

bluekiwi

enterprise social software

Understanding the ROI of Enterprise Social Networks

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A blueKiwi White Paper

Introduction

Social networking is a phenomenon that has become an integral part of our lives. Whether staying connected with friends or family on Facebook, or learning about trending news on Twitter - the renewed culture of sharing, expression and collaboration is changing how we interact with each other.

Enterprise Social Networks (ESNs) are similarly reshaping how employees engage and collaborate among themselves and with customers, partners and other external influencers. While ESN proliferation is in part fueled by the increasing familiarity of business professionals with social tools, management leaders are also opening up to their far-reaching potential benefits. Notably, a strategic assumption from research firm Gartner predicts that more than 40% of enterprises will have an ESN environment deployed by 2015 to enable circulation of business and personal data.

Yet, it is often difficult to assess these benefits in measurable financial terms – using Return on Investment (ROI) metrics. ROI analysis is commonly used to justify new equipment acquisitions including software solutions. This whitepaper discusses two different perspectives - Return on Value and Return on Productivity - to understand and assess the ROI of social software.

Return on Value

There is increasing evidence and success stories that relate how ESNs bring value to organizations by bringing the right expertise, information and collaboration together. Yet this is hard to predict and measure before the fact. Even when planned out and institutionalized with full commitment from management, executives are hard pressed to project a measurable outcome at the outset for their organization. The benefits can be significant but by how much?

Viewed from a financial ROI perspective, this makes return on value less qualified as a justification for acquiring an ESN platform. Understandably, claims of business gains in top line revenue, rate of innovation or level of satisfaction are met with a healthy dose of skepticism. After all, there is no proven equation that connects the dots between social business and business performance. Sure, organizations that already use ESNs point to concrete anecdotal evidence, but ultimately the benefits must be measured through the success of overall business performance, which takes time to materialize. We call this type of ROI assessment the 'Return on Value'.

Return on Productivity

On the other hand, ESNs deliver immediate productivity efficiencies in routine communication and collaboration processes that are user centric and focused on saving time and resources. These efficiencies primarily result from displacing current usage from existing tools (like email) and enabling new forms of collaboration that cut down time spent in meetings, information search and other activities. These changes are driven by the open information distribution model supported by ESNs, as opposed to the closed information loops that are inherent

Definition of ROI:

A performance measure used to evaluate the efficiency of a financial investment or compare the efficiency of a number of different investments.

Source: Wikipedia / Investopedia

to both email systems and in-person meetings (if you are not included you don't know that the information or activity exists).

The advantage with this type of productivity assessment is that it is much more measurable since it has direct linkage to an existing communication or collaboration process. For example, it is easier to investigate through a time study method, the reduction in time spent to review messages, sending replies or searching for information and other routine work activities. We call this type of ROI assessment the 'Return on Productivity'.

This white paper will cover several existing communication processes and how ESNs beneficially impact them. The benefits are assessed using the Return on Productivity method. The results shared here were obtained through a study commissioned by blueKiwi with an independent research firm who interviewed a cross-section of blueKiwi customers as well as non-customers.

How ESNs Affect Organizations

Before delving into the specifics of measuring the ROI of ESNs, it is important to understand the nature of changes they introduce. To do this, we need to look at the fundamental behavior attributes or business processes that are affected by the deployment and adoption of an ESN.

Behavior and Interaction Related Impacts

ESNs have the potential to unlock a new level of collaborative behavior that can fundamentally change how a business operates. Realizing this potential needs planning and commitment, and a judicious selection of business areas that can demonstrate the positive effects of change early on. These initial successes in turn spur broader adoption by bringing more business users and processes into the fold. This is critical, because the biggest drawback of ESN deployments at this point in its lifecycle is that unlike other enterprise applications, use of ESNs is more discretionary and voluntary.

Once adoption reaches critical mass, ESNs positively influence a number of cultural and behavioral aspects as described below:

Engagement

When employees, partners and customers are better connected to each other on an ESN platform and can exchange information freely – they have a greater sense of engagement and loyalty. We are after all social beings, and the ability to make ourselves heard and have our contribution acknowledged in a larger sphere is gratifying.

Consider for example a tech support person being able to comment on a product development question that relates to how a particular product is used. Without an ESN, the information may exist in the tech support person's mind – but there is no forum for it to be shared since such cross-functional discussions happen rarely.

Collaboration

Team work and collaboration are the tenets on which modern management systems thrive. This is even truer for information work – where harnessing the collective knowledge of the organization can deliver substantial business benefits. The challenge has been however, to find methods to facilitate collaboration amongst geographically distributed individuals and projects teams across departments, business units, and organizations.

ESNs provide a practical technology platform to drive greater collaboration – by enabling open communication through many-to-many communication, task management, idea sharing, document co-creation and many other capabilities.

Knowledge

It is not enough to have the best experts in the organization, but the key is to find a way to disseminate their knowledge for the greatest business impact. Knowledge is also created through routine business interactions (e.g. a manufacturing engineer raises a technical question with product design and receives a response), but this is not available for reuse as current communication systems like email create personal, closed data silos that are not accessible to the rest of the organization.

ESNs drive better knowledge creation, sharing and utilization because it connects information consumers (e.g. a sales team) to information providers (e.g. a product expert); automatically stores generated knowledge interactions; and makes them searchable so that they can be reused at any later time.

Innovation

Innovation requires a free flow of ideas and interactions among interested employees and stakeholders. Good ideas may come from anywhere inside or outside the organization regardless of position or expertise. The problem though is that current organizational systems and hierarchies stifle cross-organizational innovation. As ideas and brainstorming happen within a department or function or amongst defined roles - independent inputs from outside the designated group run the risk of getting stalled because of politics or inertia. Ideas also have no way to be cross-pollinated by other complementary thoughts from elsewhere in the organization.

In contrast, the open sharing and collaboration platform offered by an ESN helps the germination of ideas and ensure the continued engagement of the contributing individuals. Talented stakeholders can visibly see the interaction and inputs to their ideas from other team members as they are shaped, nurtured and if selected, put into practice.

Social Linkages

Just like in our personal networks, who we know and connect with in an organization has a big impact on our contribution. An interesting research study carried out by an industry leading professional services firm showed clearly, that consultants who networked with more team members internally - delivered higher productivity and revenues over time. These individuals clearly gained from being associated with more important projects and delivered on them successfully thanks to greater access to organizational expertise.

ESNs facilitate the building of such social linkages by making connections possible between individuals and teams that would otherwise have taken enormous time and effort to build. Project teams can be better staffed because the right experts can be found from across the organization.

Communication and User Process Related Impacts

Apart from spurring a greater degree of interaction and knowledge creation, ESNs also directly impact the routine communication and collaboration processes that are an essential part of a user's work execution. These impacts are more readily measurable on the basis of reduced time of execution for various routine tasks described in the next section. While the ultimate productivity gains will depend on how this 'freed up' time is utilized – the notional cost of these hours present a good measure of the utility of ESNs. It is also important to note that this type of productivity gain can be realized by any organization and is based on the inherent communication and collaboration capabilities of ESNs.

Some of the primary underlying factors for the user and process-centric changes are as follows:

Time to Replies

The effect of technology has been to accelerate the speed of business execution by orders of magnitude. We rarely wait for the next mail delivery or by the fax machine nowadays to receive a business communication. Yet, even modern systems like email offer only a limited communication mode, where replies can take minutes, hours or even days. This is because of email's nature as a closed communication channel where messages are targeted to specific recipients. If these recipients are absent or busy, replies can be delayed inordinately.

An ESN system in contrast, presents the information request to a broader group of knowledgeable recipients, any of whom can provide their input whenever they are able. Unlocking the information flow from 'closed' to 'open' greatly speeds up business execution. A sales person now need not wait for the support engineers he or she knows to provide an answer, but can draw upon the inputs of the entire team in near real time. Getting that information to a customer may well be the key to closing a sales deal faster!

Time to Search

Even if information exists in an electronic form – current systems make it hard to find them quickly enough, if at all. As all of us have experienced, searching through our Inbox or archived emails to find a particular document or message can be frustrating and time consuming. Even when enterprise search and document management technologies are in place, these do not store the contextual discussions around the information – that are sometimes more important than the object itself.

ESNs save time in searching for information by providing a single interface to locate any information object (i.e. related people, files, conversations, notes, questions etc.) that have all been automatically stored during the process of regular business interaction. The power of ESNs derives from the fact that there is a single instance of the information object that is stored – which includes the contextual metadata of discussions and comments.

Time to Collaborate

Multi-person meetings can be one of the most wasteful types of collaborative activity. While meetings are necessary to collaborate around complex tasks in modern organizations – there are aspects that can be easily streamlined. For example, not every person in a meeting may really require participating for the entire duration. However, with a lack of a suitable method to disseminate information to everyone, it is often advantageous to pull in all the impacted members and include them in a meeting. One would think that better use of email prior to a meeting could reduce the 'idle time' – but the format of email does not lend itself well to group discussions, polls, and expressing preferences for multiple answers and so on.

ESNs in contrast provide the framework to support different types of communications - discussions, questions and answers, polls or multi-question surveys, idea submissions and even document co-creation. Instead of everybody getting together in a room or a conference call to discuss alternative options to a marketing plan, or brainstorm on where to host an event, a better alternative would be to send out a survey via the ESN. It will easily gather the inputs from everyone, tabulate them, and present results in a factual way so that decisions can be taken. This will of course save a lot of collective hours that would otherwise be lost if everybody had to participate in a meeting to reach the same decision.

In most cases, marginal participants in a meeting could contribute or receive their information through an ESN instead of blocking up their time for the duration.

How to Measure the Impact of ESNs

ROI for any technology acquisition is typically measured in financial terms. The challenge is to translate perceived gains - that are not measurable in directly attributed costs or income - to a financial metric. We will look at the method of measuring ROI in the context of ESNs from two different perspectives.

Measuring Return on Value

As discussed above, the impact of behavior and interaction related changes are hard to ascertain directly. To measure higher degree of engagement, collaboration or knowledge sharing – one would need to look at the top-level business performance metrics. Increased engagement and collaboration between organizational participants (employees, partners, customers etc.) should lead to enhanced satisfaction scores, lower attrition and ultimately in higher revenues. Similarly, unlocking innovation in product development should lead to a richer pipeline, improved quality and on-time project delivery.

While several industry and research studies now exist in attempting to connect the dots between deploying an ESN and the resultant business value that it creates, the efficacy depends on a large number of variables. The industry, the targeted business function, the nature of executive support, the strength and motivations of community managers, the adoption rate of the ESN platform within the organization, the familiarity of users with collaboration tools and many other factors play a role. With nearly five years of deployment experience of ESNs to draw from, sufficient expertise now exists to develop a planned approach that will result in success. However, predicting the level of gains for an organization at the time of technology acquisition is impossible, because sufficient thought has not been given at that point as to how and what the ESN will target in specific terms.

It is important to note, that if properly planned and deployed - gains from an ESN can be dramatic. However, since these gains are ultimately measured in overall business terms they take time to materialize.

Measuring Return on Productivity

Measuring the impact of user process-centric changes is more direct – as it can be broken down into magnitude of ‘time saved’ in performing different communication and collaboration tasks. The work study method adopted in our survey focused on twelve routine activities that are repeatedly performed in today’s organizations. Participants were asked a series of questions on the time they saved when moved to an improved process supported by an ESN platform (blueKiwi) in lieu of an existing system (e.g. email). In most cases, the participants had access to both the existing system and their blueKiwi implementation and were able to perform both tasks sequentially and provide answers as to how long it took to perform the task either way.

The targeted processes were grouped under three main areas –

- Improved Communication
- Collaborative Work and Knowledge Search
- Efficient Time Management

Improved Communication

Time saved from improved communication processes involved the use of blueKiwi to support internal communications between individuals, teams and departments, and for company-wide announcements. This included regular communication tasks like sending and receiving multi-party or groups emails, dealing with ‘forked replies’, asking questions to internal groups and experts and collating answers received in the process. Less routine communication processes studied included submitting and circulating new ideas and communicating information to new employees or team members.

Time savings were measured in carrying out all of the above tasks in blueKiwi in contrast to using email.

Collaborative Work

Time saved due to enhanced collaboration within teams centered around the development and archival of the contextual conversation metadata around a new information object – for instance, a document. Teams used blueKiwi to share feedback and progressively advance through changing and uploading new versions. The interaction with a Document Management System was not in the scope of the study. Participants also used blueKiwi to co-create wiki documents to enable information centralization and sharing on specific subjects. Once these information objects were created, the time to search, retrieve and reuse the information was also studied.

Efficient Time Management

The focus here was on sharing and open communication prior to and post meetings to avoid marginal participation (with high idle time). In addition, emphasis was put on managing the tasks resulting from the meetings. Data was also gathered on expected time saved from reduced inter-office travel as some meetings could be carried out virtually. In each case only a limited percentage of ESN users were considered to be affected – as not all users were deemed to be involved in meetings to begin with.

Return on Productivity: Study Results

Once the time study results were tabulated, the realized benefits were assessed based on the engagement level of the end users with the ESN. In an environment where users use both email and social software, the time that they spend on the ESN depends greatly on how much their particular business function is supported or improved by the new platform and the proportion of team members who are using it. Clearly, network effects of an ESN are greater when more team members use the platform for publishing and reading information. However, since adoption starts initially in a few business areas and grows over time, it was assumed that the population of engaged users would start small and scale over time.

Three levels of user engagement were considered with their relative rates of benefit accrual.

Highly engaged users were considered to be continuously using the ESN as a communication and collaboration platform. They were further classified to be both readers and contributors. Due to their involvement, highly engaged users were considered to accrue 100% of the benefits of the time saved through improved work processes using the ESN. However, only 15% of ESN users were considered to be highly engaged 2 years after deployment.

Moderately engaged users were considered to visit their ESN platform several times a day. They were further classified as both readers and occasional contributors. Due to their limited involvement moderately engaged users were considered to accrue only 50% of the time saved from the tasks they engaged in. Also, only 25% of ESN users were considered to be moderately engaged 2 years after deployment.

Somewhat engaged users were considered to visit their ESN platform when relevant conversations occur - driven mostly through email notifications. They were primarily considered to be readers. Due to very limited participation they were considered to accrue only 15% of the time saved from the tasks they were involved in. Also, only 40% of ESN users were considered to be somewhat engaged 2 years after deployment.

The rest of the ESN user population (20%) was considered to be not engaged 2 years after deployment and did not visit the ESN at all. Consequently they were considered not to accrue any benefit from the new platform.

Results

The absolute productivity gain estimated for ESN users based on the time study survey is best described with the help of a case example.

Let's consider an organization where 1,500 employees have adopted an ESN platform. If those employees were to use the ESN across all its facets and improve internal communication, share and receive feedback, and manage collaborative activities more efficiently – their collective productivity gain (Return on Productivity) in Year 1 based on study results would be as follows:

blueKiwi enterprise social software can save you in employment hours/annually		€1 113 349
Your total productivity gain	Total hours 'freed up' for productive tasks	Annual ROI after 2 years
2,12%	58 530 hours or 32 employees	547%

Total productivity gain across all ESN users: 2.12%

(Our model assumes that 15% of users are fully engaged, 25% are moderately engaged, 40% are somewhat engaged, and 20% are not engaged).

Total "freed up" hours that can be assigned to productive tasks: 58,530

(Note: This would be an equivalent of "freed up" work hours for 32 employees for the whole year)

Total dollar equivalent of "freed up" employee hours: 1,113,349 €

(Note: This is the equivalent cost per employee calculated on the basis of an average annual "cost to company" compensation of 35,000€).

ROI on the ESN investment in Year 1 after deployment: 547%

The financial calculations for Return on Productivity gains was calculated based on representative investments in blueKiwi software that could support the tasks involved. Note that the costs of managing the ESN platform were not considered.

As the use of the ESN platform matures and more users get engaged, productivity gains were estimated to climb above 3% and associated value of "freed up hours" to more than 1.5 M€.

Conclusion

Assessing the ROI of ESN platforms can be considered from two perspectives. 'Return on Value' benefits are not directly measurable but are driven by fundamental changes in collaborative behavior and interaction. They can only be measured by considering improvement in higher level business metrics (revenue, satisfaction, quality, loyalty etc.). They can be dramatic in nature but vary based on a number of industry, business function and deployment factors.

'Return on Productivity' benefits are more directly measurable as they 'free up' time from regular communication and collaboration tasks. They are less dramatic but substantial enough to justify the purchase of an ESN platform. Moreover, these gains accrue more homogeneously to organizations across industries and business functions as they drive efficiencies from routine communication and collaboration processes.

Both measures however, depend greatly on the level of adoption and ESN user engagement. Greater adoption drives higher network effects and can substantially grow the business value of an ESN.

To understand how much your organization can gain from deploying an ESN using the Return on Productivity method discussed here – please use our online ROI calculator. To discuss the study results in further detail or to develop a customized assessment for your organization, please contact us.

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transforming conversations into business actions.

About blueKiwi Software

blueKiwi is the innovation leader in Enterprise Social Software. Our solutions enable hundreds of enterprises worldwide to engage and interact with their internal and external social networks in multiple business domains. Built from the ground up as a SaaS platform, blueKiwi is powering social business in many Global 2000 companies. As a testament to its pioneering background and leadership, Gartner has consistently recognized blueKiwi as a visionary company since 2007.



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