UNIVERSITY OF WISCONSIN
DATA SCIENCE

DS 780

Data Science and Strategic Decision-Making

Lesson 15 Introduction

Building Shared Value

From Social Business to Digitally Integrated Organization

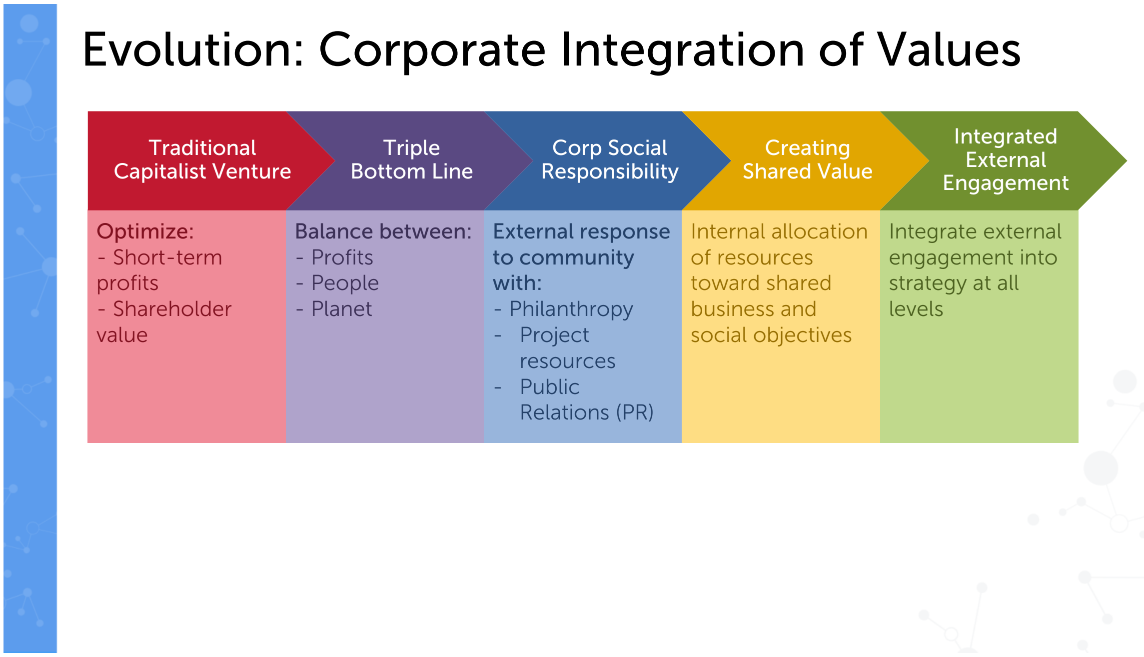
Building Shared Value

Chapter 14

- Evolution: Corporate Integration of Values
- Traditional Capitalist Venture
- Triple Bottom Line (TBL)
- Corporate Social Responsibility (CSR)
  - Values-Driven Marketing: Supporting TBL + CSR
- Creating Shared Value (CSV)
  - Nestle's 5 Steps to CSV Implementation
- Integrated External Engagement (IEE)
- Core Values as Determinant of Success

Well, welcome to lesson 15. This week we have actually two chapters, chapter 14 and chapter 15. And we'll get started here on chapter 14.

What you see on this slide is a recap of what's covered for this chapter. It really goes through an evolution of the corporate integration of values, starting with traditional capitalist venture, what that looks like, and then running down through integrated external engagement. And then finally there's a section on core values as a determinate of success.



Right. So what we're looking at here is a kind of a re-mapping of the information that you can find in figure 14.1 in the text, but it turns it into more of a timeline. So we start with traditional capitalist venture. So capitalism, and a corporation that is running basically on a profit motive.

The issue with this is that quite often it ends up going after short term profits. And it certainly-- that's what capitalism is all about is profits. But the market forces that push us towards short term profits sometimes come at the expense of possibly longer term profits because we need to focus on whatever's going on this quarter.

You know, there's an old saying about the CEO is only as good as his or her last quarter. And there's an awful lot of pressure on them to produce quarter, after quarter, after quarter, marching forward with improved earnings and all of that.

Now, shareholder value is involved here as well, of course. And shareholder value comes from basically two places. One is if there are dividends being paid. In other words, a portion of the profits are being paid out to the shareholders. And then also if the value of their shares increase. And both of those, there's a lot of short term pressure on companies and their leaders to produce. And that can cause some problems as far as long term goes.

Triple bottom line was sort of the first-- one of the first anyway-- steps at trying to look at something beyond the income statement. And the idea was that there would be a balance between profits, which is sort of the traditional capitalist way of looking at things, as well as people and planet. So we'll go through that as well.

And then that moves on to corporate social responsibility. Sort of something that became rather trendy. And the idea is that-- there was the idea that as a good corporate citizen, an organization would engage in philanthropy and provide resources, maybe, for various projects in the community. And then also there's a pretty strong public relations component to that as well.

Now what happened was these two sort of became hooked together, triple bottom line and corporate social responsibility. And again, we'll talk about that as we go forward.

And then next step was the idea of creating shared value. And here what happens is, while mostly triple bottom line and corporate social responsibility are more of an external sort of thing. Almost kind of a shell or something that gives it sort of a curb appeal, if you want to compare it to the real estate market, whereas creating shared value starts to bring things internal to companies.

So the idea that this whole allocation of resources, which is really what goes on inside a firm-- where are you going to spend the money to make money-- is the idea that internally now, this might involve sharing both business and social objectives, which is a distinct step forward from the earlier models. And then the authors talk about integrated external engagement as sort of the next level up.

So what happens here is the idea that these things that have been external in the past are brought in. Not just to allocation of resources, but they're actually woven into the actual strategy at all levels of the company. So there's just a further integration beyond creating shared values.

Traditional Capitalist Venture

- Focus on short term accounting profits (earnings)
- Reported on income statement in absolute ($) terms
- ROI is commonly used benchmark ratio
(annual profit in $/investment in $)
- Short term focus suits most shareholders
- Short term focus often hinders long term growth
- Short term focus can hurt development of competitive advantages for the future
- CEO is only as good as the firm's latest earnings report

f we take a look at a traditional capitalist venture-- as I've said, there's certainly a focus on short term accounting profits, or earnings. If you listen to financial news, you hear about public corporations having quarterly earnings reports or quarterly earnings calls where the management team might talk to investors. And that's a big deal. And that's where a lot of the pressure comes on CEOs and their management teams.

Now this income is reported, or this profit is recorded on the income statement. So if you're not familiar with accounting, there's basically three statements that are probably most central to determining the health of a company. One is the income statement. That's how much money they made during a certain period. So it's a flow of money. You know, revenue expenses and then the difference between those income, in simplest terms.

There's also a balance sheet which shows on one side. You know, what sort of assets the company has. And then the other side, and that has to balance. These numbers have to equal each other. So the assets have to equal some of the liabilities and the equity. So liabilities would be all the loans and things of that nature, and the equity is what the owners of the company, the shareholders, what the value of their holdings are. It gets a lot more complex than that but that's the basics of it.

Now ROI, which we use a lot and we've talked about a lot, is basically a commonly used benchmark for how efficient the use of capital is. How efficient the investment is. In other words, how big a return you're getting on whatever money is invested. There's a lot of different flavors of this. And you know there's a return on assets and return on equity and there a lot of other things.

But for our purposes, if we think of it pretty much as annual profits in dollars divided by the investment in the company in dollars, that's quite often what gets used as ROI. And that's a big whole long conversation there, the whole ROI thing. But for our purposes, I think we can leave it at that.

There's also, in these sorts of ventures, certainly a short term focus that benefits the shareholders. The shareholders are sort of first in terms of the people, stakeholders, that we care about quite often, if we're running a company like this. Because again, the management team is essentially defending what they do every quarter. Quarter, after quarter, after quarter, and it's the shareholders, at the end of the day, who can vote to change management.

Certainly this short term focus can, and often does, hinder long term growth. In fact, if you follow financial news, occasionally you'll find companies that go private. They've been public and they go private to avoid this quarter to quarter scrutiny because they feel like their mission requires a longer investment horizon. So they'll actually, if they can, engineer it. End up going private, coming off the public market.

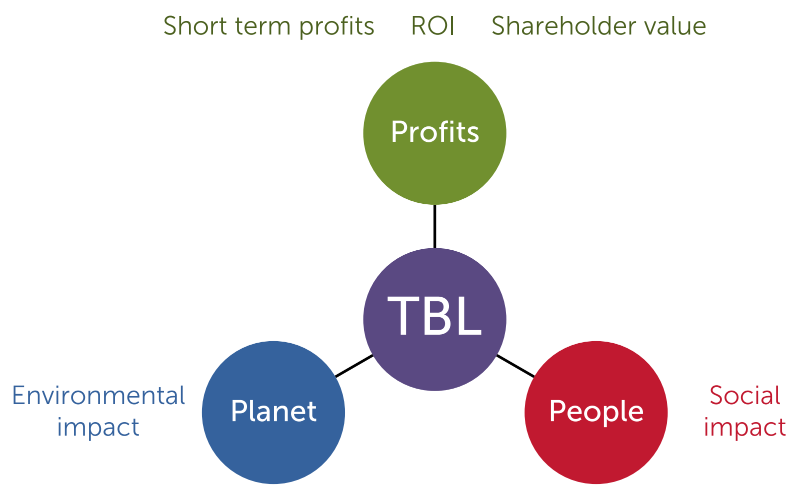
And what that means is they found somebody to pile the stock. So they've still got somebody else owning it but it's not on a public basis. And they can talk back and forth with those shareholders, those private shareholders now, about where the company is going. And if you've gotten investors that are comfortable with a longer term investment, if that's what they're looking for, well then you've got a good marriage of investor and management team.

Short term focus can also hurt development of competitive advantage for down the road. Basically what happens is management teams, because of this pressure to produce earnings, are, for lack of a better term, they milk the cow dry. And they don't bring any new cows in, any younger cows in, that would help them in the future. So if we translate that to business instead of agriculture as an example, they might cut the research and development funds and things like that. Maybe developing new sales territories.

It could be almost any sort of investment that's going to hurt short term earnings, and it should really be looked at as an investment for the future. But from an accounting standpoint it gets looked at as an expense and it hurts your earnings and ROI, which is not a good thing for the management team of a publicly held company.

And then the-- like I said, the last item sort of sums it all up. That old saying that I talked about earlier. The CEO is judged on the firm's latest earnings reports. And if they start stringing together two, three, four, five, six, bad ones, you know, usually you don't get out to five or six. It just takes a few to get the rumors going about what's the board going to do. They've got to do something. And you see most CEOs at that stage scrambling to show profits.

Triple Bottom Line (TBL)



Now the next stage, or the next level, was triple bottom line. And while traditional capitalism really just focuses on profits and shareholders and not so much the other stakeholders, this brings in-- the idea was that it would bring in two additional legs to the stool. One they call people, the other call planet. And the idea is that the people are essentially the social impact of the firm, and the planet is pretty much the environmental impact. So we worry about those things as well as simply producing money for the shareholders.

Corporate Social Responsibility (CSR)

CSR injects TBL into the corporate planning process.

Includes:
- Project resources
- Philanthropy
- PR

As the evolution continued this concept of corporate social responsibility, or being a good corporate citizen, came about. And really what happens here is corporate social responsibility sort of takes triple bottom line and it brings it into the corporate planning process. So things it might include is where you're investing money. That's the project resources. But also philanthropy, so giving-- the corporation literally giving money to charitable causes.

And a healthy dose of public relations as well, to help essentially trumpet what the company is doing in terms of corporate social responsibility. Because that has an impact, of course, on the brand or brands, as the case may be, the company may have. So the idea is if you're going to be giving to charity or to community organizations, whatever you want to call it, you want to get kind of credit for it.

And there's an interesting graphic in the text that is similar to one on the slide here where really this impacts the community. It impacts the environment, but it also impacts the marketplace and the workplace, or the employees, who are also important stakeholders, obviously.

Values-Driven Marketing: Supporting TBL + CSR

How corporate strategy impacts individual

Corporate strategy

	Mind	Heart	Spirit
Mission (Why)	Deliver SATISFACTION	Realize ASPIRATION	Practice COMPASSION
Vision (What)	ProfitAbility	ReturnAbility	SustainAbility
Values (How)	Be BETTER	DIFFERENTIATE	Make a DIFFERENCE

Kotler proposed the Values Based Matrix to analyze values-driven marketing efforts related to TBL and CSR efforts of organizations.

So values driven marketing is something that actually supports this combination of triple bottom line and corporate social responsibility. So Kotler, Philip Kotler, very well-known in the marketing world, has sort of taken the early work of Jerome McCarthy, who came up with the four P's and all that, and has been around for decades bringing all of this forward as time marches on. So at some point he came up with this idea, this sort of grid. And if you take a look across the top, it's how the corporate strategy impacts individual. And he used the terms mind, heart, and spirit.

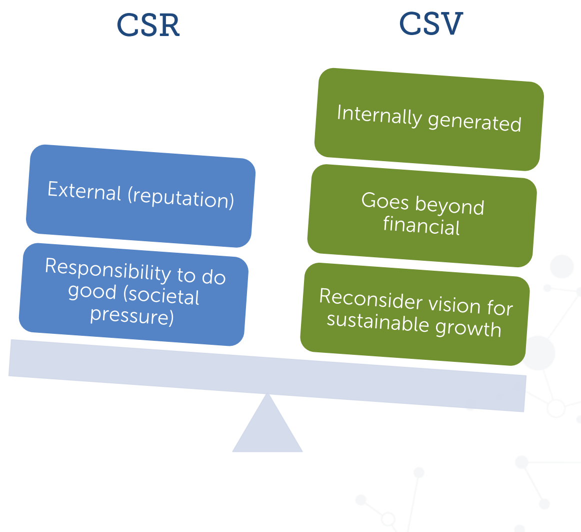
And then on the vertical, you've got corporate strategy. So the mission, which is why the company is doing something. The vision, what they're doing. And then the values, in terms of how they're actually going to do all this sort of stuff.

So at the end of the day, this matrix basically analyzes the values driven marketing efforts. And by that I'm talking about where you see promotional things or advertising, for example, that talks about how an oil company does something to protect the environment, or a paper company, how they replant trees so it's a sustainable resource. Things of that nature.

But it also goes to target and how for years they have contributed 2% of profits towards-- used to be education, now they've changed the target of their philanthropy a little bit. So that's where this whole values driven marketing fits in. It's kind of a supporting role for the triple bottom line and corporate social responsibility.

Creating Shared Value (CSV)

Porter and Kramer proposed CSV to measure economic & social benefits, in excess of the costs to business and society, that flow from companies' efforts to support advances in social progress.



Now the next step in the evolution was this idea of creating shared value, and this is something that Porter and Kramer proposed. And if you're not familiar, Porter in particular is extremely well known in the management world. It's Michael Porter. And what they did was propose this creating shared value as a measure of economic and social benefits.

But not just the benefits, but sort of the net benefit, so in excess of the cost of business and society. So sort of the net benefits that flow from the company, and as they try to apply values. So they're making this concerted effort to advance, basically. Well, really, just support advances in social progress.

So if we take a look at what all that means, you can take a look at corporate social responsibility versus creating shared value and it might speak to it a little bit. So with corporate social responsibility, it's pretty much an external thing. There's the reputation, that heavy dose of PR that I mentioned earlier. And there is certainly a responsibility to do good that's recognized there, and a lot of that is the pressure that the companies feel from society. So a real focus on external forces and external results.

With creating shared value, quite often there's more of an-- a lot of the ideas and concepts and efforts are generated internally. And quite often they'll go beyond financial things. So the idea is to really make it a part of the everyday operation of the company, rather than something that you sugarcoat a company with, to put it in fairly crass terms, I guess.

And then the final thing there down on the stack of green, on the balance. You notice it says reconsider vision for sustainable growth, so the idea here is that to go back and to take a look at things that you might have looked at in triple bottom line, but with a magnifying glass. You know, what can you do internally that would make your growth, the growth of your firm, sustainable? Meaning something that you can continue to do and it's not damaging resources outside the company and things of that nature.

Nestle's 5 Steps to CSV Implementation

1. **Governance** – companywide effort led by CEO
2. **Measurement** – External measurement using international standards/reporting, with transparent performance
3. **Stakeholder Engagement** – Globally identify emerging issues, creates responses and drives performance improvement
4. **Public Policy** – Transparent polices and practices, plus works with local governments to develop public policy
5. **Partnerships** – Seek collaboration on complex social issues

Now the text uses a couple of examples. Probably the most important for us is Nestle's five steps to CSV implementation.

So you've got first of all, governance. So there has to be a company wide effort that's led by the CEO. And we hear this time, after time, after time, for almost anything-- not just things we've talked about this course-- is you have to have buy in from the top. That's simply the way most corporations work. If you don't have buy in from the CEO on down, sooner or later whatever you're trying to do runs into a resistant vice president somewhere who can block a lot of things.

And unless that vice president is subject to a phone call or a hallway conversation from the CEO that says, let it happen. This is what we want to do. Get out of the way. If that conversation doesn't happen, pretty much whatever effort it can be blocked. So that's the importance of having this come down from the top.

Second step, measurement. If you're going to be doing something like this you want to have a reliable measure. So the text talks about an external measurement that uses international standards for reporting. And it also mentions that there should be some transparency in terms of whatever it is you're doing, as well as the measurement process.

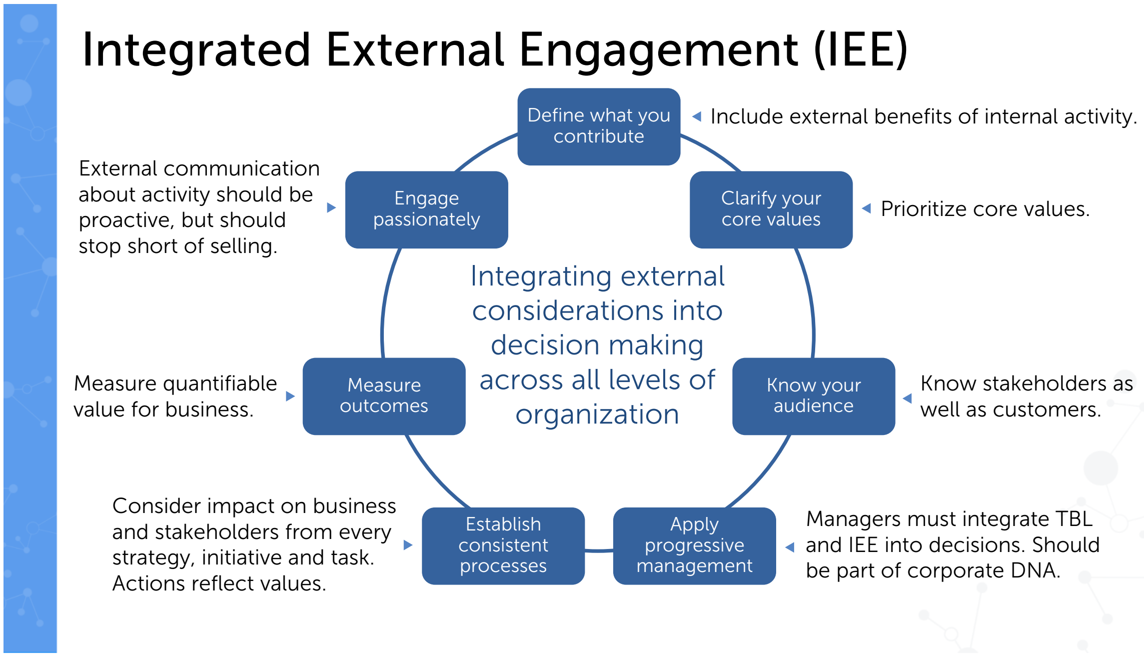
Third step, stakeholder engagement. So the idea here is to not just do something for somebody. To come in and say, here, this is what we're doing for you, but to actually engage with stakeholders.

And member stakeholders certainly can be your shareholders and your employees, but it's also your neighbors and it's even your competitors. But other people in the community, and depending on how big your company is and how you define community. That could be pretty much everybody in the world, but all these folks become, or are, stakeholders.

So the idea is to identify emerging issues. In other words, be early in the game. And then go ahead and create the responses and drive the performance improvement, but do it not in a vacuum, but while you're engaged with stakeholders.

Then the fourth step, public policy. So the idea is that transparent policies and practices, and then also working with local governments to develop public policy, are a part of this whole thing. You can't always do it internally in a company. You quite often have to work with regulators, or local governments, or whoever it might be, to create policy that allows you to go ahead and do things, implement sorts of things, that would make sense under CSV.

And then the fifth step is partnerships. Quite often social issues are very complex. And even for big companies, they can be just huge problems. Huge in comparison to the size of the problem to the resources the company has available to apply. So quite often the idea is you might want to partner up, form a team that can attack some of these issues and work together. And that can just simply be more effective. It sometimes involves competitors. It sometimes involves other sorts of teams, but the partnerships are quite often needed to attack the really big and complex social issues.



So the next step in the evolution, according to the text, is integrated external engagement. And basically, it's like it says in the middle of the circle here and on the slide, it's integrating external considerations into decision making across the whole firm, across all levels of the organization. So it's taking the next step in weaving all of this, all these efforts, literally into the fabric of the organization.

So first of all, you need to accomplish all this. You need to define what you contribute to the whole thing. So that's basically the external benefits of whatever is going on inside the company. So just running the company can quite often produce-- hopefully it produces external benefits for whatever it is you're doing.

So if you were a steel company, and maybe you're using resources and creating pollution and all that, but you're also pushing out steel which helps with economic activity and allows a lot of good things happen as well.

Next is clarify your core values. And by clarify, to some degree, we're talking about prioritizing core values. You quite often can't do everything at once. Management is really about making choices, prioritizing and deciding what's going to be funded and what can go forward. So with just like with internal investment projects for whatever business they're in, the core values end up having to be prioritized as well. Because usually there there's enough of them that it goes way beyond anything that could be funded by the company, could be the attention of management and maybe employees, could possibly do. So you need to sort of say, OK we're really interested in this and this. And you see this with companies where they've kind of focused on certain causes.

Third point around the circle here is know your audience. So that means all stakeholders, including customers. You need to kind of know what it is that-- what their feelings are and a lot of things. what they're looking for from you, what would play well for them, what would benefit them. Those sorts of things. And then finally-- not finally, but the next is that you apply progressive management. That could mean a lot of different things.

But the whole point is that the management team has to be able to integrate triple bottom line and integrated external engagement into decisions. The book uses the term that it should be a part of corporate DNA. So it just-- the idea is to make this stuff become natural, not something that managers making decisions have to say, oh, OK, yeah, I got to do that too and I got to fill out that form on social responsibility, or whatever. The idea is to make it just a part of the natural process or the corporate DNA.

Next around we've got to establish consistent processes. So the idea is to take a look at when we're doing things, how does it impact our business, and how does it impact our stakeholders.

So it's not just the big picture, but a lot of the smaller things as well. So every strategy, every initiative, every task. And the point here is that the actions of the organization reflect the values. And quite often you can get a company doing something that makes it look kind of tone deaf to values. That is part of an overall scheme that is actually very positive from a social perspective for all the various stakeholders as well as the company, but it just doesn't look particularly good. So maybe it has to do with pollution at a particular factory, or how you source some raw materials or whatever it might be. So you've got to look at all the details is really what it comes down to.

Then measuring outcomes. So there has to be some kind of measurement of, basically, the quantifiable value for business when you're doing something that's outside the normal accounting structure. You pay so much for the raw materials, you pay so much for labor, you produce something, you sell something, you can calculate your profit. You have to go beyond the accounting terms and be able to quantify, you know, what's the value of doing this for the business.

And then engage passionately. You don't really see here that kind of term in business all that often, outside of the sales team anyway. So here you've got-- look at things. How you communicate, basically, about whatever activity it is. So if you're trying to accomplish something, and you want to explain to people what you're doing, you've got to have this external communication. But external communication needs to be on a proactive basis.

You don't want to wait for people to ask you questions or to interview your PR person. You want to have the messaging going out. However, what you don't want to do is become too crass and commercial. So your messaging has to stop short of what appears to be hucksterism, or just plain old selling. You have to talk about why you're doing this and helping the world and the community and so forth without saying, gee aren't we great, to put it in fairly plain and well, crass, terms. So that's this idea of integrated external engagement. Sort of the level that we're at now as the authors would tell the story.

Core Values as Determinant of Success

- Embracing values does not result in directly measurable result
- It can, however, cause attitude and behavior changes that lead to superior performance in employee engagement, productivity, innovation, strategic alignment, etc. from existing staff and through ability to hire top talent
- Examples in reading "Leveraging Core Values for Competitive Advantage"
  - Whole Foods
  - Pathfinder Group

The last topic in chapter 14 is core values as a determinant of success. And the brief summary of it really, in the text, notes that embracing values does not really always result, at least directly, in measurable results. So yes, you want to try and measure these things, but quite often there really isn't anything to measure. At least nothing we've figured out how to measure yet.

However, what happens with a lot of values is you can see the results of it. You may not be able to see exactly how it happens, but you can see the result. And quite often that result is in the employee group. So it might change attitudes and behaviors that would get the employees more engaged and performing at a higher level. Maybe being more productive or providing better customer service, coming up with innovations, all of those sorts of things. And this could come from staff that have been on board for some time, and it can also come through the company's ability to go out into the marketplace and recruit top talent, which just keeps raising the level of game the company has.

Now, if you want to take a look at some examples of that in the article Leveraging Core Values for Competitive Advantage, there's two little mini cases there. One is Whole Foods, the other on Pathfinder Group, and those are a good sort of way to take a peek inside how this whole core value thing works in terms of driving success.

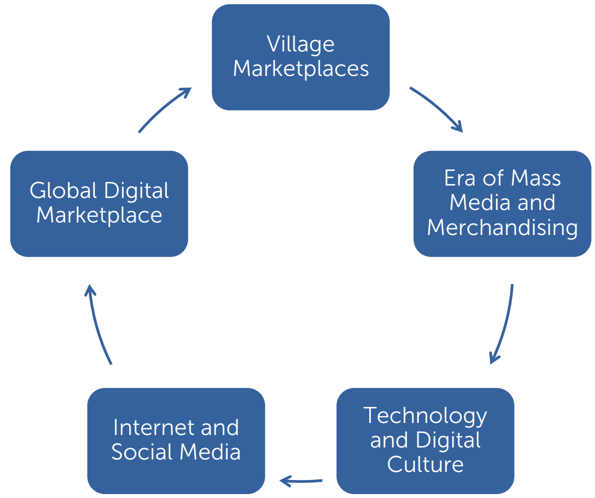
From Social Business to DIO

Chapter 15

- Introduction
- Social Business
- Social Business Characteristics
- The Digitally Integrated Organization (DIO)
- Guidelines for the DIO

All right, well, moving on to chapter 15, there's a number of topics covered here. And the title of the chapter, From Social Business to DIO, kind of tells you the breadth of what's being looked at here, but we'll go through. There's an introduction section, then talk about social business, characteristics of social business, then what the digitally integrated organization are all about, and then some guidelines for the digitally integrated organization, as the book kind of ties it all together.

Introduction: From Social Business to DIO



So in the introduction they make the argument, or make the case really, that what's happening is kind of just an evolution. If you start back in early days of commerce and marketing you find village market places, as they put it, where people, even before there was currency, they were bartering, they were trading. And then of course, these currencies came in.

We're talking Middle Ages or even earlier, but eventually when currencies came in that just sort of lubricated the whole process. It's a lot easier to buy and sell things if you have this intermediate currency, so you don't have to find somebody who's trying to get rid of chickens because you need chickens, and you need somebody that wants your box of tomatoes or whatever it is. You don't have to go find the perfect match, in other words.

But currency aside-- that's sort of a sidelight for our purposes-- eventually this moved into this era of mass media and merchandising. This is a modern thing. The village market places, certainly we can see those back in the 1800s, 1700s certainly, and then further back as you go back into history. But the era of mass media and merchandising, this is a 20th century sort of thing. So very recent in our history.

And what is that? What is mass media and merchandising? Mass media, of course, are methods of communication. Communication channels. Whether they be daily newspapers, or, in the late 20th century anyway, TV and radio. Maybe a little bit earlier than TV but still mid to late 20th century. So these channels where we can communicate, advertise, and all of that.

And then merchandising is something that, if somebody's worked in retail it has a very special meaning. But it's actually selling stuff, stocking stuff, finding the right stuff, displaying it properly, being able to sell it and all that. And guess what? That has its roots back there in those village marketplaces.

Then the move to move on, and during this trend towards the digitally integrated organization, suddenly we see technology and digital culture coming in. So now we're talking really late 20th century when a lot of this happens, although we can't discount some of the technology that happened earlier. It may not have been digital, but there was technology earlier, but mostly we're talking late 20th century. So computers now enter the marketplace and how business is done, and all those sorts of things.

So if you think back to what happened in a business that maybe your parents or your grandparents worked at. If you take a look at old pictures, for instance, you see a very different workplace. You'll see the tools being used very different. You don't see a PC on everybody's desk. Instead you see maybe a dumb terminal, or if you keep going back, basically a manual adding machine and maybe some big spreadsheets on their desks. So the technology of how business has done has certainly been changing.

And then the digital culture. I think we all see this in our personal lives, but it's also happening in business. You know, computers are much, much more important now than they were when they first started entering the business world. Now most companies would have a very hard time operating if suddenly their computers go down, or their computer system goes down. It can be a devastating event. But this, while it's working, which fortunately works most of the time, the vast majority of the time, it helps cultivate this sort of digital culture. So people are used to it, they're more comfortable with it, and it becomes a bigger part of their lives both at work and at home.

And then we have, really, if you think about it, starting probably in the mid 1990s, the internet coming in. And then social media following about 10 years later, roughly speaking. And that changed the game a lot. Things that we don't think anything of doing being able to do now on the internet, that was a real pain prior to the internet in terms of researching things. I don't care whether you're researching your vacation at home, or whether you're monitoring competitors, or gathering information from government websites or whatever, over the internet at work.

And then social media really changed the landscape, because now you've got this whole two way communication that's going on in social media, as opposed to the one way communication that happened in a mass media, broadcast media. Newspapers as well. All those sorts of things. So that's a big change that impacts the workplace and the culture in businesses.

And then finally what they're talking about is it kind of comes around to a global digital marketplace, and that's exactly what it is. If you look at supply chains of companies you know, they are worldwide. And a lot of it is possible because of digital advances. The internet computing power, all those sorts of things, allow us to track things.

In supply chain management you know that the parts that you need for the assembly line two weeks from now, you know that they're on a ship that's going to arrive on the west coast in 12 hours. And you know the container number and the approximate time that it's going to be offloaded and then it'll be put on a rail car, or put on a truck chassis, and delivered to your supplier who's going to use it to do something. Or maybe it comes straight to you. Those sorts of things. That's this global digital marketplace.

And of course, you're not just buying stuff. Most companies are also selling stuff, exporting things. And a lot of this happens. It's a lot easier because of advances we've made in the digital area. So that's what we're really talking about here in this chapter.

Social Business

- Yunus defined social business with Grameen Bank, a non-dividend company designed to solve a social problem.
  - Has social mission
  - Generates revenue to cover costs – financially sustainable
- Digital technology led firms to use social media in two ways, both of which reflect core values of digital culture:
  - Social media marketing as tactical tool not tied to organizational goals
  - Social businesses:
    - Align digital media strategies with their goals
    - Are inward and outward focused
    - Deeply integrate digital technologies across organization driving business impact internally and externally

So the next topic is social business. And this was a concept that was developed and proven, really, by Professor Yunus. He, working in Bangladesh, really defined the whole idea with the founding of Grameen Bank, a non-dividend company designed to solve a particular social problem. And in this case, the problem was the lack of credit for impoverished people to be able to start small businesses. So there was a lack of entrepreneurship because of a lack of capital. So he looked to solve that problem through the bank and has been very successful with it. The bank has been successful and he also ended up a Nobel Prize out of this whole effort.

So a social business has a social mission. And it also generates revenue to cover its costs, so it's not a charity. It's actually financially sustainable. So once started it uses the whole concept of being a business and making profit to continue its own existence, and to be able to continue with its social mission, is really how the whole thing has developed.

Now digital technology leads to sort of a-- or has resulted in sort of a split here in the way social media is used. And it kind of reflects the core values of the digital culture if you really think about it.

So first of all social media marketing is used as a tactical tool and not necessarily tied to organizational goals in many companies, but it was a social business. You know, so another kind of company. A social business that makes a profit but it never distributes that profit to any shareholders. It's reinvested in the business.

In its case, social media, basically the idea is to align social media, really all digital media, with the goals of the organization. So whatever strategies that are used in digital media within the organization are aligned with its goals. So it's aligned at a much higher level and not used at a tactical level like it might be used in a lot of companies.

The other thing about a social business, in terms of digital technology, is that it is both inward and outward focused. So it's using the technology both internally and externally.

So internally it might use social media or digital technology in general to operate at a better and more efficient level. And outwardly, it's using it to communicate with its target audiences, and to further its activities, its marketing activities.

Now the whole thing leads to a real deep integration of digital technologies across a social business across the organization. So it drives business impact both internally and externally.

Social Business Characteristics

1. C Suite Buy-in
2. Brand Refocus
3. Digital Crosses Departments
4. Collaboration
5. Training
6. Investment and Reward in Social Technology
7. Data-Driven Strategy
   - Determine actionable insights
   - Define trends and competitive positions
   - Relate data to KPIs
   - Adjust the customer experience
   - Provide insights to product development
   - Drive strategic changes

Now what's happened is that this whole idea of social business has been-- hijacked might be a strong word, but it's somewhat appropriate-- by for-profit companies that don't necessarily share the same kind of goals. And they're interested in providing dividends to their shareholders and things like that. But what's happened is this sort of idea that if we move towards a social business model-- not necessarily moving to a social business model, but take up some of those characteristics-- the company would actually run better and achieve its goals in a more efficient manner.

So that's reflected in these characteristics of a social business. So first of all with C-suite buy-in-- now that's something any company would like to see. Because whatever strategic effort, or whatever effort at all, really, that somebody is pushing inside the company, you definitely want the C-level executives, and particularly the CEO, to be behind it. Because that has the effect of removing a lot of internal roadblocks. Somebody who might not want to see that particular effort move forward can be nudged out of the way, or pushed out of the way sometimes, by a CEO who's in on the vision of that particular project.

The other thing that's pointed out in the text is that research is showing that the idea of building a social business-- which I guess you could see might be a strategic initiative inside a company-- is something that-- the idea is growing among a lot of managers. And it would grow better at a company where the CEO is one of those managers who is behind the effort to adopt some of the methods of social business.

Now notice the second characteristic, brand refocus, notes that most organizations have an external focus. They're-- especially in the area of marketing, it's really about pushing the brand and communicating the brand to current customers and potential new customers. So the idea is, of course, that you're going to engage your customers, build this relationship, and you're also going to go out and engage additional customers.

And what they're saying here in this brand refocus is that if you're looking to move towards being a social business, you really need to have to refocus these efforts to both internal and external. So certainly the customers are going to be, and continue to be, involved, but also employees and other stakeholders.

And then they go on to give an example of Apple moving in this direction and sort of overtaking Coca-Cola in terms of the strength of the brand, and credit this towards the use of the whole idea of being a social company as a lot of the reason for it. And if you think about it, it does sort of happen with a company like Apple, and there's plenty of other examples where it's really more than a standard brand. It's a lot more than say, one of the brands that Procter&Gamble might be marketing, manufacturing and marketing, when you've got this sort of strong relationship between, not just the customers, but also the employees, who have become sort of true believers in the effort.

Now the third characteristic is the digital crosses departments. So a lot of companies are still hierarchical. And they can use digital to punch those holes in the silos and to try and foster communication between the various departments and business functions and so forth.

And then the fourth characteristic is collaboration. The book points out that social business, as you move towards being a social business, it kind of fosters this collaboration between departments, the further breaking down of those silos. And the book also points out correctly that that's not always viewed by all the players, all the managers involved, as a good thing. So what happens is, or what appears to be happening, is the whole sort of social idea can help overcome some of this stuff, you know, internally.

They give some examples. For instance integrating pass, where each person is producing what's needed for the next person's job. Offered shared goals and rewards across departments and things of that nature. So there's a number of ideas that they list in the fourth characteristic, collaboration.

Now the fifth characteristic is training. What happens is that if you want to move towards social business and becoming more like a social business, you know, you're still going to distribute your dividends to shareholders and all that, but you want to use some of the winning or the desirable characteristics of social business. You've got to train people in social business practices and actually change how the company works.

And what's happened, of course, is that a lot of people take-- a lot of companies-- take up the idea of social business but then they're not doing the hard work, the field work, really, of training people and really reorienting the organization through this training and the development of social skills. So a characteristic of a social business is that this training does exist and is taking hold.

The sixth characteristic is investment and reward in social technology. So the thought process here is that if you're going to be a social business that requires really kind of a new level of adoption of technology. And this is applies both internally and externally. So externally, you're talking about social media and content and all the things that go into social media marketing.

And internally, you're talking about basically using social media to improve communications, both internally and between these internal departments and units. Within each of those units, between those units, and then actually as well quite often what happens is it improves communications with customers outside as well. And you can see evidence that these things in the use of things that look a little bit like Twitter as an internal tool.

Not Twitter, not something where the whole world sees, but sort of a privatized version. A localized version that has walls around it as a way of improving the communication within the company, instead of the use of emails, or meetings, or memos and things like that. It's not going to replace all of that, but it helps to have the smaller communications used maybe with some of these social media.

The seventh characteristic is a data driven strategy. So a social business, what it quite often does is bring together a lot of information that's coming from a lot of different sources. You know, if you think in terms of the big social media that have been so successful on a worldwide basis, that's pretty much what they're doing. It allows us to see things that we might not see if it was through the filter and the curation of say, news media, traditional news media. So that's of course good and bad, because you can get flooded with a lot of junk that may or may not be interesting, but it is a characteristic of it.

So what this allows-- and there's a number of things that the text enumerates here in the data driven strategy-- is things like determining actionable insights. And you might be able to spot trends and what competitors are doing, and are competitors changing their strategies or their positions, and things like that.

And it also allows you to relate data to KPIs. So you might be able to gather data that you couldn't gather otherwise that can then be used to see whether you're meeting key performance indicators. And there are several other things, but the point is that this whole data driven strategy makes for makes for a better company. So moving towards being a social business involves this data driven strategy. And it is just one of the various things that each of these characteristics brings to a company that can improve their performance.

The Digitally Integrated Organization

Social Business	Digitally Integrated Organization
• Has a social mission • Uses digital technology to drive business goals • Focus on internal efficiency and external environment	• Mandate reaches beyond social mission • Combines digital technology, digital marketing, and core values to benefit all stakeholders • Focus on internal efficiency, external environment plus organization values and long term sustainability

The text next talks about the digitally integrated organization, and clearly views this as the next step beyond social business, certainly. Keep in mind that social business-- and there are a little fuzzy on this-- but social business appears to be, defined for the purposes here, not in terms of Grameen Bank and organizations like that, but more typical companies who have adopted a lot of the social business characteristics as a way to improve their performance.

So if we look at it that way, you know, otherwise what this is talking about is some Fortune 500 company surpassing the performance of what amounts to a modern version of a charitable organization. You know, social business in the sense of Grameen Bank. And that doesn't seem to be exactly what the authors are intending, but it is a little fuzzy as you read through here. I will grant you that.

So the social business in the terms that I've just laid out typically has a social mission. So we see this with a lot of forward thinking larger firms, and as well as smaller firms. Simply, we hear about the larger firms more often I guess. And they're using digital technology to drive their business goals. And those goals, of course, are informed by whatever social mission they've taken up, as well as the need to have profit and to be able to satisfy stakeholders, including those shareholders who are looking for a return on investment.

And then there's also the focus on internal efficiency as well as the external environment. So remember that's a characteristic that these traditional business that have moved towards social businesses, where they've been able to pick up a lot of speed really, by applying these things in their internal operations, as well as their external marketing and PR type operations.

Now a digitally integrated organization, one of the key differences here is that the mandate that they operate under is something that goes beyond social mission. It really reaches down into the core values. Or as the book says, core human values. So they combine digital technology, digital marketing, and these core values and brew up this mix that really can benefit all the stakeholders. Not just shareholders, not just employees, not just customers, but also the community that all of those initial stakeholders operate within. So the world in which they operate.

And there's also a focus on internal efficiency as well as the external environment. So that's the same as social business. But in addition there's also the organizational values and long term sustainability that are on the radar screen of managers at a digitally integrated organization.

Now the text offers a couple of, I guess, sort of case studies, one involving the IBM CEO study, and the other an MIT Sloan Sustainability and Innovation Global Executive survey. So what they're doing is taking the pulse of top managers in those, and those are informative. I'd recommend that you go back and take a quick look at those.

In the IBM study it talks about that three initiatives that were seen as sort of essential for companies to outperform other organizations. And those three things were empowering employees through values, engaging customers as individuals, and amplifying innovation with partnerships. So those are things that we've touched on or you've seen in the business world. And these are things that executives, CEOs, are recognizing as things that can be game changers. Or, you know, have been game changers in their organizations.

The MIT Sloan survey, it was a survey of 4,700 executives and managers and thought leaders. And there's a couple of factoids that are laid out by the authors, but at the end of that section it basically talks about the goals and the intentions of digitally integrated organizations. You know, and how they're reflected in what they call various sustainable enterprise initiatives gaining currency in the marketplace.

And here they list three of these initiatives. And those are interesting reads to just kind of take a look, and so you can see what's happening out there. And there clearly is something going on, particularly in these large organizations where some of the CEOs and management teams have some similar visions. And whether they're looking for support in cross-fertilisation or they're just looking for cover from Wall Street, it's hard to say. But it can help you understand the whole idea here.

Guidelines for the DIO

Figure 15.1 from text

Guidelines	Results
Gain strong support from C-suite executives	Leadership, involvement, direction
Think integration first	Collaboration between siloed departments; culture of innovation
Make customers, employees, and partners the central focus	Two-way conversations, holistic decision-making
Foster a learning organization	Flexible, interconnected, adaptive mindset
Introduce sustainability as a shared value	Investments in a positive future for the organization, community, and world
Modify hierarchical organizational structure	Open and transparent environment; encourages loyalty and innovation
Build cross-functional teams	Collaborative, efficient, responsive solutions
Adopt the New Marketing Normal	Digital mindset permeates all marketing components
Develop an IDM Strategy	All marketing components augment each other; digital media converge to create optimal impact
Align IDM strategy with values, goals, and infrastructure	Technology, people, and processes seamlessly integrate
Build relationships with customers, stakeholders, and the greater community	Enduring brand value; long-term sustainability
Hire the right talent	Caring, sustainable organization poised for innovation

All right the last slide is simply figure 15.1 from the text, Guidelines for Digitally Integrated Organizations. And put it on a slide just so we could talk about a few of these things here, and see some of the connections. And use these as examples that kind illustrate the somewhat, as I say, fuzzy concepts we've been talking about here.

So in terms of the guidelines, these are, you know, this is sort of the cookbook, the recipe, for a digitally integrated organization. There's a number of things that all seem fairly logical and things that could certainly serve a higher purpose. And then there's a results column that are what appear to be happening when the guidelines are followed, I guess is probably the best way to put it.

So if we take a look at gain strong support from C-suite executives the result is leadership involvement and direction. So if we're looking to get away from fuzzy maybe we haven't found our way yet, but if you think about some of these things it kind of makes sense.

If you have strong support from the C-suite it allows, it develops things like leadership and involvement and direction from managers within the company. They're not worried about some C-suite executive suddenly striking out at them, not supporting them if they're challenged by somebody else, things of that nature. So it allows this development of leadership involvement and--development of leadership and involvement. And also kind of helps with the direction among the management team.

And as we go down this list-- we will go through all of them-- there's similar sorts of stories that kind of get told along the way. If we go down and take a look at the build cross-functional teams, so you know that's important to breaking down those silos. Predictably, the results are collaborative, efficient, responsive solutions, because now we're not coming up with these solutions within a single silo. We're actually working across silos in these cross-functional teams.

So there's the whole thing is sort of a cause and effect map. If we go down and take a look at one last one here, Hire the Right Talent, which the authors in several places point out is probably one of the most important things that a company can do. Look at the result. A caring, sustainable organization poised for innovation.

And if you've ever compared an organization, social or digital or otherwise, an organization that has done a good job hiring the right talent, and has the right talent both on the front line-- well, on the front lines, in middle management, and in top management, there's a real difference in the way these companies appear to their customers, and how they operate, and the return they can provide to shareholders.

So if you've got the right talent in place, generally speaking, the organization is simply going to perform better, because the individual parts that form the organization are performing at a higher level. So each of these you may recognize from your own experience, and I think each of these, as you go through and you recognize these connections, leads to sort of a validation and reasons to adopt a lot of the ideas that we've just been talking about. This sort of tells you that there's value in that at the end of the day.

And with that, we have come to the end of this long journey in the course. The end of week 15, of lesson 15. So I want to thank you for listening and for delving into this topic, and I hope it is something that you can put to excellent use in your careers.