



# Creating a Social Organization

Cisco Systems is a survivor. Founded in 1984, the company is today a \$35 billion giant in the hotly competitive computer networking industry. As hundreds of rivals have come and gone, Cisco has persevered, maintaining premium pricing and an uncanny ability to anticipate shifts in its market. The information technology market is brutal, and Cisco has endured its fair share of ups and downs, but today it enjoys a dominant position in enterprise accounts who buy networking equipment by the truckload.

John Chambers has guided Cisco since 1995. That's an unusually long tenure for an executive at a high-tech firm. One reason Chambers enjoys such strong support from Cisco's board of directors is that he continually shifts the company's business strategy to accommodate changes in the market. For example, Cisco grew through acquisition for many years and, in the process, built a corporate culture that assimilated new people and ideas with remarkable efficiency. However, that required a rigorous methodology that left little tolerance for variation. As the volume of acquisitions has declined in recent years, Chambers has focused on abandoning the command-and-control management style that served the company well for two decades. His new mission is to push decision making out to the edges of the organization.

In a 2009 interview with the *New York Times*, Chambers said this transition hasn't been easy for him or his staff:

*I'm a command-and-control person. I like being able to say turn right, and we truly have 67,000 people turn right. But that's the style of the past. That was great when you were a single product, when the market was moving slower and one executive or an executive team could run the whole company.*

*Today's world requires a different leadership style—moving more into a collaboration and teamwork, including learning how to use Web 2.0 technologies. If you had told me I'd be video blogging and blogging, I would have said, no way. And yet our 20-somethings in the company really pushed me to use that more.*

Chambers has it right. The fast-moving world of business no longer accommodates institutional bottlenecks. There are too many competitors ready to steal your business while you agonize over the “right” decision.

This new approach to business won't go over well with some of your people. The management philosophies that have served us since the Industrial Revolution are based on the idea that line-level employees are basically stupid, incapable of making important decisions for themselves, and in need of rigid rules and constant oversight to make sure they don't screw up.

Command-and-control management worked well at a time when spheres of influence were limited to people's family and close friends. Today, though, the people on the front lines are every bit as visible as executives, sometimes even more so. Customer service issues are among the most common complaints on Twitter, and companies that have chopped and outsourced their support organizations over the last decade are feeling the consequences of those cutbacks in the form of public customer backlash.

In his book *Grapevine*, BzzAgent founder Dave Balter asserts that the main cause of customer dissatisfaction is service, not products. Customers understand that not all products or companies are perfect, and they have remarkable tolerance for failures if vendors quickly rectify problems. In a world of commoditized products, customer

service has become the great differentiator. One of the major reasons tech companies like IBM, Hewlett-Packard, EMC, and Microsoft are able to charge premium prices for their products is that they go to extremes to ensure customer satisfaction, even if it means dispatching technicians in the corporate jet in the middle of the night to rescue a failed server. Think of the last time you complained to your peers about a company you do business with. Chances are your gripe wasn't about the product, but rather about the uncaring attitude the company showed when you complained.

The social organization takes a completely different approach to customer service. In effect, everyone in the company is deputized to solve customer problems. When Boingo misfired the test e-mail to all of its customers as described in Chapter 2, every available employee was pulled in to respond to complaints. What could have been an embarrassing crisis actually turned into a public relations coup because the issue was addressed so quickly. Within a week, Boingo was fielding calls from media wanting to hear about its customer service heroics. When was the last time you turned crisis into opportunity?

The option of remaining closed and insular is less and less practical in an era of open communication, so businesses need to evaluate their approach to engaging with communities in a practice that some people are calling social customer relationship management (CRM). Traditional CRM involves tracking customer behavior and contacts to identify opportunities for additional business. Social CRM builds social interactions into the mix so that tweets, blog comments, and even face-to-face contacts are woven into the profile of each customer. To make social CRM work, all employees must become ambassadors who project a common message and document their contacts for inclusion in customer profiles. This is easier said than done.

## **The Openness Challenge**

Experience has shown that truly successful companies permit their people to cross departmental lines fluidly and even breach traditional lines of command in the quest to provide the best possible customer

experience and to respond to opportunities whenever they arise. B2B companies have an advantage in this respect because they serve a smaller number of customers than their B2C peers and their interactions tend to demand a higher level of domain expertise. When employees at all levels are empowered to make decisions—and when customers are involved at appropriate levels—the opportunities multiply. A few notable firms like Dell and Zappos have managed to enable this at a large scale. However, they are the exceptions. Most businesses need to implement social CRM gradually.

In her 2010 book *Open Leadership*, Charlene Li tells of SolarWinds, a network management software provider whose 25,000-member community of network administrators handles most of their own support needs. Not only is the community efficient (SolarWinds has just two full-time customer support people), it is considered a competitive advantage.

“When the company went public in May 2009, they dedicated a part of their precious investor presentation time to explaining the value of their user community,” Li wrote. “[O]ur community is in many ways the key long-term competitive advantage that we have,” said Kenny Van Zandt, SolarWinds’s senior vice president.”

Li defines the new breed of progressive leaders as being those who are willing to give up on the “need to be *personally* involved in the decision making process.” The pace of change no longer permits a few executives to be bottlenecks. And research has consistently demonstrated that the wisdom of crowds works. What’s different today is that the tools to capture that wisdom are far better than they’ve ever been.

Effective leaders are learning to delegate decisions to the crowd when their input adds little or no value. Li quotes Chis Conde, chief executive officer (CEO) of business continuity service provider SunGard: “It is very arrogant to think you can make better decisions than the thousands of people below you.” Instead, Condi sees his job as being to “make painful decisions that no one else can make and maintain a collaboration system that can handle all the other decisions that the organization needs to make.”

There is no one way to go about creating a social organization. Each business must proceed at its own pace within the boundaries of its own culture. Altimeter Group's Owyang has identified five models of social organizations:

- **Centralized**—This model preserves most of the control that hierarchical organizations have traditionally valued, but it interweaves a layer of social media expertise, often in the form of a dedicated manager or organization. The company can take advantage of social channels without giving up on lines of authority. A centralized model is most appropriate to large manufacturing organizations that have many line workers or union members who wouldn't necessarily represent the best line of customer contact.
- **Coordinated**—This federated approach extends some control to individual departments or business units while concentrating expertise in a central organization. Local managers have some latitude but still must work within centrally administered guidelines. The advantage is that frontline innovation can be rewarded but central management authority isn't challenged.
- **Dandelion**—This metaphor refers to a dandelion's sprawling network of seeds, each of which is loosely related to the others but all of which function more or less independently. Centers of excellence, if there are any, are maintained informally or with a dotted-line responsibility to a central group. This model is best suited for large organizations such as consulting or accounting firms, where there are many business units, each of which serves specialized, high-value markets. It requires complete executive buy-in because a considerable amount of authority is decentralized.
- **Organic**—Let a hundred flowers bloom. Each individual makes his or her own decisions about whether and how to participate in social activities. There is little formal coordination, and best practices are shared between participants. This approach works best in small, entrepreneurial companies where

individual expression is rewarded. However, the model scales badly and can lead to chaos if not monitored.

- **Honeycomb**—This is the rarest of social governance models and also the most sophisticated. All employees are encouraged to think of themselves as customer service representatives and to use whatever means they consider appropriate to deliver customer value. Corporate policies govern behavior, but individuals have considerable latitude to make decisions, even if they sometimes cross lines of authority. This model requires support from the highest levels of the company. Dell and Zappos are two notable examples of this sophisticated approach.

We don't want to suggest that any of these governance models is the best one for you. You need to choose an approach that harmonizes with your markets, your business structure, and your company culture. The honeycomb approach may sound appealing, but if you try to implement it in a command-and-control culture, the initiative will fail and you'll be further behind than when you started. Keep an eye on your competitors. The more distributed models enhance speed and responsiveness and can give a fast company an advantage against a slow one. If your competitors are responding to customer comments in near-real time and achieving results, then you have to consider whether your entire culture needs to change.

## Infectious Growth

In Chapter 3 we advised you to sell social initiatives gradually to reluctant stakeholders. One nice characteristic of successful social projects is that their success prompts skeptics to jump on board.

RIDGID Branding, a unit of Emerson Electric Co. that makes tools for professional tradespeople, launched its community under the radar in mid-2000, when no one was talking about social media. In fact, RidgidForum was actually managed by an intern. The forum was conceived as a simple and inexpensive experiment to see if professional tradespeople wanted to interact in an online venue. Uptake was slow at first, but by 2003, the membership topped 3,000. "That's

when things really started to take off,” says Wyatt Kilmartin, director of RIDGID Branding.

“It took three years to get to 3,000 members, three more to get to 10,000 and just two more to get to 20,000,” Kilmartin remembers. “We never promoted it other than to mention it in press releases. There wasn’t a lot of cost involved.” Today, RidgidForum encompasses more than 300,000 posts and has become an invaluable source of everything from customer feedback to product ideas. It’s a magnet for search engines, which draws leads to RIDGID’s web site, and the community’s value to members has had measurable benefits in customer loyalty.

Watching an online professional community reach a tipping point is a beautiful thing. It takes time, but when members begin to sustain an active discussion, the effect on the host company can be transformative. Developers and product managers begin to tune into the conversations and design product enhancements based on guidance from the community. Marketers start looking to customers to help them with positioning and to seek help evangelizing the company to others. Active communities literally change companies from the ground up.

Sumaya Kazi was named senior social media manager at Sun Microsystems in 2007, when the computer company was first experimenting with using new channels to communicate with customers. Sun already had more than 4,300 public bloggers at the time, but the idea of an overarching social media strategy “was so foreign,” says Kazi, who is now CEO of YoProCo, a social network for young professionals.

Sun executives knew that there were benefits to social media across the organization, but they couldn’t predict where the opportunities lay. Kazi quickly realized “you can’t push social media on any one. It has to be something that people are comfortable with.”

Her approach was to educate and evangelize. Among her tactics:

- Starting a private Facebook group for employees to provide weekly facts and tips on how to use social media. Sun Facebook Fridays eventually grew to more than 2,000 members.
- Launching a monthly seminar that was presented live in a Sun conference facility and streamed to employees globally. Content

included how-to advice, case studies, and guest speakers such as Naked Conversations co-author Shel Israel. “That was amazing for us,” Kazi says.

- Hosting a weekly Internet radio program called “Socially Speaking.” Every Tuesday afternoon, Kazi brought in guests who were active in social media to talk about what worked.

As awareness of social media applications grew, employees began to come up with their own ideas. Photos of kids and family vacations began to sprout on Sun’s internal network, and membership in a Facebook group for employees grew to more than 12,000. “Being able to connect with employees outside of a work environment fostered a lot more teamwork on the job,” Kazi says. “We had no problem getting buy-in over time.”

Ron Casalotti was closely involved in the launch of Business Exchange, a professional networking community run by *BusinessWeek* magazine. Business Exchange breaks the traditional publishing model by enabling members of the community to define the organization and content of the site. Members can even choose to curate their own topical areas, thereby becoming visible experts on the subject.

This idea took some selling at *BusinessWeek*. Journalists are notoriously territorial and conservative, so the idea of permitting community members to become self-declared experts in the same areas they covered struck some of them as wrong. But as the site has grown and prospered (it was registering 1.5 million page views per day in mid-2010), it has emerged as a valuable resource to the editorial staff. Journalists may be conservative, but they’re also feedback junkies. The ability to test story ideas and get instant commentary from the community proved addictive. “It spurred people who weren’t sure what this social media thing meant,” Casalotti says.

## Working at Internet Speed

Social organizations function differently from hierarchical ones. For one thing, they become more customer-focused. Employees learn to appreciate that conversations are going on in real time, and the faster



they respond, the more satisfied the customer. This means that organizational walls start to tumble. It also means that social organizations become more nimble, responsive, and service-oriented. This not only makes them leaner, but also faster.

Open collaboration is creating new styles of doing business. No one exemplifies the style better than Google, a consumer-focused company that derives the vast majority of its nearly \$25 billion in annual revenue from business customers. Google produces an amazing array of products, ranging from mapping software to computer-aided design (CAD) to medical records organizers. It develops them in a process that includes customer feedback at every stage.

Google rarely holds press conferences and eschews secrecy about its product plans. “If we never had to do another press release, we’d be thrilled,” says Google Director of Global Marketing and Public Affairs Gabriel Stricker. “Sometimes, we have to do them, but we’d almost always rather just blog it.”

Google shares its ideas openly in public “labs” and often announces them in low-key style via blogs. Rather than agonize over getting everything perfect, they test their products by releasing them, and reiterate over time. Its developers and product managers work the long tail of publicity through one-on-one interviews and frequent speaking engagements. Some of its products have been in public “beta test” for as long as 5 years. The company uses every social media outlet it can, and never relies on the mainstream media spotlight.

Google does this by design because it believes that businesses that build products behind closed doors take too long to get their products out and risk becoming invisible because no one talks about them. On the other hand, a public process not only results in better products but also forms the foundation for a word-of-mouth marketing force.

As any good political advertising specialist will tell you, if you want people to talk about your campaign ads, you have to be willing to get something wrong. You have to be willing to drop a shoe, so others have the opportunity to pick it up. If you’re too perfect, there’s really not much to talk about, because you’ve worked everything out internally by having a conversation with yourself already that we weren’t privy too.

Google's approach has some downsides. It makes mistakes in public and endures some ridicule as a result. It is also quick to pull products out of public test for reasons it doesn't always fully divulge. Customers seem willing to tolerate this, however, because they believe they get good value, and because most of their products can be used for free.

Contrast Google's strategy to that of its neighbor a few miles to the north, Apple Computer. Apple takes a much more traditional approach to product development. It holds its plans close to the vest and reveals them with fanfare at elaborate press conferences that generate months of media speculation. The company may only hold a couple of press conferences a year, but they're always memorable.

Apple not only doesn't use social media, it has actively litigated against bloggers who have revealed sensitive information. However, Apple is every bit as good a social marketer as Google. The difference is that Apple's rabid base of fans provides plenty of word-of-mouth speculative frenzy without the vendor's direct involvement. Apple may not actively promote this adoration, but it doesn't discourage it, either.

Is your company more like Apple or Google? Most businesses model themselves on the Apple example. They shroud their plans in secrecy in hopes of entering the market with a splash. Unfortunately, few companies are Apple. In today's crowded, noisy market, companies that choose not to talk to their constituents are quickly forgotten. "One of my personal irritations in interacting with brands is when you interact and they don't interact back," says Allan Schoenberg, director of corporate communications at CME Group, which uses an assortment of social channels. There are other risks as well. Releasing a product that is wrongly positioned or that customers don't want can be an expensive and embarrassing mistake. Why not take advantage of all the advice that's out there for free?

In the new world of information surplus, the winners are those who do the best job of talking about their innovations before they reach the market. Prospective customers want to be involved in the process, and they punish those businesses that don't indulge them.

This doesn't mean every company should embrace open collaboration. Secrets do have value, and customers aren't always good at articulating what they want. The easiest way to start down the path toward a social organization is to start listening to online conversations and selectively sharing the insights that you learn. Find your allies in the organization, come up with small projects that have a high likelihood of success, and publicize your results. Don't set your expectations too high if your company is conservative, highly regulated, or heavily unionized. The objective isn't to be the most open company in the world, but to take better advantage of customer engagement than your competitors do. Once people start tuning into their customers on an ongoing basis, they never want to go back.