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# CEO advisory

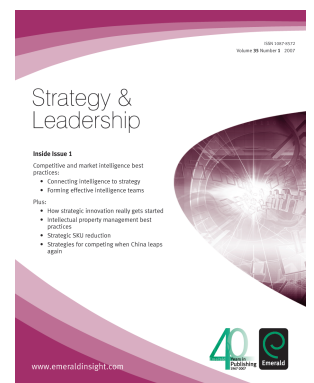
## Beware (and prepare for) the blogosphere era

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## Beware (and prepare for) the blogosphere era

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C.K. Prahalad, the noted corporate strategy guru, recently introduced the powerful concept of co-creating unique value with customers to create competitive advantage. Consider, however, what happens when customers are furious at a firm for service or product failures and are armed with the latest digital technology – including personal blogs, anti-corporate blogosphere campaigns, YouTube and similar websites, and picture phones.

Here are two samples:

1. Dell Hell. Computer-maker Dell endures repeated and prolonged damage to its corporate reputation from a campaign by bloggers that contributes to lower earnings. The new tag line for the company in the blogosphere is “Dell Hell.” The anti-Dell campaign employs a one-two punch of 1) a sustained collective blogosphere outcry about the quality of Dell computers and customer service after new media guru Jeff Jarvis wrote about his problems on his blog [buzzmachine.com](http://buzzmachine.com), followed by 2) a product recall after photos of an exploding, on-fire Dell laptop circulated the Internet.
2. Caught napping. Comcast, a cable TV and Internet provider, is lambasted by bloggers and the mainstream media for poor customer service after a company technician falls asleep at a customer’s house. The technician is subsequently fired and the company suffers damaging reputational blows. The irony: the customer filmed the technician, who fell asleep after being on hold with his own service department for over an hour, and posted the edited video on YouTube. Almost 1

million people viewed the video on YouTube alone.

These blog-based campaigns, and dozens of others in the last year, point to a fundamental change that many leaders are slow to pick up on: corporations operate in a new communications environment, a blogosphere world. Given the ease with which corporate missteps can become enduringly public worldwide, company reputations are often just one determined blogger away from crisis. Today’s leaders fail to understand this new communication environment at their peril. In a world of camera phones, miniature video, blogs, Google, YouTube, and instant mass e-mail, few interesting secrets can be kept hidden forever. It’s Blogger Dave against an old-media Goliath as customers who become amateur corporate adversaries have a rich and easy-to-use toolkit that can speedily rally public condemnation.

Don’t think it can’t happen to your business or threaten your leadership. As the *New York Times* columnist Tom Friedman recently wrote, “When everyone is a publisher, paparazzo or filmmaker, everyone else is a public figure. We’re all public figures now”[1].

Consider the blogosphere campaign behind the scenes of the recent World Bank uproar that led to the resignation of its president, Paul Wolfowitz. Soon after Wolfowitz joined the bank he announced that his strategic priorities were eliminating corruption and enhancing transparency of nations to whom the World Bank provided financial support. But some World Bank employees, including those who were furious because of his involvement in taking the US into the Iraq war, focused instead on what they considered his autocratic

management style and his perceived failure to follow recommendations of long-time bank professionals.

Though the World Bank Staff Association had initially objected to Wolfowitz's nomination, their complaint was not at first the issue of his relationship with a bank employee subordinate, though that was well known and understood even before he took office in 2005. By Spring, 2007, employees had an outlet for their frustrations, the blog <http://wolfowitzmustresign.blogspot.com> and the issue of Wolfowitz's alleged deception about favorable treatment he instigated for a female subordinate became linked to the topic of his fitness for office. Among the contents of the blog was a template of a letter that encouraged staff members to write to the board urging the president's dismissal:

LETTER WRITING CAMPAIGN –  
TEMPLATE

Dear Mr/Ms \_\_

I am writing to you as a  
(\_\_nationality\_\_) staff member  
concerned about the revelations of  
wrong doing on the part of our  
President.

I believe that the President's  
behaviour mires the Bank in sleaze  
and corruption, and seriously  
compromises the Bank's credibility  
and its ability to fulfill its mandate.

If our president is not capable of  
acting with transparency and  
accountability, how are we as staff  
supposed to promote good  
governance and anti-corruption  
among our clients?

I support a call by the Board for  
Wolfowitz's resignation.

Yours sincerely

\_\_Staff Member's Name\_\_

Once Mr Wolfowitz resigned, the blog declared victory and was discontinued:

"Mission (Actually) Accomplished!"  
We are retiring. Good luck with the  
search for a successor[2].

These kinds of tactics empower anti-corporate activism, both from outside an organization and from among its workforce. These tactics provide a new kind of threat that should be factored into enterprise risk

management and crisis response preparedness.

So what can leaders do to anticipate and manage through such threats? Here are six principles for protecting your reputation and strategic focus in the blogosphere:

1. In the blogosphere, just because you aren't talking doesn't mean others aren't talking about you – or are even purporting to talk for you.

- Don't assume that because your company is not actively participating in the blogosphere, it isn't a topic of discussion. Information about your organization may still circulate on the Internet, either on employee blogs or third-party blogs, and if your company is not speaking, others will speak for you.

- Monitor and analyze what is being said about your company in the blogosphere. The conversation taking place there can be a rich source of information, and has the possibility to provide both positive feedback when things are going right, and warning signals as part of an early detection system when things are going wrong.

- Become familiar with the influential bloggers in your industry. The decentralization of authority is not just a corporate phenomenon but has affected traditional media as well. Indeed, some of the most influential bloggers have audience numbers that approach or match those of traditional media outlets. What they say about you or your company can have great reach and impact. And many major media, including *The New York Times*, *Washington Post*, and *Wall Street Journal* have their own blogs that link to other blogs, creating a cycle of potentially negative visibility that can crest in the blink of an eye.

2. The blogosphere is truly global.

- The number one language in the blogosphere is not English, as you might think, but Japanese. And the use of other languages, such as Italian and Farsi, is growing rapidly[3]. If your business is global, your online interactions should be global as well, but tailored to the specific cultural expectations and language of the regions or countries in which you operate.

3. Understand the risks – and the rewards – of participating in the blogosphere.

- Understand the risks of the blogosphere and employee blogs, which may include legal, financial, litigation, securities, trade and regulatory issues. There may also be risks unique to your company or industry that must be considered.

- However, weigh the risks against the rewards. You can harness the power of the blogosphere to learn what your stakeholders are talking about and what matters to them. The direct, unfiltered feedback that can be found in the blogosphere is something that can positively contribute to your company, its products or services. Be open to suggestions that can come from untraditional sources.

- Active participation in the blogosphere can also help enhance and build corporate reputation if executed well. Consumers today are looking for honest interaction with companies, and blogs can foster a mutually beneficial dialogue that can help build a foundation of trust between an organization and its stakeholders.

4. Everyone is a communicator.

- Develop a fair minded, realistic and clearly articulated blogging policy for employees. Even if your company doesn't have a corporate blog or doesn't host

employee blogs—like Sun Microsystems, with over 3,000 employee blogs—you should still map out expectations for what employees say in the blogosphere about your company – before an incident arises. For example, Google faced widespread criticism in the blogosphere when an employee posted a negative review of “Sicko,” Michael Moore’s documentary movie about health care in America, on a corporate blog, and the line between the employee’s and the company’s opinion became blurred.

- Educate employees on the blog policy. Decide in advance what steps your company might take if an employee violates that policy, and make the expectations clear.
- Provide ethical direction for how employees participate in online conversations in the blogosphere on behalf of your company. Transparency, truthfulness and disclosure of relationships are key guidelines and will engender trust, and ethical credibility with external audiences can help build corporate reputation. Non-disclosure or intentional obfuscation will damage trust and has the potential to damage corporate reputation.

5. Carefully weigh the decision to start a corporate blog.

- A CEO or corporate blog is not for everyone or every company, and in addition to the legal risks there are other considerations to address. What are the communication goals your company hopes to achieve by starting a corporate blog, and what are the alternative options that could also achieve those

### The secret CEO blogger

It might have been just a small footnote in a 40-plus-page document related to the antitrust suit brought by the United States Federal Trade Commission (FTC) against Whole Foods Market, but its reverberations and ramifications have been seismic. The footnote disclosed that John Mackey, CEO of the Whole Foods organic and natural grocery store chain, had used the pseudonym “Rahodeb” in a Yahoo! message board for more than seven years. His frequent writings displayed unmitigated enthusiasm for the company and its financial performance, and often were harshly critical of rival Wild Oats. Ironically, the FTC antitrust suit was filed to attempt to prevent Whole Foods from buying Wild Oats.

Mackey’s behavior illustrates that it’s not just unhappy customers and employees that can wreak havoc online and hurt a company’s reputation. Heedless managers who attempt to influence opinion in the blogosphere using deceptive means can cause even greater damage. For CEOs, managers and all corporate employees, the ethics of online conduct and communication are clear and boil down to one word, “transparency.” For another take on online ethics, the Word of Mouth Marketing Association (WOMMA) has a “WOMMA Code of Ethics” that provides additional guidance to all corporate employees. It offers “The Honesty ROI”:

- Honesty of Relationship: You say who you’re speaking for.
- Honesty of Opinion: You say what you believe.
- Honesty of Identity: You never obscure your identity.

Remember the true identity behind a pseudonym or anonymous posting can most often be discovered, as Mackey’s adventure has clearly shown. And as any leader of a large organization should know, if you wouldn’t be comfortable saying it on the record, it is best not to say it in the first place.

goals? Evaluate your overall strategy before jumping in.

- If a CEO or corporate blog is the right medium to help achieve your clearly articulated goals, then consider the tactics of your blog before beginning. Some of the tactical questions to ask are: Who will write the blog? What will be its focus, theme or main topics? How often will we practically be able to update it and post new content? How will reader comments be handled?

6. Be sure your crisis plan takes into account the velocity of the blogosphere.

- Most companies have a crisis preparedness/response plan, but it may assume a world of traditional media and traditional speed of communication. Be

sure your crisis plan is capable of responding to the velocity and scope of the blogosphere.

### Notes

1. Thomas L. Friedman, “The whole world is watching,” *The New York Times* Op-Ed Column, June 27, 2007, at <http://select.nytimes.com/2007/06/27/opinion/27friedman.html?n=Top%2fOpinion%2fEditorials%20and%20Op%2dEd%2fOp%2dEd%2fColumnists%2fThomas%20L%20Friedman>
2. <http://wolfowitzmustresign.blogspot.com/>, May 21, 2007.
3. Technorati, “The state of the live web, April 2007,” at <http://www.sifry.com/alerts/archives/000493.html>