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# Capturing business value with social technologies

**As these powerful technologies shake up productivity and growth across industries, they will create new organizational imperatives.**

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Social technologies, in their relatively brief period of existence, have found favor with consumers faster than previous technologies did.<sup>1</sup> It took 13 years for commercial television to reach 50 million households and 3 years for Internet service providers to sign their 50 millionth subscriber. Facebook hit the 50 million–user mark in just a year and Twitter in nine months. Sweeping cultural, economic, and social changes have accompanied this accelerated pace of adoption by the world’s consumers.

Companies, too, have adopted these technologies but have generated only a small fraction of the potential value they can create. An in-depth analysis of four industry sectors that represent almost 20 percent of global industry sales suggests that social platforms can unlock \$900 billion to \$1.3 trillion in value<sup>2</sup> in those sectors alone. Two-thirds of this value-creation

opportunity lies in improving communication and collaboration within and across enterprises. Frequently, these improvements will go well beyond the areas many companies have focused on to date in their social-media efforts: connecting with consumers, deriving customer insights for marketing and product development, and providing customer service.

Since social features can be added to almost any digital application that involves interactions among people, the range of uses is immense and measurement correspondingly challenging. Thus, we cast a wide net. We studied several hundred cases of organizations using social technologies around the globe. In addition, we examined the patterns of knowledge work within organizations and drew insights from data covering several years of surveys involving thousands of global executives on the ways their companies use social technologies. Our analysis of success-

<sup>1</sup>We define social technologies as products and services that enable social interactions in the digital realm and provide distributed rights to communicate and add, modify, or consume content. They include social media, Web 2.0, and enterprise collaboration technologies.

<sup>2</sup>In this article, value means economic surplus, not net present value.

## Takeaways

Some leading companies have gained consumer insight by tapping into extensive online communities. Our research shows that interactive product campaigns that deploy social technologies can increase the productivity of advertising expenditures by as much as 30 to 60 percent.

Highly educated knowledge workers often remain sequestered in their specific units within sprawling global operations. Collaboration among these employees could greatly increase their effectiveness.

The potential for social technologies to create value through collaboration varies by industry but is greatest for professional services.

ful uses served as a basis for modeling potential improvements across the value chain.

Of late, some bearish sentiments surround social technologies after disappointments for several companies in the capital markets. It's worth noting, however, that today only 5 percent of communications occur on social networks.

Moreover, almost all digital human interactions can ultimately become social, and jobs involving physical labor and the processing of transactions are giving way, across the globe, to work requiring complex interactions with other people, independent judgment, and the analysis of information.<sup>3</sup> As a result, we believe social technologies are destined to play a much larger role not only in individual interactions but also in how companies are organized and managed.

## Productivity possibilities

We estimate that using social technologies to improve collaboration and communication within and across companies could raise the productivity of interaction workers by 20 to 25 percent (Exhibit 1). These dramatic gains would occur thanks to shifts in the way these workers communicate—from using channels designed for one-to-one communication, such as e-mail and phone calls, to social channels, which allow for “many to many” communication.

Specifically, our research indicates that interaction workers typically spend 28 percent of each day (13 hours a week) reading, writing, and responding to e-mails. A huge amount of valuable company knowledge is locked up in them. As companies adopt social platforms, communication becomes a new form of content, and more enterprise information can become readily accessible and easily searchable rather

than sequestered as inbox “dark matter.”

Employees will be able to find knowledge in the organization more readily and to identify experts on various topics, given the expertise implied by their patterns of social communication. We estimate that 25 to 30 percent of total e-mail time could be repurposed if the default channel for communication were shifted to social platforms.

E-mail is just the beginning. Companies could also raise the efficiency of the large part of the day—roughly 20 percent—that knowledge workers spend searching for and gathering information. In fact, our analysis suggests that a searchable store of social messages could allow employees to repurpose 30 to 35 percent of their information search time.<sup>4</sup> Unisys, for instance, has started along the path to capturing value in this way: 16,000 employees around the world have joined a company-wide social network, and ten social communities provide ready access to specialized expertise from around the company to resolve technical problems.

Capturing these technologies' full potential to improve collaboration and communication, however, will require organizational change and new management approaches, which often take time to implement.

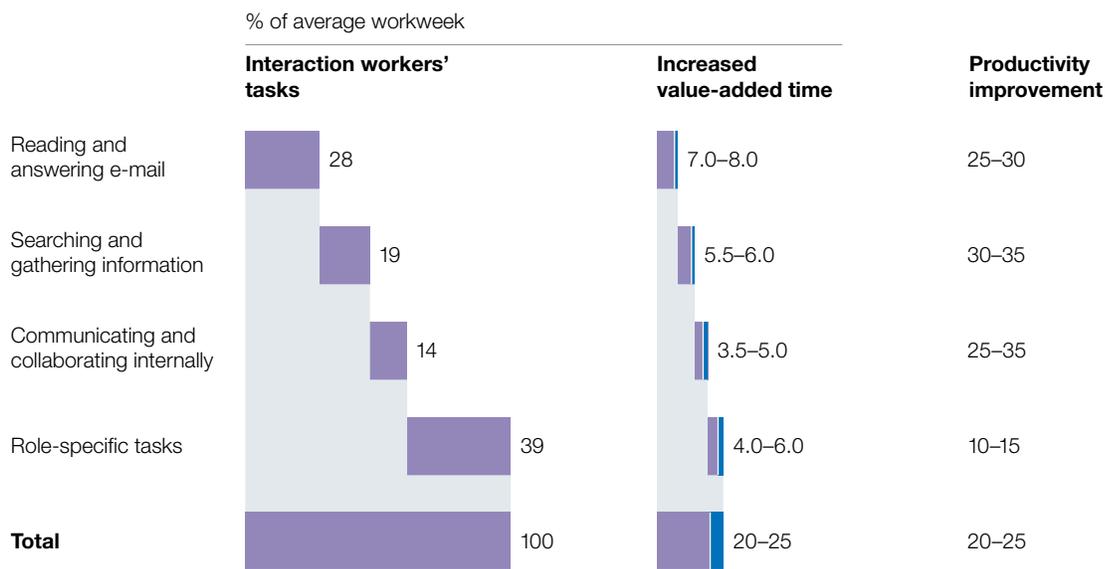
## Adding up the business benefits

Besides these productivity opportunities from improved collaboration, social technologies offer a wide range of business benefits in additional areas—including consumer marketing (for instance, in industries such as automotive and consumer packaged goods, or CPG), customer service, and even fraud detection

<sup>3</sup>See Scott Beardsley, Bradford Johnson, and James Manyika, “Competitive advantage from better interactions,” *mckinseyquarterly.com*, May 2006.

<sup>4</sup>Estimates of the number of hours interaction workers spend on various tasks are based on McKinsey proprietary data and on IDC survey results. For methodological details and for more on the research underlying this article, see the full McKinsey Global Institute report, *The Social Economy: Unlocking Value and Productivity Through Social Technologies*, *mckinsey.com*.

### Exhibit 1 Improved communication and collaboration through social technologies could raise the productivity of interaction workers by 20 to 25 percent.



Source: IDC; McKinsey Global Institute analysis

(in sectors such as insurance). To understand the full company-level potential of social media, we examined four major sectors: CPG, advanced manufacturing, professional services, and consumer-facing financial services. Within each sector, we quantified the value potential in five functional areas—R&D, operations and distribution, marketing and sales, customer service, and business support<sup>5</sup>—as well as uses that cut across the enterprise and its functions (Exhibits 2 and 3).

#### Consumer packaged goods

CPG companies have been among the early adopters of consumer social media, both to engage customers and to derive insights. However, substantial gains could arise from additional applications, particularly in market-

ing and sales, where these companies spend an average of 15 to 20 percent of their revenues. Some leading companies have gained the same level of consumer insight, at only 60 to 80 percent of the previous cost, by substituting insights from extensive online communities for more traditional marketing panels and focus groups. Interactive product campaigns that deploy social technologies, our research further shows, can increase the productivity of advertising expenditures by as much as 30 to 60 percent. New, collaborative forms of engagement with customers can improve product development too, both in speed and level of understanding. Kraft, for instance, discovered key consumer insights and significantly reduced times to market for 48 new South Beach Diet products by enlisting communities of nutrition experts and potential consumers.

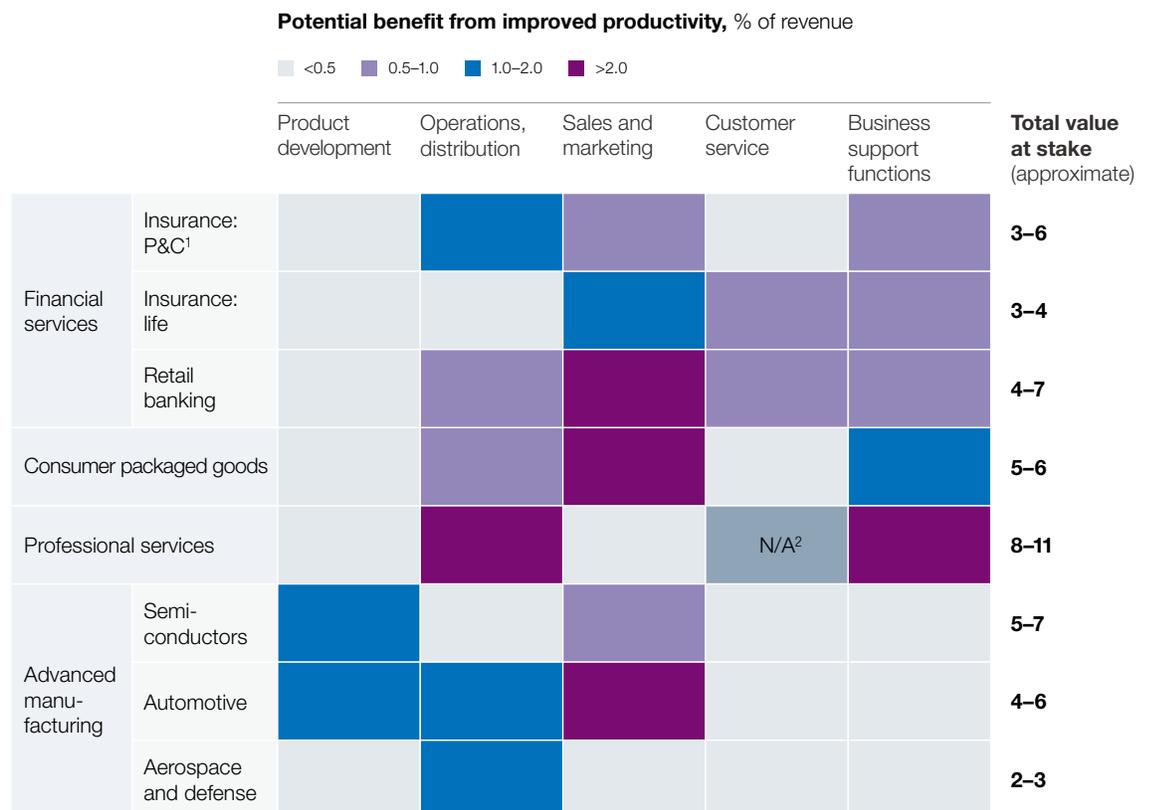
<sup>5</sup>Business support functions are corporate or administrative activities, such as HR or finance and accounting.

### Advanced manufacturing

We found significant opportunities for tighter collaboration in the three advanced-manufacturing industries we studied—semiconductors, aerospace, and automotive. Highly educated knowledge workers, though central to R&D operations in these industries, often remain “siloeed” in their specific units within sprawling global operations. Collaboration among such employees across organizational boundaries could increase their effectiveness. Supply-chain operations in semiconductors and aerospace

frequently require a high degree of collaboration and knowledge sharing within and beyond company boundaries in the manufacture of specialized components and complex subsystems. Pre- and postsales customer support in these industries often involves ecosystems where information can be exchanged among knowledgeable customers and company personnel, and collaboration tools can facilitate this sharing. Texas Instruments, for example, uses social platforms to share design information with engineers at client companies, tailoring products to their needs while avoiding costly overdesign.

## Exhibit 2 Social technologies promise to unlock value in major sectors of the economy and across a range of functional areas.



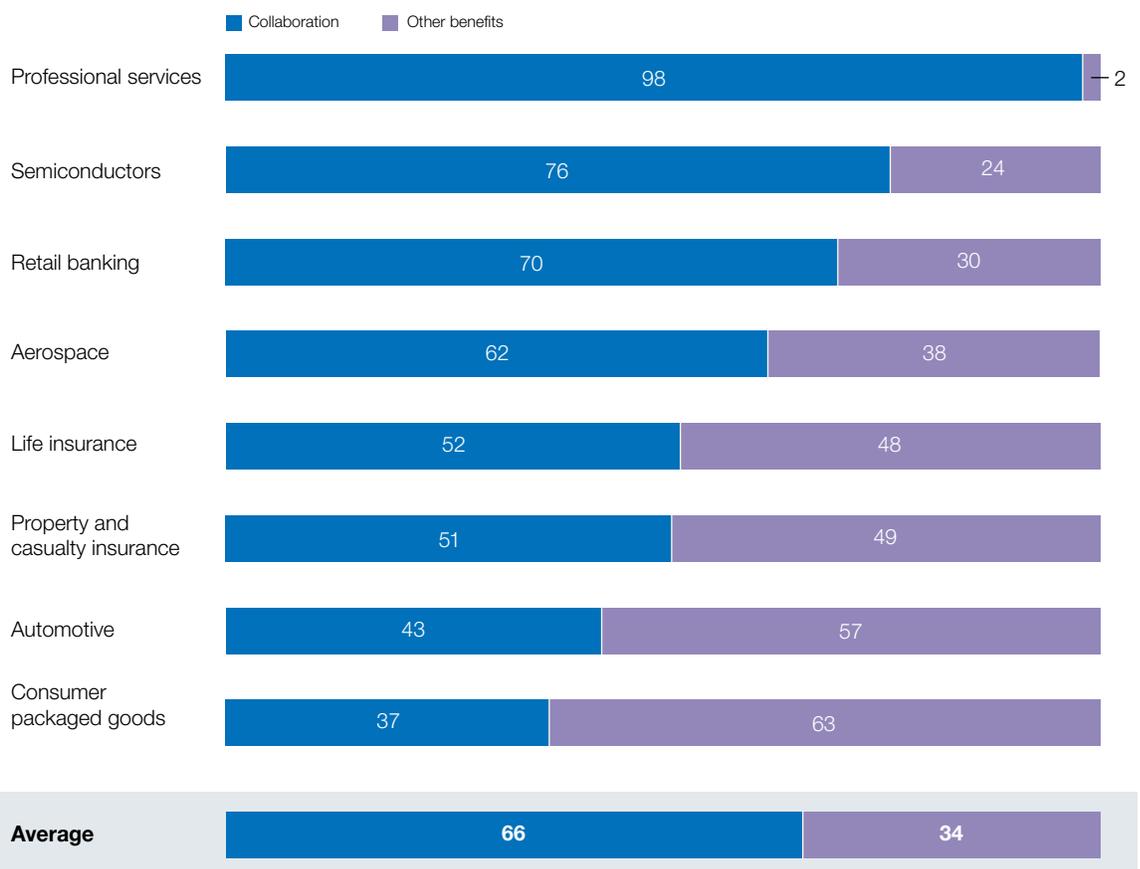
<sup>1</sup>Property and casualty.

<sup>2</sup>The activities associated with providing direct services to customers are captured under “Operations, distribution.”

### Exhibit 3

## The potential for social technologies to create value through collaboration varies by industry and is greatest for professional services.

Share of total benefits, %



Automotive is a somewhat special case of advanced manufacturing, in that the end customers for finished products are consumers. Consequently, companies have a significant opportunity to use social technologies for marketing and for deriving consumer insights. Kia Motors, for example, designed more comfortable seats and increased the space of the cabin in one of its models after learning that consumers in social forums found the cabin cramped and uncomfortable.

### Professional services

Interactions with colleagues and clients lie at the heart of how professional-service firms, such as advertising, accounting, engineering, and consulting businesses, create value. Productivity gains from the effective use of social technologies could be correspondingly significant, principally by reforming internal work flows and by providing meaningful real-time interactions with customers. Management resistance and

legitimate fears of breaching client confidentiality are factors limiting the potential of social technologies, executives say. Of course, this resistance comes at a cost: service providers risk failing to satisfy the rising demands of clients, some of which could be further along the social-media learning curve than they are.

Innovations are emerging, however. Some entrepreneurial firms are experimenting with social networks to cocreate new services with their clients, speeding up knowledge access and implementation. One London engineering firm uses social platforms to manage project communications with road contractors. Disruptive new business models are appearing as well. At Choosa, a global design firm, clients post requests for proposals on a company social platform. The work is crowdsourced to contractors, who submit competing design proposals.

### Consumer-facing financial services

In retail banking, life insurance, and property and casualty insurance, social technologies can help improve service delivery, reduce costs, and enhance the customer experience. Consumers are increasingly open to using these channels for easier, more transparent interactions with their financial institutions. New processes are surfacing across a sector often typified by organizational complexity, siloed personnel, and fragmented processes that stymie collaboration, innovation, and efficiency.

To improve collaboration and communication not only across an extensive branch network but also with headquarters, TD Bank, for example, deployed a social platform for 85,000 employees. One result: a reduction

in the number of phone calls, meetings, and unwanted e-mails. Insurance broker Friendsurance has launched a social platform that allows potential customers to form insurance groups (think Facebook friends) that lower costs. (The groups themselves insure lower-cost claims and crowdsource administrative tasks.) Movenbank has targeted 50,000 customers in a novel Facebook-based institution that will be branchless, as well as paper and plastic free. Clients will use the bank's Web site and their own mobile devices for transactions, and an intelligent system called CRED will advise on financial matters and analyze customer information for credit decisions.

### 'Next practices'

Because the landscape is evolving swiftly and remains largely uncharted, a universal set of prescriptions for business leaders to follow in exploiting these opportunities has yet to emerge. Furthermore, there are risks to be managed, including concerns about productivity-dampening distractions, privacy, the potential loss of proprietary information, and reputational issues.

Some companies have begun to develop a body of knowledge on how to use social technologies for applications such as marketing.<sup>6</sup> However, for most applications of social technologies—particularly enhancing collaboration and communication—we recommend that instead of focusing on *best* practices in the early stages of the journey, executives should be open to discovering *next* practices, to which broader principles apply:

- Since these are social technologies, the decisions that will make the most difference often won't be about the choice of the technologies

<sup>6</sup>See Roxane Divol, David Edelman, and Hugo Sarrazin, "Demystifying social media," *mckinseyquarterly.com*, April 2012.



themselves but about how to encourage interactions among people. Social technologies can bring the scope, scale, and economics of the Internet to human interactions, but a successful transformation will ultimately rest on practices and culture. The companies that have the greatest successes will be those with cultures conducive to broad collaboration and sharing.

- Activities appropriate to one organization may not succeed in another with a different workforce, competitive context, or customer base. Purposeful experimentation that tests an array of practices and technologies will therefore be crucial. Testing minimum viable products to determine what works should help companies learn and implement the right practices for them while they develop new “muscles” that allow the organization to pivot quickly and opportunistically to new models.<sup>7</sup>

- Creating a critical mass of participation is crucial, and companies will need to nurture self-reinforcing cycles of adoption. Bottom-up use of technologies is essential, but our research also has shown that role modeling and vocal support by leaders can be decisive. In addition, technologies should be baked into employees’ day-to-day work flows, or usage will probably decline after an initial burst of interest.<sup>8</sup>



While the adoption of social technologies is growing rapidly, huge untapped potential for them to create value remains. Companies open to the principles and practices we have outlined here can begin to exploit these possibilities and may find that the resulting gains form the basis of a competitive edge over their rivals. ○

<sup>7</sup>Eric Ries, *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, New York: Crown Business, 2011.

<sup>8</sup>See Michael Chui, Andy Miller, and Roger P. Roberts, “Six ways to make Web 2.0 work,” *mckinseyquarterly.com*, February 2009.

For the full MGI report on which this article is based, see *The Social Economy: Unlocking Value and Productivity Through Social Technologies*, [mckinsey.com](http://mckinsey.com).

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