

Simplifying Social Business (and the Promise of Social CRM)

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1. Introduction

The social business model exalts engagement and collaboration with customers, partners, and employees. Strip it back and the reason why the social business model is fundamentally important is because it supports how real people relate and do real business.

Why then are companies still confused about the social business model? Why aren't they rushing to implement it in their own companies?

I'm going to explore these issues in this white paper, although I'm going to come at the discussion from a little different perspective than most other thought leaders in the social business space.

Along the way, I'll explore why the social business model is so important for companies today — and the potential impact on failing to pay attention to it.

2. Defining social business — the starting point

The Social Business model focuses on **engagement, influence, collaboration, and creation** with customers, partners, and employees.



[Paul Greenberg](#) captures it nicely with his thought that the intent of the social business model is to create mutual value in a transparent business environment.

It's very much a customer-centric model, although partners and employees also play important roles. Social CRM (SCRM) is the customer part of the social business model.

Looked at another way, social business is a return to a **village mentality** where people worked in the same community where they lived.

Because of the physical proximity, villagers lived mostly transparent lives with the people they did business with. Additionally, villagers had a vested interest in helping the community prosper to bolster their own their individual prosperity.

The modern spin on the village model — which is where social business comes in — is a company's village outposts can occur anywhere in the world, thanks to electronic and mobile connectivity. And these types of connectivity are very much important parts of the social model because of the ease of connecting people across geographic distances.

What's important to understand, though, is social business *is not* about technology although technology plays an important enabling role. The most important factors are...wait for it...people. Secondly are processes. Technology comes in third by providing the means to connect and collect actionable intelligence.

2.1 Social business is a paradigm shift

As a business leader, why should you care about social business? Indeed, if your business seems to be running just spiffy — making money and appeasing the Wall Street gods — then why change anything?

The answer is because your **customers and partners have become socially demanding** in their business interactions. They want to engage, influence, collaborate, and create with your company to further their own needs.

And your employees are social too and they're bringing their own expectations as a customer and applying those to their expectations as an employee.

All this translates into the social business model being a paradigm shift because it puts **more power into the hands of customers**. It's not just about a company granting customer-centricity to them. With the proliferation of social channels, customers can just as easily take it from you — and they will be for better and worse.

The diagram on the right shows the basic centers of focus you'll encounter in the social business model and they are:

- Engagement and data collection,
- Monitoring social channels and measuring sentiment and activity.
- Shaping and influencing your customers (as well as partner and employees) — and being influence by them.
- Collaborating and creating with your customers and partners, gaining from their ideation and feedback.



2.2 Social business — Benefits

Let's look at the answer another way. You can package up social business benefits and goals in a variety of pretty ways. At the end of the day, though, the only two really to matter are higher **revenue generation and profitability** (a.k.a., higher cost savings).

First, you have to hang onto your revenues and profits — and that means collaborating with ever more demanding customers. And it's not just the big customers you have to worry about. Little ones can make big waves too in the right circumstances (for example, consider [United Breaks Guitars](#)).

How do you increase revenues and cost savings from social business initiatives?

2.2.1 Leading indicators of Revenue generation include:

- Extended influence or impact with prospects and customers.
- Improved branding.
- Heightened customer loyalty.

- Better insight into customers and their needs so you can more responsive to them.

2.2.2 Leading indicators of cost savings include:

- Agent deflection — Fewer opened incidents.
- Faster incident resolution with fewer contacts per incident.
- Increased agent productivity.
- Expansive ideation.
- Accelerated product development.

2.3 Communication in the social business world

The social business model recognizes the need to engage in both many-to-many conversations as well as the more traditional one-to-one.

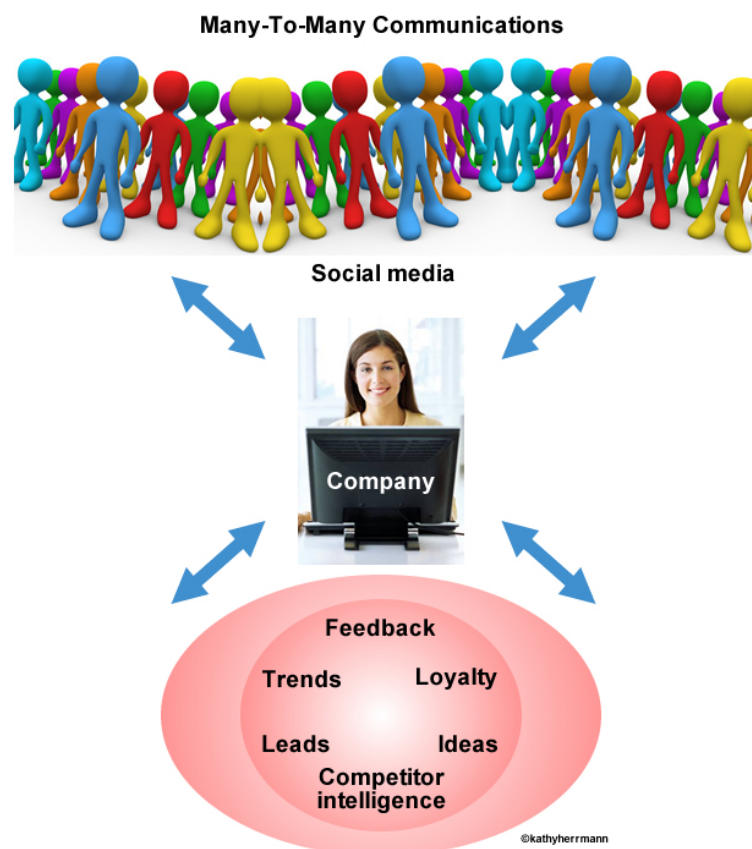
2.3.1 Many to Many communications

The many-to-many communication scenario recognizes customers and partners are actively participating in a variety of social channels in their personal and business lives. These conversations are often unstructured but they can provided your company with a wealth of intelligence about your products and services, as well as your competitors.

You need to understand which social channels your customers favor so your company can both participate and engage with them in their preferred outlets.

Technology comes into play by helping you monitor, collect, and analyze these conversations.

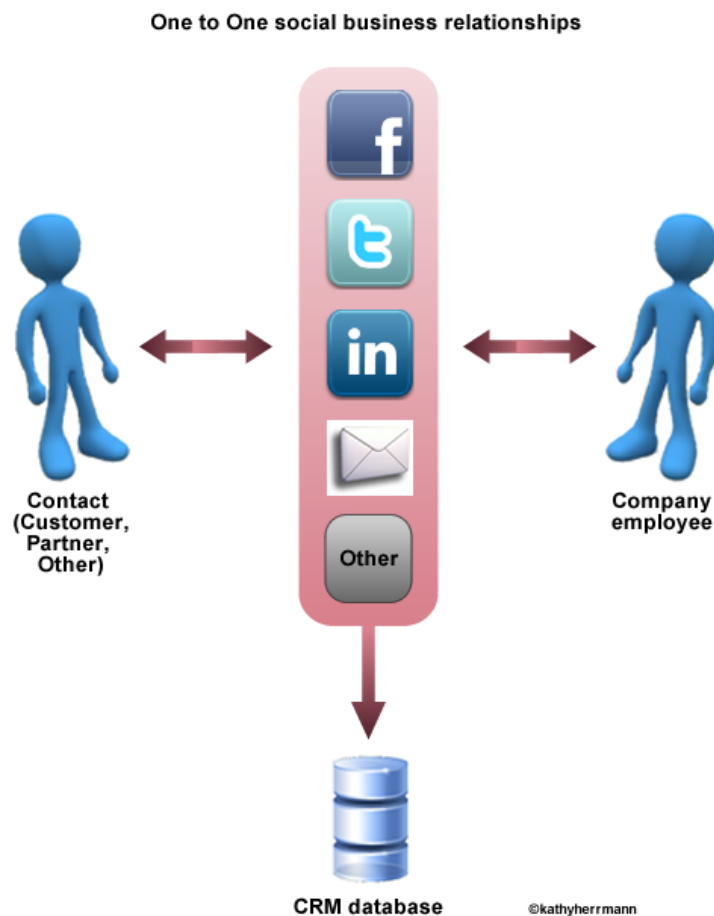
The right technology solution set will comprise some best of breed combination of (traditional) CRM, Social CRM, branded communities, and premium analytics solution.



2.3.2 One to one communications

While the social model gives rise to many-to-many conversations, it doesn't replace the traditional one-to-one relationships with customers. What differs, though, are your customers' preferred outlets for communication. While phone and email continue to be popular, customers also use (or expect to use) social channels such as Facebook, Twitter, branded communities, and other channels.

Your challenge will be to gather customer-specific communiqués across multiple channels and store them by contact in your CRM system so your employees can review activity history.



3. The way real people work – or the problem with CRM systems

Getting people to adopt a CRM solution is hard. Sure they'll use one but how many people really like it?

True confessions. I work in the CRM space and have issues around using these systems as much as other folks. Check out my blog article [Using A CRM Is Like Eating Broccoli](#). Hint...I eat vegetables because they're good for me and not because of my love of veggie things – and I feel the same way about using CRM systems.

People use complex and often fuzzy thought, impacted by group input, to navigate through the world, make decisions, and do work. Therein is the problem with CRM systems and other larger enterprise

business systems. They're so doggone transactional and linear and require people to force-fit themselves to the system rather than working naturally.

We had to undertake such linear-based systems, though. As our worlds expanded and companies became more complex, managing them required collecting bucket loads of transactional information. Computers opened our world but also heightened the transactional processes because of the way their bits and bytes operate.

As we moved into a Web 2.0 world, and will continue moving into Web 3.0, it's all changing though. We're gaining the ability to capture unstructured data and find the patterns within it. Within those patterns is information about the way real people are working.

Check it out. The diagram below shows the difference between traditional and transactional CRM versus SCRM.



Web 2.0 - 3.0 technologies are giving us actionable insights into global trends. We're also gaining more depth of insight into specific customers or individuals as they engage within and across social circles.

The result will go far beyond how we collect data. It will also impact how we manage our businesses.

4. The promise of social business and SCRM

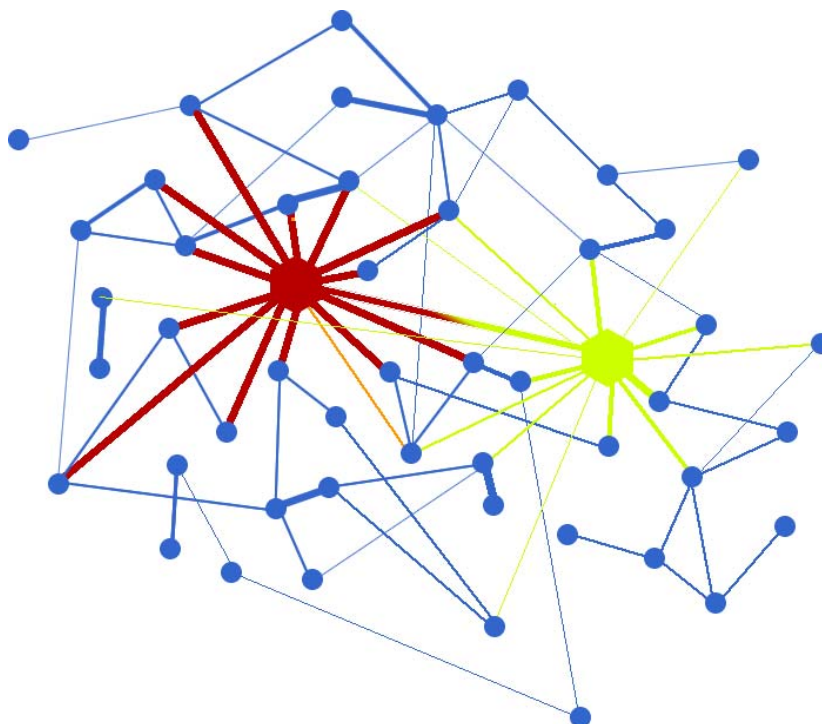
Social business allows us to once again emulate the human approach. It's not about adding a human touch to your business. Instead, it's about being human. In the process, social business unleashes the creative processes of real people, incorporating normal right- and left-brained processes, rather than force-fitting us solely into a left-brained, transactional mold.

The problem we face, though, is we're still trying to apply traditional business processes — a.k.a. transactional ones — to the emerging social model which employs networked and unstructured engagement. That's the reason why a chunk of people are struggling to grasp and embrace social business. It's hard to even understand what social business is and its value when you approach it from a left-brained, analytical view.

Let's try it in pictures. Here's a picture of the traditional business model



And this is the networked, social model.



If you get the sense that social business will require re-engineering your process to incorporate both linear and non-linear engagement, you would be right.

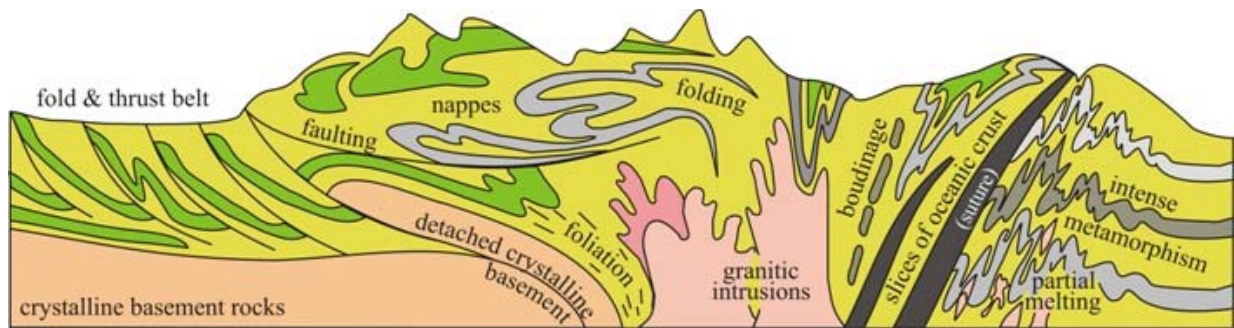
4.1 Making sense of social interactions

CRM and other transactional systems seek to take the complex and break them down into discrete transactions. In the process, we can miss the bigger picture.

Of course, a challenge of social business is making sense of the data. [Cynthia Heinsohn](#), one of my collaborative partners, likens social data to a series of overlain patterns that need unraveling to make sense of. It's a pattern recognition challenge.

Maybe it's my roots as a former petroleum exploration geophysicist, but I liken social data to geologic data. It's like this. When you look at a cross-section of the earth, you see a variety of geologic events overlain one on top of the other, mushing together in ways that sometimes (oftentimes) hide the discrete events.

Take a look at the diagram below to get my meaning.



Geologic cross-section of the Shenandoah National Park, by Callan Bentley, Northern Virginia Community College.
<http://ow.ly/1wA4D>

Don't worry about trying to understand those geologic terms and processes because that's not the point of the diagram. What is, though, is knowing each of those descriptions apply to discrete geologic events. The challenge for the geologist is to unravel the mush and piece together the history of these individual events and how they all fit together. And it's not just about rocks. Each geologic event had an impact on the critters in the region. By understanding the geologic history you also gain insight into why some critters thrived while others extinctified. In other words, the biological and geological history all tie together once you understand the individual events.

If you look back that at the network social model diagram above, it's the same thing. All those interlocking connections mean something insightful and valuable to your business. Your job as a business leader is to provide your staff with the processes and tools to unravel the patterns in the network. Do that and you can apply them to benefit your company.

We're only seeing the early stages of pattern recognition with the sentiment analysis of text. As Cynthia likes to point out, though, there's a missing piece of analysis that Web 3.0 will plug for us. That's the ability of trending on images and search. Cynthia sees a new level of analytical sophistication coming in Web 3.0, even if we're not quite there yet.

4.2 How to start applying SCRM – Build on CRM

In a previous section, I discussed how social business is a paradigm shift. It requires a higher level of sophistication than a transactional-based business model. It will take time to plan for and adopt. Even if your employees are eager for it, you know adopting change takes time.

The place to start is with people. Become a corporate geologist and unravel your corporate culture and processes. Determine where your company already has social-centricity and what's getting in your way.

Pave the way for a paradigm shift by preparing your strategic plan to stimulate and embrace the changes needed to make the adoption of social business a success. These will center on culture, processes and technology, in that order.

Expect to re-engineer some processes. Also expect to implement social technology to complement or replace your existing technology platforms.

For example, **social CRM is still part of CRM**. You don't throw the latter out. **Collecting transactional information about customers and partners (and employees too) is still important to business**. Look for step-change ways to layer in the social components so you also gain the value of unstructured data.

Before you launch changes in your organization, convince your executive team it's worth it. That's where economic valuation comes into play. Do a cash flow analysis of gains and costs, as well as net present value (NPV) and return on investment (ROI). Valuation is fundamental to Business 101. Showing the economic value of social business will impact your company's speed of movement towards a social business model. The higher the NPV and ROI, the more likely you'll accelerate adoption of your initiative. It will also show your company can afford and when.

5. Closing thoughts

The title of this section is a misnomer because social business is a new beginning and I've just touched the surface here.

Social business is a paradigm shift for companies. Many business leaders will shy away from embracing the model like because it requires change and change is painful and sometimes scary.

Here's the thing, though. Like the phone and email, social media interactions are here to stay. Yes, you can drag your corporate feet on embracing the social model, just like some companies once dragged their feet over embracing email. Know any companies today that don't have it, though?

Don't get me wrong, though, because pragmatic business woman here. Do social business the smart way. Think it through. Understand its potential benefits and forecast the economic value of it to your company. Then go forth and do it in the way that makes the most sense for your company.

6. About Kathy Herrmann

Kathy Herrmann is a leading expert on social business and change management. She specializes in holistically fusing people, process, and technology requirements to ignite positive change.

Kathy's transformational focus centers on business process design and definition, valuation, and the user experience. Her almost 30 years of diverse corporate experience, spent in operations, marketing, sales management, and petroleum exploration, allows her to accelerate and elevate client success.

Additionally, Kathy is a valuation expert and designed the [ValueRight](#) methodology and tool for social business valuation (and ROI) determination. The tool stands alone in the market.

She is an active participant in the SCRM Accidental Community on Twitter, a premier group of social business thought leaders.

Connect with Kathy via her [Sparks blog](#), or via [Facebook](#), [Twitter](#) or [LinkedIn](#).