Managing social media risks to reputation risk

A hot topic on the board agenda

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Social media sites are more than just venues for chatting about politics, travel, and family. They are an ever-evolving source of valuable information on customer and third-party views with a special focus on their attitudes, experiences and opinions.

At the same time, social media is a probable source for reputation risks, such as brand/reputation damage, legal and regulatory compliance, security and privacy, and employee/HR issues.

Savvy board leaders are taking note. They are helping guide social media strategy to enable people inside and outside the organisation to connect, interact, and share information in new and more efficient ways, from recruiting and talent management to facilitating product development and enhancing supply-chain performance. Today, social media touches everyone, with a host of uses across nearly all functions in an organisation. Not only are board directors keeping a watchful eye on the impacts of social media on the organisation – they are also becoming participants.

An understanding

With reputation risk being a top-level issue - and social media a domain for building or destroying reputations - board members are starting to ask more questions. These questions are leading to a deeper understanding of how these channels can affect reputation and the bottom line. A recent survey[1] conducted by Forbes Insights on behalf of Deloitte Touche Tohmatsu Limited (DTTL) revealed that 88% of more than 300 executives, mostly senior executives and board directors, were focusing explicitly on reputation risk as a key business challenge.

Moreover, companies attribute about 25% of their market value to reputation, according to a study presented by World Economics[2]. It comes as no surprise that leaders are continuing to guide their organisations toward processes, tools, and talent that can help them prepare and respond to reputation challenges in the social realm today and well into the future.

1   'Reputation@Risk' (DTTL, October 2014)
2   Simon Cole, 'The Impact of Reputation on Stock Market Value' (World Economics, February 2013)
    http://www.world-economics-journal.com/Papers/The%20Impact%20of%20Reputation%20on%20
    Stock%20Market%20Value_3d2cbd00-f485-4dfe-b9bb-76b22c0c64ef.paper

An evolution

New reputation risks and old reputation risks are morphing in the social sphere, creating a perpetual state of evolving risks. Vocal, dissatisfied customers have always been a threat to reputation. Now they can project their dissatisfaction instantly across the globe via social platforms. This new model continues to evolve as individuals discover new sharing techniques, as the social media tools themselves advance, and as new information search/discovery tools give members of the public fresh ways to find content that might influence their perception of companies.

To capitalise on the opportunities presented by the use of social media, while also managing risks appropriately, boards need to evolve with this fast-moving and complex environment.

Aiding them in the evolution are new techniques, new technologies, and new tools that can help guide their organisations in addressing social media risk as part of reputation risk. Social media will remain a strategic territory where things move fast. A threat to reputation can move fast and grow fast. Board members need to make sure their organisations can move fast, too.

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Tools to address the challenge

Social media involves all organisations operating today, whether they are active participants in social media or not, and it comes with inherent risks that involve reputation. As noted above, those challenges may involve brand damage, legal and regulatory compliance, security and privacy threats, and employee/HR issues.

Beyond those risk areas, there is also strategic risk involved in social media. A social media strategy that does not line up with the organisation's overall strategic goals ultimately can create internal and external confusion. Failing to participate in the social realm can mean your organisation gets left behind as competitors tap the power of social media.

Getting perspective on reputation risk in the social world is an ongoing process. As board leaders continue to address social risk as one facet of reputation risk, they will see many conventional reputation risk problems reflected back at them. It is important to understand the new tools and techniques their organisations will need to bring to bear to address the challenges. Here are some key approaches that boards can consider to encourage their organisations to take to address evolving reputation issues in the social sphere.

- **Adopt a preemptive mindset when it comes to reputation risk**
  Leadership should advocate a forward-looking approach, endeavoring to know where to look for problems, how to analyse them, and how to move forward addressing and mitigating any potential risks. Receiving and analysing complaints is one facet of managing social media risk. Organisations need to know not only how they will interact with those who complain (the remedies and the responses via social media); they need to be on the search for complaints in the early stages. A single complaint on an issue is one thing. One hundred complaints on the issue can signal a trend and magnify the impact of reputational risk.

New offerings, such as social-listening tools and analytics solutions, can help organisations sift through the social noise to identify a pattern of complaints before it evolves into a crisis. Monitoring, analysing, and pre-empting problems such as complaints can also provide organisations with intelligence they can use to design product improvements, develop new offerings, and expand into new markets.

- **Develop robust capabilities to monitor and manage reputation risk**
  Creating a holistic view of current and potential risks is imperative. That view begins with discovery and with understanding who your stakeholders are so that you can develop plans to monitor and manage your interactions with them. Know that your organisation most likely has more than one face when it comes to social media. Understand that your audiences are more than readers of your high-level social media feeds.

  Many people use social media as a means to contact or connect with a company. It is therefore important to read what customers are saying, the questions asked, any requests/suggestions made and overall feedback received. By doing so, companies can better equip themselves to make business decisions that address customer needs.

  Organisations, however, must remember the need to build reputation, and monitor and manage reputation risk, among audiences besides a core customer base or the general public. They must consider the ways in which they connect with suppliers, with other companies in their industry, with employees, with potential employees and with regulators.

- **Manage reputation risk proactively**
  Your organisation should know in advance how it will respond when threats to reputation emerge in the social sphere, whether the threat is a fraudulent social media page masquerading as official or whether the threat is a string of complaints garnering the attention of traditional media. If you wait until a major reputation-risk event happens, it will be too late.

  Organisations must do more than actively police social media for reputation-risk problems. They should actively develop plans for identifying and responding to significant reputation-risk events as well as assign the roles and responsibilities for avoiding a full-blown crisis and for managing a crisis. Organisations furthermore need to deploy the right tools - for risk monitoring, for event simulation, for response and for communication - to ensure that they can act rapidly.

A threat to reputation can move fast and grow fast, board members need to make sure their organisations can move fast, too

More tools for the social toolbox

Beyond strategy and planning from the top, there are additional tactics and technologies that offer organisations tools to address long-term reputation challenges on the social front. Understanding these tools, and the potential investments required, can help organisations prepare for known and unknown social threats.

Data analytics and 'social listening' tools can help provide boards with real-time information on what their organisation is saying and what is being said about it, a capability that can help organisations create an 'early warning system' for reputation risks related to social media. Over the longer term, the tools can help identify patterns that can offer deeper insight into how a company's reputation is growing or faltering on social media.

Enterprise social platforms can give organisations a virtual place for sharing ideas and leading practices internally, including ideas for addressing social media related risks created on external social platforms. It is a 'fight fire with fire' approach using a social tool to address a social challenge.

An awareness of regulatory issues that touch on social activities can help position an organisation toward compliance and away from legal snags that can damage reputation. Various regulatory agencies offer guidelines on social media, and it is important for companies to understand and address the guidelines in their compliance efforts.

For example, the US Financial Industry Regulatory Authority (FINRA) has extensive guidelines concerning communications with customers via social media, blog participation, and advertising. Failure to adequately address compliance risks can expose an organisation to enforcement actions or civil lawsuits (which themselves carry reputational and financial risk). Blending a social-business governance strategy with risk management and compliance programmes can help organisations stay focused on this front.

Socialisation realisation

Understanding that reputation risk has transcended the conventional business realm and is evolving in the social realm is critical for organisational leaders. Board members know that it is not enough for executive leaders to understand the challenges. Nevertheless, understanding the challenges is the first important step, because they help set the tone and the direction for the entire organisation.

Increasingly, the fate of organisations depends on how well they present themselves in the online world and increasingly, that presentation occurs via social channels. Reputation risk is real, with very real consequences, and the social world is where the real action is happening.

Board members, working with other leaders, can help ensure that their organisations have a strategy for identifying and responding to reputation risk factors, and for knowing who is in charge of which social and reputation activities within the organisation.

Board members have an additional role to play. They are also social media participants and they realise that their online social interactions can have reputation implications, too. As participants, they have an excellent opportunity to conduct their own research in social media, exploring the space to find out what is being said about their organisations and are able to develop their own personal perspectives on reputation and reputation risk.