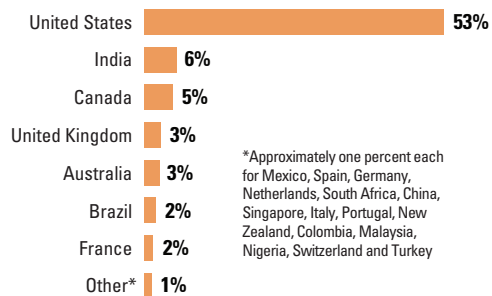
E. What is your organization's primary industry?



F. What is your age?



G. In which country do you live ?



H. What is your level of technological interest ?

1. Low: I just use the tools I'm given to get the job done; learning new gadgets is a waste of time

1%

2. Somewhat low: I take what I'm given, but it's fun to have good technology once I'm used to it

8%

3. Medium: I'm aware of blockbuster technology trends, and may get certain new items in their first few months

26%

4. Somewhat high: I like playing with new toys, but I don't have to be an early adopter

42%

5. Very high: I like to get the latest and greatest gadgets; my friends consult me for tech advice

23%

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