

Foreword by Jeff Dachis
Founder & CEO, Dachis Group

SOCIAL BUSINESS BY DESIGN

transformative
**social media
strategies** for
the connected
company

DION HINCHCLIFFE
PETER KIM

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Praise for *Social Business by Design*

“*Social Business by Design* easily earns a ‘like,’ a tweet, a follow, a share, a 5-star rating, and plenty of fans. It shows leaders how to transform their businesses and brands using internal and external social media at scale. What could be more urgent or timely?”

—**Pete Blackshaw**, global head, digital marketing and social media, Nestle; author, *Satisfied Customers Tell Three Friends, Angry Customers Tell 3,000*

“Business is changing right before our very eyes. We are in a world of empowered individuals with reliable, always-on, cross-media connectivity with a vivacious appetite for continuous improvement to win amongst global competition. The frameworks in this book dimensionalize the social media-enabled cross-functional business-critical opportunities and will help you quickly chart a clear course for success to win in our evolving social business landscape.”

—**Michael Donnelly**, group director, worldwide interactive marketing, Coca-Cola

“Every business must find its way forward in today's rapidly changing world. This book details the very notion of what being social means in a new way that avoids the hype. Instead, a fascinating case is made for transforming what organizations can do with social media.”

—**Kirk Kness**, vice president of emerging solutions group, T. Rowe Price

“The business world as we know it is changing, and Peter Kim and Dion Hinchcliffe, along with the rest of the Dachis team, are leading the way! The key is understanding how the world is changing and how your business can lead the way. *Social Business by Design* will help guide you.”

—**Frank Eliason**, senior vice president of social media at Citi; author, *At Your Service*

“Launching new social practices in a big organization like L'Oréal requires a strong mind change which Peter has been our coach: *Social Business by Design* sets the stage of a global marketing change, which is above all, a change of marketing mindset”

—**Georges-Edouard Dias**, senior vice president, digital business, strategic marketing division, L'Oréal Paris

“*Social Business by Design* gets right to the heart of the social business trend. Dion Hinchcliffe and Peter Kim reveal not just what you need to do, inside and outside your company, to make social technologies pay off—they also show how to put it all together into a cohesive framework and measure the results. A must-read.”

—**Josh Bernoff**, senior vice president, idea development, Forrester Research; coauthor, *Groundswell* and *Empowered*

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Foreword

Everything that can be social will be.

I firmly believe that's the mantra of twenty-first-century business and the key concept that we must all internalize to achieve our best possible futures. Operating our businesses through a social lens presents a profound new way of thinking. Some of you will know that this trend is something now called *social business*. Most companies are taking steps toward social business, some slowly and some more rapidly. Yet virtually all organizations today need a way to make the changes on their own terms, in a way that gives them a safe path forward that ensures success. *Social Business by Design* offers you that guided route forward, step by step.

When I cofounded Razorfish as the first major digital agency back in the 1990s, it quickly became clear to me that dramatic change was difficult for large companies; it's never easy making the first move toward a fundamentally new, better way of working, thinking, and living. Fortunately, the case for *why* and *how* to effectively adopt social business is definitively and compellingly explored in the pages by my industry colleagues, as well as friends and coworkers, Dion Hinchcliffe and Peter Kirsh. I've seen both of them grapple with the enormity of the task that lies ahead of virtually all organizations today: to connect business clients with the whole of the developed world using social media, engage deeply with customers and partners in potent new—yet unfamiliar—ways, and innovate and cocreate a more effective way of working that's not just novel but more satisfying, richer, and yes, profitable for all concerned.

Uncertain economic times can have a chilling effect on innovation and the readiness for the bold moves required to lead an industry in this century. Many companies also have a hard time making the leap to new digital business models. For every SAP, IBM, or Amazon, a hundred companies are struggling in the shadows. But the writing is on the wall. I can read it clearly as a CEO, as can most of my peers in organizations large and small around the world: as you read this, the way we run our organizations is in the midst of changing dramatically.

The implications for social business transformation are writ large. Customer engagement is moving from relatively isolated market transactions to deeply connected and sustained social relationships. This basic change in how we do business will make an impact on just about everything we do. It affects where sustainable creativity and ingenuity are sourced. It defines how productive and rewarding results are created in the form of break-out new products, services, and operational constructs. And for the CxO in all of us, it also means that we now possess major new ways of driving growth, revenue, and margin. Distributed technologies operating in an open ecosystem and placed in the hands of constituents can be leveraged to create and capitalize on emergent outcomes.

It's clear to me that social media have moved far beyond a means of staying in touch with our friends and colleagues. They have become how business gets done. They have also created a highly competitive weapon in the arsenal of those who want to achieve dramatically better marketing, sales, customer service, product development, and worker productivity. The comprehensive vision that Dion and Pete lay out in this book explains exactly why organizations need to commit to the path of social business in order to survive and thrive in the very different conditions of this new millennium.

In these pages, you'll see how successful companies go outside their comfort zones to embrace new consumer methods of social media and social networking, enabling them to accomplish business objectives in revolutionary new ways that are much more scalable, efficient, and robust than in the

past. Some of these featured companies are the most respected names in their industry, and others are disrupting industries and starting their own rise. Yet these stories will also be your stories, and it's how you'll get there too: by a process of deliberate, intentional transformation.

For our part, Dachis Group believes strongly in the full-strength vision of social business as the way that organizations will work now and in the future. I invite you, after reading *Social Business Design*, to continue your explorations of this topic in our Social Business Council and track your organization's progress as it makes the transformation to the twenty-first century using our Social Business Index, our strategic online service that helps companies measure how effective their business is at being social. It can be found at <http://socialbusinessindex.com>. These are very exciting times, indeed, for organizations that are prepared to build the road ahead.

Jeff Dachis

Austin, Texas
February 2012

Introduction

Ask just about anyone today about social media, and they will probably acknowledge using Facebook, knowing something about Twitter, and admit that social media are a widespread, perhaps even global trend. Push them a bit further, and they will affirm that social media are genuinely significant somehow, but they might have a hard time pinning down exactly how or why. If you probe deeper and ask them if or how social media will transform the way businesses work, most people won't have a clear answer at all. This is entirely understandable, given that the digital world has virtually remade the means and tools of digital communication in just a few years.

Keeping track of changes and catching up to the pace of change has been hard for even the most dogged marketing manager, product engineer, customer care lead, information technology manager, C-level executive. As a recipe for making operations difficult for businesses to effectively engage their customers, workers, and the broader market in the new digital landscape, it's almost a perfect storm. Fortunately, it no longer has to be this way. As the understanding of the changes in our pervasively networked, digital world grows, we believe that organizations can, by design, make the way into the future by incorporating the powerful new ways of working that social media represent deeply into the primary functions of their business.

The shift to social media is happening all around us every day. A broad demographic change in the way that people connect and communicate, as well as work and live together, began in the mid-2000s. The change has been labeled with many names: *social networking*, *Enterprise 2.0*, *crowdsourcing*, *customer community*, *social media marketing*, and any of the other catchphrases that we explore in this book. Because of social media's different way of getting results, the exact nature of changes that they cause in businesses, organizations, government, and even our personal lives has sometimes been hard to pin down. However, they can be much more precisely and elegantly defined than even a couple of years ago. What's more, the key operating principles of social media can be synthesized into simple, easy-to-understand tenets to apply to work. These tenets are presented here for the first time.

In this book, we show exactly why and how organizations must change to survive. Among the many reasons are better financial performance, improved competitive positioning, and long-term sustainability. But accepting the importance of social media is no longer an act of faith: we lay out clear evidence in the chapters that follow that social media are not only transformational to many aspects of enterprises, but also truly better, higher-performing new ways of doing business. In Part One and Two, we present cutting-edge data matched with eye-opening examples that show how social media, when applied to the way we work, are becoming something known as “social business.”

There is occasionally concern in some quarters that social media are technology-driven phenomena and that primarily technology-oriented companies are best at adopting the new digital ways of working. The evidence here shows that this worry is overblown: virtually all organizations can access the benefits of social business, and although some of the early examples we present here are from technology companies that blazed trails, many of the best examples come from those that are as far from the technology industry as can be imagined such as consumer packaged goods company Procter & Gamble and MillerCoors, the well-known beverage conglomerate.

What then do organizations need to understand in order to begin the process of becoming a social business by design? We think it's a clear appreciation of the basic ideas, distilled in a way that is eminently comprehensible. Distributed across the first ten chapters are the clearest declaration yet

what social business fundamentally consists of, collected and organized here as ten core tenets of social business. Studying, understanding, and absorbing these ideas, designed to be approachable by anyone in the business world, free from tools, technologies, or situation, must be the objective of anyone who intends to deeply understand the subject and drive social business transformation in their organization.

Getting to Social Business

We have been fortunate enough to have seen and helped many organizations start down the road of social business, and the journey certainly can be long and arduous. Yet it's also often highly rewarding. The biggest obstacle is the encouragement and realization of real change. The hard-learned lesson is that becoming a social business requires cultural, operational, and technology changes. Of the three, the first two are by far the most time-consuming and challenging to realize, although all three require sustained, conscientious effort. Yet the examples in this book make clear that the same set of strategic changes needs to be made by all companies, even as organizations often discover they already have dozens—and sometimes hundreds—of individual social media efforts, large and small, each trying to drive the same type of transformation.

Many organizations have begun centralizing their efforts, organizing at a high level around many of the thorniest and most difficult aspects, while allowing everyone in the organization to become a social businessperson. Parts One and Two of this book lay out the strongest possible case that organizations must begin the process of moving to social business; Part Three then explores how to make it happen functionally and throughout the enterprise. Getting to social business is a deliberate, conscious process—at least for now. It's also the core idea behind this book. More and more businesses want to get there, but encouraging and enabling is really all they can do. The rest is up to the universe of participants, and that's where the story gets most interesting.

Organizations that want to take the shortest route to becoming social businesses can arm themselves with the data, examples, and approaches we present in this book, which are distilled in an actionable way as never before. We hope that your social business will become a highly successful organization that you codesign with the world.

Part One

Adapting Organizations to the Twenty-First Century

Social Media

Drivers of Global Business Opportunity

For German software giant SAP, the road toward social business started, as so many other business success stories have, with a problem. Beginning in the early 2000s, as the firm grew by leaps and bounds, acquiring companies and developing major new versions of its products, it encountered steadily increasing challenges in the ways it provided its vast network of global prospects with information and customers with vital support services and customer care. Although SAP used what were commonly accepted customer support channels such as e-mail and phone, customers were not satisfied with the timeliness or usefulness of the support they received from the company. Another barrier to growth was that prospects were having trouble determining if SAP's complex software solutions would meet their needs.

As SAP's powerful products became more complex and sophisticated, communication issues proliferated. The support needs of over 170,000 customers continued to increase, particularly in key technical areas and with new products. Clearly this issue was having a growing impact on the organization's revenue and growth. SAP's leaders realized something had to be done soon—but what? As they studied the problem, a group of managers determined that any focus on traditional communication channels would drive only minimal incremental improvement. For example, adding more staff to existing support channels had slowed but not entirely mitigated the growing customer relationship issues. SAP reached the conclusion that innovative changes, almost certainly completely new and even untried, were necessary to ameliorate the situation.

To succeed, SAP would have to devise an entirely new way to communicate with and support its customers and prospects. Whatever form a workable solution took, it would have to be able to scale rapidly on a worldwide level, be highly cost efficient, and have a meaningful and sustained business impact on customer relationships.

At the time, online communities were an emerging tool for connecting with and engaging people on topics of mutual interest. These communities were increasingly popular in the consumer world, but most businesses had little expertise or interest in figuring out how they could also drive business results. Intriguingly, online forums were proving particularly effective at organizing far-flung groups of people around common challenges, especially in the area of technology. At the turn of the millennium, the open source software community had become startlingly successful at using close-knit online communities, based on early forms of social media, to create some impressive group outcomes. Entire functioning software products had been completely designed, developed, and supported from thousands of individual contributions made entirely within the online community.

Although online communities demonstrated utility in the software industry, the business models of open source and SAP are vastly divergent. Nevertheless, SAP was intrigued by the possibility of applying new concepts to its service issues. Could the open, shared back-and-forth of online

communities deliver significant improvements to customer relationships? SAP had the resources and motivation to research the issue. In 2003, it launched an early form of what eventually became the SAP Community Network, an online community of SAP customers and stakeholders. The goal was to enlist customers and other interested parties to come together online and share ideas and solve problems. In this way, SAP could engage and mobilize the people who were smartest about using its products in the field. Customers could then work together directly and exchange valuable knowledge.

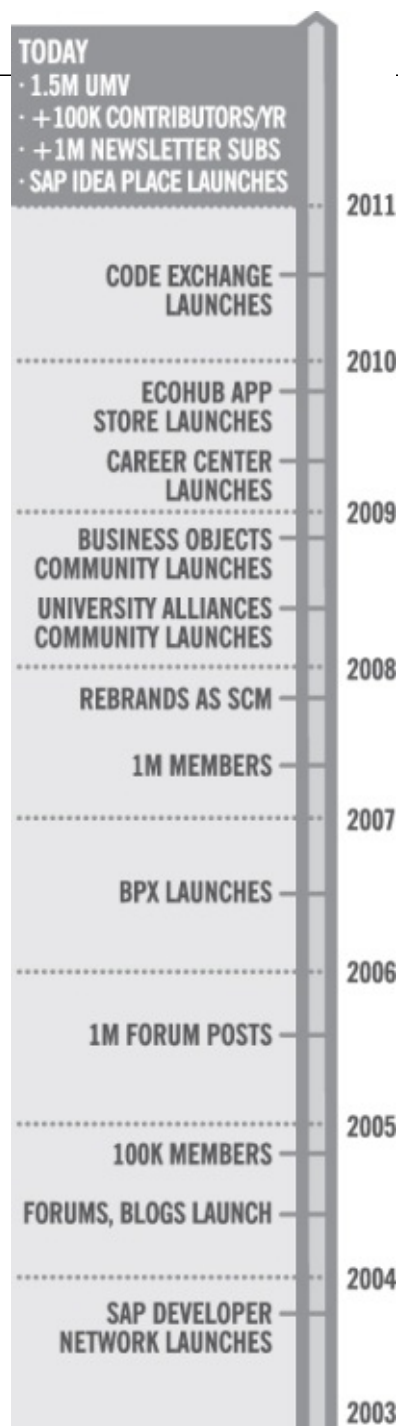
SAP noticed other companies conducting similar experiments with online communities, such as Microsoft's Developer Network, but few of these efforts could be considered large-scale successes. Consequently, far from being a definitive solution to SAP's challenges, it was an experiment, albeit one the company took seriously and made a genuine investment in. Mark Finnern, who went on to become an SAP community evangelist (a formally recognized ombudsman and champion of the service), said of the early days of the SAP Community Network: "To make it work, we knew we had to have to put the people in our company on the front line before customers would engage. It would be 90% us and 10% them at first. But we knew if we did that, it would eventually be 10% us and 90% them."¹ This required a substantial commitment of employee time across the company, but it was essential in helping kick-start participation by customers and partners.

Initially the online community was aimed at software developers from among SAP's customers and business partners who had intensive support and information needs involving SAP's products. SAP experts engaged with customers in the network, which greatly enriched the community because customers often had just as timely and useful hands-on experience as company representatives did. It wasn't long before customers began relying on the community to get key information: more than 100,000 individuals joined within the first two years. By plugging customers into the process of creating reusable knowledge, every contribution made both SAP and the community much richer and more useful. What's more, the process was repeatable, scalable, and relatively inexpensive compared to traditional customer support methods.

Eight years after its founding, the SAP Community Network consists of over 2.5 million registered users and is a vibrant hub and primary support vehicle for a wide range of SAP product lines ([Figure 1.1](#)). Benefits center around reduced support costs, driven by community sourcing of solutions to customer problems, with high-quality information delivered in a timely fashion to customers and prospects. The collective wisdom of the SAP Community Network (SCN) is now used around the clock to solve customer problems, with over 250,000 community members contributing to the knowledge base.²

Figure 1.1 History of the SAP Community Network

Note: UMV = unique monthly visitors; SCM = SAP community members; BPX = business process expert community. Ecohub is the name of the brand for one of SAP's app stores for partner products. *Source:* SAP AG



SAP regards the SCN as a strategic asset, describing it as a professional social network that drives tangible benefits for both the company and its customers. These benefits address the heart of the original problem: how to reach and assist customers and prospects better. SAP cites SCN for improving customer retention, creating efficiency, and driving top-line growth and revenue.³ Other companies have since gone on to create similar social relationships with customers, but few have been as successful as SAP or have turned it into such an essential component of their business as a sustained competitive advantage.

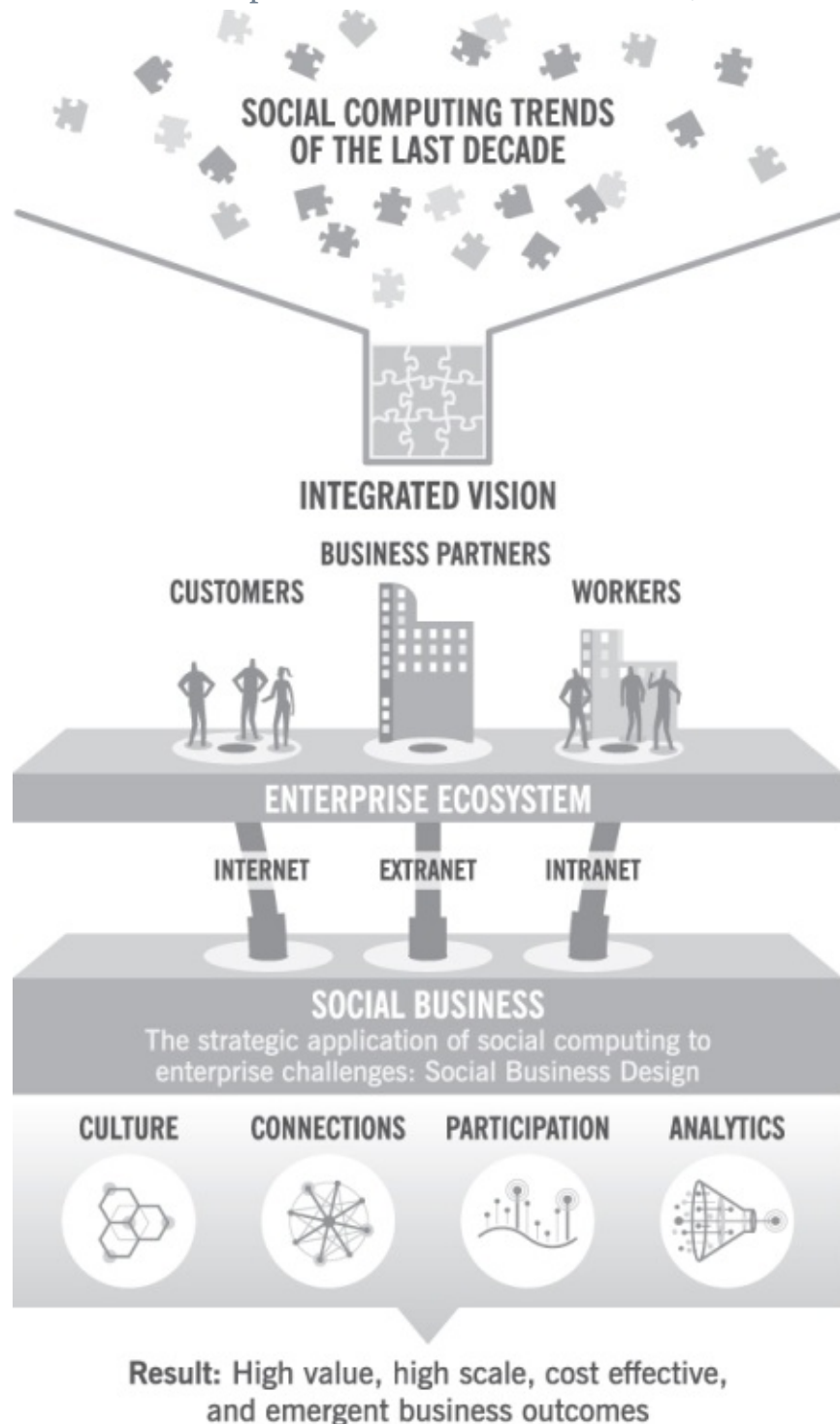
Using Social Media Strategically for High-Impact Business Outcomes

SAP's story is an important one in what the world is increasingly calling *social business*—the

intentional use of social media to drive meaningful, strategic business outcomes. As we will show throughout this book, social media can be used for significant, sustainable transformative value creation. By intentionally designing new social business models with customers, employees, and value chain partners, any forward-thinking organization can direct and guide social business efforts to access the very highest level of mutual value creation.

Until quite recently, social media were viewed either as a consumer activity, with marketing as the most useful activity for businesses to be engaged in, or something workers used inside the company to collaborate, and occasionally for product innovation or customer care. However, social media have now infiltrated practically every aspect of business operations, and perspectives have expanded to consider four major and interrelated audiences combined with all types of business activities: customers, the marketplace, workers, and trading partners (see [Figure 1.2](#)).

Figure 1.2 The Social Business Marketplace Continuum: Customers, Business Partners, and Workers



Most businesses will seek to update existing work streams and functions with social activities nondisruptively as possible. However, simply adding a few social media features to a business activity isn't going to have nearly the impact as carefully and intentionally designed improvements. Fortunately, a number of companies have been able to achieve overhauls of their existing business processes and generate significant benefits.

Applying Social Business Transformation to Existing Business Functions

Seattle-based software giant Microsoft had been in a holding pattern, struggling with the doldrums of corporate middle age. The company had a growing challenge supporting its vast network of over 180,000 software development and value-added reseller partners. Its partner network had been a strategic advantage in the software industry since at least the mid-1990s, providing an ability to quickly dispatch consulting experts to customers and prospects across a wide range of vertical industries.⁴ Microsoft created a flow of new business for partners that delivered tailored, product-specific consulting, while partners helped ensure that customers used the full benefits of Microsoft products with long-term loyalty to the company's solutions.

However, as the partner program continued to grow and diversify, its size made it difficult for Microsoft to support and engage effectively using traditional means. Worried about the state of affairs, a survey of the partners in 2009 confirmed Microsoft's worst fears: 64 percent of partners were less than satisfied with the software company. Just as damaging, the survey revealed global partner perception that Microsoft didn't value them and provided only a bare minimum of proactive communication, such as periodic formal e-mail announcements and occasional online updates—60 percent of partners expressed a strong desire for improved support and information.

Microsoft executives concluded that bold action was necessary to avoid losing the vaunted partner relationships that had been instrumental in making the Fortune 500 leader an industry juggernaut. A key insight in their analysis was that existing channels of communication had lost their effectiveness as collaboration expectations between Microsoft and its partners had risen. In response, Microsoft decided to use the same social media tools that had been effective in helping people organize quickly and effectively elsewhere in the world. Microsoft began an integrated effort to employ Twitter and launch new blogs, publishing in languages specific to the locales where they needed to reengage partners, increasing the flow of vital information, and fostering increased participation. This meant the company effectively employed a reverse version of strategy that citizens had been using to drive governmental regime change. But rather than individuals organizing to topple an institution, in this case the institution was organizing to unite with its diversified constituent base.

Within a few months, Microsoft's continuous read-and-respond strategy, consisting of close monitoring of relevant social media conversations with a matching reply in short time windows, began to turn the situation around. In the first year of the new social media engagement program, partner satisfaction levels increased by double digits to 15 percent. Microsoft experienced even better results in the program's second year, with a 17 percent increase in overall partner satisfaction. Over the same time period, a 30 percent corresponding drop in calls to the company for partner assistance provided a key cross-check that the partner program was actually turning around.⁵

It might come as little surprise that Microsoft and SAP, technology companies, have been fair

adept at applying social technology to their businesses. However, many social business transformation stories exist outside the technology industry. In fact, one of the best examples of rethinking an existing business process comes from the fast-moving consumer goods industry. Consumer products multinational Procter & Gamble found itself in a market situation similar to Microsoft's: a core product line supported by tried, true, and tired communication tactics. Old Spice, one of its best known products, was a customer favorite but losing market share, especially among young consumers, to new competitors. In response, Old Spice rolled out advertising slogans such as, "The original. If your grandfather hadn't worn it, you wouldn't exist," which did little to increase sales.

The brand management team realized that revitalizing the brand required more than new slogans generated by advertising. It came up with an idea that would use traditional media but integrate heavily with social media support. The new campaign presented an updated image for the product showcased by actor Isaiah Mustafa. New advertisements for Old Spice launched during the 2010 Super Bowl and the television commercials were posted on YouTube, with the @OldSpice Twitter account engaging with consumers in real time. When individuals tweeted the "Old Spice guy," Mustafa responded in YouTube videos, even referencing the tweets, engaging everyone from celebrities and influencers to everyday people. This type of real-time response in advertising was unheard of. Whereas ads typically take weeks to produce, shoot, and publish, Old Spice was creating new ads in hours, with a copywriter standing by ready to respond to tweets and video comments, an actor with a warehouse full of props like faux Olympic medals, and media channels that enabled rapid publishing and instant feedback.

The wide reach across traditional media kick-started social media participation, which then led to compelling two-way conversations in social media between Old Spice and consumers. Together they created a groundswell of response in the marketplace, with one estimate that the combined campaign reached nearly half of the Internet over its lifetime. The engagement numbers are impressive: on the first day, the social marketing campaign received almost 6 million views, more than President-Elect Obama's victory speech, which received nearly 5 million views. The social media campaign eventually went on to achieve 1.4 billion views after six months.⁶ However, as significant as these numbers are, it's the bottom-line results that should make business leaders sit up and take notice.

After years of declining sales and decreasing relevance for Old Spice, the new campaign helped increase sales of the product by 27 percent after just six months, a growth rate that continued to accelerate, showing 55 percent after three months and 107 percent in the month following the engaging campaign. More significant, Old Spice went on to become the top body wash brand for men, something that would not have been the case without the well-integrated traditional and social media aspects of the marketing effort. These exemplary results and significant return on investment serve as a good example of what's possible when redesigning an existing business function to be more social.⁷

Once purely a consumer phenomenon and used only by businesses for limited purposes, social media are now achieving increasingly serious business results. Early and recent adopters are realizing benefits and strategic outcomes far beyond minor increases in productivity and efficiency; they are driving significant changes in unleashed creativity and productive output with very different cost structures and investment levels than traditional business methods. In the next chapter, we begin looking at the trends that contribute to social business.

Chapter 2

Social Media

A Way of Life, a Way of Business

Businesses are learning to apply social media strategically for significant and meaningful outcomes—driving revenue and sales growth, improved customer relationships, superior and highly innovative new products, and higher levels of efficiency and productivity.¹

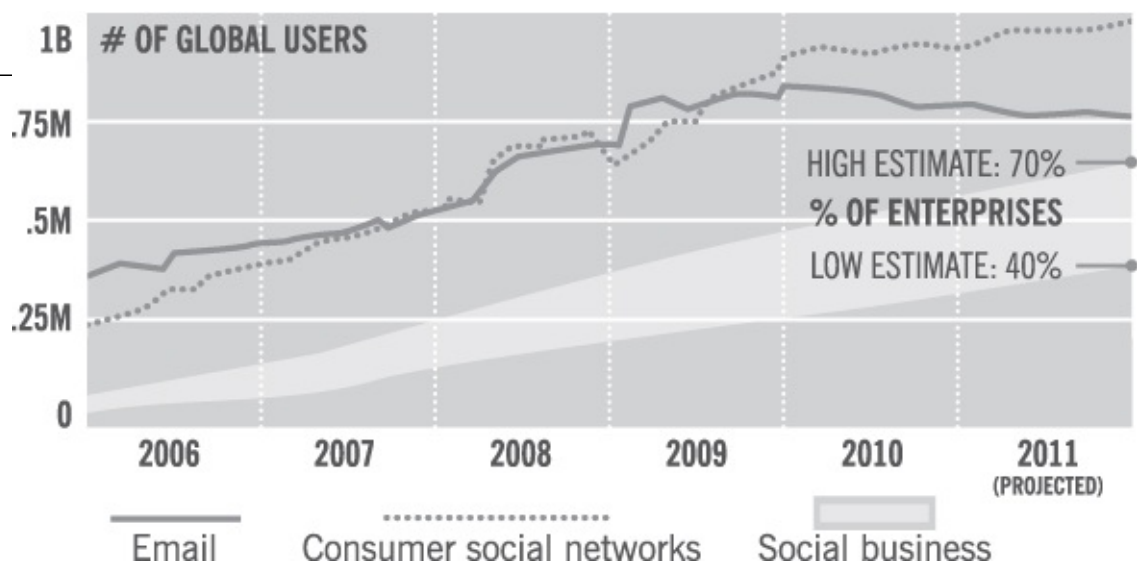
The stories in Chapter One and hundreds of others in society, business, and government—some of the most illustrative of which we explore in detail in this book—now herald the arrival of a fundamentally new form of individual power. Aided by new online technologies that enable enormous global influence at very little cost to individual actors, this new power drives collective self-determination and growing decentralization of institutions and businesses. This power shift from classical bastions of power—economic, political, cultural, and otherwise—in favor of loose organized communities of individuals has been at least two decades in the making, since Tim Berners-Lee created the World Wide Web as we know it in August 1991.

The inflection point was during the rise of popular new global social networks starting in 2007 that made the shift readily apparent to casual observers: increasingly people were choosing simpler, more natural, and open forms of communication based on something now recognized as social media, a collective form of online participation that is not controlled by any person or organization. Social media made it extremely easy to connect with almost any other individual in the world: student, celebrity, politician, athlete, or just another businessperson. Anyone could quickly and easily communicate, share knowledge, or jointly accomplish just about any common activity. Ready access to social media combined with widespread adoption in most developed nations has now almost completely eliminated the barrier for individuals around the world to come together, rally around, and actualize the ideas that matter to them most.

The consequence of such global social networking and widespread adoption of other social media—as of 2012, an estimated 1 billion people use them ([Figure 2.1](#))—is that we have entered an age of individual empowerment the likes of which has not been seen since the widespread introduction of the printed word.² A stream of highly accessible and virtually free technologies—this includes social media but also other novel methods of organizing like crowdsourcing—are transforming empowerment far beyond basic sentiment. They are putting vast, world-changing power into the hands of anyone that would use them.

Figure 2.1 The Rise of Social Media and Social Business

Sources: comScore, Hitwise, The Radicati Group, Forrester, APC, Intellicom, Nielsen Norman Group, Social Business Council, NetStrategy/JMC



To some, these trends and statements might sound like high-minded concepts that won't have much impact on the day-to-day activities of the organizations that comprise our economies and political systems. However, businesses and bureaucracies have been in the direct path of this social revolution as individuals around the world exert their newly found influence. Increasingly those in the developed—and now the developing—world are beginning to sense their ability to drive the changes that matter to them and that they would like to see realized in business, government, and other areas. In the virtual halls of the social world, consumers are engaging with each other, demanding respect, organizing, and making those who are traditionally used to one-way flows of control and power take notice and listen to them.

Like any other double-edged sword, empowerment can be employed to just about any end. The infamous Tottenham-sparked riots across London in 2011, for example, covered an entire spectrum of ways in which social media can be employed, for positive outcomes and otherwise. The rioters used social media to organize chaos on the ground as well as criminal activities. But social media also was used subsequently to identify perpetrators and coordinate the cleanup of the aftermath. Fortunately, the users of this new form of social power typically aren't sharing government secrets, overthrowing tyrants, or inciting riots. They are ordinary people who are rapidly understanding the nature of the growing power in their hands. More and more today, an organization's or government's perceived measure of authenticity, authority, fairness, trust, and good faith won't last long when the fundamental yardstick of influence is measured in real time by these very traits. Those without them will be ignored or, worse, will experience a profound loss of control over their customers, markets, and even their products and services. While this may seem alarmist wording at first reading, some of the case studies we present in this book make a strong case for the deeply disruptive yet simultaneously opportunity-rich nature of social business. Nevertheless, thus far, the transitions to social business have largely been nondisruptive.

Social business is one of the biggest shifts in the structure and process of our organizations in business history. It taps into entirely new sources of creative output (everyone on the network relinquishes structure that reduces productive outputs, and inverts methods of traditional control and decision making in work processes (anyone can contribute as long as they create value) while focusing on useful outcomes.

As a result, there's a growing sense in some parts of the business community that traditional power and control will have a hard time continuing in their existing forms. Influential business thinker and strategist JP Rangaswami has been exhorting businesses for several years to begin “designing for lo

of control” based on his experiences as chief information officer of British Telecom, one of the large organizations in the world.³ Influence and power are inexorably flowing into everyone's hands now so that all individuals have access to equally powerful tools for self-expression. Examples include user-generated media, where over sixty hours of video are uploaded to YouTube every minute, and open source software, designed by volunteers and now the leading source of software in the world. Every company now has to consider virtual competition with the entire world, not just a few large businesses, as competitors evolve faster and possess better tools, technologies, information, and methods of organization than ever before.

As we'll see throughout this book, the future of business is turning into a very different one from what it was in the twentieth century. Institutions unwilling to respond in kind with the new sensibilities and types of engagement the marketplace wants and increasingly expects will experience the consequences. For those that don't, customers and employees will soon come to distrust them, with consequences that vary but inevitably will be undesirable. Today customers who want to use a company's products can quickly consult with the collective experience of the world or broadcast their disapproval of the outcome globally for all to see. Prospective workers no longer have to take a company's assurance of what employment will be like; they can rapidly find out from people who already work there. But this new world is far from the exclusive benefit to consumers; businesses too can benefit. They can now pick and choose new partners in an open marketplace, where business reputations and prior performance are shared and visible for all to see.

To sum up the impact of all of these changes, new social models and enabling tools, combined with the means to employ them effectively, are remaking the landscape of business, society, culture, and government. This future can appear to be daunting, uncertain, and decidedly unfamiliar. But more and more, companies are studying what's happening, absorbing the lessons to be learned, and gaining competency in what's required to succeed in this new world. Even better, there are now numerous success stories of large companies that have been successful in their journey to become genuine social businesses.

Success stories of early adopters and movers and shakers are emerging in this brave new period of social business. Fortunately, our collective understanding of the mechanisms is far enough along that we can understand the broad outlines of what social business entails. The principles of social business are surprisingly simple and straightforward. Virtually every significant outcome we cover in this book is based on three essential concepts. It's primarily due to their simplicity that social business is so powerful and effective at creating sustained results for those who employ the ideas in meaningful ways. Wielding them successfully in an organization, however, requires a considerable change in the way we think about business and how it gets done.

The fundamental principles of social business can be distilled down to three basic ideas.

Social Business Tenet #1

Anyone can participate.

The processes of product development, marketing, sales, operations, customer support—in short, nearly all aspects of business—will ultimately be open, social, and participative. This applies to employees, business partners, customers, and the rest of the world and includes all possible users. Although there must be some constraints and rules regarding who gets to participate and when, in general, the more open the participation, the more superior the result. When people and their friends use the explicit connections they have between each other, participation is most vibrant and useful.

Social Business Tenet #2

Create shared value by default.

Contributors have intrinsic worth based on their inherent ability to increase overall community value through participation. Building value requires that whenever possible, contributors automatically share content with the entire community in as close to real time as possible. The individual reputations of contributors matter as well, along with the resonance of their contributions with others engaged in similar work to create a virtuous participation cycle. Most shared value is created in simple social connection and incremental contributions such as conversations; however, contributions can be complex and sophisticated as well. Individual additions of shared value are tiny but when they are aggregated into the output of millions of customers and interested stakeholders, value builds exponentially and accumulates into industry-leading outcomes. Formally, the process of automatically building shared value is called a *network effect*.

Social Business Tenet #3

While participation is self-organizing, the focus is on business outcomes.

Control in social business is ultimately embodied in those willing to participate or contribute. This can be through information, financial support, or access to expertise. It can be by anything of worth, though it's typically by the intrinsic value of the contribution alone. Although businesses can be uncomfortable with this fact at first, the control processes of social business are often not well defined. They can and will change dynamically based on the community that drives it. What separates this approach from that of consumer social media (as opposed to social business) is that while social media use the same processes and tools, the goals are solely those of the individuals. In social business, it's specifically about productive shared outcomes for all involved, as well as the business objectives the organization has for its participation. This tenet requires social media to be put to good business use, even though many other outcomes will result as well.

Sounds simple, right? Perhaps too simple and naive to produce serious business outcomes? At first glance, it seems to be a complete departure from the familiar hierarchical command-and-control processes of most businesses today. Consequently it's not uncommon for those encountering these social business ideas to demand immediate answers by business leaders to some tough questions: How can work productively get done with such open and seemingly uncontrolled processes? How does a business maintain direction, focus, control, and ownership of the results? What are the business models, and how does a social business generate revenue?

The ability to apply social business seems to work best in social media, though it's not required (social business ideas can work in many other contexts as well, such as e-mail, in-person work activities, or even executive leadership). In practice, the actors are identified very clearly—often through a user profile or other strong identification mechanism—and their activities are public and tied directly to this identity. This is a powerful accountability mechanism as well as a way to ensure proper credit and sourcing for contributions. Social networks, a popular form of social media, are grounded in identity and activity-tracking mechanisms that end up causing the three essential tenets to work simply and easily to produce surprisingly effective and robust business outcomes.

In the next chapter, we look more deeply at how to address these questions by providing examples of some organizations that have had success applying the three tenets. Because truth grounded in the

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