



INSIGHT

IDC's Social Business Taxonomy, 2011

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IDC OPINION

With the large amount of attention that social networking has garnered from a consumer perspective, it is no wonder that businesses have also begun to make the shift to incorporate social networking tools into their organizational strategies. IDC believes that this has provided the IT industry with exciting opportunities to address a new breed of companies, called social businesses, which are beginning to incorporate consumer social Web principles into business culture and process through the technology they adopt. In the software industry, established and emerging vendors have taken notice of this trend and offer a variety of socially specific and socially enabled applications for collaboration and business processes such as enterprise social software, project and portfolio management (PPM), human capital management (HCM), customer relationship management (CRM), and digital commerce. Additionally:

- Social networking has provided an opportunity to analyze new types of data and social interactions among employees, customers, partners, and suppliers through social analytics applications.
- To better understand the current market dynamics, IDC has produced this social business taxonomy to describe the markets that are addressing the social business need and form IDC's social business market.

IN THIS INSIGHT

This IDC Insight presents IDC's first social business taxonomy designed to facilitate market, industry, and end-user understanding of the cultural, technological, and business process changes taking place because of the impact of social networking on enterprises today. The evolution of social business is discussed from an organizational transformation perspective as well as the technology markets that are supporting and enabling this transformation.

The technology markets that currently constitute IDC's social business market include:

- Collaborative applications:
 - Enterprise social software

- ☒ Enterprise resource management:
 - ☐ Project and portfolio management
 - ☐ Human capital management
- ☒ Customer relationship management:
 - ☐ Sales
 - ☐ Marketing
 - ☐ Customer service
 - ☐ Contact center
- ☒ Digital commerce (compound market)
- ☒ Socialytics applications (compound market)

The social business market represents a competitive market that is different from the functional markets that IDC tracks and analyzes. Unlike functional markets that are mutually exclusive, competitive markets are combinations of whole or fractions of functional markets. They are derived mostly by looking at the current or prospective value proposition or usage of the functional markets involved in the competitive market's derivation model. The model is then confirmed by looking at the individual supplier's selling practices vis-à-vis the value proposition or the IT user's practices vis-à-vis usage.

Furthermore, while social business practices and offerings have been undoubtedly influenced by the consumer social Web, "formal" tracking of companies such as Facebook, YouTube, LinkedIn, or Twitter is not included in IDC's social business taxonomy. Rather, these companies are assessed in terms of their impact on (and integrations with) the software solutions provided by enterprise vendors.

More information about the above markets outside of their participation in the social business market as well as IDC's data collection and market forecasting methodology can be found in *IDC's Software Taxonomy, 2011* (IDC #228020, July 2011).

SITUATION OVERVIEW

Social businesses are organizations that apply Web 2.0 technologies accompanied by organizational, cultural, and process changes to improve business performance in an increasingly connected global economic environment. The term social business reflects the broad effect that social networking can have on the diverse roles and business processes of an organization that encompasses the experiences of its employees, customers, partners, and suppliers. From an organizational perspective, marketing and public relations professionals have been at the forefront of using social networking and social media tools for external brand awareness activities, but social business transformation can impact a range of departments across an entire company. This includes, but is not limited to, human resources, finance, sales,

product development, customer support, engineering, R&D, IT, and legal. No matter what department or role, IDC believes that there is potential for greater business results to be achieved through fostering better communication and collaboration practices inside as well as outside the enterprise. The key benefits to a social business approach include:

- ☒ Deeper relationships with key internal and external stakeholders
- ☒ More organizational transparency and agility
- ☒ Higher employee productivity and satisfaction
- ☒ Increased customer, partner, and supplier engagement
- ☒ Accelerated product and service innovation through employee, customer, and partner feedback

The elements for building a social business strategy include an evaluation of the market factors (business catalysts), social outcomes (business goals), and social outputs (content and/or conversation channels) that are driving the need for organizational transformation and social Web ecosystem engagement. Part of this organizational transformation includes not only enhancing or creating new business processes but also adopting the technology needed to support, facilitate, and measure these changes.

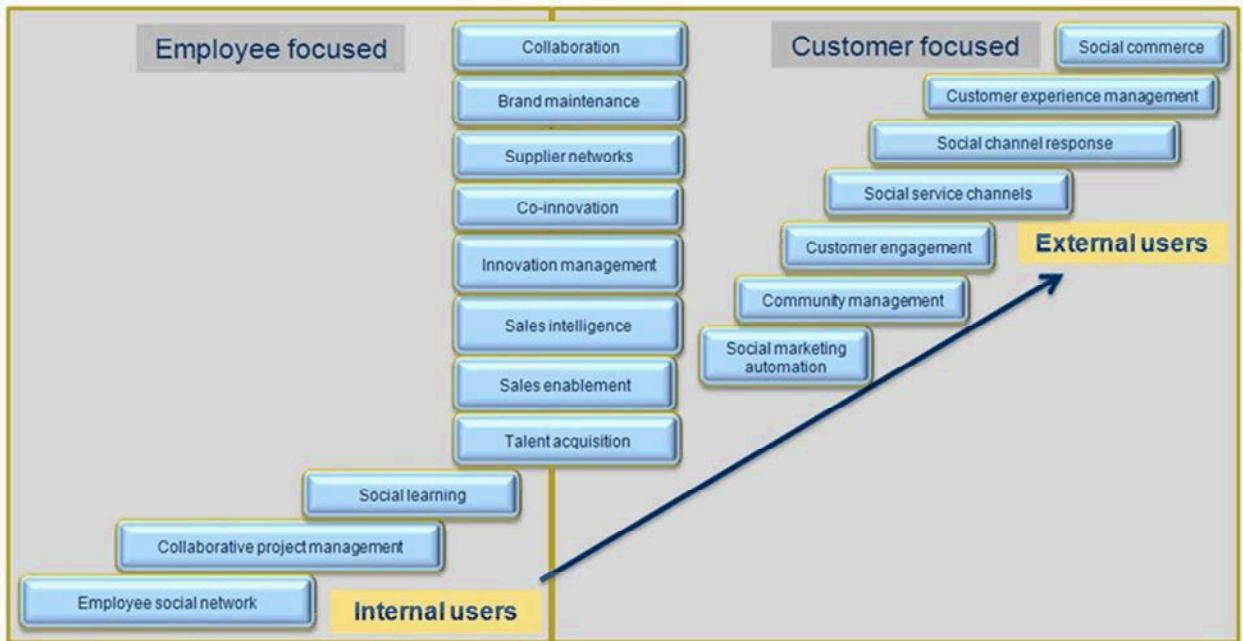
IDC's Social Business Market and Model

Social business transformation can impact many different organizational activities that are internal and employee focused and/or external and customer focused. Figure 1 highlights the different business processes that are impacted by a social business approach and are presented in a continuum starting with those social initiatives that are mostly employee centric toward those that are more externally facing. The processes that appear between employee-focused and customer-focused activities are ones that can be used in the context of either initiative.

From a technology perspective, software vendors are embracing the social trend across a variety of solutions that are typically aligned according to these use cases — internal collaboration and communication (mainly for employees) or external collaboration and commerce (with customers, partners, or suppliers). Figure 2 correlates the business processes identified in Figure 1 with the technology markets that align to IDC's social business market.

FIGURE 1

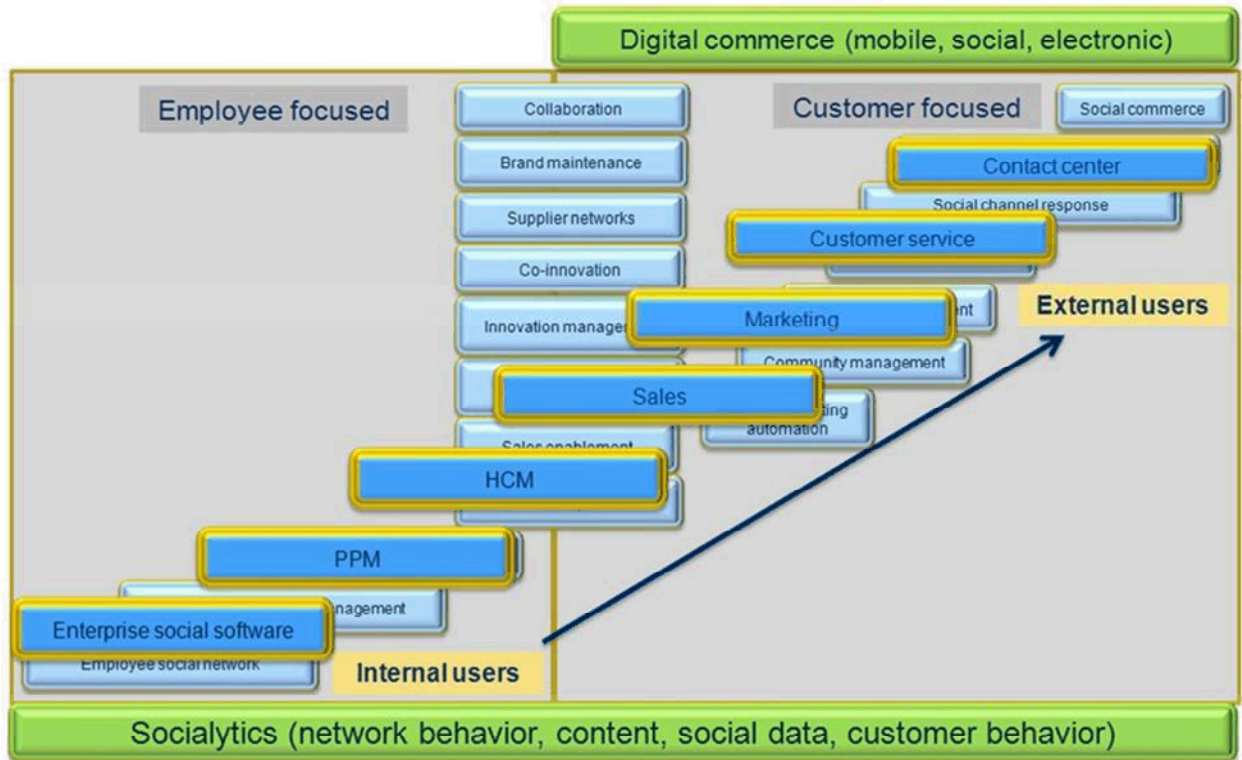
Social Business Impact (Business Process)



Source: IDC, 2011

FIGURE 2

Social Business Impact (Process and Technology)



Source: IDC, 2011

Figure 3 presents a more detailed view of the markets that participate in IDC's current social business coverage, which include the following:

- ☒ Collaborative applications:
- ☒ Enterprise social software
- ☒ Enterprise resource management:
- ☒ Project and portfolio management
- ☒ Human capital management
- ☒ Customer relationship management:
- ☒ Sales
- ☒ Marketing
- ☒ Customer service

- ☒ Contact center
- ☒ Digital commerce (compound market)
- ☒ Socialytics applications (compound market)

FIGURE 3

Social Business Impact (Technology Markets)



Source: IDC, 2011

Collaborative Applications

The collaborative applications market consists of five submarkets: email applications, conferencing applications, team collaborative applications, instant communications applications, and enterprise social software. Collaborative applications enable groups of people to work together by sharing information and processes; however, the fundamental change to collaborative applications to make them social is a shift in focus from a file-centric/message-based approach to a people-centric/conversation approach. While social features are being added to a variety of collaborative

applications, the functional market that emerged as a direct result of the social networking trend is the enterprise social software functional market.

Enterprise Social Software

Enterprise social software primarily enables social collaboration capabilities for non-customer-facing employees who are inside an organization's firewall, although some customer-facing interactions can occur. Common enterprise 2.0 functionality offered in enterprise social software applications includes, but is not limited to, activity streams, blogs, communities, discussion forums, groups (public or private), microblogging/status updates, profiles, RSS, tagging, bookmarking, and wikis.

Enterprise social software products can be a broad-based solution that encompasses many social functionality traits or a discrete solution supporting one type of social functionality. Innovation management is an emergent subtheme in the enterprise social software market that recognizes a group of vendors offering products to support organizations that want to become more engaged with employees by tapping into their collective intelligence for information. By soliciting the preferences and opinions of those that matter most to a company's business, firms can begin to create a deeper connection and commitment to that organization — especially if the best ideas are rewarded by a particular outcome such as discount, new product feature, policy change, conference/tradeshows ticket, or other relevant prizes. Although it may seem like a rather simple task, managing the process from ideation (the process of soliciting and generating ideas) through innovation management (the process for creating innovative products and services) can be quite complicated.

Enterprise Resource Management

Enterprise resource management applications are designed to automate and optimize business processes related to resources required to meet business or organizational objectives but are not customer or prospect facing or specialized to various types of engineering. Social networking has impacted two particular functional markets under the ERM umbrella — human capital management and project and portfolio management.

Project and Portfolio Management

Social collaboration and knowledge sharing are playing an important role in improving project results. As enterprises increasingly move to new business models that leverage people-centric social networks, these dimensions are crossing a divide between the human aspects of project engagement and the collection of data for such things as optimizing resources and schedules. Beyond traditional approaches to project and portfolio management, having social collaboration and productivity tools deeply integrated into PPM processes ensures a tighter alignment of any given project to the business strategy throughout that project's life cycle. Furthermore, and just as essential to social business transformation, these project collaboration capabilities have to extend across departments and beyond firewalls to include partners and suppliers.

Human Capital Management

Human capital management applications software automates business processes that cover the entire span of an employee's relationship with the corporation (as opposed to the department or group to which the employee belongs) as well as management of other human resources used by the enterprise (e.g., contingent labor, contractors, and consultants), including — increasingly — human resources employed by suppliers and customers. Social technology has found a number of use cases in human capital management. In talent acquisition, recruiters are increasingly turning to consumer social networking sites to locate external job candidates and using enterprise social software to broadcast job openings to feed employee referral programs and vet candidates. Expert location is becoming a popular subset of enterprise social software functionality and is being applied to better optimize and leverage an organization's own knowledge and capabilities. Additionally, social learning is gaining traction as learning management providers are increasingly offering methods by which anyone can rapidly build and share learning content.

Customer Relationship Management Applications

CRM applications historically automate the customer-facing business processes within an organization such as the sales, marketing, customer support, and contact center functions. Collectively, vendors have designed CRM applications to manage the entire life cycle of a customer — including the process of brand building, conversion of a prospect to a customer, and the servicing of a customer — and help an organization build and maintain successful relationships. Adding social capabilities to CRM applications helps encourage better, more effective customer interactions by leveraging the collective intelligence of an organization's clientele to mutually deepen the relationship. The goal with social CRM applications is for a company to better understand and manage customers' needs and interactions with various touch points like sales, marketing, customer service, and contact center. Therefore, a number of subthemes are beginning to emerge in the areas of sales intelligence, sales enablement, social marketing automation, community management, and social channel response.

Digital Commerce

The convergence of numerous technology trends in mobile networks, devices and applications, social networking, and social collaboration tools as well as online computing have contributed to a profound shift in the way consumers and businesses evaluate and purchase goods and services. This new form of commerce is a multichannel combination of electronic, social, mobile, and traditional commerce, which relies on a common platform from which suppliers, partners, and customers can access and participate.

The goal of digital commerce is to elevate the consumer and end-user experience. Along these lines, customer experience management as a discipline is rising quickly in importance, from integration, content management, and master data management for cross-channel synchronization to advanced analytics for behavioral segmentation and predictive modeling; all will play important roles in improving the commerce experience for both B2B and B2C.

Socialytics Applications

Socialytics refers to the broad category of underlying analytic tools and applications that can be used to analyze social data being created through socially based interactions. This umbrella category embraces a large number of existing and emerging technologies that can be applied to understand the relationship of people to topics, ideas, locations, or other people. Social interactions may occur among employees, customers, partners, and/or suppliers as well as within public and private social networking environments. By using socialytics applications, it is possible to apply behavioral modeling to the data and get insight into past, current, and future actions of these internal and external stakeholders. Therefore, socialytics capabilities can be found in a number of existing and new analytic types including the following:

Social collaboration analytics is primarily embedded in an enterprise social software product for the purpose of analyzing the employee community and its network relationships.

- ☒ Social data analytics is the first iteration of products that have been developed specifically for the analysis of social data being generated on the social Web.
- ☒ Text analytics is the most established of the categories and is considered primarily a tools market. This category of tools can be used to analyze any unstructured text string and does not have to be specific to social data.
- ☒ Social relationship analytics is a hybrid category that is a cross between social data analytics and traditional CRM transactional applications. These applications include knowledge of the individual who is related in some way to the social data.

FUTURE OUTLOOK

This study is designed to create a common understanding and framework to discuss and measure the various aspects of social business. To IDC, social business has implications from a technology as well as a cultural perspective. Implementing socially enabled software itself will not produce radical changes in the collaboration, enterprise resource management, customer relationship management, or commerce practices of an organization. Rather, the software is an enabler to the cultural shift and business process changes that need to take place in order to accomplish the objectives of the organization.

Social business transformation among enterprises has various stages of maturity. Each customer is on its own path of experimentation, compartmentalization, integration, operationalization, and optimization. Therefore, the social business market is an emerging category that is constantly defining and redefining its vendor participants as well as technologies to be included. IDC will continue to monitor, track, and adjust its social business taxonomy to capture the current thinking as well as market opportunity.

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