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Chapter 6

Social Media as a Strategic Tool: Going Beyond the Obvious

Poonam Arora and Carolyn E. Predmore

Abstract

Purpose — This chapter demonstrates the strategic use of social media by firms interacting with stakeholders, not just customers. Corporations have seen how consumers can share their experiences with products and services. Smart companies find ways to leverage these conversations to engage current and potential customers and other stakeholders.

Design/methodological approach — Our approach is theoretical, based on an examination of how the communication channel of social media can be used as a strategic tool throughout the organization, going well beyond marketing.

Findings — This chapter looks at four advantages of social media. Social media provides a mechanism for firms to not just find customers, but also allow customers to find firms. Social media can engage customers, industry influencers, and thought pundits in cost-effective ways that benefit both the firm and stakeholders. The largest contribution of social media is the information from big data on customer needs and wants as well as on the processes underlying consumer decisions. The greatest opportunity lies in how a firm converts data into actionable intelligence in real time.

Practical applications — We discuss how the words, social and media, need to be de-coupled: The concept of social can be practically applied very effectively to areas of strategy and internal learning, and product development. Taking advantage of the opportunities presented by social media requires a social enterprise to be effective.

Originality — This chapter presents an original theoretical framework of social media that can be used by a company to examine the social aspects and implications of every element in the value chain.

Keywords: Social media; strategic planning; big data

Introduction

A conversation about using social media for a business often starts with questions about where to open accounts, how to gather more followers, should a company move directly to mobile, and how can a company do better on measures like the number of likes, hits, or re-tweets, or on what would be the equivalent of the holy grail — going viral. Not only are the questions overwhelming and endless, but just as soon as an organization answers them, new tools come online changing the playing field and requiring that they be answered anew.

In this chapter we argue that the real issue is not answering this barrage of questions correctly or even well. Rather, it is finding the correct starting point for having the conversation about how to best use social media. The questions above are about tactics, which should serve strategy. The starting point of this conversation should be the company's strategy: How can social media strengthen or enhance an organization's competitive advantage. Tactical considerations should flow out of a strategic vision, thus addressing both what a company should do and from what it should walk away. That is not to say that an organization should not experiment with various forms of social media, but experimentation should not replace strategy. Social media may appear to be free, but for an organization, it can be costly in terms of time, effort, holding the potential for mistakes to go viral long before the positives do. Just ask any political candidate who has had a gaffe re-tweeted a myriad of times but is hard-pressed to find people who can speak to the campaign's central message.

We assume that an organization has clarity regarding its strategy and core competencies, and has a product or service that customers need, want, or desire. The goal of this chapter is to illustrate how social media can enhance a core competency by allowing for more effective and efficient creation and delivery of value from an organization to its customers or clients. The topics discussed here apply to all organizations ranging from corporations to governmental agencies and non-profits and as such we use terms like company, firm, and organization interchangeably throughout the chapter.

Social media provides certain distinct advantages that have typically been associated with marketing, but other functions can also benefit from a foray into the social domain. The conversation about social media needs to move from whether or not a company uses it to whether or not a company can (or should) be thought of as a "social" enterprise (Merchant, 2012). Social media can increase the conversations a company has — such as with customers about products, with industry influencers

about future trends, with suppliers about logistics, with employees about strategic directions and new innovations — and simultaneously decrease the costs associated with having these conversations.

More specifically, social media brings four distinct advantages to a firm, each of which is explored in a separate section in this chapter. First, social media can convert the otherwise time-consuming and costly process of finding customers to a more efficient and effective two-way street where customers can find the firm as well. Second, having found customers, social media can allow the firm to engage them in ways that both encourage loyalty and manage expectations. Smart firms don't limit themselves to engaging only their customers; rather they find ways to also engage those who exert influence in the firms' industries. Two-way conversations engage current and potential customers while creating an exciting and innovative node that attracts talent and future employees who want to be a part of the evolution of an animated firm. Third, engagement with customers and industry experts converts the two-way conversations into actionable intelligence, effectively changing what is now seeing through a frosted glass — guessing about the future — into data that describes sentiment and emotion about present problems and future desires.

Last, but certainly not least, social media creates strategic value when it is used throughout the organization in systematic ways. This occurs when a company uses the social sector as a way to generate solutions for current issues as well as to strategically develop the next generation of ideas, essentially moving from being a company that uses social media to becoming one that is a "social" enterprise. For example, does the product management team use social media for crowdsourcing, thus arriving at more effective solutions? Are employees at all levels involved in providing input into vital questions pertaining to new products and future strategic directions? And in keeping with that, are C-level executives willing to use the fact that social media can level the playing field to empower all employees to express their viewpoints on which activities, processes, and projects get support within the firm?

Customers: Here, There, and Everywhere

Social media users are everywhere. Joanna Brenner of the Pew Research Trust (2012) found that 86% of 18 to 29 year olds, 72% of 30 to 49 year olds, 50% of adults aged 50 to 64, and 34% of American adults over the age of 65 use some form of social media. Use of social media is mostly gender neutral with 61% of men and 71% of women engaging in social media (Brenner, 2012). Social media is no longer the purview of those who can afford a computer as it is often accessed via mobile devices, such that 71% of the households with an annual income of $30,000 or less, 69% of the households earning between $30,000 and $49,999, 60% of those earning between $50,000 and $74,999, and 69% of those earning more than $75,000 use social media (Brenner, 2012). Indeed, social media use covers a wide variety of web sites and smartphone apps, ranging from Facebook to Google+ to Pinterest to Dig to Reddit and LinkedIn. With over 845 million users, Facebook is perhaps the most popular

and equally so among both men and women (MBAonline as cited by Skelton, 2012). That is not the case with Pinterest, where 82% of the users are women, while men make up 71% of Google + users.

Within the United States there are no geographic differences in access to social media. Internationally, social media penetration in China exceeds that of the United States; in fact, the number of online users in China is roughly equivalent to the combined population of France, Germany, Italy, Spain, and the United Kingdom. This is due to easy access to cheap cell phones, which is China's primary device used for social media activity (Chiu, Ip, & Silverman, 2012). Social networks have traditionally been thought of as a place to hang out with friends and to be social but their power may come from the influence "social" conversations exert on opinions, views, and outcomes. As the variety of conversation topics ranges between the distinctly personal to business and professional, these networks become ideal conduits for companies to informally connect to their stakeholders and prospective customers.

A typical starting point for an organization considering a foray into social media is to ask where it is most likely to reach the largest group of people. Perhaps a better version of the question might be to ask where a firm's customers turn to when trying to meet the need fulfilled by the firm's products and services. Are they more likely to conduct a broad internet-based search, look at online discussions by independent professionals, or turn to their personal networks? The answer can be the difference between focusing on LinkedIn versus a big ad-buy on Google or Facebook. There are several programs and websites that provide information on the average user of social media on any of the social media sites that are continually growing in number. Companies like Google analytics, Kred.com, Klout.com, sproutsocial.com, Adobe Social Analytics, as well as others exist to inform users what the traffic is on a website, and deliver demographic information on the site users. In addition, numerous dashboard programs can help a firm's communication department to monitor what is being said on numerous web forums, blogs, tweets, Facebook pages, as well as news outlets.

A firm's strategic social media marketing plan should start with identification of the social media websites that coordinate with the persona of the brand and the personality of the consuming market. For example, an effort to professionally reach out to C-level executives should take into account that over 25% of CEOs have LinkedIn profiles, but less than 10% of them use Facebook (Williams & Scott, 2012; Castro, 2012). If you have an active loyal consumer base, the transition to online social media may be as simple as asking them where they spend time. Previous purchasers of your products are the ones most likely to explore your social media platform. And for those conducting broad searches using various search engines, company websites, Facebook pages, and Twitter feeds are all possible discovery links and entryways for potential customers.

This, however, will not take a company's efforts to the next level where it becomes easier for potential customers to find it, rather than the firm always having to seek out customers. Moving to the next level has two requirements: in-depth understanding of the ways in which the firm's products and services create value for consumers, and thus a clarity of exactly what makes it unique; how to present its unique

characteristics in ways that make it possible for current customers to engage in a conversation with others about the true benefits of the firm. For this next step it is the nature of the conversation that is more crucial than the social network or medium used, particularly since it is difficult to identify one best network, and new ones are continually emerging. Once an organization has the knowledge of where its customers reside online, and how to market its unique features to current and potential consumers, it is now ready to address the issue of engagement.

Red Bull appears to have successfully captured the imagination of its consumers by encouraging their consumers to submit pictures of themselves doing day-to-day activities while using their product as a way to showcase their brand identity. The firm also sponsors a large number of athletic events that seem larger than life, such as the extreme diving competitions where divers leap off of tall structures into city harbors, such as the sponsorship of Felix Baumgartner's 128,000 foot skydive from space (http://abcnews.go.com/Business/felix-baumgartner-instant-celebrity-market-ers/story?id=17481533#.UH4i57QnFws). There are videos, blogs, links, and areas that invite participation by hiding content until the consumer chooses to respond (Mershon, 2011). Engaging customers, particularly a younger demographic, can require creativity and a certain degree of ''coolness,'' but social media cannot be used constantly to repeat the message of ''Look how cool I am! You need to pay attention to all the messages you are sending out.'' While the conversation can be started by a company, customers need to be intrigued enough to want to respond and quickly!

Engagement: Building a Two-Way Highway of Trust and Loyalty

Social media works when information sent out to the public is claimed by a group of people who not only understand it, but also want to be a part of its dissemination. Information sent out by firms, even when it is limited to their products and services, influences their image and people's perception of their values. Talking about being ''customer-centric'' doesn't go far in social forums when individuals can respond with data about the firm's actions that are contrary — just ask Toyota, who continues to feel the woes of having waited three days after the announced recall to own up to the problem. Since then other car manufacturers have seen the possibility of beating Toyota in at least one or more categories by becoming more responsive to consumers.

Ford Motor Company has created ''Ford Social,'' which is a place designed for people who love their Fords and want to share their ideas in order to improve their Ford. Ford is starting to involve consumers into the strategic discussion by providing links to news articles and internal documents, while encouraging customers to send in stories, share ideas through email, blogs, or Twitter feeds in one central location. Ford has been reaching out to the public to change the perception that their cars are of lower quality, particularly compared with imports. They seem to want to listen and have incorporated the ability to use the Internet and social media into the Ford Sync system for the Ford Focus, which as of August 2012, was poised to become the number one car for 2012, beating the Toyota Corolla.

Smart firms put out meaningful and strategic information that lets individuals unconnected to them have a positive conversation about them, and their values and offerings in a social media forum. Not only does such a conversation carry more weight in the marketplace, it also yields the kind of credibility and brand recognition that cannot be bought with advertising dollars. Social media is not just another marketing channel – it is a strategic tool that is capable of delivering substantial advantages in the form of loyalty, ideas, and involvement at a considerably lower cost. It bears pointing out that an organization does not have to put out information using a social media tool in order for it to capitalize on this advantage: consider Apple, Inc., a company that chooses not to have a Facebook page or a Twitter feed and yet successfully and strategically leverages the ability of social media to create a buzz capable of exciting and delivering customers.

Firms have always known the value of ''traditional word-of-mouth'' for established brands, as well as the value of early adopters for new ideas and innovations. In the age of social media, both established and new, products and services are subject to the ''online-word-of-mouth,'' which can be a double-edged sword in that it has substantially greater reach and can be executed with relative ease (as simple as a quick comment in a social forum, or pressing the like button on a website). When the ''online-word-of-mouth'' is positive for the organization, it is a boon, but strong negatives from those who carry influence can be far more damaging when it is online — as the old saying goes: once something is on the Internet, it never really goes away. Thus a firm has to be strategic in not only what it puts out, but also in its response to true criticisms — customers appreciate effort and are willing to forgive mistakes when they become learning steps in a firm's evolution. In fact, responsiveness lends itself to loyalty and this process is both more visible and much faster in the age of social media.

Indeed, McDonalds learned the power of the Internet in its ability to be both negative and positive when a picture portraying African-Americans being charged more was tweeted over a weekend at great speeds. The fact that the picture was a hoax did not stop it from making the rounds on social media. McDonalds, Inc., did not hesitate but took to the Internet a few hours later after the picture was making the rounds. The company tweeted, posted, and discussed its policies and dedication to diversity, as well as how the picture was a hoax. McDonald's effective handling of the situation resulted in its stock rising 5% at the start of trading that Monday (Mattern et al., 2012).

Social media can work in multiple time frames to forge interaction, commitment, and relationships between the firm and current as well as potential customers, employees, community neighbors, shareholders, and stakeholders — broadly defined as any person who could potentially affect the business or be affected by the firm. In the immediate, it is possible to instantly implement tactical shifts through the use of the company's Facebook page, newsfeed, and Twitter chatter. The McDonalds incident above exemplifies the power of social media in the immediate. Social media can also be used equally effectively in the medium and long term.

The Barclays Center opened in September 2012 amid excitement about a new entertainment arena in Brooklyn, New York City, as well as conflict over the potential negative changes to the neighborhood. Community leaders were interested

in keeping the familiar atmosphere of the community while wanting the economic benefits such as increased employment (Kleinfield, 2012). The first event showcased Jay-Z, a local hometown success story. The City monitored the public's reactions as well as the intense scrutiny by the media, partly by keeping tabs on online posts and chatter regarding the event. In fact, there were additional security personnel ready to intervene if any of the monitored feeds indicated a problem developing (Kleinfield, 2012). Social media allowed for the issues to be managed in real time and with the same tools that the customers (crowds) were using.

When a change or event happens on the street or in a neighborhood, smart phone cameras are directed to the acts as they occur and are posted to the Internet as fast as fingers can push buttons (Ruiz, 2012). News about anything can flash across the globe instantly, in color and with video. Any firm can monitor the reactions of consumers to a product introduction or a change in direction and make a course correction to remove the problem that the public has perceived before negative comments create a more long-term impression. In fact, traditional news outlets are starting to pay attention to these real-time sources rather than just looking to formal news releases from companies.

Social media can also help the company incorporate fun into the discussion. While news flashes are often sent via Twitter with broader coverage to follow, a social media conversation can also incorporate flash coupons or the creation of a flash mob to inspire excitement and a unique experience with current and potential customers. Social buzz can be used as a measure to inform the company how well the event has worked by tracking the public response. The Philadelphia Opera Company has used social media to promote opera through ''random acts of music.'' The opera company films the actions of the actors and the reactions of the crowds as singers launch into operatic song and action in common community spaces to show the general public that opera can be fun, entertaining, and not stuffy. The cast of La Traviata used the local Italian Reading Market to showcase parts of the opera and entertain shoppers and tourists alike (Operaphila, April 24, 2010).

Social media can be used to create excitement, provide information, and engage consumers, but we have also seen social media act as a cry for help, such as in the Middle East, where it can help light a nation's desire for political freedom with dynamic results. The key is the open access for posting opinions, pictures, emotions, and the possible instant reaction and retort from anyone with access to the network. Ideas and feelings that resonate with portions of the population will be picked up and re-tweeted or shared, spreading the information further and faster than previous forms of word-of-mouth. A company needs to be a part of the conversation in order to remain relevant in an ever-expanding dynamic marketplace.

In the end, social media should allow a company to understand their consumer's life and needs in any situation and frame of mind. It is so easy to look at a customer as she walks into the store, in person or online, and misjudge what she wants from assumptions based on demographics. Several studies have shown chronological age does not necessarily match psychological age. Senior citizens aged 85 and older represent 13% of the population today, and even though they are only 4% of all Internet users, their percentage is growing rapidly (Eastman & Iyer, 2006).

These seniors who see the Internet as strengthening their social connections and reference groups cannot be thought of as a block or even as being the same age – what matters more to them are their mental or cognitive ages (how they see themselves) and their physical abilities (which vary considerably). Wary and Hodges (2008) found that baby boomers tend to think of themselves as being 10 to 15 years younger than their chronological age — this difference is a material one for companies focused on this market. Social media and the big data it generates can help companies identify their potential markets based on needs and actions rather than on assumptions inherent in traditional demographic segmentation. Such careful analysis requires both detailed understanding of the data as well as thoughtful human interpretation, which are discussed in the next section of this chapter.

Through the Looking Glass: Finding Actionable Intelligence

Conversations on social media can provide a firm with a golden opportunity to listen and respond to the consumer to create customization possibilities for products in terms of color choices, size choices, as well as features and benefits offered based on the outcomes from the engaged conversations of the previous section. Some of these tweaks to the product line can be instant, taking advantage of short-term trend in the marketplace, such as a color that supports a current cause. Others may require greater investments and changes, and thus an in-depth analysis of the tremendous amount of data generated by social media. As discussed earlier, a company like Ford, with its tremendous access to consumers' opinions, preferences, experiences, and stories, can introduce changes in superficial variables like color, door handles, etc., within a season, or even in-between models. But the conversations also provide it with other insights that might require a complete re-design capable of pushing it to the forefront in a specific subcategory of cars or trucks.

The problem is not finding actionable intelligence; it is reorganizing the firm's understanding of what can be done with enormous amounts of data. An exabyte of data is a billion gigabytes and there are about 2.5 exabyte of data collected each day from social media, email, customer service, sales information (Wal-Mart collects about 2 petabytes, where 1 petabyte = 1 million gigabytes, of data every hour from consumer sales), and other firm collected data (McAfee & Brynjolfsson, 2012). The well-done collection and storage of that incredible amount of data creates both an incredible opportunity for seeing trends before competitors, as well as the problem of too much data and not knowing to what to pay attention (McAfee & Brynjolfsson, 2012).

There are two main issues a firm must deal with when handling the massive amounts of data generated by social media. First, current analytical tools are still in their infancy in terms of their ability to handle both the volume and speed of data. Second, the availability of such detailed data in real time requires that management and IT change how they think about the data: when to trust it as is, and when to interject subjective human interpretation into the analysis, perhaps even questioning the data.

There are three software programs that can be used to quickly sift through the data to glean a synopsis of what is happening and create a base for decision making; Hadoop, which is open source software, GPFS (Global Data File System owned by Sony Ericsson and Lustre) which is a parallel distributive file system. IT departments have to remain flexible to use the statistical and analytical tools that are most appropriate for the data stream and not remain wedded to the techniques of even 2 years ago. Not only is information available to be collected in greater volume and velocity than ever before, it will continue to grow exponentially as global use of social media increases and the number of types of social media continues to develop. A related issue is whether or not storage and data transfer technologies can keep up with the volume and velocity of data generated. There is a need for information to be able to flow into a cloud storage system at an ever-increasing speed (Ferguson, 2012).

What is needed are analytics capable of mining the data for trends that can then be combined with knowledge about competitive dynamics in the industry, and broader socioeconomic factors to form the basis for future predictions, and this method has been shown to be more effective than simply asking industry experts and top executives (McAfee & Brynjolfsson, 2012). However, this does not mean that human expertise can be ignored. Rather, knowing when it is best to bring in the human element is the critical issue, especially since memory can cloud human experience and data doesn't suffer from emotional attachments to past acts, so there is a tendency to trust data more (Starr, 2012).

Evidence shows that once data is analyzed, experience and expert views can not only aid the decision process, but also craft a better strategic plan (Kiron, 2012), as long as one controls for heuristics and biases such as discounting contrary evidence, having too much confidence in one's predictions, and being anchored to past experience (see Bazerman & Moore, 2012; Kahneman, 2011; Kahneman, Slovic, & Tversky, 1982 for a complete review of decision heuristics and biases). Experienced-based knowledge is a vital ingredient because it allows for an understanding of not only what worked, but also what had to occur (or not occur) in order for the success to happen.

The last important step is understanding the timescales involved — not every new nuance in a market is a new trend, it may just be a fad that can and should be ignored given strategic priorities. But when aggregated, many new fads moving in a particular direction can point to a trend, which may be worth some attention in the strategic planning process. One advantage of social media for strategic planning is the access to sincere opinions and expressions of personal experiences that are important to the various stakeholders of a company. Knowing what to keep, what to pay attention to, what did not happen, and what to ignore for the moment are a set of critical skills firms will need to develop in part from experience (Hopkins, 2012). In this process, the collection of information from social media that can generate a holistic picture of what is being talked about is a critically important resource for making economy market time-constrained decisions that are the best for the company (Hopkins, 2012).

A caveat here would be to note that decision makers and companies function in a social context, and are thus likely to be influenced by the groups they value or those whose respect they want to earn, even at the cost of other groups that might be

impacted by their decisions (Arora Peterson, Krantz, Hardisty & Reddy, 2012; Brewer, 1979; March, 2009). What this means is that, from the point of view of a company, it is critical to have clarity on the motivations underlying the goals it is trying to achieve. A company gaining greater understanding into why and how its products are purchased, being motivated by adding value for the customer while not wanting to cause harm to various stakeholders, including the local community or employees, is very different than being motivated by wanting to attain a larger market share than its competitors at all costs. The tradeoffs made in these decisions will be very different based on the motivations and with which group one is most concerned (competitors, shareholders, or employees). Clearly a complete discussion of the ethical implications of having access to such large amounts of data is beyond the scope of this chapter, but the topic warrants consideration.

Social Media as a Strategic Tool: It's Not Just for Marketing Anymore

The words social, media, and marketing have become completely intertwined such that there is an expectation that the only way for a company to take advantage of social media is in relation to its customers. Social, however, need not be about media or marketing — it can and should be about the entire value chain. Aspects of the value chain, such as procurement, logistics, and delivery, can gain in effectiveness or efficiency by being considered as a social and open activity, rather than a closed set of actions internal to the firm. Social media may be about marketing, but being an organization in the social age is about empowering employees, working within an extended community where processes are transparent and collaboration is the norm rather than the exception. There is much debate about the role of traditional strategy with some arguing that it is dead (Merchant, 2012) in today's world of co-creation and crowdsourcing, but for a company to know what it does well and its sources of advantage is never a bad idea. In fact, it's a vital starting point. Being a social business requires not accepting the advantage as static, instead using active engagement as a tool with both buyers and suppliers to continue to innovate and maintain a competitive lead.

Strategic decisions have always been seen as the purview of the top executives, but ideas, particularly innovative ones, can come from anywhere in the Organization, and smart firms create mechanisms to take advantage of that. In a nonsocial media world, this typically involves individuals across functions and hierarchical levels coming together in special "strategy" meetings and off-sites. That was the main motivation behind Jack Welch's creation of the GE Leadership Center in Crotonville (Mark & Thornhill, 2011; according to the GE company website, it spends over $1 billion on leadership and training), and goal of the "huddle" at Dulco Paints. Social media allows this to happen in ways that overcome the otherwise prohibitive cost and other constraints that accompany an attempt to bring together people physically for such an empowering meeting.

Companies like Red Hat and 3M are moving to open (open can mean available to all employees only, or a step beyond — open to the public) forums where anyone throughout the organization can provide input on issues ranging from possible future directions to specific products. The more sophisticated firms are moving to internal market places where employees, who often are more likely to have their finger on the pulse of customer requirements, are able to invest in or vote for ideas and innovations. These innovations can be about products, but more importantly they can be and are about process issues — vital steps in the company's value chain that can lower costs, allow companies to differentiate themselves better, increase sustainability, or result in some combination of all of these.

A distinct advantage of involving all levels of an organization in the strategic process is that those who are responsible for the day-to-day execution of the strategy are now deeply involved in development. Participation in the process increases commitment and the motivation to execute the strategy efficiently. It also results in a better understanding of the nuances of the strategy, thus making it more likely that small issues will be dealt with at lower levels and not allowed to become larger firm-wide issues. Therefore, greater involvement creates mechanisms for greater alignment of strategic priorities throughout the firm, which in turn enhances the firm's advantage.

On the operational side, internal social enterprise networks and virtual learning networks allow for functions that are typically closed boxes to become social while remaining limited as internal to the firm. These networks reduce communication-based inefficiencies that result from pertinent information not being available to all who need it as and when needed, or process knowledge being limited to experienced individuals. Thus, these networks ensure decision makers at every level have access to not only all the requisite information but also to experts who have faced similar challenges before. In addition, they create a knowledge trail and preserve the learning within the network such that it is not lost when another person replaces the decision maker, reducing re-training costs as well as those incurred due to naïve errors. Social networks internal to a company and its consultants, advisers, and other closely related parties including vendors can also be used to manage a form of crowdsourcing where the crowd is limited to those that are related to the company but not necessarily employees within it. This increases the talent pool available for resolving problems. Various issues can be posted to such a network and all participants can contribute based on their specific expertise, allowing the company to "crowd-source" the best solution while keeping sensitive issues and details internal. In fact, if there are multiple solutions, all can be posted such that people can choose to work collaboratively on them such that the one that shows the most progress within a certain period is then supported on a company-wide basis. This allows for competition and collaboration to coexist, increasing efficiency and effectiveness throughout the company (Chui et al., 2012).

Social media and networks do not just level a playing field, they also break down barriers of distance, both psychological and physical. The connection to physical distance is more obvious where using social technologies allows for one to source talent from around the world. Psychological distance is vital in that one central

premise of this section is that employees at every level of an organization are willing to speak their mind and share their insights. This implies that they feel empowered to do so, even as they are secure in the fact that speaking up in ways that may seem to be in opposition to the choices or goals of top management will not evoke an unpalatable response. Employees of a mutual insurance company were recently asked their opinion about a new product favored by the Management. Most employees chose not to speak up though privately they were quite concerned that the product was problematic. Not surprisingly, the new product was tabled within months of its launch. Such an incident could have been avoided if employees did not feel psychologically uncomfortable stating viewpoints opposing those of management.

Social media and internal social networks are great equalizers when used in conjunction with techniques that allow for anonymity or are accompanied by empowerment throughout the organization, such as being able to vote or "like" something anonymously. When the psychological issues are ignored, internal networks are simply new tech-toys on which a company and its employees can waste useful resources like time and money. Social media thus creates tremendous opportunities as well as challenges. Smart firms grow with them and as a result build capabilities that are conducive to the new way of doing business, while traditional firms continue to try to out-compete the social side, hoping it will go away. But in the age of social technologies and the social economy, social media is here to stay.

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