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PR 2.0 Interview

Part 1: How Social Networking is Changing Business?

Saturday, 22 November 2008

Here are a few of our thoughts about how social networking is changing business excerpted from the book "PR 2.0: New Media, New Tools, New Audiences." Deirdre Breckenridge, the author and PR 2.0 guru, interviewed Neal Gorenflo, our U.S. executive, for her book's "Ask the Experts" section. This is the first in a series of posts that will excerpt the interview.

Deirdre Breckenridge: How is social networking changing the way companies do business?

Neal Gorenflo: It's changing the way companies do business in a fundamental way, but we're still in the early stages of what I think will be a fairly comprehensive restructuring of our society brought on by social media and the culture of participation that it's fostering. So it's not just business that will be changed, it's everything. My perspective is that communications systems are foundational, that when a society shifts from one communication model to another, then all institutions in society get reinvented according to the logic of the new medium.

This is happening as we shift from the broadcast paradigm epitomized by TV to a network model of communication epitomized by social networking. Identity, law, politics, culture, and business models are actively being reinvented as we speak. And while I believe we are early in this transformation, it's obvious that businesses take social networking seriously. We already see social networking and social media applications supporting businesses in a wide range of functional areas including sales, public relations, customer service, product development, human resources, and knowledge management.

I think the key thing to focus on here is how social networking shifts power, and in the business context that means shifting power from producer to consumer.

The flattening of organizations and the decentralization of power brought about by earlier forms of network communication technologies like e-mail is being radically extended by Web 2.0 technologies like social networking and Blogs, to the point that the distinctions between producer and consumer are dissolving and consumer power is being radically enhanced.

Technologies like LANs, e-mail and intranets enabled companies to push power to the edges of the organization, but with the advent of Web 2.0, it being pushed beyond the formal boundaries of the organization to consumers. The organizational pyramid is being turned upside down.

And this will be hugely beneficial for business. I think the power shift will result in better and, even more importantly, more relevant products. For instance, businesses are adopting the practice of engaging customers in deep and meaningful ways in every stage of the product lifecycle. This is borrowed from the software development community. And social media robustly enables the process.

The Firefox web browser is a radical example of this model. It was an open source software community that created Firefox, a volunteer effort with support from the Mozilla Foundation. Like all open source projects, building Firefox relied on social media to coordinate volunteer efforts. Naturally, it was promoted in a way consistent with open source production methods – the promotional work was distributed to volunteers using social media, and each doing their little bit added up to a whole lot of promotion. The Spread Firefox campaign was a hugely successful, volunteer powered marketing campaign that helped catapult Firefox to roughly a 15% market share, second only to Microsoft's Explorer browser. This was like David taking on Goliath, except the battle is not over. In any case, Firefox shows how using social media and engaging customers in a meaningful way in the whole product lifecycle can create serious competitive advantages in product quality, cost, and marketing efficiency.

In this environment, companies that employ authentic leaders - leaders that foster a culture of participation and earn their authority by their skill in facilitating many diverse stakeholders in creating value - will have a big advantage over companies that employ autocrats.

Part 2: How Does FAS Help Clients Understand Social Networks?

Tuesday, 25 November 2008

Deirdre Breckenridge: How does FAS.research help its clients to understand social networks?

Neal Gorenflo: We help leaders understand social networking from a social science perspective using metrics and visualizations. I think leaders appreciate the value of social networks now more than ever, but they don't know how to quantify the value or how to best leverage them. From our perspective, social networking is all too often a curiosity, rather than a real business tool.

Our value to clients, on a high level, is two-fold. First, we give clients a way of seeing and quantifying the value of networks based on science yet relevant to their business goals. Second, we give them tools and models that translate this unique insight into action plans that get results.

I can't emphasize enough the value of the mindset change we catalyze with leaders. Once a client begins to see their market as a system where people and institutions are connected and influence each other, it's like turning on the lights. By making the system visible to leaders, we give them an increased measure of control. We put spotlights on the levers and gauges. And when they see how things actually work in their markets, they change what they do and how they structure their organization to take advantage of this more accurate view of reality.

Part 3: Are You Able to Represent How Groups Are Connected?

Tuesday, 25 November 2008

Deirdre Breckenridge: How does FAS.research help its clients to understand social networks?: Are you able to graphically represent how groups are connected and how information flows?

Neal Gorenflo: Absolutely. There are two ways to look at what we do. Most of the time we help clients understand and leverage networks that already exist in their market. This includes graphically representing them. Visualization helps clients understand the structure of networks in their market, which means how individuals are connected within their communities and how communities are connected. By understanding the structure, we can design strategies to efficiently move messages, products, or ideas through the network. Visualizations help uncover the blockages and make visible the bridges from one community to another, and on a macro scale, the path from the periphery into the mainstream.

We also help clients design social networks. This is typical of the work we do in organizational development. Visualizing networks is also important here. The key idea in this context is that the ideal structure of a social network within an organization depends on the goal of and the type of work done by the organization. An ideal innovation network looks different than an ideal production network. We help organizations find their ideal form depending on what they do and what they want to accomplish.

The starting place is to first understand the existing network and how information and influence flow through it. Then you can design interventions that help you get closer to the ideal structure from the existing structure. And importantly, not lose the productive relationships in the redesign.

Part 4: When is the Best Time for a Company to Analyze its Social Network?

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Deirdre Breckenridge: When is the best time for a company to analyze its social network?

Neal Gorenflo: If we are talking about the social networks within a company, a good time is often before dramatic organizational change like a merger. Mergers are risky. It's well known that mergers frequently fail to deliver the expected benefits. One common mistake is that companies focus on the formal structure and ignore the informal social relations that are so important to innovation, problem solving, and just getting work done. These informal ties cross management levels and functional areas and are critical to an organization's health. Social network analysis can make these networks visible and quantify their value so that they can be considered in the new organizational design.

If we are talking about social networks in the customer base, then there is a constant need because these networks are dynamic. New opportunities and threats emerge constantly. The sooner you get started, the sooner you can innovate a new sales and marketing model to obsolete your competitors' model. And if you read the advertising trades, the pain marketers feel in trying to extend direct marketing models is palpable. These magazines sometimes read like a long complaint about declining returns.

The source of the pain is no mystery. Direct channels are flooded and customers don't trust corporate messages. Time is ripe for change. Systematically scaling and measuring authentic word-of-mouth is part of the new paradigm. Unlike direct channels, the word-of-mouth channel is open, trusted, and more effective.

This channel is not without its challenges, however. For instance, the most popular word-of-mouth model does not scale. It's limited by the size of proprietary agent networks – groups of people recruited by service providers or companies to voluntarily buzz about products.

Our approach, on the other hand, does scale. Like direct marketing, the only limit is the size of your customer base or list. And despite what Malcolm Gladwell would have you believe, our research shows that everyone is a maven to some degree. Our approach does not rely on recruiting uber-mavens, it's more granular than that. Everyone talks about products, but when and how much depends on the person and the product.

Using science, we help companies find where and when high concentrations of brand conversations are likely to happen and design marketing strategies to leverage this knowledge.

Part 5: How Do You Analyze Social Networks?

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Deirdre Breckenridge: How do you analyze social networks and how are you monitoring communication?

Neal Gorenflo: There are two ways to find the critical parts of a network – construct a mechanical model or use profiling.

To construct a mechanical model or network visualization, we need data that shows how people are connected. Online social networks, Blogs, mobile phone call records, e-mail servers, patent databases, and co-publishing databases are typical data sources that have information about how people are connected. We take this data and apply proprietary algorithms to create social network maps and indices. Maps make visible the structure of the network. This helps with the macro strategy – how to move messages from community to community. Indices quantify the value of each person's ability to spread messages and influence social connections. This helps with the micro-strategy – how to address each individual or discrete clusters in the network.

The profiling technique we use is similar to how the FBI finds serial killers. The FBI analyzes the commonalities of serial killers to construct a profile. This helps them know what to look for, not only in terms of the psychological profile but also where they are likely to live. We do a similar thing to identify people that play the key roles in spreading messages in a network - the hubs, connectors and spreaders. We've found that each class of role is composed of people who share similar characteristics. Connectors, no matter where they come from, share some key values with other connectors. It's rarely a 100% match, but there are markers for each role that allow us to assign a probability that someone is a hub, connector or spreader. This is incredibly valuable for direct marketing. It helps marketers design viral messages tailored to each role and target those that will most likely spread the message.

Part 6: Do You Believe This Approach is More Effective?

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Deirdre Breckenridge: Do you believe this approach is more effective?

Neal Gorenflo: Yes, and often dramatically more effective. Our approach is a true paradigm shift. Traditional direct marketing and communication strategy is based largely on segmentation. You break your target audience into groups comprised of individuals with common attributes and you design specific messages for each segment.

While segmentation has been effective, this approach does not accurately reflect reality. It ignores the obvious fact that people are connected and influence each other. In our case, this fact is the core of our approach. We make visible and leverage the underlying social structure of a market. This is the difference between rowing a boat across the ocean and sailing using trade winds. Like sailors, we put nature to work for our clients. The end result is better returns.

Here's another way of understanding the difference - segmentation analyzes attributes of individuals while FAS' approach analyzes attributes of links, how people are connected. Instead of placing a statistical value on the sex, age, income, and behavior of an individual like segmentation does, FAS places a statistical value on the role an individual plays in spreading messages in their social network. Instead of looking for soccer moms, we look for connectors (the links between communities), hubs (the center of communities), and spreaders (individuals with enormous reach). Instead of paying attention to pockets of response, we pay attention to social patterns that have a high probability of being viral.

That being said, our approach doesn't replace segmentation or traditional market research, it overlays it. You still have to know the values held by individuals and groups in your target audience. Knowing how these individuals and groups are connected help you move your message through the network systematically and tune it as it moves from community to community.

Part 7: Are Many Companies Using Social Analytics?

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Deirdre Breckenridge: Are Many Companies Using Social Analytics?

Neal Gorenflo: It's definitely not mainstream, but it is a rapidly developing field. Up to just a few years ago, social network analysis was only feasible for large companies or governments. Cheap computing power and free, open source network analysis software has made the field more accessible. We've seen a number of competitors pop up in just the last two years.

The barrier now is in application. These days just about anybody can create a network visualization. The problem is that there are very few people who can tell you what the data means and what to do with it to create value. This is a challenge of interpretation, imagination and experience, something that computers and software can't help with. This is where FAS is ahead. We've been solving business problems with social network analysis for nearly ten years.

To give you an idea of what is possible now with enough computing power and experience, a European mobile phone carrier recently hired us to analyze three years of call data for over three million subscribers (anonymized for privacy).

For the macro strategy, we were able to break the subscribers up into distinct communities based on their calling patterns and identify the most viral communities, based on sociometrics which quantify mathematically certain properties of networks, including the strength and direction of influence. For the micro strategy, we created viral indices that were uploaded in the carrier's CRM. This enabled our client to make special offers to customers who have a high probability of influencing an acquisition or stabilizing other subscribers around them.

Part 8: Is the Research You Provide a Lengthy Process?

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Deirdre Breckenridge: Is the research you provide a lengthy process?

Neal Gorenflo: Most projects take four to eight weeks with just a couple of workshop days with clients. It depends on the scope of the project, the availability of the data, and the amount of data to be analyzed. It also depends on whether or not our strategies are going to be applied incrementally or holistically.

Let's start with data. If data about how clients and prospects are connected is readily available, then that speeds up the process, though the time also depends on the amount of data that needs to be analyzed. If we need to gather data for the analysis, for instance through surveying, co-occurrence search algorithms or another method, then that obviously adds to the time.

In terms of scope, this is an approach that screams out to be applied holistically. It benefits from integration between functional areas in a business, especially between sales and marketing since what we do can be thought of as a viral form of microtargeting. When you have an entirely new and more accurate way of seeing your customer base, it has significant implications for a client's organizational structure. When our clients see how their customers are connected, they immediately see the necessity to market and sell in an entirely new way and organize themselves in an entirely new way. When we have a client that can approach a challenge holistically, then that can be a larger project since we could be involved in designing a new process or organization.

It helps to give an example. Let's go back to the cell phone carrier client I mentioned. This carrier is a new market entrant in Europe. It was successful in getting traction in immigrant communities early on. The problem was how to bridge from the early adopter immigrant community and break into the mainstream. The carrier made subscriber call data available to us in anonymized form for privacy. This speed up the process, but it was a lot of data.

Despite the vast amount of data, we were able to literally map how all callers and communities were connected using the call data. This enabled us to identify the best opportunities to win new clients from existing clients based on which social patterns had the highest statistical probability to influence a conversion. We also identified the best bridges – actual social links shown in calling patterns – into new demographic communities. The whole project took six weeks. And the analysis and action plan we provided helped synchronize their sales, marketing, and customer service efforts focusing more resources on the hubs, connectors, and spreaders in their customer base.

Part 9: Where Do You See Your Research Efforts Going in the Next Five Years?

Tuesday, 25 November 2008 01:35

Deirdre Breckenridge: Is the research you provide a lengthy process?

Neal Gorenflo: In general, we want to deepen our understanding of how social networks operate and how to apply what we learn to important problems. While we've focused mainly, but not exclusively, on solving business problems, we hope to find our moment to make a big positive difference to how people lead their day-to-day lives.

Not surprisingly then, we are doing more thinking about applying social network analysis to the design of social networking platforms. It's clear to us that the usefulness of seeing them from a technology or as mass media perspective has almost run its course. As the technology becomes commoditized, and that is happening fast with the emergence of private label solutions, people are realizing that it's the social architecture of these systems and how you manage the community that deliver the most value, not the technology.

And we are not interested in them as another diversion, as entertainment, as simply media. We are interested in designing social networking systems that help people create value in their day-to-day life online and off. We see social networking as a great coordinating technology that can help people organize themselves into geographically-based mutual aid communities where all types of resources are shared, where the value and pleasure of social interactions is radically increased, where a culture of democracy and civic engagement can thrive, where people can better enjoy and enhance the natural and human splendor of their local communities, and where the social architecture of sustainability can show itself.

We think social networking has come at the right time, when combined with a shift in values that place a premium on authentic, self-organized experiences, can facilitate the social changes necessary, at the scale and speed that is required, to promote true human fulfillment, the byproduct of which will be social justice and environmental sustainability.

We are at a juncture where we, as a global society, have the power to either destroy ourselves or create an unprecedented global renaissance, an explosion of creativity in every field from every corner of the world the likes of which the world has never seen. The first chapters of both scenarios have already been written. We think social networking is one of the tools, if used wisely, that can help us ensure that our future is a bold tale about global renaissance, a continuing exploration of humanities role in this universe.

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