

McKinsey Global Survey results

The networked enterprise holds steady

Organizations continue to find more uses for the Internet's social tools and technologies, according to executives. And companies observe real benefits from that use, though some have become less engaged over time.

Social tools and technologies, known collectively as Web 2.0, continue to reshape how organizations reach out to employees, customers, and business partners, and how they approach such diverse responsibilities as setting strategy and managing projects, according to our fifth annual survey of executives around the world.¹ On the whole, executives report that their companies are using more of these technologies, the vast majority of those using them are achieving business benefits, and adoption is taking root across many processes. As in past surveys, we asked respondents which technologies their organizations deploy, whether organizations derive measurable benefits (and what those are), and how these technologies will affect the way their companies are organized. Confirming findings from last year, we again found a small core of highly networked organizations—those that use these technologies the most and derive the most benefits from them, according to their executives. For the first time, we asked respondents to think forward about more profound changes that social technologies could bring to their organizations as remaining barriers to usage recede. Executives expect the greatest changes will involve monitoring the behavior of consumers and competitors and finding new ideas for cost savings and product innovation.

¹ The online survey was in the field from June 7 to June 17, 2011, and received responses from 4,261 executives representing the full range of regions, industries, tenures, and functional specialties.

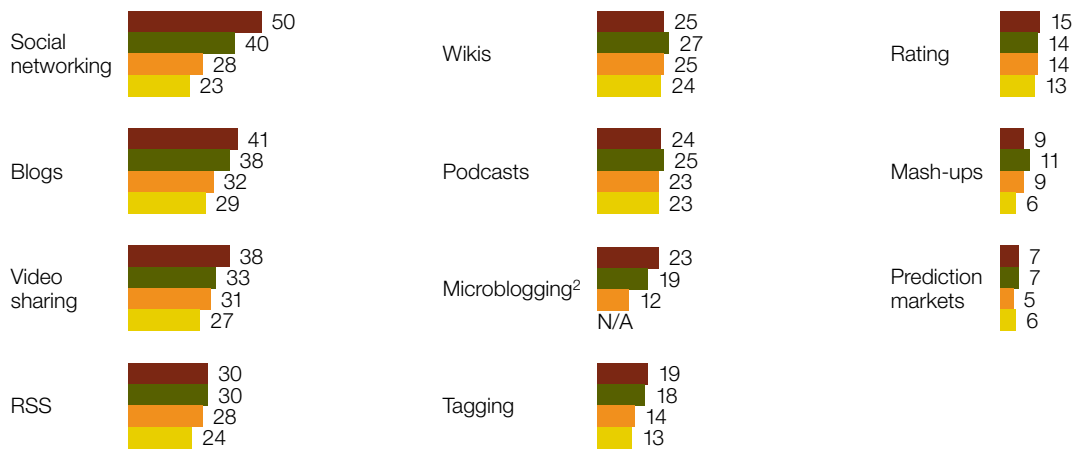


Exhibit 1
Adoption rates continue to climb

% of respondents¹ whose companies use each technology

■ 2011, n = 4,261
 ■ 2010, n = 3,249
 ■ 2009, n = 1,695
 ■ 2008, n = 1,988

Social tools and technologies currently used by companies



¹ Respondents who answered “don’t know” are not shown.
² Microblogging was not offered as a technology in the 2008 survey.

Networking for business benefits

Social technologies relentlessly morph and improve; perhaps in response, survey respondents have consistently reported overall increases in their organizations’ adoption of them (Exhibit 1). This year, social networking made the biggest gains and increased its lead over other popular technologies such as blogs and video sharing. Seventy-two percent of respondents say their companies currently use at least one social technology.



As more organizations are using these tools, executives report applying them in a variety of important processes. Respondents say their organizations use social tools and technologies to improve their understanding of external environments, find new ideas, and manage projects and employees, for example (Exhibit 2). They report that different tools are useful for different processes.

Exhibit 2

Technologies are used across processes

% of respondents¹ whose companies use at least 1 social technology

■ 20–40% ■ 5–10%
■ 10–20% ■ <5%

How companies are using social technologies

	Total, n = 3,103	Social networking, n = 1,728	Blogs, n = 1,322	Video sharing, n = 769	RSS, n = 642	Wikis, n = 809	Podcasts, n = 502	Micro- blogging, n = 654	Tagging, n = 347	Rating, n = 348	Mash-ups, n = 203	Prediction markets, n = 190
Scanning external environment	75	40	29	11	14	9	8	13	6	5	4	5
Finding new ideas	73	36	29	11	10	12	7	13	4	4	3	4
Managing projects	55	19	12	11	5	17	4	5	4	3	2	2
Developing strategic plan	43	16	11	8	4	8	4	5	3	3	2	4
Allocating resources	30	10	5	4	3	4	2	2	1	2	2	2
Matching employees to tasks	29	11	4	4	2	5	2	3	2	2	2	1
Assessing employee performance	26	7	4	3	2	3	1	2	1	4	1	1
Determining compensation	20	6	4	2	1	2	1	1	1	3	1	1

¹ Respondents who answered “other” are not shown.

As in earlier surveys, we asked executives about the measurable benefits their organizations are getting from using these tools and technologies in three different types of interactions: among employees, with customers, and with business partners, suppliers, and outside experts. Nine out of ten respondents whose organizations are using social technologies report some degree of benefits, matching last year's high levels. Across most types of benefits, the percentage of respondents reporting gains from using these technologies is about the same as it was last year (Exhibit 3). However, respondents report a few improvements. Among those using social technologies for customer-related purposes, for instance, a greater share report benefits related to marketing effectiveness, and those using these tools for partner and supplier interactions report increased speed to accessing knowledge and experts as well as reduced communications costs.

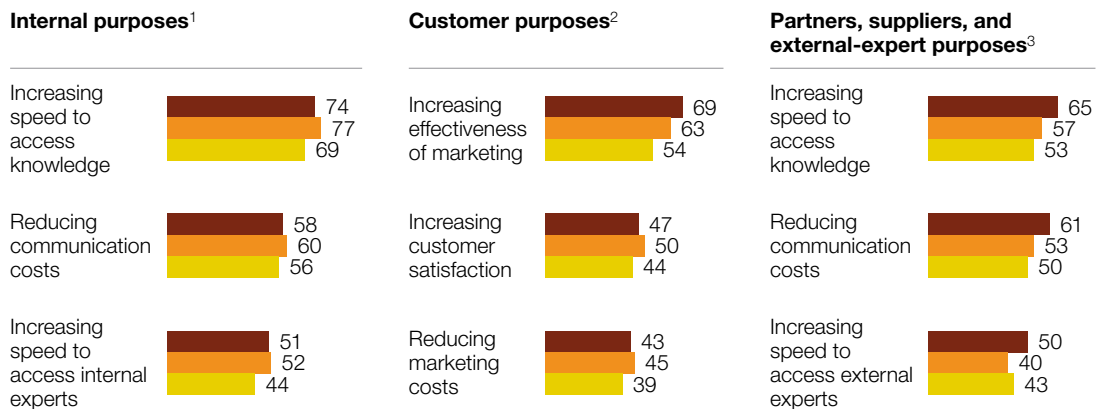
High-tech/telecom remains the industry group whose respondents report the highest adoption rate for social tools and technologies, at 86 percent. Among functions, marketers report the highest level of adoption, 79 percent.

Exhibit 3
Benefits remain consistent over time

% of respondents reporting at least 1 measurable benefit at their companies



Top 3 measurable benefits of technology adoption, by use



¹In 2011, n = 1,949; in 2010, n = 1,598; in 2009, n = 1,008.
²In 2011, n = 2,227; in 2010, n = 1,708; in 2009, n = 956.
³In 2011, n = 1,142; in 2010, n = 1,008; in 2009, n = 686.

Exhibit 4

Networked organizations see higher levels of benefits, usage, and integration

		Organizational type based on social-technology benefits			
		Developing, n = 2,413	Internally networked, n = 224	Externally networked, n = 365	Fully networked, n = 101
Improvement in benefits, mean %	Internal benefits	2	18	8	26
	Customer benefits	1	3	13	21
	Partner benefits	1	2	11	24
Extent of social-technology usage, % of respondents	% of employees	39	37	43	48
	% of customers	26	37	54	51
	% of partners	40	48	55	64
Integration, % of respondents	Very or extremely integrated into employees' day-to-day work	18	49	45	80

Shifts in networked enterprises

In our analysis of last year's survey results, we identified a small group of respondents at what we call "networked organizations," characterized by their reports of high levels of benefits when using social technologies with employees, customers, and partners and suppliers. Based on the benefits these respondents reported at their respective companies, we defined these networked organizations as being either internally networked, externally networked, or fully networked; we categorized the remaining group—most respondents—as "developing." As in 2010, this year's results show that in general, higher shares of employees, customers, or partners and suppliers use social technologies at networked organizations than at developing organizations (Exhibit 4). In addition, far more executives at fully networked organizations say these tools and technologies are integrated into employees' day-to-

Almost two-thirds of respondents say their organizations plan to spend more on social tools and technologies over the next three years, compared with investments in the years before the economic crisis.

day tasks. This group is also more likely to report using social technologies in a range of business processes than respondents who say their organizations are internally networked, externally networked, or developing.

Eighty-four percent of respondents at fully networked organizations say their companies use social technologies to manage projects, while half of respondents at developing organizations, 64 percent at internally networked organizations, and 74 percent at externally networked organizations say the same.

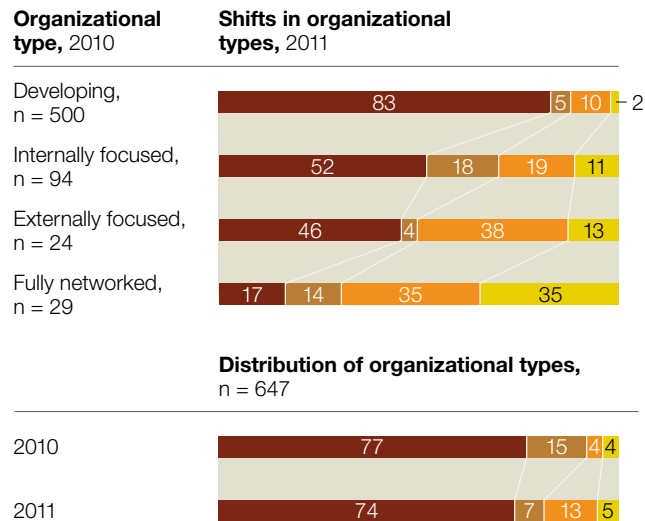
Interestingly, among the small number of executives (147 in all) who responded to both the 2010 and 2011 surveys and indicated that their organizations were networked—internally, externally, or fully—in at least one of those years, many indicate that their organizations shifted categories (Exhibit 5). About half of organizations that were internally and externally

Exhibit 5
Sizeable shifts in network classifications

% of repeat respondents¹

Organizational type based on social-technology benefits

■ Developing ■ Internally networked ■ Externally networked ■ Fully networked



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

networked last year, for example, fell back into the developing category this year. The number of externally networked companies swelled, while substantially fewer were internally networked, and the ranks of fully networked organizations grew slightly.

The organization of the future

While adoption of some social tools has grown steadily over recent years as technology has improved and use has broadened among all sectors of society, we believe the overall impact of social technologies on how organizations are structured and managed is in the early stages. To get a clearer view of how organizations might evolve as they use these tools more and more, we asked respondents about Web 2.0–related changes in their business processes that were likely to occur in their companies, versus what could happen if all constraints were lifted (Exhibit 6). Most answered that in today’s environment, these tools and technologies would

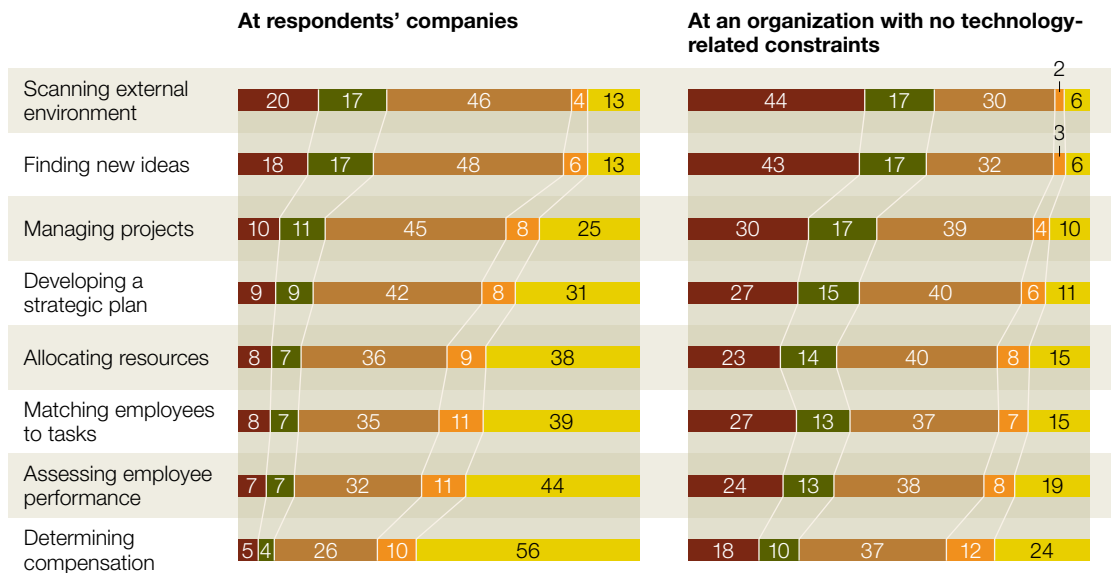
Exhibit 6

Lifting constraints could change how tools are used

% of respondents,¹ n = 4,261



Extent to which social technologies can change organizational processes



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

most likely have a modest effect on process change, enabling a mix of traditional and new processes. However, most respondents envisioned more significant change in the absence of constraints, as these tools would be much more likely to spawn greater adoption of entirely new processes in areas such as scanning the environment, finding new ideas, and managing projects.

Beyond processes, a number of respondents see the potential for more substantial organizational change (Exhibit 7). Thirty-five percent believe that, in the absence of constraints, social technologies would enable organizations to be less siloed and more open to outside stakeholders in the next three to five years. Slightly fewer would expect to see more

Exhibit 7

Barring constraints, a number of potential organizational and process changes

% of respondents,¹ n = 4,261

Likeliest organizational changes in next 3–5 years, without constraints



¹ Respondents who answered "none of the above" or "don't know" are not shown.



organic management practices, in which teams self-organize using the Web. Smaller shares also expect that decisions will be guided by hard data rather than opinion and management experience, and that hierarchies would be less relevant.

Looking ahead

- The benefits of the networked organization are real. Senior executives should promote stronger links to customers and vendors, and greater internal integration of technologies, since these factors are associated with higher levels of benefits.
- As the adoption of social tools and technologies continues to rise and as more progressive companies implement them to improve processes, using these tools well can improve overall competitiveness. Indeed, many companies that respondents reported as networked organizations last year saw lower levels of benefits this year, suggesting that companies need to make social technologies work, or the benefits might fade away.
- Companies should plan for more substantial disruption. Since many executives believe that significant changes will occur as (or if) constraints to Web 2.0 are lifted, companies that can create change themselves—instead of reacting to it—are likely to benefit the most. □

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