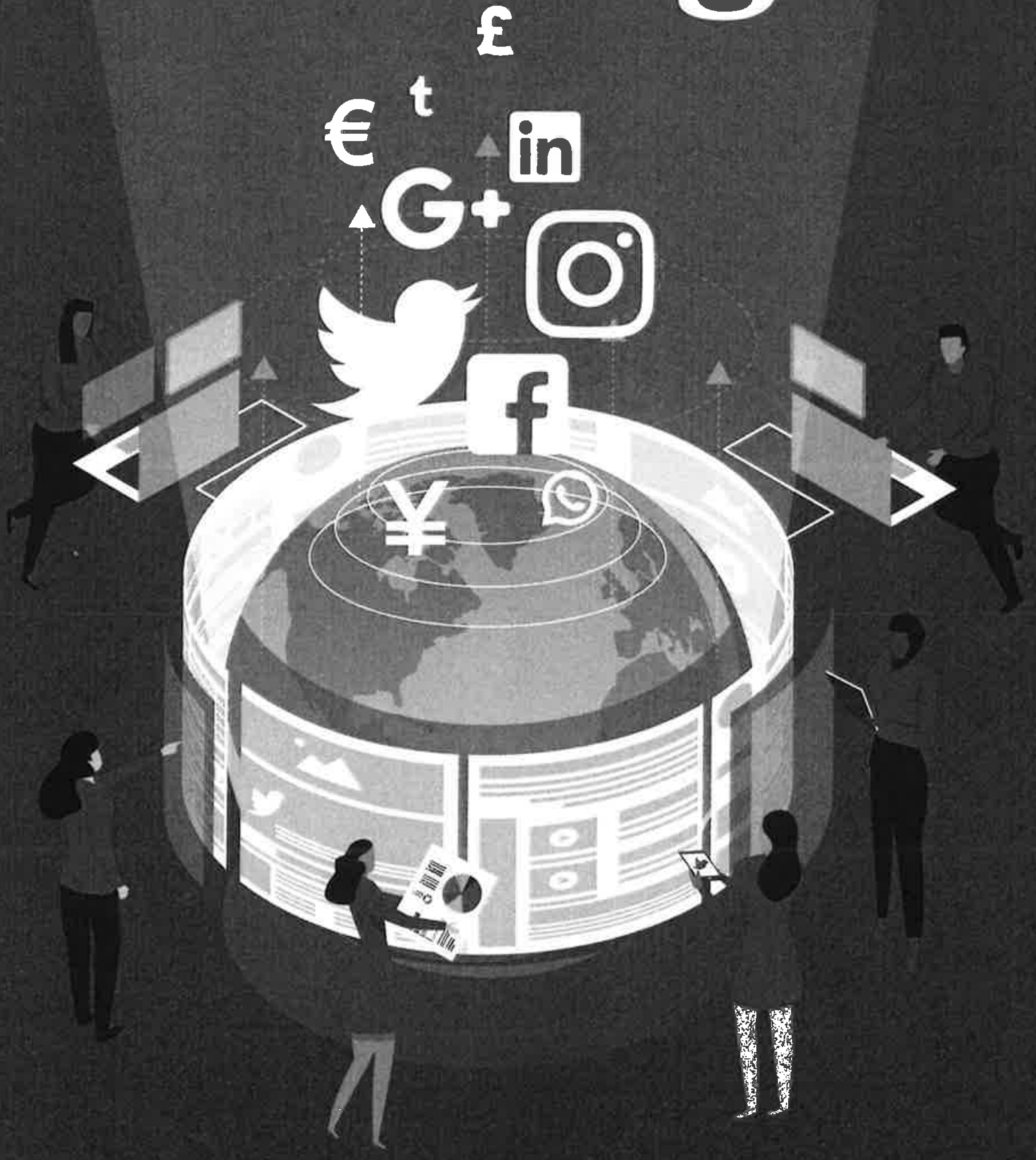
Look who's talking



Managing organisational reputation in the age of social media.

"We don't have a choice whether we DO social media, the question is how well we DO it," says Erik Qualmann.

The author of *Socialnomics: How Social Media Transforms the Way We Live and Do Business* has a point.

While many organisations think they have a choice about whether or not they should get online, in reality, their customers and stakeholders are already online discussing them.

Social media is a powerful part of the digital revolution, providing platforms that allow people to network, congregate and communicate with organisations. These so-called Web 2.0 technologies change the traditional power dynamics of media. Where once marketing was one-way, requiring access to technologies of distribution, now anyone can get online and speak their mind.

This ability to talk back means social media is high on the list of things that directors should consider when thinking about risk management.

THE STAKEHOLDER SPEAKS

For businesses, this means the potential for consumers or interest groups to leverage social media to pressure companies into modifying their behaviour. One recent example of this is the Uber boycott where, following allegations of sexual harassment in the company, a hashtag began called #DeleteUber. In the next week, more than 500,000 people deleted their accounts. Back home, a recent example is the social media pressure instigated by SAFE (Save Animals from Exploitation) on the supply of caged-hen eggs to supermarkets. This pressure resulted in Foodstuffs and Countdown both making pledges to source cage-free eggs from suppliers in the next 7–10 years.

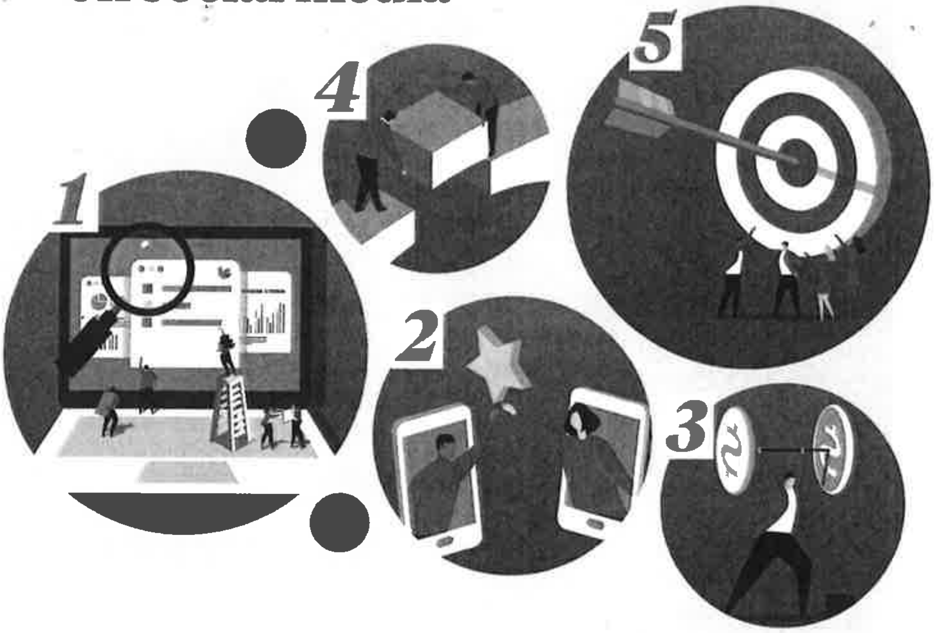
Social media activism from stakeholders can have a significant impact on the company's bottom line. Like cyber breaches, the reputational damage can tarnish the brand and impact on how customers engage with, and purchase the brand.

To make matters even more complicated, it is not just real crises that organisations need to worry about – they also need to consider the potential impact of fake news or slander. A recent study by Massey University Senior Lecturer Jenny Hou, in partnership with US PR consultancy Burson-Marstellar, found that, although it is not yet common in New Zealand, fake news is on the rise. The example she points to is a story on social media that quickly spread claiming the Kaikōura earthquake was caused by oil company fracking.

It's important that directors have a crisis communications plan in place in advance, providing guidelines on identifying the type and thresholds for identifying how serious a social media crisis is. It should also nominate who is contacted when a crisis occurs and who signs off on what and provide sample responses that are already signed off in advance.

The board has a key role in managing a crisis, even when management is dealing with the operational aspects. Directors can anticipate and prepare for problems (and may minimise or prevent them) by having a clear understanding of strategies and risks. *The Four Pillars of Governance Best Practice* has chapters called "Crises and the board" (2.14) and "Risk management" (3.4), which may be of use. >>

Tips for managing stakeholder and shareholder engagement on social media



1. Use social media to authentically tell your story. Social media provides a powerful vehicle for you to tell the story of your organisation. Too often, companies focus only on marketing without highlighting the kind of culture that comes with the organisation. Social media is the ideal place to tell the backstory of your brand, offering snapshots into the way colleagues relate to each other or behind-the-scenes views of how a product is made.

2. Listen to what people are saying about your organisation. Social media is an important feedback tool, so it is a good idea to incorporate social listening as part of your daily routine.

3. Use paid advertising to push out your messages. Use website pages that have information about your organisation for stakeholders or shareholders, and push these out through social media. This can make it clear to users where to go to find out more information on your website about a particular issue before a crisis happens.

4. Respond quickly to controversy. Small controversies can quickly grow into larger ones on social media as other users rally behind someone who feels that they have had bad treatment or is presenting a good point. It's important to catch these comments early and respond in a way that defuses the crisis.

5. Paid search; Using search targeting can help you to catch shareholders or stakeholders on their way to finding information, directing them to web pages that tell your side of the story.

SHAREHOLDER ACTIVISM

Social media's impact can also be influential in shaping shareholders' decisions.

A little over a decade ago, social media looked like a powerful force for minority shareholder activists to congregate for action. In 2005, Eric Jackson used YouTube, a platform that had just launched, to critique Yahoo's stock performance, in a campaign called Plan B for Yahoo. Jackson shot videos and loaded them onto a Wiki and YouTube using a widget called YouChoose.net to get other shareholders to transfer their shares to his cause. The result? Although beginning with just 96 shares, Jackson had a significant role in instigating the departure of then Yahoo CEO Terry Semel.

Another titan associated with this period was Carl Ichan, who gained 160,000 followers in less than a year through a very public battle with Dell Inc opposing a proposed management buy-out.

Other examples of the use of Web 2.0 technologies for shareholder activism during this time include Shareholders' Square Table, published by Ichan, and MoxyVote, a short-lived but influential experiment in creating a platform for minority shareholders.

The board has a key role in managing a crisis, even when management is dealing with the operational aspects.

Influencers still play an important role in informing shareholder decisions. A 2015 study by FTI Investing found that 40% of investors in the US seek information from third-party influencers via social media, including financial and business media, institutional investors and proxy advisers.

Directors need to have an awareness of how current and potential investors are searching for their organisation and where they are getting information. If portfolio information is available but buried in your website, you may need to look at how people search for this information.