

The social media boom - could it bust your company?

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When two bored employees of Domino's Pizza posted a video on YouTube showing them "abusing" food, their "joke" turned into a very costly public relations fiasco for the company. By the time the video was reported to management and pulled from distribution, it had been viewed over a million times. Sales dropped markedly in the short-term and costs to reassure the public were significant.

Consider also the explosion in the use of Facebook and Twitter by individuals and by businesses. How much time do your employees spend on these sites during working hours? Besides the loss of productivity, what business information are they conveying to others, during working hours or after hours, both wittingly and unwittingly?

Let's face it, social media and the distribution of information electronically is here to stay and as new technologies continue to emerge, we will all have to adjust the ways in which we conduct business. Whether it is marketing, human resources, or customer relations, the old ways of communicating are changing and, with change comes risk.

Business must take risk in order to be successful. At the same time, in order for a business to be sustainable, it must manage its risks. Some of the risks that arise from the growing use of social media are insurable but some are not. Some risks are as yet undiscovered. So what is a company to do?

I suggest that you begin with a Code of Conduct that clearly sets out the company's rules regarding the use of social media in the workplace and restricts any dissemination of business information that is not required as part of the job function. Violation of the Code should result in severe disciplinary action and even termination of employment if circumstances warrant. Every employee should be required to read and sign the Code of Conduct annually.

The company should also monitor the social media sites as well as Google, for any signs of adverse publicity. An "early-warning" system can allow proactive measures to be taken, hopefully minimizing the negative effects of such publicity, if not a reputational disaster.

Crisis management planning is another important risk management tool. The company's executive staff should develop a plan, modify it as new risks are identified, conduct periodic mock disasters, and ensure that each person assigned responsibilities following a crisis has a copy of the plan both in the office and at home.

I have no doubt that we will hear and read more about the risks associated with social media. As risk management consultants, we strive to keep abreast of the relevant insurance products and the tools for effectively managing risk. Please call me to discuss your concerns or for any assistance you may need in dealing with this expanding subject.

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