Most businesses today use social media to enhance their competitive advantage, usually via branding and marketing. But some companies have recognized the full power of social media and are using it to improve communication within their organization. When done right, social media can enhance workforce collaboration, increase organizational efficiency, and reduce expenses. In this paper we review the business value of social media and describe why social media is fundamentally changing organizational communication, collaboration, and efficiency. We also discuss the key organizational components needed for a social-media initiative to thrive and identify the potential risks associated with using social media in the business setting.

The Business Value of Social Media

Social media provides value to companies because it better leverages their most valuable resource: their workforce. Employees’ knowledge, experience, and talent are often underutilized in large organizations because they are lost when a workforce is dispersed over functional areas, departments, and the globe. Many of the challenges faced at a departmental level, where corporate objectives are executed, could be solved with information or talent held by someone in a different area of the company. Because of the organization’s size, employees commonly are unaware that others in the company have already discovered a solution to their problem. While the top management does serve as a conduit among corporate divisions, they would soon become overloaded if they were expected to serve as a knowledge broker among divisions. Thus, valuable information lies dormant at the lower levels of the hierarchy.

Consider the example of a leading online retail store where we interviewed departmental heads from multiple sites. During one interview, we learned that a team in apparel was struggling with an algorithm to improve the personalization of consumers’ online searches. It just so happens that we had also interviewed a team from a different department and site that had solved that exact challenge. Once we pointed this out, the apparel team was able to save valuable time and resources because they did not have to reinvent the algorithm. If we had not happened to be interviewing the two teams, this connection would never have been made. Unfortunately, this disconnect is very common in large, dispersed organizations.

Companies are using social media to enable employees to make these connections on their own. For example, CEMAX, a global supplier of building materials, has used social media to ensure that valuable talents, skills, and knowledge were not lost in its large corporation. With more than 47,000 employees across 50 countries, the company has a diverse workforce and a hierarchical organization. As with other corporations during the recent recession, the need to produce more with fewer resources prompted CEMAX to consider how it could increase efficiencies without jeopardizing innovation.

In 2010 CEMAX launched SHIFT, an IBM social enterprise software platform custom designed for the company. The platform facilitates messaging (email, calendar, scheduling), team collaboration (file synchronization, ideas and note sharing in wiki, task management, text search), real-time collaboration (instant messaging, Web conferencing, desktop sharing), and social computing tools (e.g., blogs, RSS, shared bookmarks). It also has a translator that allows for communication across languages. To help employees connect, CEMAX formed communities on SHIFT based around specific topics and projects. Within these communities, employees from different departments, functional areas, and geographical divides were able to share files, ideas, and best practices. When faced with a challenge, employees were able to post questions onto the SHIFT site to see if others in the company had already faced and solved that challenge. SHIFT also enabled employees from different departments, functional areas, and global divides to work together on new ideas and innovations. Within a couple of years, the value of SHIFT was
tangible in terms of innovation, time to market, and decreased expenses. For example, the company was able to go from the idea phase to the branding phase in just four months when launching its first global ready-mix product, a time frame that was inconceivable prior to SHIFT. Moreover, costs associated with the product launching decreased because of a reduction in phone and travel-time expenses.

What is Unique about Social Media

Social media became popular in the 2000s with “Web 2.0,” a term used to describe websites that allow users to interact and collaborate with each other, rather than be passive consumers of online content. The profound ramifications of this shift should not be underestimated; just consider President Obama’s fundraising in the 2008 presidential election or the 2011 grassroots uprising of Tunisia, Libya, and Egypt. Communication in the era of Web 2.0 has fundamentally changed. The implications of this change are profound in terms of the way in which group members can communicate and collaborate with each other. Changes most relevant to the business environment include the ability to:

- **Coordinate activities across groups, functional areas, and geography** – As companies have grown and become more geographically dispersed, their systems, processes, and resources have invariably become more specialized and complex. While there are many advantages to a large-scale operation, maintaining coordination across groups becomes more difficult. Social media addresses this problem by providing the ability for any member of a group to instantaneously communicate with all other members of the group.

- **Foster connections between individuals with no previous association** – Social media facilitates relationships among individuals with a common interest who would otherwise never cross paths. The value to large, diversified organizations is significant. Social media makes it possible to locate highly specialized expertise within a large, dispersed workforce. In other words, you can find a needle in the haystack. It also facilitates the formation of collaborative teams based on employees with common goals or interests who would have otherwise remained in their silos. Bringing together the right people results in enhanced creativity and innovation.

- **Communicate instantaneously** – For some companies, having real-time information is critical. Too often, not having the right information at the right time results in missed opportunities, wasted effort, and costly delays. Social media can minimize or prevent operations downtime or damage of reputation following an incident.

Some companies use publicly available social-media devices to enhance their employees’ collaboration, while others have invested in social enterprise systems. Designed specifically with organizations in mind, social enterprise systems are software platforms that provide numerous social interaction features incorporated into a singular software system. These interaction features are comparable to what you would find in Facebook, Twitter, or Wikipedia, but integrated and tailored to meet the specific needs of a company.

Whether using publicly available devices or social enterprise systems, companies that integrate these new forms of communication throughout their entire organization have been referred to as “social organizations.” Social organizations typically have enhanced information flow, high levels of employee collaboration and innovation, decentralized organizational structures, and high levels of employee engagement.
Requirements and Risks with Using Social Media

Not all organizations are suitable to becoming social organizations, as there are both requirements and risks. Neither should be taken lightly. While some companies have had incredible success with social media, others have had poor outcomes in terms of lackluster results, wasted resources, and poor ROI. Worse, some companies have learned the hard way about the risks of social media. Thus, becoming a social organization needs to be considered a significant undertaking.

First, consider the requirements for a successful social-media initiative.

- **Backing from Leadership:** The decision to use social media in a business setting must involve the company’s leaders for three reasons.

  First, social media is best used to address pressing corporate challenges that ultimately affect the financial well-being of the company. There are costs associated with incorporating social media into business operations. Achieving a return on investment means the initiative needs to improve the company financially, whether directly (i.e., reduced production time) or indirectly (workforce loyalty, which then affects workforce turnover).

  Second, social media is best used to coordinate employees across company silos; indeed, silos are one of the primary reasons why there is untapped workforce knowledge and expertise. Top-level involvement is necessary to facilitate a cross-division initiative.

  Third, successful use of social media in the business setting requires leadership backing to provide the necessary resources and to demonstrate to the workforce that it is considered important and not just an afterthought.

- **Internal Social Media Director:** Coordination of the social-media initiative across all divides of a company is central to its success. Thus, it is critical to create a position responsible for fostering, monitoring, and coordinating social media within the organization. Adding some or all of these tasks onto existing positions or departments means that the initiative will not receive the attention it needs to survive. This position would be comparable to Social Media Director positions that oversee social-media marketing and branding; however, the nature of communication (e.g., objective, tone) would be different enough for the Internal Social Media Director to warrant its own position. This position should report directly to top leadership, to ensure that social-media initiatives are directly linked to the corporation’s most pressing concerns.

- **Organizational structure and culture:** Social organizations cannot thrive under a hierarchical structure with a “top-down” leadership style. Initiative and involvement from the bottom of the hierarchical structure is necessary for employees’ knowledge, skills, and talents to emerge and be fully utilized. Employees will not feel free to take the initiative unless they are given permission from top management to do so. Leadership that focuses on punishing failures rather than rewarding innovation (despite failing the first few tries) will create a poor environment for the growth of a social organization. It is comparable to trying to plant a seed in poor soil -- you cannot blame the seed if it fails to thrive. Likewise, if you “plant” a social-media initiative in a company that insists on a traditional hierarchical structure and top-down leadership, you cannot blame the initiative for failing to produce a fully functional social organization.

Social-media initiatives cannot thrive without the aforementioned requirements. Just as imperative, though, is for companies to safeguard against the risks that are associated with social media.
Inadvertent disclosure of intellectual property: The accidental or intentional disclosure of company secrets, strategies, or other proprietary information is a legitimate concern. Successful companies have mitigated this risk by establishing and thoroughly training employees and contractors about company policies on what information about the job, company, co-workers, or clients can be shared. Establishing a code of conduct addressing social-media communication can help employees from unintentionally divulging proprietary or confidential information.

Managing access to company’s social-media sites: It is important that companies put in place safeguards against the access of company sites by those outsiders. Uncontrolled access can have implications in terms of reputation, information security, and liability for falsely made comments about people, competitors, or companies. Mitigation against such risks requires establishing access controls and the establishment of formal policies and guidelines.

The decision to use social media in the business setting despite potential risks is similar to the decision businesses once faced about using the Internet. As with social media, the Internet poses many risks, such as phishing, spam, or malware. Today corporations recognize the threats associated with their employees’ use of the Internet, but they find a way to mitigate them because it is too costly to not use the Internet. This realization - to move forward despite the threats -- has spawned a new industry of Internet protection. Likewise, corporate adoption of social media will generate a market for products that minimize social-media threats. The corporate march toward social-media communication will happen. The question is whether companies choose to be early adopters, which comes with advantages but also risks, or to enter at the tail end, which offers fewer advantages and risks.

Whether companies realize it or not, social media is creating a silent crisis for them, with both opportunities and dangers. Businesses that successfully transition to social organizations will have a competitive advantage over those that do not. More and more companies are learning how to make this transition and how to safeguard against potential risks. Furthermore, new organizations, often led by millennials, are emerging from the start as social organizations, as their younger leaders and workforce have intuitively incorporated this competitive advantage into their structure.

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