

AUDITING SOCIAL MEDIA

**A Governance
and Risk Guide**



**PETER R. SCOTT
J. MIKE JACKA**

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Auditing Social Media

A Governance and Risk Guide

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To my father for his perseverance and generosity, to my mother for her strength and courage, and to

Taberi, my wife, for everything

—Peter

To Sally and Dan, who opened my eyes to what was going on

—Mike

Foreword

As I look back on my career at Microsoft, I feel fortunate to have had a front-row seat to witness an incredible shift in how people and organizations communicate and interact. I started at Microsoft in October 1994—about a year after America Online released AOL 1.0 for Windows. As an early adopter of social media, Microsoft’s “technical evangelist,” Robert Scoble, emerged as a social media pioneer in blogging and producing videos of our employees and products as part of Microsoft’s Channel 9 and MSDN Video team. Since then, we’ve led the way in embracing the power of online communities.

Today, people around the world are sharing their opinions and experiences about practically everything and anything. What started out as small groups of like-minded people talking about their profession and passions has transformed into an unbridled content democracy. Anyone with Internet access can readily voice his or her opinion, create multiple forms of content, create new products, and—in their own way—change the world.

Over the past few years, organizations around the world have been trying to figure out how to enter the social media pool. Some decided to jump in and quickly learn how to swim. Others were pushed into the deep end and figured it out after thrashing around a bit. And there are even those who chose to stay out of the water, hoping to avoid risk. Unfortunately, if you believe you can simply avoid social media—you can’t. You or your organization can choose not to participate, but that doesn’t mean people are not talking about you, your products, your programs, your customer service, or the people within your organization. So while there are risks in engaging your stakeholders using social media, there are also serious risks in avoiding it altogether.

What makes the book you’re reading unique from most books written for internal auditors is that this book is a collaboration between an internal auditor and a social media practitioner. It provides two different perspectives, but one common message. The end result is a guide to help internal auditors and other leaders throughout the organization collaborate to identify the opportunities and risks of social media as a communication medium. Mike and Pete also provide the details of how to create an effective strategy, governance structure, metrics, and audit program to help provide the assurance, insight, and objectivity necessary for success.

As the use of social media continues to transform within organizations, it’s not a matter of *if* but *when* internal auditors will need to play a role. This book is a “must read” for anyone who wants to have a seat at the table and help develop a program that is based on sound business principles.

Rod Winter

General Manager Finance Operations, Microsoft US

2009–2010 Global Chairman of The Institute of Internal Auditors

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Why Should Anyone Care about Social Media?

As you are reading this, it is very probable that someone somewhere is writing about your organization.

Why should you care? People have written about organizations, their products and services, and how they conduct business seemingly forever and, except in rare occasions, it hasn't really been a significant risk. Hundreds of years ago a nameless "accountant" was writing about his "organization" by recording entries in Sumerian that would probably be read only by an appointee of the king. A couple of hundred years ago some Colonial American may have been writing a tract about the poor handling he received at the hands of the local cobbler. As recently as a few years ago, your worst-case scenario may have been a disgruntled employee trying to convince a publisher to print his tell-all book about your organization.

So, if someone is writing about your organization today, why should you be any more concerned than you were in those years long ago?

Because every word that is being typed about your organization by every person who has a nasty kind thing to say has the potential to be read in the homes, haunts, huts, and hideouts of billions of people throughout the world.

In the movie *The Music Man*, the Ladies Guild (in the inspired tune "Pick-a-Little, Talk-a-Little" where images of the busybodies are interspersed with a group of chickens) gossips about the goings on of Marian the librarian. Your organization is Marian, and social media is the Ladies Guild. However, rather than disinformation being spread at the speed of sound throughout a small town in Iowa, the information about your organization is being spread at the speed of light throughout the world.

And it is amazingly pervasive. A little old lady from Pasadena is telling all her Facebook friends (in a group that is scattered globally) that your soap gave her shingles. A struggling rock band has prominently placed your organization's name in its new song "Death to the Corporation," and the associated YouTube video is about to go viral. A preadolescent, a "tween," has tweeted on Twitter that she will shop at your store forever because Justin Heartthrob just tweeted that he liked a shirt he bought there. A blogger who thinks nostalgia is yesterday's dinner has mentioned he never heard of your 75-year-old organization until last week and laments how the upstarts in the industry are degrading its quality. A group of eco-terrorists are flaming your discussion page because they mistakenly believe your organization is supporting the destruction of dolphins in Japanese fishing towns.

That is why you and your organization need to be aware of the previously solitary scribbles of your customers. Whether these comments are intentional or inadvertent, they can have a substantial impact on the bottom line—whether that is in profit and loss, brand equity, or share price. Because an organization cannot control the conversation the way it did in the past, there is a clear need to have a comprehensive understanding of the medium, evaluate the opportunities and risks of social media, and develop a strategic approach that best addresses these issues.

So how do you respond to this burgeoning array of communication? We see three different types of

response by organizations.

The first are like ostriches. These organizations ignore social media, considering it not worthy their time, sticking their heads in the sand and refusing to move forward. These are the organizations that see “Facer” and “Twitbook” as nothing more than the passing fad of egocentric, navel-gazing less-than-20-somethings who want to make sure the world knows what they are doing every second of their lives. Yes, there is a lot of that out there. But the organizations that dismiss social media on this premise will find themselves on the dust heap of history.

The second are like lemmings. They see the rush to a new communication method, think there could be potential value, and run headlong over the ledge of technology to drown in an ocean they never expected. And it doesn't always have to be a headlong rush. Some organizations see others diving in, so they stick in a toe. However, that lemming's cliff is so steep and the waters so deep, the organizations' small foray quickly becomes a commitment and disaster that they weren't prepared for. And that is the tragedy of this second set of organizations. With just a little preparation, with just a few controls, that toe-dip of introduction could have led to great success.

Which leads us to the third and final type of organization. These are the ones who have seen the value of social media, who recognize the time is now, but have also taken a look at the real ramifications and taken the appropriate actions. Whether they dive in or stick in a toe, they are prepared (at least as prepared as anyone can be) for the rocks and shoals of the social media ocean.

So back to our original question: Why should anyone care about social media?

Because every participant in every organization has the opportunity to provide value by helping those organizations see the opportunities and risks related to social media. With a basic understanding of those opportunities and risks, any group can complete reviews that help ensure the organization's successful plunge into those waters.

What we are attempting to do in this book is help you help your organization to be in that third group—*organizations that see the value but understand the risks*. We are not going to be able to give you the specific answers on how to use social media within your organization. That is a broad subject for a different time. However, we provide the overview and tools you need to successfully partner with the business in achieving its social media goals.

CHAPTER 1

Social Media

An Overview

Social media has evolved from basic tools and Web sites used by professors and computer geeks into a behemoth that is fundamentally changing how people connect and converse with corporations, governments, traditional media, and each other. Until the advent of social media, organizations and traditional broadcast media had a stranglehold on the message. Most had the ability, and the desire, to ensure that communications were a simple monologue or, at the most, a very controlled two-way conversation. Without a widespread methodology for individuals to communicate information or opinions about an organization, commentary was limited to a small sphere of influence, mainly done through one-to-one communications—whether in person, on the phone, through the mail, or, more recently, via e-mail. While people would still get together and talk about political issues, brand names, products, and their favorite meal at their local restaurant, the conversation was not scalable; it just simply had no way of reaching the masses.

The broader conversation was the job of the marketing and public relations teams. With sufficient resources, marketing could develop communications that could reach millions through television, radio, and print publications. At the same time, public relations professionals were garnering the attention of traditional media outlets, getting their message out through established news outlets. In both cases, the job focused on pushing messages to the audience and hoping the messages were compelling enough to create the desired outcome.

As time progressed through the mid- to late-1990s, the consumer's ability to go from one-to-one to one-to-few was empowering. People's ability to have a voice that could be heard beyond the immediate sphere of influence was beginning to grow. Through more advanced bulletin board systems, Internet forums, online chat, and personal Web sites, the ability for an individual's voice to reach the masses was about to become a reality. While organizations still resided in "monologue mode," there was the growing realization that this was becoming a trend that would have to be reckoned with in the near future.

For some organizations, this was exciting news. It meant that the small business could have a voice and gain ground on larger organizations with massive advertising budgets. For organizations that wanted to gain a closer connection to their customers, this meant there was now a way to listen and hear what was being said about their organization and products, start a conversation, and potentially develop meaningful relationships with stakeholders. However, for those who were happy controlling the message, this was going to mean a significant change in their overall communications strategy—a change that many did not want to make.

Today, social media has rapidly become part of how people communicate. Over the past seven or eight years, it has transformed from a way people pass time to a significant part of personal and corporate culture. This is especially true as broadband Internet access has become ubiquitous throughout the world. With the ability to instantly upload text, images, audio, and video content—ar-

with the added dimension of immediate global access—traditional media methods have been distorted. This has empowered everyone to become a publisher, creating content and joining conversations regardless of the media format. While all of this opens up tremendous opportunities for businesses to grow closer to stakeholders, it also presents a brand new set of significant risks.

Social media is like water. On its own, water does some cool things, but when combined with other compounds, it enabled the evolution of all forms of life. Social media on its own is nice, but when combined with other tools, it is enabling everything to evolve, from communications to business to politics to marketing.

—Mike Volpe, VP Marketing, HubSpot

Definition of Social Media

There is no single recognized definition of social media. However, within the various descriptions that exist, it can be said that social media is the set of Web-based broadcast technologies that enable the democratization of content, giving people the ability to emerge from consumers of content to publishers. With the ability to achieve massive scalability in real time, these technologies empower people to connect with each other to create (or co-create) value through online conversation and collaboration.

It is important to note that the most significant outcome of applying these technologies is to help foster relationships with people. Whether it is as simple as helping families and friends stay connected or enabling a deeper connection with consumers, employees, vendors, and investors, the global power of these relationships is not only impressive but also evolving rapidly. It is also important that social media not be solely bundled within an IT framework. While there have been new technologies developed that helped facilitate these interactions, for the most part, they do not represent a sweeping change in the risks or auditing of the IT function.

History of Social Media

To gain insight into why social media is so popular and continues to rapidly evolve, it is important to look back and see how it has progressed over time. The following is a timeline of how Internet technologies began to embrace conversations and collaboration, from the early days of bulletin board systems to some of the latest trends in 2010. (We can't be held responsible for what happens from 2011 and beyond.)

1978–1989: The Conversation Begins—One-to-Few

Perhaps the first true social media tool was created back in 1978. The “Computerized Bulletin Board System” was the first form of communication that best meets the definition of social media. Developed by former IBM employee Ward Christensen, the value proposition was simple. Develop a program that would enable members of their community to post a message to others in the group. These were the typical messages about meeting times and locations, saving the community organizers significant time in placing telephone calls. This was the first real case where an offline group used broadcast technologies to enable people to move beyond one-on-one conversation to “one-to-few.” It also allowed for the democratization of their content, allowing members to post content as publishers and deliver value through conversation and collaboration with other group members. Whi

limited in scope, it was also a productive solution, especially considering that potentially dozens of phone calls would have to be made to convey the same message as a single post.

As the practicality of these bulletin boards grew, so did the functionality. While limited by bandwidth and typically not available to the average person, members of these “virtual communities” were able to engage in conversations, converse in message boards, access documents contributed by other community members, and so on. The electronic conversation was beginning.

1990–1994: User Adoption 1.0—The Internet Comes Alive

At the beginning of the 1990s, Internet access was primarily available to government, military, and academic organizations. It wasn't until 1993–1995 that access really opened up to everyone who had a computer. Internet service providers (ISPs) began to offer services in most major U.S. cities. During this time, Prodigy and CompuServe emerged as the leaders, gaining critical mass in the commercial and individual home markets. In the mid-1990s, America Online (AOL) also gained significant popularity with consumers through aggressive advertising and the direct mailing of millions of CDs to consumers. These providers opened up the Internet to individuals through a more refined user interface that allowed them to participate in forums and develop and host basic Web sites.

While still rudimentary in nature, these exchanges were the first steps at a scalable social media solution. Though these services did not maintain their initial popularity, they can be attributed with enabling millions of commercial and home users the opportunity to enjoy their first interactive experiences—including the introduction of e-mail.

1995–1999: The Conversation Takes a Breath—The Dot-com Bubble

The period 1995 through 1999 saw an incredible boom in Web technologies (browsers, Web site design, etc.), e-commerce, and online ad serving (leading to the eventual bursting of the Internet bubble in early 2000). The vast majority of venture capital was applied to commerce and advertising-supported business models, resulting in less emphasis on the “next generations” of social media, and most business models remained with the traditional bulletin-board type application. Although this was a relatively slow period for the evolution of social media technologies, the changes occurring provided the springboard for events in the next century.

There were a few standouts that began to shape the future of social media. ICQ, an instant messaging system, was launched in 1996 and quickly acquired by AOL, eventually becoming the AIM platform in 1997 that is still popular today. Though most used it to only communicate with people they knew personally, it was the first mainstream application of using microformatted content—short packets of content—which is the backbone of the currently popular Twitter publishing platform. Created by users and spreading virally through the instant messaging community, abbreviations such as LOL and IMO have almost become a common part of our offline conversations. And, as much as we might like to, let's not forget emoticons either. 😊

Another precursor for some of today's social media functionality was SixDegrees.com. Initially launched in 1997, the site was based on a “Web of Contacts” business model and allowed a user to establish a profile and connect with friends and family, building a virtual “six degrees of separation” community. It enabled some direct communication with the added ability to share connections with anyone else on the site. SixDegrees.com was potentially ahead of its time, with site users complaining that there was little left to do after accepting “friend” requests, and most users were not interested

meeting strangers. It could not build a sustainable business model (especially during the bursting dot-com bubble) and the site eventually closed in 2000–2001. However, for the next generation of social media organizations, this experiment provided valuable guidance, showing that a true social media application not only supports the connectivity between its members but also allows them to become publishers of content, join in the conversation, and form relationships.

It was also in the late 1990s when blogging began to gain some traction after a very slow start. Initially used as personal diaries, it was during this time that the first organizations began developing hosted blogging tools. The first of many was Open Diary. Launching in 1998, it grew to include thousands of online diaries and was the first community to allow readers to comment on a blogger's post. This was quickly followed in 1999 with the launch of LiveJournal and the extremely popular Blogger, acquired by Google in 2003.

Though it might not seem like much, the ability to add comments was significant because it enabled an ongoing conversation to occur in a more relevant way than bulletin boards. As conversations grew, so did the popularity of the people publishing the content. This was also another key to helping individuals form relationships around a common interest or topic.

2000–2004: The Conversation Grows—One-to-Many

Social media site development really began to take off, both in terms of platform development and content creation, in 2000. This is also when user-generated content began reaching a level of critical mass, providing the first signal to organizations that people were able and willing to create content and join in conversations without organizational participation. While this had always been the case in the offline environment (as well as, to a small degree, online), it was this time when the volume of conversations reached a level where everyone was beginning to notice—and the conversations were becoming somewhat more interesting. While there wasn't a substantive understanding or response by most organizations, savvy communications professionals started to recognize the need to at least listen to what was being said about them and their competitors.

In early 2003, Friendster launched as the first social media platform that seemingly worked out most of the issues faced by its predecessors. Attracting 3 million users in the first six months, Friendster was positioned to dominate the social media platform space and is currently a leading platform in Asia with more than 115 million registered users. This was also the time when the phrase Web 2.0 began to catch on. As opposed to Web 1.0, which focused on centralized Web sites, this new era focused on the “Web as a platform” and was built around the collaborative creation of content and information sharing.

The year 2003 also marked the launch of another well-known platform—LinkedIn. This social networking platform enabled professional colleagues to connect and collaborate together and form groups. It was not only an important communication tool for employees but also for human resources professionals who were looking to recruit new talent. While it took some time to gain momentum, by 2010 LinkedIn claimed to have more than 50 million users, with more than 50 percent located outside the United States.

Another platform that launched in 2003 was Wordpress. This tool allowed individuals who had no programming knowledge to start a blog in minutes and gave people the choice of either downloading the software or using a free hosted solution. Wordpress helped lead the shift in the adoption of user-generated content and “citizen journalism.” What set Wordpress apart from other platforms was that users could host a blog on their own domain and have much greater control over the usability and

design aspects of their sites. Additionally, Wordpress was launched as an open source tool, allowing third-party developers to continually enhance the platform through the development of onscreen tools that are embedded into a Web page—also known as widgets (finally, a widget is no longer a fictional product!). These widgets provided users with significantly greater control and functionality of the sites. Today, a number of the most highly trafficked sites run on the Wordpress platform.

The year 2003 also saw the advent of social bookmarking with the launch of the Web site del.icio.us (now simply delicious.com). This gave users the ability to bookmark a Web page using freely chosen keywords or “tags,” creating a user-generated *folksonomy* (basically a user-generated taxonomy around a particular topic). The differentiator between bookmarking and file sharing is that the data is not stored, but a simple link to the Web page is provided, allowing the user to access the information later. These links can be saved privately, shared within select groups, or made public, allowing users to search through the bookmarks by popularity, category, tag, or date.

While social bookmarking helped people find the content they wanted to save, real simple syndication (RSS) made it easier for content updates such as blog posts, news headlines, audio, video, and so on to be published and distributed in a standardized format. Though it originated in 1997, the current version (RSS 2.0) was developed by Dave Winer, founder of UserLand software. This version was made available in 2003 by the Berkman Center for Internet & Society at Harvard Law School. A typical “feed” will include either the full or summarized text with additional data on author and date. What makes RSS so important is it allows anyone to quickly listen and gather content from a particular publisher. This provides an efficient method of monitoring news and streamlining communication between publishers and readers.

However, the biggest launch in 2003 came in August with MySpace. In what became the most popular online social networking site, MySpace offered users a greater level of on-page control, empowering them to be more self-expressive in how their content was displayed and consumed. This quickly became a popular feature and a significant differentiator from Friendster, catching the attention of everyone from musicians and celebrities to teenagers and major corporations. As adoption grew, having a MySpace page was considered an indication that an organization wanted to have a communications strategy that connected to a younger, hipper audience. It also caught the attention of political candidates and CEOs who wanted to be seen as being in touch with current trends.

Though MySpace has lost some of its popularity, it is still a heavily trafficked Web site and a powerful source of personal communications. The extensive use of this and other sites by employees caused many corporate IT departments to block access because it was impacting workplace productivity and serving as a potential source to leak confidential internal information.

The year 2004 kicked off with the launch of Flickr, a photo-sharing site, which quickly grew to include billions of pages of photos, videos, and community content. Flickr provides a robust community for another form of publisher—the photographer/videographer. With both amateurs and professionals sharing images, tips, and information on photography, the site successfully leverages the aspects of content, contacts, and conversation as a basis to form relationships based on a mutual interest.

The growth of social media platforms did not slow down during 2004. In April of that year Facebook was launched on the Harvard University campus with the initial intent of offering a platform for students to interact. Under the initial domain thefacebook.com, the Harvard networking site grew quickly, leading to expansion on other university campuses, including Stanford, Columbia, and Yale. Expanding to high school students helped propel the next level of expansion in 2005, and, by

September 2006, the site (now [Facebook.com](https://www.facebook.com)) was available to everyone. With a cleaner, more refined user interface, Facebook was the answer for many MySpacers who were frustrated with confusing, ad-laden page layouts. By the end of 2006, Facebook had 12 million users. According to Facebook, that number has grown to more than 500 million active users.

Beyond the design elements offered (or not offered), what has made Facebook addictive is a combination of instant status updates with third-party social games and applications. The status updates allow users to quickly scan the activities and events of their friends, and the social gaming applications create a somewhat addictive environment that increases both time on site as well as interactivity among users.

Facebook's success can also be attributed to the more mature nature of its audience. As opposed to some sites that tend to attract a younger demographic, more than 60 percent of Facebook users are over the age of 35. According to a 2010 survey by Royal Pingdom, social games also appeal to an older, more female demographic with the largest single group being 35 to 44 years old. For organizations, this provides a significant opportunity for listening to, engaging with, and building close relationships with their stakeholders.

While certainly not the powerhouse of Facebook, Yelp, a tool for local searches and consumer reviews, successfully launched in October 2004. By combining the qualities of social networking with a robust user review process for local businesses, Yelp stands out as an innovator for drawing attention to the small to mid-sized businesses. Users benefit by being able to log in, enter a location (city, ZIP code, etc.), along with such terms as "pizza" or "dry cleaners," and discover all the businesses in the area that meet that criteria. Combined with reviews, users can ideally find the best option as determined by the community. For organizations, Yelp is a powerful relationship management tool for listening to their customers. This feedback can be invaluable for thanking happy customers for their business, reading positive comments, and responding to or assisting customers who did not have a positive experience. By 2010, this young start-up had grown into a social media powerhouse, serving more than 30 million active users per month.

2005–2009: User Adoption 2.0—The Conversation Comes Alive

If 2000–2004 was about building platforms and tools, 2005–2009 could be defined as the period of user adoption and the remarkable change in how users connect, converse, and build relationships.

There were major advances in social media tools and technologies that spurred adoption. The first occurred in May 2005 with the launch of YouTube, the video-sharing Web site. Before its public launch, there were not many avenues for the average Internet user to share video. Part of the issue was the availability of broadband Internet access. The other was a lack of online storage. YouTube solved both of these issues and combined it with a simple user interface, overnight empowering virtually anyone to become a publisher of video content.

The second major platform came in 2006 when Twitter was launched (or "hatched" in the sense that their logo is a bluebird). Twitter is positioned as a microblogging (or microformat) method to publish content, and it took some time to gain traction in the marketplace. With a maximum of 140 characters, "tweeting" became an easy form of content publishing that allowed individuals to "follow" other people and provide status updates and information in short bursts. Users, known as "tweeters," can also embed links within their message. By using link-shortening services such as bit.ly, a long Web address can effectively be shortened to just a few characters. While the Twitter platform is interesting, the bigger movement comes from the popularity of the "status update," enabling individuals to

ability to create, share, and converse using shorter forms of content. As Facebook emerged from the college campuses and became available to the general public, combined with the launch of Twitter and the ability to send a text message from a mobile device, social media started to shift from long-form content found in blogs to this shorter form.

Today, Twitter is one of the most powerful tools an organization has to listen to conversations that are happening in real time (search.twitter.com). Many are also finding it to be an invaluable tool for customer service (Best Buy's @Twelpforce) as well as a powerful revenue driver (Dell @DellOutlet).

The third advance came more as a technology innovation than a particular platform. In 2008, shortly after the release of the iPhone 3G, the App Store was introduced along with the ability for third-party developers to create mobile applications. These applications came in many forms, from games to productivity enhancements to social networking tools. Now available in most smart phones, these applications bring the Internet to the mobile device, creating new and interesting ways to connect, converse, and build relationships. It not only enables more people to participate in social media, but also facilitates the expansion of microformat content creation.

2010 and Beyond—The Launch of the Statusphere

The trend away from blogs and static Web pages continues to grow into 2010, as the term *blogosphere* begins to fade and *statusphere* begins to emerge. While there is still interest in blogs, the sharing of opinions, and the desire to participate in online conversations, content creation is moving away from “what I think” to “what is happening right now.” The major accelerant to this shift is based on the global positioning system (GPS) found within smart phones. As developers began to uncover new consumer applications for GPS technology, *location-based services* (LBS) began to emerge, with the intent of unlocking the mobile experience to its full potential. LBS applications essentially allow people to identify their location using the mobile GPS functionality and “check in” at locations. The check-in can be shared through social networks and be seen by their friends. One such service, Foursquare (which launched in 2009), was created as both an LBS social networking site and a mobile gaming application that would allow users to become the “mayor” of locations they frequented as well as earning badges for certain activities or levels of participation. Retailers such as Starbucks have created incentives for their “mayors,” allowing them to receive discounts or free products upon each check-in.

While the concept of the check-in combined with a real-time status update can be a viable method for social networking, individual privacy concerns have risen, primarily among women who do not want to disclose their location to potential strangers. This concept has been dubbed “locational privacy.” Sites such as PleaseRobMe.com were launched as awareness tools to stress the risks of oversharing locations through social networks.

A Minefield of Opportunities and Risks

What began as a way for a few dozen members of a select group to effectively communicate with each other has evolved into a global phenomenon and a major cultural shift in how people connect and communicate. With the recognition that everyone is, or at least can be, a publisher, the organizational implications are tremendous. While this means the organization is no longer in complete control of its message, the good news is that it has the ability to develop stronger and more meaningful

relationships with stakeholders, creating an opportunity to provide much greater value. Through effective listening, connecting, and conversing with stakeholders, organizations can gain a greater understanding of those stakeholder needs. Starting with message forums and connecting with friends, social media has evolved into a diverse set of tools and technologies that enables organizations to communicate with customers in real time based on their exact location. These tools and technologies also enable organizations to “crowdsource” (outsourcing tasks or projects to large groups of people such as customers or vendors), creating everything from new products to television commercials.

At the same time, with opportunity comes risk. To date, the majority of organizations have not addressed the risk of social media. According to the Deloitte LLP 2009 Ethics & Workplace Survey titled *Social Networking and Reputational Risk in the Workplace*, 58 percent of corporate executives agree that the reputational risks that can arise from self-expression through social networking should be a boardroom discussion. However, only 15 percent are actively addressing the issue. More surprising, only 17 percent have formal programs in place to monitor and mitigate the potential reputational risks related to the use of social networks. Additionally, the study cited that only 2 percent of respondents say that their organization has a formal policy to dictate how employees can use social networking tools.

So beyond cool online tools and mass consumer adoption, where is the value for an organization?

It's in relationships. It's the ability to move beyond the monologue (and monolithic) way of controlled communications and embrace an open and honest dialogue. When social media is implemented effectively, it provides a scalable method to foster trust between the organization and the stakeholder to work collectively for mutual gain.

A great example of the value that social media and relationships can bring to an organization can be found in the foreword of Geoffrey Moore's bestseller *Crossing the Chasm* (HarperBusiness, 1991). A Regis McKenna writes:

Fundamentally, marketing must refocus away from selling product and toward creating relationships. Customers don't like to be “owned” if that implies lack of choice or freedom. But they do like to be “owned” if what that means is a vendor taking ongoing responsibility for the success of their joint ventures. Ownership in this sense means an abiding commitment and a strong sense of mutuality in the development of the marketplace. When customers encounter this kind of ownership, they tend to become fanatically loyal to their supplier, which in turn builds a stable economic base for profitability and growth.

While the history and evolution of social media can sometimes seem as though it is merely a set of tools for people to share their favorite recipes, chat online, or look up old high school friends, it has actually become a corporate imperative requiring both a strategic approach as part of a communications plan in addition to the tactical implementation and tracking with the right metrics. With processes and policies built around traditional communications processes that have been in place for decades, a comprehensive review must be conducted to ensure that the organization has the adequate governance, risk, and control measures in place to capitalize on these opportunities while protecting it from excessive risk.

Social Media

A Corporate Strategy

Social media is quickly becoming a part of mainstream business practice. Organizations are beginning to learn and understand that it's not just about having Facebook fans, but that it can lead to significant strategic value. While this is intriguing, making it actually pay off within an organization still eludes many corporate executives. This was supported by a 2009 study by Russell Herder and Ethos Business Law, indicating that 51 percent of executives do not use social media because they do not know enough about it. In addition, 81 percent believe that social media can be a security risk to the organization and fear it could not only be detrimental to employee productivity but also damage the organization's reputation. Despite these concerns, the respondents also acknowledge that there is value and that, overall, social media cannot be ignored. In fact, 81 percent believe that social media can enhance relationships with customers/clients and build brand reputation, with almost 70 percent believing it can be valuable in the recruitment process and serve as a customer service tool (66 percent).

What is the reason for the opposing points of view? One is that most social media strategies (or the lack thereof) are not strategic, focusing more on the tools and tactics than on the relationships and business objectives. To build the business case for social media, only a comprehensive strategy aligned to business objectives combined with policies and procedures that mitigate risk will be able to properly demonstrate value while calming fears. As discussed in Chapter 1, the value to an organization is the ability to build real relationships with real people; it is not about the tools and technologies. Building deeper relationships with stakeholders should be part of an overall organizational strategy with social media helping achieve its success. It is through the effective use of social media that an organization can build the right relationships with the right people to realize value.

Another challenge with the adoption of social media (especially at the executive level) is how it is treated in the workplace. For some, it is a compliance issue, making sure employees are not spending a couple of hours a day playing Farmville or Mafia Wars (no offense to Zynga on this one—your games can be addictive). In this case, social media strategies are about compliance and enforcement, not engagement. This approach effectively ignores how the organization can use social media to drive business performance.

The vast difference between seeing social media as a compliance issue or a driver of business performance often leaves executives and staff confused in trying to develop the right balance. Because of these issues, we spend a significant amount of time in this chapter on how to develop an effective and comprehensive social media strategy. We want to emphasize this topic because most organizations do not have such a strategy. In most cases, social media has become a tactical event based on the use of tools, creating a misunderstanding of the value of social media and leading to an increased risk for the organization. At the same time, this presents an excellent opportunity for

internal auditing to partner with others in the organization, serving as independent consultants who can help provide a social media strategy framework that aligns with business objectives.

Delivering Value: If Nothing Else—Listen and Learn

There's an interesting misconception that some people have about social media—that the organization has the ability to somehow prohibit or opt out of social media altogether. This mind-set suggests that because the organization has decided not to participate in social media, its customers won't talk about the products or services, employees won't talk to their friends about work, and the world will sit back and wait for the organization to speak to it. Unfortunately, that is old-school thinking. The organization, no matter how much it longs for the good old days, is no longer in control of the conversation. Further, the failure to use (or actually prohibit the use of) social media as a way to listen to customers and their conversations is simply naive. This basically sends a message that the organization doesn't care about its stakeholders and that, if they want to engage with the organization, they will have to do it on the organization's terms. In this day, when social media is used by more than 80 percent of adults in the United States, failure to use social media channels to listen to stakeholders (and competitors) can subject the organization to unnecessary reputational risk.

The bottom line is that it is not if the organization is going to participate in social media, it is what extent it will participate. The important thing to note is that just because your organization has made the decision to prohibit the use of social media internally don't be foolish enough to think that prohibits your stakeholders from using it to talk about the organization.

The encouraging aspect here is that a commitment to continual listening and learning can yield tremendous results with little investment. Stakeholders are out there using social networks to talk about your organization, products, competitors, community, and staff. They can suggest enhancements to products, suggest new store locations or hours of operation, provide feedback on Web site functionality, and so on. They are telling the organization about themselves and what they want. These insights are extremely valuable.

There are also numerous tools to help you listen effectively, from free online tools that have basic functionality to more elaborate systems that measure the overall sentiment and influence of the conversations (an extensive list is provided in Appendix C). If you find that you are conducting an audit of the social media activities and no one is effectively listening, then the rest of the audit will be interesting to say the least (and there is a pretty good chance that you will hear "We got this video and we're going to get it to go viral!" somewhere in the conversation).

Delivering Value: The Social Media Strategy

Interestingly, one of the more significant elements missing from a social media strategy can be the strategy itself. It is important to not just accept a document as being a strategic plan but to ensure that the plan is more than a list of social media tools that will be deployed with goals for increasing the number of friends, followers, and page views. That's tactical and, while there is a place for this, it is not a part of the strategic plan. Strategic planning is hard work and oftentimes social media has been left to mid- or lower-level staff that might not have an adequate level of insight into the overall organizational strategy and business objectives.

The Evolution of Social Media Strategy

The first in the evolution is the *add-on strategy*. Though it is popular and fairly easy to develop, fails in that it is more about the technology than the relationships. In other words, it is really not strategy at all. In this case, the organization adopts a tool (blog, Facebook, Twitter, etc.), but does nothing else internally. This is easy to identify as you will hear something like “We have a Facebook strategy.” That’s not a strategy; it is a tactical plan disguised to look like a strategy.

Discipline and process are critical to the success of any social media strategy.

—Kelly Feller, Intel

The second is the mandated strategy. In this case, it assumes that social media is interchangeable with existing processes. This will take on the appearance of swapping out one technology for a social media technology. For example, all e-mail newsletters will be replaced by blogs with the same content. This makes the assumption that the social media tool is the latest and greatest thing and that e-mail is old school or ineffective. Again, the focus is on the technologies, not the relationships. A mandated strategy comes close to falling under the “shiny object syndrome” and will often resemble the “We have a Facebook strategy” comment above. (Sorry, Mark Zuckerberg, nothing personal. Facebook is an amazing social technology.)

The third is a “real” strategic plan. It recognizes that the purpose of social media is to develop relationships and use the appropriate social technologies to leverage connections and conversations between real people, and it involves a new level of commitment to learning and collaboration. A true social media strategy has the greatest ability to support the achievement of business objectives.

Developing the Strategy

In this section, a number of factors are discussed that either determine the strategy or should be included in an effective strategic plan.

Are the Current Social Media Activities Currently in the “Experimental Phase”?

Experimenting is okay and most likely the best way to start, so long as everyone understands that these are experiments (or it could be viewed as a series of incremental successes and failures). It doesn’t mean that the activities should not be aligned with the business objectives, but just that there might be less formality to the overall function in terms of scope and resources. In some way, organizations that are hesitant to engage in social media might be best served by a series of small but focused tests to determine to what extent these activities should become a permanent part of the business operations.

According to Bonin Bough, global director of Digital and Social Media for PepsiCo, the real social media goal at Pepsi was less about the big strategy and more about the experimentation and getting the small wins. Dell is another example of a company that initially approached social media by implementing pilot programs composed of small tests that delivered a quick proof of concept, enabling the company to quickly determine where the best opportunities and challenges exist. While there is an inherent risk in undergoing these programs, experimentation can limit the risk exposure.

and get everyone working together in a collaborative fashion. This approach also does not overpromise and underdeliver. By using a series of small wins and constant learning, it is easier to prove the value of relationship building using social technologies that drive business results. A series of tactical activities will make it challenging to experience small wins and prove the case, but strategic experimentation can pay off, fostering a greater commitment to learning. However, don't forget that this doesn't mean the experiments should be done without a strategy, or at least a well-defined plan that considers both the opportunities and risks.

Clear Alignment between the Social Strategy and the Business Objectives

Do the organization's objectives include obtaining a better understanding of the customers, increasing customer retention and loyalty, driving product innovation, improving service, or increasing reliability? If so, then the social media strategy should clearly state the connection between the strategy and these business goals. For example, if the business goal is to improve customer service, the social media strategy should clearly show a direct correlation to that goal. When properly aligned, business objectives help guide the best use of social media tactics to deliver value.

The organization's approach to social media can support a number of different functions within the business and it is easy to get lost in developing a great strategy that does not help drive the business. For example, marketing can develop a great strategy to use social media to grow market share. However, if the organization's primary goal is to improve customer satisfaction by, say, 20 percent, success for the marketing department can come at the cost of the organization's objectives. This is another reason why executives often struggle with buying into the value of social media—they might see value, but it might not be in the area that really matters at the time.

It is also important that the overall strategy have a methodology for measuring effectiveness through relevant metrics. As social media adoption begins to grow, there can be significant disruption within the structure of the organization, meaning that major decisions need to be made with metrics. It is vital to understand not only the measurements of activity (such as the number of fans, followers, comments) but also the outcomes and value they bring to the business. While these are discussed further in this chapter, it is important to ensure the strategy includes appropriate metrics and that they are aligned to achieve business goals.

One last note: If the organization has not clearly articulated its business objectives and operates more tactically, then it is virtually impossible to have a successful social media strategy. In this case, the best advice might be to stay in an experimental phase and identify a couple of departmental goals that can lead to incremental success and learning. During this period, avoid investing significant resources until these objectives have been identified and a proper alignment is achieved.

Social Media Strategy as Part of the Existing Strategy

Ideally, a social media strategy is not a stand-alone document and is actually an element added into an existing strategic plan. This is important because social media can touch so many current operations of a business and, when properly executed, is about integration and collaboration within an organization. Social media strategies that are developed in a stand-alone environment tend to operate in a silo—almost the exact opposite of the original intended purpose, and generally lead to a network of uncoordinated tactical initiatives that organically spread throughout the organization from one side

to another. In particular, a silo approach to social media strategy can affect such areas as accountability in the organization; consistent communication to various stakeholders; coordination of messaging; and staffing, training, technical resources, and budgeting issues.

If the activities are still experimental and the scope was communicated effectively, this might not be a significant issue until there is a long-term commitment. However, once there is a commitment to engaging stakeholders through social media, strategic planning and prioritization must occur.

A well-constructed strategy will also include a planned migration into various departments based on the overarching business objectives. A strategic plan that overreaches and is committed to serving too many business units or stakeholder groups at one time runs significant risks with the execution, staffing, and funding of these programs. Beyond listening, a key ingredient for success in any social media activity is consistency. If the organization attempts to extend the activities too quickly, the risk of not serving each stakeholder group consistently increases.

Identify the Target Audiences and How Each Uses Social Media

Here's where it starts to get a little more interesting. With numerous stakeholders and just as many (if not more) ways to engage, knowing who you want to engage is vitally important. This is also where many organizations go astray and head straight to tactics. Even if you go along with the belief that "everyone is doing it," that doesn't mean that every stakeholder has a Twitter handle (user name) or, if they do, that they want to engage with the organization in that manner. Thinking that social media tools are ubiquitous and one channel fits all is a misguided strategy (a "fail" for Twitter addicts).

An effective social media strategy should not only include specific details about the target audience but also the desired relationship or conversational engagement, combined with what that target audience is ready for and how they typically use social media. By understanding the organization's target audience, as well as how they use social media, it becomes easier to develop a strategy that engages the right people in the right place at the right time. It also enables the strategic plan to identify the best ways to converse and build relationships in the most relevant manner.

In 2007, Charlene Li and Josh Bernoff, working together at Forrester Research, came up with Social Technographics, a process that identified categories of how people use social media. According to the January 2010 update of Social Technographics, there are seven categories of participation. These categories are not exclusive and people may participate in more than one category at any given time.

- **Creators.** People who publish blogs, develop images, create video content, host podcasts, and so on.
- **Conversationalists.** People who provide status updates in sites like Twitter.
- **Critics.** People who provide reviews and comments on blogs and forums.
- **Collectors.** People who vote on and tag articles and other content on sites like delicious.com.
- **Joiners.** People who join larger social networking sites such as Facebook and LinkedIn and create profiles.
- **Spectators.** People who are more passive, but enjoy reading, watching, and listening to social media that has been developed by creators, conversationalists, and critics.
- **Inactives.** People who do not participate in any form of social media.

Taking this information into account, it becomes easier to determine whether the strategy is positioned for success. For example, if the business objective is to increase brand awareness and perception among C-level executives, it is important to determine how these executives are engaging

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