



GET SERIOUS ABOUT SOCIAL

Executives cannot afford to delegate social media strategy, says Clara Shih, CEO of Hearsay.

By Sarah Fister Gale

CEOs who do not make time for social media are handicapping their companies. This, in so many words, is Clara Shih's urgent message for executives. Do not wait to dive into social media, do not delegate—act now to bypass dated focus group numbers and get an unfiltered real-time look at how customers experience the world and interact with your company. The cost of inaction is rising.

Ms. Shih, CEO of Hearsay, a digital marketing management software company serving the financial services industry, says many organizations still do not grasp how deeply social media have ruptured the traditional relationship between customers and businesses. Although most companies use social media in some capacity, most have barely scratched the surface of the business value they can bring in this era of intense customer engagement, argues Ms. Shih, who has been recognized as a "young global leader" by the World Economic Forum and named to *Fortune's* list of "most

powerful women entrepreneurs," among other prestigious recognitions. After stints at Google, Microsoft and Salesforce.com, she co-founded Hearsay in 2009—at just 27—to help banks and insurance companies modernize the way they engage via social, mobile, web and email.

"Everyone gets that they need to 'do social,' but ... they aren't exactly sure what that means and why they aren't seeing any dramatic results or ROI," Ms. Shih says. What most executives do understand at this point is that the explosion of social media and mobile means companies no longer define the terms of engagement. Instead, the customer is always around—and always judging. Mobile provides the connectivity, and social media and other digital channels provide the outlet.

Customers "expect your business to be findable and ready to engage exactly when, where and how they prefer," Ms. Shih writes in her latest book, *The Social Business Imperative: Adapting Your Business Model to the Always-Connected Customer*. "Even for what are ultimately offline transactions and consumption experiences such as vacation travel or dinner, the buyer's decision journey most of the time now begins on social media."

Serving these perpetually connected customers requires a fundamental overhaul of business processes, structures and culture. And who must drive all this change? The C-suite. "True business transformation needs



to be embraced by and driven from the top,” Ms. Shih says.

ON THE SOCIAL SIDELINES

Yet instead of leading the digital charge, CEOs are delegating social engagement to the marketing group or a junior salesperson. Those employees amass a following on Twitter, garner some likes on Facebook and deem the mission accomplished. That is a mistake, Ms. Shih says.

While a team of young “creatives” may be able to generate clever campaign ideas and know which filter to use for Instagram posts, they have neither the skills nor the authority to build transformational social media strategies. And that is what businesses need to do if they want to engage customers where they live.

“Management teams and boards need to drive and guide social business strategy and execution,” Ms. Shih says. “Technology has pervaded every step of the customer life cycle, which means every board member and every person on the management team needs to grasp these changes and create a mindset where taking the right bets is rewarded.”

Tactical execution of specific campaigns can and should be driven by teams, but decisions to fully digitize not only marketing but also actual products and services, and to test new business models, can only be driven by those at the very top.

Companies that want to generate the kind of loyalty that spurs customers to post

KEEPING UP WITH CLARA SHIH

Education

Stanford University,
University of Oxford,
Beijing Foreign Studies
University

Career

2002-2003: Software
engineer, Microsoft

2004-2006: Strategy
and business operations,
Google

2006-2009: Director,
AppExchange product
line management,
Salesforce.com

2009: Founded Hearsay
with former Microsoft
executive Steve Garrity

2011: Joined Starbucks
board of directors

Publications

*The Facebook Era: Tap-
ping Online Networks
to Market, Sell, and
Innovate*

*The Social Business
Imperative: Adapting
Your Business Model to
the Always-Connected
Customer*

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positively about the brand on social media must think beyond the reactive, defense-only model of doing business. “They have to play offense, take risks, experiment with new customer engagement models and, above all, embrace technology,” she says.

Ms. Shih has warned that executives who do not lead the digital charge will suffer the same fate that befell many retailers in the 1990s. They relegated their online strategies to junior teams or web departments and were then blindsided by the paradigm shift that came with Amazon and other e-commerce giants.

For those executives still skeptical of the need for a strong digital strategy, Ms. Shih has plenty of ammunition to make her case, drawn from her time working for some of the world’s most powerful tech companies. She sees three advantages to becoming an always-connected business: trust, convenience and big data.

Customers tend to trust companies with which they interact frequently digitally, and they generally find it more convenient to transact with businesses they already buy from frequently online. Meanwhile, with these interactions, companies can harvest more insightful big data to gain an advantage over their competitors.

LET THE REVOLUTION BEGIN

Driving a customer-centered culture and transforming into an always-connected business starts with a mix of firsthand experience and education. Executives themselves must engage with the different platforms their customers use. Yet, according to the *2015 Social CEO Report* from CEO.com, 61 percent of Fortune 500 CEOs have no social media presence at all.

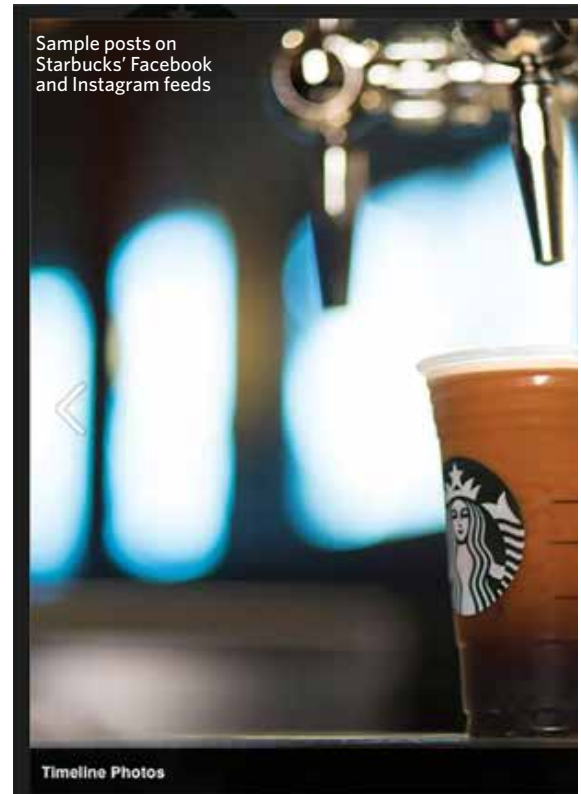
Ms. Shih encourages board members and business leaders to educate themselves about how social engagement in concert with other here-and-now digital technologies, such

ON BOARD WITH STARBUCKS

Since being elected to the Starbucks board of directors more than five years ago (replacing Facebook COO Sheryl Sandberg), Clara Shih has had a front-row view into the coffee giant’s social media strategy. And she gives it rave reviews: “Starbucks does [social engagement] incredibly well, as evidenced by the success of its social media efforts, mobile app and digital loyalty program.”

The company has emerged as a role model for how nontech brands can drive business results through social engagement. It regularly audits its user base, including demographics of users and the time of day they use different platforms, and then adapts its strategy and tactics accordingly.

From posting daily coffee selfies and caffeine-focused quotes on Instagram to responding to specific Twitter users who have “spoken” to Starbucks in their own timeline, the company has honed its social media persona to appeal to its devoted fan base. The numbers speak volumes: more than 36 million followers on Facebook, 11.6 million on Twitter and 7.7 million on Instagram.



as the Internet of Things (IoT), can drive disruptive new business models. They should also be looking at how new distribution and marketing channels will enable their organizations to quickly reach a broader audience and build global brand ambassadors.

Such bold changes are more likely to be successful if the whole organization—from the board of directors and C-suite down to the marketing team, IT, compliance, legal and every customer-facing employee—is aligned behind a common vision for social and digital strategies.

Driving the culture change needed to create an agile, digitally focused environment requires big changes, especially for traditional organizations where every decision must be vetted and approved. To make it happen, executives and board members need to communicate regularly about the change, model the desired behavior themselves and celebrate accomplishments that enhance their social engagement goals.

Once fluent in today’s social media trends, executives must then look to educating



themselves about the future. Ms. Shih predicts that more and more companies will begin to integrate predictive analytics and data gathered from social and IoT-connected devices to further hone the way they communicate with, interact with and serve customers. Hearsay, for example, is using machine learning and natural language processing to equip financial advisers and insurance agents with the ability to predict and share the right personalized information with the right person, at the right time, on the right digital channel.

To illustrate the power of gathering data from customers, Ms. Shih points to Hearsay client John Hancock, the U.S. division of Canada’s global insurance company Manulife. Last year it began offering its customers discounts for sharing personal activity data from a wearable device and attaining certain fitness milestones. “By using real-time data to continually update and reprice risk—because healthier customers live longer and delay death-benefit payouts, hence increasing company profitability—John Hancock has

created an entirely new engagement model,” Ms. Shih says. By doing so, it has “evolved its business model around today’s always-connected customer.”

It is especially impressive, she says, given the financial services sector’s obstacles in adapting to today’s customer-first digital world. “In many ways, the industry has it the hardest when it comes to embracing change due to the highly regulated environment and risk-averse culture in most firms.”

Strict controls over how they communicate with customers limit their engagement strategies. “They aren’t allowed to text, even when clients text them,” Ms. Shih says. Not only does this damage the customer experience, but it creates openings for more agile firms to poach clients—particularly millennials who expect access to multichannel touch points from companies they deal with.

The bottom line for any company is clear, according to Ms. Shih: Organizations ill-prepared to serve the always-connected customer risk losing market share and relevance. **IQ**

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