Generating Capital from Social Media

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Executive Summary

Starting from the notion of the organization as a capital-conversion system, the full article provides organizations with a structured approach for developing a social media strategy that can generate capital out of the apparent chaotic and unmanageable flood of unstructured individual opinions that arrive via social media. The approach links organizational strategy to capital-generation goals that shape social media strategy.

Determinants of Social Media Strategy

Organizational Strategy → Capital-creation Goals → Social Media Strategy

Five Types of Capital

There are five types of capital: 1) Economic, which includes financial, physical and manufactured capital resources; 2) Social—ability of an individual or group to capitalize on social connections; 3) Symbolic—amount of honor or prestige possessed within a given social structure; 4) Human—skills, knowledge and abilities that individuals use to generate income or other useful outputs; and 5) Organizational—institutionalized knowledge stored in databases, routines, patents, manuals and structures.

An organization can be viewed as a capital-conversion and -creation system. 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).

Internal and external social media activities can be leveraged to generate and improve all of the five different types of capital, and to support its social flows. 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). 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). Not having a protocol for responding to negative social media comments (lack of organizational capital) can result in the loss of symbolic capital. Finally, a positive social media review can stimulate sales (economic capital).

1 The full article is published in the June 2014 issue of MIS Quarterly Executive, available online at www.misqe.org.
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Four Social Media Tactics for Generating Capital

Our strategic framework for generating capital from social media comprises four complementary tactics: Listening and Branding—learning and engaging that drives human, social and symbolic capital generation; 2) Mining and Deciding—data-driven analysis and decision making that creates human and organizational capital; 3) Conversing and Sharing—knowledge generation and dissemination that develop human and social capital; and 4) Co-creating and Innovating—creating new products or solving problems to generate organizational capital. Each tactic is described in detail in the full article and illustrated by a mini-case. Advice on implementing the tactics is provided and key insights from the mini-cases are given.

The different capital-generation opportunities provided by the four tactics are shown in the table.

Social Media Tactic Comparison

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

Key Lessons

A comparison of the mini-cases highlights four key lessons:

- To generate sustained value, organizations will need to invest significant human, organizational, social and symbolic capital.
- It costs less to acquire symbolic capital than the other types of capital. It is also easy to lose.
- 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.
- Creatively integrating social media tactics will likely yield the most promising capital-generation opportunities in the future.

Formulating a 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. To formulate a social media strategy, first think broadly about the five types of capital and which of them you want to generate and defend, and identify your 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. The full article shows 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.