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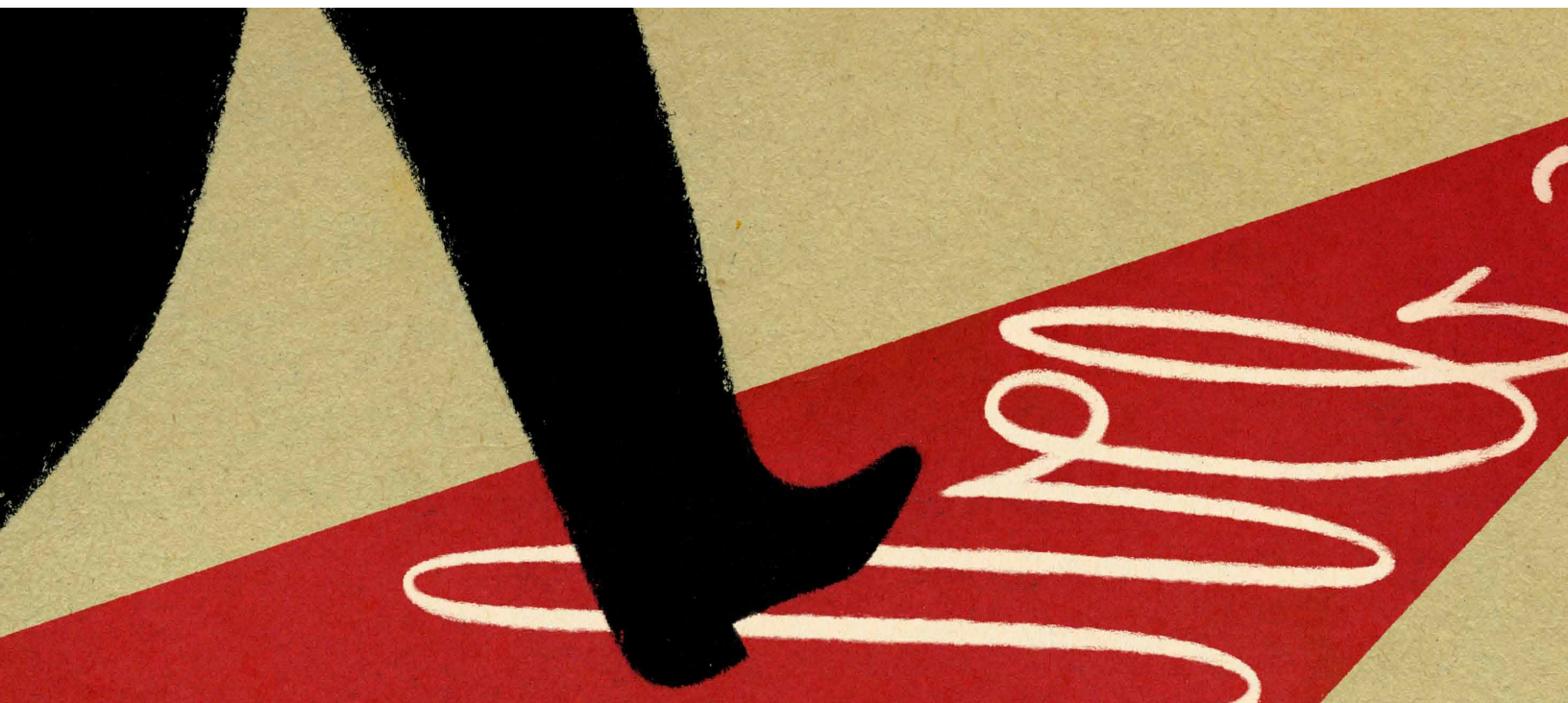
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How social technologies are extending the organization

Our fifth annual survey on the way organizations use social tools and technologies finds that they continue to seep into many organizations, transforming business processes and raising performance.

Jacques Bughin, Angela Hung Byers, and Michael Chui



Companies are improving their mastery of social technologies, using them to enhance operations and exploit new market opportunities—key findings of our fifth annual survey on these tools and technologies, in which we asked more than 4,200 global executives how organizations deploy them and the benefits they confer.¹ When adopted at scale across an emerging type of networked enterprise and integrated into the work processes of employees, social technologies can boost a company’s financial performance and market share, respondents say, confirming last year’s survey results.

But this is a very dynamic environment, where the gains from using social technologies sometimes do not persist, perhaps because it takes so much effort to achieve them at scale. Some companies, respondents indicate, reaped fewer benefits and thus became less networked, while a smaller percentage learned how to deploy these technologies to become even more networked. Executives say that their companies are using them to increase their agility and to manage organizational complexity. Many believe that if organizational barriers to the use of social technologies diminish, they could form the core of entirely new business processes that may radically improve performance.

Usage at scale and continued benefits

Social technologies as a group have reached critical scale at the organizations represented in our survey. Seventy-two percent of the respondents report that their companies are deploying at least one technology, and more than 40 percent say that social networking and blogs are now in use (Exhibit 1). These technologies are being deployed across sectors, at the high level of 86 percent of the respondents’ companies in high tech and telecommunications, but at 62 percent of companies even in the energy industry (Exhibit 2). Levels of reported benefits not only remain high when respondents’ organizations use social tools for internal purposes but have also increased among those that use them for communicating with customers or for integration with partners and suppliers (Exhibit 3).

The performance edge of networked enterprises

Last year, we identified a small group of respondents who indicated that their companies had experienced superior performance from the use of social technologies across key stakeholder groups. We repeated the analysis this year, looking at the average level of improvements in business benefits that executives reported. Four clusters emerge from our analysis. Executives at internally networked organizations note the highest improvement in benefits from interactions with employees; those at externally networked organizations, from interactions with customers, partners, and suppliers. Executives at fully networked

¹The online survey included 4,261 respondents across sectors, geographies, company sizes, tenures, and functional specialties. As with surveys in past years (when we referred to social technologies as “Web 2.0”) the survey covers the adoption and usage of technologies, their benefits, and corporate performance. This year, we also asked about how organizations are using social technologies and the types and magnitude of the organizational and process changes that could result.

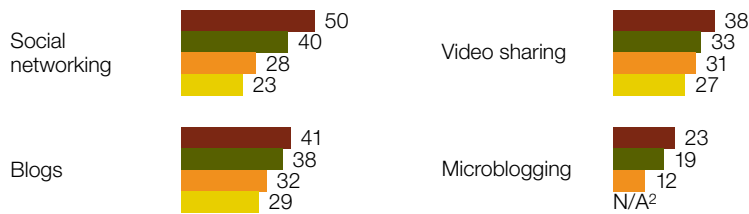
Exhibit 1

Rising adoption rates

% of respondents¹ whose companies use each technology

■ 2011, n = 4,261
 ■ 2010, n = 3,249
 ■ 2009, n = 1,695
 ■ 2008, n = 1,988

Social tools and technologies currently used by companies



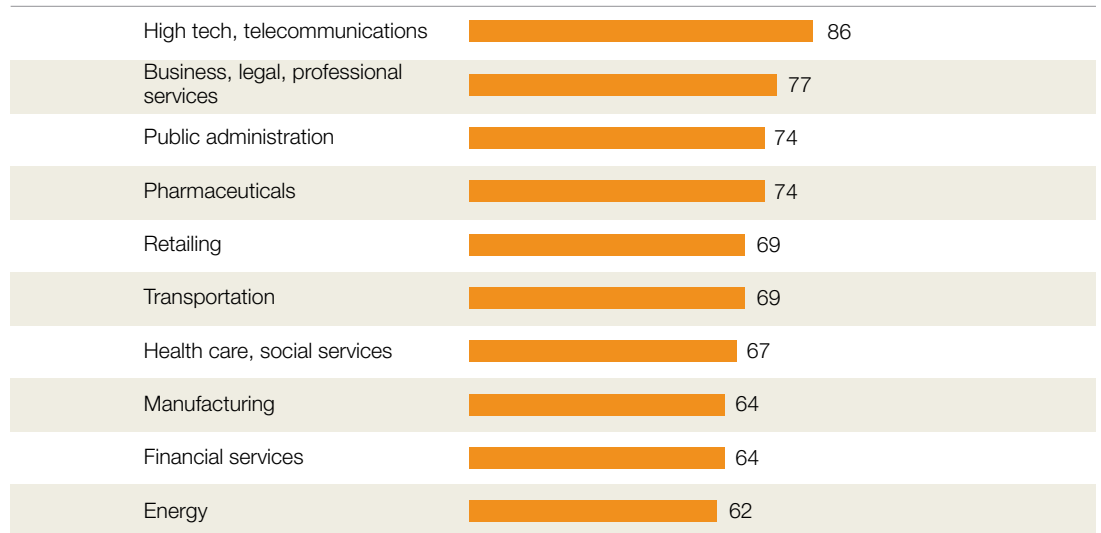
¹ Respondents who answered “don’t know” are not shown.
² Microblogging was not offered as a technology in the 2008 survey.

Exhibit 2

Adoption of social technologies across industries

% of respondents (n = 4,261)

Companies using at least 1 social-technology tool



organizations report greater benefits from *both* internal and external interactions. In the fourth and by far the largest group, developing organizations, respondents report lower-than-average improvements across all interactions at their organizations.²

As we found last year, the number of fully networked organizations is small. But the percentage of externally networked organizations is higher and that of internally networked ones lower (Exhibit 4),³ reflecting the fact that the gains from the use of social technologies are not static (see discussion below). We call the companies in the fully and externally networked groups extended enterprises, since their use of social technologies in customer and partner outreach blurs the boundaries of the organization.

²As we did last year, we sorted the respondents into four clusters based on the average mean improvement reported across the different benefits when Web 2.0 is used in interacting with employees, customers, and external partners or any combination thereof. Fully networked enterprises are defined as those with an average improvement greater than 10 percent when Web 2.0 is used to interact with employees, customers, and external partners. Externally networked enterprises are those with a greater than 10 percent average improvement when Web 2.0 is used to interact with customers and external partners. Internally networked enterprises are those with an average improvement greater than 10 percent when Web 2.0 is used to interact with employees. The remainder of respondents work for what we classify as developing enterprises.

³See Jacques Bughin and Michael Chui, "The rise of the networked enterprise: Web 2.0 finds its payday," mckinseyquarterly.com, December 2010.

Exhibit 3

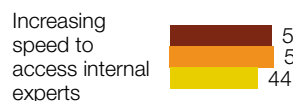
Benefits remain consistent over time

% of respondents reporting at least 1 measurable benefit at their companies

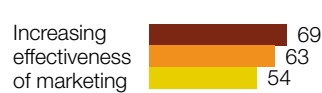
■ 2011
■ 2010
■ 2009

Top 3 measurable benefits of technology adoption, by use

Internal purposes¹



Customer purposes²



Partners, suppliers, and external-expert purposes³



¹In 2011, n = 1,949; in 2010, n = 1,598; in 2009, n = 1,008.

²In 2011, n = 2,227; in 2010, n = 1,708; in 2009, n = 956.

³In 2011, n = 1,142; in 2010, n = 1,008; in 2009, n = 686.

Exhibit 4

Tracking the four types of organizations

		Organizational type, based on social-technology benefits			
		Developing, n = 2,413	Internally networked, n = 224	Externally networked, n = 365	Fully networked, n = 101
Improvement in benefits, mean %	Internal benefits	2	18	8	26
	Customer benefits	1	3	13	21
	Partner benefits	1	2	11	24
Extent of social- technology usage, % of respondents	% of employees	39	37	43	48
	% of customers	26	37	54	51
	% of partners	40	48	55	64
Integration, % of respondents	Very or extremely integrated into employees' day-to-day work	18	49	45	80

We found statistically significant correlations between self-reported corporate-performance metrics and certain business processes that networked enterprises use (Exhibit 5). The market share gains respondents report are correlated with two such processes. First, these organizations use social tools to scan external environments. Second, they use them to match employees to tasks: internal wikis and social networks help project leaders to identify employees with the most appropriate skills and to assign these employees to the projects for which they are best suited.

Another key performance measure, self-reported operating-margin improvements, correlated positively with the reported percentage of employees whose use of social technologies was integrated into their day-to-day work. Among the companies of respondents who took the survey in previous years, these improvements also correlated positively with *gains* in the reported percentage of employees whose work is highly integrated with social media. Market share leadership in an industry, the final self-reported performance measure, correlated positively with the integration of social tools in employees' day-to-day work, as well. Consistent with last year's analysis, we found that market leadership correlates negatively with fully networked and externally networked organizations. While market leaders may use social technologies within the organization, they might be less inclined than market challengers to push for a full range of benefits.

Networked organizations: Not a steady state

We also analyzed the responses of executives who participated in both the 2010 and 2011 surveys for changes in our defined enterprise clusters. According to these responses, a surprising number of organizations made the transition from one type of enterprise to another. Roughly half of the internally and externally networked enterprises slid back into the category of developing organizations; that is, they did not maintain the benefits of using social technologies that they had achieved earlier. Less than 15 percent

Exhibit 5

Correlations with corporate performance

	Processes that significantly correlate with self-reported corporate-performance metrics	Correlation coefficient (higher = greater correlation)	P-value (less than 0.05 = statistically significant)
1. Market share gains	Using social technologies to scan external environment	0.263	0.007
	Using social technologies to match employees to tasks	0.422	0.002
	Positive change in level of social-technology integration into day-to-day work (2010–11) ¹	0.254	0.001
2. Operating margin compared with those of competitors	Level of social-technology integration into day-to-day work	0.130	0.016
	Share of employees using intranet to conduct transactions	0.007	0
	Using social technologies to assess employee performance	–0.325	0.035
	Positive change in level of social-technology integration into day-to-day work (2010–11) ¹	0.276	0.007
3. Market leadership—ie, first in industry share	Fully networked	–0.616	0.019
	Externally networked	–0.444	0.001
	% of employees using social technologies	–0.014	0
	Share of sales done online	0.004	0.044
	Level of social-technology integration into day-to-day work	0.135	0.005
	Share of employees using intranet to conduct transactions	0.003	0.021

¹Reflects repeat respondents only.

of the companies in any given category moved up to the next tier—in other words, from a developing to a networked enterprise or from an internally or externally networked enterprise to a fully networked one (Exhibit 6). It appears that it is easier to lose the benefits of social technologies than to become a more networked enterprise, which suggests that significant effort is required to achieve gains at scale. We also found initial indications that if the percentage of employees who integrated social technologies into their day-to-day work declined, their companies were more likely to backslide.

Changing processes

We asked respondents about current and future uses of social technologies for a range of business processes and found that the greatest number say their companies use these tools to scan the external environment for new ideas. Respondents also report that different technologies are better suited to specific types of business processes, as the accompanying heat map shows (Exhibit 7). Social networking and blogs, in particular, are used most heavily in externally focused processes that gather competitive intelligence and support marketing efforts.

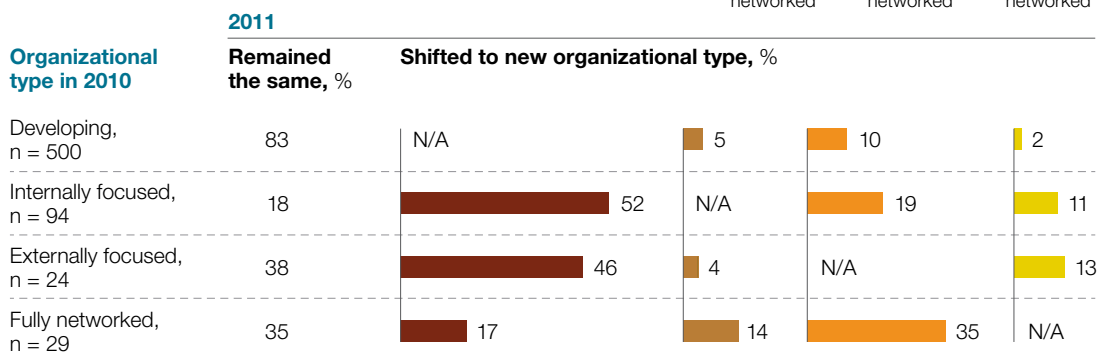
Exhibit 6

Shifting network classifications

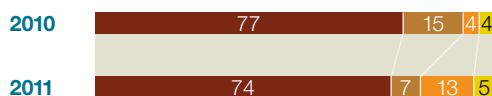
% of repeat respondents¹

Organizational type, based on social-technology benefits

■ Developing ■ Internally networked ■ Externally networked ■ Fully networked



Distribution of organizational types, n = 647



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

Exhibit 7

Supporting a variety of processes

% of respondents¹ whose companies use at least 1 social technology in given process

■ 20–40% ■ 5–10%
■ 10–20% ■ <5%

How companies are using social technologies

	Total, n = 3,103	Social networking, n = 1,728	Blogs, n = 1,322	Video sharing, n = 769	RSS, n = 642	Wikis, n = 809	Podcasts, n = 502	Micro- blogging, n = 654
Scanning external environment	75	40	29	11	14	9	8	13
Finding new ideas	73	36	29	11	10	12	7	13
Managing projects	55	19	12	11	5	17	4	5
Developing strategic plan	43	16	11	8	4	8	4	5
Allocating resources	30	10	5	4	3	4	2	2
Matching employees to tasks	29	11	4	4	2	5	2	3
Assessing employee performance	26	7	4	3	2	3	1	2
Determining compensation	20	6	4	2	1	2	1	1

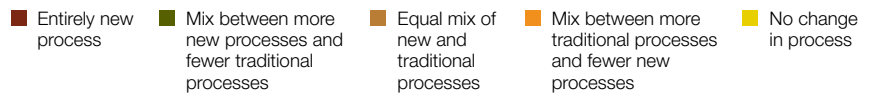
¹ Respondents who answered “other” are not shown; <10% of respondents use tagging, rating, mash-ups, and prediction markets for any of the tasks and are not shown.

Respondents expect social technologies to modify many of their organizations’ current processes. In addition, many believe that entirely new processes could arise if barriers to use—cultural obstacles, for example—fall (Exhibit 8). The respondents affiliated with fully networked organizations are the likeliest to believe that greater process change will occur in their own organizations. In larger numbers than respondents in other clusters, they think that social technologies will lead their companies to adopt entirely new processes under current conditions and to do so even more aggressively if all constraints were removed. This optimistic view may reflect the fact that these respondents are seeing the greatest level of benefits across the board.

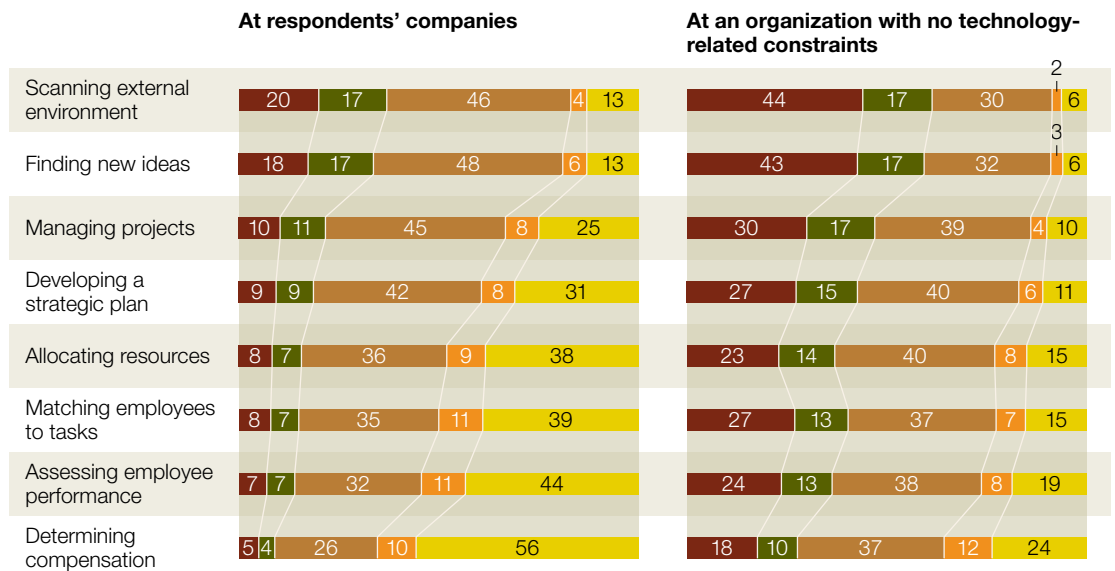
Exhibit 8

A mix of old and new

% of respondents,¹ n = 4,261



Extent to which social technologies can change organizational processes



¹ Respondents who answered “don’t know” are not shown.

Peering ahead three to five years, many respondents expect still more profound organizational changes (Exhibit 9). They say that with fewer constraints on social technologies at their companies, boundaries among employees, vendors, and customers will blur; that more employee teams will be able to organize themselves; and that data-driven decision making will rise in importance.

Looking ahead

- Our research shows that respondents affiliated with fully networked organizations say that they continue to realize competitive gains and performance improvements. Senior executives should think strategically about how social technologies can support business processes by helping organizations to navigate the external environment and to forge stronger links with customers and vendors. Integrating social technologies into the workflow and using them to optimize internal processes will, these results suggest, provide additional competitive benefits.

Exhibit 9

A blurring of boundaries

% of respondents,¹ n = 4,261

Likeliest organizational changes in next 3–5 years, without constraints

The boundaries between employees, vendors, and customers will blur	35	Strategic priorities will be set from the bottom up	17
Teams will self-organize	32	Individual performance will be evaluated by peers rather than by managers	14
Decisions will be based primarily on the examination of data rather than reliance on opinion and experience	32	Employees will have much more discretion in choosing which tasks to work on	12
The organization's formal hierarchy will become much flatter or disappear altogether	27	Employees will play a much greater role in selecting leaders	10
Data used for decision making will mostly be collected through experiments	20	Large companies and/or business units will disaggregate	9
Financial transparency will increase dramatically	19	Compensation decisions will be made by peers rather than by managers	3
Internal markets or other voting mechanisms will be used to allocate resources (eg, talent, capital, ideas)	18		

¹ Respondents who answered “none of the above” or “don’t know” are not shown.

Related thinking

“The rise of the networked enterprise: Web 2.0 finds its payday”

“Clouds, big data, and smart assets: Ten tech-enabled business trends to watch”

“Are you ready for the era of ‘big data’?”

“Measuring the Net’s growth dividend”

- Don’t rest on your laurels: competition will increase as the adoption of social tools and technologies continues to rise and as progressive companies use them to improve their processes. Indeed, many companies we categorized as networked organizations last year slipped to a lower rung this year as the benefits their executives reported fell. Integrating Web technologies into the daily workflow, our results suggest, is the most effective way to maintain competitive position or become more networked.
- Companies should prepare for more substantial disruptions. Since many executives believe that significant changes will occur as (or if) constraints on social tools and technologies are lifted, companies that can create change themselves—instead of reacting to it—are likely to benefit the most. ○

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