

Board Bulletin

FEBRUARY 2014

Social Media—Questions for Directors to Ask

Introduction

The media and communications landscape has changed dramatically in recent years. Directors and their organizations now operate in a real-time environment where *speed* is given priority. Customers, employees and organizations have equal voice in the world of social media—it is a world in which *anyone* can participate, radically amplifying the scrutiny that organizations and their boards must deal with and the way in which information is communicated. In this new reality, corporations, government institutions, executives and directors must be prepared to respond accordingly. Yet, while the realities of a shifting media landscape require organizations to consider taking an active role in social media, too many continue to ignore it or apply traditional approaches that simply don't work in this new social media world.

This Board Bulletin is written as a high level overview to assist boards of directors to better understand social media, its influence, and the various ways in which it plays into the board's mandate. The first three sections of this Bulletin, *What is Social Media*, *Social Media Platforms* and *How Can Social Media Work for You*, detail what directors need to know about social media and should expect from engaging with these platforms. The final three sections, *Legal Concerns*, *The Social Media Plan and Managing Risk: Building A Response Plan* act as a guideline for those directors interested in implementing a social media strategy. A comprehensive social media plan requires a consideration of each of these areas to ensure the organization is fully prepared for this new and exciting communications venture.

Directors with an understanding of social media will be better equipped to oversee their organizations and direct them as they take advantage of opportunities afforded by the effective monitoring of social media engagement. They will also be better prepared to help their organizations identify and manage the risks associated with social media, and respond to problems should they occur. While social media offers strategic benefits to organizations, it also presents risks, particularly if the organization does not have a thoughtful social media plan in place.

What Is Social Media?

1. **A conversation.** Social media is a shift in media consumption away from top-down media like print, radio, and television, towards two-way, collaborative exchanges of information. It's not a broadcast tool, but rather a vehicle for conversation.
2. **A listening platform.** Social media can be a powerful tool for listening to customers and clients, engaging the public, and improving business. Think of social media as a focus group—it allows organizations to organically test ideas with their most engaged stakeholders, in a way that once cost hundreds of thousands of dollars.
3. **A stakeholder management tool.** Because social media facilitates conversations, it's a natural vehicle for building relationships. It can help an organization engage in conversations with clients and stakeholders on a human level, strengthening the business and allowing it to evolve based on client feedback.

Social Media Platforms

Social media is an umbrella term that includes many specific tools. Below is a brief introduction to the more popular social media platforms:

- **Facebook** is a social networking tool that connects over 500 million active users (at time of writing) from various demographics across the globe. Using this platform, organizations can create a business page, allowing them to connect and engage with Facebook users, update users on new products, announcements, or stories, or share organization-related content such as photos and videos.
- **Twitter** is a ‘micro-blogging’ platform that can connect organizations to users in real-time. Twitter users can subscribe to an organization’s messages by following its account—and an organization can subscribe to users’ messages—allowing organizations to engage or converse with users and share information about products and services. While the 140 character limit per ‘tweet’ may seem like a limitation, it helps organizations simplify their message so that information is easy to read and conducive for public engagement. With 155 million tweets per day from over 200 million registered users (at time of writing), Twitter is also a platform that allows organizations to monitor and track public sentiment about their brand and public conversations that will affect their brand.

- **LinkedIn** connects professionals seeking to expand their networks. A digital rolodex of sorts, LinkedIn offers users a platform on which to find and connect with past and present colleagues and classmates. Organizations can take advantage of the platform by creating a company profile through which they can provide information about products and services or post job advertisements. LinkedIn also offers users various applications, such as connecting an organization's LinkedIn and Twitter profiles to streamlining social media operations.
- **YouTube** is an easy and efficient means of disseminating videos to a large audience. Users can upload videos and easily share them by posting links to their videos on their Facebook, Twitter, or LinkedIn profiles, or by embedding the videos on their own websites. With more than two billion video views per day, YouTube is an incredibly popular platform.
- **Blog**, an abbreviation of web-log, is a regularly updated commentary, and may be used by an organization to create a connection with the public by giving the reader information about—or insight into—the organization. Generally more informal than traditional forms of communication, to engage with an audience bloggers usually allow free and open commenting on blog posts. Blogs can also be used internally within an organization as a way for senior staff to connect with their employees in a structured yet personal way.

What are the Benefits of Social Media?

Social media can affect several areas of the board's mandate. Depending on the type of organization, its stakeholders, and its business environment, social media may impact:

- **Strategy**—A strong social media presence is key to some organizations' business model. For others, it may be a way to differentiate themselves from competitors. Organizations can use social media to improve customer satisfaction, develop new product lines, and increase sales through word of mouth advocacy. Monitoring social media may also be an excellent means to gather information on both competitors and stakeholders. A good monitoring program will help the organization understand the motivations of stakeholders and provide an ear to the ground about their current thinking.

Internally, social collaboration can provide competitive advantage by engaging employees to create ideas, solve customer issues quickly, work more efficiently on projects, and access the right internal experts at the right time.

- **Stakeholder Engagement**—The board is responsible for the overall communications plan of the organization. Social media can be a dynamic way to communicate, build the organization's brand and engage stakeholders. However, processes and procedures must be in place to ensure that there is a consistent tone and message in all communications, and that stakeholder relations are conducted in an effective and appropriate manner.

- **Reputation Management**—Whether directors and management like it or not, people are talking about the organization. If that conversation is hurtful, the organization's reputation could suffer in the long term. For example, if an organization has just reported a bad quarter, investors may tweet about it, or pundits may use the organization as a punching bag on their blog. Negative status reports can spread quickly, poisoning media coverage and impacting an organization's reputation. Having a social media presence allows the organization to respond to negative commentary quickly, in essence allowing the organization to perform "damage control" to the extent possible.

Social media can also provide an effective way for an organization to share positive information. Today, a brand's reputation is the sum of all conversations—and gone is the day of complete corporate control of this asset. Negative or inaccurate press is not new to business, but the proliferation of social media sites is new and can be game changing.

- **Risk Management**—There may be a strategic risk to organizations that fail to keep up with advances in social media and other technologies, especially if competitors are embracing it. Conversely, there's inherent risk in the uncontrolled nature of the medium: damage to an organization's reputation can occur quickly as a result of comments made by outsiders, and an organization's own employees alike. As such, it is extraordinarily important that an organization detail a comprehensive social media plan that allows it to utilize these new media to their advantage while mitigating the potential risks.

A US-based airline company serves as an excellent example of how social media can help an organization engage with its customer base and manage its reputation. In 2007, the airline's communications chief searched Twitter and found that many users were talking about the airline, with some Twitter users making inaccurate statements. Since then, the company's Twitter engagement strategy has evolved from a means of observation to serving as a way for the company to better reach its customers. Its Twitter announcements include information on destinations, weather, promotions, charity events, and how to check flight statuses. The airline also uses the platform to *engage* with fliers, by using the platform to promptly and publicly respond to complaints made on Twitter. In doing so, the company is not only practicing superior customer relations, but is also learning about deficiencies in their services they might not have otherwise known. Complaints about baggage delays and uncomfortable flights might seem like small concerns, but by engaging with their customers, the company is gaining insights into how to better offer their services while also improving their brand relationship with their customers.

Legal Concerns

Use of social media may be subject to laws or regulations relating to privacy, the use of personal information, and unsolicited feedback. There are additional restrictions on communications by publicly-listed organizations and these will apply to social media just as they do to traditional forms of communications. Management will need to have controls in place to ensure compliance. The organization should consult a lawyer for specific questions about their own situation, but the following legal considerations should be kept in mind:¹

¹ The information provided in this section is from the February 2010 issue of *Practical Law: The Journal*, which includes the article "Social Media: Risks and Rewards."

- Organizations should become familiar with the Terms of Use of the various social media platforms' (Facebook, Twitter, YouTube, etc.). These can include important restrictions such as intellectual property and copyright rights, age limits restrictions (i.e., YouTube restricts its service to users 13 years of age and over), and promotional campaign constraints (i.e., Facebook requires prior written consent for contests, giveaways, or sweepstakes that use the Facebook platform), that should be considered when developing a social media strategy.
- An organization should ensure that the privacy policies of the third party website are sufficient for the organization's intended use, and that these privacy settings are monitored frequently for any updates or changes. Social media platforms can at any time alter their terms of use, and an organization utilizing these platforms should ensure that any changes continue to remain in line with their own internal privacy standards.
- Organizations should not be reluctant to respond to slanderous comments. The response can range from a request to remove the comment to issuing a cease and desist letter or initiating a lawsuit.
- An organization should be sure that its own social media use does not undermine future or pending litigation. Social media is increasingly being used as evidence during trials and can be used to weaken an organization's case.
- An organization should ensure that they have a comprehensive social media policy in place. Organizations should not assume that employees know how to represent themselves on behalf of the organization simply because they use social media platforms for personal use. The combination of organizationally appropriate policies and training helps to lay the foundation for effective use of social media and protect the organization from employee misuse.

The Social Media Plan

In order for social media to work in an organization's favour, a comprehensive plan must be in place in order to maximize brand potential, gain a competitive advantage and mitigate risks. The following steps should be a part of a plan.

Questions for Directors to Ask

Why are We Doing This?

1. What are the organization's goals for using social media? Is it to raise awareness? Educate? Provide customer service? Thought leadership?
2. What role will social media play in the business strategy?

Scan the Environment

3. How are the organization's stakeholders using social media? Who are they reaching out to?

Questions for Directors to Ask

4. How are competitors using social media? How is the organization monitoring who competitors are engaging, the response they are receiving and the type of content they are sharing?
5. How is the organization monitoring trends, topics or issues that are being talked about via social media? Could those topics have an effect on the organization's brand or reputation?

Manage the Organization's Social Media Presence

6. What resources will be required for social media engagement efforts? Will the organization need a full-time social media manager; if not how will these new media be integrated into the organization's pre-existing communications processes?
7. What is being said about the organization via social media? How is this information being addressed?
8. Has the organization identified influencers and does management understand influencers' opinions about the organization? Has management given thought to building relationships with influencers to eventually convert them to activists? Online influencers are capable of getting whole communities to act on their behalf.
9. What controls are in place to address or manage employees using social media to support, discredit or potentially embarrass the organization (employee blogs, Twitter accounts, use of Facebook or LinkedIn)?
10. Is the organization building relationships with key reporters and columnists in social media? Increasingly, reporters are proving to be more responsive in social media than traditional means like email or telephone.

Many organizations are turning to social media as a means of extending their outreach with the public. Unfortunately, these actions are often taken without a comprehensive plan. The social media strategy must be detailed, targeted, responsive, and proactive, ultimately minimizing the risks associated with these new outreach tools. Too many organizations approach social media without a thoughtful plan and in doing so exponentially increase the risk associated with these new communications tools.

Managing Risk: Building a Response Plan

An organization can remain in control of its message in the face of demanding communication circumstances if there is a comprehensive response plan in place. Consider the following questions:

1. Is there a process for someone to keep a close watch on small matters that may seem insignificant at the moment but have the potential to escalate at a later time, or when circumstances are ripe?
2. Are the appropriate individuals in the organization being alerted about important issues as they occur with sufficient detail to quickly identify the appropriate response?
3. Is it clear at what point the board should be advised about risks relating to or stemming from the organization's use of social media?

An example of how adequate monitoring and an appropriate response is an important element of risk management is exemplified by the experience of a gaming company. During the holiday season of 2006, an employee of this gaming company discovered within the Amazon.com comments section that a child had died playing with one of their products—the toddler had choked on a nail from a toy bench set. The company continued to monitor the online discussions about the crisis, and noticed that much of the discussion centered on safety and foreign products—not directly on the brand overall. This knowledge changed the way in which the company communicated through the crisis, and ultimately led to a successful communication strategy—their handling of the crisis earned them 42 percent more positive mentions than negative—a massive success given the context of the situation. Paying attention to online activity about their products and brand allowed Hasbro to navigate the crisis with a response plan that was measured and effective.

Summary

To ensure that their organizations take advantage of the opportunities afforded by social media while guarding against the risks, directors need to have an understanding of the way social media is used by the organization, and how it affects areas of the board's mandate. They should ensure that management has a solid plan in place and that the use of social media is monitored with a schedule to review the social media engagement plan regularly.

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