Once in a while, a communication technology comes along that transforms the way business is done. In the late 1830s, it was the telegraph. The 1990s brought the Internet. And today, social media is poised to do it again.

Business communication is not the only thing that could be transformed, however. Social media is also affecting the role of the CIO and the way CIOs operate. What risks do technology executives face by delaying social media adoption? And how can social media change the way enterprises evaluate the return on investment (ROI) of new technologies?

Ready or Not, Here It Comes
With more than 100 million users logging on to Facebook at least once a day, it’s safe to say that social media for personal interaction has officially arrived. What’s more, its effects are spilling over into the professional sphere: when social media technologies are not available at work, many employees simply take their blogs and discussions outside the firewall.

Willingness to adopt social media within an enterprise tends to increase when executives realize that proprietary information is being discussed on external platforms, often without appropriate security and backups. “Most consumer social applications have holes in their technology, whether from a scalability standpoint, a reliability standpoint, or a security standpoint,” says Bryan LeBlanc, CFO at Jive Software. “All of those issues are barriers to adoption of social media technologies as the backbone of a mission-critical enterprise communication tool.” LeBlanc’s company helps organizations address these concerns through social business software with built-in enterprise-level security and analysis capabilities.

In addition to the security and brand management risks associated with external social platforms, companies that delay adopting their own social media tools risk losing the ability to retain and analyze important content. For example, many workers are getting older and preparing to retire. These employees have significant knowledge about organizational processes and culture—but this knowledge is often not passed along to younger workers in a structured way.

“If you’re an innovative company, you probably have a way to solve problems and get work done that is unique to your culture,” says LeBlanc. “But as your workforce matures or you downsize in response to the current business environment, that knowledge—that culture—can get lost.”

Social media can provide the tools to capture and distribute cultural information. Supporting a strong corporate culture can help simplify training for new employees and may even help reduce employee turnover by making workers feel more connected to the company’s mission.

“A lot of the file-based technology out there has been siloed in the same way organizations have been for the last 20 years,” LeBlanc points out. “That’s where social media shines—it lets you capture all of the conversations that are happening in your company and structure them so you can actually leverage that information several years down the line.”

Finally, getting on board with social media is important because your competitors have probably already done it. The most innovative companies have already gone through the learning curve of using social media to generate new ideas and roll products out in effective, cost-efficient ways—and the longer you delay, the more advantage they will gain.

Who’s in Charge?
CIOs have traditionally been the gatekeepers for technology in the enterprise. Tools that touched
every employee (such as e-mail) were often the exclusive domain of the CIO. But today, social media is turning the tables: line-of-business (LOB) executives are frequently the ones leading the charge. “The CIOs we talk to are feeling a real sense of urgency to figure out their social media game plan,” says Ben Kiker, CMO for Jive Software. “They are getting pressure not only from their boss—the CEO or COO—but they’ve also got an army of their peers that are coming to them. And to retain a seat at the table, they have to collaborate on technology decisions much more than in the past.”

LeBlanc sees this pattern whenever LOB executives envision a way for social media to contribute to their own top- or bottom-line revenues. “One of the major horizontal applications for our social business software is external tech support communities—the public feedback communities that provide technical information back to end users,” says LeBlanc. “The LOB executives in charge of those areas have very specific needs. When they get excited about social media technology, they bring their ideas to the CIO and ask to deploy it inside their organization. The savviest CIOs are taking the idea a step further and realizing that social media can deliver benefits for the rest of the organization as well.”

NEW TECHNOLOGY, NEW ROI METRICS
Many CIOs struggle to make the case for social media in financial terms. As exciting and game-changing as social technology may seem, how do you quantify the ROI and make the case to your CFO?

LOB executives can often calculate social media ROI by linking the technology to their departments’ metrics. For example, the marketing team at one Jive client can calculate the conversion rate for customers who participate in online forum discussions before buying, then compare that to the buy rate for customers who come directly to the company’s Web site. In this manner, the client can better target its advertising and receive customer feedback on how to improve its products.

Kiker takes a three-pronged approach to evaluating social media ROI in the marketing arena. First, he sees social media helping to reduce the cost of new product introduction through direct customer contact, immediate feedback, and easy fine-tuning.

He also believes that social media can boost the efficiency and effectiveness of a wide array of marketing activities. “Marketing is a team sport,” Kiker explains. “It takes a lot of folks, both inside and outside the organization, to get to what you ultimately see on a Web site, at an event, or in a multimedia campaign. Social media is an incredibly efficient way to get all the players involved in those efforts to collaborate more effectively—which results in huge cost savings.”

Finally, social media can slash the costs involved in the sales process. Because a company’s clients are typically dispersed across the country or even the world, the costs of having in-person meetings with each one can be prohibitive. By interacting in the social media sphere, customers and marketers can engage in a robust conversation without the high cost of travel. Furthermore, when the technology is controlled in-house, the information gleaned from that conversation can be retained for future analysis.

Then again, it’s possible that in the future, CIOs won’t even have to frame the discussion about social media in financial terms. As business management executives begin to see social media as a must-have tool, ROI calculations are becoming less relevant. “Social media is becoming a technology you have to have, much like e-mail or network security,” says LeBlanc. “With our clients, the conversation doesn’t center around ROI so much as it centers around the application cost, the infrastructure footprint, and how you get it up and running quickly.”

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