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Evolution of the networked enterprise:

McKinsey Global Survey results

In our sixth annual survey on social technologies, executives report broader benefits from their companies' use of these tools. A majority also report the use of social tools on mobile devices, though considerable constraints to realizing the full value of these technologies remain.

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The use of social tools and technologies has become mainstream in the enterprise and many companies that have already invested in such tools are beginning to see visible, positive returns. These are among the findings from our sixth annual survey on social tools and technologies, which asked executives about the tools their companies use and how employees access them, the potential benefits and risks companies weigh in using these technologies, and the organizational changes companies could make to take full advantage of them.[1]

Respondents highlight several trends that underpin the increasing use of social technologies and benefits, including the broad adoption of cloud and mobile platforms to deploy

technologies (65 percent say their companies use at least one social tool on mobile) and executives' more expansive view of the benefits social tools can bring to their companies. These benefits include not only reduced costs and increased employee productivity, but also the enhancement of organizational processes: for instance, in the way companies find new ideas.

As in past years, we also identified a small group of organizations that are seeing outsize benefits from their use of social technologies internally (with employees) and externally (with customers, as well as suppliers, partners, and experts). Since 2011, the share of companies in this group has tripled. Still, almost half of executives report relatively low levels of

[1] The online survey was in the field from June 12 to June 22, 2012, and received responses from 3,542 executives representing the full range of regions, industries, company sizes, tenures, and functional specialties. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

Takeaways

Ninety percent of executives whose companies employ social technologies report measurable business benefit. It's true that certain benefits have plateaued, but others have become more widespread, especially in areas such as cost cutting and marketing effectiveness.

A small group of organizations continues to see outsize benefits from the use of social technologies, and this group has grown dramatically in the past year. The main barrier preventing these enterprises from capturing more value from social tools is the need for significant organizational changes.

Nearly two-thirds of the companies we surveyed have adopted at least one social technology that is being used on a mobile device, and the functions that were already using social tools the most (marketing, sales, IT) are using them on mobile even more often.

benefits at their companies, and even for the few organizations that are further ahead in reaping benefits, there remains tremendous potential to gain even more advantages from the use of these tools.[2] The key barrier that prevents organizations from capturing even more value from social technologies may be the need to institute more radical organizational changes.
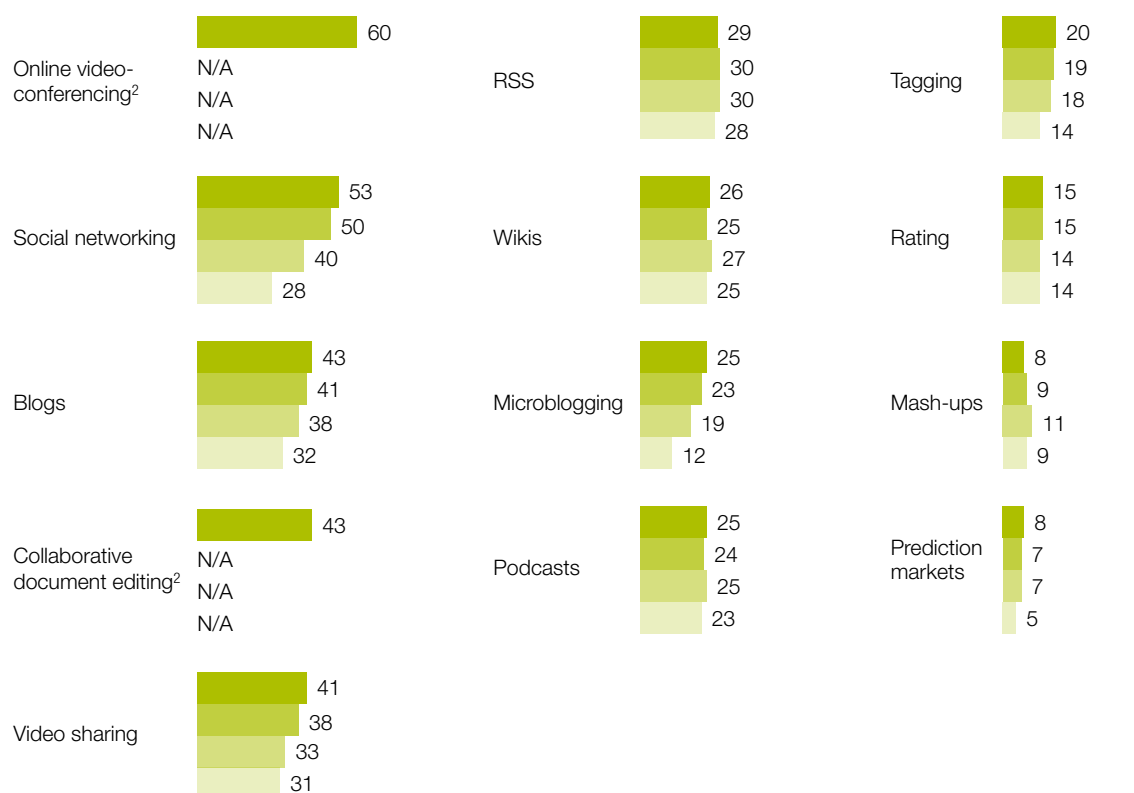
Continuing adoption

The share of executives who say their companies use at least one social tool or technology continues to climb, up from 72 percent in 2011[3] to 83 percent in 2012. Among the technologies we have tracked year over year, social networking still leads the way (Exhibit 1). In addition, the two tools we asked about

Exhibit 1
Overall adoption continues to climb.

% of respondents[1] whose companies use each technology

■ 2012, n = 3,542
■ 2011, n = 4,261
■ 2010, n = 3,249
■ 2009, n = 1,695

Social tools and technologies currently used by companies

Online video-conferencing[2]	60 / N/A / N/A / N/A	RSS	29 / 30 / 30 / 28	Tagging	20 / 19 / 18 / 14
Social networking	53 / 50 / 40 / 28	Wikis	26 / 25 / 27 / 25	Rating	15 / 15 / 14 / 14
Blogs	43 / 41 / 38 / 32	Microblogging	25 / 23 / 19 / 12	Mash-ups	8 / 9 / 11 / 9
Collaborative document editing[2]	43 / N/A / N/A / N/A	Podcasts	25 / 24 / 25 / 23	Prediction markets	8 / 7 / 7 / 5
Video sharing	41 / 38 / 33 / 31				

[1] Respondents who answered "other" are not shown.
[2] Offered as a new answer choice in the 2012 survey.

[2] See Michael Chui et al., "The social economy: Unlocking value and productivity through social technologies," mckinsey.com, July 2012.
[3] See Jacques Bughin, Angela Hung Byers, and Michael Chui, "How social technologies are extending the organization," mckinseyquarterly.com, November 2011.

Exhibit 2
Numerous benefits plateau.

% of respondents

■ 2012
■ 2011
■ 2010

Top 5 measurable benefits of technology adoption, by use

Internal		Customers		Partners, suppliers, and external experts	
Increasing speed to access knowledge	71 / 74 / 77	Increasing marketing effectiveness	65 / 69 / 63	Reducing communication costs	63 / 61 / 53
Reducing communication costs	66 / 58 / 60	Increasing customer satisfaction	51 / 47 / 50	Increasing speed to access knowledge	62 / 65 / 57
Reducing travel costs	55 / 40 / 44	Reducing marketing costs	47 / 43 / 45	Reducing travel costs	54 / 37 / 38
Increasing speed to access internal experts	48 / 51 / 52	Reducing travel costs	43 / 24 / 29	Increasing speed to access internal experts	48 / 50 / 40
Increasing employee satisfaction	42 / 40 / 41	Reducing customer-support costs	34 / 28 / 35	Increasing satisfaction of partners, suppliers, and external experts	42 / 42 / 45

for the first time in the 2012 survey—online videoconferencing and collaborative document editing—are among those used most frequently. Most companies are continuing to leverage social technologies internally (73 percent say so, up from 64 percent in 2011), as well as with customers (74 percent) and external partners (48 percent).

Executives say an average of 26 percent of employees at their companies use each of the technologies the survey asked about, which exceeds the threshold of usage (22 percent across all social tools) where compa-

nies begin to see returns on their investments. By technology, these thresholds range from 13 percent for blogs to 36 percent for social networking.

At the customer level, executives report that the use of these tools continues to grow. Respondents say their companies use social technologies to interact with an average of 38 percent of customers, up from 31 percent in 2011. Executives say their companies interact with nearly half of external business partners through social technologies, though the percentage has declined since 2011.[4]

[4]In the 2012 survey, executives say they use social technologies to interact with an average of 43 percent of business partners, down from a reported average of 47 percent in 2011.

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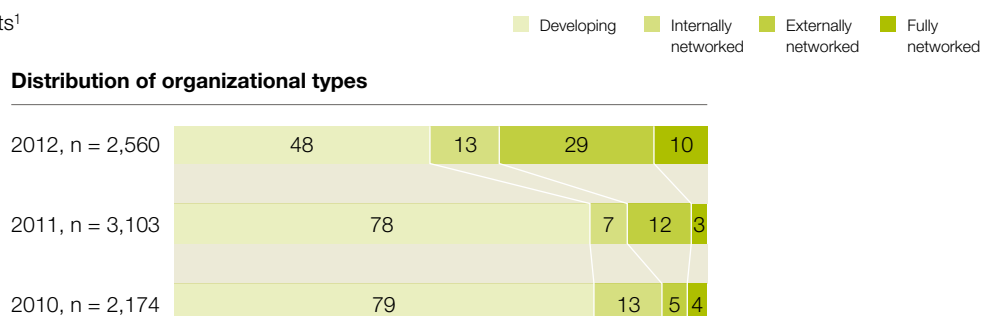
More organizations see outsize benefits

As in the previous two surveys, 90 percent of executives whose organizations use social technologies report some kind of measurable business benefit from this use with employees, customers, and business partners. While the percentages of respondents reporting certain benefits (such as increasing speed to access external knowledge) plateaued or even decreased since 2011, increased shares now cite cost-cutting benefits (Exhibit 2). This is especially true for travel costs, perhaps in response to economic pressures and given the prevalence of videoconferencing, which 60 percent say their companies are using. In 2012, respondents also report a greater level

of measurable benefits related to marketing effectiveness: executives say that, on average, their companies' use of social technologies with customers increases brand awareness by 36 percent and conversion of customers by 20 percent.[5]

For the third year in a row, we identified a small group of "fully networked" enterprises, or those that report outsize benefits from using social technologies to interact internally and externally. The 2012 results indicate that 10 percent of organizations using social technologies now fall into this category, compared with only 3 percent in the 2011 survey (Exhibit 3). The shares of both internally focused and externally focused organizations—or those where executives report

Exhibit 3
More companies achieve high levels of benefits.

% of respondents[1]

Developing   Internally networked   Externally networked   Fully networked

Distribution of organizational types

2012, n = 2,560	48	13	29	10
2011, n = 3,103	78		7	12	3
2010, n = 2,174	79		13	5	4

[5] In the 2011 survey, respondents said their companies' use of social technologies for customer-related purposes increased awareness by an average of 32 percent and conversion by an average of 17 percent.

[1] Figures may not sum to 100%, because of rounding.

significant benefits from using technologies with either employees or customers and partners—also have increased since 2011.

The cloud-based mobile enterprise

Most executives report that their companies employ a variety of platforms to access social technologies. Remarkably, 65 percent say their companies have adopted at least one social technology that is being used on a mobile device and that 48 percent of employees at their companies have mobile access. This is nearly as large as the share of employees using technologies on other devices: across functions, executives say 52 percent of their organizations' employees use social technologies on non-mobile devices, up from 46 percent in 2011.

Not surprisingly, the functions that were already using social technologies most often in

previous surveys—marketing, sales, and IT—also use these tools on mobile more often than others (Exhibit 4).

The cloud is a commonly used delivery platform as well, according to respondents: nearly half say their companies deploy social technologies through a third-party vendor, while 62 percent say their companies use their own servers and IT systems. Among the one-fifth of executives at companies that are not using the cloud but plan to, 43 percent expect this move to happen within the next year. And of those whose companies already deploy social technologies in the cloud, one-half—the highest share—say they do so because it is cost-effective. At companies that don't plan to move social technologies to the cloud, executives cite confidentiality concerns most often as the reason.
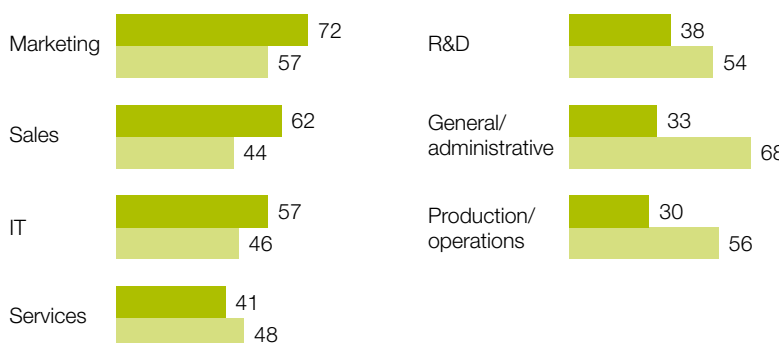
Executives also say their companies have started to use the big data that social tech-

Exhibit 4
Marketers lead in mobile usage.

% of respondents,[1] n = 2,955   ■ On mobile devices   ■ Not on mobile devices

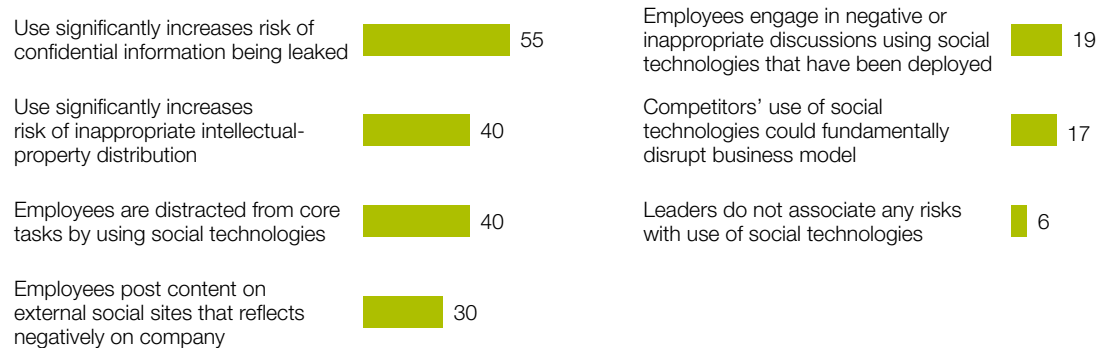**Employee use of social technologies, by function**

Function	On mobile devices	Not on mobile devices
Marketing	72	57
Sales	62	44
IT	57	46
Services	41	48
R&D	38	54
General/administrative	33	68
Production/operations	30	56

[1] Figures were recalculated after removing "don't know" responses to the question.

Exhibit 5
Confidentiality breaches top the list of risks.

% of respondents,[1] n = 2,955

Most significant risks or concerns that company leaders associate with use of social technologies

Use significantly increases risk of confidential information being leaked	55
Use significantly increases risk of inappropriate intellectual-property distribution	40
Employees are distracted from core tasks by using social technologies	40
Employees post content on external social sites that reflects negatively on company	30
Employees engage in negative or inappropriate discussions using social technologies that have been deployed	19
Competitors' use of social technologies could fundamentally disrupt business model	17
Leaders do not associate any risks with use of social technologies	6

[1] Respondents who answered "other" or "don't know" are not shown.

[6] See James Manyika et al., "Big data: The next frontier for innovation, competition, and productivity," mckinsey .com, June 2011.

nologies generate[6] in order to capture value from interactions with different stakeholders. About one-third of respondents say their companies use data from social-technology interactions to respond immediately to concerns expressed either by consumers or employees, and about one-fourth say the same about interactions with business partners.
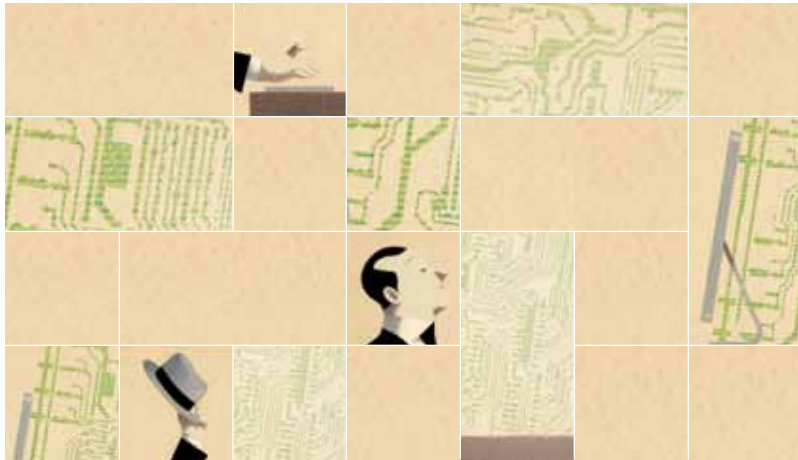
With respect to historical analytics, one-third of companies analyze customers' social data, and just 19 percent report using customer data in predictive analytics. Overall, the results indicate that the use of social analytics is still in its early days: across employee, customer, and business-partner interactions, between 42 and 54 percent of respondents say either that they don't know how their companies are using the data or that these practices are not yet applicable to their companies.

Weighing the benefits and risks

Despite the increasing shares of companies that derive sizable benefits from social technologies, notable shares of executives also say these technologies bear risks. A majority say their companies' leaders see leaks of confidential information as a significant risk related to social tools (Exhibit 5), yet 60 percent agree

Executives also note the potential for significant productivity benefits that still remain to be captured. On average, they say employees at their companies could save 30 percent of the time spent reading and answering messages if they used accessible, searchable social technologies instead of one-to-one communications technologies such as e-mail. For searching and gathering information, the potential time saved is 35 percent.[7]

Achieving this high level of benefits will likely require substantial organizational changes, as respondents continue to see potential for social technologies to enable new processes in a hypothetical organization with no technology-related constraints. For four of eight business processes the survey asked about, executives are twice as likely to say these tools could enable entirely or mostly new processes at companies without constraints like those their own organizations face (Exhibit 6). Slightly larger shares than in 2011 do expect technologies to facilitate changes in their own organizations related to developing strategic plans, allocating resources, matching employees to tasks, managing projects, and determining compensation. But the large gaps between potential changes at respondents' companies and at companies without constraints, which we also observed in the 2011 survey, suggest that the hurdles could be considerable.

Looking ahead

- Measuring the profit-and-loss impact of social-technology benefits is admittedly difficult, but the results suggest that companies continue to enjoy organizational improvements in more easily measured areas such as the quality of innovation processes,
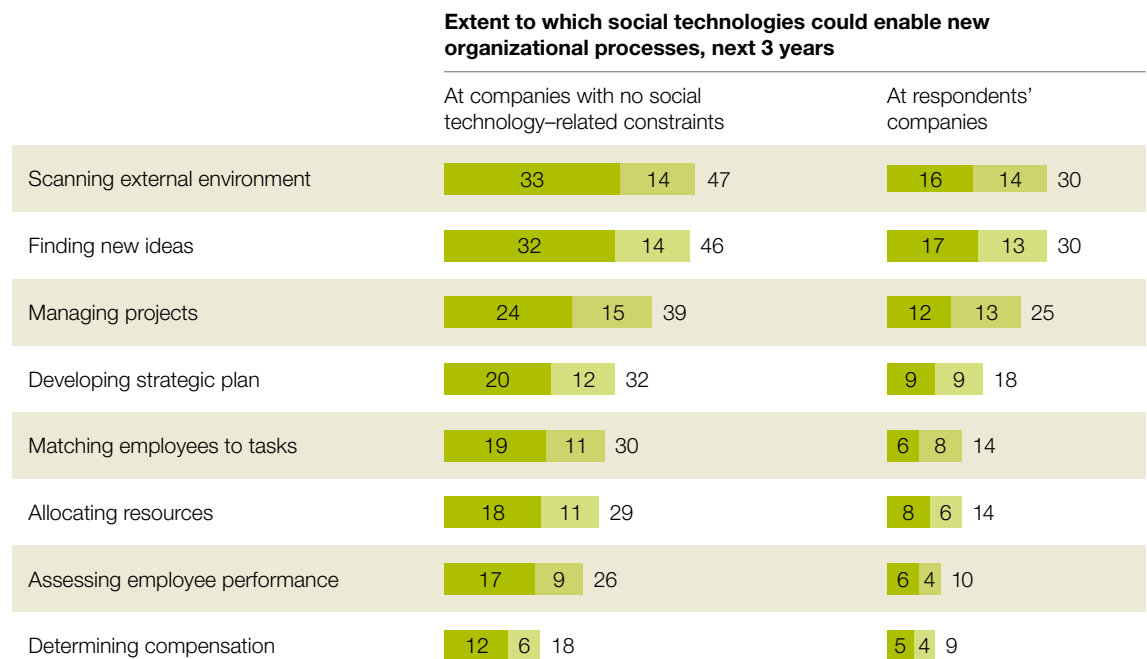
that the benefits far outweigh the risks. Even larger shares say so at the companies that use more technologies and that report at least one measurable benefit from using these tools with employees, customers, or partners.

Financially, respondents say social tools contribute 20 percent and 18 percent, respectively, of the revenue increases and cost improvements their companies attribute to their use of *all* digital technologies. These percentages may appear small but are driven by the extent to which—and the ways in which—companies are deploying technologies. At companies that have adopted at least six technologies (or half of the technologies the survey asked about), executives say this usage amounts to a larger share of financial benefits. This is even truer at companies deploying at least six tools on mobile devices, where respondents say social tools contribute 32 percent and 26 percent, respectively, to revenue and cost-cutting benefits related to digital technologies. According to respondents, outsize financial benefits are likelier at smaller companies than at their larger counterparts, and likelier in the business, legal, and professional-services industry than in other sectors.

[7]These figures are consistent with the ranges of potential time that could be repurposed, as reported in a McKinsey Global Institute report, where the corresponding estimates of potential time were 25 to 30 percent for reading and answering e-mail, 30 to 35 percent for searching and gathering information, and 25 to 35 percent for communicating and collaborating internally. See Michael Chui et al., "The social economy: Unlocking value and productivity through social technologies," mckinsey.com, July 2012.

Exhibit 6
There is more potential for change without constraints.

% of respondents, n = 2,955   ■ Entirely new process   ■ Mostly new process

Extent to which social technologies could enable new organizational processes, next 3 years

	At companies with no social technology–related constraints			At respondents' companies		
Scanning external environment	33	14	47	16	14	30
Finding new ideas	32	14	46	17	13	30
Managing projects	24	15	39	12	13	25
Developing strategic plan	20	12	32	9	9	18
Matching employees to tasks	19	11	30	6	8	14
Allocating resources	18	11	29	8	6	14
Assessing employee performance	17	9	26	6	4	10
Determining compensation	12	6	18	5	4	9

customer service and feedback, customer interaction, and the way employees work. Further adoption of social technologies and a critical mass of participation within (and outside) the organization should facilitate even greater benefits.

• Social technologies may enable substantially higher productivity (particularly among knowledge workers) and competitive advantage, but only with investments of time and effort. The likely need for significant organizational change is a far more challenging problem than just changing the tools in a company's portfolio. Companies can realize potential advantages more quickly by getting started early on the organizational transformations that will facilitate better use of technologies.

• To encourage more employee use of social technologies—and enhance their related benefits—companies can equip workers with mobile access to these tools. Companies can also deploy cloud-based solutions when appropriate to make these solutions more scalable and decrease time to value. ○