

Business is Social: How Companies Are Creating New Sources of Value

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BUSINESS IS INHERENTLY SOCIAL. Companies create value not just from the goods and services they provide, but also from the networks and the social interactions they facilitate.

Just as businesses create goods, services and financial capital, they also create value in the form of “social capital” from their networks. A recent article in *Performance Improvement* suggests that “the power of social capital is the condition that social ecosystems – family, organization, market, town, country – provide their members for creating wealth and well-being by combining resources.”

Likewise, businesses create social capital to complement human capital within their company. An article from the Performance Improvement Council, “Growing Social Capital through Recognition” (<http://www.thepicnow.org/displaycommon.cfm?an=1&subarticlenbr=22>) suggests that social capital is generated in part through recognition for workplace effort and achievement.

Social capital is defined as “the expected collective or economic benefits derived from the preferential treatment and cooperation between individuals and groups. Although different social sciences emphasize different aspects of social capital, they tend to share the core idea “that social networks have value”...social contacts “affect the productivity of individuals and groups” (Wikipedia).

Companies create value through the social networks they build and foster. The rise of “social media” has changed how a company’s products, services and offerings are perceived. The term “social media” was introduced in 2004 to describe “the impact of influencers and bloggers in shaping product adoption” (*Harvard Business Review*, “What We Talk about when we talk about ‘social,’” Nilofer Merchant, Feb. 20 2013). Traditional marketing has been replaced by “social media” as the place where people listen to conversations about a company’s products and services. Word of mouth facilitated by social media is a more trusted source of

product information than traditional advertising or product literature. User groups, ad hoc networks and communities can become powerful brand advocates. Conversely, negative experiences associated with a brand can be shared very quickly. No one wants their brand associated with the video of the cable repairman sleeping on the sofa or the deliveryman who flings the Christmas package onto the front porch.

Social networks have contributed to the shift in the relationship between customers and brands. What used to be a hierarchy with the company at the top and the customer outside the company no longer applies. The Marketing Department no longer controls messaging. The new organization “is now a network with the customer at the center” (*Harvard Business Review*, “People are the New Channel,” Mark Bonchek and Cara France, April 15, 2013).

To maximize the power of customer networks, companies need to create

powerful experiences to engage customers, and empower them to share those experiences. In this world, understanding customers is everyone's job. Increasing the number of customer interactions, ensuring everyone is listening to customers, and having processes to create value from customer insights is a source of competitive advantage (*Harvard Business Review*, "Understanding Customers is Everyone's Job," Brad Power, April 18, 2013).

The new power of customers to shape messages requires organizations to adopt two new skill sets: 1) the ability to listen and 2) the ability to relate to customers as individuals. Rather than selling features and benefits the old-fashioned way, marketing, sales and customer service people now need to be trained to be active listeners. The customer and his or her experience might be a source of the next big idea. Secondly, relating to people as individuals requires both active listening and empathy. Every company gathers mounds of data about customers and segments them into buckets based on data, but it's that person who listens to that customer with empathy and genuinely tries to understand the customer experience who can create a stronger personal connection to the brand.

A corollary of the idea that social networks have value and can shape brand perceptions, is the idea that **social capital contributes to the productivity of individuals and groups**. Social networks are

a source of innovation. The same social tools that allow people to share experiences with a brand can also be used to allow people to work together and co-create new solutions and new value. The next big idea probably won't be created by a product development group in the absence of the input from the customer. It's in a company's interest to build structures that encourage collaboration and innovation through social mechanisms. Having processes in place to harvest customer insights and create new value is a strategy to both engage customers more deeply with the brand and generate innovative ideas. Ultimately, anyone in the network can have input through the power of an idea. The network of customers and partners are, in effect, an extension of the R&D effort.

Not only can companies innovate and create new sources of value for themselves, but companies can generate greater value and meaning for the network itself by enlisting customers in the process of updating products and solutions. Think of social capital as a new form of value that accrues to members of the network. This value proposition appeals to people's need to bond, to belong, to be part of a community. In their book *Driven: How Human Nature Shapes our Choices*, Paul Lawrence and Nitin Nohria of Harvard Business School suggested the drive to bond is one of four biological drives that inform all our choices.

Engaging customers in the process of collaboration for value creation

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allows companies to create social capital for their customers (*HBR Blog Network*, "Building Customer Communities is the Key to Creating Value," Bill Lee, Feb. 1, 2013). Customers acquire status through participation in customer advisory boards, as reviewers and as advocates. Participation allows customers to be in contact with others, to share interests and to be a member of a community. This community wants to be invited to participate in shaping the next generation of these products and services, and derives value from the connection with others in the community. The most successful companies are helping their customers expand their own support groups and communities (*HBR Blog Network*, Lee).

Ultimately, "social capital" is a means to add more value to user experiences. Social business describes the way companies create greater value for all constituents by adding a social overlay to the existing enterprise (*Harvard Business*

Review, Merchant). The social layer adds a deeper layer of meaning; the individual's association with a product or service facilitates contact with others who are part of an extended group or community. The greater social purpose of the company and its products is enhanced by this community.

Enabling people to participate in a higher purpose than just making widgets is a key part of building a powerful brand with a mission and meaning that resonates with multiple stakeholders. The demand that firms strive for a higher purpose is aligned with another of the four drives identified by Lawrence and Nohria that motivate decision making: the "Drive to Create" which suggests that people genuinely want to contribute, to make a difference, and to make things better. In The Why of Work, Dave and Wendy Ulrich suggest the importance of "meaning" in the workplace: "An abundant organization is a work setting in which individuals coordinate their aspirations and actions to create meaning for themselves, value for stakeholders and hope for humanity."

While social capital is created and shared outside the four walls of a company, it's also an important part of the internal brand. It's important to acknowledge the element of social capital that lies within an organization. Recognition of the behaviors that contribute to delivery of mission, vision, values and purpose is an important part of building social capital. Formal recognition programs allow companies to recognize and celebrate the behaviors that create a

unique internal brand and culture. Social capital is a part of organization culture, the "consistent patterns of behavior in organizations, how an organization creates shared awareness and meaning" (*Harvard Business Review*, "What is Organization Culture? Why Should we Care?" Michael Watkins, May 15, 2013). Culture is the story, the values and rituals that reinforce the meaning that a firm creates. Individuals build capital within their organization as they are recognized and reinforced for being part of the story. These collected stories become part of the internal brand.

Behind recognition is the powerful notion of "social support." Social support is defined as "the perception or experience that one is loved and cared for by others, esteemed and valued and part of a social network of mutual assistance and obligations." In addition to the implications on productivity in the workplace, "social support" has been shown to contribute to physical health and survival. Research consistently demonstrates that social support reduces psychological distress such as anxiety or depression, and is a powerful predictor of health and longevity of life ("Social Support," Shelley Taylor, 2007, from Foundations of Health Psychology, H.S. Friedman and R.C. Silver). Equally powerful are the reciprocal advantages of giving support: "Giving social support to others may cement a personal relationship, provide a sense of meaning or purpose, and signify that one matters to others,



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all of which have been found to promote well-being" ("Social Support," Shelley Taylor, 2007, from Foundations of Health Psychology, H.S. Friedman and R.C. Silver). Social support is an important source of social capital.

We are just beginning to understand the impact of the social aspects of the workplace. David Rock has stated that the brain experiences the workplace to be first and foremost as a social system (*Strategy + Business*, "Managing with the Brain in Mind," Autumn 2009). In addition, the work of Paul Lawrence and Nitin Nohria of the Harvard Business School (Driven: How Human Nature Shapes Our Choices, 2003) suggest that the "drive to bond," to be part of a community and to collaborate with others, is one of the four biological drives that underpins all human behavior. We are far more complex creatures than what has been assumed by traditional marketing. The "drive to acquire," which is the starting point for almost all consumer and business communications, is only one part of

the equation. Equally important is the “drive to create,” which includes the desire to make a difference and to contribute. Collecting social capital through relationships and contributions in the workplace activate the same neural reward circuitry as collecting a paycheck. Formal and informal recognition builds social support and generates social capital. Generating social support and social capital also requires informal mechanisms. These are as simple as conversations that complement traditional, top-down organizational communications and facilitate personal connections. Conversations create and maintain close connections from manager to employee and between employees. Having conversations requires everyone to be more authentic, more intimate, and more intentional (*HBR Blog Network, “Conversations Can Save Companies,”* Beth Groysberg and Michael Slind, April 12, 2013). Authentic personal relationships within an enterprise

are the underpinnings of all social capital. Without strong personal relationships built on a foundation of trust and transparency, it’s tough to build a strong internal brand and alignment with a higher purpose and vision. Trust may be the most important prerequisite to social capital.

Social capital is an important aspect of company culture that complements both human and physical capital. Social capital is a means to create deeper meaning in the workplace. It is an extension of human capital that implies the whole is greater than the sum of the parts. Delivering social capital responds to innate biological drives to bond and create, and enhances both workplace rewards and the association people feel with a product, service or brand.

Just as important, social capital is not something that stays within an enterprise’s four walls. It’s also a value that accrues to customers through



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to and creating value for customers. Social capital is both an individual and a collective resource. Companies need to be thinking about how they can maximize their networks of people to create greater value for all constituents and enhance the social aspects of their business.

The Performance Improvement Council (PIC), a professional organization of performance marketing executives is a special industry group of the Incentive Marketing Association (www.incentivemarketing.org). The PIC is collectively focused on helping companies optimize their investment in human capital through proven and innovative reward and recognition solutions. To learn more about the Performance Improvement Council, please visit <http://www.thepicnow.org>.

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