

Social Media Boardroom Strategy



The internet connected the world & social media websites closed the gap of receiving delayed information. Social Media websites, such as Facebook, LinkedIn, Twitter, & others allow users to communicate & share information instantaneously via instant messages without skipping a beat.

When it comes to corporate governance of social media, according to PwC, the global adoption of this phenomenon has a direct impact to your organization as employee, customers, investors, and stakeholders participate in social communities...directors are faced with sorting out how social media impacts the firms that they oversee and their own roles on boards.

According to Martin Coyne, lead independent director at Akamai Technologies (AKAM), "All CEOs and their boards need to know the basics of social media. This includes how social media can impact their companies and also how they can proactively use social media as part of their business strategy."

Investors believe that the boardroom has been unfortunately slow to understand the changing landscape and incorporate social media in strategic planning. David Larcker of the Stanford Graduate School of Business informs that only "21.7% of board members have a very good understanding of the impact that social media can have on your company. This is a not a great number, a \$12 Billion move in Apple stock seems to have started with Tweets (Twitter messages) from a single anonymous source in China."

In this article, I will provide recommendations for board members incorporating social media into strategy and present a new governance model, titled "**The Observant Governance Model**" in compliance with Regulation Fair Disclosure (Reg FD).

The biggest issue that board members are concerned with social media corporate governance is Reg FD. According to Attorney Benjamin S. Fischer, Reg FD requires companies and their representatives to disclose material nonpublic information through the filing of a Form 8-K with the Securities and Exchange Commission.

The Regulators

The Securities and Exchange Commission April 2, 2013 issued a report that makes clear that companies can use social media outlets like Facebook and Twitter to announce key information in compliance with Regulation Fair Disclosure (Regulation FD) so long as investors have been alerted about which social media will be used to disseminate such information.

Board & Management

Board members & management are viewing social media's narrowly & not realizing its true potential of a powerful communications tool if enacted well. According to McKinsey report, firms that embrace Web 2.0 (social technologies) and social media are more likely to be market leaders, have their market share increase, and use management practices that lead to higher margins.

Social media skills are a way to enhance board diversity. In 2011, Starbucks added Clara Shih to its board. [@clarashih](#) had written *The Facebook Era*; landing her on the New York Times Bestseller.

Management wants social media to be a new viable revenue stream & a future cash cow. In the world of Twitter;

- 1) Microsoft, Porche & Sharpie all have run successful campaigns in attracting new customers or followers to their brands.
- 2) Virgin America, increased brand awareness by running special advertising campaigns and raised \$50,000 in charitable donations for Stand Up To Cancer. It was also one of the top five sale days ever for the airline.
- 3) Receive free advertising when a twitter user “re-tweets” or reposts someone’s comments.

According to Lucy P. Marcus, [@lucymarcus](#) a board director & expert on corporate governance, who has been to dozen of gatherings of directors in the past couple of month and the big elephant in the room is social media. When she did a quick search for them (directors) on Twitter or LinkedIn with their company name, or their own name, and they realized that there is a whole conversation going on that they know nothing about. In some cases it left them somewhat shell-shocked.

This is not surprising, as in PwC’s last year annual corporate director’s survey, social media is a topic that’s particularly challenging. Less than 2% describe themselves as “very engaged” in overseeing or understanding employee social media training and policies.

What are board members to do?

According to Ray Pellecchia, [@RayPellecchia](#) former communications VP of the NYSE Euronext “directors should at least monitor social media so as to get a different perspective on a company’s reputation & brand.

Incorporating Social media into Strategy

- 1) For starters, the board could ask management to prepare a presentation for them about the company’s social media policies & procedures, marketing campaigns & budget allocated.
- 2) Inquire about country specific-targeting such as in China, Brazil & India using social media tools.
- 3) The board also needs to fill missing technology gaps on its ranks by adding more IT savvy folks.

Martin Coyne (AKAM) believes, “the impact of social media should be routinely incorporated into strategy discussions. Boards should ask the question: How do we harness the power of social media offensively and defensively? CEOs and director need to learn continuously and make sure they have access to expertise to make the right social media decisions.”

Lucy Marcus believes, “not every business needs a board director who is an expert in social media, but every board should ensure that new directors they bring onto the board have an understanding and fluency with social media. It should be a baseline skill they bring to the table.”

Avoiding Proxy Wars

Social media can be a powerful communications tool in communicating with larger audiences, potential investors & shareholders in avoiding proxies. It is becoming the norm that many directors are scheduling frequent calls with large shareholders & fund managers to engage them in strategic planning early on. Small shareholders are banding together, in the case of Moxyvote. In Feb 12, Johnson & Johnson signed up for Moxyvote to communicate with shareholders as well as offer those investors a way to efficiently vote J&J proxies. It was a good experiment welcomed by corporate governance experts. Unfortunately the company closed its doors later in July due to “regulatory impediments to fulfilling its mission.” Reading between the lines, the company simply ran out of cash.

The Observant Governance Model

- As companies have Twitter / Facebook accounts, create an account in compliance with Reg FD which will communicate on behalf of the board.
- The account can tweet dates of upcoming investor calls, annual meetings & speaking engagements of board members.
- The committee can periodically report back to the board issues needing their attention.

The accounts should be monitored by a committee comprising of the Corporate Secretary, Investor Relations, legal team, HR & Public Relations. Your current employees that monitor social media for reputational risk can share expertise in bridging the learning curve.

According to PwC, *Engage*. From a personal learning perspective, it's difficult to understand the power of an experiential medium without experiencing it. The benefits of experimenting it as a communications tool will outweigh negative connotations. It may seem a farfetched idea but not so long ago, delivering live 24 hour news CNN & the IPAD were thought as farfetched ideas. Social media offers wealth of opportunities & tons of pitfalls, but not venturing or experimenting as an early adopter gives advantages to your competition.



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CEO, financial expert & global 200 audit executive having advised NYSE & NASDAQ listed International boards. NACD Governance Fellow.

Can contribute to full strategy discussions involving social media, cyber security, International expansion in emerging (China, Brazil, India & Middle East) & developed markets, M&A, International accounting IFRS rules, corporate governance, shareholder lawsuits & global FCPA fraud investigations.

Advised global 50 financial institutions, hedge funds, private equity, conglomerates & fortune 500 on Sarbanes Oxley, Dodd Frank & technical accounting in the Financial Services, Mortgage, Insurance, Technology, Media, Pharmaceutical, Biotech, Healthcare, Services, Legal, Defense & Telecom industries.

- Qualified to serve as an Independent director on the Audit Committee, Nomination & Governance Committee, Compensation and Executive Finance Committee.
- Traveled the globe & fluent in five International languages.

MBA Management & MS Management Information Systems. Completed executive education from the Harvard Business School with a career track in corporate governance Audit Committee programs.

NACD honored him as a top corporate governance leader in 2012 for his social media presence on Twitter. Member of the Financial Executives International (FEI) association, where he provided editing comments to the COSO governance framework's revision in 2012. COSO is used by public companies in determining Internal Controls over Financial Reporting (ICFR).