

## I D C V E N D O R S P O T L I G H T

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# The Business Value of Social Networking Applications

October 2007

Adapted from *U.S. Social Networking Application 2007–2012 Forecast and Analysis* by Rachel E. Happe, IDC #208313 and *The Power and Passion of Organic Communities: How Technology Can Be Used to Increase Discovery, Engagement, and Productivity* by Rachel E. Happe, IDC #208393

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*While social networking and user-generated content applications have rapidly changed consumer use and perception of online technologies, it is less understood how these technologies are affecting the enterprise work environment. Evidence suggests that there has been much interest in these applications for business purposes as a way to improve interactions and to capture ad hoc information that's not easily captured by more structured applications built around well-defined business processes. Companies realize that social networking applications can support broader business initiatives by building communities of employees, partners, and customers. While the goals of each community may vary, the underlying social networking applications provide the power to better connect people to information and to one another. Realizing the potential of these technologies, however, is not as simple as implementing Web 2.0 applications. The real questions are how social networking supports the business goals, how it fits with the business culture, and how it can be used to share information and generate new ideas. This paper examines the development of the enterprise social networking market, provides an overview of the benefits to be derived from using social networking technologies, and looks at the role of social networking vendor HiveLive in this strategically important market.*

### Social Networks Come to the Corporation

Internet-enabled social networking functionality began in the early days of the Internet with listservs and message boards. These applications were centered on topics of interest rather than on people. The promise of these early Web applications was much the same as it is today: that the Internet would be used to make communication and discovery more efficient. Given the general public's limited understanding of the Internet and the limits of the technology, these applications never quite fulfilled their promise, but they did serve as an important stepping-stone to understanding how to build online communities.

Today's social networking applications are people centered. New technology is centered on profiles of individuals, thus mimicking real-world social interactions in which individuals establish reputations that persist across conversations and relationships. By associating their profiles with select groups, users develop trust within the group and often extend that trust to interlinked circles of individuals.

While originally a consumer-based technology, social networking has been adopted by enterprises as a way to share ad hoc information. Although the term "social networking" sounds incongruous within a corporate workplace, the technology and the practice of sharing personal information that grew out of Web 2.0 consumer applications provide a faster and easier way to connect with people and share information. In many cases, the adoption of social networking applications was driven by users who

adopted consumer technologies for use in the business environment. Recently, large enterprises began deploying these applications to make them more widely used and to bring the software under the IT umbrella to standardize technology and practices. Enterprise users can participate in many more "communities of knowledge," both inside and outside the company, thus changing the way organizations communicate and innovate. Whereas individuals used to have to join each group separately, social networking applications allow users to associate their profiles with many groups, centralizing personal information and content and avoiding the need for replication and reiteration. The result can mean better leveraging of corporate knowledge and can lead to increased corporate productivity.

## **Social Networking Applications Defined**

Enterprise social networking applications are optimized to collect unstructured information and connect users to relevant people and content. Enterprises typically use these applications to create communities for employees, partners, customers, or developers. The constants that define enterprise social networking applications are:

- User presence, typically visible via a profile or collection of content and comments
- Ability to link between users and make connections, thus creating a networked ecosystem of nodes
- Functionality (blogs, wikis, forums) that enables interaction between users, which also adds richness and informs the community about the user

## **Benefits**

Organic communities have tantalizing potential value for the business world, whether they're used internally to help colleagues find others to incubate ideas into tangible projects or used to create closer relationships with customers or partners. However, the task of integrating and deploying a number of disparate applications looms large for any enterprise environment.

Fortunately, as the market for these applications has evolved, vendors have begun to do the integration themselves, offering solutions with user profiles and various social media applications (e.g., blogs, wikis, forums) all on one platform. These integrated applications bring new value to the enterprise by linking individuals to one another and providing relevant content and tools across the organization. And, of course, this networking can extend beyond the firewall to engage partners and customers in the dialog.

Table 1 shows the typical types of company-sponsored social networks and associated business benefits.

**Table 1**

## Types of Social Networks and Their Business Benefits

Type of Community	Typical Reason Why Companies Deploy Social Networks
Customer	<ul style="list-style-type: none"> <li>• Increase Web traffic with persistent engagement</li> <li>• Drive marketing leverage by provoking customer-to-customer communication and viral marketing</li> <li>• Gather real-time input from customers on their needs and wants</li> <li>• Provide peer-to-peer customer support (lowering customer support costs)</li> <li>• Increase brand awareness and loyalty</li> <li>• Solicit customer-driven innovation</li> </ul>
Employee	<ul style="list-style-type: none"> <li>• Enhance teamwork</li> <li>• Discover new ideas and accelerate innovation</li> <li>• Encourage cross-functional inputs to drive better decision making</li> <li>• Create a company culture of sharing and learning</li> <li>• Increase communication by leveraging intraemployee communications to a broader audience</li> <li>• Increase retention and connection between the company and employees</li> </ul>
Partner (channel partners, developers, consultants)	<ul style="list-style-type: none"> <li>• Coordinate communications, accelerating cross-company performance</li> <li>• Increase sales through real-time market intelligence and collaboration</li> <li>• Encourage coinovation to better serve joint customers and markets</li> <li>• Create an interdependent ecosystem of partners that drives increased revenue for all participants</li> </ul>

Source: IDC, 2007

**Key Trends**

The social networking application market was relatively small in 2006, coming in at \$46.5 million. However, IDC has forecast that this market will grow to \$428.3 million by 2009. After an initial period of rapid growth, there will be some leveling off in the marketplace, with growth slowing after 2011.

As the market grows, social networking functionality will start to be built into core communication platforms. As this happens, the enterprise social networking applications market will consolidate. Larger players will join the field and may integrate social networking into other collaborative applications.

The more mature team collaboration applications share many of the same features as social networking applications. However, team collaboration applications are oriented around a domain, whether content or project based. Moreover, team collaboration applications are primarily focused on internal collaboration within an enterprise.

Team collaboration applications do not encourage the evolution of discussions of new topics and can often stifle emergent discussions because they typically have too much structure. The explosion of content in organizations may drive interest in linking team collaboration and social networking applications to an information management platform.

In summary:

- Social networking applications are being used in a wide variety of domains and functions to better engage constituents.
- Consolidation of applications, new technologies, and mainstream adoption will continue to drive market growth into the next decade.
- Social networking functionality will become integrated into email and other communications platforms as it matures.

## **Challenges for the Enterprise**

Employees, customers, and partners are already using a variety of blogs, wikis, and social networks to discuss business topics, but those tools are not visible to the organization because the applications are often consumer oriented and have been adopted independently by groups within the enterprise. Having no controlled access to corporate information carries dual risks:

- There may be an implied expectation by users that because information is shared, it will be seen and acted upon.
- Important information may be collected but not appropriately stored, escalated, or monitored for productivity or compliance reasons.

Organizations will find that it's increasingly in their best interest to provide a centralized solution for informal flows of information. However, one challenge associated with these new communications tools is that while they effectively help create informal networks and information discovery, they also need to provide tools to add structure as connections evolve into ideas and projects. While too much initial structure will inhibit the casual exchange of opinions and ideas, a lack of structure will limit the development of more directed communities with specific projects and schedules. Companies need to give users flexible options for adding structure as relationships and ideas mature.

Also, there's the risk that companies may deploy the technology but find that nothing happens as a result. The applications enable information sharing, but the company policies and culture will determine the way in which this happens. In addition, an organization's fears about losing control can impede the successful use of social communities. Organizations fearing that customer-generated content will hurt the brand may find that their competitors are able to use social communities more effectively to harness the positive energies of customers and employees while mitigating negative feedback by being publicly responsive.

Competitive forces will drive adoption of these technologies, and IT departments will soon have the complex task of consolidating social networking solutions and deploying them broadly across the enterprise. In situations where an enterprise desires social networking applications for all three community types (customers, employees, and partners), the IT department is likely to face even greater challenges when managing permission levels and settings across broad user groups that need different types of content, applications, and access.

## Considering HiveLive

HiveLive, headquartered in Boulder, Colorado, was founded in 2006 by John Kembel and Geoff Kembel, both Stanford graduates with backgrounds in engineering and design. The company's goal is to develop software that helps clients create vibrant enterprise communities that foster innovation, creativity, loyalty, and trust.

HiveLive has developed a platform approach that enables companies to integrate social networks with information networks, managing both structured data and unstructured data. The foundation of the technology is a new building block that HiveLive calls a "hive," which can be configured as a wide range of community applications. Hives are Web 2.0 building blocks that can be used to manage and share information and can contain any number of people.

Rather than offering a fixed set of point technologies such as blogs and wikis, HiveLive has developed a custom-fit platform that enables individuals to build hives with exactly the functionality they need. For example, a member might use HiveLive's customizable content types and fine grained permissions to create a photo journal with just the right amount of structure, for exactly the right audience.

The HiveLive platform offers the following features:

### *User Tools*

- **User profiles** — Administrators create a custom user profile for their community; members have field-by-field privacy settings to control who sees what.
- **Networks** — Members can manage their own network of friends.
- **Groups** — Members can create and manage their own groups, which can have a variety of privacy settings.
- **Unique member viewpoints** — Real-time permissions and memberships mean that every member has a unique view of the community.
- **Member roles** — Administrators can define an infinite number of member roles and assign members accordingly.
- **Personal favorites** — Members can mark items (posts, hives) as their favorites, easily accessing them in one place.
- **Social networking** — People can link their profiles and create networks and ecosystems of like-minded individuals within the greater community.
- **Hives** — Members can build their own flexible building blocks, or "hives," which can be configured for storytelling (blog-ing), transactional discussions (forum-ing), group editing (wiki-ing), frequently asked questions (FAQs), knowledge management, file and media sharing, and more.
- **Content types** — Members can build their own flexible information templates (content types) to define the structure of posts. The content options are therefore infinite. Examples range from unstructured information, such as blog entries and photos, to semistructured information, such as meeting notes and book reviews, to structured information, such as Web bookmarks and contacts.

## ***Community Tools***

- **Post, comment, and build** — All content in the community is created and owned by members.
- **Search** — Built from the ground up, all objects are part of an integrated, natively searchable platform.
- **Vote and flag** — Members can voice their approval (or disapproval) of each piece of content and flag anything inappropriate.

## ***Administrative Tools***

- **RSS feeds** — Users can view new content in their reader of choice.
- **Email notifications** — Users can sign up to receive email updates when new content is posted to an area of interest.
- **Application programming interface (API)** — Users can integrate communities into their existing applications with a straightforward API.
- **Single sign-on and authentication** — Community membership may be based on and authenticated against existing member accounts.
- **Account management** — Users can create, edit, suspend, and delete members as necessary.
- **Member roles** — Any number of member roles can be created based on a comprehensive list of a la carte user powers.
- **Invitations and join links** — Invitations for the entire community may be enabled (or disabled), and individual members may be provided with invitations as necessary. Bulk join keys may also be created or disabled.
- **Custom branding and skinning** — Organizations may match the look and feel of the community to an existing site or brand.
- **Custom pages** — Custom pages and community navigation may be created through a powerful Web interface (by clicking, not coding).
- **Custom information templates** — Specific hives and types may be designated to act as templates for the community.
- **Reports** — Users can view up-to-date activity reports.
- **Scalable** — The platform can scale to several hundred thousand users.
- **On-demand delivery** — The platform does not require software installs, upgrades, or maintenance.
- **Secure** — All log-in activity occurs over SSL, which can optionally be enabled for every page.

## ***Challenges***

HiveLive is experiencing strong growth in a rapidly expanding market. While the enterprise segment of the market will continue to grow, there are factors that may impede adoption of enterprise social networking applications. In many companies, younger workers will be quick to embrace these technologies, but companies with conservative corporate cultures in which users do not accept new communication tools will be slow to adopt.

Companies with corporate information management policies or cultures that inhibit sharing and open communication will hold back. Fears of change, of exposure, and of potential legal risks will cause some prospective buyers to wait on the sidelines to see what happens. HiveLive may be in a position to capture the attention of early adopters, but to sustain its growth, the company must convince the more conservative market that both its member roles and its permissions features allow the customer to maintain control.

As the market grows, major vendors will drive consolidation, making it harder for smaller vendors to compete. As social networking functionality is integrated into content and collaboration applications, players in those markets may enter the field, providing competition for HiveLive's integrated approach.

## Conclusion

IDC predicts a large opportunity for social networking application vendors based on social networks' appeal, ease of adoption, ease of use, and wide number of applications. These technologies not only have the potential to energize employees, customers, and partners but also can create risks if not implemented alongside policies and processes by which that engagement and energy can be used to change the way business is done.

Organizations should consider the following practices for successful implementation:

- Adoption of blogs, wikis, and social networking technologies should be part of a larger understanding of an organization's information and collaboration needs, as well as which applications are best suited for different tasks.
- Consideration of information policies, incentives, and innovation development processes should be evaluated and updated.

IT organizations will be looking at social networking solutions to spur innovation and to reach out to broader partner and customer communities. Since, in many cases, enterprise users are already using social networking, IT departments will need to consolidate social networking usage onto an enterprise-maintained solution. However, IT organizations may be looking to larger, familiar vendors for these solutions and may implement social networking as part of a larger service-oriented architecture (SOA) strategy.

To the extent that HiveLive can market to these customers and adapt to market challenges as they evolve, the company has a clear opportunity for success.

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