

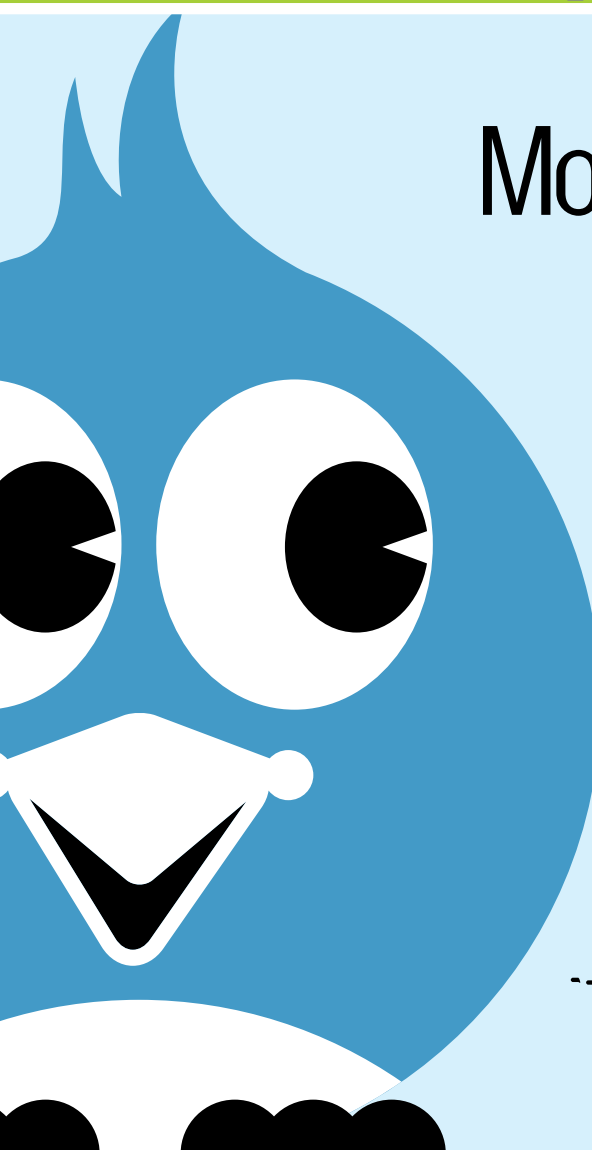
CYBERWARFARE / CORN BELT CATASTROPHES / BEDBUGS ATTACK

RISK MANAGEMENT

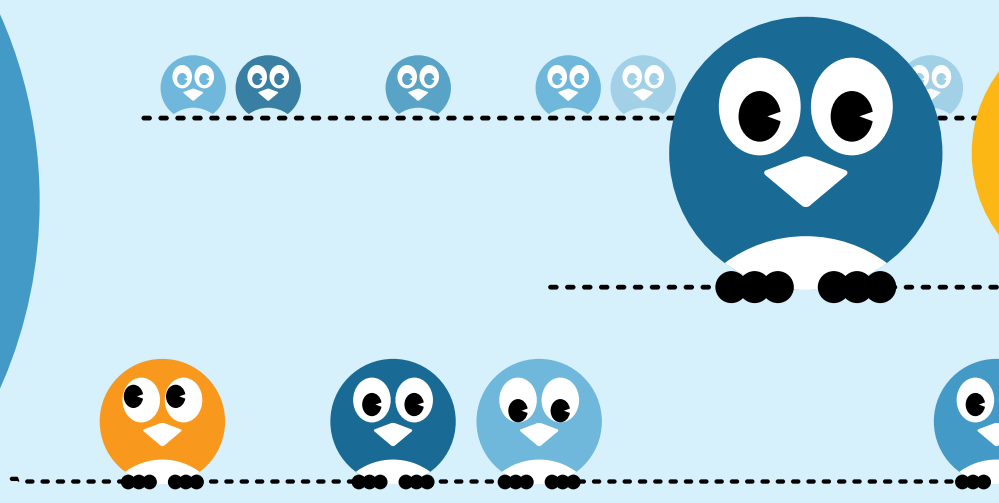
TWITTER / FACEBOOK / YOUTUBE /
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/ THE RISKS OF SOCIAL MEDIA /

REPUTATION / LAWSUITS / INTERACTION /
NETWORKING / OUTREACH / EMPLOYEE SCREENING



More Media, More Opportunity, More Risk



the upside and downside of social media


Social media is a double-edged sword for businesses. On the one hand, it allows them to reach customers in a whole new way and receive real-time feedback from anyone in the world. It can be a promotional tool, distribution network, customer database and focus group all in one. And it all comes, virtually, for free.

But on the other hand, there are risks. Many risks. Ultimately, most of the risks are similar to those that companies have always faced—reputation damage, legal liability and employee

workplace issues to name a few.

The difference is that social media risks occur on a platform that is unfamiliar to many of those in management. Most have now heard of networks like Twitter, Facebook, LinkedIn and YouTube, but fewer actually understand both the good and the bad they can do for a company. As a result, the threats are more difficult to monitor. But ignorance is no longer an excuse. Social media is now weaving its way into the fabric of business. And to keep pace, it is time for social media risk management to do the same.





It's not unusual for companies to generate more demand for their products than they can handle. But when that company was AT&T, which has struggled to meet bandwidth demand of its ever-expanding iPhone customer base, the company got a lesson in how social media can damage a company's reputation.

Though the irony was probably lost on AT&T's management, angry customers acting as an online "smartmob" used the very connectivity AT&T supplied to organize a national protest against what they believed was the company's poor service. "iPhone Nation," led by blogger and activist Dan Lyons, issued the following call to arms of users in 2009: "On Friday, December 18, at noon Pacific time, we will attempt to overwhelm the AT&T data network and bring it to its knees. The goal is to have every iPhone user (or as many as we can) turn on a date-intensive app and run that app for one solid hour. Send the message to AT&T that we are sick of their substandard network."

Fortunately for AT&T, the FCC stepped in two days before "Operation Chokehold" and warned that it might be considered an illegal threat to national security. The organizers backed off, but thousands of activists had already flocked to Facebook and Twitter to show their support.

The movement was remarkably similar to an online groundswell built against computer maker Dell when journalist Jeff Jarvis coined the phrase "Dell Hell" back in 2005. His popular blog convinced thousands to express their frustration with the company's customer service by voting with their wallets and sending Dell a message to fix its problems—or face a mass revolt.

There was one big difference between the scenarios confronting Dell and AT&T, however. Social networks were in their infancy in 2005. MySpace was the leading social network. Facebook was just getting started. Twitter did not even exist. Today, AT&T is operating in a world where the number of social networking users multiplies annually. Facebook now has more than 500 million members and Twitter has nearly 200 million. The net effect is a more connected and viral force unafraid to flex its muscle. Consumerism has been put on steroids thanks to this technological explosion.

Now, nearly any risk—a product liability allegation, a poorly handled natural disaster, a financial problem, you name

it—can hurt a company's reputation. And while reputational risks may not feel as tangible to the board as traditional perils, they can be every bit as likely—and even more damaging.

Companies like IBM, which has lived, operated and in some cases created this new social connectedness, are rapidly moving to an expanded definition of reputational risk that fully comprehends the impact of social media (see page 30). They recognize and have documented that this new, connected populace exposes companies to potential challenges that, if left unchecked, can spread rapidly and evaporate shareholder value in a matter of minutes.

But even as they are moving to protect themselves, they are recognizing the opportunities that the new connectedness provides. Rather than hunkering down in a defensive crouch, they are adopting guidelines that carefully balance the risks and rewards of engagement. The key insight is that closer two-way communication with stakeholders creates the potential for a company to make faster, smarter decisions and create deeper, more meaningful loyalties.

Even Dell, dealing primarily with blogs at the dawn of the social media era, learned these lessons. It responded boldly with a variety of customer service initiatives, including one called "IdeaStorm" that let customers tell the company what they wanted from Dell computers. Slowly and methodically Dell stemmed the tide of negative customer feedback, prompting *BusinessWeek* to write a story entitled "Dell Learns to Listen."

In many respects, the lessons learned by Dell foreshadowed some of the keys to corporate survival in this new world. Active listening is paramount, and engagement is the new currency for securing customer loyalty. Simply put, customers expect to be heard. They want a greater say in the products and services they consume. And, now, they have it. Knowing this, companies must be ready to respond. ■

William H. Cunningham is the James L. Bayless Chair for Free Enterprise at the University of Texas at Austin and the former chancellor of the University of Texas system.

Jeff Hunt is a principal and co-founder of PulsePoint Group, a management consulting and digital firm that specializes in crisis management and boardroom communications.

#4: If You Make a Mistake, Fix It

Should you determine that a mistake was made and that what you posted was a false, derogatory statement, a prompt correction or clarification should help reduce potential damages. Plus, it furthers the goal of providing accurate information to your audience.

#5: Never Make Promises You Can't Keep

If you say you will do something, make sure you follow through. This will help avoid potential liability for claims such as misrepresentation or breach of contract. It will also help keep you from earning the unwanted ire of disappointed customers.

#6: Monitor Your Online Presence

Regularly monitor your online pages and profiles so that you can promptly detect if your page or profile has been hijacked or modified by an outside party without permission. They may send messages you did not create and attribute them to you.

Since its humble beginnings in 1896 as the Tabulating Machine Company, IBM has been an innovator. So it should come as no surprise that the company that invented much of the technology that spurred a social media revolution would be among the first to truly understand the associated risks.

IBM's social media journey can be traced as far back as 1999 when it launched developerWorks, an open source community portal that has become the industry's largest technical resource. Later, in 2005, "IBMer" began using a collaborative "wiki" page to provide advice to IBM bloggers (and protect itself) as the company sought to embrace the blogosphere. Today, internal IBM "Jam Sessions" have become legendary for unlocking the idea-generating power of "crowdsourcing" (outsourcing tasks traditionally performed by an employee to a

reflecting their conviction that social media is critical for business success and a risk worth taking to drive commercial gain.

To move the process forward, IBM then commissioned a cross-company task force to break down the risk into "actionable" sub-risks, develop upside and downside scenarios for what it calls "peripheral vision," and perform root-cause analysis. That process has already yielded results: new employee education and training, changes in governance and the development and implementation of new technology.

Based on what it has learned, the company has developed methods and councils for comparing social media strategies, metrics and business value. It has also established a formal, enterprise-level governance team and created new policies on issues such as how to manage confidential information and where to host IBM-branded blogs.

Education and training are other priorities. The "IBM Business Conduct Guidelines" were amended to include appropriate uses of social media. A video was developed for IBM's new social media users, and the company is developing a formal education curriculum that will help employees balance all of social media's risks with its business value.

"We discovered that the risks of *not* encouraging employees to engage in social media and the risks of *not* providing them with the tools and education they need greatly outweigh the risks [of trained participation]," says Iwata. "Our assessment has provided even more evidence that encouraging employees to engage in social media is critical to our future success as a business."

And that is the key takeaway from IBM's story: a comprehensive risk management approach recognizes both the risks and benefits of social media—managing the former without stifling the latter. IBM insiders say that other companies that view risk management through the audit function tend to focus on hazards. IBM's intent, on the other hand, is to manage social media risks with the same goal in mind that it has when it manages all other risks: generating business value. ■

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47% of internet users in the 50-65 age range use social networking sites

26% of those older than 65 are involved in social media

Source: Pew Research Center

large group of people). Currently, IBM has 60,000 users on its internal social networking platform (called Beehive), a million daily page views on its internal WikiCentral, some 200,000 employees on LinkedIn and more than 52,000 employees on Facebook.

Perhaps it was only natural that IBM would be a pioneer in managing social media risks. The first thing that Jon Iwata, IBM's senior vice president for communications and marketing, recognized was that employee use of social media exposed the company to a reputation risk that should be considered an enterprise-level threat. Working with the CIO's office and a group of experts, they recognized that social media's use may enhance or degrade customer satisfaction, relationship building, recruiting, retention, brand building and competitiveness. This process resulted in consensus among the senior vice presidents to include it on the enterprise-level risk map,

#10: Labeling It "Opinion" Doesn't Make It So
Statements may be protected from constituting defamation if they are not capable of being proven true or false. But merely labeling something an opinion does not necessarily give it a free ride, and words like "I think" or "I believe" do not assure protection for what follows.

#11: Qualify Your Language
You may obtain some insulation from certain claims by appropriately qualifying language. If there is doubt, use less-than-absolute words like "may" or "might" rather than "will." Terms like "alleged" or "reported" may also reduce certain liability risks.

#12: Use Appropriate Disclaimers
You may obtain some insulation from liability by posting disclaimers. A disclaimer is not perfect or ironclad by any means, of course, and the degree to which courts uphold them is not absolute, but it is always better to have one than not. They can definitely help.