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Rather than waiting for impressions about a company to be driven by others in social media, CEOs can help shape the conversation.

BY CLAUDIA KUBOWICZ MALHOTRA AND ARVIND MALHOTRA

MANY COMPANIES HAVE embraced Twitter as one of the best ways to communicate with customers and other types of stakeholders. However, many CEOs don't leverage the power of Twitter to the fullest extent. The number of CEOs of large companies who are active on Twitter continues to be low. As of September 2014, only 42 *Fortune* 500 CEOs had Twitter accounts. Of those, only about 70% were truly active and tweeting in a meaningful way.<sup>1</sup>

One high-profile Twitter user is Elon Musk, CEO of Tesla Motors Inc. and SpaceX. Musk typically tweets numerous times a month, and his tweets sometimes contain new and exciting information. On March 30, 2015, for example, he tweeted that a new, major Tesla product line would be unveiled the following month and that it was “not a car”:

 *(Elon Musk, CEO of Tesla) Major new Tesla product line — not a car — will be unveiled at our Hawthorne Design Studio on Thurs 8pm, April 30*

Musk's tweet generated a lot of attention; the news wasn't announced through any other communication outlets. And there was intense speculation about what the new product would be. (It turned out to be a battery for powering homes that charges using electricity generated from solar panels.) Many media outlets joined in the discussion.



## THE LEADING QUESTION

How can CEOs use Twitter to help their companies?

## FINDINGS

- ▶ Relatively few CEOs of large companies are active on Twitter.
- ▶ Savvy CEOs can use Twitter to make direct, personal connections with a network of followers.
- ▶ Certain types of CEO tweets are more likely to be “liked” and retweeted than others.

Twitter, one of the world's leading social media platforms,<sup>2</sup> has more than 300 million active users. In contrast to Facebook, which skews heavily toward personal communication, Twitter is used more actively for business. As a result, brand managers, customer service agents, and other businesspeople became early adopters so that they could stay abreast of the streams of information they cared about and communicate with current and potential customers. Twitter users check their newsfeeds for real-time information on everything from business news events to sales at their favorite retailers. At a number of companies, "C-level" executives in addition to the CEO have begun tweeting. However, CEOs generally have the most social cachet and are considered the ultimate company spokespeople.

### Leveraging the Power of Twitter

By tweeting, CEOs have an opportunity to initiate and influence online conversations. Rather than waiting for impressions to be driven by the media or individuals with ulterior motives, CEOs can use tweeting to help shape their public image and that of their companies. We studied the Twitter activity of 25 CEOs of publicly traded companies who were active on Twitter, and identified common patterns and themes. (See "About the Research.") This article describes the opportunities for CEOs.

### ABOUT THE RESEARCH

We searched Twitter and the Internet to find lists of and references to CEOs actively using Twitter. We pared down the list to 25 CEOs of publicly traded companies in the United States. A database was compiled of all original tweets generated by the CEOs between July 1, 2013, and October 31, 2013. (Retweets and private messages were not included in our sample.) Our sample consisted of 2,858 tweets.

To ensure inter-rater reliability, the two authors categorized 50 tweets independently. The categorizations were then compared, with differences discussed and definitions updated. We then coded the rest of the tweets independently. In order to explore how CEO tweeting behavior was clustered, we used cluster analysis. Based on the robustness of the four-cluster solution across two stages of analyses, we present the results based on the four-cluster solution obtained from the hierarchical procedure. Only the content types that could significantly differentiate the clusters are included. Other content types were low in frequency and did not show significant differences across the clusters.

We also used event-study methodology to explore the relationship between CEOs' tweets and the market value of their companies. (Event-study methodology is commonly used to study market effects of announcements.) Specifically, we sought to confirm whether CEOs' tweets with business-related content were associated with positive and significant cumulative abnormal returns for their companies in a 7-day event window (1 day before and 5 days after the tweet).

### Potential Benefit #1: Increasing Your Influence and Creating Positive Sentiment

Twitter enables a CEO to make a direct, personal connection with a network of followers. By following a CEO on Twitter, stakeholders express their affinity for both the CEO and the company. The number of one's Twitter followers reflects the level of interest. As the size of the CEO's network increases, so does his or her potential to reach and influence others.

Twitter also enables followers to "like" a tweet with a single click.<sup>3</sup> Through use of the like feature on Twitter, followers can express positive sentiment for tweets. A large number of likes reflects not only appreciation but also popularity within the Twitter community. A CEO's tweets can raise a company's profile and engender positive sentiment in the Twitter community, which includes investors who are active on Twitter.<sup>4</sup>

### Potential Benefit #2: Spreading Your Message

When CEOs send their followers interesting, important, and relevant tweets, a subset of the people who receive them retweet them to *their* followers. Retweeting quickly multiplies the reach of the initial tweet.

There are two important implications of retweeting. First, the original followers are implicitly endorsing the message by considering it important enough to pass on to their own personal network. In effect, they are signaling that this is a message they think people should pay attention to. Often, the retweeter adds a few words to the original tweet, such as "check this out" or "so true." This can add attention-grabbing cues to the original content, making it even more salient.<sup>5</sup>

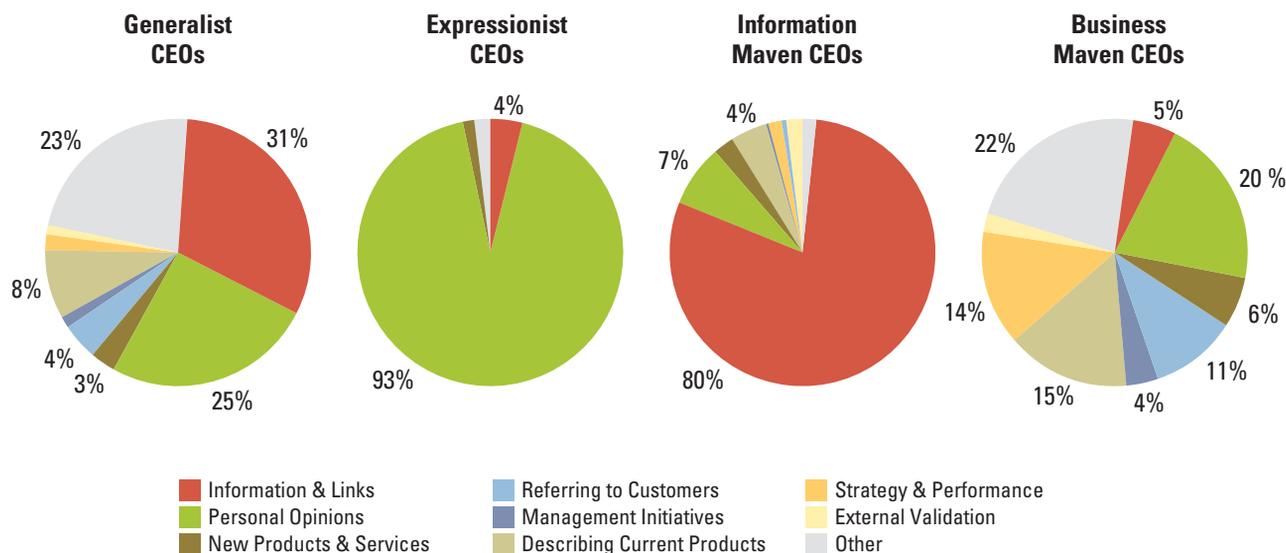
Second, the retweeted messages reach a larger and more diverse audience than just the original recipients (CEO followers). If the retweet is indeed of interest, those receiving it may choose to follow the CEO directly, which will expand the reach of the CEO's network over time. So the retweet is a very powerful validation and propagation feature of Twitter.

### How Have CEOs Used Twitter Thus Far?

CEOs' tweets cover a range of topics, both business-related and non-business-related. Based on the type of content tweeted most often, we have classified the CEOs we studied into four different groups:

## HOW FOUR DIFFERENT TYPES OF CEOs USE TWITTER

CEOs are using Twitter in a variety of ways and tweeting about different topics, both business-related and non-business-related. Based on the type of content tweeted most often, we have classified the CEOs we studied into four different groups: Generalists, Expressionists, Information Mavens, and Business Mavens.



Note: Unlabeled segments are less than 3%

Generalists, Expressionists, Information Mavens, and Business Mavens. (See “How Four Different Types of CEOs Use Twitter.”)

**Generalists** represented the biggest segment of CEOs in our study. Generalist CEOs use Twitter to share a wide range of content. At times they tweet about personal opinions and interests; other times, they tweet information closely related to the business (for example, strategy, existing products and services, customer references, etc.). However, as a rule they do not communicate information related to new initiatives.

In addition to being the largest group, Generalists tweeted the most. However, on average they had the smallest networks among the groups of CEOs in our study. They were also retweeted and “favorited” — Twitter’s terminology for “liked” at the time our research was conducted<sup>6</sup> — the least of the four groups. This may be because they were not sharing information that’s unique; what they shared does not capture the “fresh from the source” informational needs of the Twittersphere.

**Expressionists** use Twitter extensively for non-business content sharing. The CEOs in this group

used Twitter to share their opinions about events and politics and give their followers an insight into their daily lives. More than 90% of the tweets by this group were related to their personal opinions and interests. In many ways, they used Twitter as much as a brand-building platform for themselves as for their companies. Their tweets were retweeted and favorited more than those of the Generalists and Information Mavens (but significantly less than the Business Mavens). This indicates some interest in their personal opinions and insights, but not enough to make a significant impact.

**Information Mavens** frequently share links to information, news, and other happenings. However, they did not generally tweet information specific to their company, acting more like “trusted curators” of content; 80% of their tweets fell into this category. With so much content available online and specifically on Twitter, many people seem to want unique sources of “fresh” content. As a result, Information Maven CEOs had significantly fewer followers on average than Expressionists and Business Mavens, and relatively few people retweeted or favorited their tweets.

**Business Mavens** use Twitter extensively and primarily share business-related content. In contrast to the other CEO profiles, Business Mavens often shared new product announcements, information about existing products, customer references, and information about management initiatives and strategy. Although they also used Twitter to share content related to personal opinions and interests and links to other interesting information, the majority of their tweets were business-related. As a group, Business Mavens were retweeted and favorited more often than CEOs in the other groups, and they had significantly larger follower networks. When they tweeted, the Twittersphere responded, even though on average they tweeted the least of the four groups. Among the CEOs that were in this group during the period we studied were Marissa Mayer of Yahoo! Inc., Jeffrey Immelt of General Electric Co., and Tim Cook of Apple Inc.

### How Should CEOs Use Twitter?

Our research suggests that certain types of CEO tweets are more likely to be liked and retweeted than others. They are: tweets that provide new information about the company’s products and services; tweets that refer to external validation; and tweets that share customer stories and refer to customers. These results parallel our prior research on how brands can craft tweets to maximize the number of retweets.<sup>7</sup>

**New product information** Tweets that offer information about upcoming new products build anticipation among the CEO’s followers, many of whom are also company fans. Such tweets often contain relevant, real-time information, mentioning dates for product approvals and market launches.

**External validation** Tweets that refer to external validation of the company can also be effective in

garnering followers, likes, and retweets. For example, when companies win awards and CEOs tweet about it, followers respond. Such tweets need not proclaim “we are good” but rather that “others think we are good.” Followers like to bask in the glory of the company success and also share the success with their own followers. These tweets contain information and positive sentiment that highlights strong performance that may not appear in balance sheets. For example, when Salesforce.com Inc. received a positive review in an influential survey, CEO Marc Benioff tweeted:

 (Salesforce CEO) Very proud of @salesforce for once again becoming the definitive leader on Gartner SFA MQ!



**Customer stories** Lastly, people respond favorably to CEO tweets that share customer stories and/or refer to customers; they lead to more followers, likes, and retweets. When a CEO refers to a customer or shares a story of a great customer experience, it tends to be well received by the CEO’s followers, who are vested in the company’s success and may also be customers of the CEO’s company. Moreover, such tweets personalize the CEO’s relationship with the company’s customers. They display appreciation for customers as people as opposed to sources of revenue. For example, Apple’s Tim Cook tweeted the following on September 20,



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2013, (and was retweeted by more than 7,000 followers):

 *(Tim Cook, Apple CEO) Visited Retail Stores in Palo Alto today. Seeing so many happy customers reminds us of why we do what we do.*

Although the three categories of tweets appear to be different, they have a common thread. Each resonates with followers for multiple reasons, such as being vested in the brand as a customer, appreciative of the brand, and desirous of making a personal connection with the CEO. Thus, followers (who are usually customers) are more likely to like and retweet such tweets. The retweeted tweets have a high likelihood of reaching others who are not yet vested in or aware of the company's activities. By receiving retweeted posts, they may begin following the CEO and become a brand fan and perhaps a future customer.

## CEO Tweets and Stock Prices

How are CEO tweets related to a company's stock performance? We found that CEO tweets with non-business content do not appear to influence a company's stock market performance in a positive way. When examining business-related-content tweets, we found that certain types of business-related CEO tweets were more strongly correlated with positive movement of their company's stock prices. These included tweets about new management initiatives; strategy and performance; and new products and services. Tweets related to new management initiatives describe capability expansion, including the announcement of new physical locations (for example, new offices, factories, etc.). Such tweets might also highlight new investments in the company's employees, such as greater diversity, new roles for women, and organizational changes. Taken together, these tweets are extremely positive in

tone and speak to the future direction of the company. For example, a tweet below from the CEO of Shutterstock Inc., a New York City-based image licensing company, highlights business expansion.

 *(Jon Oringer, Shutterstock CEO) Headed to #Berlin to launch @Shutterstock's new European HQ. Office will be used for sales & tech.*

Tweets related to strategy and performance broadcast decisions to scale up company operations and highlight performance metrics and profitability information. Such tweets speak to the company's long-term health and strategic direction. For example, the CEO of Medtronic plc, the medical device company, posted the following tweet to draw attention to the company's global strategy:

 *(Omar Ishrak, CEO of Medtronic) Spent last week with @Medtronic leaders in China. Exciting possibilities for access & tech development in Chengdu.*

As with all forms of corporate communication, tweets can be subject to legal regulation. For U.S. public companies, SEC Regulation FD states that "an issuer may not disclose material nonpublic information to certain groups, either intentionally or unintentionally, without disclosing the same information to the entire marketplace."<sup>8</sup> This implies that revealing information solely via Twitter may exclude those who are not Twitter users. That said, the SEC clarified the rule in 2013 by saying "companies can use social media outlets like Facebook and Twitter to announce key information in compliance with [Reg FD] so long as investors have been alerted about which social media will be used to disseminate such information."<sup>9</sup> Thus, CEOs should note that if Twitter or other social media

platforms are to be used to inform investors, they need to specify what types of content will be shared via each platform.

### Things to Understand About Twitter

Twitter requires a different skill set and a different sensibility than other forms of marketing and communications. Here are some things to consider:

**Tweets are not risk-free.** Twitter is a fast-moving communication medium, and there is an inherent risk in sharing information in real time. Mistakes can and will happen, but CEOs can also use Twitter to recover from mistakes. For example, in October 2014, Microsoft Corp. CEO Satya Nadella faced controversy after he spoke about women not needing to ask for pay raises at work and how they should trust the employment system. Nadella's comments caused a negative reaction, as could be seen on Twitter. He later tweeted an apology.<sup>10</sup>

Another tempest occurred when Yahoo's CEO Marissa Mayer was criticized for a remark that was intended to promote upgraded Flickr services but was viewed by some as an insult to professional photographers. Once Mayer learned of the negative reaction, she used Twitter to profusely apologize, tweeting back to each person who had tweeted her. In fact, nearly every tweet she sent over the span of a

24-hour period contained an apology.<sup>11</sup> As with any apology, a personal, prompt, and sincere "I'm sorry" on Twitter can go a long way in rectifying a mistake.

**Tweets are not press releases.** Some argue that Twitter is the new press release,<sup>12</sup> but we disagree. In some cases, information otherwise delivered through a press release may be communicated via Twitter by the CEO. But press releases are long, often containing a lot of information. Tweets are short — 140 characters or less. Given this constraint, the messages have to be succinct and to the point. There is no room to elaborate or explain.

What's more, press releases are written by public relations specialists; they are carefully crafted and follow communication norms common to the press release format. As a result, they are sometimes a cold and distant form of distributing information. Tweets should be organic — to the extent possible, written by the CEO. Using a drafting process similar to a press release undermines the inherent advantages of using Twitter — real-time and personal communication. Business content shared by a CEO is much more personal than the same content written in a press release.

**Tweets can be an effective way to activate the media.** Journalists often check a CEO's Twitter account before covering the CEO or the company.<sup>13</sup> The media actively monitors Twitter for breaking





The media actively monitors Twitter for breaking news, and there are many examples where the media covered a tweet from a CEO.

news, and there are many examples where the media covered a tweet from a CEO. The first tweet sent by a CEO often garners special attention, especially if it is well crafted. For example, in his first tweet in 2009, Jeffrey Joerres, then CEO of Manpower Group and now its executive chairman, wrote, “Spoke about workplace trends, impact of social networking, at MU Circles last night. Good turnout. High energy. Expect more tweets.” The media liked the fact that he referenced a live event, and Joerres set the expectation that he would tweet more in the future.<sup>14</sup>

**Tweets can be a calming influence.** Even though the examples are rare, there have been recent cases of CEOs using Twitter in difficult situations to communicate negative information. For example, when AirAsia flight 8501 crashed into the Java Sea on December 28, 2014, CEO Tony Fernandes sent tweets with condolences and updates on recovery operations. Despite the tragic circumstances, Fernandes’ direct communication with the public was well received.<sup>15</sup> A real-time, sincere, and direct message from the CEO can mitigate the reaction to a negative event.

Although most CEOs haven’t adopted tweeting as a priority, the argument for using Twitter is compelling. In addition to customers using Twitter, many employees rely on it as a critical source of information. Stakeholders, including many shareholders, follow Twitter for information about companies, so the opportunity is there for the taking. Who better than the CEO to start shaping the conversation about the company?

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