Keynote comment

The social enterprise: Building a digitally driven business to gain competitive advantage

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Abstract Since the millennium, social media have grown from a teenage fad to an essential business platform. Social media have permeated enterprises, transforming the ways they engage with customers, partners, employees and other key stakeholders. Today, businesses that execute a digitally driven business strategy enjoy a significant competitive advantage in the marketplace. This paper provides a framework for businesses to create a digital strategy and develop an enterprise-wide engagement capability. It then uses specific examples drawn from a variety of industries to illustrate how marketing, customer service, product development and human resources can harness social platforms to build deeper customer relationships, innovate new products and services, and attract and retain talent.

KEYWORDS: social enterprise, social business, digital business strategy, enterprise-wide engagement, social activation, social innovation

INTRODUCTION

Think back a decade ago to a time when the phenomenon now known as social media did not exist. Back then, there was little dialogue between brands and their customers. Advertisers controlled the media and the message. Average citizens lacked platforms for voicing opinions, sharing experiences and connecting to the world.

Fast forward to today: 1 billion people on Facebook, 500 million on Twitter, 4 billion hours of videos watched monthly on YouTube, 75 per cent of the world’s population with mobile phones. News and information, opinions and entertainment are disseminated globally in mere seconds. From childhood, the millennial generation has grown up sharing its likes and dislikes around the clock and across the planet.

In the beginning, most businesses dismissed social media as a teenage fad. But as time passed and the number of users skyrocketed, the power of the social web became too great to ignore. Brands like Dell, Comcast, Nestle and United Airlines learned the hard way that, in an
increasingly digital world, failure to heed customer concerns could injure their corporate reputations and jeopardise sales in a flash. More positively, Starbucks, Ford, IBM and GE learned that social media could facilitate product innovation, strengthen employee engagement and open up new avenues for building customer loyalty.

In fact, time has shown that the more deeply an enterprise integrates the social web into the fabric of its organisation, the greater the source of competitive advantage. Benefits span all functional areas — from sales and marketing to service, product development, human resources and even finance and legal. A truly social enterprise gains new sources of market influence and innovation, establishes deeper relationships with customers and attracts and retains more engaged employees.

Dell is a great example of a company that is transforming itself into a social enterprise and reaping benefits along the way. As mentioned earlier, Dell first suffered through a public relations nightmare (circa 2005) that came to be known as ‘Dell Hell’. After repeatedly getting no response from Dell’s customer service, blogger Jeff Jarvis published an open letter to Dell’s chairman and chief marketing officer in which he lambasted the company for shoddy products and poor service. Almost immediately, hundreds of other consumers echoed Jarvis’s criticisms, which were further amplified through mainstream media including The New York Times.

A few years later, Jarvis was blogging again about Dell, but this time he was singing its praises. He wrote about how Dell had been reaching out to bloggers and that Dell employees were actively listening to and following customer advice. In 2007, Dell launched the IdeaStorm website to solicit new ideas from customers. From 2007 to 2012, this community contributed more than 15,000 suggestions to Dell, which has made 500 refinements based on those contributions. In early 2012, Dell launched IdeaStorm 2.0 to be an even more interactive and engaging platform.

Dell’s transformation from consumer pariah to paragon contains powerful lessons for building a social enterprise. First, the transformation did not happen overnight and is still a work in progress. Secondly, the transformation has required significant changes to Dell’s product development processes and customer service operations. Becoming a social enterprise is not about paying lip service to social media. It involves substantive changes to a company’s internal practices and processes. Thirdly, the transformation has required greater transparency in communicating with the company’s key stakeholders — employees, suppliers, customers, partners, etc.

Becoming a social enterprise is not an easy thing to do — but as Dell and many other examples show — it is well worth the effort. The rest of this paper will provide a theoretical framework for building a digitally driven company, and then examine its application across key functional areas — marketing, sales and service; research and product development; and human resources. Throughout this discussion, a number of examples will highlight how a variety of companies have leveraged the social web to transform the economics of their businesses and gain real competitive advantage.

**CREATING A DIGITAL BUSINESS STRATEGY**

Most people who hear the words ‘corporate strategy’ envision a committee of executives working behind closed doors on a set of documents to be distributed to masses of employees toiling away in cubicles, on factory floors, or in retail outlets. It is something like Moses
Wrong! A social enterprise is based on a strategy that is derived in the trenches and built from the bottom up. Employees and other key stakeholders are going to be a lot more engaged in executing a strategy if they have had a say in its development. A company’s comprehensive digital strategy is inclusive of input from multiple stakeholders, both internal and external to the organisation. It also includes a closed-loop mechanism that lets all stakeholders know what has been done with the input they have provided.

The important steps in creating a digital business strategy are described below.

**Identify key communities**

The first step is to understand who the company’s key stakeholders are, as well as their connections to the company’s business processes and overall mission. When building a customer-centric company, for example, it is critical to begin with a rigorous analysis of the company’s customers. Undoubtedly an obvious thing to do, however, it requires a much deeper dive than traditional market research, which simplistically segments customers by age, gender, location, income, etc. To understand customers truly, it is also necessary to examine their likes and dislikes, in which digital communities they participate and the nature of their involvement, to whom they listen, and what they are saying.

Other important stakeholder communities include current and former employees, shareholders, policy makers and regulators, suppliers, distributors, franchisees — even competitors that sometimes are also partners. Creating detailed and prioritised stakeholder maps is an essential foundational step that a surprising number of organisations fail to do, thereby missing valuable opportunities for engagement and insight.

**Listen and analyse the conversations**

With billions of people conversing online, observing the landscape appears to be an overwhelming task. As in the physical world, however, some voices are significantly more influential and insightful than others. It is much more efficient to focus on the relevant top influencers who will spread the word, rather than chase the long tail. In the Dell example, Jeff Jarvis was one of those key influencers.

There are now many tools (free and paid) that automate social media monitoring and provide insight into the myriad of data. No one tool does it all and most social media managers use a mix of tools to get the most complete and accurate picture possible.

**Create a vision**

At the heart of the social enterprise is a vision that gives stakeholders a stronger reason to attach themselves to the company. In a customer-centric company, the vision goes well beyond a one-time sales transaction and aspires to a customer experience that builds loyalty over time.

Online retailer Zappos (now owned by Amazon) is often cited as an example of a company that has put customer service at the heart of its vision. Zappos started off selling shoes and has since expanded into other apparel, accessories and housewares. But what Zappos really prides itself on is delivering unbelievable customer service. Customer-centricity is deeply embedded into the company’s culture. Employees are entrusted to represent the Zappos brand and to do whatever it takes to meet, and even exceed, customer expectations. The upshot of this extraordinary service is that customers are the primary driver of the company’s growth. Zappos achieved over US$1bn in annual sales in less than a decade.
Embrace transparency

Transparency and integrity are the foundations of the social enterprise. In a world in which stakeholders are continuously talking about brands and products, it cannot be otherwise. Consumers expect that companies will be open and authentic in their interactions and in the way that they conduct business. If they are not, consumers will blog, tweet and comment to their detriment.

BP is a company that did not get this basic principle. It spent huge sums of money to rebrand itself from British Petroleum to BP in order to project the image of an environmentally friendly company. Yet, after the massive oil spill in the Gulf of Mexico, what did BP do? It denied the magnitude of the problem and hid behind an ad campaign. The company lost all credibility and was savaged in both social and traditional media. In November 2012, BP was ordered to pay a record US$4.5bn fine in a settlement with the US government and pleaded guilty to criminal charges related to the deaths of 11 workers and to lying to Congress. In an open communications environment, BP learned that it could run, but it could not hide.

BUILDING AN ENTERPRISE-WIDE ENGAGEMENT CAPABILITY

Developing strategy is one thing. Implementing it and engaging with stakeholder communities is quite another, especially in a frenetic digital world. Social enterprises need to organise for engagement, create activation and sustainment programmes, and measure and evaluate results. All this is much easier said than done.

Organising for engagement

When it comes to organising for engagement, one size does not fit all. Different companies will organise internally in different ways that mesh with their corporate structure and culture.

In many companies, the marketing department has been the driving force behind social media because marketing has long held the keys to communications with the outside world. Although marketing will continue to play a major role in stakeholder engagement, companies benefit most by establishing a cross-functional steering committee to broaden their social capabilities. This committee, or social enterprise e-forum, acts as a central repository of social media knowledge, experience and insight. Its goals are to foster collaboration, share knowledge across functions and increase effectiveness of engagement. Specific e-forum responsibilities should include establishing and communicating social media policy guidelines for all employees, establishing best practices, overseeing content creation, providing training, evaluating the latest social media tools, gathering insights that have strategic implications, and resolving conflicts that might arise with the company’s stakeholders.

Humana, a US$36bn health insurer, adopted an ‘un-committee’ rather than a typical corporate committee. Every department could build whatever type of social media structure they thought necessary to best serve their function. All departments would share what they were doing via the un-committee, which was comprised of 19 representatives from all parts of Humana’s business. The un-committee had no official leader, nor executive sponsor. The group shared ideas, invited in experts and brainstormed programmes that were in the works. The un-committee live-tweeted all its meetings and shared its findings on an external blog. The organic approach worked for Humana because it empowered employees to engage in a genuine exchange of ideas.
Social activation and sustainment

The strategy is in place, the employees have been trained, and the site or application is built and launched. Everyone can now sit back and wait for customers to engage, sales to take off and the accolades to pour in.

Unfortunately, it is not that simple. Unlike the movie Field of Dreams, if you build it, they will not necessarily come. Most social programmes require an activation period to energise key influencers who will subsequently ignite their many thousands of followers with rave reviews (hopefully). We live in a recommendation economy. There is nothing like a positive review on TripAdvisor, Yelp or Gizmodo to catapult a business to success.

It does not stop there. Social media programmes need to be sustained over time. Activation jumpstarts an initial audience; sustainment nurtures and expands it over time. Creating and distributing new content is a great way to sustain engagement. Content can take all sorts of forms — blog posts, tweets, Facebook comments, videos, podcasts, webinars, SlideShare presentations, interviews, contests, gaming and more.

Measurement and analysis

As social media become an integral part of an organisation’s outreach, companies need to be able to measure the success of their programmes. Did the programme meet business goals? What worked and what did not? How should the programme be modified? And the big one that every C-level executive asks: what was the return on investment?

A few years ago, there was tremendous debate and confusion over how to measure the effectiveness of social programmes. The tools were primitive; there were no standards or best practices to draw upon; the volume of data was overwhelming. Fortunately, time has eased the pain. Tools such as Radian6, Sysomos, HootSuite and many others have improved greatly. There are now many case studies from Forrester Research, Altimeter Group, Mashable and GasPedal and in the daily media that provide valuable lessons. Companies still count Facebook ‘likes’ and numbers of tweets, but have learned to look more deeply at a rich set of engagement and business metrics. It is not perfect (and might never be), but most companies are implementing measurement methodologies and using analytics that provide powerful insights into brand awareness and perception, purchase intent, service satisfaction, crowdsourcing of new ideas, and other important business goals.

The new marketing, sales and service

Social technologies are changing the way that every business function operates, arguably, nowhere more dramatically than marketing, sales and service — areas on the frontlines of customer interaction.

Start with marketing. Say goodbye to the old marketing funnel, the dominant model used to describe the customer journey from awareness and consideration to purchase. In this paradigm, the job of the marketer was to push as many prospects as possible, as quickly as possible, through the funnel to make purchase decisions in the company’s favour. Companies spent a lot of time and money on developing slick ad campaigns to broadcast their messages and keep their brands top of mind with customers.

The social web has made this top-down model obsolete for two key reasons:

- Traditional broadcast and print media channels are in rapid decline. Except for a few key events such as the Olympics, the Academy Awards and the FIFA World Cup finals, very few television programmes are watched by a mass...
The media landscape is now highly fragmented with hundreds of broadcast and online channels on every topic imaginable. Print media — newspapers and magazines — are in even worse shape. Thousands have closed, merged, downsized or resorted to other drastic measures to stay afloat. Social media have provided the public with more flexible, engaging and timely alternatives for information and entertainment.

- Social media have empowered customers like never before. Customers can use the social web to conduct research before even walking into a store or making a reservation online. Consumers can talk back to brands if they are not satisfied with their product or service, disapprove of a new ad campaign (e.g., ChapStick), or dislike a logo change (e.g., The Gap).

According to McKinsey & Company, in the social media era, the customer journey is circular rather than linear. Customers start with a small consideration set and then enlarge that set by pulling information from a variety of resources including web reviews, peer recommendations, in-store interactions and past experiences. Ultimately, customers pare down their choices to arrive at a purchase decision.¹

In the new marketing, branding is about engagement through content and conversation. Consumers tune out one-way advertising messages. They want to engage in conversations about things that matter to them. Brands can take advantage of this desire to engage by providing useful information and interesting content. According to a study from Chadwick Martin Bailey, 67 per cent of consumers who follow brands on Twitter are more likely to buy those brands after becoming a follower. The figure is 51 per cent for Facebook fans.²

Marketing experts have lauded beauty brand Sephora for driving one of the best digitally driven marketing campaigns of 2012. Sephora’s website redesign was a multi-year project to provide a smarter shopping experience, a destination where beauty meets intelligence. The new website also factored in that 20 per cent of its traffic now comes from mobile devices.

The team at Sephora launched ‘15 Days of Beauty Thrills’ sweepstakes, leveraging its partners in the beauty industry and its 3.5 million Facebook fans, 522,000 Twitter followers and 30,000 Pinterest followers. The ‘thrills’ included a US$5,000 shopping spree at Sephora, a trip for four to the Make Up For Ever Academy in Paris, and a Fiat car outfitted with a Gucci interior. There were also daily ‘mini thrills’, a small gift included with any online purchase.

The company created a special Facebook app to bolster engagement and build the brand’s community. Facebook fans were able to learn about the next day’s thrills at midnight, incentivising people to ‘like’ the brand page in return for the exclusives. The brand also increased its Facebook ad spend, targeting women between the ages of 18 and 35 with an interest in beauty and fashion.

As a result of the campaign, Sephora achieved a six-fold increase in its Facebook fan base, drove more traffic to its new website and benefitted from a lift in product sales. While engagement spiked during the 15 days of the campaign, the brand continues to enjoy high levels of Facebook engagement and brand interaction due to the steady stream of content it provides on beauty tips, new products and fashion trends.

B2B companies have also successfully used social media to fulfil marketing objectives. Kinaxis, a Canadian supply chain management company, launched a humorous video series to humanise the...
company and engage prospective customers. It also has a blog that focuses on thought leadership and aggregates industry content. Through these social initiatives, Kinaxis more than doubled its website traffic and tripled inbound leads.

Given the interconnectedness of social and traditional channels in consumers’ lives, it makes sense to connect the dots between all consumer interfaces to realise greater value. Many companies adopt a phased approach to channel integration. As Figure 1 illustrates, in the early phase, most businesses use social and traditional media to create a presence. The social channels are often not linked to one another or to a corporate website, direct mail, events, public relations, or even product packaging. As a result, businesses miss opportunities to connect fully in the medium their customers want, when they want it.

In the second phase, as companies become more knowledgeable about social media and the multiple channels their customers use, they begin linking the channels to one another. In the third and final phase, the integration is complete and all social and traditional channels are fully integrated. Television advertising sends people to a socially integrated website and the website is linked to a Twitter page, which is also linked to a Facebook page. The aforementioned Sephora campaign is a great example of a fully integrated programme that maximised results.

Today, most marketing departments are organised for full channel integration. Marketing still tends to be organised by function — advertising, public relations, events, promotions, direct mail, search and even social media. These functions operate in silos that, in extreme cases, compete against one another for limited resources.

Rather than observing, targeting and integrating, marketers launch every possible programme in the hope of reaching customers somewhere, somehow. The result is fragmentation and a lot of wasted time and money. To activate truly integrated campaigns that engage customers broadly, marketing departments must become less tool-focused and more customer-centric.
What about sales and service? The answer is broadly similar. Social media are breaking down silos within and across all departments. Customers do not know and do not care where one department’s responsibility ends and another begins. Retailers like Dell, Levi’s and Urban Outfitters are integrating their customers’ ‘likes’ directly into their e-commerce sites utilising Facebook plug-ins. The Levi’s site allows consumers to shop with friends at the Friends Store. Consumers can sign into their Facebook accounts via the site and see what Levi’s merchandise their Facebook friends and other Facebook users have ‘liked’. They can also e-mail or share photos of items that have caught their eye and ask their friends, ‘What do you think?’

Customer service is also part of the engagement mix. Although some brands might first view social media as their worst nightmare, social tools facilitate faster identification and resolution of issues. Much has been written about @ComcastCares and the way that Frank Eliason helped the cable company better handle the 3 million customer service calls the company receives annually through online channels. The company reviews 6,000 blog posts and about 2,000 tweets every day to service more customers in a better and faster way.

Delta Airlines uses Twitter to help resolve travel problems such as missed flights, weather delays and lost baggage. The goal is to address issues before they escalate out of control. McDonald’s also has a Twitter team that actively monitors online conversations. When issues arise, a team member contacts the tweeter to thank him or her for their feedback, resolves the situation and sends a coupon for a free meal. By addressing complaints quickly, Comcast, Delta and McDonald’s have turned initially negative experiences into positive outcomes for their customers and brands.

R&D AND PRODUCT DEVELOPMENT

In a highly competitive and fast-paced global economy, businesses that do not innovate die. Even the largest and most established brands must continue to be innovative as there are always newer and more agile start-ups ready to disrupt the marketplace. For a mountain of evidence as to why this is true, see Clay Christiansen’s book The Innovator’s Dilemma.3

Many companies have research and development (R&D) groups to innovate new products, processes and services. During the past century, many great innovations have come out of corporate labs at Xerox, AT&T, IBM, Procter & Gamble (P&G), GE and more. But these labs are costly to build and their development organisations can become insular environments. Isolation is the greatest obstacle to innovation.

The social web is a boon to innovation because it allows fast, free and open access to great minds around the world. Companies can tap into others who are working on the same or similar problems and collaborate with them to develop new solutions for the benefit of all.

For more than 175 years, consumer products giant P&G has relied on its internal R&D department to keep its pipeline filled with market-leading products such as Head & Shoulders shampoo, Pampers disposable nappies, Tide laundry detergent and Old Spice aftershave lotion. A decade ago its CEO, A.G. Lafley, challenged the company to think differently and embrace innovation from external sources. The company established Connect + Develop, a programme to foster collaboration with individuals, suppliers, innovation networks, and academic and research institutions. The Connect + Develop website allows anyone to browse P&G’s current needs and assets and to submit their own ideas for consideration. In 2009, about 4,000
ideas were submitted through the site. One successful submission turned out to be the Mr. Clean Car Wash franchise system, which leverages the brand equity of P&G’s Mr. Clean and the broad reach of the car wash industry.

Vitamin Water conducted a contest on Facebook that invited its 2 million fans to design their own flavours, packaging and ingredients, and then vote on the results. During the contest, the company collaborated with consumers to ensure that the final outcomes would be viable products. Fans used a Facebook app to design the look, the wording and the colours on the new product’s label. By involving its fans in the development process, Vitamin Water gained not only a hot new product but also strengthened the loyalty of its customers. Incidentally, the winning flavour was black cherry and lime; fans voted ‘Connect’ the most popular product name.

Starbucks launched My Starbucks Idea in 2008 as a hub for customers to share ideas for new products, better in-store experiences and ways for the brand to demonstrate social responsibility. With more than 3 million visits and 60,000 ideas, the community site has been a phenomenal success. Recent ideas that have been implemented include a new vanilla spiced latte, Starbucks Mocha Powder, Fontana Pumpkin Sauce and a new Square Wallet app to make mobile payment easier.

Finally, the social web has led to the development of a handful of innovation brokers to help companies with specific challenges. These open marketplaces allow companies to access the intellectual property they need from people and organisations around the globe. Perhaps the best known is InnoCentive, the first global web community for open innovation. Spun out from Eli Lilly and Company in 2005, InnoCentive has posted more than 1,500 external challenges and received 34,000+ solution submissions from a network of more than 270,000 problem solvers from nearly 200 countries. It has given out more than 1,300 awards with a total value in excess of US$37m. In 2011, in response to a challenge issued five years earlier, InnoCentive and Prize4Life awarded a US$1m prize to Dr Seward Rutkove for his discovery of a biomarker to accelerate drug development for amyotrophic lateral sclerosis (also known as Lou Gehrig’s disease) patients.

**HUMAN CAPITAL**

Social media have become an essential tool for human resources professionals. From talent acquisition to employee training and retention and alumni networks, human resources departments are increasingly using social platforms to connect with prospective, current and former employees.

According to Jobvite’s most recently published Social Recruiting Survey (2011), 89 per cent of employers recruit in social networks, 55 per cent will spend more on social recruiting, and 64 per cent use two or more networks for recruiting. In 2006, the US Army, an all-volunteer force, launched a massive recruitment ad campaign called ‘Army Strong’. Three years later, recognising that potential recruits (men and women aged 17 to 24) increasingly spend time with social media, it stepped up its presence in social channels and integrated those channels with its website and advertising. Lieutenant General Benjamin C. Freakley commented, ‘we fully recognise that young people TiVo over commercials or are multitasking on their smartphones when the commercials come on’. In fact, as more of the campaign appeared in digital and social media, the US Army decreased television ad spending from US$168.7 million in 2007 to US$41.8 million in 2010.
Beyond recruitment, Deloitte uses social media to provide new hires with an innovative orientation experience. Before even walking through the door, new hires are given access to a Pre-Hire Center website where they are assigned an onboarding adviser — a peer-level professional in the same service line — who welcomes them to Deloitte. Once officially onboard, new hires access the New Hire Center website to participate in two days of interactive sessions including gaming, videos, simulations and personalised coaching. Deloitte has an internal social network called ‘D Street’ where employees can build a social profile and through which they can connect with other colleagues. In a business in which employees are geographically dispersed and on the road a large percentage of their time, D Street helps Deloitte’s consultants stay connected to one another and to the company.

Enterprise Rent-a-Car, known for providing a great customer experience, launched an employee and consumer engagement initiative that combined doing good with use of social media. In 2011, it established ‘Giving Back’, a philanthropic contest in which charities nominated by Enterprise employees in the USA, Canada and the UK competed through social media for funds from the company’s foundation. Visitors to Giving Back on Enterprise’s Facebook page learned about the charities and voted for foundation funds to be given to the charity of their choice.

Lastly, one might assume that law firms, built on advising clients how to mitigate risk, would be risk-averse to using social media. While most law firms are still cautious, New York City-based Skadden, Arps, Slate Meagher & Flom — one of the most prestigious law firms in the USA — uses social media to stay in touch with its huge alumni network. Skadden’s community provides continuing legal education and social events. It is a great source of new business and job opportunities.

CONCLUSION

Building a social enterprise has both inherent risks and benefits. This paper has showcased the benefits, but there are risks that need to be recognised and managed.

In opening up the company to many more voices, there is always the risk of attack by unhappy stakeholders. Dissatisfied customers, disgruntled activists or employees can flame a company — and the negativity can spread like wildfire over the web. There are a lot of insert-the-brand-name sucks websites in cyberspace.

But there is also significant risk from not listening to what stakeholders are saying and failing to engage with them. Businesses that bury their heads in the sand and ignore social media do so at their peril. Their social-savvy competitors will out-recruit, out-market, out-service and out-innovate them.

In the end, leadership plays a key role in building a social enterprise. The role of the leader in a social enterprise is to inspire and enable, rather than to command and control. Social enterprise leaders are good listeners and learners, they motivate others to accomplish a shared vision, and they walk the talk by engaging openly and honestly and following through in their actions.

In the mid-18th century, the Industrial Revolution kicked off the mechanisation of industries and enabled mass production of goods at lower costs. In the 21st century, the social web is causing a new revolution that is transforming the ways in which brands interact with their many stakeholder communities. The winners of this new revolution will be the enterprises that harness social platforms to their competitive advantage.
References


