

THE EVOLUTION OF SOCIAL TECHNOLOGIES

Leading companies have passed through three distinct phases of organizational usage. What should we learn from them?

by Martin Harrysson, Detlef Schoder, and Asin Tavakoli

Since the dawn of the social-technology era, executives have recognized the potential of blogs, wikis, and social networks to strengthen lines of company communication and collaboration, and to invigorate knowledge sharing. Many leaders have understood that by harnessing the creativity and capabilities of internal and external stakeholders, they can boost organizational effectiveness and potentially improve strategic direction setting. But they have also found that spreading the use of these new technologies across the organization requires time to overcome cultural resistance and to absorb the lessons of early successes and failures. Social technologies, after all, raise new sensitivities, seeking to breach organizational walls and instill more collaborative mind-sets.

McKinsey's long-running research into enterprise use of social technologies provides a unique vantage point for examining the nature and pace of this evolution. Surveys of more than 2,700 global executives over each of the last ten years have probed technology diffusion within organizations and the patterns of technology adoption.¹

Our review of survey data spanning the years 2005 to 2015 suggests three distinct, progressively more sophisticated phases of usage. Companies in our sample began with trial-and-error applications—for example, using social platforms such as YouTube to expand their marketing mix to attract younger consumers. They then switched their focus to fostering collaboration. Most recently, some have deployed social

technologies to catalyze the cocreation of strategy. Across this spectrum, we also found that companies shifted the mix of technologies and expanded the terrain of application.

Climbing the learning curve

Exhibit 1 tracks how companies' choice of social tools, the boundaries of their

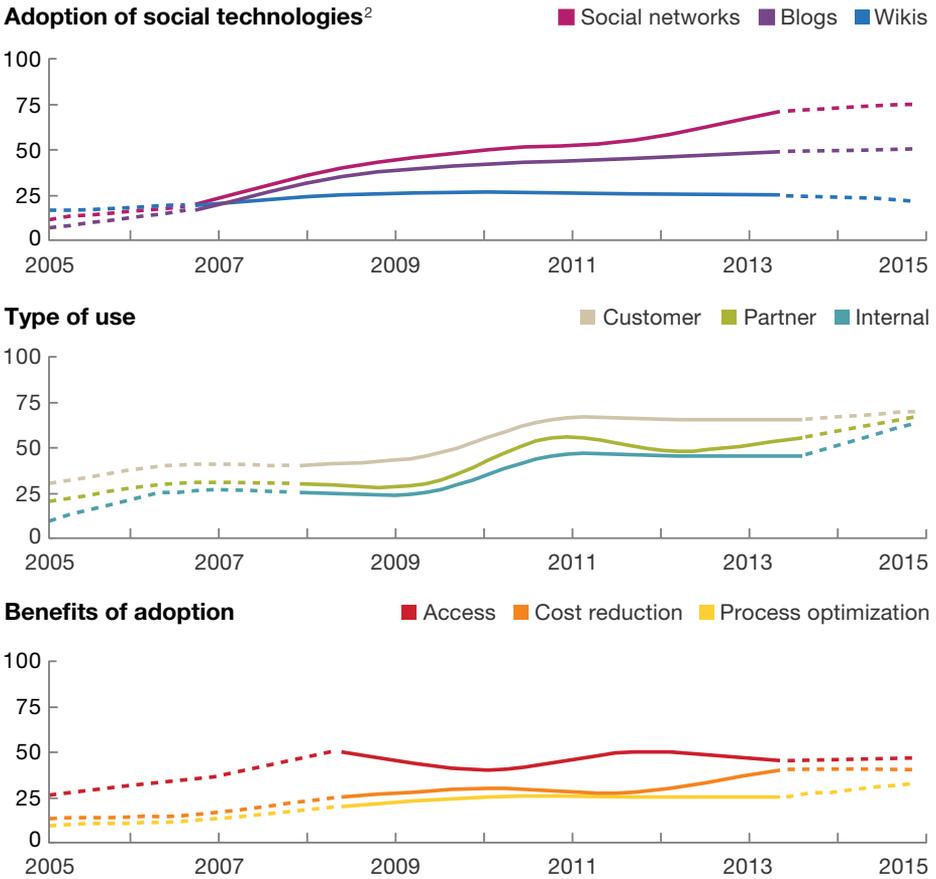
usage, and the benefits of applying them have evolved over the period. We found that overall adoption is plateauing. (McKinsey's Jacques Bughin, using this longitudinal data, described a similar pattern for "Enterprise 2.0" tools in a 2015 *Quarterly* article.²)

Social-networking sites (such as Facebook and LinkedIn) and microblogging platforms

Exhibit 1

Companies' approaches to social technologies have evolved over time.

% of respondents, dashed values estimated¹



¹Estimates derived from those respondents who answered questions about future and prior use of social technologies; not all respondents did so.

²Net adoption adjusted for technology churn

Source: McKinsey Enterprise 2.0 surveys of 2,750 global executives over each year from 2005 to 2015

(such as Twitter and Yammer) remain the tools of choice in the pursuit of broad communication and collaboration. After an initial spate of enthusiasm, the adoption of blogging as a leadership-messaging tool leveled off. Wikis have had less impact historically, and their use has stalled. We also found clear evidence that social networks have expanded and become better integrated, with companies first moving to interact with customers, then creating networks linking both employees and outside stakeholders.

Finally, we observed benefits from adoption. The most widespread was greater access to knowledge and to experts within and outside the enterprise. More recently, companies have achieved cost reductions—for example, through more efficient internal communications and the use of video and knowledge-sharing platforms to engage with customers remotely rather than traveling to see them. The multiplication of knowledge channels drove process improvements such as faster time to market and improved product and service quality.

Three stages of enterprise usage

As these technology choices and capabilities evolved, we found that they defined three periods of usage. This evolution is dynamic, with some companies at the leading edge and others catching up (Exhibit 2).

Tryouts

Beginning in the mid-2000s, companies began testing social technologies within

business units and within functions such as marketing to improve critical functional tasks. Marketers used Facebook or YouTube to acquire new customers or for interactions with existing customers, for example, to build relationships with social influencers.

Collaboration and knowledge work

Our data show that starting around 2010, a more collaborative approach emerged, with advanced companies adopting internal platforms such as Chatter, Connections, and Yammer to connect employees. Two-thirds to three-quarters of respondents during this middle stage said they were using social technologies to foster more collaboration, gather insights, or manage knowledge systematically. For example, companies searched pools of knowledge and talent across the organization to assemble project teams with relevant expertise.

Strategic insights

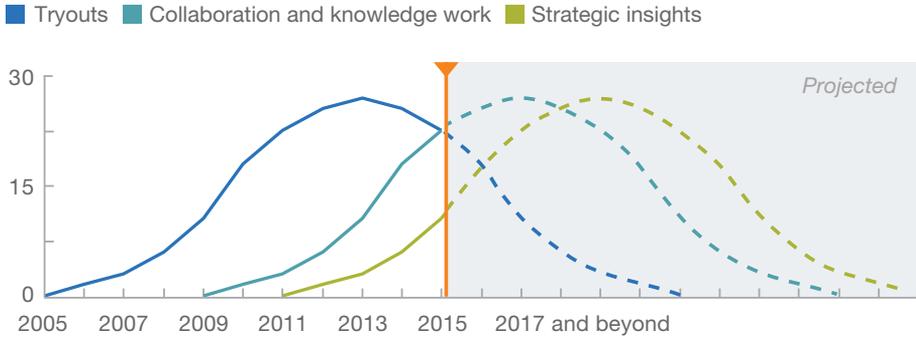
In the most recent evolutionary phase, social technologies have been supporting and shaping strategy, opening up to wider participation and scrutiny in an area that has long been considered the preserve of an organizational elite.³ Technology usage has matured at many companies that have forged internal and external networks, encouraging a range of stakeholders to participate in strategy development.

As part of this broadening base of participation, companies are encouraging enterprise crowdsourcing—systematically looking both inside and outside the organization for innovative new ideas

Exhibit 2

The evolution of organizational approaches to social technologies appears to be moving through three phases of usage.

Patterns of social-technology usage, % growth rate by pattern, dashed values estimated¹



Rising strategic value	2008–10	2011–13	2014–16
% of organizations using social tools for strategy development	20	25	30
% of organizations making decisions and setting strategic priorities from bottom up	16	18	25
Top 3 appropriated technologies for developing strategy	Prediction markets Video sharing Blogs	Prediction markets Collaborative document editing Social networks	Social networks Wikis Video sharing

¹Curves in graph are based on tool usage sorted by purposes/benefits and reflect a normal distribution; projected values are based on responses to operational/tactical usage and insights from other new-technology adoption curves.

Source: McKinsey Enterprise 2.0 surveys of 2,750 global executives over each year from 2005 to 2015

for problem solving and augmenting products and services. LEGO is one well-known example of a company that has embedded crowdsourcing into its innovation processes, and it is far from an outlier. More than half of the surveyed organizations see further blurring of boundaries among employees, vendors, and customers as social technologies create new processes for marshalling ideas.

and transparency on a strategic level has emerged only lately. Nearly half of respondents in recent surveys said they were using social technologies to develop competitive intelligence, while a quarter said they were using the tools to develop strategy or marketing plans. Thirty-seven percent said they were using social technology to cocreate and share the organization's mission and vision in some manner.

While this openness to crowdsourcing on an operational level is becoming more common, greater inclusiveness

Daimler's Business Innovation Community (BIC), launched in 2008, is an example of an open strategy initiative

enabled by social technology. Charged with developing new business models in a transparent, inclusive way, BIC set out to identify new growth areas beyond car manufacturing. Some 30,000 registered practitioners have posted 2,000 ideas in BIC's digital space. After several successful pilot projects and spin-offs, such as new mobility concepts (for example, car sharing and end-to-end journey management) powered by mobile apps, Daimler now is planning a follow-up to the initiative.

Companies in our study that have tried to set strategic priorities from the bottom up report a flattening of management hierarchies and in some cases deeper employee involvement through allocation of resources using social-voting mechanisms. Forty-seven percent of executives said that such democratization of strategy would intensify over the next three to five years.⁴

Many companies are climbing the ladder in their use of social technologies. Continuing the expansion of their strategic role will open more pathways, allowing executives to tap new sources of creativity. It also will require a deeper understanding of the risks and unexpected outcomes that are part of a more porous and inclusive strategy-setting environment. We hope this ten-year perspective offers leaders who may feel behind the curve a view of what to expect on the way up. 

¹ We surveyed, on average, 2,750 global executives over the period 2005–15. We asked them about the social-media technologies they had adopted, how they were used within the organization, and the benefits they derived from their usage. Respondents represented a wide range of industries. Articles describing findings based on several of these annual surveys are available on McKinsey.com.

² Jacques Bughin, "Taking the measure of the networked enterprise," *McKinsey Quarterly*, October 2015, McKinsey.com.

³ Daniel Schlagwein Detlef Schoder, and Asin Tavakoli, *Open strategy: Consolidated definition and processual conceptualization*, 2015 International Conference on Information Systems, December 13, 2015, aisel.aisnet.org.

⁴ For additional ways companies are deploying social technologies strategically, see Arne Gast and Michele Zanini, "The social side of strategy," *McKinsey Quarterly*, May 2012, McKinsey.com; and Arne Gast and Raul Lansink, "Digital hives: Creating a surge around change," *McKinsey Quarterly*, April 2015, McKinsey.com.

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The authors wish to thank Michael Chui and Daniel Schlagwein for their contributions to this article.

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