



On the board's agenda | US

Managing brand risk in an age of social media

In today's transparent, always-on world, control of brand messaging has shifted from organizations into the hands of increasingly connected consumers. With the touch of a key, consumers have the power to share information about companies instantly on social channels and significantly shape brand perception. A single post about a company can go viral and create untold brand damage in a matter of minutes.

Despite this reality, the topic of brand and reputation is often not addressed in the boardroom unless there is an immediate crisis—for example, if a company's stock price plummets after an attack in social media. Although 70% of directors identified reputational risk as a top concern in a recent survey¹, less than 10% of those same directors said they were well-versed in social media issues.

In order to effectively advise organizations on how to manage brand risk and reputation in this new digital environment, boards of directors should understand the threats, take advantage of opportunities, tap into chief marketing officer (CMO) expertise, ask the right questions, and help oversee the development of plans to mitigate risk. ➔

¹Eisner Amper's 2015 Board of Directors Survey, "Concerns about risks confronting boards," <http://www.eisneramper.com/risk-management-cybersecurity-social-media-0116/>

Tapping into CMO expertise to help manage risk

As marketing becomes a more powerful channel for customer insights, brand building, and driving growth, the role of the CMO has been elevated within organizations. CMOs are fully empowered members of the c-suite, and they have important insights to share with their executive counterparts and board members about the brand, the digital landscape, and risk and reputation management with regard to social media.

The brand. Perhaps one of the most important contributions a CMO can make is articulating to the board exactly what the brand stands for and discussing how all internal and external communications are filtered through this brand lens. In an age of digital transparency, every communication must strongly reinforce the brand's core values. One of the greatest dangers for a company in the age of social media is acting in ways that are inconsistent with its core values—or failing to act in ways that demonstrate brand integrity. CMOs are key drivers in ensuring that the strategic efforts of the organization are closely aligned around the brand and its reputation.

The digital landscape. Another important role of the CMO is educating the board of directors about digital transformation and how new channels such as social media are impacting brand and reputation. CMOs can help directors understand how companies are using a variety of social media tools to engage customers, tell brand stories, collect market intelligence, leverage data analytics, and communicate cultural values. Sharing examples of companies that are doing a good job reinforcing their brand on social media—as well as those that are not—can be valuable information for directors and CXOs.

Risk and reputation management. The CMO can also partner with the chief risk officer (CRO) in helping boards understand the risks posed to brand reputation by social media. Brand and reputation are closely intertwined; if a brand's reputation falls, the brand will fall. The CMO and CRO can work together in managing risks that could have a reputational impact and develop plans to mitigate such risks and manage any crises. They can then effectively inform board members about the risk management structure and the related crisis management plans focused on brand and reputation. ➤



Questions boards and directors should consider asking the CMO and CRO

Board members who understand the brand and reputational risks posed by social media and make an effort to understand how brands are positioning themselves

can better help their organizations prepare and respond to brand-threatening incidents. Board members can ask questions like these to help senior executives clarify brand positioning and mitigate potential damage on social media:

1. Are we demonstrating our core values across social media?
2. Is our messaging on social media platforms consistent with our core values?
3. Do we have the data and analytics to show that our actions on social media live up to our brand promise?
4. Do we have weaknesses that can be exploited on social media? What are they and how do we mitigate exposure?
5. What are our competitors doing on social media that we are not doing?
6. If we are not pushing the envelope, why not? Is it resources, funding, lack of knowledge, risk aversion?
7. What are the potential scenarios in which our brand could be damaged?
8. Which tools are we using to monitor our social media channels and conversations about the brand? How are we using the insights to inform our strategy and mitigate risk?
9. Are we fully prepared to manage an incident in social media?
10. Is there a crisis management plan or playbook for a social media incident?
11. Do we, as a board, have the right skill sets to properly oversee social media risks?
12. Have we developed and communicated the appropriate social media policies to our employees and if so, how are they monitored and reinforced?

Overseeing the development of plans

Organizations and their boards can take the following steps to help prepare for potential risks posed by social media:

Develop a playbook. Organizations can develop a “playbook” that outlines different risk scenarios that can occur in social media, with step-by-step plans to handle these situations. A playbook can address issues including:

- How significant is the brand threat?
- What damage has been done or might be done?
- Who should be involved in decision-making?
- Who makes the ultimate call?
- What are the criteria that will determine when to involve the board?
- What specific steps will be taken to address the crisis at hand?
- When and how will we directly respond to social media issues?
- Which organizational functions will be involved?
- What is the governance or oversight structure?

One of the benefits of a playbook is having answers in advance to some of the critical questions that may come up during a brand crisis and processes to follow. With this in place, organizations will be able to execute plans rather than having to create them on the spot. Of course, sometimes plans don't go exactly as laid out, and it may be necessary to “call an audible” during execution of the plan and pivot accordingly.


Test and learn. Once a playbook is developed, it's important to test it by “wargaming” different scenarios that might arise. The brand threat may involve social media backlash around poor customer service, a tweet by a senior leader that reflects badly on the company, or inaccurate information about the company that is being disseminated in social media. Organizations can run through different scenarios and execute the steps to uncover flaws or missing elements. Plans that seem well-developed in theory may not pan out so well in practice. By conducting these drills on a regular basis, organizations and their boards can be better prepared if and when a crisis arises.

Share insights. Many organizations are using some form of social media listening tools to monitor conversations about their brands, and many are applying analytics on top of this sensing data to get a comprehensive picture of how their brands are performing. If they are not already doing so, organizations can consider sharing insights and metrics with their boards on a more frequent basis to keep them informed about brand performance, opportunities, and risks. In addition to regular reports, organizations might consider using more frequent electronic communications, such as online communities, social media feeds, and board portals to provide real-time updates on brand issues to keep boards better informed.

Across industries, boards will benefit from being prepared

In the early years of social media, consumer-facing companies took the lead in using social media to promote their brands and engage with customers. They created fan pages, posted videos, set up news feeds, and responded to customer complaints in real time. Some had social media incidents that needed to be addressed at the board level.

Today, many B2B companies—from industrial manufactures to high-tech companies to defense contractors—are using social media to reach target audiences and deliver relevant content. B2B companies face the same scrutiny as consumer-facing companies in the social realm, and boards of these organizations can benefit from having a deeper understanding of the challenges and opportunities posed by these newer channels.

By enlisting support from CMOs and other c-suite executives, knowing which questions to ask, developing plans, and leveraging available tools, board members across all industries may be better prepared to oversee their organizations effectively in the digital environment. 

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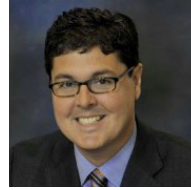


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