Directors need to see social media as part of the job

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Nowhere is the generation gap more apparent than in the parallel universes inhabited by social media users and board directors.

Stephen Davis of Harvard Law School, an expert on corporate governance, has written that “corporate governance and social media are trends newly met, and market participants are only at the very beginning of a learning curve”.

A friend of mine who used to be in charge of social media for a leading US insurance company likens participating in social media to a conversation at a cocktail party. But while board directors are not averse to attending such parties in the real world, they rarely show up to them in the virtual world. Meanwhile, employees are happily indulging.

The instinctive reaction from the board is: how do we control the online lives of our staff? But social media – available at the touch of a button on the mobile phone – does not lend itself to Soviet-style command and control.

As IBM’s Social Computing Guidelines advise the technology group’s staff: “The lines between public and private, personal and professional are blurred in online social networks. By virtue of identifying yourself as an IBMer within a social network, you are now connected to your colleagues, managers and even IBM’s clients. You should ensure that content associated with you is consistent with your work at IBM.”

Still, companies run the risk of becoming too prescriptive, which could be counterproductive. For example, an overly managed approach, which does not get the balance right between control and openness that the millennial generation expects, will hamper a company’s ability to recruit good, young talent.

Tom Liacas, a former activist turned corporate adviser who wrote the #SocialSurvivalManifesto, urges companies to use employees as their first line of defence: “When people turn the heat on you, your online ambassadors . . . will multiply the avenues available to you for getting your side of the story out there. Sure, this is a control issue but what isn’t? If there are members of your team that are so proud of the company that they would associate their social accounts with it, then you would be foolish not to empower them.”

The board has responsibility for ensuring a corporate strategy is developed, that risk management processes are in place and that a crisis communication plan exists. Each of those must take account of social media.

Dayna Steele, a business writer and broadcaster, notes the demand by consumers for an instant response to a crisis situation. “In the event of a crisis, a company must communicate the seriousness of the crisis immediately, even if there is little or none, and communicate on my terms, not theirs,” she wrote in Fast Company magazine. “All it is going to take is one person
dying because the company waited for the legal department to approve a statement that took the communications department hours to compose. When that happens, the company may not utilise their website and social media, but the public will utilise theirs.”

Recent advice from the Securities and Exchange Commission that companies may communicate financial information through social media – within certain guidelines – presents a third challenge.

Even governance traditionalists will have to concede a role for the board in overseeing financial communication across social media. Over the past decade, many boards and audit committees have extended their oversight from securities filings to the press releases accompanying earnings and management’s presentations at meetings of equity analysts. Surely shareholders can expect the same directors to take a look at what is disseminated through social media. After all, a tweet is only 140 characters.

The possibility that companies may miss out on some social media bonanza or run considerable reputational risk online is often missed by boards. A European director recently told me that his “board changed completely with the arrival of two young people. Experience is very important in a board, but you need to stimulate innovation with the new e-generation.”

For the more experienced board director, there is always help at hand. The UK’s Institute of Directors, for example, runs a one-day course on “Social Media Strategy for Directors”. Who knows, there may be a cocktail party afterwards.