# The Bulletin

## Leveraging Social Business for Results: Moving Beyond Media

Social technologies are the subject of much discussion today. Some proponents claim they are using them to alter the business landscape, offering new ways to acquire, serve and retain customers. Others assert they can be used to build internal online communities that will facilitate improvement of business processes, promote knowledge-sharing, and provide support for aspects of the culture management desires to reinforce. Still others are skeptical, either claiming the buzz is all hype or resisting the trend altogether.

However one views the topic of social business, one point is clear: Business to consumer (B2C) and business to business (B2B) communications have entered a new era of people to people (P2P) communications, providing an alternative model for connecting and interacting with markets, prospects and customers in the digital age, a model that places the customer in the driver's seat in terms of dictating the conversation. Taken forward, this convergence of social technologies is a potential game changer that cannot be ignored. This issue of *The Bulletin* explores the implications of this potentially disruptive shift for businesses, what it can mean in the marketplace from a marketing, corporate communications, reputation and brand image standpoint, and the risks it creates for organizations.

### Social Media and Social Business: What's the Difference?

Social media includes web- and mobile-based technologies that are used to enable interactive dialogue among organizations, communities and individuals. "Social" is a compendium of many highly accessible media – corporate blogs, video-sharing sites such as YouTube, social networks like Facebook, microblogging tools such as Twitter, rating/review sites, wikis allowing many authors to simultaneously edit and create a source of knowledge, and crowdsourcing, among others – that leverage the power of Internet, Web 2.0 and mobile technologies to facilitate the creation, exchange, use and modification of user-generated content. The speed at which businesses are deploying these technologies is

without precedent. Facebook is an example: The social networking site reached 1 billion active users in October 2012 – essentially doubling its user base in just two years.[1]

Social business is about leveraging social media to accomplish business objectives. It embeds social tools in many business processes, connecting people to people, people to information and data to insight. Communities of employees, customers, vendors and others dialogue with and through these tools, and the business engages them to share its expertise, innovate and strengthen stakeholder ties. The highest-level objective is to move from *managing* customers to *engaging* customers. While tactical goals include increasing revenue, reducing costs and protecting corporate reputation, the primary focus has been deepening customer relationships.

> *Ready or not, the social business train has left the station. Leading firms are investing significantly more than their peers, each normally driven by a member of the leadership team who sees value propositions and social business objectives linked to the broader corporate strategy.*

A "social-enabled process" is a business process that becomes engaging and transparent because groups of people are able to contribute, impact and improve it continuously over time. For example, a company inserts a community voice into the product innovation process to enable those with common interests to more quickly brainstorm and refine new ideas. Or a company deploys a social platform as a dedicated customer service channel, enabling customers themselves to take on some of the work answering questions normally fielded by call centers.

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[1] "A Billion Users Raise Stakes at Facebook for Revenue," by Somini Sengupta and Nick Bilton, *The New York Times*, October 4, 2012: http://bits.blogs.nytimes.com/2012/10/04/facebook-passes-1-billion-active-users/.

## Social Business: Why Bother?

Ready or not, the social business train has left the station. Leading firms are investing significantly more than their peers, each normally driven by a member of the leadership team who sees value propositions and social business objectives linked to the broader corporate strategy. These leaders, regardless of their functional roles, are usually those best equipped to persuade other executives to embrace change and see the value propositions as well. Recognizing that social business is not a one-size-fits-all approach across brands, business units and geographies, leaders watch their competitors closely and measure change in consumer behavior and top-line and bottom-line results to ensure they are creating real business impact.

> *The speed and scale of consumers' use of social technologies has exceeded that of previous technologies. Yet today only 5 percent of all communications and content use in the United States takes place on social networks.*

The most important impact of social business is on the community of customers. A survey of more than 3,000 consumers found that customers who engage with companies through social media channels (a) spend 20 to 40 percent more money with those companies than other customers and (b) demonstrate a deeper emotional commitment to the companies' brands.[2] Simply stated, the media of P2P communications is setting the terms for social business interaction, requiring organizations to contribute timely and authentic value-added content in an environment where customers and other parties drive the dialogue and influence others, in effect forcing companies to talk *with* their customers versus talk *to* them.

If organizations choose not to harness the power of social networking with customers, they risk becoming laggards as they cede to competitors the ability to brand their products and services distinctively in the public eye. Competitors will also obtain continuous product and process improvement insights the organization might not obtain until it is too late. A company with an effective social-enabled customer engagement process in place may discover it is an effective tool for reducing risk in a rapidly changing environment because it draws the company closer to the customer.

## Social Business: How Can It Be Used?

While we acknowledge the versatility of social business and its potential for many applications, we see five primary ways for organizations to deploy it:

1. **Manage brand awareness** – Brand awareness is all about leveraging forums provided by communities to promote brands, maximize consumer knowledge of the existence and availability of the organization's products and services, and leverage customer experience and insights. Creating positive brand awareness is one of the keys to promoting a product. When approached strategically, social media marketing focuses on the consumer to establish relationships and sentiment and, in so doing, inspires online conversations about the brand, which in turn improves brand recall, recognition and advocacy in the marketplace.

2. **Market and sell products and services** – Expanding the reach of brand messaging through social tools is all about increasing consumer preference for a company's brand over its competitors' brands. As an organization builds community by developing relationships based on trust and incorporates social channels into its marketing strategy, it grows customer loyalty, creating more consumers likely to serve as advocates. The more trust its fans and followers have, the more the company can expect consumer advocacy and promotion of its products and services, spirited defense of its brand in negative exchanges or times of crisis, and dialogue that leads to insights that can drive (co-)creation of new product and service concepts. Social business provides tools to help companies build trust faster and more cost-effectively than ever. This higher-level relationship with customers can generate leads, increase repeat and referral business, and facilitate forecasting and distribution of products. The cult-like following Apple has created for many of its products is a perfect example of this powerful word-of-mouth marketing channel.

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3. **Develop customer collaboration** – Used to develop personal connections and engage in dynamic dialogue with customers to provide practical "just in time" execution, social business forges a unique collaborative partnership with customers that offers a powerful source of insight into their behaviors and issues. While social business might apply more directly to product-producing companies, its applicability to service companies should not be underestimated. As part of a broader customer engagement strategy, social business can provide an effective and efficient marketing, sales, service and retention tool that increases customer satisfaction levels and

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[2] "Putting Social Media to Work," by Chris Barry, Rob Markey, Eric Almquist and Chris Brahm, *Bain Brief*, September 12, 2011: www.bain.com/publications/articles/putting-social-media-to-work.aspx.

can reduce call center costs. Conversely, the transparency provided by social technologies and the superior value as perceived by consumers will enable them to become more discriminating in procuring products and services that best serve their needs.
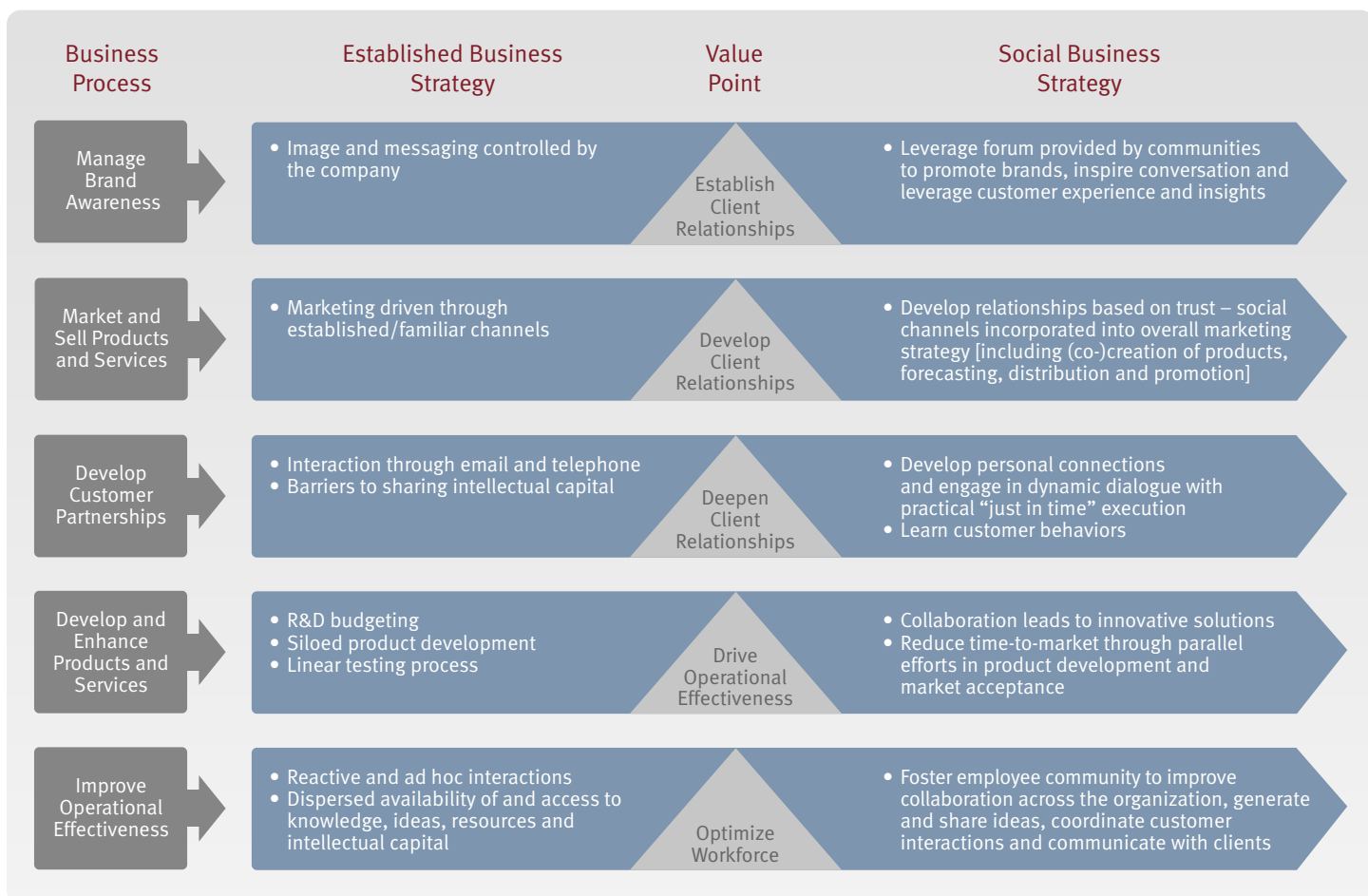
4. **Develop and enhance products and services** – Social business can provide a rich source of needs, complaints, ideas and suggestions direct from a company's lifeblood: its customers. As a form of market research, such information can provide real-time insights into what customers need and may detect emerging industry trends. Effectively harnessed, this market intelligence can lead to improved products and services, innovative solutions and reduced time-to-market through parallel co-creation efforts in product development and market acceptance. The result: Operational effectiveness that translates into increased sales and more-focused product development processes.

5. **Improve operational effectiveness** – While customer relationships are the lifeblood of any company, its employees provide the energy and drive to deliver exceptional results. Often, employees know better than management what needs to be improved. Harnessing the knowledge and insights dispersed throughout the employee base presents an opportunity for employee communities to improve collaboration throughout the organization, generate and share ideas, coordinate customer interactions and foster more effective client communications.

When effectively implemented, social business is a versatile concept. As noted above, there are innumerable applications of social business. These applications are summarized using the graphic provided in Figure 1. Social business can be leveraged to enhance such areas as talent acquisition, competitive intelligence, corporate communications, public relations, crowdfunding, driving sales leads, generating repeat/referral business, and supporting forecasting and monitoring activities. In addition, social-enabled processes can take a company to a higher level of performance and improved standing in the eyes of its customers, suppliers, competitors, employees and other stakeholders with whom it engages.

## Figure 1: Social Business Process Advancement

| Business Process | Established Business Strategy | Value Point | Social Business Strategy |
|---|---|---|---|
| Manage Brand Awareness | • Image and messaging controlled by the company | Establish Client Relationships | • Leverage forum provided by communities to promote brands, inspire conversation and leverage customer experience and insights |
| Market and Sell Products and Services | • Marketing driven through established/familiar channels | Develop Client Relationships | • Develop relationships based on trust – social channels incorporated into overall marketing strategy [including (co-)creation of products, forecasting, distribution and promotion] |
| Develop Customer Partnerships | • Interaction through email and telephone<br>• Barriers to sharing intellectual capital | Deepen Client Relationships | • Develop personal connections and engage in dynamic dialogue with practical "just in time" execution<br>• Learn customer behaviors |
| Develop and Enhance Products and Services | • R&D budgeting<br>• Siloed product development<br>• Linear testing process | Drive Operational Effectiveness | • Collaboration leads to innovative solutions<br>• Reduce time-to-market through parallel efforts in product development and market acceptance |
| Improve Operational Effectiveness | • Reactive and ad hoc interactions<br>• Dispersed availability of and access to knowledge, ideas, resources and intellectual capital | Optimize Workforce | • Foster employee community to improve collaboration across the organization, generate and share ideas, coordinate customer interactions and communicate with clients |

## Social Business: Making It Real

According to the McKinsey Global Institute, there are more than 1.5 billion users globally who have an account on a social networking site. It is a fair bet that this number will continue to rise in the future. More importantly, 72 percent of companies participating in a McKinsey survey report using social technologies in their businesses. Of those, nine in 10 companies report getting some business benefit from them.[3]

> *Relationship-based community engagement is the real goal, a cost-effective and faster way of engaging a community of customers that leads to friendship and results-oriented collaboration.*

The real message is that there is still substantial untapped value in social business. For example, the productivity of highly skilled professionals, managers and salespeople can be improved by as much as 20 to 25 percent by some estimates. These employees have been relatively immune from productivity-enhancing technology in the past. Giving them closer and more timely access to customers and employees can change that.[4]

Social business is not one-size-fits-all. The extent of its deployment may be driven by the organization's business model and industry, competitors, the resiliency of its culture, the nature of its products and services, and regulatory and cost constraints. In the end, each company needs to determine its own best fit in deploying social business and implement processes for continued evolution in social engagement.

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[3] *The social economy: Unlocking value and productivity through social technologies*, McKinsey Global Institute (Michael Chui, et al.), July 2012, page 25: www.mckinsey.com/insights/mgi/research/technology_and_innovation/ the_social_economy.
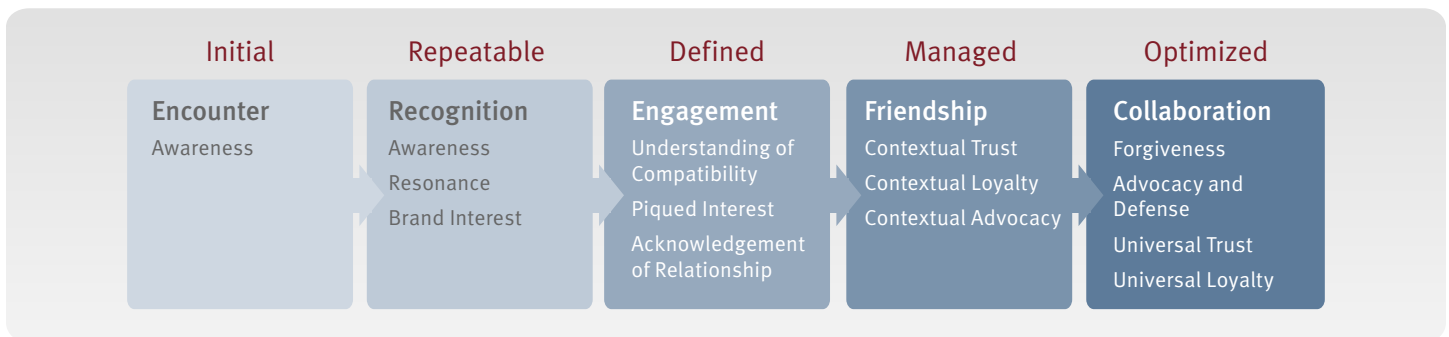[4] Ibid., pages 35, 44 and 45.

While we don't know for sure what social technologies and platforms will exist in five years' time, the focus is not about tools, technology or community engagement. It's about transforming processes to enhance business performance in actionable and measurable ways. Therefore, the tools and technologies may change, but the objectives and focus will not. The traditional direct approach to engaging customers one-to-one is expensive and slow compared to cheaper and faster content-based social media engagement. However, social media engagement doesn't drive trust-based relationships that create customer loyalty and advocacy.

> *Using customer engagement as a context, there are five levels of social business relationship maturity: Initial, Repeatable, Defined, Managed and Optimized. The organization should recognize that every bit of investment in social should be tagged toward moving relationships along this continuum. If not, the investment is wasted.*

Relationship-based community engagement is the real goal, a cost-effective and faster way of engaging a community of customers that leads to friendship and results-oriented collaboration. This transformational process of developing relationship-based communities requires a comprehensive customer engagement strategy, a disciplined approach to executing the strategy, and a clear view of the roadmap leading to the desired social business maturity of relevant processes.

Using customer engagement as a context, there are five levels of social business relationship maturity: *Initial* (create brand awareness), *Repeatable* (increase brand interest), *Defined* (engage communities), *Managed* (inspire advocacy) and *Optimized* (achieve return on investment [ROI] objectives).

## Figure 2: Social Business Relationship Maturity *

| Initial | Repeatable | Defined | Managed | Optimized |
|---------|-----------|---------|---------|-----------|
| **Encounter** | **Recognition** | **Engagement** | **Friendship** | **Collaboration** |
| Awareness | Awareness | Understanding of Compatibility | Contextual Trust | Forgiveness |
| | Resonance | Piqued Interest | Contextual Loyalty | Advocacy and Defense |
| | Brand Interest | Acknowledgement of Relationship | Contextual Advocacy | Universal Trust |
| | | | | Universal Loyalty |

\* Protiviti teamed with The Community Roundtable and adapted the Protiviti Social Business Relationship Maturity Model presented herein.

As noted in Figure 2, at the *Initial* stage, the focus is on encountering customers to broaden brand awareness. At the *Repeatable* stage, the organization seeks to create brand recognition and recall by driving awareness, resonance and brand interest among its customers. At the *Defined* stage, the goal is engaging customers to enhance their understanding of products and services that are compatible with their interests and needs, create piqued interest and gain evidence of customers acknowledging their relationship with the company. At the *Managed* stage, the organization seeks friendship by driving contextual trust, loyalty and advocacy. Finally, at the *Optimized* stage, the emphasis is on achieving the deepened relationships leading to forgiveness of mistakes, advocacy and defense, as well as universal trust and loyalty. As maturity improves, ROI from a revenue and cost-savings standpoint improves – as relationships are strengthened.

The organization should recognize that every bit of investment in social should be tagged toward moving relationships along this continuum. If not, the investment is wasted. The company should determine its current state of maturity, set realistic goals for advancing it, define measurable objectives to accomplish those goals over time, and measure performance using qualitative and quantitative metrics to report on the progress of process maturity advancement against established targets and milestones.
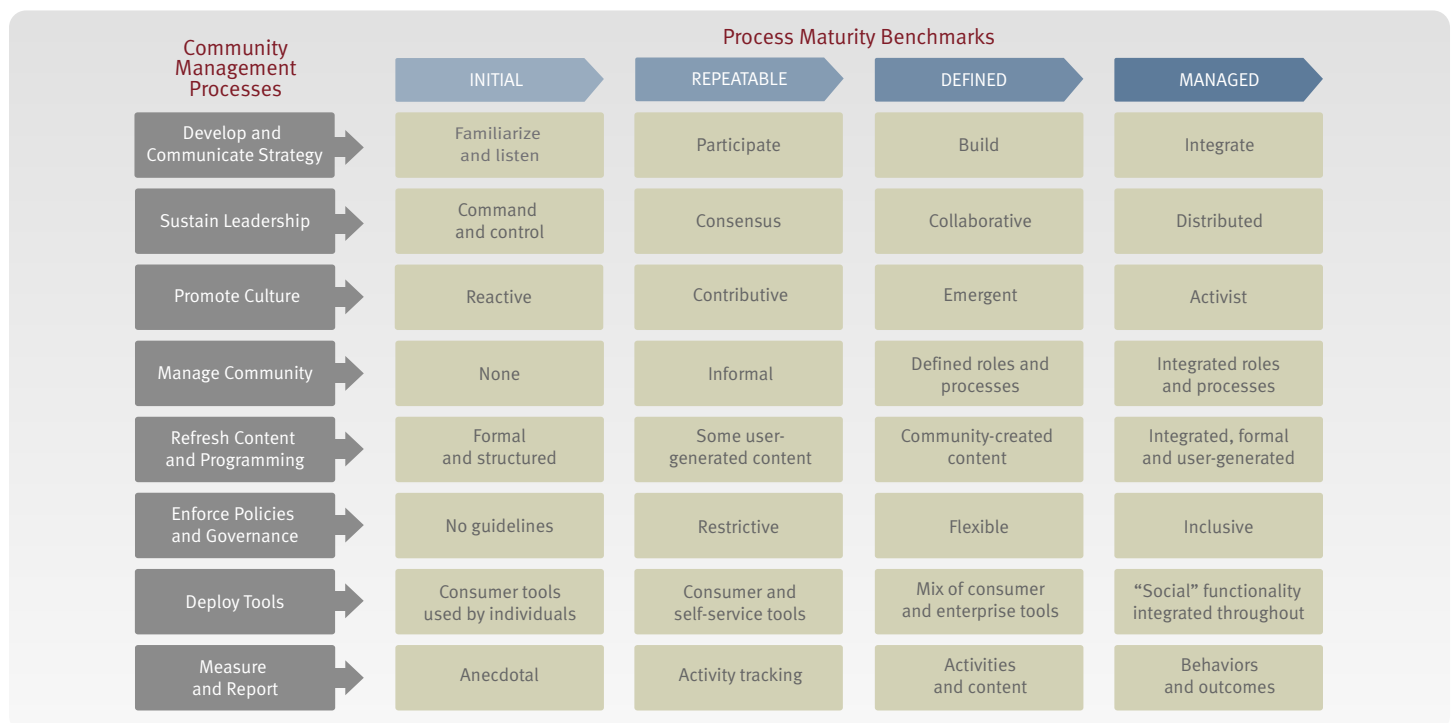
To illustrate, quantitative metrics at the *Initial* stage might include number of followers, number of friends, number of posts, number of tweets and number of policy violations.

Qualitative metrics at this stage might include effort spent learning, effectiveness of training and effort building initial properties. In advancing to the *Repeatable* stage, quantitative metrics might include number of links visited, number of inquiries and responses, number of downloads, and number of issues and problems. Qualitative metrics could include types of content that drive the most interest and employee activity and use patterns. The point is that there is a progression in the metrics used as the relationship maturity of processes advances. Importantly, executive leadership support must be visible and involved in managing toward expected results, or nothing happens.

To advance their social business maturity, companies need a tried and trusted framework to undertake an organized approach to building community instead of an ad hoc "trial and error" approach. To roll out successful communities faster and sustain them over time, whether they be external outposts such as Twitter, Google+ or Pinterest, or internal ones such as Chatter, SharePoint or Connections, eight processes (see Figure 3) underlying an enterprise's social business competency must be addressed.[5] A framework to evaluate systematically the strength and maturity of the processes can be useful for benchmarking an organization's capabilities. Such a framework is illustrated below.

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[5] These eight processes are: (1) Develop and Communicate Strategy, (2) Sustain Leadership, (3) Promote Culture, (4) Manage Community, (5) Refresh Content and Programming, (6) Enforce Policies and Governance, (7) Deploy Tools, and (8) Measure and Report.

## Figure 3: Community Maturity Model *

| Community Management Processes | Process Maturity Benchmarks | | | |
| --- | --- | --- | --- | --- |
| | INITIAL | REPEATABLE | DEFINED | MANAGED |
| Develop and Communicate Strategy | Familiarize and listen | Participate | Build | Integrate |
| Sustain Leadership | Command and control | Consensus | Collaborative | Distributed |
| Promote Culture | Reactive | Contributive | Emergent | Activist |
| Manage Community | None | Informal | Defined roles and processes | Integrated roles and processes |
| Refresh Content and Programming | Formal and structured | Some user-generated content | Community-created content | Integrated, formal and user-generated |
| Enforce Policies and Governance | No guidelines | Restrictive | Flexible | Inclusive |
| Deploy Tools | Consumer tools used by individuals | Consumer and self-service tools | Mix of consumer and enterprise tools | "Social" functionality integrated throughout |
| Measure and Report | Anecdotal | Activity tracking | Activities and content | Behaviors and outcomes |

* Protiviti teamed with The Community Roundtable and adapted the Protiviti Community Maturity Model presented herein by defining processes and maturity levels relevant to establishing and sustaining community.

As organizations advance the maturity of their community management processes, they move their cultures away from a purely defensive posture, become more proactive in setting corporate goals for social business (e.g., revenue building, cost savings, etc.) and align their investments with metrics that matter. The result: More customers are engaged, and online internal communities are strengthened.

*Companies should formulate a comprehensive social business strategy … and measure change in consumer behavior and top-line and bottom-line results to ensure they are creating real business impact through social business.*

## Pay Attention to Emerging Risks

While social business developments are presenting significant opportunities for companies to connect with their customers and others, they are creating a whole set of new issues for businesses. Following are examples:

- **Loss of IP and sensitive data** – Board members and executives have concerns about security-related risks arising from deploying social media in the business and want to understand how their organizations are addressing the risk of inappropriate release, leakage or theft of information strategic to the company, and exposure of company networks and systems to viruses and malware.

- **Compliance violations** – In social media, there are risks of communicating data and information that violate applicable laws and regulations – including infringement of trademarks and copyrights, data security issues, employment issues, violations of privacy rights, and mismanagement of electronic communications – that may be impacted by retention regulations or e-discovery requirements.

- **Reputation loss** – Because consumer opinions can spread quickly through social media, companies need effective response plans when a crisis occurs. Self-inflicted reputation damage may result from inappropriate employee behavior, setting unrealistic product or customer service expectations, rogue tweets of inappropriate messages intended for internal or personal use, or inability to measure up to the openness, straight talk and transparency expected by customers and prospects seeking to engage. Customers or other parties can use social media to say negative things about the company. If the company doesn't engage or is not paying attention, it won't be able to manage the potential fallout – and necessary improvements to products and processes may be overlooked.

- **Financial disclosures** – Employees involved in implementing social business enhancements must be mindful of avoiding commentary on company performance that could impact the stock price or violate insider trading, "quiet period" and other rules under applicable securities laws.

- **Effect on human resources** – Social media presents both opportunities and threats as it not only provides a channel for recruiting employees, but also for having the company's employees recruited by competitors.

- **Inability to manage the generational divide** – Many companies are challenged in understanding how young people are using these new technologies, making it difficult to create effective marketing campaigns that tailor specific content that is effective in reaching targeted customers.

- **Safety loss** – Release of information about the activities of someone within the company or sharing information related to these activities can create the risk of outsiders using that information to the detriment of employees' personal safety.

- **Competitor risk** – Choosing to rely primarily on traditional marketing practices and other forms of customer communications and collaboration may risk loss of market share to competitors exploiting the insights social media generates. Smaller startups and certain high-tech companies have found social media to be indispensable to their evolution and are leveraging the technology to reach customers and markets despite having very few employees. This could present a disruptive threat to larger, more established competitors if they ignore the implications of social media in focused market niches that can be exploited by new entrants and more nimble peers. Social technologies extend the disintermediating[6] power of the Internet to disrupt established business models.

*Each company will need to assess the risk of social business and determine appropriate methods to monitor and, if necessary, mitigate the risks. The bigger risk could be not using social business at all.*

- **Brand hijacking** – On the Internet, there is always risk that customers and prospects will be revealed to a fraudulent third party hijacking the company's brand without the company's knowledge. Such fraud includes the unauthorized use of company names and logos, as well as product counterfeiting and other misrepresentations. Some companies have engaged third parties to report all uses of and references to their organization's names on social media/Internet sites with the intent of using this information to align various aspects of their business to address complaints, as well as customer and employee satisfaction issues.

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[6] As defined by McKinsey on page 19 of its 2012 study, *The social economy: Unlocking value and productivity through social technologies*, "disintermediation" is the force that has disrupted bricks-and-mortar stores in music and book sales and travel agents in airline booking to the masses.

- **Poor management of social media community forums** – What if an organization creates a social media presence but no one participates? What if the organization is unable to: sustain momentum in being responsive to or engaging with customers; scale up operations once interest takes hold and traffic increases; or stem the tide of off-topic conversations or rude, belligerent exchanges? What if there are personal remarks made by an employee or friends of an employee that could be viewed by others?

The above list of business risks is not intended to be all-inclusive or suggest that companies not use social business. Each company will need to assess the risk of social business and determine appropriate methods to monitor and, if necessary, mitigate the risks. The bigger risk could be not using social business at all. Other risks may arise due to a company's specific situation and use of social business, highlighting the need for organizations to include social business capabilities in their risk assessment and management efforts.

## Summary

The speed and scale of consumers' use of social technologies has exceeded that of previous technologies. Yet today only 5 percent of all communications and content use in the United States takes place on social networks. Capturing the full potential from the use of social technologies will require transformational change in organizational structures, processes and practices.[7]

Companies should formulate a comprehensive social business strategy, including a policy defining acceptable outlets – and what can and cannot be shared on them. They should consider their own social media network inside their firewall, manage the security issues, and train their people in all things social to both leverage the opportunity and reduce risk to an acceptable level. Most importantly, they should measure change in consumer behavior and top-line and bottom-line results to ensure they are creating real business impact through social business.

[7] Ibid, pages 2 and 4.

## Want to Know More?

Social technologies are creating opportunities to acquire and serve more customers, often at lower cost. Protiviti helps organizations create social business strategies to engage – not manage – their customers. We also help companies build internal communities that improve their business processes. For example, our Customer Engagement Model depicts how financial services customers interact with an institution. Evaluating the success of each channel, including social and mobile, against the value each delivers to the customer helps the institution see opportunities to preserve and grow its business.

As social media presents real opportunities and risks, it demands a disciplined approach. We help companies benchmark their current state of social business to what others are offering and work with them to build a plan with established goals and metrics to advance their social business capabilities to the next level in accordance with the expectations of community managers, executives and board members.

See www.protiviti.com/socialbusiness for more information on how we can help.

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