The Institute of Internal Auditors

TONE at the TOP

Issue 64 | October 2013

Providing senior management, boards of directors, and audit committees with concise information on governance-related topics.

7 Tips for Governing Social Media

Effective use of social media can enhance a company's image and make it more responsive to customers. Conversely, an employee's careless post can ricochet around the world, wiping out years of brand equity faster than you can say "uh-oh."

What hope does a company have of reining in employees' unproductive personal use of social media during business hours when many workers have a portable device with Internet access in their purse or pocket? And can a company legally restrict an employee's *after-hours* use of social media? After all, social media channels are running 24/7, with risk exposures that don't take a break.

What about the possible reputational damage that can result from marketing-related or crisis management social media *faux pas*? And can anything be done to stomp out the risk of unofficial, employee-generated social media gaffes?

These are important questions, and ones that executives and board members are asking with increased frequency, as they try to protect themselves and their stakeholders from the risks around this relatively new and poorly understood communication tool. Internal auditors have an important role to play in providing assurance that social media channels are fully understood and their risks properly managed.

The first step in coming to terms with social media is to understand its opportunities and threats. Author Allison Cain provides a broad look at both sides of the coin in her article, "The Social Media Scene," in the August 2012 issue of *Internal Auditor* magazine. On the plus side, social media tools can strengthen relationships with customers, enhance brand awareness, and increase revenue, she notes. But these benefits come with risks, including brand and reputational damage, regulatory and compliance violations, data leakage, viruses and malware, and loss of employee productivity.

This issue of *Tone at the Top* takes a more specific look at employees' use of social media and how companies can effectively manage the associated risks and opportunities.

On the Radar

Hardly a week goes by without news of an organization being compromised, from something an employee did online, a business leader's casual tweet, or the company's effort to govern employee social media use. That's not counting brand damage caused by well-intended social media marketing campaigns or crisis communications gone awry — a discussion for another day.

A Google search yields a growing number of white papers and survey reports by internationally respected consultants, including Protiviti, Deloitte, Ernst & Young, KPMG, and others, that are beginning to weigh in on the issue. Marketing professional Peter Scott and audit consultant Mike Jacka likewise have tackled the issue in their book, *Auditing Social Media: A Governance and Risk Guide*, published by The IIA Research Foundation. Here are some key takeaways from this growing body of knowledge:

1 **Assess social media risk.** According to Protiviti's 2013 Internal Audit Capabilities and Needs Survey, the greatest social media risks reported are brand or reputational damage, data security, regulatory and compliance violations, data leakage, viruses, and malware. On the flip side, the report notes that effectively managing social media risk can lead to stronger regulatory compliance, business strategy improvements, earlier identification of issues, and monitoring of reputation risk.

2 **Identify which employees are using social media.** "Don't assume that it's limited to the communications and marketing departments," advises Scott. "Social media may be used in product development, customer service, human resources (HR), or some other area."

3 **Develop a social media policy.** According to Protiviti, only 57 percent of companies have a social media policy. KPMG recommends clear, concise, and practical rules for online conduct, with boundaries and consequences for failure to comply. Enlist internal audit, compliance, general counsel, and HR as your go-to resources on risk management and labor law. Then, review and update the policy every six months, advises Scott, because the world of social media is evolving rapidly.

> The U.S. National Labor Relations Board has issued a number of decisions regarding what types of online employee speech are protected, and which may be grounds for censure or termination.

4 **Train employees, executives, and directors.** Why go through the trouble of having a policy if employees don't know the rules or how to comply? Remember to train executives and board members, as well — perhaps as part of an annual regulatory update. There have been high-profile cases of executives who put their company at risk of fines and legal action over indiscreet tweets that moved the market. Internal auditors can help ensure that company leaders understand social media risks. As a CEO or board member, there is no such thing as personal social media use; everything they do on social media has the potential to affect the company's image.

5 **Determine who will, and who won't, speak for the company.** Although happy employees can be a company's greatest social media asset, Jacka warns that companies must establish and maintain a clear difference between official company communication online and personal employee comments, especially during times of crisis.

6 **Monitor online chatter.** A big part of communicating with a unified voice online is listening — that is, monitoring the online conversation — to know what people inside and outside of the company are saying and what is being offered to the world under the company's name.

7 **Set a good example.** Social media channels offer a platform for ongoing conversation, and companies will be judged by their authenticity. Employees tend to follow their leaders, so tone at the top is critical. From a compliance standpoint, regulators are becoming increasingly watchful for leaking of confidential information and other market-moving, preconditioning slips.

Top Risk

There are no guarantees when it comes to governing the social media conversation — which is part of the appeal — but research shows that companies with strong social media policies, ongoing employee training, and regular monitoring programs tend to fare better online than those that either stick their heads in the sand or go to the opposite extreme and try to clamp down on the conversation with an iron hand.

> Slightly more than half — 55 percent — of the chief audit executives who participated in Protiviti's 2013 study reported that social media will be included on the audit plan within the coming year.

The biggest risk, according to Scott, lies in doing nothing. "If you are so averse to risk that you say, 'I'm not participating in social media at all,' that in itself is a risk. If you're a big enough company, people, including your employees, are going to be out there talking about you and your brand. An upset customer, dissatisfied employee, frustrated franchisee, vendor who didn't get paid timely, or even an angry shareholder can post a comment that has the potential to be heard by millions. If you're not out there listening and representing your point of view, you're basically saying 'I don't care.'"

New Quick Poll Question

How mature is your organization's approach to social media (on a scale of 1 to 5)?

Visit www.theiia.org/goto/quickpoll to answer the question and see how others are responding.

Questions Boards Should Ask

- Do company leaders have a good understanding of social media's risks and rewards?
- Does the company have a comprehensive social media policy — and are employees trained?
- Is social media on the internal audit plan?
- Does the company monitor employees' social media use? If so, do monitoring practices meet established standards for ethics, confidentiality, regulatory compliance, and nonharassment?
- Does the company's crisis communication plan specify who may and may not speak for the company on social media?

About The IIA

The Institute of Internal Auditors Inc. (IIA) is a global professional association with 180,000 members in 190 countries. The IIA serves as the internal audit profession's chief advocate, international standard-setter, and principal researcher and educator. www.globaliia.org

Complimentary Subscriptions

Visit **www.globaliia.org/Tone-at-the-Top** or call +1-407-937-1111 to order your complimentary subscription.

Reader Feedback

Send questions/comments to **tone@theiia.org**.

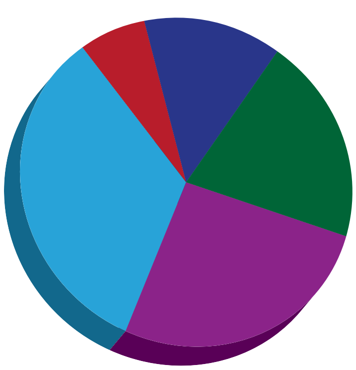
Content Advisory Council

With decades of senior management and corporate board experience, the following esteemed professionals provide direction on this publication's content:

Martin M. Coyne II
Nancy A. Eckl
Michele J. Hooper
Kenton J. Sicchitano

The Institute of Internal Auditors
TONE at the TOP
247 Maitland Ave.
Altamonte Springs, FL 32701-4201 USA

NONPROFIT ORGANIZATION
U.S. POSTAGE
PAID
THE INSTITUTE OF
INTERNAL AUDITORS



August's Quick Poll Results

How concerned are you about your organization's risk exposure related to big data?

- 4% = Not at all concerned
- 11% = Little concerned
- 27% = Somewhat concerned
- 32% = Concerned
- 26% = Very concerned

*Based on 549 responses. Respondents could only choose a single response.

09/131533