Social Web, Interactive Communication and Open Innovation:
Joining Forces to Contribute to the Bottom Line

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EuroBlog 2008 International Research Symposium

Agenda

- Social web applications in Europe: Diffusion and obstacles
- The twofold challenge for business
- Enhancing value creation: Social Web and Open Innovation
- Enabling dialogue: Social Web and Corporate Communication
- Using scorecards to demonstrate the contribution to the bottom line
Web 2.0 is changing individual media use, but applications in companies are way behind

<table>
<thead>
<tr>
<th>Social Software Applications</th>
<th>Usage in German companies (Berlecon, 2007)</th>
<th>Usage international (McKinsey, 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Individual employees</td>
<td>Individual departments</td>
</tr>
<tr>
<td>RSS</td>
<td>21%</td>
<td>5%</td>
</tr>
<tr>
<td>Social Networks</td>
<td>20%</td>
<td>3%</td>
</tr>
<tr>
<td>Recommendation and Rating Applications</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Wikis</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Blogs &amp; Podcasts (in Marketing/PR)</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Missing link to the bottom line is a main obstacle

"Benefits are not clear" – 62%  
German companies  
(Berlecon Research, 2007)

"We cannot demonstrate return on investment (ROI) from weblogs" – 42%  
"It isn’t possible to measure the impact of our social media activity" – 34%  
Communication professionals in Europe  
(Zerfass et al., 2007)

The twofold challenge for business
Levers of enhancing effectiveness

Value creation

- Firm Infrastructure
- Human Resources
- Technology Development
- Procurement
- Inbound Logistics
- Operations
- Outbound Logistics
- Marketing & Sales
- Service

Internal Communication
enabling internal coordination

Marketing Communication
influencing customers' preferences

Public Relations
securing the license to operate

Corporate communication

Social Web Applications
(Wikis, Weblogs, Social Networks, …)

Challenge from a management point of view

- Corporate communication is an enabling function; it contributes to the bottom line indirectly by enhancing value creation

- Social web applications may influence
  → corporate communication by converting opinion building
  → value creation by reconfiguring the value chain

- Investments into social software must be judged by taking into account both aspects
Enhancing value creation: Social Web and Open Innovation

Why bother?

BCG 2006 Senior Executive Innovation Survey

72%
CEOs rank innovation among their companies' top three priorities

EUPRERA 2007 European Communication Monitor

18%
PR Professionals think innovation communication is one of the most important strategic issues for them within the next three years
A new understanding of innovation

Innovation yesterday

_ was a linear process controlled by companies, their R&D departments and marketing knowledge

Innovation today and tomorrow

_ tries to involve internal and external stakeholders in all stages of the innovation process (open innovation)
_ profits from innovation systems, where economy, research, administration and intermediaries enact competition and cooperation
_ knows that „innovation is more about creating meaning than it is about creating artifacts“ (Ilkka Tuomi)

→ Stakeholder interaction is important to stimulate ideas and to shape public discourse

From closed to open innovation

Closed Innovation

Open Innovation

Illustration adopted from Docherty, 2006
We should discover intellectual property in networks and use it. We should profit from others use of our intellectual property, and we should buy others. We should control our intellectual property, so that our competitors do not profit from our ideas.

Tapscott & Williams, 2006; McAfee, 2006; Benkler, 2006

If we use social software to enhance collaboration, we will win. Social Software can create new business models and create new markets.

Using crowdsourcing to develop innovation outside with the right incentives enhances the innovation capabilities of the corporation.

Building the better business model is better than getting to the market first.

If we create the most and best ideas in the industry, we will win.

We should control our intellectual property, so that our competitors do not profit from our ideas.

If we use social software to enhance collaboration, we will win.

We should profit from others use of our intellectual property, and we should buy others.

We should discover intellectual property in networks and use it.

Chesbrough, 2003

<table>
<thead>
<tr>
<th>Closed Innovation</th>
<th>Open Innovation</th>
<th>Enterprise 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>The smart people in the field work for us.</td>
<td>Not all the smart people work for us. We need to work with smart people inside and outside.</td>
<td>Social Software bridges the inside and outside of the organization, collaboration has become easy.</td>
</tr>
<tr>
<td>To profit from R&amp;D, we must discover it, develop it, and ship it ourselves.</td>
<td>External R&amp;D can create significant value; internal R&amp;D is needed to claim portion of it.</td>
<td>Using crowdsourcing to develop innovation outside with the right incentives enhances the innovation capabilities of the corporation.</td>
</tr>
<tr>
<td>The company that gets an innovation to the market first will win.</td>
<td>Building the better business model is better than getting to the market first.</td>
<td>Social Software can create new business models and create new markets.</td>
</tr>
<tr>
<td>If we create the most and best ideas in the industry, we will win.</td>
<td>If we make the best use of internal and external ideas, we will win.</td>
<td>If we use social software to enhance collaboration, we will win.</td>
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<td>We should control our intellectual property, so that our competitors do not profit from our ideas.</td>
<td>We should profit from others use of our intellectual property, and we should buy others.</td>
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Chesbrough, 2003

Facilitating a variety of new business models

<table>
<thead>
<tr>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Windows</td>
<td>MySpace</td>
<td>IBM Linux Code</td>
<td>Linux Kernel</td>
</tr>
<tr>
<td>Google Search</td>
<td>YouTube</td>
<td>MP3 Musik</td>
<td>Wikipedia</td>
</tr>
<tr>
<td>Innocentive</td>
<td>Facebook</td>
<td>Spreadshirt</td>
<td></td>
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Chesbrough & Appleyard, 2007: 63 (modified)
Enabling dialogue: Social Web and Corporate Communication

Communication professionals realize the challenges

In the Europe of tomorrow...

- specific communication strategies for fragmented audiences will be essential: 85.0%
- online channels crossing borders and cultures will gain in importance: 79.1%
- recipients will be more active and demand more symmetrical/dialogical ways of communication: 71.4%
- personal recommendations and word of mouth communication will give new orientation: 51.2%
- a unified and integrated communication strategy will be all the more essential: 49.6%
- a European public sphere will develop a new forum for communicating transnational issues: 36.1%
- a shift of lobbying and political communication from national capitals to Brussels will happen: 35.6%

Zerfass et al., 2007 (European Communication Monitor 2007), n = 1,087 PR professionals in 22 countries
... and try to combine openness and control

### Strategic issues within the next three years

<table>
<thead>
<tr>
<th>Rank</th>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coping with the digital evolution and the social web</td>
<td>48.9%</td>
</tr>
<tr>
<td>2</td>
<td>Linking business strategy and communication</td>
<td>45.6%</td>
</tr>
<tr>
<td>3</td>
<td>Building and maintaining trust by authentic communication</td>
<td>43.4%</td>
</tr>
<tr>
<td>4</td>
<td>Dealing with the demand of new transparency and active audiences</td>
<td>36.3%</td>
</tr>
<tr>
<td>5</td>
<td>Establishing new methods to evaluate and demonstrate the value of communication</td>
<td>31.4%</td>
</tr>
</tbody>
</table>

Zerfass et al., 2007 (European Communication Monitor 2007), n = 1,087 PR professionals in 22 countries

However: today’s world needs facilitators of dialogue, not only distributors of messages

[Diagram showing the shift from traditional media to social and blogosphere media with elements like observation, publication, and control.]
Developing a social web strategy

1) Restructuring the process of communication management (Input)
   _ using monitoring technologies to track ways of opinion building and identify new gatekeepers
   _ implementing social web applications for project management and knowledge management

2) Communicating with social media (Output/Outcome)
   _ participating in popular platforms and channels
   _ establishing corporate media and networks

3) Linking social web communication to corporate strategies (Outflow)
   _ implementing scorecards and strategy maps

Using scorecards to demonstrate the contribution to the bottom line
Measuring the impact of social software

Corporate communication level

Q: How can we map symbolic interactions in the social web, including those initiated by stakeholders and within stakeholder networks?

M: Online metrics, network analysis, qualitative surveys

A: Design of successful communication measures (input, output, outcome)

Value creation level

Q: How does (successful) social web communication contribute to corporate strategies?

M: Strategy maps and balanced scorecards

A: Demonstrating the value of social software (outflow)

Example: Dell's interactive platform to share product improvement ideas on the web
Demonstrating the contribution of communication for innovation and corporate success

- Increasing sales
- Strengthening the corporate brand
- Reducing costs
- Setting the market trend
- Enhancing customer loyalty
- Optimizing product quality
- Identifying criticism and deficiencies
- Accelerating innovation processes
- Bundling ideas by customers and thought leaders
- Improving participation culture
- Implementing a product improvement platform on the web

Discussion

Social web application
More information and contact

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