Managing online reputational risks

Online reputational risk is said to be emerging as a major concern in a world where rumours and complaints abo
a brand can spread from a single social media post to an audience of hundreds of thousands or even millions ir
matter of hours.

Online reputation management (ORM) is emerging as a board-level issue for companies that want to demonstrate sound corporate governance and risk management.

According to Tony Sousa, CEO of Acceleration Media, corporate governance frameworks, such as the King III Code repo
identify reputational risk as one of the key risks that the board should manage as part of its key responsibilities in running
business.

Reputation is defined as the image created by the performance and behaviour of the company over time and how this is communicated to the various stakeholders.

Managing risks

Sousa adds that the discipline of reputation management is all about managing risks to the organisation's good name and good standing with its customers. With the rise of social media and the rapid spread of information throughout the online world (which includes all social media platforms, blogs and micro media such as Twitter), companies need to extend this discipline into the digital space to protect and enhance their brands and reputations.

On the international front, organisations are starting to think about online reputation as part of their risk profiles. In Europe
survey by the Federation of European Risk Management Associations [FERMA] in cooperation with the Institute of Risk Management (IRM) found that reputation risk from social media was cited as a material risk by nearly 50% of respondents

Sharp lesson learned by Domino's

Sousa points to a social media scandal involving Domino's in 2009 as one example of the real risks that the social sphere can pose to a company's reputation and the value it creates for shareholders. The company's share price fell 10% after a prank YouTube video of employees stuffing cheese up their noses and then putting it into sandwiches went viral.

Domino's was able to pull back the value it lost through a social media response of its own that included a personal YouTul
address by its CEO and Twitter engagement. However, until the crisis surfaced, the company had no coherent ORM strate
in place.

"The lesson is that people will discuss your company, brand and products online, whether you choose to be part of the conversation or not. Your service, financial performance, ethics and products are all under constant scrutiny by people w
will voice their opinions using tools such as Twitter, Facebook and YouTube. In some cases, your brand could be the victi
of an unfounded rumour or a sustained malicious attack," he explains.

"This can translate into lost business, long-term damage to your reputation and even to a drop in your share price. Not onl
do social media outlets reach a massive base of connected customers, it also shapes the mainstream news agenda, so something that starts as a user complaint on Twitter can become a newspaper headline, seen by a mass audience."

ORM needs top management awareness

This is where ORM is invaluable. ORM is a process of listening to what your customers are saying about you online, monitoring and analysing these conservations and then engaging with customers by taking part in the conversation. It allo companies to pick up quickly on online reputation risks and address them before they spiral out of control.

For example, they can see if an untrue rumour about a product is gathering steam or if an influential Twitter user has post a complaint about a service experience and take action to address it before it harms the business. A responsible management team should carefully monitor and manage systematically any online reputational threats.