Why Business Is the Next Social Opportunity Worth Trillions

@BobZukis
The customer is the person who pays everyone’s salary and who decides whether a business is going to succeed or fail. In fact, the customer can fire everybody in the company from the chairman on down, and he can do it simply by spending his money somewhere else.

–Sam M. Walton

(Wal-Mart Annual Report 1988, p. 4)
The Scary State of Social Governance

This is a frightening time for boards: The roll call of companies who have found themselves on the wrong end of social technology’s wrath is impressive, with new members seemingly added daily. The press barrage of social missteps and disasters from McDonald’s to Macy’s (Fiegerman 2012) has created fear and angst throughout most boards around the risks that surround the social technology “monster.” Misunderstood and maligned, social technology continues to be perceived by many board members as frightening and out of control.

Board members are right, though, and they should be afraid. The truth is that social technology is to be feared because it is out of control—out of the board’s control. Ignoring it won’t make it go away. Social technology is a beast with a mind of its own, and it demands a proactive approach from boards and CEOs to manage its risks—and opportunities.

Even if your company has not done anything with social technology, it will find you—it already has. Fay Feeney is CEO (@FayFeeney) of Risk for Good, which helps directors navigate the disruption of their business in a social and mobile world. She shared this summary of the situation with me:

> I regularly tell board chairmen, “Just because you’re not on a social network like Twitter, doesn’t mean we’re not talking about you, your board, your CEO, your business, and your competitors.” Each year companies will see their customers’ social capital rising and their voices getting louder. (personal conversation, November 15, 2012)

According to Fay, the Social CEO is adapting by building a culture that listens and engages in the conversations taking place on social media. The board needs to be listening to and understanding what its markets are telling them—good advice.

The use of social technology by customers, suppliers, and employees outside the boundaries of every organization is a fact. An uncomfortable fact, perhaps, but one that still requires board members to understand social technology so that they can perform the role expected and required of them. CEOs and
board members who are unprepared will find themselves in a panic over events that are beyond their control—and their reactions can compound the problem exponentially.

One of the early lessons of social technology is that the response to an issue matters. A poorly handled response, or no response at all, can inflame a relatively benign occurrence. The right approach views every single customer interaction, good and bad, as an opportunity to reinforce the company’s values, culture, and customer experience.

Operationally, social media command centers are emerging as a way to monitor and address the real-time conversations taking place. Salesforce.com’s Marketing Cloud product\textsuperscript{33} powers many of these command centers (A. Nelson 2012). The focus of these efforts is to monitor in real time what is happening on the social channels in the broader marketplace and to engage with that conversation. At present, these centers are primarily being used for marketing, customer care, and service or risk identification. As a leading practice, a social media center is an always on, always listening and engaging model that supports the key objectives of creating a unique experience around dealing with your company.

This monitoring will eventually extend into all domains including competitive intelligence, investor sentiment, employee engagement, and enterprise risk. While management has the responsibility for the tactical management of these channels, boards have the added responsibility of understanding and governing the overall IT and social technology environment.

\section*{Learning from the IT Governance Hangover}

Just as social technology is more than information technology (IT), social technology governance is different than IT governance. Although the scope of social technology certainly involves an IT component, it’s much broader because of the behavioral implications of social technology. However, to

\textsuperscript{33}Marketing Cloud is a desktop application to scale social media engagement across an organization; it “helps companies listen, engage, and measure their outreach across teams and departments” (Salesforce.com Marketing Cloud 2012, para. 2).
achieve better social technology governance, the IT governance problem also needs to be addressed.

For board members and CEOs, social technology is a brand new ballgame relative to information technology (IT) governance—and boards weren’t exactly winning the old game of IT governance. The historical track record of IT project performance is impressively bad.

In what they claim is the largest global study done of IT change initiatives, Brent Flyvbjerg and Alexander Budzier focused on the magnitude of IT project ineptitude. In their examination of 1,471 U.S. and European projects with an average cost of $167 million, the average project “overrun” was 27% (2011, para. 4). Startlingly, they go on to identify that “one in six of the projects…was a black swan, with a cost overrun of 200%, on average, and a schedule overrun of almost 70%” (para. 4).

As these statistics reflect, IT is a governance and management challenge for many companies and organizations. Flyvbjerg and Budzier (2011) recommend that to manage IT initiatives appropriately, leaders should determine if the company can absorb a budget that runs over by 400% or more and plan for only 25% to 50% of the project’s benefits being realized (para. 8). A National Association of Corporate Directors/Oliver Wyman analysis indicated that the world’s top 500 companies lose more than $14 billion each year because of failed IT projects (Cohn & Robson 2011, p. 2).

I’ve witnessed this terrible performance record firsthand over the last 30 years, countless times. In many cases, my teams have been called in to fix these problems, which is never cheap—or easy.

Given this poor track record, and the current and unmistakable social technology-fueled disruption that’s all around us, what are boards doing? Ed Merino is CEO of Office of the Chairman, which provides coaching to board chairmen, board members, CEOs, and their direct reports; he thinks this situation sounds eerily like the financial reforms forced onto U.S. companies
due to Sarbanes Oxley. In his words, “The financial failures of the 1990s resulted in SOX [Sarbanes Oxley] and a financial expert in the boardroom. Are we one social or cybersecurity crisis away from a mandated IT expert in the boardroom?” (personal conversation, November 7, 2012). If boards cannot address these shortcomings on their own, regulators may do it for them.

With this track record and number of dollars wasted—let alone the dependency on IT for business continuity—IT governance should be a really hot topic. While IT is being discussed, however, the conversation is not at the level it needs to be. Boards simply do not know what they don’t know. Only 6% of boards have a technology subcommittee, according to Spencer Stuart (2011, p. 28)—the only logical conclusion to make about the poor performance is that the IT governance skillset has not had a seat at the boardroom table. The right oversight and conversations have not been taking place, plain and simple.

Board members do believe, nearly unanimously (99% of 204 surveyed), that “IT will have a significant impact on their organizations in the next five years” (Cohn & Robson 2011, p. 2). In this survey, a full 30% felt that IT would be a “competitive advantage for their company,” with another 19% indicating it would “transform their company” (p. 2).

However, while board members recognize IT as a huge part of their future, they don’t have the ability to do anything about it. Boards are insufficiently skilled to provide oversight on IT and social technology risks and opportunities. Only 16% of NACD respondents reported “having been a CIO or senior IT executive earlier in their career” (Cohn & Robson 2011, p. 2); consequently, 47% of surveyed board members were “dissatisfied with their board’s ability to provide IT risk oversight” (p. 2).

Couple poor IT project-performance with little-to-no IT skill or competency at the board level, and sprinkle in the disruptive development of social

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34 The Sarbanes-Oxley Act of 2002 was a federal law enacted to “protect investors by improving the accuracy and reliability of corporate disclosures” (para. 1). Among the law’s provisions were greater management accountability for the accuracy of corporate reports, increased penalties for fraud, and creation of a federal oversight board.
technology and it’s no wonder that social technology mishaps occur almost daily for businesses in a variety of industries. It’s a perfect storm—a convergence of opportunity and ineptitude that almost guarantees social and information technology-related problems will continue and even proliferate.

Fortunately, fixing this problem is not too difficult, and it starts with getting the right IT and social technology skillsets into the boardroom. Information and social technology-led change initiatives have room for improvement in both execution and governance. Fix the governance pieces, and better IT execution will naturally follow.

In addition to adding IT and social technology skills, boards need to develop a much more proactive approach not only to IT governance, but also to risk and opportunity management given these new social tools. One necessary and major shift will be a more structured approach to social crisis response and management. Fixing problems needs to become a stronger core competency, because preventing them is increasingly unlikely due to the unpredictability of social technology.

Companies that learn to solve problems effectively will have an opportunity to enhance the unique experience of doing business with them, which will create value in the process. I’ve always thought problems were an opportunity for companies. Perhaps I have more frequently seen their positive side as I was the fixer and watched the benefits emerge without having to deal with the calamity on the front end.

Regardless, within every problem there is an opportunity. Customers don’t expect perfection, but they expect issues to be resolved promptly and to their satisfaction when issues inevitably occur. Being good at solving problems, in real time, will reinforce a company’s brand and the user experience it offers. Preventing every problem is a fool’s errand; it cannot be done in a social technology-enabled world. Social Inc. Rule 7 reflects this point: “Social technology is controls-resistant.” Resolving problems will become a new differentiator in the eyes of the socially empowered market.
There is no shortage of frameworks that can be applied to IT governance—the failure has been a lack of leadership, and boards no longer have the luxury of ignoring the issue. Boards certainly see the business opportunity of IT and understand their companies’ increasing dependence on IT (Cohn & Robson 2011, p. 2). They are also aware of the social technology risks; there’s too much press coverage not to be.

So why are boards moving so slowly in adapting to social technology and its risks? Demographic trends illuminate the ongoing, underlying problem. There are three primary trends working against a board’s ability to provide adequate information and social technology governance and oversight:

- **There’s a lack of new blood**—There has been a 25% drop in independent directors elected to U.S. boards since 2006 (Spencer Stuart 2011, p. 5).
- **The board is getting older**—The average age of independent directors is 62.4 years, up from 60.2 years a decade ago (p. 5).
- **Boards are adding the wrong skills**—Only 3% of new board candidate searches are focused on getting new directors with digital or social media skills (p. 13).

Herein lies the opportunity for Social Companies—adding IT and social technology skills to the board goes a long way toward enabling a successful social future and immediately reducing risk. For success as a Social Company, you must have a Social CEO as well as a social board. Where can you find qualified director candidates? In several groups that have not traditionally been called upon for board governance duties—based on my work, there are executives who are able and want to serve in this capacity in the boardroom.

Because the social component of this issue is a relatively new one, boards may need to look a little harder for the right executives to fill this role. I recommend starting with the following three groups or networks:
1. **Former or current CIOs** are a natural starting point. This role has sometimes attracted a range of executives from varied backgrounds, and the right executive will understand the business ramifications of social and information technologies and have deep experience in managing technology-driven change.

2. **Management/IT consultants** may be your biggest resource pool. The right consulting executive has been implementing information or social technology projects for many different companies across multiple industries. These consultants often come in to fix problems around failed projects, and are very strong in understanding enterprise risk around varied information or social technology projects. They are also adept at bridging the translation gap between business and IT, and are often on the leading edge of new disruptive technologies.

3. **Social or information technology professionals** can bring a deep understanding of the technologies that they have worked with and the capabilities of specific tools. However, they may be limited in their implementation experience with a broad set of tools and also may not have deep knowledge of the risk arena. Another caveat is that marketing has dominated the social space up until this point, so social executives may have a deep level of understanding in this functional area only.

Individuals may offer experience across several or all of these domains, as there is liquidity in the market between these roles and industries. The bottom line is that these executives exist and are willing and able to serve in the boardroom. Given the strategic importance of social and information technology for every business, addressing this gap in the boardroom is a critical first step for board chairs and nominating committees.

**Hotels.com Fumbles a Super Bowl Reservation**

The unpredictability of social technology is one of its hallmarks, and that frightens boards. As Social Inc. Rule 7 warns, social technology is a very controls-resistant tool: Smart governance practices revolve around fixing problems quickly, not trying to prevent them from occurring.
In this section, I offer a perfect example that compares the traditional customer service response (to email and chat) with what I would call *social customer care* (through Twitter). While the example illustrates the extreme disparity between the two channels, it also showcases the sad state of the traditional customer service approach and philosophy. Some companies seem to have devolved customer service into an exercise designed to wear customers down in the hopes that they’ll just go away.

Companies are paying attention to social technology differently than to other media. As people become increasingly socially enabled and empowered, we can only hope that this higher standard becomes the norm and displaces these other more ineffective practices. The following communications are the actual ones I exchanged with the parties involved.

My story begins on January 14, 2012, when I booked a hotel for the 2013 Super Bowl in New Orleans through Hotels.com (Figure 6-1). I had used Hotels.com before and had made heavier use of its parent corporation, Expedia.com, and so was not a novice to online travel planning. I had my reservation; so far, so good.

I was pretty pleased with myself for finding what looked like a great place and booking a year in advance for the Super Bowl—in New Orleans! This was going to be a special trip, as my wife and I had eloped to New Orleans in 1983. We had been back only once since then, and were looking forward to our first trip in 25 years to the city where we married.

Sadly, everything then started to go horribly wrong. The hotel billed my credit card in February 2012 for a no-show. Their records indicated that the reservation was for 2012, not 2013. Less than thirty days into my reservation, I was billed for a room I didn’t use, for a 2012 reservation I didn’t make, and moreover, I no longer had a 2013 reservation.
Dear Valued Customer,

Your reservation is now confirmed. Payment will be taken by the hotel.

Your Hotels.com Confirmation Number is: 76568767. Thank you for booking with Hotels.com

Reservation details

SONIAT HOUSE

1133 Chartres Street
New Orleans, Louisiana 70116
United States

Reservation

Check-in: Friday, February 1, 2013
Check-out: Tuesday, February 5, 2013
Number of nights: 4 Night(s)
Room type: ONE BEDROOM SUITE, 450SQFT, KING BED, - LIVING ROOM, AC, WIFI
Number of rooms: 1 Room(s)

Room 1:

Guest(s): Bob Zukis
2 Adults
Preferences*: Non-Smoking

*Please note: Preferences and requests cannot be guaranteed. Special requests are subject to availability upon check-in and may incur additional charges.

Figure 6-1. The Original Reservation. Author’s image.
Three months of back-and-forth communication ensued, including the involvement of my bank. Neither the hotel nor the booking site would acknowledge fault, and I kept getting passed back and forth between Soniat House and Hotels.com. After a few phone calls and live chats on the Hotels.com site, I decided to write the Hotels.com help email (Figure 6-2) to try to escalate the matter.

![Image](Figure 6-2. A Call for Help. Author’s image.)
More back-and-forth ensued, with no one seemingly able to figure out what happened or to acknowledge that I was caught in the middle of some sort of error between Hotels.com and Soniat House. My patience was wearing thin by mid-March, along with the courteous tone of my communication (Figures 6-3 and 6-4).

![Figure 6-3. My Patience Is Running Out. Author’s image.](image1)

![Figure 6-4. My Anger Is Building. Author’s image.](image2)
The run-around continued, and all Hotels.com did in their response (Figure 6-5) was to refer me back to Soniat House, again. Back and forth, back and forth.

![Hotel Itinerary](image)

Figure 6-5. Stuck In Customer Service Hell. Author’s image.

By this time my bank had refunded the charges and then cancelled the refund twice. The hotel, which was the billing party, kept refuting my cancellation of the charge.
Is there an echo in here? I felt like I was stuck in some kind of scripted response hell. These Hotels.com emails (Figures 6-5 and 6-6) are almost a month apart, but are otherwise identical.

I was getting nowhere. Up to this point there had been over twenty emails and about a dozen faxes and phone calls, each. (What was up with the faxes?) I was about to jump out the window—this “resolution process” was going absolutely nowhere.

Then it dawned on me that I’m a social technology guy. I thought, “Go onto Twitter and take this bad boy viral. See what happens.” If nothing else, I’d be able to get some justice in the court of social accountability. I began my new campaign with an email (Figure 6-7).

Then another question occurred to me, about what kind of reaction the threat of a socially enabled action might have. I wondered if I could launch a kind of social technology cold war, where the threat of the nuke (or tweet) is as powerful as, or even more powerful than, the actual act.
Here is how I plan to move this forward. I am getting the run around from you, and the run around from Soniat House. Here are the facts:

-I made a reservation through hotels.com for February 1-5, 2013 for a stay at Soniat House
-I have the documentation that supports this
-Soniat House charged me the full cost of the stay for a no show, because they had the reservation for February 1-5, 2012 in their systems.
-They have told me that their documentation from you is for February 1-5, 2012
-After repeated communications with you, you continually refer me back to Soniat House
-After repeated communications with Soniat House, they continually refer me back to you
-My bank is also engaged, and is also getting the run around from you both

Clearly the both of you refuse to deal with a problem that is between your two organizations.

I will be taking the following actions, unless this is resolved to my satisfaction this week:

-Online reviews of your hotel with details of this situation, which I consider fraudulent, through all applicable social media sites
-Submission to Conde Naste Travel Ombudsman
-Legal recourse

Kind regards, Bob Zukis

Figure 6-7. It’s War! Author’s image.

Net result…nothing. Whoever receives their email didn’t seem to care about the threat of legal action or even my threat to use “all applicable social media sites.” I sent the same email to Soniat House, and they didn’t react either.
Enter Twitter. On June 4th I went straight to the Hotels.com Twitter account—surely this avenue would escalate my problem to a higher service level. It did. Here’s my tweet (Figure 6-8), and boy were they responsive! Kudos to the Hotels.com Twitter team for their decent turnaround time to respond to me: within 24 hours.

Figure 6-8. Twitter to the Rescue. Author’s image.
Alright! It felt like I might be getting this issue resolved at last. On June 8th, they got back to me (Figure 6-9)...with instructions to go back to the hotel!

![Hotel Itinerary #76558767](image)

Dear Mr. Zukis,

Thank you for contacting Hotels.com and giving us an opportunity to address your concerns. We received your feedback provided through Twitter and have researched your records in order to assist you.

On January 14, 2012 you made a reservation...When the hotel received the reservation they believed it to be for check in on February 1, 2012...

On February 2, 2012 you contacted us regarding the charges. We contacted the hotel on your behalf...At that time the hotel advised that they would refund the charges back to you.

You contacted us again regarding the charges on March 9, 2012. The hotel is the billing party, not Hotels.com...

On March 22, and April 20, 2012, we received more correspondence from you in regards to the charges made by the hotel...We replied to you and advised that you should contact Soniat House directly at 1-504-522-0570; as they are the billing party. Hotels.com will not be able to affect any changes to the charges. You may also wish to contact your financial institution to verify if the charges have been refunded.

We thank you for booking with Hotels.com and look forward to assisting you in the future. If you have any further questions, please contact our Customer Service Department at 800-246-8357; Our agents are available 24 hours a day seven days a week.

Sincerely,

[name withheld for privacy]
Senior Specialist

Figure 6-9. A Road to Nowhere. Author’s image.
I was now officially at the end of my rope. I sent a very annoyed email (Figure 6-10) to the Hotels.com Tier 3 customer rep, who was monitoring their Twitter site. I was a lot more explicit regarding my intent to take my experience to Twitter, and also threw around some of my LinkedIn clout.

![Email Image]

Figure 6-10. Game Over: Executing the Nuclear Option. Author’s image.

“My social influence reaches over 12m people through LinkedIn,” I wrote. That number is actually the number of third-degree connections I have through the 800+ first-degree contacts I have on LinkedIn. It’s a big number, and I assumed their social media rep would understand the implications of it.
Finally, finally, I got some traction. Between their email on June 8th and their final response on June 20th (Figure 6-11), Hotels.com decided that they would resolve the matter by refunding me the hotel charges.

![Email exchange](image)

Figure 6-11. A Social Technology Victory! Author’s image.

I never did receive a definitive story about where the problem originated, but it was likely somewhere in the handoff between their information systems. I did, finally, get my money back, because I was obviously knowledgeable about social media, not a happy camper, and was giving them a chance to resolve it before taking it viral. Unfortunately, I no longer have a room for the Super Bowl.

Table 6-1 shows the final tally comparing the traditional channels of email, chat, phone, and fax with my experience using Twitter. This has been a fun story to write about but far from an enjoyable one to experience. The lessons for companies are simple: Listen and engage in real time through these social technology tools.

This tale of two drastically different experiences illustrates the respect that companies are giving to the social technology channel. Business knows the power that sits in the hands of consumers because of this technology, and smart firms are devoting their top resources to it and changing their strategy and approach.
Table 6-1: My Customer Service Experience

<table>
<thead>
<tr>
<th>Event</th>
<th>Customer Service Channel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Email, chat, phone, fax</td>
</tr>
<tr>
<td>First Communication</td>
<td>February 8, 2012</td>
</tr>
<tr>
<td>Discrete communication events</td>
<td>50+</td>
</tr>
<tr>
<td>Resolution</td>
<td>June 20, 2012</td>
</tr>
<tr>
<td>Elapsed time</td>
<td>134 days</td>
</tr>
<tr>
<td>Role in resolving</td>
<td>Inconsequential</td>
</tr>
<tr>
<td>My experience</td>
<td>Terrible</td>
</tr>
</tbody>
</table>

*Note. Author’s table.*

The Liberation of the Truth

Whether you are a customer, employee, or investor, you now own the truth. Board members, CEOs, and management team members no longer have a monopoly on the truth or on their company’s brand—the markets now own both. Your brand is a real-time collection of social opinion, conversation, and banter owned by the collective of your employees, customers, and investors. Scary—or not, depending on how your stakeholder community is led in this new world.

Governments have already found this out; a country’s official leader is no longer the keeper of the truth, despite government censorship that is often implemented in the name of protecting the citizenry. The truth has been set free by the elimination of space and time distortions in communications around the world. People no longer get news filtered by others, unless they want it that way. People learn of things when they happen, not after the fact in accounts distorted by censors, time, or geographic distance.

Do you have any idea how difficult it is to say something relevant and meaningful in 140 characters, that can actually make sense to people?
You do now—that sentence was exactly 140 characters long—the maximum length of a Twitter post. Information now arrives in staccato bursts that reach people instantly.

Twitter and other social networking media get credit for playing a major role in many of the social upheavals of 2011 and 2012. Real-time social communication media and corporate tools like Yammer, Chatter, and Jive are the champions when it comes to eliminating time lags around people’s awareness of events anywhere in the world. These are powerful productivity enhancers for business to do things better and more effectively, and for a team or company to be collectively smarter than each individual within it.

Twitter as a communication and engagement medium for business is just a small part of the entire social technology story. Business is still figuring out the implications around this style of communication brevity, velocity, and volume, but it’s an important part of the ongoing experiment.

Back in Gutenberg’s day, information flowed in much bigger chunks. While individual pieces of communication are now much smaller, the overall volume of information is much, much bigger and there are many more people involved in the conversation. Whether it’s Chatter or Twitter as the communication channel, these behavioral changes in how people exchange information and the removal of temporal and spatial parameters are as foundational a development to humanity’s future as the printed word, telephone, or even fire.

Social technology brings a new level of accountability around truth, trust, and transparency for business and organizations of any kind. True accountability in business belongs to the people who choose to engage with any company—the employees, customers, and investors who self-select into its value proposition.

The ultimate point of accountability for every business comes down to this: the collective will of a social technology-enabled customer, employee, or

35 See, e.g., Srinivasan (2012), Lam (2012), and O'Donnell (2012).
investor base. Through that collective power, the socially empowered world will now judge what your business has to offer and how you offer it.

A convergence of events has set the stage for this next chapter in business management history, making this an exciting time. I spent thirty years in the middle of large corporate changes or disruptions, and I’m as excited as I have ever been about what lies ahead. We are all now a part of this shared and collaborative destiny. Here’s what CEOs and boards can start doing about it.

Springboks to the Rescue with an IT Governance Model

The ability of an individual to hold corporations accountable adds a new dimension to corporate governance—an area that is already fraught with challenges. While there is some common ground around the role and responsibility of the board (e.g., CEO selection, performance and pay, risk-monitoring, investor value, and fiduciary obligation), the application of practices to achieve these means varies wildly from board to board. The overall framework of laws, regulations, guidelines, and best practices coupled with the competing interests of investors, management, stakeholders, markets, governments, and employees makes corporate governance an extremely convoluted and dynamic undertaking—both within a particular governance jurisdiction and across the world. It’s not a one-size-fits-all model.

Boards have a very difficult role to play, and the scope and breadth of their universe is constantly expanding and changing. Employees can create social technology-driven problems for CEOs and boards, regardless of whether they were using technology that the company itself put into place. A board’s ability to stay up-to-speed with what social technology can do is daunting enough, let alone understanding the implications that technology presents to the business and overall risk environment.

Given the velocity with which issues can now run amok, boards are struggling like never before. It’s a governance crisis—board members are ill-prepared to govern IT and social technology, and the potential for something unexpected occurring has increased considerably along with the potential impact of such an event.
Historically, the U.S. Audit Committee has often had oversight for information technology, due to the role that enterprise resource planning (ERP) systems have played in financial reporting. Many ERP systems were initially established to support the automation of finance and accounting functions and they played a key role in reporting. As a result, the Audit Committee was the proxy for IT governance. A different approach is now needed, as demonstrated by the track record of IT project failures over the last decade (Flyvbjerg & Budzier 2011).

From what I’ve seen, audit committees were often overburdened with financial reporting issues, or perhaps lacked the IT background to provide the necessary oversight (or both). Adding on the rapidly evolving social technology- and IT-governance agenda not only reduces their focus on financial reporting but also does no justice to the strategic value or risks around today’s information and social technologies. The good news is that there is a clean slate to work with because boards historically haven’t done a lot with IT governance anyway, much less social technology governance.

Fortunately, there is help readily available to immediately improve IT governance. Of the frameworks that exist, I like the South African model for its strategic emphasis.

The King Report on Corporate Governance (King I) was originally developed in 1994 by the King Committee led by retired Supreme Court Judge Mervyn E. King (Institute of Directors in Southern Africa [IDSA] 2009). Revisions were undertaken with King II (IDSA 2002) and King III (IDSA 2009), when the IT governance framework was added.

Compliance with the King Reports is only required for companies listed on the Johannesburg Stock Exchange, but they provide a useful model for companies anywhere. Cited as the “most effective summary of international best practices in corporate governance” (Banhegyi 2007, p. 317), King III addresses IT governance in considerable detail, which the South African Institute of Chartered Accountants (SAICA) then condensed into its summary report (Figure 6-12).
SAICA Summary of Report on Governance for South Africa – 2009 (King III)

The Board should ensure that IT is aligned with business objectives and sustainability.

- Information technology is essential to manage the transactions, information and knowledge necessary to initiate and sustain economic and social activities. Accordingly, it is necessary to manage the risks and constraints of IT and to identify the strategic importance of IT.

- It is recommended that IT governance be placed on the Board Agenda.

- IT governance is essential to the achievement of corporate objectives and information resources, such as people, funding and information.

- IT governance should focus on four key areas, namely:
  - strategic alignment with the business and sustainability
  - optimising expenses and improving the value of IT
  - addressing the safeguarding of IT assets, to ensure disaster recovery and continuity of operations
  - resource management: optimising knowledge and IT infrastructure

- As IT governance is the responsibility of the Board:
  - Board members should be active in IT strategy and governance
  - the CEO should provide organisational structures to support the implementation of IT strategy
  - Chief Information Officers should provide a bridge between IT and the business
  - All executives should become involved in IT Steering Committees

- It is important that business and IT plans are linked.

- The overall objective of IT governance is to understand the issues and strategic importance of IT.

- The importance of IT in driving and supporting the company’s objectives is emphasised.

- The Board should take ownership of IT governance. This could be done by:
  - placing IT on the Board Agenda
  - challenging management’s activities with regard to IT
  - aligning IT initiatives with real business needs
  - insisting that IT performance is measured and reported on
  - establishing an IT strategy committee
  - insisting that there be a management framework for IT governance

- The importance of IT security is emphasised. This includes the components of confidentiality, integrity and availability.
As stated in the summary above, “The overall objective of IT governance is to understand the issues and strategic importance of IT” (SAICA 2009, p. 35). As an objective for or definition of IT and social technology governance, I think this works well; as a major development in IT, social technology demands priority attention by the board.

There are other standards and frameworks that boards can deploy around IT governance. For example, the Standards Australia Corporate Governance of Information and Communication Technology (ICT) was published in January 2005 and defines corporate governance of ICT as:

the system by which the current and future use of ICT is directed and controlled. It involves evaluating and directing the plans for the use of ICT to support the organization and monitoring this use to achieve plans. It includes the strategy and policies for using ICT within an organization. (p. 1)

The point is to not to get caught up in debating which framework is better than the others; they can all be effective. What is essential is to add IT and social technology skills to the boardroom, have a structured approach to governance over both, and make the understanding of these disruptive tools a core board capability. Improving information and social technology governance will support both the creation and preservation of corporate value—and social technology will become a less frightening issue for board members and CEOs.

Mocha Choca Lattes and Social Governance Sobriety
Fortunately, some boards are emerging as leaders on this issue—leaders who recognize that IT and social technology governance are a required part of the overall governance and management equation. Here’s one story of a social governance leader: Starbucks.

In December 2011, Starbucks appointed 29-year-old Clara Shih to its board. Clara is the author of *The Facebook Era* (2009) and the CEO of Hearsay Social,
which she founded to help companies leverage the power of social technology. The media raved about the news of her appointment.

Hearsay Social CEO Clara Shih has been elected to the Starbucks board of directors, the coffee chain announced in a statement. Shih has been named one of FORTUNE’S Most Powerful Women Entrepreneurs of 2011, and has held technology, product and marketing positions at Google, Microsoft and Salesforce.com. She is author of The New York Times bestseller “The Facebook Era: Tapping Social Networks to Market, Sell, and Innovate.” “Clara is a true technology leader and will bring fresh insight to our strong and forward-thinking Board,” said Howard Schultz, chairman and CEO of Starbucks. “We could not be more thrilled about the social-media expertise and ideas Clara will bring to our business as we continue to amplify the online experience and interactions Starbucks has with our customers, partners and communities.” (Directorship 2012, para. 29)

As Starbucks demonstrates, Step 1 to fixing this issue is addressing the technology skills gap in the boardroom.

The Boardroom Social Technology Calendar

Boards already have a full calendar, but are about to get even busier. Once a company has accomplished Step 1 and closed its boardroom IT and social technology skills gap, Step 2 is to create a board agenda with an IT and social technology governance framework—and calendar.

Boards need a plan for social technology, and Table 6-2 presents a list of the tasks that should be included. This calendar doesn’t just look at Twitter activity and Facebook “likes,” but also integrates a comprehensive strategic and risk-based approach to the impact that social technology will have across the entire business. From strategy to tactical operational issues, social technology will touch every part of the company.

My recommendation is that an IT subcommittee take responsibility for this calendar. I do not recommend it being integrated into an audit committee, as discussed above.
Table 6-2: Social Strategy and Technology Board Calendar

<table>
<thead>
<tr>
<th>Activity</th>
<th>Objective</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Review and appraise overall social strategy covering media, networking, and technology plans.</td>
<td>Strategic</td>
<td>Annual</td>
</tr>
<tr>
<td>2. Review and critique criteria for monitoring social activity for crisis. Assess incident response plan including resources for response.</td>
<td>Risk</td>
<td>Annual</td>
</tr>
<tr>
<td>3. Understand and assess applicable social regulatory environment.</td>
<td>Risk</td>
<td>Annual</td>
</tr>
<tr>
<td>4. Review market trends and developments around social technology.</td>
<td>Strategic</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>5. Engage outside experts to provide insight into social enterprise and technology strategy and risks.</td>
<td>Strategic</td>
<td>Semi-annual</td>
</tr>
<tr>
<td>6. Review and critique employee policies and training on social technology and risk management.</td>
<td>Risk</td>
<td>Annual</td>
</tr>
<tr>
<td>7. Hold private sessions with leaders of operations, marketing, and IT (i.e., COO, CMO, and CIO).</td>
<td>Strategic/risk</td>
<td>Annual</td>
</tr>
<tr>
<td>8. Review and critique investor relations, social strategy, and communications plan.</td>
<td>Risk</td>
<td>Annual</td>
</tr>
<tr>
<td>9. Review social media monitoring outputs and internal/external metrics, activities, and compliance.</td>
<td>Risk</td>
<td>Quarterly</td>
</tr>
<tr>
<td>10. Review competitor social activity and trends.</td>
<td>Strategic/risk</td>
<td>Quarterly</td>
</tr>
<tr>
<td>11. Receive updates on social technology projects.</td>
<td>Risk</td>
<td>Quarterly</td>
</tr>
<tr>
<td>12. Review and assess social information security strategy and plan with information security leader (i.e., CISO).</td>
<td>Risk</td>
<td>Annual</td>
</tr>
<tr>
<td>13. Receive update on social information security risk monitoring and issues from CISO.</td>
<td>Risk</td>
<td>Quarterly</td>
</tr>
<tr>
<td>14. Review social information risk findings with audit committee.</td>
<td>Risk</td>
<td>As-needed</td>
</tr>
<tr>
<td>15. Monitor CEO’s social engagement and communications.</td>
<td>Risk</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>

*Note. Author’s table.*
Ten “Beyond Facebook” Social Questions Boards Should Be Asking

Board members need to broaden and deepen the conversation with their management teams around social technology. To end this chapter, I share a series of ten questions to get the conversation started (Figure 6-13).

**Board of Directors Management Questionnaire for Social Companies**

These ten questions will extend your social technology conversation beyond Facebook and marketing. Board members should ask the following ten questions of their management teams to assess the relative understanding and maturity of the company’s overall approach.

1. Is there a point of view for what social technology is now, and in the future?
2. How do social technology, media, networking, and the ability of these tools to change or amplify behavior impact the company on the following dimensions:
   - strategically,
   - competitively,
   - financially,
   - operationally, and
   - from a risk perspective?
3. Do we have a view for how social technology impacts each of our functional areas (e.g., human resources, finance & accounting, research & development, customer service, supply chain, marketing, sales)?
4. How do we think social technology impacts each of our key stakeholder groups (e.g., customers, employees, investors, communities, partners)?
5. What regulations and compliance requirements are impacted by social technology across our business?
6. What is our approach to monitoring what is happening inside and outside the company on the social platforms and media that exist today?
7. How does our social incident response and business-continuity approach categorize risk, escalate issues, and resolve them?
8. How are we staying current on emerging and disruptive social technologies and their impact for our business?
9. What key performance indicators are we tracking and monitoring around social technology, inside and outside the company?
10. What are the main concerns around how these tools will impact our culture and values as a business?
A management team will likely need some time to formulate their responses to these questions, so this questionnaire is designed as a working tool. Through the conversations that result, the emergent Social Company can start to address and understand the scope and implications of this disruptive new technology for their business.
Social Inc. describes a business-led renaissance fueled and forged by unprecedented levels of connectivity, empowerment, and innovation brought about by social technology.

Not a book about Facebook or social media marketing, Social Inc. is a thought-provoking “stake in the ground” for a people-led revolution that is changing the rules of business. Zukis blends strategic and tactical insights into a framework to understand the forces being altered with these tools, and to identify what companies need to be doing about social technology, right now.

Zukis uses history, hindsight, and foresight to illustrate why business will never be the same because of this disruptive technology—it will be much, much better.

Bob is one of the few who is able to clearly envision and articulate the up-and-coming era of enterprise computing. This is like the Renaissance Age that replaced austere medieval practices with humanitarian inspiration. The new era of enterprise computing is no longer solely about process and efficiency.

–David Chen, President Pactera

Social Inc. provides boards, management teams, and their employees with the key strategies needed to emerge stronger and more competitive in this big shift from transactions to engagement.

–Ray Wang, CEO Constellation Research

Zukis’s vision around social technology, online freelancing, and changing labor models brings new light to why today’s workplace is being revolutionized.

–Fabio Rosati, CEO Elance