

Introduction

This is the era of the social business. Change is coming to the very fabric of how every organization interacts with customers and with partners to deliver goods and services. Becoming a social business means more than rethinking your user interface for applications and websites. The new customer relationship will be more of an ecosystem, or micro-economy—in which the currency is trust. Social media enables the creation of these types of ecosystems while excellence in business processes enables successful delivery. Common trends across industries show a focus on ecosystems in which functions that were once considered internal to organizations will be delegated. These trends will impact the entire enterprise, but nowhere more so than where organizations face the outside, such as in Customer Relationship Management (CRM). Getting closer to customers is a top priority for business leaders, and customer intimacy and product contextualization are the focus.

For example, how can the conversation with a friendly shop assistant be replaced by an online engagement when it comes to giving the consumer the confidence to buy? Helping your customers find the right product does more than improve repeat sales. It creates brand loyalty—and brand loyalty results in customer advocacy. Increasingly, the trust that has been built through personal interaction with customers must be replaced by trust that is created using social media. In this new relationship, recommendations and comments have more value than marketing materials. Even companies with indirect channels now have the opportunity to use social media to create a direct relationship with their customers. This makes it possible for customers to associate with a brand rather than engaging with an intermediary who offers little added value. But this new relationship is fickle. People want to be able to make recommendations and build associations, but not at the expense of an intrusion into their personal space.

The result is that business leaders must determine how to build trusted relationships across the boundaries that historically structured their value chain. A social business needs to leverage emerging technologies for social media, social networking and social collaboration. A social business creates networks in which engaged employees can interact with customers—because this is what customers expect. A social business is one that can extend these networks to its suppliers and to its sales channels in order to deliver the consistent interaction that customers demand. Business leaders will ensure that their social business can offer its customers not just advertisements and transactions, but also the conversations and engagement that builds the confidence to buy.

This goes beyond the user interface to changing the fabric of how organizations interact with their customers and business partners in effectively delivering goods and services. The new customer relationship will be more of a micro-economy, one in

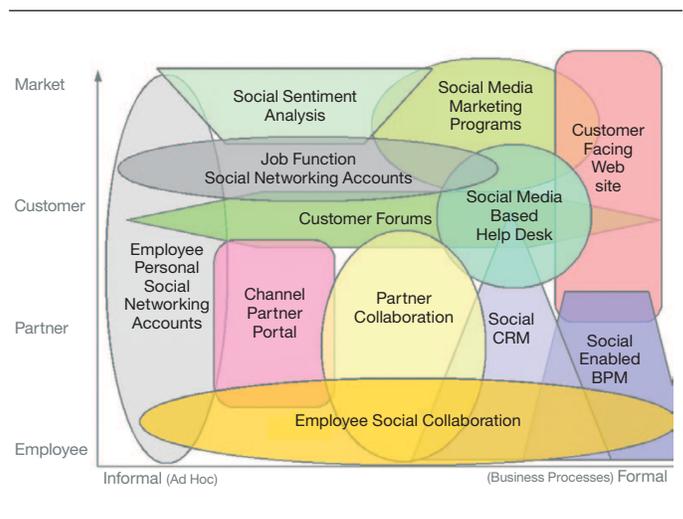


Figure 1: Social media can be used in a number of ways

which the currency is trust. Customers will engage with brands and with retailers, and business leaders will need to create strong collaborative networks in their organizations in order to have a coherent conversation with their customers.

Social media enables the creation of these types of micro-economies. Excellence in business process management further differentiates successful organizations through their ability to effectively deliver value.

Social media

The term “social media” covers a broad set of communication technologies that use the Internet to facilitate conversations. Social media enhances existing social interaction by other means, and in the process subtly changes it. Before everyone had access to PCs and smartphones that are connected to the Internet, social interaction meant chatting to others (in person or on the phone) and getting together. This interaction happened in a personal context (for example, friends and sports events) and in a business context (for example, colleagues and conferences). Online social media still enables this sort of socializing with

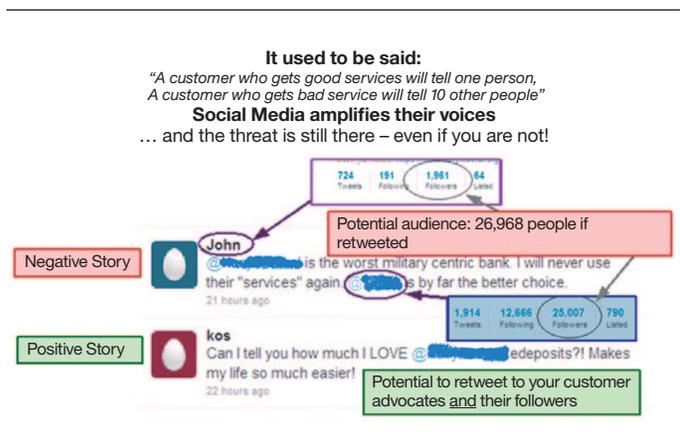


Figure 2: Social media amplifies the voices of your customers

friends (Facebook) and business colleagues (LinkedIn), but the nature of the platform supports a much larger number of weaker, geographically distributed connections.

What is new about social media?

Being social is not new, but it is important to consider the new characteristics of modern social media.

Digitization

The big difference between modern social media and social media in the past is that it is digital. Traditionally, being social was limited by time and geography. Analog systems, being fundamentally point-to-point, could not provide the flexibility that digital systems can offer. Digital systems provide a richer user experience and, more importantly, digital systems make this rich experience inclusive and available at a distance, over the Internet. This moves the focus of socializing from proximity to affinity—it is not about being close together, it is about sharing interests.

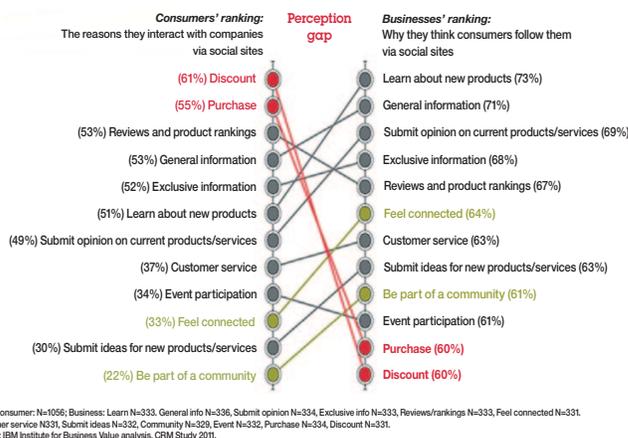


Figure 3: Why consumers interact with companies using social sites

In an information economy, the currency is trust.

With a richer user interface that is accessible everywhere, digitization has made it easier to capture data from people at the source. The data can then be stored, shared and processed by computer programs. This means that much more data about people can be captured, both explicitly and implicitly.

Pervasiveness

The flexibility of digital systems means more variety in how social media can be accessed, which in turn has made access more pervasive. An example of this is the proliferation of mobile devices with access to the Internet, which is predicted to overtake personal computers in 2013. With the introduction of Internet access, mobile communications make it possible for people to connect to almost anyone they want, whenever they want, using whatever social channel they want. The user is not “always on,” the user is “on” whenever that individual wants to be.

The size and complexity of personal networks

Business is all about relationships. Social media technologies make it easier for people to communicate and to build these networks of relationships with larger numbers of people. There is a degree of remoteness, since we cannot share our physical presence across the Internet, so these solutions do not replace close relationships. But these solutions are able to greatly strengthen connections throughout an organization, and so can significantly improve organizational effectiveness and teaming. People are willing to share large amounts of information with a diverse set of people known to them only through digital media. Hence, the number of people whom individuals can influence has grown along with the richness of the media they share, and thus the power of their influence has also increased. The result is much larger and more-complex personal networks that can be used to improve business outcomes.

Although larger networks can be used to improve business outcomes another, not inconsequential, effect is the augmented power of feedback loops. Through the complex networks, a lone voice can be heard by more people. This voice can be amplified by the potentially greater number of “like minds” and can go on to influence a much larger population (See Figure 2). This type of social contagion is complicated when the credibility of information sources is difficult to establish—a “rumor mill on steroids.” Here once again, trust is central. This time, trust allows potentially damaging rumors to be counteracted, often through customer advocacy. This intervention can even be made proactively due to the information that digital media makes available. This information allows us to see how information spreads within the context of relationships. These networks will grow organically and will defy attempts to manage them, so complacent individuals and complacent companies, like complacent governments, can be in for a nasty awakening.

Cross-channel communication

In today’s world, the same conversation can persist over time and over multiple channels. The proliferation of social channels, and the speed with which these channels appear (and disappear), make it critical that a social media strategy recognize the paradigm shift away from channel technologies to conversations. This shift has organizational implications because the conversations must be managed so that they bring about consistent results. Nowhere is this felt more than in business processes which must now provide consistent business outcomes across conversations. Organizational leaders who can change their culture and who can innovate their business processes to address these challenges will create the companies that will succeed in the new social business world.

Visualizing what was invisible

Because new social media are digital, the data can be analyzed to provide new insights. For example, using relationship data from Facebook, the complete Facebook network can be made visible as seen in Figure 4. On a smaller scale, an individual’s LinkedIn network can also be made visible using LinkedIn Maps, and on

Google+ how a post spreads as users share it can be seen. These social graphs are more than pretty pictures. They show networks, hubs of influence and how information travels through networks. This type of analysis is still in its infancy but the information it provides is new and significant because it opens the possibility of anticipating how information, and with it influence, might travel through a social network. This opens the door to predicting the trends of which an agile organization can take advantage.

Social business

A social business is one that embraces networks of people to create business value.

The focus should be on the opportunity companies have to use these social networks to do business better—and to outperform their competitors—whether that is to spread knowledge more effectively within the company and beyond, to create richer networks of employees and partners who can deliver better business outcomes, or to engage with customers to better understand their needs in order to build their loyalty and advocacy. This process is often a voyage of discovery which results in the recognition of the perception gap seen in Figure 3.



Figure 4: Facebook Network in 2010 (Source: Paul Butler “Visualizing friendships” Facebook Note December 13, 2010)

There are both opportunities and risks for businesses. This makes social media truly disruptive—not because social media will itself displace established organizations, but because social media can enable others to displace them.

Social media and business processes

Business processes implement how organizations behave toward their customers. This makes business processes part of the “operationalization” of organizational strategy. If the goal is to boost profitability, then a possible strategy is to offer high margin, low volume products which in turn will have more customer “touch points” in the process. Conversely, leaders of a low margin, high volume business will want to move customer interactions away from expensive channels. In both cases, social media can play an important role in how the organization interacts with its customers and in shaping perceptions.

Business Process Management (BPM) refers to the discipline of formalizing processes, learning from their operational behavior and improving them. When BPM is automated, processes are formalized as models that, when executed, drive the series of tasks needed to produce a consistent business outcome, such as granting a loan or selling a bicycle.

Social media are an enabler for relationships and BPM implements institutional behavior. The two technologies complement each other where business processes rely on people. This happens when processes are built and improved and when they execute and need human interaction.

Social media in process development

Without BPM, the same business process will likely be performed differently in different parts of the same organization and hence the outcomes will not be consistent. Often, this is because business process automation is done in application software and is not “end-to-end.” Informal process automation happens when organizations are responding to needs more quickly than IT can automate processes, or when process automation happens by “accident” through organic processes’

growth over a period of time. In any case, when there are gaps in the automated process, these gaps need to be filled by people who know how to make the process work. Three broad categories of knowledge are needed to do this:

- **How things work**—technical knowledge (for example, how to use a web browser)
- **How things work around here**—knowledge about how to get things done inside one’s own organization
- **How things work for others**—industry knowledge

Knowledge about “how things work around here” that is in people’s heads is anything but uniform. Social media can play a key role in capturing “how things work around here” so that this knowledge can be unified and formalized in models. When the models are automated, the process’s execution leaves much less latitude for inconsistency that can result from the human factor.

Knowledge retention

When knowledge is in people’s heads and the people are not available, then neither is the knowledge. The institutional knowledge that is retained in process models is always available and sharable. Getting this type of knowledge into a model requires easy access to expertise, which requires collaboration between a variety of disparate parties. The knowledge-sharing needed for a consensus is exactly what social media does well. This has three effects. First, the organization “learns” about itself. Second, this organizational knowledge is formalized in models which are retained. And third, the retained knowledge can be shared while the model’s formalism facilitates a common understanding.

Social process improvement

The management part of BPM means that processes are always being scrutinized for improvement. Input for improvements can come through monitoring the processes, but can also come through feedback from staff and customers who use the processes. Once again, social media can facilitate the feedback. But beyond that, social media can build relationships with customers

that allow customers to alter how an organization behaves through its processes. This aspect of the customer relationship is new and is only possible through social media and BPM working together.

Social media in process execution

Business processes must be interrupted periodically so that input from people can be solicited. Called “human interactions,” each of these points has the potential for assistance through social media. When a human interaction is needed, the person to whom the task is assigned may need information and can use their social network to get the information from someone they trust. Social media’s pervasiveness is an important feature here, because social media dissociates the required action from a physical medium. For example, a process that requires travel approval only through a PC application, which the user can access only when their work schedule permits, creates an inherent “bottleneck.” By exploiting social media’s pervasiveness to provide mobile access for the approvers, together with giving individuals instant access to the other people involved in the workflow, makes it possible for this bottleneck to be resolved and allows the effectiveness of business to increase.

Sometimes the human interaction is more complex, requiring the solicitation of a number of points of view before a decision can be made. Once again, social media can be used to collaborate with others and to help individuals come to consensus so that their views can influence the resulting action.

Tacit knowledge

No matter how much institutional knowledge is retained in process models and documentation, there will always be some part that defies all efforts to write it down. This is tacit knowledge. It is the type of knowledge that comes from experience and, although not easy to formalize, tacit knowledge is vital to securing the best business outcome. Typically this is knowledge about “how things work” and “how things work for others,” and augments formal knowledge with informal knowledge. Once again, social media are ideal for communicating this type of knowledge

through informal means. A social business uses social collaboration tools to share and provide access to the knowledge that people carry with them.

The future

In a traditional economy, capital and energy are the primary wealth-creating assets. In a social economy, knowledge and ideas take their place as wealth creators. In this type of economy, trust is the currency. With trust playing such a central role, monetizing social media is no trivial matter.

Social media has more to offer than a passive role in collaboration for disseminating information. By empowering consumers, external social media can encourage a more-engaged customer relationship, moving far beyond current visions of social CRM. For example, by encouraging customers to use online forums, an ecosystem around customer interactions can be developed, creating the opportunity to engage with experienced people who can help, sharing their tacit knowledge. In this way, not only can support teams handle more requests, but advice that once had to be given to each customer individually can now be broadcast to many. Indeed, some support tasks can even be partially satisfied by other customers, avoiding cost to the company entirely. These informal systems allow for a more-prudent management of resources in a similar way to what happens in economies. But what makes informal systems work is trust.

Similarly, feedback about processes can be secured from the ecosystems so that deficiencies can be remedied where they exist in the interfaces or in the process itself. This can take process optimization to a new level, since external users of the processes can provide input into how the entire experience can be improved. This could be as empowering for customers as it is for employees, since they are all participating in how a business is run. This is a powerful way to generate engagement, loyalty and customer advocacy.

Social media can also be used in helping customers to provide input into product design or to determine how products are bundled into offerings. In an agile organization (one that is supported by social collaboration), these new offerings could be operational in a very short time. This makes it possible for customers to participate in the creation of offerings that are made available to the market. How these offerings are accepted by the market can be ascertained by applying sophisticated social-sentiment analytics. It becomes easier to recognize and to manage the positive and negative news about an offering and how that news travels.

Conclusion

Social media will increasingly change the way businesses collaborate internally with staff and externally with customers and business partners. This trend is driven by changes to how people expect to interact with organizations. Some of the interaction that has been done historically between employees and customers can now be moved to social channels. But to make this new type of economy work requires trust, and establishing trust in social media networks is more difficult because social media networks are larger than traditional networks and more loosely connected. However, once the network is established, it can be incredibly empowering for consumers and rewarding for suppliers.

Underneath the façade of the new technologies is the basic behavior of the organization toward its customers. This behavior is prescribed in business processes. Hence, the full experience that customers have resides in part in social media and in part in business processes, making the two linked. This represents an opportunity for organizations to engage with customers and suppliers, who can participate in defining the organization's behavior.

The opportunity brought by social media is not without its risks. Social media are a disruptive technology and it is clear that the way business is carried out in future will be very different from today. Organizations must adapt to this new reality. This is the era of social business and social business processes.

Next steps

Learn more about social media and business process management. Discover how quickly success can come. Many IBM clients see positive change within six to twelve months.

From Social Media to Social CRM, Executive Report.
[IBM Institute of Business Value, 2011](#)

From Stretched to Strengthened, IBM C-Suite CMO Study, 2012

Smarter Commerce, redefining business in the age of the consumer.
[IBM Institute of Business Value, 2012](#)

For more information

To learn more about social media and BPM, please contact your IBM marketing representative or IBM Business Partner, or visit the following websites:

- ibm.com/socialbusiness
- ibm.com/smarterplanet/us/en/business_agility/ideas

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