

## **Social Media and the Board**

### ***Using Social Media to Increase Organizational Governance and Communication***

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On March 17<sup>th</sup> 2010, UK Greenpeace posted a parody video of Nestlé's Kit Kat bar on the internet that likened eating a Kit Kat bar to killing an orangutan, trying to influence Nestlé to stop buying palm oil from the Indonesian company SinarMas, a global supplier that was threatening orangutans' existence by clear-cutting the Southeast Asian rainforests where they lived.<sup>1</sup> The gory video<sup>2</sup>, showing an orangutan's fingers wrapped as a Kit Kat bar, was viewed globally—with many persons posting messages on Twitter, YouTube and Facebook advocating a boycott of Nestlé in general and Kit Kat bars in particular. The Kit Kat Bar logo was stylized by to read: “Kit Kat Killers” and was used by many as their avatar on the social media networks. The Nestlé Facebook page was overrun with people begging Nestlé to stop killing the orangutans by using palm oil.

Nestlé underestimated the power of social media—especially for just 1.25% of the palm oil used by Nestlé—and gave fuel to Greenpeace's campaign by having the YouTube video initially removed. This caused international news services to pick it up, giving the campaign greater visibility. Nestlé did not pro-actively respond using any social media. Instead, Nestlé deleted Facebook comments and posted very angry status updates about the use of the “modified” Nestlé logo. Greenpeace globally used other

peaceful demonstrations online and in-person to call attention to the orangutans' plight.

Only 10 weeks later, in May of 2010, Nestlé announced it would stop sourcing the unsustainable palm oil, a huge victory for Greenpeace and social Networking. The Nestlé board's failure in social media and its lack of social crisis management contributed significantly to Greenpeace's success to influence the decision-making process and highlighted the potential impacts-both positive and negative-on a company's brand.

The 2009 Deloitte LLP *Ethics and Workplace Survey on Social Networking and Reputational Risk in the Workplace*<sup>3</sup> investigated directors' attitudes about social networking concentrating on the significance of social media for boards of directors. Fifty-eight percent of executives felt that the reputational risk associated with social networking should be a board room issue, but only 17 percent indicated that they currently had monitoring and mitigation programs in place. Further studies found that less than 5% of directors admit having ever used social media, citing privacy concerns and widespread mistrust. Boards have largely left it up to management to determine the company's social media strategy, if it has a social media strategy at all! The ramifications for the boardroom from social media extend far past reputational risk into areas such as information gathering and competitive analysis. Directors can no longer ignore the implications of social media for corporate governance, operations, and socialization.

### **What is Social Media, and Why Do Boards Need It?**

“Social Media” broadly defines all online media – text, photos, messages or video– that take on a social aspect: starting conversations, and encouraging people to send information to others. Why can these kinds of media be useful to your board?

Because it is popular and people already know how to use it! Boards can find social media a cost effective way to communicate to stakeholders, engage current supporters, and reach new ones.

Organizations, whether corporate or voluntary, cannot be totally run by stakeholders—those who have a vested interest in the products or services the organization provides. They cannot possibly plan, discuss, decide and actively manage the duties an organization requires. Therefore, most organizations provide for a governing body to act on the stakeholder’s behalf, most often called a Board, Board of Trustees, or Board of Directors. Boards act on the behalf of stakeholders and are accountable to them. In addition to overseeing business and monitoring the finances, a board often determines the organization’s policies related to governance, structure, social responsibility and ethics.

Some boards, especially those with older directors, look at Facebook or Twitter as something they don't understand and don't want to know. Even if they are using social media, many companies are doing it wrong—using Facebook pages or tweets merely as bulletin boards rather than tools to form board to stakeholder relationships or motivate stakeholders to action. But, social media networks can be useful to the Board if used correctly. Creating online content is not an easy task. Nor is it easy to develop relationships between the stakeholders and the Board of Directors. Communication is still the doorway and, in today’s transitioning society, social media is the key.

## **How Boards Interact with Social Media Networks**

Stakeholders increasingly are online to connect, seek advice, offer guidance and discuss products and brands. Many boards do not recognize how to use these conversations – by diverse stakeholders on different technology platforms – that occur, either rapidly or over the course of weeks and months. Plus, unless there are good measures of the financial impact of social media, with clear benefits, it is difficult to justify resources— whether human or financial—for following social media networks. But this could be

a mistake! Social media networks enable targeted interactions with stakeholders to whatever degree they are invested in the organization. McKinsey and Company identifies four primary functions of social media—to monitor, respond, amplify, and lead behavior—that can connect, and ultimately bind stakeholders to the board:

**Monitor** social channels for trends and insights. Boards can understand how stakeholders, customers and the public at large feel about their organization by monitoring one or more of the social networks.

**Respond** to comments. Whether complaints or suggestions, being responsive to the postings is critical.

**Amplify** current positive images or activities. Referrals, experiences, forums and communities are ways to reinforce positives about the board and the organization.

**Lead** changes in behavior, perception and attitude. Brand exposure, content awareness, promotion, and obtaining customer input promote change and openness to the board.

Ultimately, social media convert knowledge to action. But, the fact that social media can influence stakeholders at every stage of their integration into the organization journey doesn't mean that it should. Depending on the industry or organization, some actions and investments of human and financial capital provide a greater competitive advantage than others.<sup>4</sup>

## **Why does the Board need Social Media?**

Early peoples used tom-toms and smoke signals to maintain community as they progressed from gatherers to hunters. Guttenberg's printing press enabled the Renaissance in which people began to read and think for themselves, bringing on great transformations such as the Protestant Reformation. Television, like radio before it, brought the world into homes and, with it, the rise of social activism, including civil rights, women's rights or the war in Viet Nam. Today we see the advent of social media networks generating even more interesting results, whether flash

meetings or the uprisings against tyrannical rule in the Middle East, a.k.a. the “Arab Spring.”

So how do boards respond to a constantly changing landscape? Here are a few areas on which boards should focus to insure that their organizational and governance responsibilities are being prudently exercised and that their corporation can become more proactive, rather than reactive, to issues that arise using social media:

**1. Manage reputation risk.** As executives, employees and board members blur the boundaries between their professional and personal lives, the reputation risk is growing for companies. The *2009 Deloitte Ethics and Workplace Survey*<sup>5</sup> noted that “there is a persistent gap between employee and employer views on the appropriate use of and access to social media sites” and nearly three-quarters of the employees interviewed agreed that using social networks makes it easier to damage a company's reputation.

The SEC has recognized corporate blogs as a type of public disclosure. “Guidance on the use of Company Websites” issued in August 2011 outlines the boundaries for sharing information and holds companies and their employees liable for the information that they post on blogs, networks, communities, and discussion forums.<sup>6</sup>

During the Gulf of Mexico oil spill crisis, British Petroleum (BP) learned this lesson the hard way. BP's unofficial twitter site<sup>7</sup> reached 155,000+ followers and became the main source of information for shareholders, surpassing by tenfold the official BP public relations twitter account<sup>8</sup> (fewer than 40,000 followers).

**2. Communicate with the public and shareholders.** Companies now leverage social media and, in particular, Twitter, to announce new nominations and changes in the board of directors. Although the corporate world still lags far behind not-for-profit organizations, this trend is likely to continue.

The National Investors Relations Institute ([www.niri.org](http://www.niri.org)) holds multiple seminars annually on social media and board communications, such as *Targeting the Media and Pitching Your Story*, a three part webinar series covering how to: 1) gain the attention of your shareholders and potential investors; 2) obtain

tips on how to pitch your story; and 3) understand the differences when pitching your story to print, broadcast and online media.

Whether a food company announcing a recall, or a utility keeping its customers updated on outages, corporations are beginning to use social media to develop relationships with the public, shareholders, and their customers.

**3. Manage directors and corporate liability.** Information that causes a change in a security's price or buy/sell activity, if posted on Facebook, in a blog, or on any of the other social media, could result in a securities or restraint of trade investigation. Whether justified or not, any claim can damage a board and consume a large amount of time to rectify.

On July 20, 2007, *The Wall Street Journal*<sup>9</sup> revealed that Whole Foods Market CEO John Mackey used, for at least seven years, the pseudonym "Rahodeb" (an anagram of his wife's name, Deborah) to post to Yahoo finance forums. He referred to himself in the third person and criticized rival supermarket chain Wild Oats Markets. The Federal Trade Commission approved a complaint challenging Whole Foods Market's approximately \$670 million acquisition of its chief rival, Wild Oats Markets, Inc. It authorized the FTC staff to seek a temporary restraining order and preliminary injunction in federal district court to halt the deal, pending an administrative trial on the merits. After an extensive regulatory battle with the FTC, a federal appeals court consented to the deal. Whole Foods officially completed their buyout of Wild Oats on August 27, 2007.

In May 2008, after an SEC investigation cleared him, Mackey started blogging again. In a 2,037 word post, he wrote about why he began blogging in the first place and how his upbringing drove him to defend himself and Whole Foods. He admitted he made a mistake in judgment, but not in ethics.<sup>10</sup>

**4. Independent intelligence to avoid blind spots** Corporate managers have a tendency to filter the information they receive and pass on to both employees and the board. So as to avoid solely relying on market/strategic intelligence that has been provided by management, boards are starting to include independent sources of information for their discussions. Social media provides an

unfiltered look at customers' and stakeholders' concerns about the company as well as insights and potential improvements that may never be expressed in any other way. Social media networks are not easily manipulated and offer a unique look at company information through both the customer's and shareholder's eyes.

Social media can be leveraged to provide insights into emerging business models that competitors may be examining, or that the board itself needs to examine. The board should understand the risks posed by potential new competitors who know how to harness the power of social media. Directors should relentlessly investigate emerging new players – especially those coming from adjacent industries, and challenge all their assumptions about existing industry boundaries. Some examples abound:

Google Voice directly competes with traditional telecommunication companies by offering free local and long distance calls.<sup>11</sup> Google has capitalized on its search customer data base and created a service that uses existing infrastructure to provide all the features of a traditional phone service, plus features unique to Google's suite of products—all at no cost! If the commodity is the same and one option provides more value to the customer, which option will the customer choose—especially if it is at a low or no cost?

Many of the social media sites even have “forums” where users can ask questions and others in the social network can respond with answers. These question and answer “sessions” can last many months, after which they are “closed” to new answers. Then they are archived, to allow others the opportunity to search the contents to find answers later.

**5. Recruit executives and directors** No longer does a board need to wait to learn about candidates' qualifications for positions – whether on the board or working for the board—because this information can be found online—many times posted by the candidates themselves. LinkedIn provides on-line resumes and may provide contacts that yield even more information about the individuals.

Boards need to ask the question: How can corporations or not-

for-profits expect to improve corporate governance if they keep electing from the same group of individuals? Current options are limited to tapping into a network of slow, pricy, but established board recruiters or, more frequently, having the annual “who do you know” conversation around the boardroom table, which tends to perpetuate the “good old boy network” with a shallow pool of similarly-minded director candidates. These constraints limit the potential talent, skills, experience and expertise in the boardroom and impact the goals and integrity of the company. Boards need to shake up the process for board recruiting and governance. By searching through social media sites, names of candidates can be pulled and pooled to fit a position on the board, depending on the other board members’ strengths.

### **Available Social Media Tools<sup>12</sup>**

As of July 2012, here are some of the more wide-spread social media tools in use:

#### **Facebook<sup>13</sup>**

When “social media networking” is mentioned, most people think of Facebook. Started to allow people to keep in touch with extended groups of friends and family, Facebook works around the person. Each person has a profile that can contain their age, birth date, marital status, religious preference, political affiliation, etc. They can post updates of what they’re doing or thinking — including photos or videos. People in the network — their Facebook “friends” — see those updates and can comment on them, allowing friends to keep up with each other without much effort.

As more people use the site to stay in touch with each other, many organizations have launched Facebook pages to reach their followers. Facebook users who “like” your organization—essentially listing themselves as supporters—see updates without needing to navigate to your page, and can get involved in discussions with other supporters. It’s a way to take your message to your supporters rather than trying to bring them to you. The popularity of Facebook, makes it worth creating a page to ensure



that people looking for you can find you. Additionally, a page with a lot of “Likes” appears considerably more valuable, so you’ll want to devote staff time to managing and maintaining the page for maximum effectiveness. As with any communications method, Facebook takes two to four hours a week to use well. Use Facebook to:

- Increase website traffic
- Move people to take action
- Increase email contact opportunities
- Increase donations or purchases

### **Twitter<sup>14</sup>**

Twittersphere (or alternatively Twittiverse) has just been added to the Oxford Dictionary of the English Language in May 2011, demonstrating the growing use of Twitter. But what is it? Twitter is an Internet-based service that allows a minimal organizational profile that sends out a stream of short messages called “tweets” — updates about what you are thinking about, what you are doing, conversation starters, requests for help, or links to resources of interest. Messages are limited to 140 characters or less, the same as the maximum length of a text message on cellular phones. Therefore, Twitter allows people to send and receive tweets on their cell phones.

People can subscribe to “follow” your tweets, and if they like a message they can “retweet” it—post it again so their own followers see it. Retweeting is where the power of Twitter lies. If a post is so interesting that it’s retweeted exponentially, you touch a huge number of people very quickly. Twitter users tend to be older than the average Facebook user, and they are relatively media and technology-savvy. Twitter is a great way to reach media, supporters, clients and skilled potential executive and director candidates. Planning what to tweet takes longer than tweeting itself—unless you cannot trim your thought to 140 characters. Most persons spend between one and two hours per week tweeting.

Use Twitter to:

- Listen more effectively in the overall corporate or nonprofit

space

- Reach new supporters for organizations
- Enhance relations with audience
- Increase sales or fund-raising for organizations

### **Blogs**<sup>15, 16, 17</sup>

Many associations struggle with the idea of having a blog for their organization's website. Social media consultants recommend that every company have one, but many companies find that they have limited success. A blog is a website page where one or more people post *frequent* entries about what's going on in the organization, from their personal perspective. But this website page is structured as short articles, listed in reverse chronological order, and almost always is written in the first person. Most blogs are text-based, but they can include clip art, photos or videos. Frequent posting is key to keeping readers coming back, and for search engines to rank your blog higher than others with "stale" content. Blogs are especially useful to publicize your organization's expertise on a topic of major interest — a useful way to educate your constituents and/or promote your cause.

Blog posts are generally less time-consuming than an article or report, and are written in an informal, conversational tone. If you're less concerned with educating, a blog can connect with your constituents by telling a story from work, showing the difference volunteers have made, or providing a behind-the-scenes look at your organization. Whatever way you use your blog, it should help promote your website and online information. Blogs are great content for search engine optimization, making your organization and your website, if you link to it from your blog, easier for search engines to find.

Use blogs to:

- Increase Website traffic
- Reach new supporters for your organizations
- Move people to take action
- Enhance "personal" connectivity with readers

### **LinkedIn**<sup>18</sup>

This site targets business professionals interested in networking. The LinkedIn profile—essentially a resume—describes people’s skills, work history, educational background, references, associations, and even books that they are reading. Profiles can be “linked” to persons they know, allowing boards to see complete profiles and the entire “connections” list of joined stakeholders. LinkedIn has two facets: first, it works like Facebook, with groups for professional networking; second, it’s useful to search networks to find potential contacts and new friends. LinkedIn is likely to be of particular interest to groups who support people in their jobs, like an association of parliamentarians, for instance, or have a focus on specific careers. An organization can create a LinkedIn group for people to join and post comments about the organization.

LinkedIn is useful as a recruiting tool. It provides multiple ways to find connections to people that could enhance your organization — donors, staff members, volunteers, or board members, especially those with specific skill sets. Since LinkedIn allows you to view all contacts for each organizational group member by looking through their connections, it can be straightforward—although time-consuming—to locate new persons to invite to get involved.

Use LinkedIn to:

- Recruit new members to an organization
- Provide a professional networking site
- Continue relationships with supporters
- Find potential board members with ties to existing stakeholders

### **Photo Sharing**

Instagram<sup>19</sup>, Flickr<sup>20</sup>, Picasa<sup>21</sup> or PhotoBucket<sup>22</sup> are free websites to share photos. People who will not bother to read a blog or website will often click to see photos. Because it easy to post digital photos online on these sites, they are mostly used for sharing pictures from an event or for special “communications.” Most of these sites make it easy to tie the images to your website, blog or Facebook page— e.g. three random photos out of your event photos on Flickr can be

posted on your website’s “Events” page. Some corporations are also researching how to use these sites in more “social” ways—for example, to collaborate and build community. Photo-sharing sites have created cause-related photo groups for organizations and like-minded people to post and download photos with each other. This type of collaborative effort opens different paths to new potential supporters and partners. Some sites let viewers comment on photos, although people are more likely to comment on a Facebook page photo than on a photo sharing site.

Use photo-sharing sites to:

- Increase website traffic
- Show new supporters how the organization functions
- Allow people to post their own pictures and become socially involved
- Move people to action after seeing pictures

### **Video Sharing**

With the advent of cell phone video cameras and low-cost Flip-style digital video cameras, video is easier to capture than ever before. And with sites like YouTube<sup>23</sup> to post and share the video, the use of video is becoming more attractive and accessible to boards and their companies. Using video as part of a fundraising campaign can boost the appeal. Some create videos to educate or persuade stakeholders. Some boards even video the open portions of their meetings, so that they can be viewed later by constituents. Ways to augment your own videos include:

**Ask supporters to provide videos.** Your supporters now have the tools and interest to create videos themselves to build a video repository about your cause.

**Host a video channel.** If you compile a lot of video, it’s possible to create a “channel” of videos grouped together on one page.

**Encourage conversation around videos.** YouTube allows anyone to comment on any video. Although comments can be random, some comments can spark useful conversation among constituents.

**Spread the word.** People like short, entertaining videos which may cause supporters to pass the links on to friends and family, spreading your message. The hope is that the video will go “viral”—that many people will each pass it on to more, creating exponential growth and wide visibility.

**Ask constituents to vote your videos up.** Similar to “liking” on Facebook, you can ask supporters to “vote your videos up” on a site like YouTube. Those viewed and liked by a lot of people are more likely to be shown on homepages and category pages, with even more visibility.

Like photo sharing sites, you can share video by simply putting up videos when you have them or you can create a “channel” over time.

Use photo-sharing sites to:

- Increase website traffic
- Show and tell new supporters how the organization functions
- Increase social involvement through posting videos, comments or votes
- Move people to action after seeing pictures

### Notes:

<sup>1</sup> Steel, Emily, “Nestlé Takes a Beating on Social-Media Sites: Greenpeace Coordinates Protests Over Food Giant's Palm-Oil Purchases,” *Wall Street Journal*, March 29, 2010, accessed 7 June 2012, <http://online.wsj.com/article/SB10001424052702304434404575149883850508158.html>

<sup>2</sup> <http://www.youtube.com/watch?v=VaJjPRwExO8>

<sup>3</sup> *2009 Deloitte Ethics and Workplace Survey*, accessed 8 June 2012, [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us\\_2009\\_ethics\\_workplace\\_survey\\_220509.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_2009_ethics_workplace_survey_220509.pdf).

<sup>4</sup> “Demystifying social media”, McKinsey Quarterly, accessed 8

June 2012,

[https://www.mckinseyquarterly.com/Demystifying\\_social\\_media\\_2958](https://www.mckinseyquarterly.com/Demystifying_social_media_2958).

<sup>5</sup> 2009 Deloitte Ethics and Workplace Survey.

<sup>6</sup> United States Securities and Exchange Commission, *Guidance on the use of Company Websites*, 17 CFR Parts 241 and 271 Release No. 34-58288, 100 F Street, NE, Washington, DC 20549, August 2009.

<sup>7</sup> <http://twitter.com/#%21/BPGlobalPR>

<sup>8</sup> [http://twitter.com/#%21/BP\\_America](http://twitter.com/#%21/BP_America)

<sup>9</sup> Kesmodel, David; Wilke, John R. "Whole Foods Is Hot, Wild Oats a Dud -- So Said 'Rahodeb' ". *The Wall Street Journal*, July 12, 2007.

<sup>10</sup> "Back to Blogging", John Mackey's Blog, May 21, 2008, accessed 8 June 2012,

<http://www2.wholefoodsmarket.com/blogs/jmackey/2008/05/21/back-to-blogging/#more-26>.

<sup>11</sup> Google Voice, accessed June 11, 2012,

<https://www.google.com/voice>,

<sup>12</sup> Adapted from the *Nonprofit Social Media Decision Guide*, Idealware/Balance Interactive, October 2011.

<sup>13</sup> Facebook, accessed 9 June, 2012, <http://www.facebook.com/>

<sup>14</sup> Twitter, accessed 9 June, 2012, <https://twitter.com/>

<sup>15</sup> Wordpress, accessed 9 June, 2012, <http://wordpress.com/>

<sup>16</sup> Blogger, accessed 9 June, 2012,

<http://www.blogger.com/home&followup=http://www.blogger.com/home&ltmpl=start#s01>

<sup>17</sup> Drupal, accessed 9 June, 2012, <http://drupal.org/>

<sup>18</sup> LinkedIn, accessed 9 June, 2012, <http://www.linkedin.com/>

<sup>19</sup> Instagram, accessed 9 June, 2012, <http://instagr.am/>

<sup>20</sup> flickr, accessed 9 June, 2012, <http://www.flickr.com/>

<sup>21</sup> Google Picasa, accessed 9 June, 2012, <http://picasa.google.com/>

<sup>22</sup> Photobucket, accessed 9 June, 2012, <http://photobucket.com/>

<sup>23</sup> YouTube, accessed 9 June, 2012, <http://www.youtube.com/>

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