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Human touch gets a helping hand

Traditional and IT based approaches are combining well in recruitment, training and development, writes *Paul Taylor*

Illustration: Oivind Hovland

Cloud-based software and services, social networks and big data are transforming how companies' human resources (HR) departments operate, reshaping such activities as recruitment, employee engagement, training and career development.

Underscoring the growing importance of technology to HR – or human capital management (HCM) as it is more fashionably called – the leaders in the enterprise software market have spent billions of dollars over the past 18 months acquiring cloud-based talent management start-ups. SAP bought SuccessFactors, Oracle snapped up Taleo and IBM purchased Kenexa.

"Over the past five years, and accelerating in the past three, the industry has changed markedly," says Andrea Bertone, executive vice-president for sales in Europe and North America at Monster, the jobs website.

Mr Bertone identifies four main ways in which technology is changing HR: the increasing use of social networks, the growth of mobile (smartphones and tablets), the expanding use of mixed content – particularly video – for training and other functions, and the use of big data analytics to discover unexpected patterns in employee data.

But perhaps the most obvious way in which IT has changed HR is in the use of online recruitment services such as Monster and social networks such as LinkedIn to augment traditional recruitment methods.

That does not mean that companies – even cloud-based companies such as Box.com – are abandoning traditional recruitment methods altogether. "We use both new and traditional methods," says Aaron Levie, Box.com's chief executive. Those traditional methods include recruitment agencies, referrals and college recruitment drives.

But Box.com, along with a growing number of companies, also uses online services and talent management software to help recruit, train and retain employees. The consultancy Capgemini, for example, processes about 1m job applications and hires some 30,000 employees every year.

Its HR system helps the talent team manage employees, from the recruiting process to their performance, compensation and also as they move around the world.

Jeremy Roffe-Vidal, Capgemini's HR director, says: "Right now, we are embarking on deploying SAP HR globally, which will enable a much more seamless, comprehensive HR process worldwide. In addition to bringing together our two current resourcing systems, it will also help us manage mobility."

Capgemini has also introduced an element of "self-service" to its HR systems. The company's 125,000 employees maintain their own CVs in a database that can be searched by skills, sector and client experience.

Sarah Sandbrook, HR director at Deutsche Telekom's T-Systems unit, says her company faces similar challenges. "We need to know what skills and experience employees have and what skills they need or want to develop," she says. "We use an internally developed system called "skill shift" . . . that allows us to know all about our employees and identify the best place to deploy them, both for T-Systems' purposes and to enable the employee to progress."

More generally, "new digital HCM functions are giving line managers more control over relationships with employees", says Michael George, a senior director at Appirio, a cloud services provider. "We're seeing organisations use HCM data to put together elite teams with specific skill sets that are built for the long term, as well as improve their ability to react to changing business priorities by putting the right talent in the right place at the right time."

HR professionals are relying on these and other specialised IT tools to help prepare them for the developments they expect in coming years. Those challenges, identified in a recent survey undertaken by the Washington-based Society for Human Resources Management, include retaining and rewarding the best employees, developing the next generation of corporate leaders and creating a corporate culture that attracts the best recruits.

"Paying more doesn't keep valuable employees, but not paying enough is a sure way to lose them," says Ms Sandbrook. "Once you have such basic "hygiene factors" in place, the challenge for HR professionals looking to keep their best employees is to give them a sense of purpose and provide opportunities for development.

"In a very large multinational employer, the trick is to know where the development opportunities lie. This is a constant challenge and is where software tools really come into their own."

Inside »

Debate is open on whether to outsource or not

Staff benefits

Decision will depend on level of in-house skills, says *Jane Bird*

The automatic enrolment of employees in workplace pension plans unless they opt out has exercised company finance departments since it began in the UK a year ago.

While many people believe outsourcing is the answer, others prefer carrying out such tasks in-house and say technology is making this easier.

The auto-enrolment scheme requires employers to communicate with employees, pension providers and software suppliers, and to have the time and knowledge to answer the questions that arise.

For big employers this is not so bad. But the deadline by which all businesses must have completed the process is February 2018, although different types and sizes of companies have different completion dates.

Anthony Carty, group financial planning director of Bristol-based Clifton Wealth Management, says that for small and medium-sized enterprises (SMEs) companies it is going to be a rocky ride.

Pensions, along with medical insurance, employee savings plans and vouchers for meals or childcare are becoming an increasingly important aspect of HR, as companies use them to attract and retain staff. But managing such a wide range of benefits is difficult.

Outsourcing can help cope with benefits management, especially if regulation is changing, says Mr Carty. "When it comes to auto-enrolment, a DIY approach has disaster written all over it."

One reason is the fines for non-compliance, which can be up to £10,000 a day. There are also harsh penalties for letting the rules affect recruitment. Choosing members of staff because they may opt out of a company pension plan can incur a £5,000 fine.

Large companies are generally capable of handling auto enrolment in-house, says Mr Carty. "Smaller businesses are much less likely to have the resources to manage the complexity and processes involved."

Third parties are unquestionably better placed to manage the processes for SMEs, he adds. "They can handle the relationships between the company, payroll system and pension provider, as well as being able to answer the difficult questions that auto-enrolment will throw up."

Amy Wilson, vice-president of human capital management product strategy at California-based Workday, which provides cloud-based applications for human resources and finance functions, agrees that the compliance issues raised by auto-enrolment in the UK, and the Affordable Care Act in the US, known as "Obamacare", are good candidates for outsourcing. In addition to the costs, there is the damage to reputation caused by getting it wrong.

> 'SMEs are much less likely to be able to manage the processes involved'

Moreover, benefits management can reveal organisations' internal conflicts, says Matthew Gregson, consulting director at Thomsons Online Benefits, which provides cloud-based benefits management software.

"For example, there is often tension between payroll – typically process-focused and less flexible in terms of embracing change – and HR, which often wants to change and adapt to deliver greater employee satisfaction," he says.

A balance needs to be struck between the two, and it can make sense for a third party to be brought on board to ensuree both sides work together effectively, he adds.

This is particularly true for companies that are expanding internationally and want to control benefits spending in other countries.

In the Asia-Pacific region, companies are increasingly using benefits as a tool in the war for top talent, says Mr Gregson.

However, Harvey Perkins, a partner in KPMG, the consultancy, says improved technology has enabled organisations to take more aspects of benefits management in-house – a strategy he recommends for auto-enrolment.

"Auto-enrolment assessment is so integral to payroll that organisations should avoid third parties and keep it within their payroll departments," he says.

As benefits systems become easier to use, companies will increasingly bring them in-house, says Workday's Ms Wilson.

This avoids the risk of disjointed and outdated information that can be caused by using third parties, she says, because "there is an additional hurdle to unify benefits data with core HR and financial data such as payroll and compensation."

This can have a negative effect on the employees, as people often have to access multiple systems with different logins to manage their personal details.

Cloud-based systems enable performance management

Employee retention Companies are using software to set goals for staff and involve them in career planning, writes *Paul Solman*

The staff management challenges facing Plan International will be familiar to many global businesses. The UK-based children's development organisation has more than 10,000 employees spread across the world – with the added complication that 9,000 of them are based in 50 developing countries in Africa, Asia and the Americas.

With specialists working in education, water and sanitation and health, and fundraising in 20 countries, it is a big job just to keep track of what each employee is doing and where. Tackling performance, motivation and staff retention stretches human resources systems even further.

In January this year, Plan International signed a deal with SuccessFactors, a US-based provider of cloud-based human capital management (HCM) software. Like growing numbers of large organisations, it is looking to the software to integrate many of its human resources processes.

Mark Banbury, Plan International's chief information officer, says: "We have spent a lot of time in the past couple of years making sure we have unified processes around the management of staff, whether it is recruitment, hiring, promotion, learning and development, pay and reward systems or performance management.

"But we have found it challenging and problematic. We were using a number of human resources systems around the globe that were unconnected. We had staff spending a lot of time chasing data."

Plan International began operating SuccessFactors software at its first office in May, and Mr Banbury expects all 50 offices to be using the system by next May. A key function will be performance management, which ties together factors such as motivation, recognition and reward.

"We've a very structured performance management process, where individual employees work with their managers to set what we call an individual accountability plan," Mr Banbury says. "We are also implementing pay for performance, and [this] helps drive rewards and recognition."

The software will also help manage deployment. Because funding for international development organisations often comes from a range of sources, the need for specialised workers can vary considerably.

"Grant funding may last for a three-year or a five-year timeframe when you're doing very large projects, and you scale up a workforce for that particular project," Mr Banbury says.

"Then, as that project winds down, you have staff that you have to lay off or move somewhere else . . . The planning within the HCM software will allow us to work out how to move people around the organisation."

The flexibility offered by cloud computing – renting just those services and applications needed from a third party rather than investing in in-house provision – has been critical in allowing software developers to create systems that can handle such a wide range of tasks.

"Traditional HR functions such as payroll and benefits have tended to be on-premises," says David Ludlow, a group vice-president with SuccessFactors. "Talent management, which includes performance management, succession management, learning and recruiting, have tended to come with cloud-based systems.

> 'Software allows us to work out how to move people around the organisation'

"Recently, we have also seen a shift in buying patterns towards the concept of a suite, where customers are looking for end-to-end blueprint, and often one vendor can supply all the HCM processes."

Indeed, SuccessFactors has specialised in cloud-based software, though the company is now owned by Germany's SAP, which also sells more traditional, computer-based products.

Cloud-based systems have become the predominant model for performance management, says Maureen Brosnan, managing director of the global HCM practice at Accenture, the consultancy. "It is becoming standard to have these kinds of systems in place," she says. "They allow companies to cascade goals down to individual employee objectives.

"Companies are advocating that employees own their careers, while evaluating performance is critical to their motivation and career path."

The growth in HCM software over the past few years has been phenomenal, agrees Emma Parry, reader in human resource management at the UK's Cranfield University School of Management.

"If you looked at HR 10 years ago," she says, "most organisations used some sort of technology for admin and traditional things that needed data, such as payroll. More recently, the technology has advanced and it is used for more sophisticated functions, including talent management, succession and career planning."

But, she warns: "Whether HCM software works for a company depends on how it is implemented. It is about looking at the need in the organisation and seeing if HCM can address it. It does not work to adopt technology for the sake of it."

Mr Banbury of Plan International has high hopes for the broad benefits the software will bring.

"When we are planning, we set an overall organisational goal," he says. "[By using the software,] those goals can then filter down so we can make sure they are aligned across the organisation. So it starts to tie things together that used to be very much a manual process."

Food aid: Plan International distributed corn for school pupils after floods hit southwest Kenya Plan

IT groups must learn to grow their own talent

Opinion
PETER WHITEHEAD

Where have all the skills gone? Employers do not seem to be able to find the ones they need, with some of the most acute "talent shortages" showing up in the technology sector.

Is it that people are less able and willing to learn? Or is it that organisations' demands have changed, both in terms of the skills required and what they are prepared to do to secure them?

From the barrage of data and opinions reaching my screen, I can only conclude it is the latter – along with wider social changes that have affected education and attitudes to work. The headlines almost always talk of a skills shortage, but the full story reveals that it is more a "skills mismatch".

For example, a recent feature in FT Executive Appointments on jobless bankers quoted experts saying that since the wave of redundancies four or five years ago, the range of skills required of bankers has broadened, leaving many perfectly able people unable to find work.

I detect no shortage of perfectly able individuals of all ages: plenty of undergraduates seem easily as bright and knowing as those I met in my university days. The potential for an exceptional IT workforce abounds.

But it is being squandered by employers' demands for the perfect ready-made recruit. As Kevin Green, chief executive of the UK Recruitment and Employment Confederation, said at a conference last month, employers now demand far more than just technical skills – they want a host of other skills, too.

The result is that recruitment practices are geared more towards looking for the ideal candidate and luring them away from their current employer – a radically different approach from appointing the best applicants, followed by training and development.

The impact of online social media is one of the factors that makes this possible. LinkedIn and the like give employers a tool by which they can identify desirable candidates in narrow fields and gain direct access to them.

There is a parallel with football: the best players can either be bought or grown through a club's youth system. While the top clubs also grow their own, they cement their league positions by buying the world's best players, resulting in spiralling pay.

The technology sector, at a lower level, is pursuing a similar path, with salary surveys regularly showing pay to be rising fast.

But technology is at a disadvantage compared with football, as it struggles to project an exciting workplace image, despite so many of its products being cutting edge. Employers need to work hard at improving their image.

But vitally, they need to invest more in training, apprenticeships and skills development. This need was highlighted last month by The Survey of Adult Skills, a shocking OECD report that assessed the proficiency of adults aged from 16 to 65 in literacy, numeracy and problem-solving in technology-rich environments. It showed how different approaches to education and skills produce different problems.

For example, South Korea, has more graduates than its technology-rich economy needs, but a shortage of school leavers, according to the labour ministry. Families are spending vast sums on overeducating their young.

The resulting levels of debt have repercussions, such as a low birth rate and reduced consumption. South Korean IT companies are being given incentives to take on school leavers in an effort to redress the imbalance.

The UK has the opposite problem – 16-24 year olds in England and Northern Ireland were found, on average, to be no more skilled in literacy, numeracy and problem-solving than people as old as their grandparents.

> Technology businesses need to recognise there is a plentiful supply of able people

Within those averages the OECD found extreme variations in skill levels, largely based on class.

The most advantaged youngsters tend to choose academic learning at university rather than wider skills and are left with inflated expectations of what work has to offer.

The prospect of sufficient numbers being content to join an IT company at the bottom and work their way up is remote, and the sector is increasingly relying on imported skills.

Technology businesses need to reassess the sort of people and skills they need and be prepared to invest more in creating their ideal workforce and less in buying it in.

They need to recognise there is a plentiful supply of able people – unexcited by their sector, perhaps, and probably with imperfectly matched skills. But they need to excite and educate them.

The second challenge is to work closely with policy makers. Governments and individuals cannot hope to keep pace with the changing demands of the IT sector but, with proper incentives and realistic aims, they can provide excellent raw material for IT companies to work with.

Headhunters' traditional skills survive in world of web-based tools

Social media

LinkedIn and other sites are useful but cannot replace the personal touch, says *Michael Dempsey*

GQR Global Markets matches faces with roles in financial markets across the US, Europe and Asia-Pacific. On the surface, the advent of social media has changed everything about how GQR goes about locating the right people for its clients among hedge funds and banks.

Hugo Sugden, GQR's managing director, has been headhunting since 2007, when he entered a world that still relied on personal contacts to pin down a name in specialised fields such as quantitative finance.

His arrival in the executive search industry coincided with the rise of social media. The online professional networking giant LinkedIn, with its 238m members worldwide, has transformed his business. But far from displacing headhunting skills, social media have magnified their importance.

"When we interview potential headhunters to work here the first thing they want to know is whether we use LinkedIn Recruiter," Mr Sugden says.

The global networking business sells its Recruiter software to companies such as GQR that need a powerful search engine optimised for the LinkedIn site with its huge reservoir of online professional résumés.

Other tools at GQR's disposal include databases of IT professionals' CVs on technical forums such as Stack Overflow. But the skills of the headhunter have survived in the digital world because not every job vacancy is filled by someone who is seeking a new post.

"The best people aren't actively looking for a job," says Mr Sugden, "so that's why you go to a headhunter." The 21st-century breed of headhunter uses social media to develop a large pool of potential talent in specific disciplines, but does so with the diplomatic skills that executive search firms always claim as their own.

"LinkedIn is one big online database of people who can be approached, but you need to ascertain their interest," Mr Sugden cautions. The software tools GQR uses to interrogate LinkedIn and other specialist databases have extended the scope of his searches. "Social media have made a big difference in terms of how effective and efficient we are."

In the past, Mr Sugden's job meant ploughing through conference documents and business newspapers to highlight individual names. Now the detail available on a LinkedIn profile permits GQR to weigh up the precise attributes of someone who has left a particular bank and then approach it with a potential list of replacements who are very good fits for the job, culled from social media.

If it sounds as if LinkedIn has taken the hard work out of headhunting then, think again. GQR is moving into the extractive industries. Finding scarce skills at a time of expansion in the oil and gas sectors means dealing with an environment very different from a trading floor.

Managing a drilling operation does not leave engineers with a lot of time to spend updating an online profile. So the telephone is still the primary means of tracking down these prospective employees.

By contrast the high technology industry of Silicon Valley should be an online recruitment paradise. But if a headhunter wants to get a grip on the finest brains in venture capital-funded start-ups, he faces an uphill task.

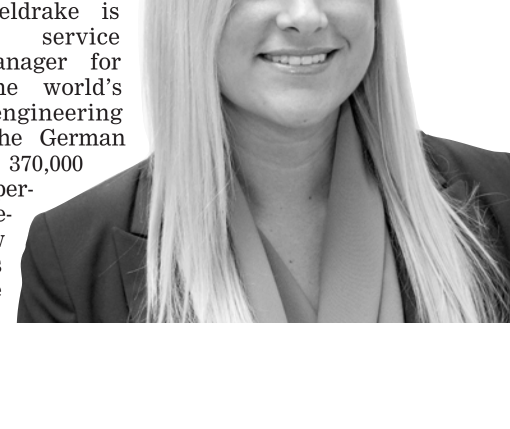
Many of these organisations are intent on what is known in Valley jargon as "running dark" and want to deter external scrutiny, sometimes discouraging staff from even having a social media profile.

This secretive behaviour is what leads GQR to abandon online research for industry gatherings such as California's annual Silicon Beach Summit. This is a two-day round of presentations, panels and parties for rising techies and prospective financial investors.

GQR works the summit to identify promising names inside digital newcomers.

Taryn Sheldrake is recruitment service delivery manager for Siemens, the world's largest engineering company. The German group has 370,000 staff and a persistent appetite for new recruits. Ms Sheldrake agrees with GQR that the candidate who is not actively job-hunting is the best target.

"It's very important to engage with talent globally, and social media allow us to tell our story to this audience," she explains.



Taryn Sheldrake: 'important to engage with talent'

LinkedIn Recruiter is useful, she notes, because LinkedIn itself is primarily a networking device and Recruiter allows her to open up and explore the multiple networks it hosts.

Siemens may rely on technology, but for Ms Sheldrake the highlight of her working year is LinkedIn's annual conference for recruiters.

Just back at her desk from this event, she extols the one place where "all the talent acquisition leaders get together and swap best practice". The great thing, she continues, "is meeting people you mostly deal with online. Face-to-face contact changes the relationship."

For all the excitement of social media, recruitment still thrives on personal contact.

Technology means wisdom is shared on demand

Training and development

Mobile devices can help employees develop their skills when and where they are needed, says *Jane Bird*

Decision support: helping ambulance staff with triage in an emergency is one application for on-demand learning Reuters

How many people does it take to give a lecture? It used to be one, the speaker, but with the arrival of social networks, lectures have become multi-dimensional experiences in which the audience, as well as listening, are simultaneously tweeting, sending texts and looking things up on the internet.

Their behaviour might seem rude but it means they are getting more out of the occasion, says Tamsin Treasure-Jones, senior strategist of technology-enhanced learning at Leeds University. "They are participating in discussions on Twitter, making comments in 140-character phrases and sending links to resources they had created earlier."

Although you cannot say much in a tweet, it means there is lots of turn-taking, so one person does not dominate the discussion, Ms Treasure-Jones says. She is studying the process as part of Learning Layers, an EU-funded research project investigating how technology can support informal learning in the workplace.

When organisations are under cost pressures, training and development are among the first activities to get squeezed. Small and medium-sized businesses particularly struggle to release staff to attend courses.

Enabling people to share knowledge is one way technology can help. "This doesn't necessarily need a tutor to have created a learning package," says Ms Treasure-Jones. "It's more about who's around you. At present, we tend to ask people nearby, but an online professional network can help get more diverse expert opinion."

Some people have rich, supportive professional networks, but others do not know where to start, says Ms Treasure-Jones. "We are looking at how to use technology to help fill in the gaps in their knowledge without overloading them."

A lot of information is shared by email, but this is not very effective, says Ms Treasure-Jones. People use it too often, so that recipients are constantly fielding email rather than focusing on what matters.

"Technology can support professional development by connecting people in discussions to share knowledge and resources. But not everyone has these skills and sometimes technology makes it worse," she says.

David Mallon, vice-president of research at US-based Bersin by Deloitte, an HR and talent management consultancy, says video can help share knowledge and is growing fast, because the barriers to entry are so low. "It is easy to create high-quality video. You don't need a high-class camera," he says.

He adds: "Software companies such as SuccessFactors are embedding technology in their learning management systems that lets employees capture video with smartphones and create an ever growing library of good examples."

Sales departments have been quick to seize the opportunity, says Mr Mallon. "It's very hard for sales managers to coach trainees, because they don't see them visiting the customer. But with video they can create content or demonstrate how they want it done." Similarly, restaurant managers can show staff how to welcome customers or talk about new items on the menu.

A big problem with conventional training is that people easily forget what they have learnt unless they can quickly put it into practice. Technology can help by delivering training on the job.

Managers want their training five minutes before they have to hold a difficult conversation with a member of staff, or in the car park before they see an awkward client, says Stephen Walsh, a director at Kineo, a UK-based elearning company.

Mr Mallon agrees: "One of the most exciting developments has been the change from training being something that happens away from the workplace to being available at the moment it is needed."

In healthcare, this on-demand learning can be used for decision support, for example, helping ambulance staff with triage in an emergency. In manufacturing, it can be used to show machine operators how to work equipment before it is activated.

Mobile devices such as smartphones and tablets are increasingly being used to provide training when and where it is needed, says Mr Walsh. "People use their mobile devices for email and accessing their organisation's intranet, so they expect learning there too."

Researchers are experimenting with showing people how to use equipment in real time by projecting images on to head-mounted displays. "An aircraft technician might have a diagram for the engine to see how to take it apart," Mr Mallon says.

Training on mobile devices also enables people to use "dead" time on trains, between meetings, in airports. Such courses can be in small bite-sized chunks, of perhaps 15 minutes.

Another technology being applied to learning and development is data analytics. It can flag up potential problems with an individual's performance and forecast whether somebody will make a good plant manager or supervisor, says Mr Mallon.

It can even predict what a factory's safety record would be like if a particular person were in charge, and suggest what training would help. Such assessments should not be taken too literally, but they can help identify who needs training, especially for new recruits, says Mr Mallon, if less so at the leadership level.

Clare Roberts, HR expert at PA Consulting, says that for leaders, personal coaching and mentoring is more useful than technology.

Human coaches help you think, ask you questions, and listen to what you say, Ms Roberts says. "It's very personal, I don't see how it could be done by technology."

Software helps get the best out of employees

Talent management

Human resources tools can identify, empower and develop staff, says *Jessica Twentyman*

Companies of all types expect more from human resources software than they did a decade ago.

Then, the goals were the automation of key HR processes and conversion of personnel records to digital files, explains Lori Williams, general manager for Europe at Appirio, a consultancy.

The emergence of talent management tools has changed all that, she says.

They can help companies "work smarter, when it comes to organising and engaging with the workforce, so that employees are more empowered to help the organisation meet its strategic objectives".

Today, she says, most tools are based on remotely hosted servers in "the cloud", leading to faster implementation times and lower costs associated with subscription-based payments.

So what are the benefits that organisations implementing this software hope will result?

Improved recruiting

If hiring the wrong person for a role can be costly, so can missing out on hiring the right person.

The recruitment functions of talent management software enable organisations to keep a database of potential hires; co-ordinate recruitment efforts across online recruitment channels and social networking sites; and streamline the recruitment process by turning paper-based information, such as application forms and interviewer feedback, into electronic information that can be more easily managed and shared.

Karl Jolly, director of people at Welcome Break Group, is expecting a five-figure cost saving in external recruitment costs alone by outsourcing HR services to a cloud-based company.

"Ultimately, up to 25 per cent of vacancies will be internally filled, thanks to visibility of the talent pool and [more] effective succession planning," he predicts.

Streamlined performance appraisals

Regular reviews are vital if managers are to identify the company's high performers and future stars, as well as its slackers.

But appraisals can get bogged down by paper forms. The performance management capabilities of software speed things up, enabling employees and managers to collaborate closely by using online forms.

Employees get a better understanding of their role, how it is evolving and the objectives they are expected to meet.

These are all factors, say HR specialists, in boosting employee satisfaction and retention rates.

Before US online florist 1-800-Flowers.com implemented Salesforce.com's Work.com applications, its yearly performance review process at had not changed in years, says Maureen Paradine, senior vice-president of HR.

Now, the company is planning a quarterly review cycle starting in 2014 and is achieving a 96 per cent completion rate for employee self-reviews, she says.

More effective training and development

Training and development modules of a talent management package can help HR staff analyse workforce skills, identify gaps and ensure the programmes have maximum impact.

They can track employee take-up of learning opportunities and monitor post-learning performance, to see how training affects individual development.

Clearer succession plans

As organisations face the issue of an ageing workforce, HR staff increasingly have to explain how they are preparing promising younger employees for leadership roles.

Talent management software gives them an integrated view of individual employees' skills, how they are performing against the goals set for them and what training will be needed to fast-track them to the top.

Mr Jolly says: "Clear succession plans and the ability to engage employees with HR processes using social media tools and mobile devices will be crucial differentiators for us."

A chance for HR to shine

For HR professionals, implementing talent management software presents an opportunity to "take the lead in driving business transformation", says Ruth Svensson of KPMG, the consultancy.

"The combination of effective talent management processes and systems contributes significantly to business productivity through greater agility and quicker identification and sourcing of skills across an organisation."

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Reputation management Companies should listen to what people say about them, writes *Jessica Twentyman*, introducing a set of articles about brands and social media

Whatever happens, be responsive and remain positive

Questionable decision: social media experts say British Gas was naive to schedule a Twitter Q&A session on the same day it announced price rises

What started as a well-meaning attempt to engage with customers on social media recently turned into a public relations crisis for British Gas.

Executives at the energy company decided to schedule a Twitter Q&A session with customer services director Bert Pijls on the same day in mid-October that it announced a 9.2 per cent increase in energy bills.

Customers were quick to make their feelings known, using the #AskBG hash to post thousands of mostly vitriolic messages concerning price rises, profits and executive pay at the company. As the session continued, other Twitter users got involved, hijacking the hashtag to taunt the company or simply get a laugh.

"How will you feel when pensioners die from choosing to eat instead of heat?" tweeted one. "Is it true your top shareholders heat their homes by burning loads of £100 notes they have from excessive profits?" asked another.

British Gas has said that it stands by its decision to hold the Q&A session. But social media experts have countered that the company was naive to schedule the session on the same day as its controversial price-rise announcement.

Either way, the incident offers valuable lessons from which other consumer brands can learn, says Kate Cooper, managing director of social media agency Bloom Worldwide and a former adviser to the UK government on social media strategy.

Listening to what customers are saying about your company and its brand online is important, she says, but if online public sentiment turns sour, having a plan of action is vital.

This is where many brands fall down, she says: "There's a real lack of preparedness. It's only when a PR crisis arises that the importance of a response plan hits home and, by that time, it's often too late."

In other words, consumer brands may find themselves scrambling to keep up with a torrent of complaints or, worse still, completely overreact.

Even at those companies that have thought ahead, response plans have in many cases only been implemented in limited ways, says Ms Cooper.

"They'll have one department – normally marketing or PR – that is primed to respond. But the trouble with that is, that a company in this situation needs to be able to activate a number of people across the organisation in order to deliver a well-rounded, coherent response."

At the very least, she says, that team should include representatives of sales, customer service, plus a selection of senior executives. Brands should also pay careful attention to exactly who is contributing to the debate, whether the storm has erupted on Twitter or on another online network, forum or blog.

After all, some commentators have more "clout" than others, points out James Jones, principal adviser at KPMG, the consultancy.

"It's vital for consumer brands to pay close attention to individuals with high social media clout," he says. "In some cases, they already do. The brands that offer these consumers the chance to review products recognise that their opinion will be seen by many and that their influence is powerful."

Often, it is these "influencers" who prove to be a brand's best allies when a crisis hits. Toyota Europe, a Bloom Worldwide client, has a powerful network of "brand loyalists" that will leap to defend it from negative criticism online in response, for example, to a product recall, says Ms Cooper. "That's a more powerful message to the marketplace than Toyota itself could ever send out."

For that reason, she adds, it may be wise for companies to take a "wait and see" approach in the initial stages of an outbreak of online criticism.

By leaping in, they may be fanning the flames of a fire that would have died out naturally without intervention. It is only when the outbreak reaches a certain threshold that a company should step in.

Many of the "social listening" technologies in which big brands have invested – including tools such as Salesforce.com's Radian6, Brandwatch and Converseon – offer users the chance to set those thresholds in advance, so that the response team is automatically alerted by email when the volume of negative comments reaches a certain point.

It is only then that a "triage" strategy should be initiated. This is a term more typically used by medical staff to describe the process of sorting and prioritising patients for treatment, but the approach is increasingly used by social media professionals to prioritise online complaints, according to the influence of the complainant and the legitimacy of their complaint.

In order to work, however, that triage approach must also be carefully considered in advance.

Too many are not sufficiently "granular" in their approach, says Mr Jones. "Companies should develop a matrix of social media clout versus severity, where severity could be a view of the sensitivity of the issue and the size of the population impacted."

But companies should make no mistake: responsiveness is the measure by which their brands will be judged when things go wrong for them.

> Negative feedback online could even be an opportunity to increase customer loyalty

And negative feedback online could even be an opportunity to increase customer loyalty, according to recent research from Bazaarvoice, a US-based company that hosts and moderates online reviews for retailers including Argos, Marks and Spencer, J Sainsbury and Next.

It found that, when consumers saw a brand's response to a negative online review, their overall opinion of the product and their intent to purchase more than doubled, compared with when they saw a negative review without a brand response.

Similarly, when a brand's response offered to refund, upgrade or exchange a disgruntled customer's product, consumers were 92 per cent more likely to purchase than those who saw no response.

"Responsiveness is one of the most important dimensions of a more 'human' commercial relationship," says Lisa Pearson, chief marketing officer at Bazaarvoice.

"With the acceleration of market changes from social media, new technologies and increased competition, companies that want lasting relationships with consumers must participate in experiences that foster trust, dialogue and collaboration at each stage of their journey."

Sorry seems to be the hardest word

How to handle a crisis

There are ways to respond when things go wrong and preparation is vital, writes *Maija Palmer*

Once upon a time, in the halcyon days before the internet, a well-worded press release may have been enough to defuse a company crisis, but in these days of emails and social media, companies have to do more to prevent storms in tea cups from becoming tsunamis.

Here are five key steps to how to deal with a crisis in the modern era.

Respond quickly

"The demand for a response is 15 minutes on Twitter and about an hour on Facebook," says Tamara Littleton, chief executive of eModeration, which manages social media for companies ranging from Sony Mobile to Moshi Monsters.

"That is just the way it is now. Brands have to monitor everything and get back very quickly – even if it is just to say: 'We are aware something has happened and we are looking into it.'"

She warns that if a company remains silent in the face of an unfolding crisis, customers and the general public will begin filling in the gaps for them on social media, very likely tweeting or posting highly unfavourable material about the business.

The longer the delay in response, the harder it becomes for the business to put its point of view across credibly.

"Delay is the worst thing you can do," agrees Nick Sharples at CrisisVu, a company that provides software that allows companies to monitor social media.

During the horsemeat scandal earlier this year, when a number of food items advertised as beef were discovered to contain horsemeat, Tesco, the supermarket chain, was very quick to publish an apology to customers, while frozen food provider Findus did not go public with its findings for a week.

Mr Sharples says Findus's delay was perceived very negatively by the public. "People never remember the crisis itself, but they remember if you covered it up."

Similarly in 2011, when Sony's customer databases were hacked, the electronics company was criticised more for the length of time it took to tell customers about it than for the breach itself.

Practise, practise, practise

To be able to respond quickly, it is important to have a clear plan of action in place well ahead of any crisis.

"One of the key things about a crisis is preparing before it hits," says Mr Sharples. He says that, many times, companies are slow to respond because they spend too long discussing their responses with the legal team, who often want to use an impenetrable "legalese".

"Have the conversations with the lawyers before a crisis hits," he advises.

Tom Hoskin, group media director at Tesco, says the company's communications team is prepared to swing into action quickly.

The hardest part is often deciding what constitutes a real crisis. Once that has been established – as during the horsemeat crisis – there is a set plan that can be followed.

It is also essential to have a social media account already set up. About 23 per cent of Fortune 500 companies are not yet active on Twitter, according to research this year by the University of Massachusetts Dartmouth.

Such companies will find themselves virtually voiceless when negative tweets about their product or service begin to fly.

Try to sound sincere

Saying "sorry" quickly and clearly when a company has done wrong is essential, says Mr Sharples.

"An apology is one of the most important elements in a crisis management plan. It can negate much of the criticism that is likely to be streaming in."

Again during the horsemeat crisis, Tesco took out full page ads in a number of newspapers headed "We apologise", while Findus published notices with the much more brusque heading "A message to our customers", and buried the word "sorry" in the second paragraph.

Getting the tone right is important, says Ms Littleton. "It will vary depending on what your brand is. Humour can calm down a situation and get people back on your side. But humour is not right for every brand. For the banking industry it is not appropriate."

O_2 used humour to good effect during a network outage in July 2012. Amid more serious advice, the customer service team sent witty responses to some of the more abusive tweets they were receiving from angry customers.

These were noticed by the wider public and created sympathy towards the customer care team who were showing themselves to be human.

Eventually O_2 started receiving supportive tweets from the public such as this one fom @Bentwelly: "Whoever is running @O2 twitter feed today is handling the abuse well! Go you! :-)"

Take breaks and refresh your team

Crisis management is intense and stressful, says Ms Littleton. "We recommend you swap teams over after a couple of hours so people are not taking things personally," she advises.

"It is very important for people doing the PR or communications to remain calm and not be goaded by the public."

Ms Littleton's team at eModeration run crisis simulations for companies to help them rehearse going through a crisis before one hits.

She says the team often find that two or three hours into the simulation, people's judgment begins to deteriorate and mistakes start to happen. "It's called the monkey-brain – a known physiological reaction to stress: your brain shuts down."

Be prepared for the long haul

Type "horsemeat" and "Burger King" into the search bar on Twitter and you will still see a handful of recent tweets linking the fast-food company to the crisis, nearly a year later.

Tom Hoskin at Tesco says that the PR team is still poised for the horsemeat issues to be brought up again, every time any kind of food-related issue surfaces in the media.

"A recent survey in the processed meat industry shows that a quarter of companies in the processed meat industry are still being affected by the horsemeat crisis," says Mr Sharples. "There is a long tail to a crisis this public – and high profile."

On FT.com »

Video: stay calm and don't panic
Maija Palmer on how to handle social media during a crisis
ft.com/brands

Machine and man unite to assess brand value

Sentiment analysis

Clever software and people are needed to study opinion, says *Michael Dempsey*

The Bugatti Veyron is a 250mph supercar that has sold 340 units since its launch in 2005. At upwards of \$2m it was never going to be a common sight, even in the most affluent of cities.

So why would Volkswagen, Bugatti's parent company, care about building up a mass following for it on social media and then spend money analysing popular opinions of this roadside rarity?

The answer lies in the nature of a brand, a term that suffers from very lazy interpretations.

People confuse it with a product or company identity, ignoring the complex set of attributes that go to make up a true brand.

Among the list of real brand qualities are third-party perceptions. For a luxury car to succeed, it must turn heads in the street. And what goes on inside those heads matters to its brand image.

Connect Advertising has been commissioned to monitor the Veyron's popular image as expressed via social media.

Alastair Duncan, Connect's marketing director, uses a variety of software products that assess public sentiment in social media to identify views on the car, because these opinions have an impact on the wider VW product line.

"Bugatti is a hero brand in the VW portfolio. People do feel terribly passionate about it." Mr Duncan says.

This passion is what Connect measures when it digs into Bugatti's 1m-strong fan base on Facebook. Words and phrases are isolated and categorised to give a picture of how far VW's elaborate Bugatti brand-extension exercise is working.

Mr Duncan takes social media seriously, but notes that sentiment analysis demands a degree of restraint. "It's absurd to respond to every single tweet where your company is mentioned. It's far more important to respond to comments that matter, and to trends indicated by mounting levels of comment," he says.

There are two big challenges to isolating sentiments buried in the chaotic environment of social media. The sheer volume of messages flying around Twitter and Facebook is daunting enough. And then there is the problem of the

> 'Automated tools fail when nuance and humour feature in language'

way humans deploy language, with irony and sarcasm defeating any true understanding of the feelings behind an online trend.

Chris Binns, managing partner at media agency MediaCom, employs a handful of programs to perform sentiment analysis for his clients. He notes that measuring the volume of mentions of a product is relatively easy, but that reading into those mentions for emotional intent is tough.

"Automated tools start to fail when nuances and humour feature in language," he says.

"It is useful to know what questions people have about a brand, but you need to see the meaning of comments. There aren't many intelligent robots that can do that."

Brandwatch, one prominent social media monitoring tool, classifies comments as positive, negative or neutral.

While this is not 100 per cent precise, the UK-based company claims to achieve 70 per cent accuracy with this approach, which can be enough to learn a lot about where an advertising campaign is heading. To move beyond the 70 per cent rate, Brandwatch admits that manual analysis still has a place, though even that is subject to error.

Knowing the right time to hand analysis over from the robots to the humans is the forte of Penrith-based Dollywagon. Named after a nearby mountain in northern England's Lake District, Dollywagon sits between the worlds of IT and marketing, taking work on a project basis.

Founder Jason Brownlee describes the business as a mix of analytics, internet search, social media and brand consultancy.

For fees from £5,000 to £50,000 or more, Dollywagon will embark on a mission to inspect the marketplace around a product or brand as defined by social media.

Dollywagon's software produces a report that is then further analysed by a human. "You have to understand the dividing line between the computer and the material," says Mr Brownlee. "Sarcasm does not compute."

After logging mentions in a huge mound of tweets, his software breaks the content down into words that relate to elements of opinion.

This material is then subject to the human touch, with Dollywagon's analyst team using their own qualitative research system to herd comments into areas indicating a joke is being made or dissatisfaction expressed.

"I don't trust a machine to tell me how people feel," says Mr Brownlee, "but I do trust it to tell me what they are talking about."