

MARCH 2014



Jean-François Martin

BUSINESS TECHNOLOGY OFFICE

Organizing the networked enterprise for change

Executives confirm that companies' use of social tools is mainstream, though untapped value remains. The companies reaping the greatest benefits are especially good at implementing organizational practices that enhance these tools' value, but even they have room to grow.

**Jacques Bughin,
Michael Chui, and
Lindsay Pollak**

Year after year, majorities of participants in our research on social technologies have reported that their organizations use such tools in their business and that they see measurable benefits as a result—and according to our latest survey, these patterns continue.¹ For the first time, though, the percentages of companies adopting these technologies and reaping related benefits seem to have plateaued. In 2013, 82 percent say their companies use at least one tool in their business (compared with 83 percent in 2012 and 72 percent in 2011), and 87 percent of those executives report at least one measurable benefit (compared with 90 percent the previous two years).

Nevertheless, the most recent results suggest that there are considerable opportunities for further adoption, within companies and with

customers and business partners. They also shed new light on what the companies that reap higher-than-average benefits are doing right. According to executives, the organizations deriving the greatest internal *and* external benefits from using social tools (what we call “fully networked” enterprises) implement specific practices that support organizational changes, such as role modeling and building capabilities, more comprehensively than all others. The fully networked organizations are also more likely to establish formal strategies around the usage of social tools; taken together, these practices and strategies create an environment that's better suited to achieving value from technologies. While there are still significant constraints on realizing the full potential of these tools,² all organizations could be doing more. The responses affirm that companies have much

¹The online survey was in the field from June 11 to June 21, 2013, and garnered responses from 2,609 executives representing the full range of regions, industries, company sizes, tenures, and functional specialties. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

²According to the McKinsey Global Institute, the implementation of social technologies could improve the productivity of knowledge workers by 20 to 25 percent. For more, see *The social economy: Unlocking value and productivity through social technologies*, McKinsey Global Institute, July 2012, on mckinsey.com.

Takeaways

Although companies' embrace of social technologies seems to have plateaued, there's still significant opportunity for further adoption, a McKinsey survey shows.

Executives say organizations could see greater benefits by using more social tools and by using them with customers—but mind-sets and behaviors must shift to facilitate change.

To continue capturing value, companies will have to formalize their social strategy and set high aspirations, among other efforts.

more to gain from social technologies and that adopting some key practices can create measurable advantages.

Adoption plateaus, with room to grow

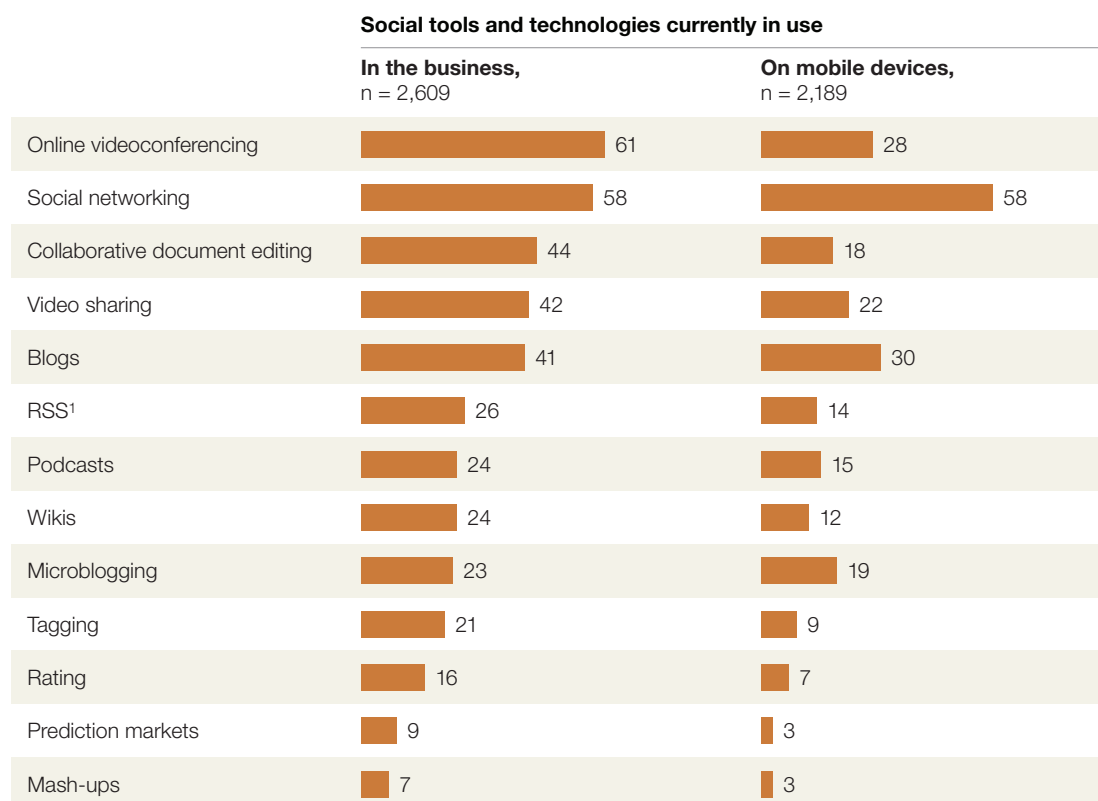
The shares of companies using some kind of social technology in their business, overall and on mobile devices, is high but leveling out.

Eighty-two percent of respondents say their companies use at least one tool (compared with 83 percent in 2012), and 67 percent report the use of at least one tool on mobile (compared with 65 percent in 2012). The most commonly used tools—videoconferencing, social networking, and collaborative editing—are the same as we saw the previous year (Exhibit 1).

Still, there's room to improve the percentages of employees who use these tools. Four in ten

Exhibit 1 Videoconferencing and social networks are used most often in the business.

% of respondents

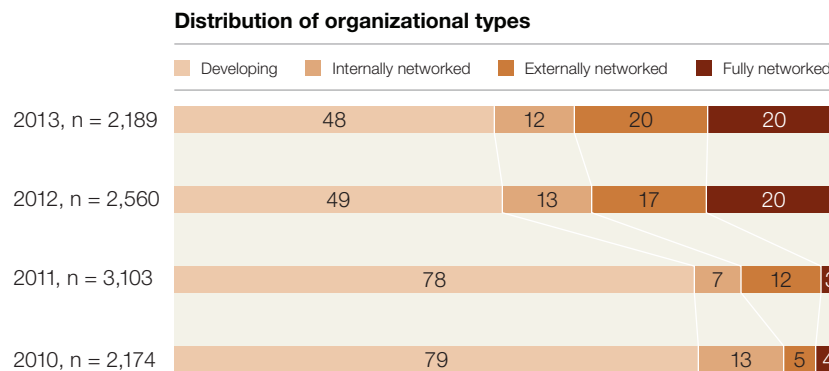


¹Really Simple Syndication.

Exhibit 2

One-fifth of organizations are ‘fully networked’ and see outside benefits from internal and external social interactions.

% of respondents¹



¹Figures may not sum to 100%, because of rounding.

³In the 2013 survey, 87 percent of respondents say their organizations see at least one measurable benefit from social tools, roughly the same share as in the previous three surveys.

⁴After the 2012 survey, we reported that 10 percent of respondents worked at fully networked organizations and 29 percent at externally networked enterprises. These figures resulted from a methodology that was inconsistent with what had been used in previous years, and they have been revised accordingly. See Jacques Bughin and Michael Chui, “Evolution of the networked enterprise: McKinsey Global Survey results,” March 2013, mckinsey.com.

⁵Based on the average level of improvements in reported business benefits, internally networked organizations see outside benefits from their social interactions among employees, while at developing organizations, respondents report lower-than-average improvements across all social interactions at their organizations.

respondents say at least half of their companies’ employees use social networking for work, but less than 30 percent say the same about all other technologies. There are also opportunities to increase external use: 76 percent of executives say their companies use social technologies with customers, but on average their companies interact with only 38 percent of customers via social tools. Meanwhile, just 44 percent report using social technologies to communicate with partners, suppliers, or outside experts.

A vast majority of respondents continue to cite business benefits,³ while the mix of enterprises where executives report higher-than-average benefits, either internal or external, is consistent with 2012 results. One-fifth of companies qualify as fully networked organizations (Exhibit 2), those reaping the highest improvements in benefits from their technology use with internal and external stakeholders.⁴ Similar shares of organizations as in 2012 qualify as “internally networked” and “developing,” and a slightly larger share

are now “externally networked” (which see outside benefits from social interactions with customers, partners, and suppliers).⁵ On specific benefits, executives cite roughly the same improvements from their technology use as they did in 2012 (Exhibit 3).

Implementing the tools of change

Yet even at the fully networked companies, executives indicate that social tools offer further opportunities. Their responses help explain the difference between companies reaping the greatest benefits and all others: thoughtful application of the key tactics of organizational change and of strategies for using social tools.

Effective use of technologies is an organizational transformation in its own right that, in our experience, requires a shift in user mind-sets and behaviors. These shifts are best achieved

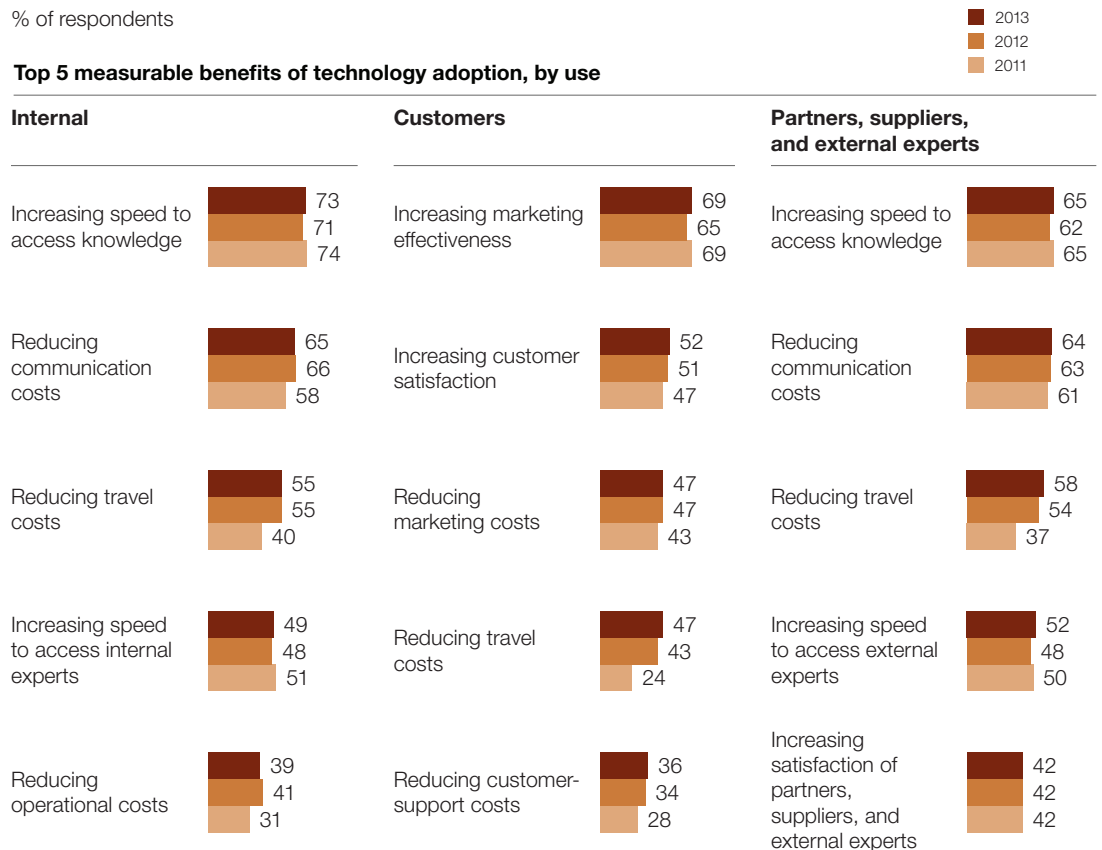
through the “influence model,” a guideline for sustainable change that includes four key practices: using aligned systems and structures to reinforce change, role modeling, building capabilities, and fostering understanding of and commitment to change (see sidebar, “More on the influence model”).

The 2013 survey included questions to measure the link between the four practices and companies’ social-technology use. As the model would suggest, the executives from fully networked enterprises report that their organizations implement each of the practices more

intensively than all other companies do (Exhibit 4). Additionally, the more practices a company has introduced in an intensive way, the likelier it is to be fully networked and reap outsize internal and external benefits (Exhibit 5).

At fully networked organizations, 65 percent of respondents say employees in at least two levels of their companies are role modeling effective use of social tools (compared with 37 percent at developing organizations), and these organizations are the most likely to have people role modeling in most positions in the enterprise (Exhibit 6). Fully networked

Exhibit 3 Year over year, internal and external benefits stay consistent.



organizations are also the most likely to reinforce change through systems and structures: 46 percent of executives at these companies say tools are highly integrated into employees' day-to-day work, while just 19 percent say so at the developing organizations that are not seeing any outsize benefits.

On capability building, the share of respondents at fully networked companies who report the use of three or more methods to train employees on social tools (out of eight we asked about) is nearly twice the share at developing or externally networked organizations. To measure commitment to change,

More on the influence model

Based on four key principles, the influence model was designed to address the shifts in mind-sets and behaviors that, in our experience, are a prerequisite for successful organizational change—whether it's taking advantage of new social technologies in the business or a large-scale redesign of the organization's overarching structure.¹ The most effective change programs incorporate complementary, consistent actions based on the following principles, which we tested for in the survey:

- **Aligned systems and structures.** Companies can reinforce change with formal mechanisms by adjusting organizational structure and processes to align with the changes, setting performance goals for individuals and the organization as a whole, and motivating people to perform, based on the new, changed vision. The underlying assumption is that employees will change their behavior if the systems reinforce the desired change.
- **Role modeling and leadership.** Company leaders can role model changes by setting examples of desired behaviors in day-to-day interactions, enlisting help from influential stakeholders to shape behaviors, and ensuring that teams' work and interactions

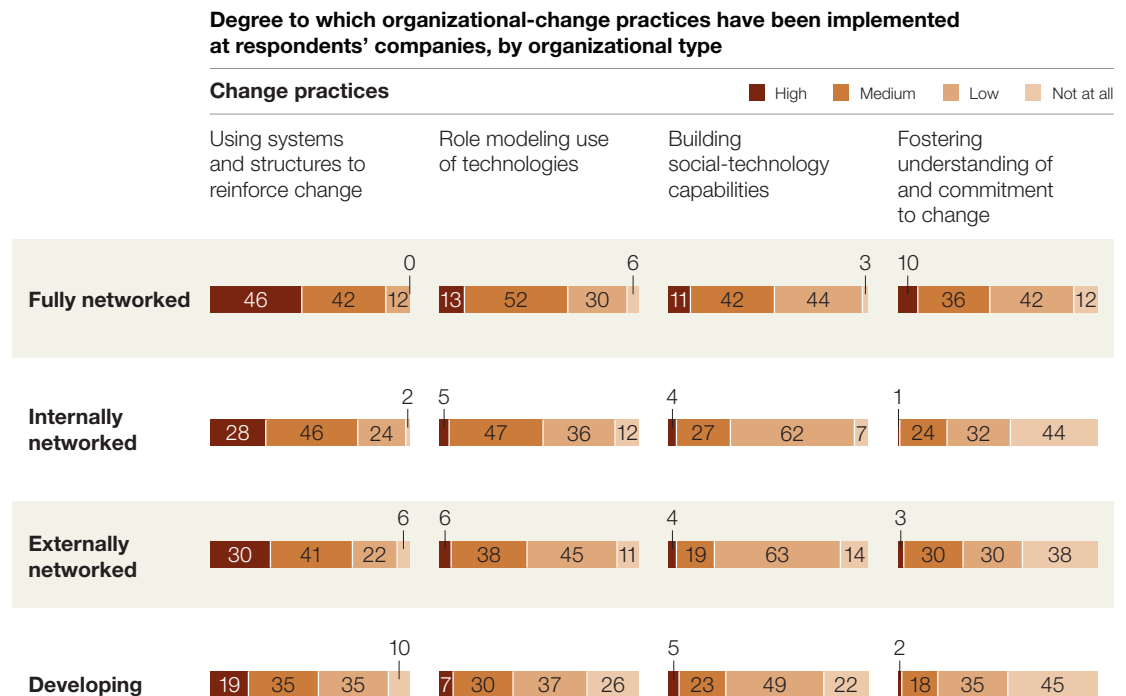
are in line with the changes. The underlying assumption is that employees will change their behavior if they see their leaders behaving differently.

- **Capability building.** Companies can develop talent and skills by evaluating the performance of employees in key positions, reducing attrition of high-performing individuals, and offering a range of development and training opportunities that reflect the changes and the new skills employees might need to perform as a result. The underlying assumption is that employees will change their behavior if they have the skills to behave in the new way.
- **Understanding and commitment.** Companies can foster understanding and commitment by articulating key elements of the "change story" to all levels of the organization, making sure employees know why changes needed to happen and how they will be supported, and tracking the story to make sure it is relevant to the overall agenda and people's day-to-day work. The underlying assumption is that employees will change their behavior if they know what they need to change—and if they want to do it.

¹For more, see Carolyn Aiken and Scott Keller, "The irrational side of change management," *McKinsey Quarterly*, April 2009, mckinsey.com.

Exhibit 4 Fully networked companies most rigorously implement the actions that support organizational change.

% of respondents¹



¹Figures may not sum to 100%, because of rounding.

the survey asked which of four related statements describe respondents' companies; 46 percent of fully networked executives agree with at least two statements,⁶ compared with just one-fifth of those at developing companies.

Beyond the influence model, companies' deliberate strategy decisions matter as well. According to executives, fully networked enterprises are nearly twice as likely as developing enterprises to have a formal company-wide strategy for social-technology use. What's more, the fully networked respondents are three times more likely than those at developing companies to say three

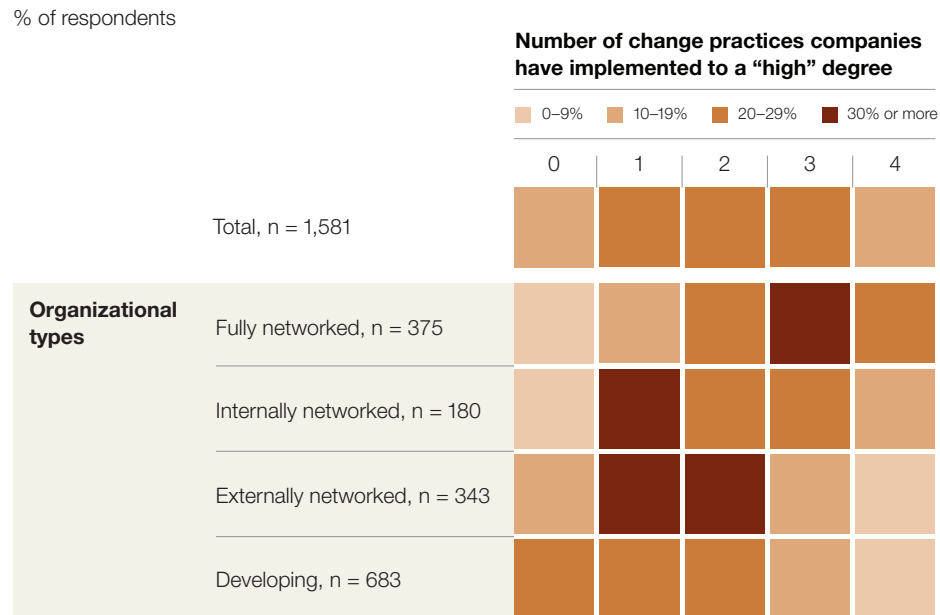
or more of their individual functions (out of seven) have formal social strategies.

More organizational barriers to overcome

Executives expect that in the coming years, social technologies could enable large changes in organizational and management processes. But respondents still identify large gaps between the possibility for change at their own companies and at a company with no constraints on its technology use. As in the past two surveys, respondents believe that

⁶The four statements related to understanding and commitment were as follows: "The use of social technologies helps my company and its leaders cocreate and share our mission and vision," "Employees need to share information with each other and are rewarded for doing so," "My company helps employees understand how social technologies can affect their role or their work," and "Because of the company's efforts to foster understanding of social technologies, employees believe they can do their job better using these tools."

Exhibit 5 The more intensive pursuit of change activities links to greater benefits from social tools.



at their organizations, scanning the external environment, finding new ideas, and managing projects are the processes with the greatest potential to change through the use of social tools.

We took a closer look at executives who responded in 2011, when we first asked about future organizational changes, and who work for companies that are now reaping more benefits from social technologies than two years earlier.⁷ Compared with their responses in 2011, these respondents are now less likely to expect their own organizations' processes (with the exception of project management) will evolve due to their use of social tools. What's more, the gaps between potential process changes at their own companies and at hypothetical organizations without constraints have grown

since 2011. There are some possible explanations for the growing disparity—for example, that executives are finding these changes difficult to implement, that changes take time to translate into measurable value, and that companies that have made strides have only scratched the surface, so executives believe that much more change is possible.

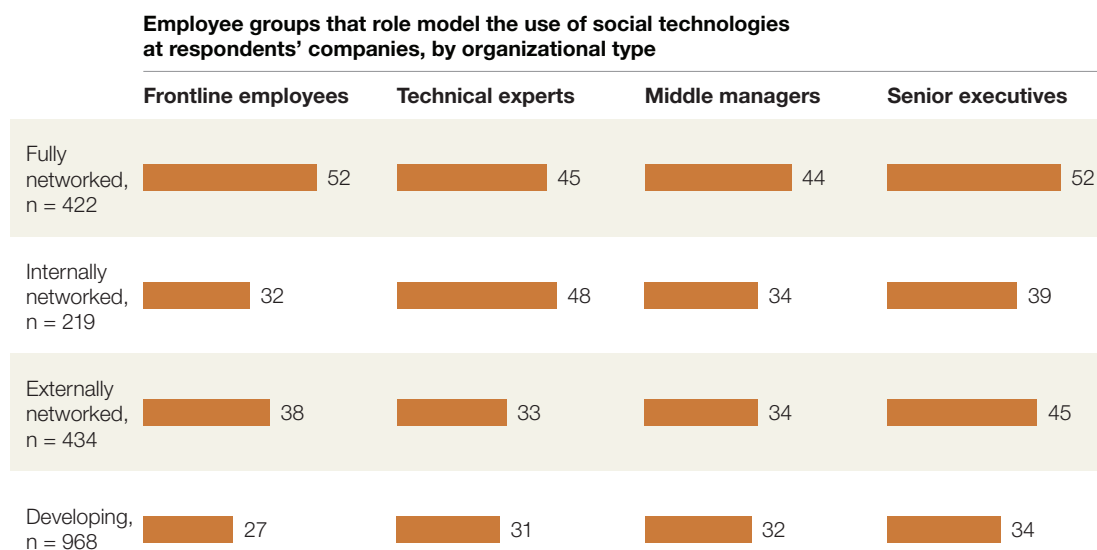
Looking ahead

- **Focus on organizational levers.** To continue reaping real benefits from social tools—and to use them even more rigorously, to capture more value—companies at all stages of usage will have to back their deployment of the tools with the practices that support organizational change. In doing so, companies should examine how each

⁷For example, these would include organizations that fell into the “developing” category in 2011—based on respondents' reporting of the scope of benefits their companies received from their use of social technologies—that are now either internally, externally, or fully networked.

Exhibit 6 More frontline employees, middle managers, and senior executives at fully networked companies role model the use of social tools.

% of respondents



element of the influence model can be best applied to enhance the value they capture from their use of social technologies.

- **Formalize strategy.** The fully networked organizations seeing the greatest social-related improvements are also the most likely to have thoughtful, comprehensive strategies for technology use. Given the experimental nature of social technologies, it's not possible (or even advisable) to think through all of their applications. But companies can still plan for their use of these tools, decide how to integrate them into important business problems, and determine where they can add value as early as possible.

- **Set high aspirations.** While some companies are reaping the full benefits that social tools offer, many others should aim higher. Most companies could profit by reconsidering what's possible beyond their current use of technologies. Managers may find that making small strides in increasing value can result in a whole set of potential benefits they did not see initially—whether it's making specific processes more efficient, improving their workers' overall productivity, or changing the competitive landscape in their industries. ○