

A background image showing several stylized paper figures holding hands in a circle, symbolizing a network or community. The figures are dark grey and are set against a light blue, slightly blurred background.

SOCIAL NETWORKING CONNECTS BUSINESS



Following other consumer technologies, social networking sites are finding a home in corporate settings. For CIOs, the move brings challenges — and opportunities.

| By Karen J. Bannan

How do you grow market share when you already lead the market? For Headwaters Inc., a South Jordan, Utah, provider of products and services to the energy, construction and home-improvement industries, the answer involves social networking.

Headwaters, with 2008 revenue of \$819 million, already owned 80 percent of the market in many of its verticals. While company executives put a priority on pursuing the remaining 20 percent, they're also focused on introducing new products as a way to expand into related markets. Headwaters executives knew this strategy would require numerous meetings with customers, both current and potential. Yet they also wanted to avoid costly travel bills. So last year, with help from CIO Niel Nickolaisen, Headwaters built a customer portal and wiki to let employees interact online, both with customers and each other. The company evaluated several popular services, conferred with others at industry events, and launched social-technology pilots.

Since then, Headwaters has begun using social networking for other purposes, too. These include helping HR find and evaluate job candidates, connecting salespeople with customers, promoting supplier loyalty and connecting customers to potential customers. "You can invite your customers to share best practices and share their experiences," Nickolaisen says of the latter application. "Do it right, and you're creating a potentially limitless pool of unofficial company salespeople." The company also uses social networking internally to support its Lean manufacturing efforts. "We use social networking to gather process improvement information from our employees," Nickolaisen says.

Social Work

Headwaters is far from alone. Social networking, a technology originally designed for consumers, has entered the corporate setting in a big way. In fact, 60 percent of all U.S. workers have used at least one social-networking site in the past year, according to market researchers Compass Intelligence. Another market watcher, Equation Research, sees even wider adoption; the firm says 75 percent of all U.S. employees now use social networks for business purposes. "Social networking began with the consumer Internet and is now finding its way into the workplace," says Caroline Dangson, Research Analyst with IDC's Digital Marketplace Program. "People are realizing the value of social networks to connect with colleagues and deepen business relationships, just as they do with friends on these services."

Many employees have taken it upon themselves to use these tools, regardless of whether their organiza-

tion has its own initiatives, Dangson adds. In fact, she is one of more than 50 analysts at IDC using Twitter, the microblogging service. Another 360 or so IDC employees use Yammer, a free, private social messaging service, for internal information sharing and virtual brainstorming sessions.

Also, some companies have improved productivity with social networking, Dangson says. Mainly, they've done so by reducing the time employees need to spend on the phone solving customers' problems. "Workers struggle with information overload," she says. "Social networks help them filter and find the information they need through the help of peers they trust." A recent MIT study supports this. Researchers there found that employees with the most online connections were 7 percent more productive than their less digitally connected

5 Ways to Succeed with Social Networking

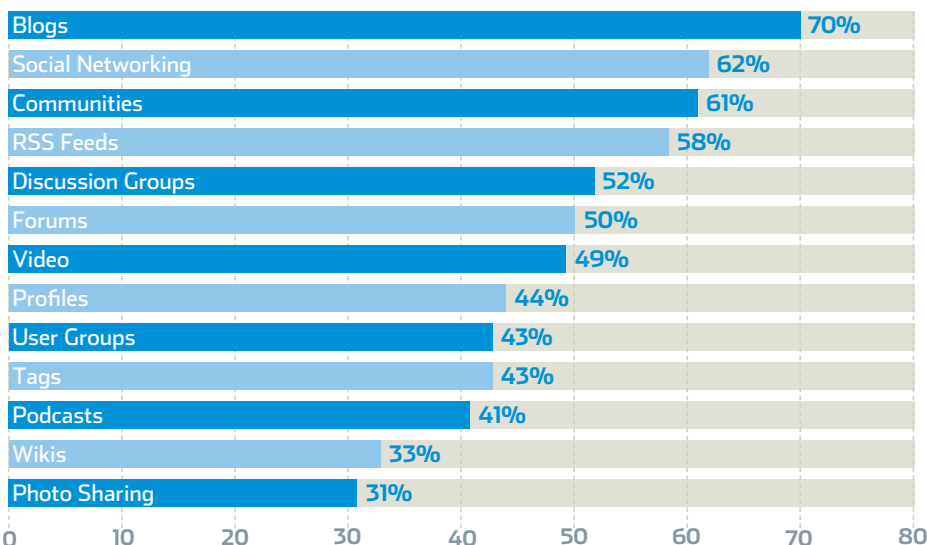
- 1 Assess your business needs before testing technologies so you can match needs with functionality.
- 2 Get at least one person from each business unit to test any potential technologies. Different business units have different needs, so what works for the IT department may be lacking for the marketing department, for example.
- 3 To prevent abuses, create an "acceptable use" policy that provides employees with guidelines for using the company's social networking tools.
- 4 Determine how easily social networking tools can be integrated with your existing technology. The more integration you have, the easier it will be to get people to start using the social networking tools.
- 5 Install filtering and monitoring software. That way, you can monitor what's going in and out of the company and prevent or detect abuses.

SOURCE: IDC

Outward Connections

External-facing Web 2.0 technologies planned for use

PERCENTAGE OF SURVEY RESPONDENTS



SOURCE: Awareness Inc. and Equation Research, "Trends and Best Practices in Adopting Web 2.0 in 2008," Sept. 2008

colleagues. While that gain might seem modest, in today's economy, every percentage point is worth fighting for.

That's certainly the case at Textron Information Services (TIS), which provides IT resources to its parent company, Textron Inc., a \$14.2 billion company based in Providence, R.I., that serves the aircraft, defense, industrial and finance industries. TIS uses social networking to help its 800 IT employees communicate with each other and find answers to difficult problems. "People can reach out and find someone who has a skill set that can help them," says Gary Cantrell, VP and CIO. "Social networking connects them in a way that just wasn't possible in the past."

For CIOs, social networking brings a mix of challenges and opportunities. Get it right, and the company can benefit. Get it wrong — and many do, experts say — and the CIO faces wasted time, manpower and other resources at a time when few companies can afford such losses. "Social networking isn't something you can just turn on," says Ross Mayfield, Chairman, President and Co-Founder of Socialtext Inc., a Palo Alto, Calif., developer of enterprise social networking software. "You need to be aligned to a business goal, and if you are a CIO, you need line-of-business alignment and a line-of-business manager engaged in the implementation process." In fact, companies that take a try-an-installation-and-see-what-happens approach have a 90 percent failure rate, according to Mayfield.

Statistics like that led Nickolaisen of Headwaters to select his social networking tools carefully. First, he determined the business need. Headwaters executives knew that most new product ideas come from solving new customer problems, which — more often than not — require the company to spend time with customers, understanding their business challenges. "But in our business, we don't have a lot of people in the field, so we have to be smart about gathering information," Nickolaisen explains.

Social Pilots

So Nickolaisen turned to social networking. He and his team began by evaluating Facebook, LinkedIn, MySpace and other popular services with firsthand trials. He spoke with other CIOs, both at industry events and online, asking them what they had accomplished with social networking. And he instructed his team to launch pilots with select clients to see how they liked using social networking to interact directly with Headwaters.

Ultimately, in a bid to save money and reduce complexity, Nickolaisen selected a software solution that the company had installed earlier and which provided a portal. Headwaters was using the software as an internal resource to post ideas and track their process through the R&D process. To foster internal collaboration, Headwaters set up a wiki.

Experts say Nickolaisen did well to start with his company's business goals.

Charlene Li, founder of Altimeter Group, a digital strategy consulting firm, and co-author of *Groundswell: Winning in a World Transformed by Social Technologies* (Harvard Business School Press, 2008), says considering the business objectives is essential for CIOs selecting a social networking tool. "It all depends on the goals of the company," she says. "Are you trying to engage customers? Are you looking to drive sales? Are you looking to get people talking internally? It all starts with that."

John Kembel, CEO of HiveLive, Inc., a Boulder, Colo.-based developer of social networking software, agrees. "Some companies start with a focus on internal collaboration and efficiency, while others start with more of an external focus on customer engagement," he says. "We've seen the greatest success with those companies that start externally, bringing customers closer to their business through a community. This extroverted posture makes for the fastest cultural shift, driving innovation and competitive advantage."

Doubly Social

Nickolaisen of Headwaters may also be leading a trend with his choice of not one, but two social networking systems. Indeed, Li says many companies will ultimately select two different social networking technologies: one for internal use and the other for external use. Which approach should a CIO take? It depends. Does the CIO need something that's one-dimensional and works internally only? Or does he or

she need a bigger ecosystem that connects to public social networking services such as Twitter or Facebook?

Either way, says IDC's Dangson, the CIO is best positioned to manage and support the flow of information within the enterprise — and to support and direct an organization's social media strategy. The CIO should work with the CEO to develop corporate guidelines and policies that help encourage all employees to use social networks. One best practice for CIOs evaluating social networks for business, says Dangson, is to choose a flexible platform, one that aligns with the company's business objectives and will connect all departments of the company. "Corporations that have experienced quantifiable success in deploying social networks have buy-in and support from upper management, who understand this is not just an activity for marketing and sales," she says. "It's about connecting the entire company and leveraging the wisdom of many, not just a few."

But CIOs should not take too long to decide which social network to adopt, advises Alan Majer, a Senior Analyst with Austin, Texas-based nGenera Corp., which bills itself as a next generation think tank. "If you don't put a stake in the ground," he warns, "eventually people will start using their own tools, and it could be very difficult later to migrate them over."

Then, once a social network is running, CIOs should follow up with controls to protect confidential corporate information and prevent abuses. For example, TIS has

installed a data-loss protection tool that lets the company monitor data flow for potential intellectual property loss. The company has also created an "acceptable use" policy that gives employees and customers a framework to work within, says CIO Cantrell. "We also do continuous training and awareness to reinforce proper use and the right behavior," he adds. "And we back it up with management tools that allow us to monitor the environment."

Enforcing these controls can be a delicate balancing act. Too little control, and corporate secrets could be at risk. But too much control, and the social network stops, well, networking. Nickolaisen of Headwaters believes he has found an effective middle ground. "You don't want to be too controlling, because that limits the use of social networks," he says. "Even when our internal social network initially turned into a gripe forum, we were patient, and the community established the standards. Now it has a purpose and its own controls."

In the end, social networking success may come down to trust. Once you've provided the tools, it's time to step back and let those tools create benefits. "You need to trust your salespeople, your CEO, your customer service people to talk to each other and talk to customers every day," says consultant LI. "If you give them specific goals, and if they see inherent value in using social networking, they are going to use those tools for the good." ■

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Social Networking for Personal Gain

Ian Church has lived all over the world. He's also changed careers and industries moving from the high tech world into sporting goods. His most recent stop was as VP and Managing Director, U.K./Ireland, with ProLink Solutions. Along the way he had little time to network and few people to network with, since his goals and expertise were constantly changing.

Church knew that networking could be extremely important to his long-term goals, so he logged on to

business networking site LinkedIn.com, created a profile and joined 23 groups. He connected to more than 200 people and started answering questions and providing feedback.

"It is a way to evaluate what's going on outside the walls of your company without having to leave your own personal four walls," Church says. "Personally, it helped me overcome my many geographic issues. I was so mobile, I didn't have the benefit of

a face-to-face safety net of people, so I had to create one."

This past February, Church learned just how important such a network — even a virtual one — could be. He was laid off due to the recession. That same day, Church logged on to LinkedIn and announced to his network and groups that he was looking for the next opportunity. Within just one day, he says, three people responded with job leads. Within a few weeks he was working on a two-month free-

lance project, and he had a good lead on a full-time job that would coincidentally start when his freelance gig ended.

Overall, Church says, while social networking is a boon to those executives trying to boost their company bottom line, it's just as important for personal fulfillment as well. "Social networking becomes the safety net in this modern world," he says. "In the 1970s, your employer was your employer for life. Now you have to create your own job security." — K.J.B.