

McKinsey Global Survey results:

## How Web 2.0 is helping companies compete

*The most intensive users of Web 2.0 are enjoying the biggest growth in market share. Many executives also see a positive impact on information sharing within their organizations.*

**Chief among the reasons** that companies continue to invest in social networking and other collaborative technologies—known collectively as Web 2.0—is their belief that adoption will bolster performance and improve their ability to compete. Our fourth annual survey of Web 2.0 use in the enterprise suggests that these benefits are beginning to become tangible. We surveyed 3,249 executives across a range of regions, industries, and functional areas.<sup>1</sup> We asked them how they are using Web 2.0 technologies, what types of benefits they derive, and whether those benefits are translating into hard business results.

This year's results provide intriguing, though early, indications that more intensive use of Web 2.0 technologies is correlated with market share gains and stronger financial performance. These benefits may explain why adoption of Web 2.0 continues climbing, according to respondents. A number of participants also report that the use of technologies is helping their companies shape a more agile, open, networked organization that improves collaboration among employees and furthers interaction with customers and suppliers. In addition, this year's survey offers insight into how companies are managing Web-based organizations and their new capabilities.

### Corporate performance and benefits

Among the most notable findings in this year's survey are correlations between the intensity of Web 2.0 use and corporate performance. Organizations reporting use of more than six technologies and tight integration of that use with employees' day-to-day work practices are significantly more likely to see increased market share (Exhibit 1).

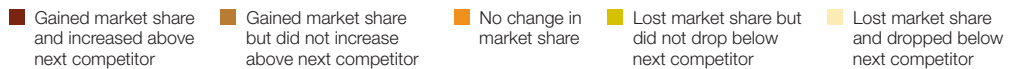
<sup>1</sup>The online survey was in the field from May 11 to 21, 2010.



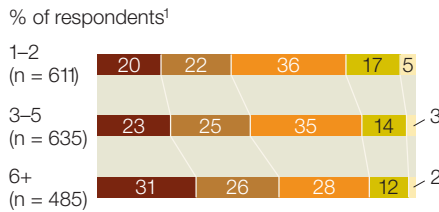
Exhibit 1

### Market share and Web 2.0 use

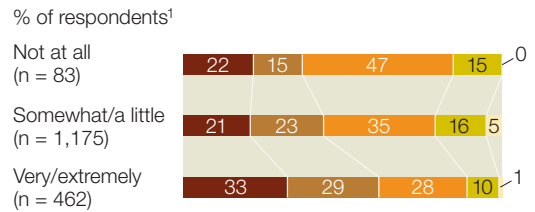
*How has your company's market share changed over the past 12 months?*



#### Number of technologies used



#### Extent of Web 2.0 integration



<sup>1</sup> Respondents who answered "don't know" are not shown. Figures may not sum to 100%, because of rounding.

We also asked executives about profits resulting from the use of Web 2.0 technologies for internal purposes and for dealings with customers, partners, and suppliers. For each purpose, at least 12 percent of respondents say their companies have seen profit gains of greater than 5 percent (Exhibit 2). However, 38 to 46 percent of respondents say they don't know the impact on profits, indicating that executives, and the findings themselves, are less certain on this point than on most others.

Exhibit 2

### Technology use and profit boosts

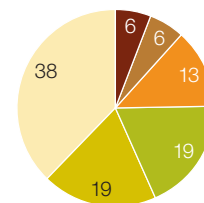
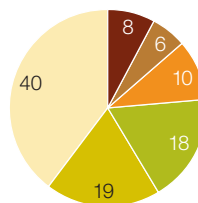
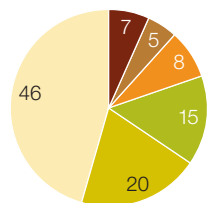


*Estimate the overall increase in your company's annual profit resulting from your use of Web 2.0 tools and technologies.<sup>1</sup>*

**For internal purposes,**  
n = 1,436

**For customer purposes,**  
n = 1,475

**For working with external partners/suppliers,** n = 901



<sup>1</sup> Asked of respondents who are using Web 2.0 tools for a particular purpose and reporting at least 1 measurable benefit; figures do not sum to 100%, because of rounding.

Along with better performance, respondents continue linking a high level of benefits to Web use. The number of companies reporting at least one measurable benefit from internal or external Web 2.0 use held steady, down one percentage point to 89 percent this year. Increasing speed to access knowledge is the most widely cited benefit among those reporting gains related to internal uses and uses involving external partners and suppliers. Among those reporting benefits from use with customers, increased marketing effectiveness ranks highest.

### The 'networked organization'

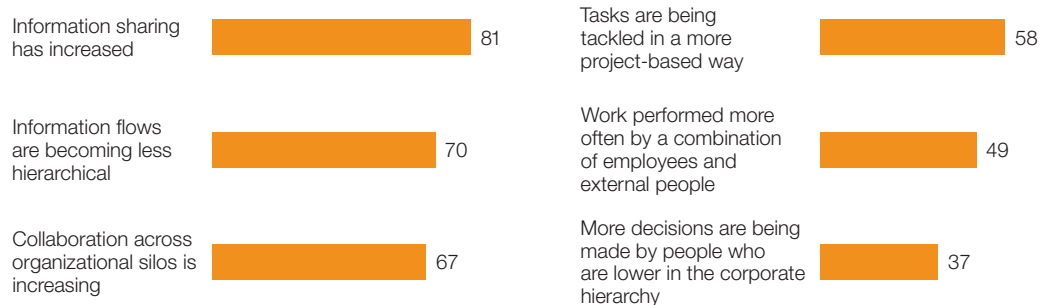
We also asked executives about another key aspect of corporate performance: potential benefits arising from the "networked organization." Our research suggests many organizations are taking advantage of Web 2.0 capabilities to improve how work is done internally, and not just to extend their reach in the marketplace. Respondents reporting higher levels of Web 2.0 adoption and integration indicate that these technologies are helping break down organizational orthodoxies that impede performance. A large number of respondents link Web 2.0 use to increased information sharing across their companies, less hierarchical information flows, and greater collaboration (Exhibit 3). Nearly half of executives surveyed say they are building networks that extend beyond company borders to collaborate and share information with customers, suppliers, and partners.

Exhibit 3

### The Web 2.0 effect on organizational change

% of respondents<sup>1</sup> agreeing to each statement, n = 2,138

*Do you agree that your company's use of Web 2.0 tools and technologies over the past year has resulted in the following organizational changes?*



<sup>1</sup>Figures do not sum to 100%, because respondents could select more than 1 statement.

### Adoption and internal usage

Reinforcing patterns of earlier surveys, the number of companies deploying Web technologies continues to grow. Respondents report that adoption has risen across nearly all technologies, with marked increases in the percentage of companies using social networking, blogs, and microblogs (Exhibit 4). Indeed, our own and other data show that the use of Facebook, Twitter, and other social media to gauge customer acceptance of their products, track Web conversations that affect corporate reputations, and engage directly with customers is now mainstream.

Within companies, the percentage of employees using Web 2.0 technologies continues to increase for most of the 12 technologies we asked about. Notably, nearly half of respondents report that at least 51 percent of employees are using social networks, while 33 percent report equally high usage levels for wikis. Underpinning this greater usage, nearly two-thirds of respondents say their companies will increase future Web 2.0 investments, compared with just over half in 2009. That funding, they say, comes from a variety of sources, including the IT function, centralized funds from corporate sources, and discretionary funds provided at the business unit level.

Half of all respondents in North America report using social networks; 28 percent of those in China and other developing markets say they do so.

Exhibit 4

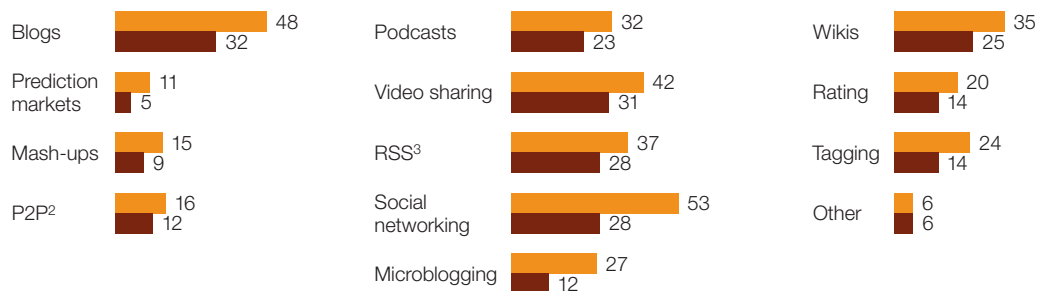
### Consistent growth in technology adoption

% of respondents<sup>1</sup>

2010 (n = 3,249)

2009 (n = 1,695)

Is your company currently using any of the following Web 2.0 technologies or tools?



<sup>1</sup>Figures do not sum to 100%, because respondents could select more than 1 technology.

<sup>2</sup>Peer to peer.

<sup>3</sup>Really simple syndication.

Exhibit 5

**Who's managing Web 2.0 initiatives**

% of respondents <sup>1</sup> indicating a function is responsible for managing Web 2.0	Internal purpose, n = 751	Customer purpose, n = 737	Working with external suppliers/partners, n = 650
IT	61	39	48
Marketing	35	74	53
Business-development partnerships	N/A	N/A	43
Knowledge-management group	28	N/A	N/A
Line/general management	21	26	27
Human resources	20	N/A	N/A
Services	N/A	19	24
R&D	N/A	18	27
Operations/production	19	12	19
Training group	14	N/A	N/A
Dedicated Web/enterprise 2.0 group	14	12	16
Sales	10	30	31
Other, please specify	7	6	7
None	3	2	2
Do not know	3	3	3

<sup>1</sup>Figures do not sum to 100%, because respondents could select more than 1 function.

**Managing the Web-based organization**

Companies using more Web 2.0 technologies are developing ways to manage them and adapting their organizations to these new practices. This year's results show that for internal Web initiatives, IT departments are most likely to oversee efforts, with 61 percent of respondents saying so (Exhibit 5). For customer-facing initiatives, 74 percent of respondents say oversight falls to their marketing departments. For Web 2.0 initiatives involving external suppliers and partners, IT, marketing, and business-development functions are cited nearly equally as taking the lead.

Respondents report that several organizational structures are in place to manage Web 2.0. In some cases, a senior corporate executive takes charge; in others, a corporate group is charged with management across the company. A slightly greater number of respondents report that Web activities are directed from the business unit level. This variegated trend seems to hold across geographies and business sectors.



Many companies don't track the benefits of Web 2.0 investments at all. Indeed, only about 20 percent of respondents say their companies track financial metrics for Web 2.0. However, respondents at companies that are intensive users of Web 2.0 are much likelier to say their companies track both financial and nonfinancial metrics. Of course, those are the companies likeliest to report strong benefits as well.

The social nature of most Web technologies opens companies to greater interaction with the outside world. A slim majority of respondents (51 percent) say their companies have adopted formal social-media policies; companies with higher levels of Web 2.0 adoption are likelier to have such policies. However, in most cases, only a small subset of employees is designated to speak on behalf of the company.

#### Looking ahead:

- Leaders should be sure that Web 2.0 use is integrated into employees' daily work and that senior executives effectively champion technology use. Respondents cited these practices as the top two factors for Web 2.0 success.
- Follow the adoption curves. Adoption of social networking, blogs, video sharing, RSS, and wikis continues to increase, with a big jump in microblogging. People are using these technologies, and companies will benefit from studying how these technologies add value and from accelerating their value creation.
- Push organizational change. Explore and exploit how the deployment of Web technologies can create a more networked organization. Employees, customers, and partners should be part of the conversation. □

Contributors to the development and analysis of this survey include **Jacques Bughin**, a director in McKinsey's Brussels office; **Angela Hung Byers**, a consultant in the Seattle office; and **Michael Chui**, a consultant in the San Francisco office.

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