Social Business Transformation

How customers change your enterprise DNA

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Management Summary

Rapid changes in consumer behavior, fuelled by the ever increasing popularity of social media and the adoption of consumer technologies in the workplace, urge companies worldwide to rethink their positions. People spend more and more time online to connect and interact with friends, to publish opinions, and to purchase goods and services. Employees share their views online, strengthening or weakening the corporate brand.

Social Media is human interaction in a virtual world. Social Media is strongly related to topics such as social networking, social collaboration, micro blogging, co creation, crowd sourcing, content sharing and reputation management.

The essence of social media is human interaction. Transforming your company to benefit from new ways of human interaction, is not about a technology push, lead by new tools, new architectures and new platforms. It is a true transformation of the way you conduct business, how you relate and interact with your customers, your stakeholders and your employees. It is about being part of a huge ecosystem, where your clients, employees, and business partners are all visibly and actively interconnected.

These changes offer exciting opportunities to all enterprises. Opportunities to increase revenue, strengthen brand, reduce costs, attract the right employees, and deliver products and services according to the wishes of their customers.

- *Marketing* can be made more effective, reaching your 'social' clientele, by turning your satisfied customers into successful marketers. Active participation in discussions online, with the proper tone of voice, will allow you to strengthen your brand and prevent damage.
- *Product development* will never be the same when your customers design your products and services. Your development costs will drop.
- *Sales* will transform from being transaction focused to relationship centric, and from short term cashing to long term earning. Develop the relationship, and the transactions will follow, potentially with higher margins.
- *Production* will benefit strongly from using social business technology by making knowledge work more efficient and making it more fun, at the same time boosting knowledge sharing and creativity.
- *Customer Service* processes will take a completely different angle, when you reach out to your customers before they make an official complaint, and when your customers will become your most valued service representatives.
- *Recruitment and HR* will win the war on talent by finding the right employees at lower costs, building early relationships with potential employees, spotting and selecting talent, and stimulating involvement of your existing staff.

You can follow various strategies to execute a Social Business Transformation for your company, depending on market competitiveness and degree of 'social' clientele. You can focus on employee satisfaction, on top line growth, on cost reduction or on a complete enterprise wide transformation where you also adjust your business models and your cost structure.

1 Social Customer Behavior

People spend more and more time online to connect and interact with friends, to publish opinions and to purchase goods and services.

The purpose of this chapter is to briefly touch the changes taking place in consumer behavior, in the ways people communicate and buy services, and in emerging business models.

1.1 Changing patterns of human interaction

Talking and connecting with strangers, people you do not know, is the defacto standard in social media. The word friend, as we knew in the 20th century has shifted in meaning: a virtual friend is somebody with whom you are connected, you exchange information with, and whom you have a conversation with online. We have more relations than ever before, however these relations are weaker than before. As Mark Granovetter[1] points out, these weak ties (your friends in your social network that you do not know that well) are the ones that offer potential new relations with other people you normally would not have reached via the strong ties (real friends).

Forrester reports that in the USA, people spend 12.6 hours online each week, which is divided as: 7.1 hours of personal use and 5.5 hours for work purposes.[2] According to a report from The Nielsen Company[3], published in 2010, Americans spend nearly a quarter of their time online on social networking sites and blogs, up from 15.8 percent just a year ago (a 43 percent increase). In Europe, people spend almost 8 hours using the internet every week.[4] This is a growth of 28 percent, between 2004 and 2009. People under the age of 25 spend over 12 hours a week online. The number of online Europeans, who regularly update and maintain their profile on a social network, increased from 14 percent in 2008 to 24 percent in 2009.[5]

Every message we share with our friends on social networking platforms is public in one way or another. This offers an opportunity for eavesdropping, listening to other peoples' conversations, and provides a source of inspiration and new friendships. Traditionally, the sender decides, to whom to convey certain information. On social networking platforms, it is up to the reader whether he or she wants to take part in a conversation.

Conversations are becoming richer than text based communication. Images, videos and other rich media have become a standard in communication.

1.2 Changing expectations

Consumer expectations keep developing, constantly adapting to new needs, new possibilities and new perceptions of what is considered 'normal.' Social networking is taking expectations to new levels. Doing business successfully with online-generations requires you to play according to their rules and their tools. A few consumer drivers that are changing in a social world:

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[1] "The Strength of Weak Ties", Mark S. Granovetter, American Journal of Sociology, Volume 78, Issue 6 (May 1973), 1360-1380.
[2] Forrester, "The State Of Consumers And Technology: Benchmark 2009"
[3] Nielsen NetView – June 2009-June 2010
[4] Forrester, "A Deep Dive Into European Consumers' Online Behavior, 2009"
[5] Forrester, "A Deep Dive Into European Consumers' Online Behavior, 2009"

- **Accessibility**
  Your products and services should be accessible any time, any place, anywhere. Consumers need to be able to get in touch with you any way they like, whether this is via your website, your customer service department or through a mobile application.
- **Convenience**
  Your products and services should, not only be convenient, but also, the way you sell and provide service, should be convenient.
- **Experience**
  People will want to share the positive experience around your products and services with their friends.
- **Individualization**
  Consumers will pay more for individualized products. Consumers will expect offers based on their social networking profiles and communications.
- **Involvement**
  Social networks feed the desire of involvement. You can now involve your customers and stakeholders more intimately, and build loyalty through involvement.
- **Privacy**
  People have a strong need for privacy, which seems contradictory to sharing profiles and public communication. Respecting your customers' privacy will nonetheless be more important.
- **Time**
  Your customers' time is scarce. Save your customers' time, by making it quick and simple, to know your products and services, and to buy them.
- **Transparency**
  Transparency will continue to become more important in a social world where information is exchanged freely and publicly.

1.3 Changing decision processes

Some things do not change. The way people take decisions has been the same for a long time. Figure out what you want, and develop a desire inside, figure out ways to fulfill this desire, select the best way to fulfill it, and then do it. What is changing rapidly is how people go about these steps.

Desires are triggered either by problems, people face or by inspiration from others. This is where a strong influence from social networks comes in. People listen to their friends: what did they buy, how do they like it, what is a good price, are they satisfied with the product or the service. People tend to be influenced more strongly by opinions from within their own network, than by opinions from strangers. Asking friends for advice on how to solve certain problems has become easier than ever before. Just drop a question in your network, and an answer is bound to come up. Of course, people will still use more traditional ways, like product reviews, comparison websites, catalogs and the like. In prioritizing different ways to fulfill a desire, people will compare specifications, compare prices, and look for experiences from others, preferably within their own network. Especially, these shared experiences have gained a whole new dimension through social networking. Not only can companies provide experiences m others, they can now actively present peer reviews from within their clients' network.

New business models emerge around this: like group discounts for communities of buyers, incentives - for instance a discount on their next purchase - for happy customers to write about their experiences, and communal online shopping where people can chat online with other shoppers.

1.4 Changing Business Models

In the social media world, the relationship is the core of the sales process, rather than a tight focus on transactions. Generating cash is still key, however, with the shift towards a long term relationship, the financial perspective shifts from short term cashing to long term earnings.

A common business model in the online world is based on ancillary services. Lower the price of your core product to zero, and make your money by selling ancillary services. Customers are paying for comfort and service, but only if they want to. You have to make sure your ancillary services really add value to generate enough cash to stay in business. You will create the option for customers to define exactly what they would like to pay for. By providing customers with a more granular choice instead of all or nothing, customers can build their own experience.

Group buying is becoming more common; however, not many organizations use it to interact directly with their customers. It brings benefits for both customers and companies. The customer can get a big discount and the organization can sell more of their products in a single transaction. The core of social media are groups of people who have something in common, sometimes that is the need for a certain solution, which can be offered by a product or service. Additionally, sometimes group buying can help to discover hidden needs and desires regarding products and services. So if 8 out of 10 friends are buying product X, the last two friends who did not really consider the product, are sometimes willing to buy the product, so everybody gets a discount.

Since social groups are at the core of social media, there is a big space for marketplaces. Many conventional producers and suppliers of products and services are not using marketplaces. On the ideal marketplace, the demand and supply will define the price (and therefore also the margin). You can influence the price by having a good relationship with your prospects, as they would not mind paying more for a product or service from people they know.

Do not let your customers pay for service, rather let your customers become part of the customer service. Your customers can help other customers to solve their issues. You are just an intermediate by offering a place (and in some cases the tools) to provide these services. In return you reward those helpful hands with free upgrades, additional products etc.

1.5 Wrap-up

People spend an increasing amount of time online, talking and connecting to strangers, thus reshaping the traditional meaning of the word friend. People use their friends to interact, to find like minds, to help make decisions and to compare opinions about products and services. In the process, social and geographical barriers are broken down at tremendous speed. Richer communication via new channels is the new standard, and thanks to the huge success of mobile devices people have the opportunity to take part in these conversations, any time, any place, anywhere, with any device. Changing consumer drivers result in innovative business models. The sales focus is shifting from short term transactions to long term relationships with customers, considering and treating them as friends. A growing part of the population is part of a generation that prefers to use the online channel (including social media) to communicate with friends and with organizations.

2 Social Business Opportunities

Great opportunities emerge from changes in consumer expectations and today's social networking technology.

Opportunities to increase revenue, strengthen brand, reduce costs, attract the right employees, and to deliver products and services according to the wishes of your customers. The purpose of this chapter is to indicate some of these opportunities, as an appetizer, to allow you to develop an understanding of the potential application within your company. We will look at it from different angles specifically Marketing, Product Development, Sales, Production, Service and HR.

2.1 Marketing

As explained before, people spend more time online, and an increasing part of this time, is spent on online social media platforms. To reach out to potential customers, companies need to follow this shift and allocate a growing part of their marketing effort to online marketing. The traditional marketing channels will still be of great value, but they would not be enough to reach all your customers. Younger and future generations, can only be reached online.

But simply bringing traditional marketing theory to the online world is not enough. Consumer expectations online are different, and the mere fact that (potential) customers talk publicly about your products and services brings a whole new dynamics into the game. The challenge is to facilitate the upside and to manage the downside.

Facilitate the upside

On the upside it is great to have customers talk about your products and services. Their friends, and other people eavesdropping, will hear positive things about your product. The value and impact of such messages is much higher than any message disseminated by your own marketing department. Who do you believe more, a friend or some company? Who do you listen to with more attention and interest, a friend or some company?

You may try to carefully facilitate people to talk about your products and services, to stimulate this positive mouth-to-mouth or network-to-network communication. However, the best way to drive this conversation is to make sure you have a good product or service. In the old days, marketing could hide the dark side of a product. However, in this new age of transparency there is nothing to hide anymore.

There is one specific group of people who are likely to talk with passion and pride about your products and services: your employees. By stimulating them to participate in communities you can leverage their passion, to interest potential customers. This may require some guidelines to help them along, on how to express themselves.

Just as people talk amongst each other, your (potential) customers will also talk with your company. Again, this is becoming a public conversation. So rather than broadcasting information to your clients or target groups (one to many), it becomes an exchange of information, a dialog, where not only those actively communicating are involved but also many people are listening in (many- to- many). This requires the right skills to communicate openly, frankly and honestly about

> **"A production colleague informed us of a very negative discussion in a discussion forum. Due to a swift and adequate intervention of our communication department we were able to prevent major brand damage."**

your products and services, with a tone of voice that is appealing to your customers. A positive dialog will not only be heard today, but ten years from now, some of your future customers, may be triggered by this same dialog, and decide to try your product or service.

Manage the downside
On the downside all the same principles apply. Any negative comments or complaints will be travelling across networks at a tremendous speed and will stay online forever. To manage this downside requires a proactive attitude, finding any negative chatter even before it turns into an official complaint, and dealing with it openly. It includes, providing:
- additional factual information, when you run into conversations with incorrect or incomplete facts;
- the proper service or assistance in case of questions your clients may have;
- appropriate courtesy even though you may consider a complaint unreasonable.

Where it may take years to build a strong brand name, it can be destroyed in seconds.

The benefits
From a financial point of view, enabling positive network-to-network communication can be an extremely low cost way to get a tremendously powerful message across. Shifting part of the offline marketing budgets to online, will help to reach those customers, who can, only be reached online. Managing the downside will require more budget than before, simply because negative messages will spread faster and reach more people. Therefore, you may want to rethink your fairness policies. Integrating and streamlining your marketing efforts across all traditional and new media channels will ensure a consistent and high impact message.

2.2 Product Development
Social Networking brings two highly appealing opportunities for Product Development. First, to tailor your product portfolio more closely to match the demands of your customers, and second, to reduce product development costs by leveraging the creativity of many, inside and outside your organization.

Social Media is about people, connecting, interacting, sharing views and opinions, and helping each other solve problems. It is about communities of people with common interests. People like to express themselves as individuals, therefore, people like to acquire products and services that fulfill all their wishes and are personalized. People like to be involved and are happy to share their views and ideas when you ask them.

Listen to and engage your customers
Traditionally, many companies have customer panels, where a closed group of customers is used to run customer satisfaction surveys and to test new ideas. Today, the possibility has emerged to work with an open group of customers and to work with different communities depending on the subject. You no longer need to depend solely on your own customer panel for feedback. You can tap into existing communities; as long as you stick to the subject and ethics of that specific community. You can build your own group of loyal followers around a specific theme, to generate and test ideas. This helps to build loyal customers, and by carefully listening to the needs, desires and ideas of your (potential) customers, you will have a better understanding of: how your products and services are used, and which customer needs are not sufficiently addressed by your current portfolio. The insights you get will enable you to quickly tune and complement your offerings.

Taking this one step further is to let your customer design your products. Try out various ideas, for example designing your own t-shirt, or composing your own pc or motorbike.

"Learn to listen to your customers. They will tell you what products and services they need."

Leverage the crowd

Ideas are traditionally generated by a small number of people inside your company, and by using customer panels. While developing a new product, many small or fundamental problems pop up. What is the best way to market a new product? Who will benefit most? What materials should be used? What design has the lowest production costs? How can production quality be increased without any major investments? Traditionally, these problems are solved inside the company. Today, the possibility has emerged to leverage the creativity, knowledge, and experience of thousands or millions of people around the globe to generate ideas and tackle problems. You can now easily involve everybody inside your company, all of your customers, and even your suppliers, and the whole global community. Simply, find the right group of people, share your challenges or problems and the group will come up with ideas and solutions. Some groups will find enough reward in the recognition people get for their insights. Other communities will be triggered by small or large incentives for the best ideas. Leveraging the crowd will prove to provide you with ideas and solutions from completely different perspectives, it will also be faster and cheaper.

The benefits

Carefully listening to your (potential) customers will enable you to optimize your portfolio of products and services, which will generate more revenue. Leveraging the creativity and knowledge of the crowd will not only lower your product development costs, but also reduce your time to market, and increase your success rate.

2.3 Sales

Sales, is undergoing a fundamental change. Rather than pushing as many things as possible to your customers, the relationship with your customers becomes more important. Every customer will require attention before he will make his purchase. The customer needs this contact because the choice in products and services has become almost endless and he expects you to reach out to him when he is interested in buying the product or service. Sales, is now truly transforming from a short term transaction based process into a long term relationship based process, where not price, but relationship has become the biggest driver. You might even say: if you are not their friend, they will not buy your product.

Share customer feedback

Feedback is not only shared with your customer service department, feedback is shown publicly on pages where resellers sell your product and this feedback is provided by both satisfied and dissatisfied customers, available for everybody, who is still considering, whether he or she should buy your product or service.

Grow your audience

With the Internet the world has become more connected, and with the rise of social media, people have become more interconnected than ever.

This larger audience will lead to bigger opportunities. Not only has your reach extended beyond expectations, but your potential audience has become more vocal than ever. This has resulted in more people talking about your products and your brands than ever before. So at this very moment there are people, who are not on your payroll, but are promoting your products and services for you. They might even do it better than your sales people, since these outsiders are independent and trusted by their peers.

There are a large number of people looking for a solution for their issues. They are looking for products and services that help them in getting their things done. The great news in terms of sales is that their quest is indexed and therefore searchable by everybody, who wants to help these people.

"Within four weeks we found a solution, that otherwise might have taken us nine months."

The benefits

The group of people who can get in touch with your products and services has never been this big, and the ease with which you can contact your audience will probably not get any better. Transparency and instant feedback are great tools, which can create viral loops, resulting in increasing sales, without increasing your marketing budget.

2.4 Production

Social Business technology can bring people together, even within you company, and facilitate knowledge sharing and boost creativity.

Share knowledge

Instead of working in separate silos on cases, a more collaborative approach can lead to faster and better results. When working on cases take the collaborative approach, there are more people that can collaborate with you, and they can help you in getting information about similar previous cases. By removing the silos and by sharing the information throughout the department, you will notice that there are different dynamics, since there are more people reading the content you are working on, you can read the content of others, and you can all collaborate.

By making information searchable, you will create even more value. Having to go through piles of files in the basement looking for that specific case about that specific topic is something that is highly time consuming. Typing in your query in a search engine will provide you with results within a second. If you take your social network (your colleagues) into account, those might even be a better search engine. Each colleague, or each person in your network, can be seen as a small social search engine. When you enter a query into a search engine the answer is based on keywords, and not on the meaning of your search. The social search engines interpret your query, and also take into account: who you are, what you are working on, and other important factors. These are likely to come up with more relevant information, which enables you to get your job done.

Sharing information, making information searchable and enabling a more collaborative approach to working on cases and towards searching for information, not only saves time, but also increases the quality of the final results.

Use micro outsourcing

Outsourcing very small tasks (duration of less than five minutes) to a group of people might change the face of production for ever. Not every task has to be executed inside the department or inside the walls of the company. Small tasks, like sorting out information, formatting things, and filtering, do not require company specific or task specific knowledge and therefore are ideal to micro outsourcing via some kind of market place (for example, Mechanical Turk).[6] This way, employees can focus on their core activities, while other activities are executed by other people who might have more time, who can do it better or are simply cheaper.

Work together

Finding the right internal experts is often a tedious and elaborate process, especially in large organizations. With the use of social media, it can be done in a matter of minutes. By providing everybody with an online social profile and by letting people share their information, thoughts and work on a common platform you generate a lot of value.

Internal collaboration platforms will provide your employees a shared work space. This can result in very significant efficiency gains, because people spend less time

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[6] www.mturk.com

"The six degrees of separation, the theory that every person on earth is at most six steps away from any other person, has become the three degrees of separation."

handling hundreds of emails. By using a many-to-many communication platform, your employees can keep each other up to date on developments and they can help each other directly when needed. This will increase productivity and will reduce the need for team and project meetings, also reducing costs.

The benefits
Less meetings and emails will reduce costs. Being able to find the right people more quickly, to get support immediately when needed, and to have a better understanding of what their colleagues are working on, will increase productivity.

2.5 Service
Service starts before any transaction or interaction has taken place, pre care might even be more important than after care. Customers expect that there is a certain service from a company before the transaction is made. As soon as a transaction is made the customer expects at least the same service level as before the transaction, or even higher. It is about providing a full customer transaction from pre care to transaction to after care.

Allow your customers to provide service
Your customer service probably would not scale that well from thousand to one million requests in a week; however, customer self-service might improve your scalability. With customer service, you not only improve your scalability at peak moments, but you also reduce the total costs. Customer self-service can mean that the service is provided without human effort - meaning without labour costs: it gets even better when people who are not on your payroll will help your customers. A great example in this area is Kachiwachi on the Logitech forum, an IT consultant, who is not employed by Logitech, who managed to solve 41000 support requests on the Logitech forums. GiffGaff is also an (extreme) example: this virtual telco has no formal customer service, only customer support forums. Every request on this forum is answered within three minutes, no matter, at what time the question is asked, and on what topic it is about.

Prevent complaints
Do not wait to provide service until your customer contacts you. Start before they contact you. Customers tend to complain online, even before they contact customer service. Most conversations online can be searched, and you can surprise your customers with a solution for their issues, even before they start complaining to your customer service representative.

Therefore, go beyond their expectations and solve issues before these turn into problems. Your customers can be very vocal about problems and before you know it, your product, can acquire the reputation as an absolute failure because of one single complaint you did not pick up in social media.

The benefits
You can increase customer satisfaction by providing service before a complaint reaches your company. Facilitating customers to support one another can reduce response time and significantly lower costs.

2.6 HR
Social Business Technology can be a benefit to HR functions to improve recruitment effectiveness, and increase employee satisfaction.

Recruit talent
The HR processes around personnel start earlier and end later than they used to. Connecting people to your organization has become the first step in hiring a potential new employee. If you do not connect upfront, you may not be the first choice of this potential new hire, and he or she may choose a position with another company.

"Using a Wiki cut down our email by 90 percent", noted Richard Fahey. "Everyone had the latest version of each document, knew what changes were made when and by whom. Everyone received updates on changes which kept them fully informed of the project status. It's a much more efficient, secure and transparent way of working."

Today, it is easier than ever to do a background check on every new hire, however, keep in mind that checking on your new hires via social media is not legal in every country, and just checking the social network for drunken pictures is not the best way to select your new hires. Nearly every new hire below 30 will have some party pictures in his profile, so if you decide you want to do a background check, make sure you focus on consistent behavior, not on one time incidents. Also, take a look at what friends and other people around this person show as behavior, since it is not just about that single picture, but about a complete 360 degree view of consistent behavior of this person.

This way you van reduce your recruitment costs and become more successful in finding highly qualified and motivated employees.

Stimulate your employees
Employees are online and are talking about what is on their mind, and the organization they work for is one of the topics, they discuss. No organization can control what their employees share online, however, you can help your employees, to develop an understanding of what information can and what information cannot be shared. Your employees can be the biggest ambassadors of your organization, so you want to explore ways to enable them to promote your organization.

Participation in, in-company social media initiatives is, in fact, a source of employee satisfaction that can allow them to use their knowledge and expertise. It is challenging to solve your colleagues' queries, and to offer advice to build a company.

The benefits
Social Business Technology will help your company to find the right employees, at lower costs, and to increase employee loyalty and satisfaction, which again reduces recruitment costs.

2.7 Wrap-up
This chapter highlights the exciting opportunities emerging from today's social networking and collaboration business technology and gives some perspective and appetite to executives working in such areas as marketing, product development, sales, production, service and HR.

- *Marketing* can be made more effective, reaching your 'social' clientele, by turning your satisfied customers into successful marketers. Active participation in discussions online, with the proper tone of voice, will allow you to strengthen your brand and prevent damage.
- *Product development* will never be the same when your customers design your products and services. Your development costs will drop.
- *Sales* will transform from transaction focused to relationship centric, and from short term cashing to long term earning. Develop the relationship and the transactions will follow, potentially with higher margins.
- *Production* will benefit strongly from using social business technology by making knowledge work more efficient and making it more fun. It will, at the same time boost knowledge sharing and creativity.
- *Customer Service processes* will take a completely different angle, when you reach out to your customers before they make an official complaint, and when your customers will become your most valued service representatives.

3 Social Business Transformation

Your company is going through a Social Transformation, whether you are aware of it or not. Your employees are talking about your company online.

Your innovators are gradually introducing social business technologies in the way your company interacts with customers and stakeholders and are applying the principles of social networking to new ways of internal collaboration. Are you transforming fast enough? Your customers will not wait for you to change.

To benefit from all the opportunities, requires you to tune your products and services and the way you do business to newly emerging needs, desires and expectations of your customers. You also need to adopt new ways of working in your day-to-day business processes.

Social Business Transformation requires change on different levels, from strategy to operations, affecting people, processes and technology.

3.1 Impact
The impact on your company of the changes driven by social networking depends on many factors. For ease of reference, we will look at two factors only to develop an understanding: how social are your customers and how competitive is your market.

If none of your customers are socially active online and you do not sell online, then there will be little to no impact on your company. On the other side of the spectrum, if your company has a significant 'social' clientele and if online sales, is an important channel to you, you will probably feel the urgency to tune in, to the needs and desires of your clientele.

If your company stands alone and there are no competitors providing the products and services you offer, and there are no competing products and services, then you are free to choose whether or not to adopt social networking. On the other side of the spectrum, if it is important for you to stay ahead of your competitors in terms of products, price, accessibility and promotion, you will most likely feel the urgency to change.
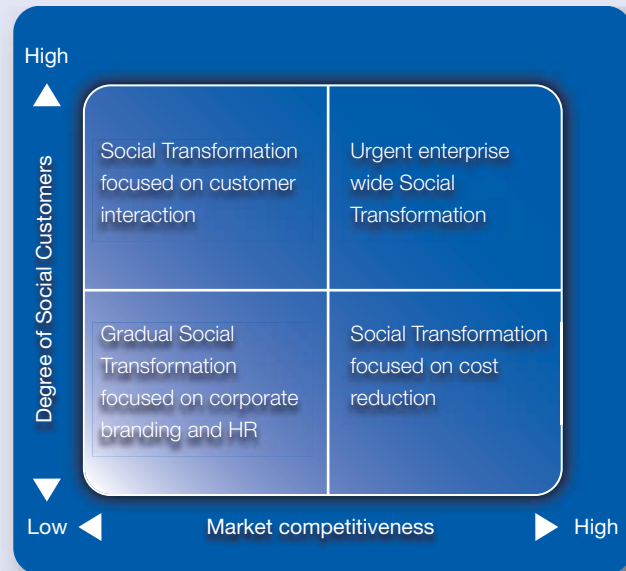
3.2 Transformation Strategies
From fig.1, a few strategies regarding Social Transformation can be derived. Please note that these strategies are oversimplified and should not be applied blindfolded.

Gradual Social Transformation
Without any competitors and without any 'social' clientele, you can still benefit strongly by adopting Social Business Technology internally.

On a moderate scale you can allow your employees to play and experiment with social media and its applications in the interactions with your customers and your suppliers. You can still choose to use the social media concepts to stimulate internal collaboration and reduce costs.

Fig. 1: Overview Social Transformation strategies

High ▲

Degree of Social Customers

| Social Transformation focused on customer interaction | Urgent enterprise wide Social Transformation |
| Gradual Social Transformation focused on corporate branding and HR | Social Transformation focused on cost reduction |

▼ Low ◀ Market competitiveness ▶ High

Even though your customers are not 'social', you may find that, part of your stakeholders, are. So you do need to look into your Corporate Communications processes and adjust them to the ways your more social stakeholders are acting. This includes Web care to manage what people say about your company, developing guidelines for your employees on: how to express themselves professionally on social media platforms, incorporating social media in corporate communication campaigns, and connecting with your stakeholders on the platform they prefer.

Even though your customers are not 'social', your new employees most likely will be. So, you do need to adjust your recruitment processes to reach out to the eager young high professionals looking for a new job on social media.
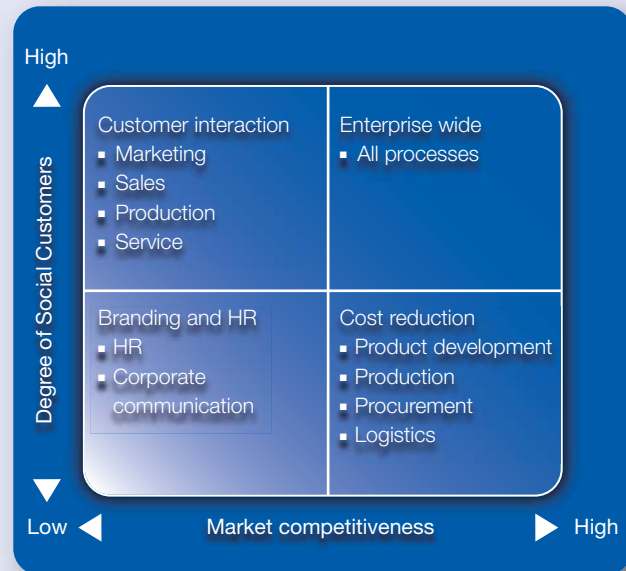
Social Transformation focused on cost reduction
To stay ahead of competition, you need to provide products and services at a price that is more appealing to your customers than competitive offerings. You want to make profit, so you want to eradicate any unnecessary costs.

In terms of cost reduction, you can increase efficiency of internal collaboration and use the power of the crowd to solve problems.

Internal efficiency can be gained by integrating social business technology for your employees to find each other, to have access to, up to date knowledge and to save time in their daily work. This can be achieved by introducing employee profiles on an internal social networking platform, by facilitating many-to-many communication for your employees so they can ask questions to the internal community and listen in, to what others say. This can be done by applying social collaboration tools to develop and manage processes, work instructions, designs and documentation and by shifting from email to a collaboration platform for all, many-to-many forms of collaboration.

Adopt the use of external communities to generate ideas and solutions for your company's problems and challenges. Develop and use customer communities, use: special expert communities depending on the subject, generic problem solving

Fig. 2: Business areas impacted by Social Transformation Strategies

High

Degree of Social Customers

Customer interaction
- Marketing
- Sales
- Production
- Service

Enterprise wide
- All processes

Branding and HR
- HR
- Corporate communication

Cost reduction
- Product development
- Production
- Procurement
- Logistics

Low ◄ **Market competitiveness** ► High

communities and social networking platforms to discuss with peers. Facilitate the proper incentives depending on the character of the community. Use available global labour market places to micro outsource relatively simple one time tasks..

Social Transformation focused on customer interaction
If some of your customers are the more social clientele, you need to serve them accordingly in terms of marketing, sales and service. You want to involve them in your product development.

You need to shift the appropriate part of your marketing budgets to social media marketing and adopt a 'social' mindset in your communications. Become part of those communities where people talk about your companies, your products or your services. Make it appealing for people to talk positively about you within their personal communities.

Tune your sales strategies and sales processes for selling on social platforms. Incorporate business applications: that will allow you to sell your products and services on social platforms, to profile your customers and target segments, to analyze online behavior, to monitor online conversations, to facilitate peer reviews, and to reward loyalty.

You will want to develop proactive service processes to spot complaints before they are made, also facilitate and monitor communities where your customers can provide service to each other. Use the opinions of your (potential) customers across social platforms to tune your products and services to changing demands, and to develop new ones. Actively involve your customers when developing new products and services so you develop a thorough understanding of their problems and issues. This way you fully benefit from their needs, ideas and insights to develop the best products and services for them.

Enterprise wide Social Transformation
If a significant part of your customers are the more social clientele and competition is knocking at your customers' door, you hopefully are well on your way with

the Social Transformation of your company. All, the before mentioned strategies are applicable and there is no time to lose. In addition, considering how new business models will emerge and your ecosystem will be constantly changing over time, you will want to empower your company with the proper amount of agility to stay on top.

New business models are being brought to market all the time. You will introduce new ones yourself and you will learn and adapt successful business models from others. In this context a business model represents the way value is added and cash is generated.

Changes in your business model generally require you to modify your marketing and sales processes. Often they bring changes in production, and virtually always ask for changes in your billing processes. So the proper degree of flexibility in these processes will give you agility regarding your business models. However, flexibility is expensive, so you will need to carefully weigh opportunity versus cost.

Your ecosystem is and will be constantly changing. In this context your ecosystem represents all entities your company is related with, like clients, legislators, regulators, suppliers and business partners. We will focus on the latter two for the remaining of this section.

To introduce a new product or service you may work with a new business partner. You constantly select the best suppliers, which, means saying goodbye to some, and hello to others. Making changes in your production processes may result in a new balance of the work you do within your company and the work you had done through suppliers.

Changes in the companies you do business with as suppliers or business partners, generally, require you to modify your operational processes, supplier management processes, and accounting. Especially, if it involves new products or services you are launching. So, the proper degree of flexibility in these processes will give you agility regarding your ecosystem.

To be and remain agile, you do not want too much cash to get stuck inside your company. Creating an ultra flexible costs structure, with OPEX rather than CAPEX, will strongly support your flexibility. Purchasing the services you need with volume based pricing will get you up and running quickly, with minimal risk. Here again, you will need to carefully weigh the benefits in terms of time to market, lower risks and higher flexibility, against the fact that it may cost you more.

3.3 Transforming people, processes and technology
Whatever your situation and whatever your transformation strategy, you will need to make sure that your employees, your processes and your technology are adequate.

People
Changing the way you think is arduous. Changing the way other people think is impossible. What you can do is to provide the conditions for people to change the way they think. Any Social Transformation has a lot to do with changing the way you and your employees think.
- *Listening to your customers*
  The paradigm shift is about the way you engage with and listen to your customers. Do you really care what your customers say? Do you really believe customers know best? Are you truly willing to leave all the fun you have generating new ideas to your customers?
- *Communicating with your customers*
  The paradigm shift is about the tone of voice in your communication, about being open to criticism and about being aware that others are listening in forever.

Do you belittle your customers when handling questions or complaints? Do you consider criticism an opportunity for improvement or a threat for your job? Are you aware that you are communicating with thousands of (potential) customers and not just one?

- *Representing the company*
  The paradigm shift is about loosening the control, and the power of communicating about the company. All employees are using social media both privately and professionally. Is the Corporate Communications Department the only one that can communicate sensibly about the company? Are your employees aware of the 'do's and don'ts' of communication on social media?
- *Fading borders*
  The paradigm shift is about, the outside of the company becoming the inside, and the inside becoming the outside. Do you honestly believe that outsiders can come up with a solution that is better and faster? Can you ever guarantee the quality of service, if you outsource part of the production?
- *Defining success*
  The paradigm shift is about appropriate management styles and targets. Do you need to hold tight control or should you empower your employees and give them freedom? Do you believe in design and execution or rather in seeding and growing? Should profit be the key KPI for social media marketing, should it be number of mentions and likes on social networking platforms, the number of return customers, or would it be better to look at the number of transactions it generates?

Reaping the benefits of Social Media requires work to be done. New roles emerge and need to be assigned to existing or new functions. Typical new roles are about: managing communities externally and internally, actively scanning communication on social networks for leads, looking for clients in need of service, active brand management, platform support, social media analytics, and disseminating information across social media.

Processes
The fact that your business processes need to be adjusted to completely benefit from the opportunities social media offers you, will no longer come as a surprise to you.

Processes that may be new to your company: Community management, Co-Creation and Crowd-sourcing, Web care and Social Recruitment.

Processes that most likely will need tuning: Sales, Customer Management, Corporate Communication, Product Development, Production, Billing and Accounting.

Technology
Even though social business transformation is not about technology, it has its impacts in this area.
- *Technology for Gradual Social Transformation*
  In this quadrant, there is no requirement for big technology changes, because it is a gradual change with a focus on branding and HR. In this quadrant there is no need for specific analytic tooling.
- *Technology for Social transformation focused on customer interaction*
  If you need to focus on customer interaction, you will need to extend your technology stack to support this. You will need to extend your CRM to go beyond traditional channels and embrace social media. Also, you need tooling to monitor conversations and analyze what is going on. Most of the new technologies are an extension of your existing technology stack regarding customer interaction. A tight integration with existing tooling is important to make sure there is consistent customer experience across all channels.

- *Technology for Social Transformation focused on cost reduction*
  An important driver for cost reduction is to allow people to work together more efficiently. You will need technology to enable interaction with colleagues on a regular basis such as social networking solutions. With these platforms your employees can connect more often with one another and get to know what is important for them. They can tap into ongoing discussions, and use it to enable knowledge sharing and idea generation.
- *Technology for Enterprise wide Social Transformation*
  A full Social Transformation has the biggest impact on your technology landscape. In addition, to the technology required in the areas of Sales and Internal Collaboration: you will need to connect sales to production, you need the technology to work with changing business partners, you will require the flexibility to use different pricing models, and you will require a full suite of social media analytics and business management information. All of this requires a high degree of security, reliability and flexibility.

3.4 Wrap-up

Depending on your customers and your market competiveness, you can follow different Social Business Transformation Strategies. Focus can be on HR and corporate branding, on Sales and Marketing, on Cost Reduction, or on Enterprise wide transformation.

Transforming your company will require the right mindset of your employees, it will bring new roles and functions and new processes need to be organized, while others need adjustment. You will need to put technology in place to facilitate external and internal social communication, to extend your sales and marketing to social networking platforms, to connect with the operations of your business partners, and to support new pricing and business models.

Epilogue

The essence of social media is human interaction. To benefit from all emerging opportunities requires you to change the way you conduct business, and the way you relate and interact with your customers, your stakeholders and your employees.

Human interaction is changing inevitably. You can choose the speed and degree of change required by your company. Some of your customers and stakeholders have already changed and they will not wait for you.

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