

# *The Directors' Cut* Social Media

*This newsletter is brought to you by PwC's Audit Committee Connect program and summarizes discussions from our recent events on social media. To learn more about Audit Committee Connect and to find out about upcoming events near you, please visit us online at [www.pwc.com/ca/acconnect](http://www.pwc.com/ca/acconnect).*

The explosion of social media over the past few years has not only revolutionized the way we communicate with each other personally and professionally, it's also transformed the business environment, the way companies market to customers, the way they deal with employees, and the way they differentiate themselves. As directors and audit committee members, we believe you need to keep atop of these changes and understand their risks and opportunities. To help you in this process, we recently presented special Audit Committee Connect briefings on social media across the country. Our objectives were to (1) provide the experiences and wisdom of top social media communications and regulatory experts in North America on best practices and trends, (2) provoke questions for directors to consider when discussing social media in the boardroom, and (3) give the directors attending the opportunity through electronic polling to share information on how they are dealing with social media challenges today — keep reading to see what they had to say.



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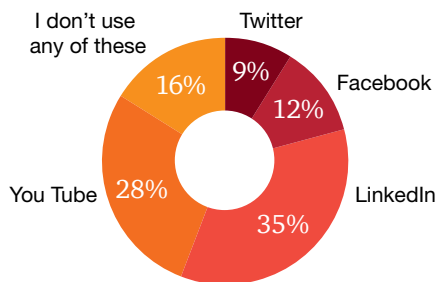


# The key messages

## Let social media be your best friend.

Find the blogs, chat rooms and other social media sites that give you the best insights on how your company, senior executives and industry are being profiled online and follow them religiously. Doing this will allow you to see trends as they are forming and understand their underlying context. By contrast, reading the newspapers is just reading history – you'll always be at least one step behind.

### Which social media tools are directors using the most?



## Review with management their strategies for using social media to drive growth.

Other companies have had spectacular successes with it, have yours? For instance, a major technology company achieved almost \$500 million in cost savings by allowing employees to identify and rank cost cutting measures, as opposed to imposing them from above. A bank in Canada used social media exclusively to market a new product, achieving 100% of their sales goals at a cost of less than a single paper advertisement. Other companies now use it to carry out product research reducing related costs by two-thirds, and to get consumer feedback on what commercials work before spending millions to release them on traditional media. Don't forget — in this new world, customers are expecting to interact with your company online and will make buying decisions based on your company's online presence and credibility. Companies that aren't always actively considering how social media can improve their relationships with customers, investors, employees and other key stakeholders are thumbing their noses at opportunity. Alas, when that happens, opportunity inevitably winds up thumbing its nose at you.

### To what extent are directors having discussions with management about using social media to drive growth in companies that you oversee?



## Ask whether your company is tracking what your competitors are doing to you on social media sites.

The good news is that social media gives you and your company the ability to enhance relationships with customers and others important to your company's growth and prospects. The bad news is that your competitors have got it too. If somebody within the organization isn't tracking what your competitors are doing, you're probably going to get blindsided. Or worse.

### Have directors considered how competitors are using social media to interact with and convert customers?



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### Encourage your companies to be zealous in protecting against the risk of inadvertent tipping or other inappropriate messaging.

Existing Canadian securities and listing requirements mandate that companies broadcast material information using a traditional news releases. No ifs, ands, or buts. While that sounds simple enough, social media channels raise the risk that inadvertent leaks will happen, including by senior executives on their personal sites. Seemingly innocuous comments on Twitter like “Had a great meeting with the board today” might be considered tipping. During transactions, even posting the whereabouts of key executives might be problematical. The solution? Have a social media policy that’s well known by employees and avoid using social media during board meetings or when sensitive talks are happening.

Of course, inadvertent tipping is just a subset of the broader risk of inappropriate messaging of any kind (e.g., inconsistency, illegal use of intellectual property, patent infringement, etc.). Increasingly, directors are becoming more and more concerned about these risks. In a recent survey in the US, for example, more than half of the directors surveyed ranked social media risk at the same level of importance as financial reporting risk. While these risks might cause some to wonder about prohibiting social media in their organizations altogether, there are alternatives and doing so would limit the opportunities social media allows to increase collaboration and improve productivity. These include such things as establishing appropriate policies and limits over social media use, specific training and heightening awareness. It’s all a question of balance.

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With lots of people using social media, on a scale of one to five, how concerned are directors about the threat of inadvertent tipping?

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### Understand that companies can do more than just turtle if they get caught up in a possible viral social media attack.

Companies should be proactive in their defences. How? By:

- Identifying key enterprise risk terms and monitoring their use on the internet 24/7 so you can spot fires while they’re still small enough to stamp out;
- Preparing websites or webpages in anticipation of a crisis that go live on the web only when a crisis occurs (so-called “dark sites”);
- Optimizing your website internet messaging and responses (i.e., tailoring them to meet search engine criteria for getting listed at the top of searches) so that your side of the issue gets aired;
- Establishing relationships with high authority bloggers willing to hear the company’s side of the story; and
- Using social media to strengthen relationships with key stakeholders so that they will cut you some slack or come to your defence when bad things happen.

Those that don’t use their peace time to prepare for war most often end up losing it.

Make sure the entire Board agrees which Board committee, if any, should be responsible for overseeing social media risk. **Audit committee members, beware!** If the Board hasn’t had a full and frank discussion about which committee should be monitoring social media risks, chances are pretty high that they think you’re doing it, even though you’re usually not. This can lead to nasty “What do you mean you aren’t...” discussions that never are much fun to have.

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Are audit committees monitoring risks relating to social media?

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To check out online video clips from our sessions, click here.

To find out the Top 10 questions directors should be asking re: social media, click here.

For more information about social media and how PwC can help, including development and implementation of social media policies and examining opportunities to use social media to enhance value in your organization, please contact Bali Minhas, Partner, Consulting & Deals at 416 814 5794, or [bali.minhas@ca.pwc.com](mailto:bali.minhas@ca.pwc.com).

## ***Audit Committee Connect*** Global issues. Local impacts. Valuable insights.

In connection with our DirectorConnect program, PwC proudly introduces Audit Committee Connect – a program designed to engage audit committee members of top Canadian companies on issues affecting the future of corporate reporting and governance in Canada. To enhance your effectiveness as an audit committee member and keep you up-to-date on global trends as they develop, PwC's Audit Committee Connect will provide you access to:

- Frequent events featuring world-class guest speakers to explore and discuss hot topics of relevance,
- A network of top Canadian companies' audit committee members,
- Valuable and forward-looking thought leadership, and
- PwC's worldwide network of corporate reporting and governance experts.

To join and receive invitations to upcoming events in Calgary, Vancouver, Montreal or Toronto, visit us online at [www.pwc.com/ca/acconnect](http://www.pwc.com/ca/acconnect) and get connected today.