

McKinsey Global Survey results

Evolution of the networked enterprise

Executives report that the adoption of social-media tools at their companies is high—and that this usage could spur additional benefits.

Over a surprisingly brief period, the use of social tools and technologies has grown from limited experimentation at the edge of corporate practice to what's now the mainstream. But after this strong initial uptake, many companies find themselves at a crossroads: if they want to capture a new wave of benefits, they'll need to change the ways they manage and organize themselves, according to the results from our sixth annual survey on the business use of these technologies.¹ A remarkable 83 percent of respondents say their companies are using at least one social technology, and 65 percent say employees at their companies access at least one tool on a mobile device. Ninety percent of executives whose companies use social technologies report measurable benefits from these tools, and what's more, a small yet growing number of companies—the most skilled and intensive technology users—are racking up outsize benefits.²

In aggregate, though, the shares of respondents reporting certain benefits have hit a plateau, suggesting that these benefits are harder to come by after the first wave of adoption. Executives are optimistic but sober about the next leg of the social-technology pathway: they expect increases in employee productivity but also recognize the significant organizational barriers that prevent their companies from capturing the full potential of social tools. They also acknowledge the new open environment's risks, including possible leaks of confidential information and intellectual property—yet 60 percent of respondents still say the potential benefits outweigh the risks. Three in ten executives believe that internal processes at their own

¹The 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.

²We identified four types of organizations, defined by the degree and type of benefits reported (that is, whether outsize benefits were derived from connecting with employees, with consumers and suppliers, or with all stakeholders). We found strong correlations between high levels of benefits and the degree to which these technologies were embedded in employees' day-to-day work.



companies will evolve from current use, with implications for project management and strategic planning. To accelerate these changes and make them stick, a growing number of leaders have begun to stress the importance of driving social-media skills throughout the organization (see “Six social-media skills every leader needs,” on mckinseyquarterly.com). It’s these networked organizations that are the most likely to realize competitive gains.

Continuing adoption

The share of executives who say their companies use at least one social technology continues to climb, from 72 percent in 2011³ to 83 percent in 2012. More than half report the use of social networks—almost twice the level of 2009—while the two tools we asked about for the first time in the latest survey (videoconferencing and collaborative document editing) are among those that are used most frequently (Exhibit 1).

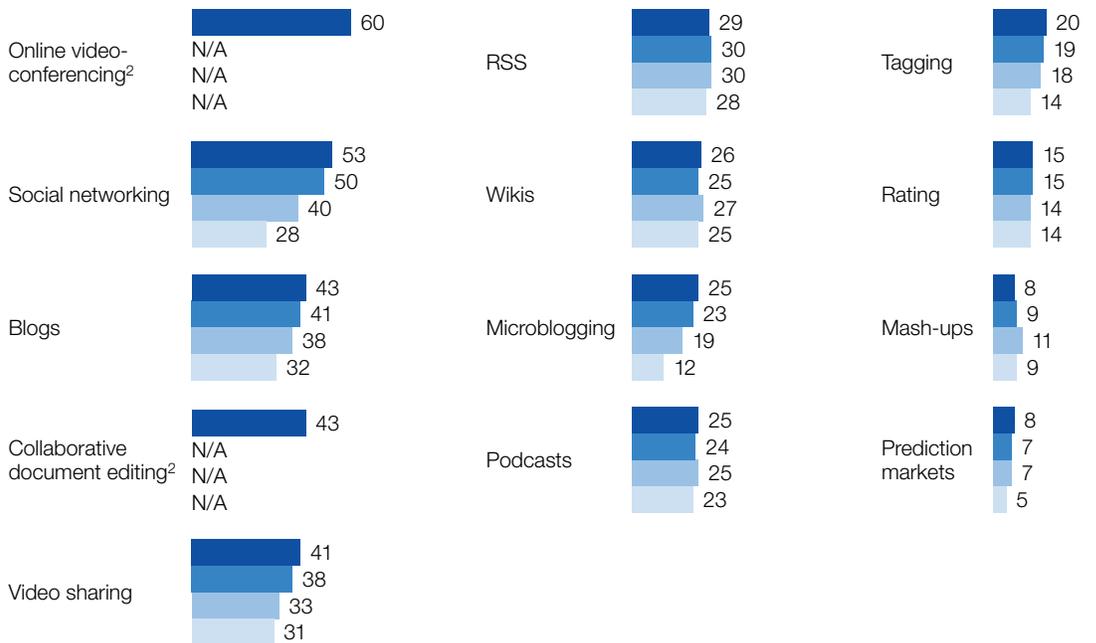
³See Jacques Bughin, Angela Hung Byers, and Michael Chui, “How social technologies are extending the organization,” mckinseyquarterly.com, November 2011.

Exhibit 1
Overall adoption continues to climb

% of respondents¹ 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



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



Most companies are continuing to leverage social technologies internally (73 percent, up from 64 percent in the previous year), as well as with customers (74 percent) and external partners (48 percent). Among individual customers, 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 their customers, up from 31 percent the year before. On average, executives also say their companies interact with 43 percent of their external business partners through social technologies, though the percentage has declined—from 47 percent—since 2011.

More organizations see outside benefits

For the third year in a row, nine out of ten executives whose organizations use social tools report some measurable business benefit with employees, customers, and business partners. While the percentages reporting certain benefits (such as quicker access to external knowledge) plateaued or even decreased since 2011, increased shares cite cost-cutting



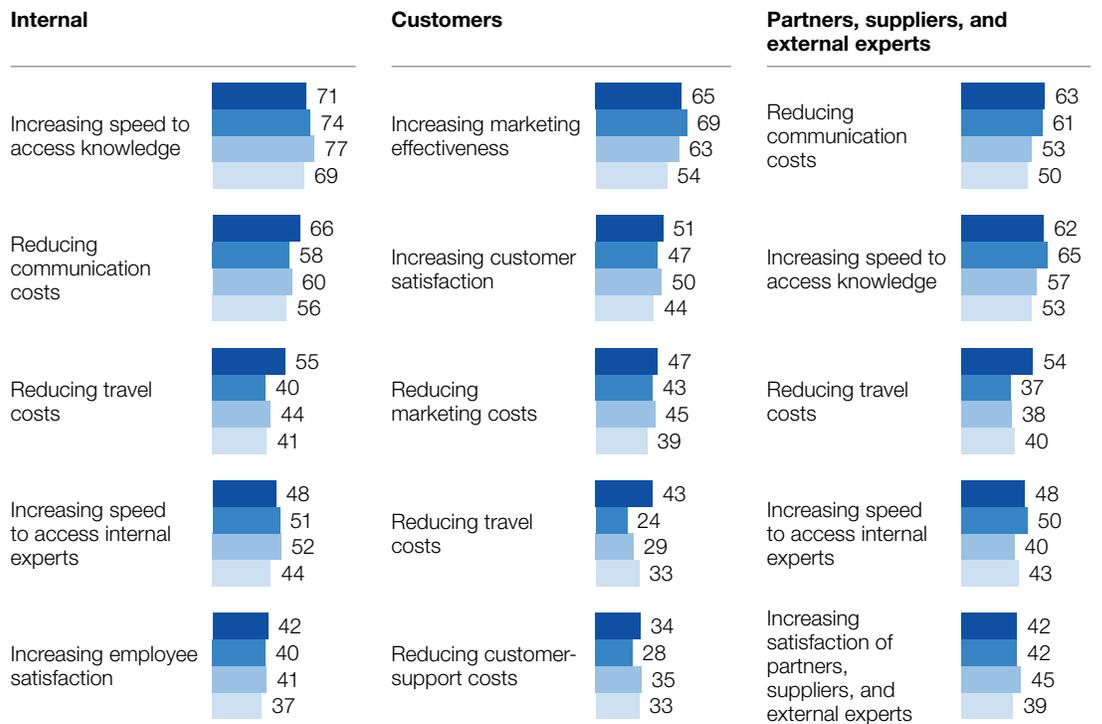
Exhibit 2

Numerous benefits plateau

% of respondents



Top 5 measurable benefits of technology adoption, by use



benefits in 2012 (Exhibit 2). This is especially true for travel costs, perhaps in response to economic pressures and the prevalence of videoconferencing. Respondents also report a greater level of marketing-related benefits: on average, they say their companies' use of social technologies with customers increases brand awareness by 36 percent and conversion of customers by 20 percent.⁴

As in 2010 and 2011, we identified a small group of "fully networked" enterprises, or those that report outsize benefits from using social technologies with all major groups of stakeholders.⁵ The latest results indicate that 10 percent of organizations using social

⁴ In last year's 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.

⁵ Employees, customers, and other external stakeholders (business partners, suppliers, and external experts).

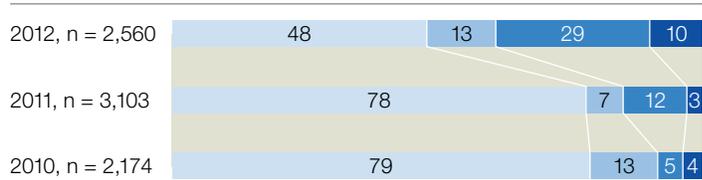
Exhibit 3

More companies achieve high levels of benefits

% of respondents¹

■ Developing ■ Internally networked ■ Externally networked ■ Fully networked

Distribution of organizational types



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

technologies now fall into this category, compared with only 3 percent in the previous survey (Exhibit 3). The shares of both internally focused and externally focused organizations—or those where executives report significant benefits from using technologies with either employees or customers and partners—also have increased since 2011.

Moving toward mobile and the cloud

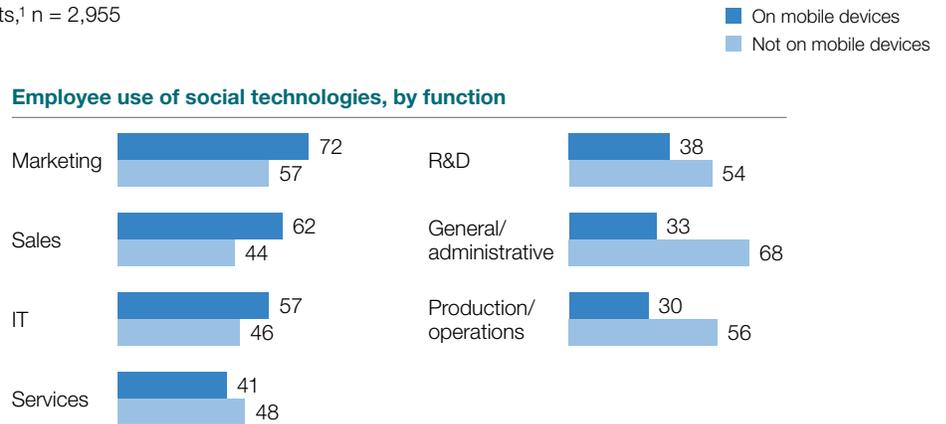
Most executives say their companies employ a variety of platforms to access social technologies. Remarkably, 65 percent say their companies have adopted at least one technology that’s used on a mobile device and that 48 percent of their companies’ employees have mobile access. This is nearly as large as the share of employees using technologies on other devices: across functions, executives say 52 percent of their organizations’ employees use social tools on nonmobile devices, up from 46 percent in 2011. The functions that used social technologies most often in previous surveys—marketing, sales, and IT—also use these



Exhibit 4

Marketers lead in mobile usage

% of respondents,¹ n = 2,955



¹Figures were recalculated after removing “don’t know” responses to the question.

tools on mobile more often than others (Exhibit 4). The cloud is a commonly used delivery platform as well: nearly half of executives say their companies deploy technologies through a third-party vendor, while 62 percent say their companies use their own servers and IT systems.

Respondents also report that their companies have begun using the big data that social technologies generate⁶ to capture value from interactions with different stakeholders. About one-third of executives say their companies use data from social-technology interactions to respond immediately to either consumer or employee concerns, and roughly one-fourth say the same about interactions with business partners. With respect to historical analytics, one-third of companies analyze customers’ social data, while 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 use the data or that these practices aren’t yet applicable to their companies.

⁶ For more, see the full McKinsey Global Institute report, *Big data: The next frontier for innovation, competition, and productivity* (May 2011), on mckinsey.com.

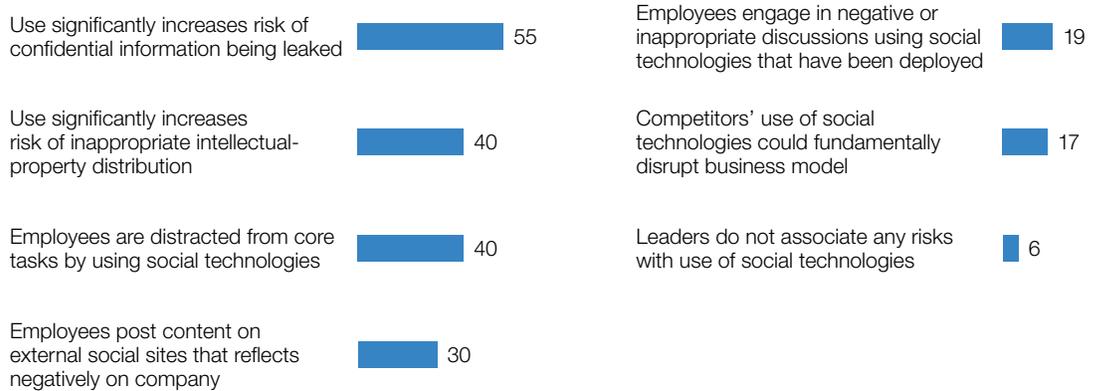


Exhibit 5

Confidentiality breaches top list of risks

% of respondents,¹ n = 2,955

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



¹ Respondents who answered “other” or “don’t know” are not shown.

Weighing the benefits and risks

While notable shares of executives acknowledge the risks associated with social technologies—a majority say their companies’ leaders see leaks of confidential information as a significant risk of this usage (Exhibit 5)—60 percent agree that the benefits far outweigh the threats. Even larger shares of respondents agree at the companies that use more technologies and that report at least one measurable benefit. Executives also note the potential for significant productivity benefits that 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.⁷

Financially, respondents say social tools contribute 20 percent and 18 percent, respectively, to the revenue increases and cost improvements their companies attribute to the use of all digital technologies. These percentages may appear small but are driven by the extent to which—and the ways in which—companies deploy the technologies. At companies using at least six tools (or half of the tools the survey asked about), executives say this usage amounts to a larger share of financial benefits. Even larger shares at the companies using six or more tools on mobile say so: these respondents report that social tools contribute 32 percent and 26 percent, respectively, to their companies’ revenue and cost-cutting benefits.

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. For the full McKinsey Global Institute report, see *The social economy: Unlocking the value of productivity through social technologies* (July 2012), on mckinsey.com.

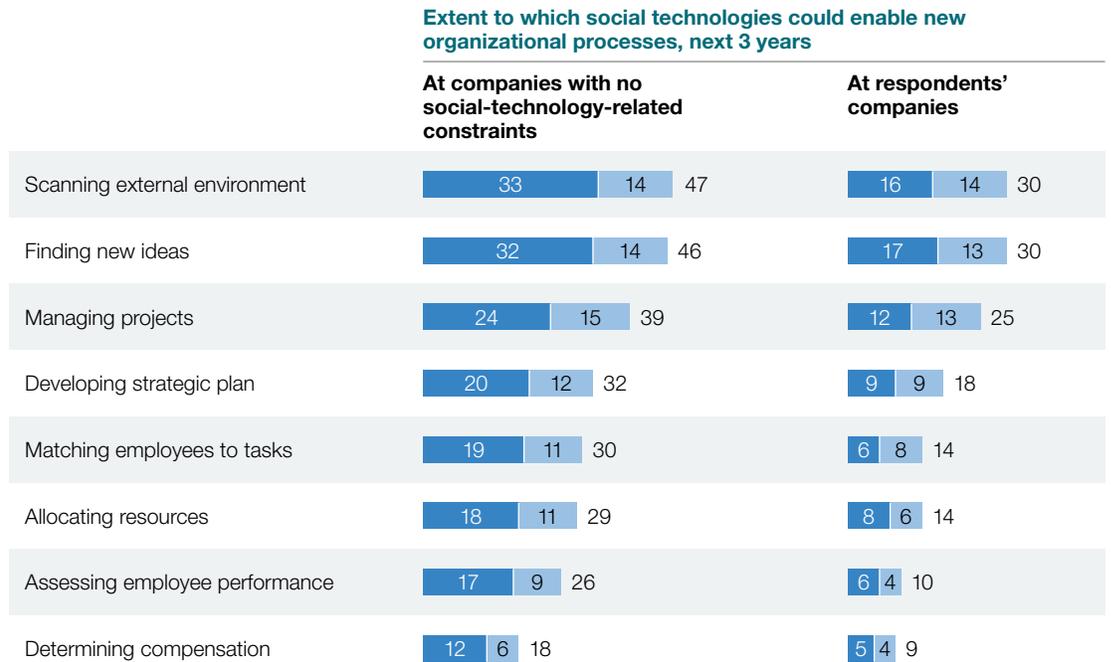
Achieving this high level of benefits will likely require substantial organizational changes. When asked about the changes that technologies might facilitate, executives are twice as likely to say these tools could enable entirely or mostly new processes for four of eight business activities at a hypothetical company without the technology-related constraints their own organizations face (Exhibit 6). Slightly larger shares than in 2011 do expect technologies to facilitate certain changes in their own companies, 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 observed in the previous survey, suggest that the hurdles could be considerable.

Exhibit 6

More potential for change without constraints

% of respondents, n = 2,955

■ Entirely new process ■ Mostly new process



Looking ahead

To achieve the benefits and competitive advantages that social technologies promise, executives must consider where their companies stand in three key areas that were addressed above: quantifying benefits, investing in organizational changes, and using multiple platforms to enhance the overall adoption of these tools.

Regarding benefits, it's admittedly difficult to assess the profit-and-loss impact of social-technology advantages. But the results suggest that companies continue to enjoy organizational improvements against intermediate metrics—such as the speed of access to experts and expertise, the quality of customer service and feedback, employee engagement, and cost reductions—that are easier to track. Further adoption of social technologies and a critical mass of participation within (and outside of) the organization should facilitate even greater benefits.

With respect to productivity benefits in particular, the results indicate that companies must invest time and effort to enable greater productivity (particularly among knowledge workers) and competitive advantage. The likely need for significant organizational change is a challenging problem—and one that must be met by doing far more than 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.

One way to facilitate and encourage more employee use of social technologies—and thus enhance their related benefits—is equipping 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.

The contributors to the development and analysis of this survey include **Jacques Bughin**, a director in McKinsey's Brussels office, and **Michael Chui**, a principal of the McKinsey Global Institute who is based in the San Francisco office.

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