Temin and Company

Reputation Matters

WHAT BOARDS MUST KNOW ABOUT SOCIAL MEDIA

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Someone posts a harsh item about your company on Twitter. The comment is picked up and amplified through other online venues, and the company's stock price takes a fall—all within hours. Today's world of social media is one where the most obscure person, company or product can overnight become a global trend, or a global villain. Is your board aware of the company's social media strategy? For that matter, are you as a director up to speed on the new social media world?

In this age of social media, companies of all kinds find themselves at the end of the "command and control" model of leadership. Top-down communications, including those from the C-suite and the boardroom, have lost their primacy.

Today, with blogs, vlogs, podcasts, Twitter, Facebook, YouTube, Tumblr, Instagram, and social media of all kinds, everyone has a voice. More to the point, anyone can move markets if his or her voice catches on with the public.

Employees have a voice—including the employee that management fired yesterday. Your "likers" have a voice; your dislikers have a voice too (including all of the "I hate xx company" websites, and Facebook-facilitated boycotts). Your competitors have a voice, your shareholders have a voice, and you, as board members, have a voice as well. However, amid the cacophony, it is now exponentially more difficult to make the messages you and your company wish to convey heard.

Especially for the board, knowing how to communicate in social media (and when it is or is not appropriate) is crucial. A board's workings are historically private and confidential, and a board tends to be heard from only when announcing a new CEO or in a serious corporate crisis.

This confidentiality makes the much more transparent world of social media a particularly challenging one for boards to get right. Directors must monitor the reputation of their companies. They need to make sure that sales and marketing opportunities are not lost. When directors and their companies come under attack in social media, they need to know how to put it into perspective, make the right judgment calls, and react appropriately at lightning speed.

So, what is the role of the board *vis-à-vis* social media? How can directors educate and equip themselves to act as responsible stewards in this environment? In addressing these questions, it is important to be fully aware of the stakes at play in a social media-dominated world.

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Social media is a great leveler in many senses. Not only do all constituencies—friend and foe—feel free to comment at length on your company, its products, services, people and management, but all voices tend to take on the same "valence." Some fringe blogger with a select but highly vocal following can be as powerful in determining your company's reputation on the web as your CEO.

Indeed, many online critics, whether they are 15, 25, 55 or 80 years old, tend to sound like teenagers. In the anonymity of the medium, they can be as petulant and nasty as the spirit moves them to be in the moment. Just look at the comment sections of online news articles, or even your own corporate website comments sections. Even when websites are "curated" or edited, only the profanity is removed, and the tone usually stays the same. This is the world that all boards are dealing with.

Many boards still do not fully understand the impact of social media, and many CEOs do not, either. The people predominantly holding the corporate reins today did not grow up with social media in their DNA. To those over 30, learning social media is like learning a second language, and they will always "speak" it with a broken accent.

This lack of fluency brings a high cost. Social media today has an unbridled ability to create and destroy reputations at the speed of an electron. Of course, social media is necessary for marketing and visibility purposes, for listening to and speaking in the voice of your customer, for customer relations and service, for recruiting the right talent, for shareholder communications, and for sales. In fact, there is an opportunity cost to *not* being on social media. Today, I am not sure anyone can afford not to be.

However, the social media risk profile is huge. Further, the extent of the risk can be totally misunderstood by corporate directors.

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Reputational risk has surpassed regulatory compliance risk as a major concern for boards, according to a board of directors survey conducted by the EisnerAmper accounting firm. Sixty-nine percent of respondents cited reputational risk as the major concern for their boards aside from financial risk. Given social media's continually increasing importance as an input into what comprises a firm's "reputation," directors need to not only learn more about social media, but understand the strategy and impact around them.

In most boardrooms, it is likely that social media takes up a small part of the meeting agenda and sits at the bottom of the discussion items—if it is mentioned at all. Even if it is discussed, the topic is often siloed into a "social media bucket" and addressed as its own separate topic, which is a mistake. The risk for boards lies in the fact that social media is intertwined into the fabric of everything that goes on right now.

It is becoming difficult to fully address new products, consumers, market development, share price concerns, customer service issues, etc., apart from their social media context. Boards that talk about these issues without addressing the social media impact do so at their peril, and risk missing a huge part of the picture.

The 2011 example of Penn State University is a story undeniably intertwined with social media. It was not exactly unknown that a horrific series of acts had been allegedly conducted by Jerry Sandusky. This was reported in some social media and traditional media back in March and April of 2010. There were even grand juries called. However, the story did not catch on then. The story started to take off the day that Sandusky was formally charged with the crimes, on November 5, 2011; then it started to get out more and more and take on a life of its own.

At that point, the board at Penn State was rather quiet as to their deliberations. When they needed to hold a press conference, they did so. Otherwise, they kept their process very hushed, as boards always do.

The students and alumni at Penn State, on the other hand, grew very vocal, protesting Joe Paterno's firing, sometimes appearing to be uncaring about the alleged victims. Everyone had a response, pro or con. It went viral over social media and then spread to more traditional media. Everything became fuel.

The board's action, and the community's reaction, were the talk not only of every print and broadcast media outlet, but social media around the globe. Thanks to the internet, once something is "out there" now, it stays "out there" for anyone to find, anytime, almost forever.

It grew so bad that Penn State alumni were withdrawing their donations, and the board was under serious attack for their actions (or inactions). In defense, the board finally decided to open up *their* story to the national media. In a three-page article in *The New York Times'* sports section, the board offered a frank, blow-by-blow accounting of their actions during the crisis; they said "this is why we did what we did, and this is how we did it." This *New York Times* piece, too, was one of the most emailed, blogged and tweeted-about articles in social media at that moment.

The same kind of social media situation permeates the corporate world. Take, for example, Qantas. Qantas had a reputation of never having a crash, but in 2010 the airline had an incident in which an engine caught on fire. The plane actually landed safely in Singapore, but someone tweeted that the Qantas plane had crashed.

Since that tweet went so far against the grain of Qantas' reputation, it was picked up by everyone. Qantas' stock price plummeted, and there was huge reputational damage, which endured for quite some time. Once the online genie is out of the bottle, it's hard to get him back in again, even if the genie is false.

These are just two stories out of thousands, and they will happen more and more frequently.

Given the stakes, the board needs to insist that their company have a high-level, thorough, and frequently updated social media strategy and policy.

As social media is, essentially, "uncontrollable," guidance and leadership from the top becomes the highest necessity. Given the significant reputational risk (and the very real financial implications), the board needs to insist that their company has a high-level, thorough, and frequently updated social media strategy and policy.

A company-wide social media strategy should address the goals of engagement, as well as who in the C-suite has ultimate responsibility. It should cover how social media will support the company's brand, and brand messages. The policy should address how various sectors of the company will work together to allow "in-the-moment" creativity required for effectiveness. Yet this creativity must also reinforce the common message, allowing little dissonance in what the company itself puts forth.

Critical in a social media strategy is how the company will monitor its online brand. What is the company saying about itself, and how effective is it? What are others saying about the company and its products? What impact are those conversations having on all key constituencies? Finally, how can the company respond, when response is called for?

In short, there must be an enterprise-wide strategy around social media. This strategy should connect all social media activity with the mission, vision, strategy and business plan of the company in a thoughtful, and not reactive, way.

These questions become urgent when the company must use social media to respond to a crisis. Specifically, how will the company respond when there is a social media-induced or enflamed crisis?

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The board must review the social media plan, perhaps assigning it to an existing committee or creating a sub-committee for the purpose. The point is to put this review of social media on the board agenda regularly, and not let it be passed over or forgotten.

What about board members who do not feel they understand social media well enough to understand what a good strategy is? Get a social media mentor.

When I ran marketing for GE Capital, the earliest days of the internet were just dawning. Jack Welch wanted to jumpstart his own online knowledge. So, he found a bright associate, just out of college, who became his internet guide.

It worked brilliantly. Jack got up to and beyond speed, and even set up his own Twitter account. He now has over a million followers, and is still tweeting even in retirement.

I would suggest a variation of this strategy for today’s board members. If social media is not your forte, have the company provide you with a social media mentor. Using this kind of tutor or mentor can help directors quickly get up to speed on the constantly changing social media landscape—and learn how to spot both the opportunities and the threats.

Once you begin to be fluent, one of the best ways to learn is to monitor the social media yourself, as well as requesting the official monitoring reports and metrics from your company.

Every director should begin, as due diligence, to personally review his or her company's profile on social media, as well as the profiles of the CEO, the leadership team, and the board. Of course, a director will also want to monitor his or her own profile, as board members can come under attack during a crisis.

However, a director should never participate in conversations on the web about his or her company. Given the efficiency of search engines, every word you say is not only on the record, but discoverable in lawsuits, and could precipitate a barrage of comment. For directors, the mantra is "monitor, but do not engage."

The company's monitoring should include what the company is saying about itself; what its people are saying in an "unauthorized" manner; and what other people are saying about the company in real time. A digest of these social media comments, posts and videos should be presented to the board on a monthly basis, along with a diagnostic "sentiment analysis" of how this impacts the company. (There are some very sophisticated products out there that can help with this.)

If there are errors out in the social media, there must be a plan to respond in real time. The board should also be presented with a regular analysis of how competitors are faring in social media, including any opportunities and threats therein.

The more social media "literate" the board is, the more insightful its response can be in a crisis, and the easier it is to fulfill its governance role.

When the company is in crisis, boards should request a weekly or even daily digest of social media response, along with the regular media monitoring. The more social media "literate" the board is, the more insightful its response can be, and the easier it is to fulfill its governance role.

Develop a "thick skin" both for the company and yourself. Your name could be bandied about the social media web simply because you are a director. Anyone with an axe to grind, a lawsuit, or a real complaint could invoke your name. It can be highly uncomfortable to read about yourself, and excruciating to read untruths associated with your name. You may even feel compelled to jump in to “correct the record.” That would, in general, be a mistake.

Any words you post will always be on the record, forever. They will be scrutinized by professional contacts, competitors, customers, the media, critics, class-action lawyers, you name it. It is all discoverable.

This is happening to all of us. Remember, you are an audience of one among billions of other audiences of one. You will see a specialized feed of postings about you when you Google yourself that most others in the world will not see. It will all seem personal to you, and disproportional. However, remember to put this into context and develop a thick skin.

That said, the company should protect you to the best of its ability from scurrilous social media attacks. There are a portfolio of tactics to deploy, and crisis managers should be adept at calming down the situation. It is certainly within a director’s right to request such help, either from the company’s social media head or an outside expert, should a nasty situation arise.

In sum, the role of a director is to become an informed observer of social media, able to exercise your governance role by monitoring activity, reviewing strategy, and making wise decisions at the speed of the internet. Directors are forging best practices around social media in real time. The medium may change, but the practices of good corporate governance do not.

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The firm helps corporations, professional services firms, and other institutions define and strengthen their public image – and their bottom line – through strategic marketing; branding; media relations; thought leadership; social media; speaker, media and leadership coaching; financial communications; and crisis and reputation management.

Strategists, coaches, writers, and social media experts are available “25/8” to assure that every crisis is addressed, and every opportunity leveraged.

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