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Generating Capital from Social Media

Social media represent a chaotic and diverse set of offerings that few organizations can afford to ignore. Starting with the notion of the organization as a capital-conversion system, we provide a structured approach for developing a social media strategy that can make capital out of the chaos. The approach links organizational strategy to capital-generation goals that shape social media strategy, which includes a mix of four tactics: Listening and Branding, Mining and Deciding, Conversing and Sharing, and Co-creating and Innovating.[1]

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Social Media Chaos

For many business managers and executives, social media is chaotic territory. The two text panels below show the perils of ignoring social media or inappropriately engaging with them. To avoid these perils, organizations need a systematic approach for extracting value from the mayhem of social media. Starting with the notion of the organization as a capital-conversion system, we provide a structured approach to implementing a social media strategy that can create capital out of chaos. We demonstrate how to convert internal and external social media activities into social, symbolic, human, organizational and economic capital.

Perils of Ignoring Social Media: "United Breaks Guitars"
Over 12 million people have viewed "United Breaks Guitars" by David Carroll and his band. Carroll had his Taylor guitar destroyed by United Airline's baggage handlers during a flight in 2009. After the airline repeatedly declined to pay for the broken guitar, Carroll wrote and posted a song to YouTube. His story was picked up by CNN and *The New York Times*. He later wrote a book with the same title, and his most requested concert song is "United Breaks Guitars."

Danger of Inappropriate Engagement with Social Media: GM's Invitation to Create Chevy Tahoe ads
In March 2006, GM launched a website inviting visitors to create a 30-second commercial for the 2007 Chevrolet Tahoe. Environmentalists took up the challenge, and one ad showed a Tahoe driving through a desert. Its message was, "Our planet's oil is almost gone. You don't need GPS to see where this road leads." This wasn't the story that GM wanted its customers to tell.

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1 This article is being published as a SIM-sponsored report.

Table 1: Capital Typology[2]

Type of Capital	Definition
Economic	Includes financial, physical and manufactured capital resources
Social	The ability of an individual or group to capitalize on social connections
Symbolic	The amount of honor or prestige possessed within a given social structure
Human	Skills, knowledge and abilities that individuals use to generate income or other useful outputs
Organizational	Institutionalized knowledge stored in databases, routines, patents, manuals and structures

Five Types of Capital

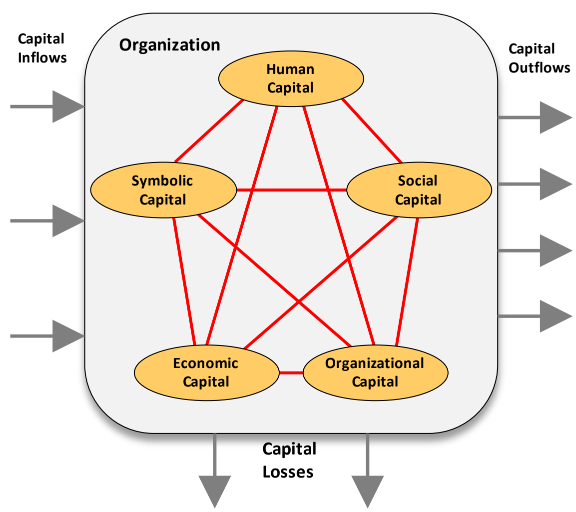
Humans are creators and transformers of capital, which is a durable and transforming factor of production generated by a prior investment. For tens of thousands of years, we have been fashioning culture and building environments through creating and transforming five basic types of capital (see Table 1).

A company typically starts with a mix of human capital (entrepreneurs), social capital (their connections) and economic capital (e.g., venture capitalists or angel investors). For example, when Jobs, Wozniak and Wayne started Apple in 1976, they had the knowledge to create circuit boards and build rudimentary computers (human capital). All three had valuable links in the electronics industry (social capital), and the initial economic capital came from a venture capitalist, who also provided organizational capital because of his business experience.[3] Subsequently, Apple used its initial capital to market products (economic capital) and fashion a brand (symbolic capital). Today, Apple is a massive generator of economic capital, the ultimate capital-creation goal of a firm.

We view the organization as a capital-conversion and -creation system (see Figure 1). It takes in capital, converts it from one form to another or enhances it (e.g., educating recruits), with the ultimate goal of generating capital outflows. For example, a firm will seek funding (economic capital) to hire certain key skills (human capital) to conduct R&D to generate intellectual property (organizational capital). A firm can also experience capital losses (e.g., a knowledgeable employee leaves). Economic growth occurs when the myriad of capital-conversion systems (e.g., firms, universities, hospitals) in an economy collectively generate more output than input. Indeed, competition ensures that capital stocks increase as those that do not master capital conversion fail.

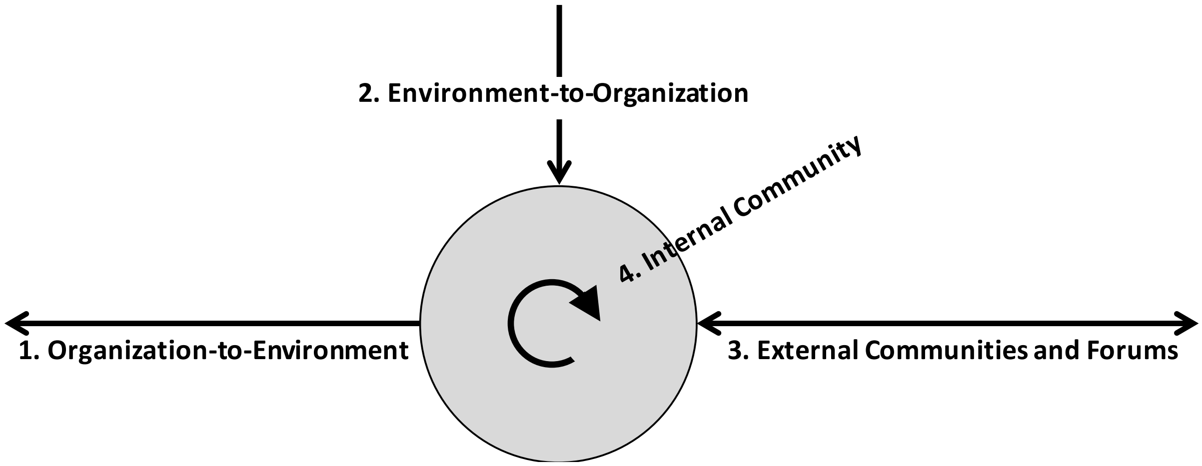
Social media, if handled correctly and because of their growing pervasiveness, are a means of adding to all five types of capital. Using capital creation as a lens, we show how organizations can convert the jumble of social media options into capital.

Figure 1: The Organization as a Capital-Conversion and -Creation System



2 Dean, A. and Kretschmer, M. "Can ideas be capital? Factors of production in the postindustrial economy: A review and critique," *The Academy of Management Review*, (32:2), 2007, pp. 573-594.
3 Linzmayer, O. *Apple confidential 2.0: The definitive history of the world's most colorful company,* No Starch Press, 2004.

Figure 2: Four Types of Social Flows



Social Media as a Capital-Creation Opportunity

Social media can operate in two broad spaces, within and without the organization. The external space includes the public, customers and prospective customers, legislators and regulators, competitors, suppliers, distributors and the financial markets. Social media facilitate four types of "social flows" in these two spaces (see Figure 2). The organization's social media channels can be leveraged to generate and improve all of its different types of capital.

Internally, an organization seeks to generate competencies (human capital) and connections (social capital) among its employees. It creates organizational capital to support efficient operations and generate innovations. Externally, enterprises endeavor to attract relevant capital to build linkages, legitimacy and relationships with key stakeholders (social capital). The use of social media is an important element of brand- and reputation-building (symbolic capital); the examples of United Airlines and GM show how social media can reduce symbolic capital. Learning how customers react to products and services, particularly failures, facilitates the development of human capital (e.g., understanding which features work well) and organizational capital (e.g., building better customer service). The "United Breaks Guitars" incident was ignored for months, resulting in a loss of symbolic capital that still persists because of the song's popularity. United failed to create a response protocol for such events (organizational capital) that would limit the loss of symbolic capital. Finally, a positive social media review can stimulate sales (economic capital).

Organizations are struggling to find a systematic way to manage social media. We provide a framework to guide the generation of organizational value through capital development enabled by social media. The framework is presented in conjunction with case studies that illustrate good practice and challenges to avoid. (The Appendix describes how the cases were sourced and the framework was developed.)

A Strategic Framework for Generating Capital from Social Media

We define social media *as the technological enablement and enhancement of human interaction in society and organizations.* Thus, social media flow through the social layers in organizations and society. They are part of the input, throughput and output that underlie and represent the generation of capital in organizations. Our strategic framework comprises four complementary tactics for generating capital from social media:

- *Listening and Branding*—learning and engaging that drives human, social and symbolic capital generation

Figure 3: Determinants of Social Media Strategy

- *Mining and Deciding*—data-driven analysis and decision making that creates human and organizational capital
- *Conversing and Sharing*—knowledge generation and dissemination that develop human and social capital
- *Co-creating and Innovating*—creating new products or solving problems to generate organizational capital.

Organizational strategy shapes capital-creation goals, which in turn drive social media strategy (see Figure 3). The four social media tactics provide specific mechanisms for achieving capital-creation targets. The appropriate mix of these tactics tied to specific capital-generation goals is an organization's social media strategy. This strategy is assessed in the context of capital stocks generated instead of technology-specific attributes such as Facebook "Likes" or website hits.

Many organizations have dipped their toes into the social media vortex but have often ignored the specification of value. We have retrospectively analyzed social media endeavors by focusing on capital creation. This emphasis informs organizational strategy by providing a precise specification and assessment of social media strategy in terms of capital creation. The capital-centric approach allows organizations to stay focused on (a) generating value rather than operating technology and (b) provides tools to define, manage and implement a social media strategy.

Social Media Tactic 1: Listening and Branding

The Listening and Branding tactic is about using social media to learn about and engage with current and prospective customers, suppliers and employees. It is the activity that generates Likes on Facebook and CEO blogs, and influences product reviews on Amazon. When it works well, this tactic can facilitate an organization staying in touch with its extended community (social capital), reinforce its value proposition (symbolic capital) and enable it to immediately sense and respond to opportunities and threats by learning how stakeholders react to initiatives (human and organizational capital). However, because the entry cost is low, Listening and Branding projects typically represent an easily overlooked line item in corporate budgets, and it is easy to disregard the strategic impact. Such projects can easily morph into embarrassing disasters that damage an organization's capital. There are three key actions that govern how well an organization implements the Listening and Branding tactic:

- Co-mingling of marketing and corporate communications so that reacting to consumers' comments becomes an opportunity to create symbolic capital through effective linkages with opinion leaders.
- Rethinking the corporate brand as a social construct where control is shared with stakeholders.[4] The brand—i.e., symbolic capital—is now co-generated by the organization and its stakeholders.
- Leveraging electronic word-of-mouth by complementing the conversations between consumers to enhance the brand and also to learn about what creates customer value.

The Listening and Branding tactic also generates risks. For example, consumers often see social media only as a coupon-generation tool, resulting in a reduction of revenue (economic capital). Encouraging complaints and surfacing problems without an appropriate reaction system

4 Pitt, L. F., Watson, R. T., Berthon, P., Wynn, D. et al. "The penguin's window: corporate brands from an open-source perspective," *Journal of the Academy of Marketing Science* (34:2), 2006, pp. 115-127.

Figure 4: Context of the Listening and Branding Tactic

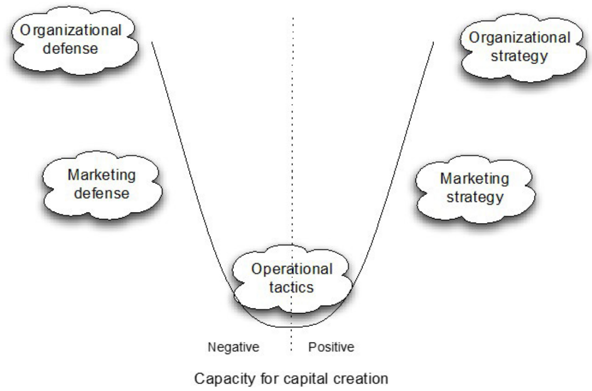
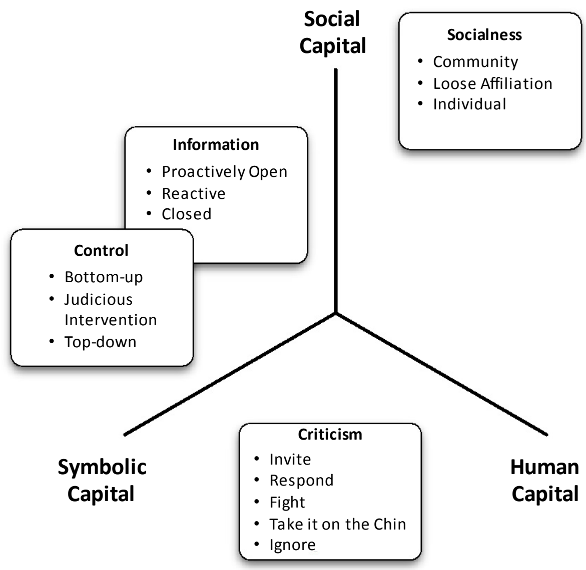


Figure 5: Dimensions of the Listening and Branding Tactic



(organizational capital) can reduce symbolic capital.

Organizations can mitigate the risks by:

- Ensuring that projects have working partnerships among marketing, communications and legal so that when the organization inserts itself in the social media stream it can respond in an integrated manner
- Establishing monitoring tools and processes to sense significant issues and, where appropriate, respond
- Implementing metrics to analyze and measure social interactions and the effectiveness of various responses to provide the foundation for long-term strategic direction and assessment of capital goal-realization.

At the minimum, most organizations should use social media to "listen" to their extended community and learn from it. The challenge facing organizations is whether they should actively participate—i.e., "brand"—using social media.

Implementing the Listening and Branding Tactic

To implement the Listening and Branding tactic, organizations need to first place the tactic in context (see Figure 4) and align implementation to capital-generation goals. In organizations where social media are part of substantial positive capital generation, they should be part of the overall organizational strategy. Conversely, when the likely impact of social media is of little import, operational tactics should suffice. If there are potential severe negative consequences of the Listening and Branding tactic, there needs to be an organizational defense team to mitigate such consequences. A marketing-centric approach is called for when there are moderate capital-creation prospects.

Implementing the Listening and Branding social media tactic creates an elasticity challenge because it means relinquishing control and strategic direction. It creates tension between major stakeholders (customers, suppliers and competitors) and the enterprise as they jointly stretch a brand in four distinct but related directions: Control, Information, Criticism and Socialness (see Figure 5).[5]

Organizations aiming to build symbolic capital will have to carefully manage the level of *Control;* ceding control may gain "street buzz," but it moves the brand in an undesirable direction. There are three strategies an organization can use to manage the level of control: 1) adopt a bottom-up approach and allow and accept emergent consumer control (e.g., the Facebook page is owned by a fan); 2) follow an emergent bottom-up approach but "judiciously intervene" to guide

5 Adapted from Fournier, S. and Avery, J. "The uninvited brand," *Business Horizons* (54:3), 2011, pp. 193-207.

a valuable conversation; or 3) follow a top-down approach and yield control only on specific elements determined in advance (e.g., Snuggie, a U. S. provider of novelty blankets, encouraged consumers to create parodies of its products).

An enterprise can position itself anywhere along an *Information*[6] continuum ranging from secretive to transparent. This positioning will have an impact on its symbolic and social capital-creation opportunities. The three strategies an organization can adopt are:

1. Proactively determine in advance what information they want to disclose (e.g., a CEO blog in which problems with a product are discussed openly)
2. Follow a reactive model and have a process in place to respond to and provide information based on events or requests (e.g., what information to release if a product's safety is questioned in a discussion forum)
3. Decide to remain closed. Consumers will often ascribe positive attributes to organizations that are open and authentic in social media forums, and this can build symbolic capital by establishing positive "street cred."

With the *Criticism* dimension of the Listening and Branding social media tactic, there are five strategies organizations can adopt:

1. Invite criticism (e.g., Domino's Pizza feedback process[7])
2. Have a process and resources in place to respond to criticism (e.g., Comcast's customer service agents respond to negative tweets[8])
3. Fight back when the criticism is damaging, and mobilize action by positive stakeholders
4. "Take it on the chin" by accepting criticism and openly discussing remediation
5. Ignore criticism in the hope that it will fade. Ignoring criticism is a viable strategy given that social media is fast-paced and conversations and issues often have a short "half-life."

Criticism builds both symbolic and human capital because the opportunity to respond to customers can create brand value as well as facilitate deep learning about customers' needs and preferences.

The *Socialness* dimension of the Listening and Branding tactic concerns the basic human motivation to "feel accepted, to fit in and to belong."[9] The primary strategy is to build a community, but forming and sustaining a community is a difficult task. A form of loose affiliation characterized by infrequent and casual interaction is likely more feasible for most organizations, or the organization can choose to interact with each individual on a one-to-one basis.

The following sidebar describes how Campbell's Kitchen implemented the Listening and Branding social media tactic.[10]

Listening and Branding Tactic Key Insights

Campbell's Kitchen follows a relatively lightweight approach and has outsourced the day-to-day operational tasks, meaning the "load" on the company is light. Other organizations follow a heavier approach to social media content management. Campbell's Kitchen, however, has taken a cautious and deliberate approach to building symbolic capital. An important benefit of its approach of carefully thinking through each process in advance is that it:

- Moderates the need for human and organizational capital investments
- Reduces the perceived project risk
- Reduces the cost
- Likely increases top-management support.

When the Listening and Branding tactic is actively managed, it can lead to human capital development, as employees have an opportunity

6 Note: The term "information" here refers to the policy on providing formal information, such as documents, facts and so on. Information at its most basic level is embedded in all dimensions of the Listening and Branding tactic, including Control, Socialness and Criticism.

7 Domino's has made customer feedback and transparency a key element of its strategy, including listing the names of employees who are making individual pizzas on its online tracker, openly listing customer complaints and, more recently, launching a major advertising campaign acknowledging the complaints and how it is responding.

8 In 2009, Comcast won praise for its Director of Digital Care, whose job is to interact with customers on Twitter.

9 Fournier, S. and Avery, J., op. cit., 2011, p. 195.

10 Based on interviews with managers and analysis of public website.

How Campbell's Kitchen Implemented the Listening and Branding Tactic

Campbell's Kitchen provides recipes for its products. Recipes are created by professional chefs and go through an internal review process involving marketing and legal. "Conversations" take place on Facebook, while a website is used to post and collect reviews on recipes. As of September 2012, Campbell's Kitchen had received more than 450,000 Facebook Likes. The project is led by marketing in partnership with IS and has a part-time internal manager; development and day-to-day operations are outsourced. There are no formal expectations for revenue and almost two years after starting, the website is viewed as a success in brand-building. For many consumer products, this approach may have more long-term "legs" that lead eventually to economic capital rather than short-term generation of Likes and website hits.

Campbell's Kitchen has adopted a top-down Control strategy in which recipes are available with few restrictions, and consumers are encouraged to comment. Judicious intervention occurs when objectionable content is posted. The Information strategy is primarily reactive, such as when a consumer requests specific information about a recipe. However, Campbell's Kitchen is open about the source of recipes and the use of its ingredients. It is also open to customers' recipes but tests them first. The company's Criticism strategy is to react to factual and health-related criticism, but it tends to ignore inflammatory commentary. Finally, Campbell's Socialness strategy follows a loose-affiliation model in which consumers occasionally provide comments, ratings and reuse recipes. This reduces pressure on both the company and its customers and is consistent with its "soft" public stance.

to learn directly by listening to key stakeholders. This interaction can add social capital through the creation of relationships and connections. The Listening and Branding tactic can create symbolic capital as the organization leverages the social flows to enhance its reputation.

Social Media Tactic 2: Mining and Deciding

The Mining and Deciding social media tactic is concerned with making sense of the chaos and turning it into advantageous human and organizational capital. This tactic involves analyzing text (e.g., comments on a discussion forum), usage records (e.g., who is accessing what on a website) and demographics (e.g., identifying long-term trends). Above all, it is about unearthing the relationships and trends among and between current and prospective customers, suppliers, employees and competitors. When it works well, the Mining and Deciding tactic can yield critical and previously unavailable insights (human capital) on what drives value. If the insights can be codified and incorporated into standard operating procedures, such as a new customer service process, then organizational capital is created.

The Mining and Deciding tactic brings risks. Social media data is often unreliable (e.g., false reviews make it difficult to discern genuine product shortcomings), and discussion forums and call logs are messy and huge. Text mining does not have the same precision as numerical data analysis, and natural language includes ambiguity, sarcasm, irony, spoofing, misspellings, deceit and abbreviations. Yet, despite the messiness and analytical challenges, the data may in aggregate be predictive. That is why there is an immense opportunity to generate capital from social media data.

Implementing the Mining and Deciding Tactic

Organizations need to first identify the most important social flows and then select the appropriate mix of tools, skillsets and data. Earlier, in Figure 2, we identified four types of social flows, and these flows can be mined to generate and improve capital (see Table 2).

Social media have created an unprecedented opportunity for organizations to expand their horizons by providing new communication channels. Traditional channels (Flow 1 in Table 2) can be augmented by environmental scanning to add human and organizational capital (Flow 2). External communities and forums (Flow 3) are challenging because they often involve chaotic unplanned bi-directional information flows among the members of the organization and the

Table 2: Mining the Social Flows

Social Flow	Forms of Mining to Create Capital
1. Organization-to-Environment	• Strategic marketing (e.g., analyze Google ads) • Public relations (e.g., sponsor causes on Facebook)
2. Environment-to-Organization	• Sentiment monitoring (e.g., chatter at a foreign factory) • Service requests and complaints (e.g., interpret chat logs) • Product suggestions (e.g., mine discussion forums) • Web analytics (e.g., analyze page rankings)
3. External Communities and Forums	• Branded discussion forums (e.g., interpret discussion) • Facebook Friends and Likes (e.g., map social networks) • Crowdsourced events (e.g., gain insights from a contest)
4. Internal Community	• Employee retention, promotion and well-being (e.g., leaderboards in discussion forums) • Knowledge management (e.g., assess sharing and reuse)

external environment of customers, suppliers, regulators and others. However, when there is a structured process in place to mine this bi-directional interaction it can generate valuable human and organizational capital to aid strategic decision making. For example, an organization's branded customer-directed social media channels can be mined to learn about common support problems and be used as a foundation for improving customer satisfaction. This can add human capital to marketing and increase organizational capital by improving product design.

The internal community flow (Flow 4) is not a new idea and has manifested itself in various forms over the past two decades (e.g., groupware). However, the low cost, ease of use and new modes of interaction (e.g., "Friending") offered by social media means that social media are supplanting traditional means of implementing organizational communities. The internal flows enabled by social media enhance human and organizational capital by capturing expertise. For example, some companies use blogs and wikis to capture knowledge from their most experienced employees.

The Listening and Branding tactic is primarily implemented through Flows 1, 2 and 3. The Conversing and Sharing tactic and the Co-creating and Innovating tactic (discussed below) are implemented through Flows 3 and 4. The most ambitious social media strategies extract valuable insights by carefully mixing all four flows in one platform.

To implement the Mining and Deciding social media tactic, organizations need an appropriate mix of tools and expertise to manage and exploit different forms of data (e.g., legal filings, newsfeeds and call logs). Combining traditional structured data (e.g., customer IDs, date stamps), unstructured data (e.g., comments on a blog) and data that can be structured (e.g., times a product is mentioned) with pure unstructured text (e.g., a review) can enhance the generation of capital. Analyzing social media flows can reveal the patterns of interaction and identify opinion leaders. The analysis can track the impact of a particular comment as it spreads by word-of-mouth through one or more networks, much like a virus propagates. Valuable insights can arise through the cross-validation of transactional and social media data (e.g., a product that is selling well but getting negative reviews might indicate a long-term design flaw).

To implement the Mining and Deciding tactic, organizations will need to invest in existing infrastructure, such as extending data warehousing and risk management to control large, messy and potentially litigious social media datasets. Since privacy and liability regulations and cultural sensitivity vary by country, there is an inherently greater risk of making a mistake in analyzing social media flows compared to standardized transactions (e.g., U. S. pharmaceutical organizations must report adverse reactions to the Food and Drug Administration (FDA); with social media, this could result in thousands or hundreds of thousands of reports).

The sidebar on the right provides an example of Mining and Deciding in the context of Obama's 2008 presidential campaign.

Mining and Deciding Tactic Key Insights

As shown in Table 2 above, social media have created an unprecedented opportunity for organizations to expand their horizons by providing many more channels for scanning and improving their human and organizational capital.

The most valuable social flows are typically bi-directional; analyzing only one-way effects, such as recording Facebook Likes, misses the reciprocity that encourages co-creation and distribution. For example, in Obama's 2008 presidential campaign, the more a candidate was discussed by traditional media, the more Twitter followers were generated, which influenced discussion on blogs, which in turn influenced Facebook conversations, as well as traditional media, and so on.

Organizations should both fear and desire the bandwagon phenomenon where brands or "memes" go into a virtuous (or destructive) spiral of ever-increasing exposure. The bandwagon can operate within *and* across all four of the social flows shown in Figure 2 (see also Table 2). Organizations that can differentiate through mining and purposeful decision making the levers that drive "going viral" will generate new capital.

Most organizations have mature business intelligence strategies for transactional data. However, the size, messiness and specific skills required to analyze social media data may mean that social media mining has to be a separate activity. Nonetheless, the largest payoff is when organizations can merge social media and enterprise data.

The Mining and Deciding social media tactic can generate valuable human and organizational capital when organizations use the data to ask questions that yield new patterns that can be codified (organizational capital) and new insights (human capital). These types of capital generation depend on the prior establishment of organizational capital for capturing, storing and mining data from social flows.

Obama's 2008 Presidential Campaign

Obama's success in winning the 2008 presidential election is credited to his extensive use of social media. Obama reached out to voters through social media and enabled them to interact directly with the campaign and with each other.

Validating Obama's strategy, a study of the 15 2008 primary presidential candidates showed that only blog mentions were significantly associated with changes in Gallup poll standings. Mentions in traditional media (TV, newspapers, radio and websites) were not significant.[11] Such results call into question traditional wisdom about media and highlight the importance of investing capital to fully understand the social flows that go in and out of organizations. An organization that ignores these flows will misinterpret changing social mores.

Something similar happened in 1948 when Truman's massive election victory was largely credited to his four-month tour of small rural areas. Yet, the day after the election, the headline in the *Chicago Tribune* was "Dewey Defeats Truman." The newspaper followed conventional wisdom and polling data that had predicted Dewey's victory. The pundits ignored Truman's train journey and the new voters he reached.

Social Media Tactic 3: Conversing and Sharing

The Conversing and Sharing social media tactic is aimed at contributing and finding ideas and knowledge in a network. It is about forming a community and the overall pattern of connections: whom you reach and how you reach them, and how network members influence each other. It is, for example, about

11 Wattal, S., Schuff, D., Mandviwalla, M. and Williams, C. "Web 2.0 and Politics: The 2008 U. S. presidential election and an e-politics research agenda," *MIS Quarterly* (34:4), 2010, pp. 669-688.

Table 3: Models for Sustaining Conversations

Model	Mechanism	Implementation
Social Influence	Occurs when an individual's behavior is affected by others	• Persuade influential members • Requires regular "refills" of demonstrations
Social Exchange	Reciprocity and cost-benefit analysis and comparison of alternatives	• Explain benefits to the community • Regular "exchanges" to sustain involvement
Social Capital	A holistic theory about linkages, relationships and shared language and codes	• Make public the linkages and relationships • Can yield specific levers to sustain use in a particular organization
Network Effects	Engagement is driven by the number of others conversing and sharing	• Make public the number of users

participating in discussion forums, creating a blog to share knowledge with peers, looking for an expert on LinkedIn, forming a group in Facebook to share best practices or creating a SharePoint site to facilitate knowledge exchange. The Conversing and Sharing tactic builds social capital by creating linkages among community members. By carefully injecting itself in social media conversations, an organization can build social and symbolic capital that lead to new human and organizational capital. Organizations need to understand the power of many-to-many communication, including the high speed, low formality and low level of control within a community.

The risks of implementing the Conversing and Sharing tactic include security, privacy and intellectual property challenges in engaging within and across organizational boundaries. Organizations can lose focus by conversing too much, in which case the tactic becomes a sinkhole with no clear business value. Further, engagement can easily backfire when an organization joins or establishes a community only to discover that group norms resist sharing and reuse.

Implementing the Conversing and Sharing Tactic

Humans readily converse and share, and organizations can tap this instinct to implement a "knowledge use and reuse" strategy inside, outside or across organizational boundaries. To generate capital, conversations must be sustained beyond the novelty period, and social mechanisms and platforms to prolong engagement are essential.

There are four models for sustaining conversations (see Table 3). The network effects model is relevant for maintaining human, social or symbolic capital generation. Organizations that require in-depth knowledge sharing and reuse to generate valuable organizational capital will likely need to more precisely understand and apply the mechanisms for the other three models so that they can continue to duplicate and sustain use.

Organizations also face challenges in identifying the "right" social media platform for conversing and sharing. This is partly because the market is fragmented and reflects different approaches that mix the models described in Table 3. One way to differentiate platforms is through feature sets. Yet the implementation challenge is almost always sustaining conversing and sharing, not features. So the implementation of the Conversing and Sharing tactic should start with the capital goals, followed by identification of the relevant sustaining model and then alignment with a platform. For example, Facebook (or a similar platform) is rich enough to sustain the social capital model, while a lightweight platform such as Twitter messaging can generate network effects. A full-featured document and collaboration platform such as

Microsoft's SharePoint could support all four models but at the cost of additional complexity.

The sidebar on the right describes how Lockheed Martin Unity implemented the Conversing and Sharing social media tactic.[12]

Conversing and Sharing Tactic Key Insights

Top management buy-in is a standard mantra for most projects. But when implementing the Conversing and Sharing social media tactic, the requirement is much less about buy-in than it is about participation; top management *participation* is critical for success because the social flows perturb the existing store of human capital. An organization's human capital will need continual guidance, examples and leadership from executives who have the visibility and authority to sustain the flow. At Lockheed Martin, the project was championed by top management down to line managers. Beyond visibility and authority, the social flow will also need a community manager to lead the conversation and identify and manage appropriate rewards and incentives.

Organizations will typically need to provide incentives to sustain involvement with the Conversing and Sharing tactic. However, monetary awards can backfire because highly paid experts may see them as demeaning. Lockheed Martin experimented with leaderboards (social influence) and considered various incentive schemes (social exchange), but in the end, defaulted to slowly and continuously understanding and changing the culture (social capital).

Conversing and sharing can significantly enhance social and symbolic capital and lead to valuable human and organizational capital. Social media present an opportunity to extend organizational learning networks and reach experts "beyond the corridor" to augment human capital. There is an opportunity to uncover successful practices and convert them into enterprise procedures (organizational capital). To generate this capital, the organization must first invest in strategies to sustain the social flows with relevant models and platforms.

12 Based on interviews with users and managers, analysis of the platform, and survey and archival data.

How Lockheed Martin Unity Implemented the Conversing and Sharing Tactic

The Lockheed Martin Unity Collaboration platform (a social network) was launched in 2007 and caters to the collaboration needs of 65,000 engineers and more than 125,000 technicians and partners. The engineers are custodians of massive amounts of critical intellectual property, and engineer attrition is a challenge. The company shifted from a need-to-know to a need-to-share culture by enhancing internal knowledge retention through the creation of "netexperts," people who are the "go to" nodes on the social network.

The project, which started in one division, evolved rapidly, and in 2012, moved to its third major enterprise-wide release. Lockheed Martin's successful conversing and sharing initiative enables it to capture the knowledge of its experts, to maintain its store of human capital, and to enhance its organizational capital.

Social Media Tactic 4: Co-creating and Innovating

The Co-creating and Innovating social media tactic is about sourcing ideas, evaluating and garnering solutions from employees, customers and suppliers, as well as from the "crowd." It is thus about crowdsourcing, getting ratings and reviews, and awarding achievements to the best source. The goal of this tactic is to engage a wide range of stakeholders in the mutual creation of innovative products, processes and services. An example would be running competitions through TopCoder[13] to source solutions from a large number of experts or empowering employees to use a prediction exchange to identify new products and sources of revenue. Fundamentally, the Co-creating and Innovating tactic is about developing organizational capital (e.g., product improvements) that can be converted into economic capital. However, success will depend on recognizing that this tactic leverages distributed individuals who are often outside the normal hierarchy (e.g., content from consumers, open source cooperative activity undertaken in

13 http://www.topcoder.com/

Table 4: Four Approaches to Implementing the Co-creating and Innovating Tactic

	On-line	Face-to-face
Transactional	*Marketplace* • Ideas • Large in scope • Partners shape direction • Reward for participation	*Incubator* • Hierarchical • Codified knowledge exchange • Internal and external
Relational	*Community* • Solves problems • Internal and/or external • Lightly organized and iterative • Intrinsic rewards	*Clan* • Fixed group • Knowledge exchange • Stick around for a long time • Evolve into labs

the public sphere and crowdsourced ideas from outside the organization).

When co-creation works well it can lead to innovation as well as solutions to complex problems. When it fails, it can be a significant waste of time and energy for participants and demotivate the very individuals that the organization is trying to leverage.

Implementing the Co-creating and Innovating Tactic

The difficulties of managing the Co-creating and Innovating tactic include getting a project started, getting buy-in, and ensuring high-quality results and scalability. The first step is to establish which of the four approaches to implementing the tactic, shown in Table 4 (marketplace, community, incubator and clan),[14] is most appropriate and then actively managing the process to ensure success. The chosen approach should match the organization's capital-generation goals. For example, a showy externally visible one-off marketplace often generates symbolic capital but little organizational capital. A sustained community conversely may generate social capital but requires more effort to create organizational capital.

A formal project management approach is needed to implement the Co-creating and Innovating social media tactic. This will help to avoid the risks as well as the tendency to lose focus on tasks such as "idea generation." Most organizations are better off outsourcing project management because the required skillsets are unique and expensive.

The sidebar on the next page describes the Popular Science Predictions Exchange (PPX), which up to 2009, provided a co-creation and innovation platform.[15]

Co-creating and Innovating Tactic Key Insights

Organizations implementing the Co-creating and Innovating social media tactic need reliable stewards to broker their interests in public forums. The intents and processes of co-creation are hard to communicate, and the problem is exponentially increased with unknown stakeholders, whose commitment is difficult to control. Organizations should build checks and balances so that communication flows smoothly. Gaming (e.g., as in the Popular Science Predictions Exchange) remains a serious concern since publically available rules and algorithms are susceptible to manipulation. Organizations should include checkpoints to identify "hacks," and policies to deal with disruptive elements. There is a paradox because those who seek to game are often the most creative and motivated contributors.

Appropriately managed co-creation and innovation can generate new organizational capital in the form of new procedures and

14 Adapted from Yoo, Y. and Hill, T. L. "Managing Open Innovation: How and What to Open," *The IBIT Report,* Temple University, 2010.

15 Based on participant observation, commentary on public discussion forums and Wikipedia (http://en.wikipedia.org/wiki/Popular_Science_Predictions_Exchange).

Example of the Co-creating and Innovating Tactic: Popular Science Predictions Exchange

The Popular Science Predictions Exchange (PPX) provided readers of *Popular Science* with a virtual prediction marketplace to speculate on the future. Users traded virtual currency, known as POP$, based on the likelihood of a certain event being realized by a given date. For example, one of the early stocks traded in 2007 was whether "Facebook becomes a publicly traded company." Participants could discuss and trade "IPOs"—as a prediction of interest and market trends. PPX was eventually shut down in 2009, by which time it had more than 30,000 registered members.

It is unclear whether the shutdown was planned or caused by problems such as issues with interpretation of how markets should work, the algorithm for pricing stocks, concerns about the inconsistency of rules, and the tension between controlling the exchange to assert strategic goals such as increasing subscribers versus providing power to players to develop a sense of ownership. Players were regularly caught cheating and banned but would return under a new username. The administrators had to keep altering the rules to avoid demotivating legitimate players.

products, and also generate social and symbolic capital. Investments in organizational and human capital must be made to release the latent capital embedded in an enterprise. Leveraging a larger and previously inaccessible pool of human capital to drive innovation to generate organizational capital can yield high payoffs. In addition, the tangible costs are small and even micro innovations can provide a good ROI.

A Case Example of Moving from Tactics to Social Media Strategy

In the social media era, the most successful firms will start with organizational strategy, identify capital goals and select appropriate tactics to create a comprehensive social media strategy. The next sidebar describes how one firm, American Express, is realizing this vision.[16] The evolution of its social media initiatives is shown in Figure 6.

How American Express is Moving from Tactics to Social Strategy

American Express (Amex) views digital platforms and social media as key enablers to grow economic capital. Amex is seen as a role model and has won awards, received in-depth press coverage and extensive customer buy-in, and has achieved steady revenue increases.

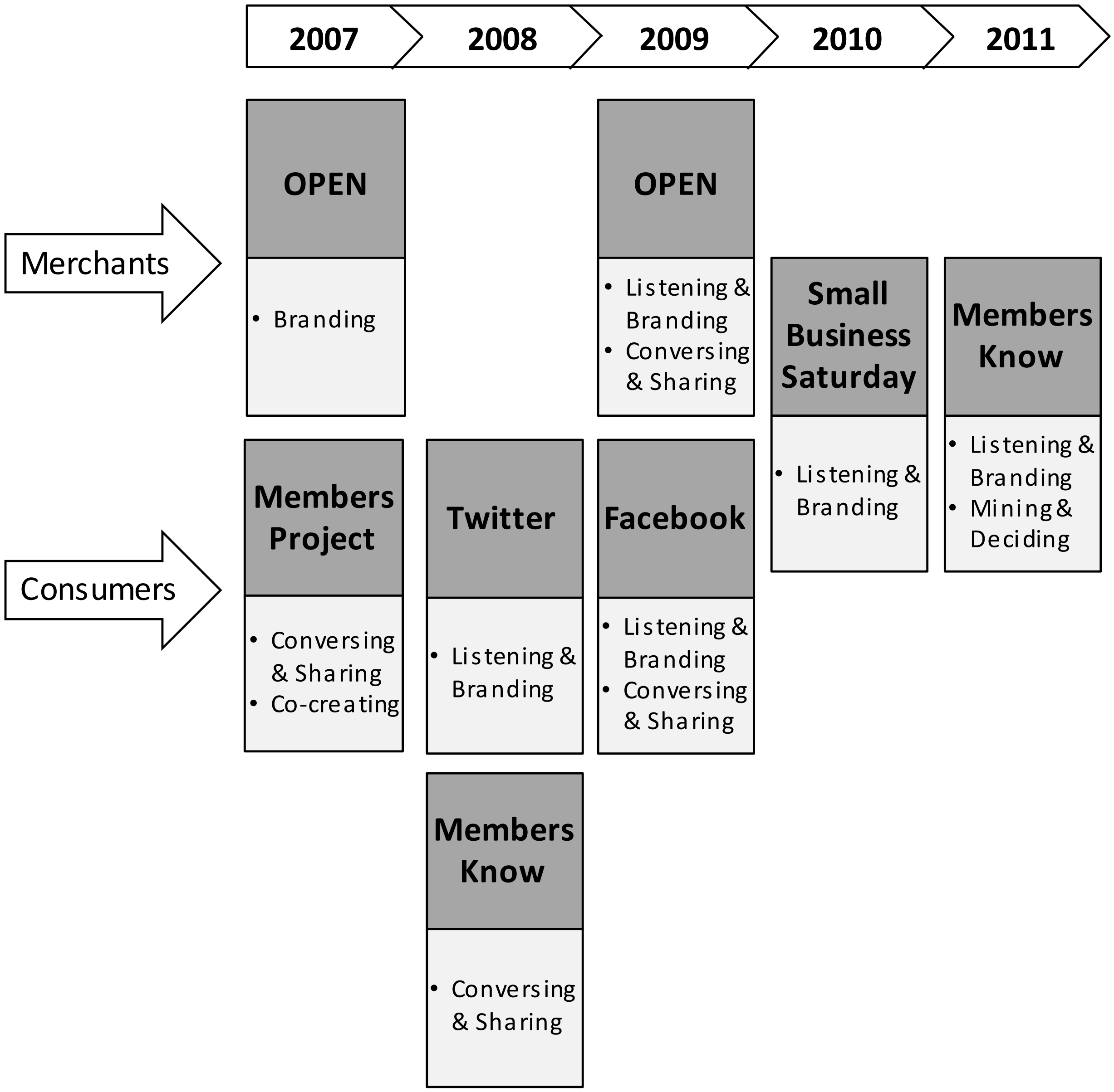
Engagement with small businesses: The online "OPEN" forum features live conferences, syndicated content, blogs, an Idea Hub, Connectodex (business-to-business white pages) and merchant rewards such as free Facebook advertising. "Small Business Saturday" provides rewards to consumers for shopping at local small businesses. By growing the human, social and symbolic capital of small businesses, Amex generates valuable symbolic capital that will turn into economic capital over the long run.

Engagement with consumers: The "Members Project" is an online community that submits, evaluates and selects causes for funding. "Members Know" is a forum for travelers to share trips. Twitter updates engage with and present opportunities to card members, such as discounted concert tickets, and a Facebook presence includes the usual discussions supplemented by reward redemption. By creating social capital, Amex is enhancing its symbolic capital.

Engagement with merchants: "Smart Offer" provides increasingly sophisticated APIs for merchants to present targeted offers to customers based on a no-coupon, statement credit model. Smart Offer leverages social capital (e.g., connections, friends, customers) to create economic capital for all stakeholders, through discounts for customers, sales for merchants and fees for Amex.

16 Based on participant observation, news reports and Piskorski, M. J. and Chen, D. *Social Strategy at American Express,* Harvard Business Publishing, 2012, pp. 1-24.

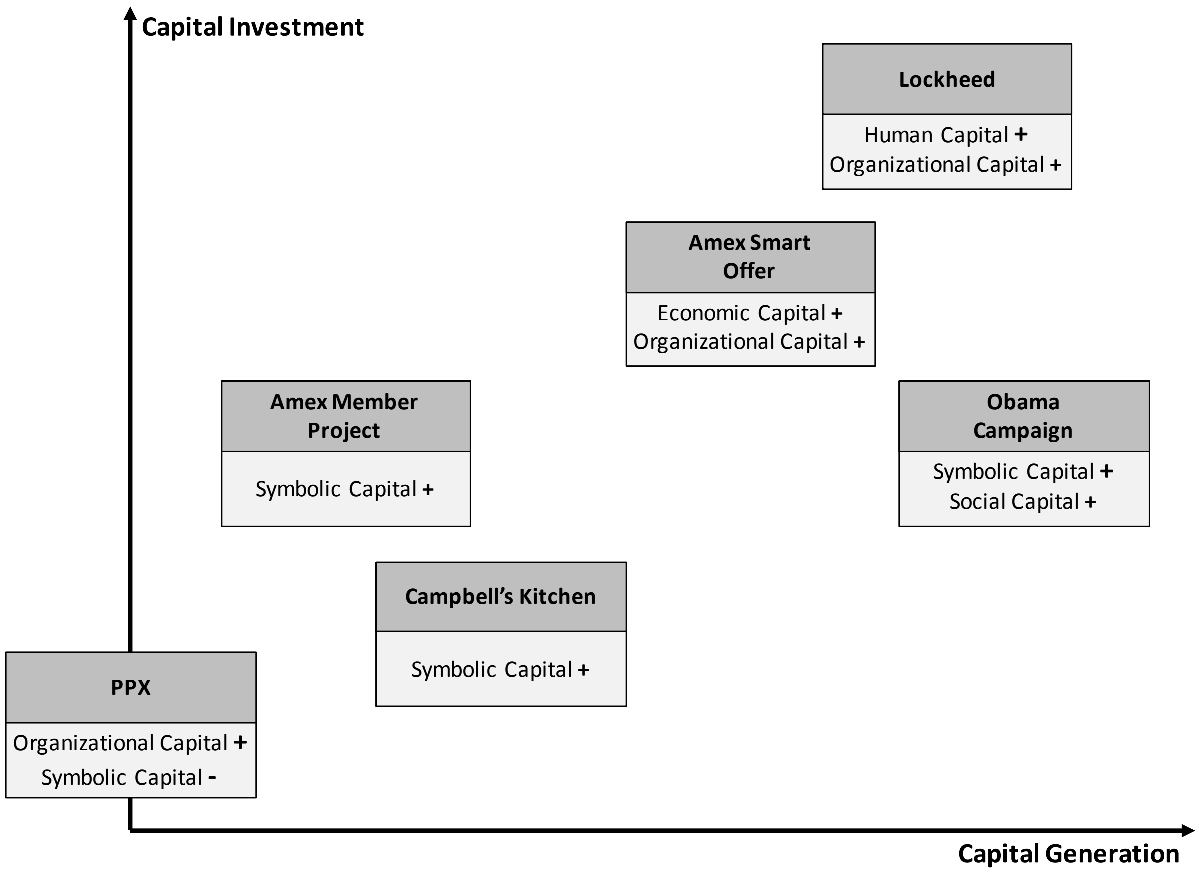
Figure 6: Evolution of Amex's Social Media Strategy



Amex's social media strategy started with a fairly typical branding effort and then moved to more sophisticated tactics of listening, encouraging conversations and sharing knowledge among its customers, and maintaining and pushing its brand with relevant content. The Members Project sustained interesting conversations, but its attempt at co-creation (identifying causes) ends with funding, which though worthwhile, only produces value for unconnected participants, and little engagement. The strategy evolved to a fully realized Facebook presence (supplemented by Twitter) that includes listening to customers on various channels, sustaining conversations, and apps for sharing and planning. The Facebook presence provides a platform in both the technological and conceptual sense to generate and sustain social, symbolic and ultimately economic capital.

Smart Offer connects customers and merchants using various attributes while

Figure 7: Comparison of Capital-Investment and -Generation Opportunities



maintaining privacy and convenience. Offers are pushed out on different platforms to leverage word of mouth among consumers, and facilitate listening and branding among merchants, as well as providing metrics to fine-tune marketing decisions. Consumers can also search for and manage these offers, providing both parties with corresponding mining and deciding toolsets.

Amex's strategy of applying social media to create a digital platform is a leading practice because it:

- Moved the company from relatively simple branding and "showy" one-off initiatives to a suite of interrelated continuing activities that engage its stakeholders
- Integrated different social media tactics into a comprehensive social media strategy
- Evolved from an initial focus on generating social and symbolic capital to generating organizational and economic capital.

Case Comparison of Capital Investment and Generation

Social media provide organizations with diverse options for generating capital. In Figure 7, each of the mini-cases described earlier is placed in a relative position, and the primary capital-generation activity is indicated with a plus or minus sign. The placements illustrate the relative capital-investment and capital-generation opportunities rather than absolute scores.

The comparison suggests:

1. Even though the entry cost is relatively low, to generate sustained value,

Table 5: Social Media Tactics Comparison

Tactic	Capital Goals	Skills Needed	Risk	Structure	Available Measures
Listening and Branding	Human Social Symbolic	New media Digital marketing	Medium	High	High
Mining and Deciding	Human Organizational	Analytics Visualization	Low	High	High
Conversing and Sharing	Human Social	Community management Knowledge management	Medium-High	Medium	Low
Co-creating and Innovating	Organizational	Digital entrepreneurship	Low-Medium	Low	High

organizations will need to invest significant human, organizational, social and symbolic capital.

2. It costs less to acquire symbolic capital than other capital. It is also easy to lose.
3. Generating economic, human and organizational capital will likely require in-depth investments in the Conversing and Sharing and the Mining and Deciding social media tactics.
4. Creatively integrating social media tactics will likely yield the most promising capital-generation opportunities in the future.

To enable organizations to assess relative capital-investment opportunities, we differentiate in tabular form the four social media tactics (see Table 5). The comparison is based on our experience in analyzing, advising and building social media strategies.

Generating Capital Out of Social Media

To formulate a social media strategy, first, think broadly about the types of capital you want to generate and defend (as defined in Table 1) and identify capital goals. Second, plan how you will apply the four social media tactics to accomplish the goals. Isolated action will likely be insufficient, and synergistic projects can create interactions that multiply the value of investments. For example, the Listening and Branding tactic can complement the Co-creating and Innovating tactic to promote new services under the existing brand. Third, define the investment required to convert the social media opportunity into a larger capital pool. Capital is required to create capital, and when appropriately invested, it can have a multiplicative effect.

The use of social media by businesses is a social and economic reality of massive dimensions; it is a tidal wave that has flooded most organizations with messages from customers, employees and other stakeholders. Floods can bring destruction, but they can also fill dams with water to irrigate crops for years. Some executives might see social media as an unmanageable flood of the flotsam and jetsam of individual opinions. We have shown how this deluge can be converted into a systematic and sustained opportunity to recharge the enterprise with new capital that enhances its ability to compete.

Appendix: Research Approach

This article is based on a case study approach, with a mini-case relevant to each of the key elements of the framework integrated into the narrative. Each mini-case was sourced through interviews, analysis of public documents and/or where applicable, review and evaluation of the specific software or website. The elements of the framework were deduced from the mini-cases as key concepts to describe the relevant phenomenon. The framework was then iteratively developed and improved by:

- Feedback from two sessions with the Advanced Practices Council of the Society for Information Management (SIM APC), a group of about 35 CIOs from major organizations
- Review and feedback from sessions with SIM chapters in Philadelphia and Alabama, as well as from a SIM-sponsored webinar and a webinar for all IT employees of a major bank
- Application and revision in two Executive M.B.A. classes
- Review and feedback from social media practitioners, including the founder and owner of two social media consulting firms and from key practitioners at Lockheed Martin and Campbell Soup Company.

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