

March 10, 2008

## BUSINESS INSIGHT

### Corporate Reputation

# What to Do About Online Attacks

## Step No. 1: Stop ignoring them

By **CHRISTOPHER L. MARTIN** and **NATHAN BENNETT**  
 March 10, 2008; Page R6

Type the name of the world's largest retailer into an Internet search engine, and you'll discover not only the **Wal-Mart Stores Inc.** home page, but links to message boards, blogs, wikis and online communities that are unsparing in their criticism of Wal-Mart.

Similarly, a search for Home Depot turns up, in addition to that company's home page, a rogue Web site that features a chat room and postings of customer and employee "horror stories."

#### VIDEO: RESPONDING TO AN ATTACK



Nathan Bennett talks with<sup>1</sup> the Journal's Carol Hymowitz about which of a company's managers can best respond to online attacks.

Companies have always had to deal with complaints and criticisms -- both deserved and not. But the Internet has drastically increased the potential damage to a brand or a company's reputation. Frustrations with a company's practices, products and service that once were confined to relatively small circles now reach complete strangers


around the world. With a very low cost of entry, disgruntled customers, workers and former workers are free to post messages, create Web sites and blog about grievances. Advocacy and special-interest groups use their Web sites to stage attacks on companies and rally support for their positions. And all of it is often archived, searchable and printable.

The potential harm from such attacks should not be underestimated. They can damage a company's reputation, hurt sales and scare off potential -- and current -- employees. Investors may flee, and partnerships may be put at risk.

We've analyzed the themes of many online attacks, and interviewed some of their authors to better understand their motivations. We also asked corporate executives how they deal with these kinds of Web-based attacks. The good news is strategies exist for fighting back and even inoculating companies against such attacks. Often, the first successful step is recognizing that the authors of the attacks are frustrated over what they perceive as unjust treatment.

What follows is our critique of the five basic strategies that companies use when confronted by

#### DOW JONES REPRINTS

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: [www.djreprints.com](http://www.djreprints.com).

- [See a sample reprint in PDF format.](#)
- [Order a reprint of this article now.](#)

negative consumer- and employee-generated content on the Web.

### The Do-Nothing Approach

The majority of companies we contacted were either unaware their company was the subject of attacks or were taking a "wait-and-see" approach in deciding what to do about it.

#### THE JOURNAL REPORT



2

• See the complete [Business Insight](#)<sup>3</sup> report.

#### COUNTER ATTACKS

**No Holds Barred:** Companies can face a constant barrage of criticism on the Web from employees, ex-employees and customers with grievances, and from advocacy groups with agendas.

**What's at Stake:** Managers shouldn't underestimate the potential for such attacks to damage the reputation of a company or brand. The Web's global reach and ease of access give critics a powerful tool for spreading messages.

**How to Respond:** Strategies include being watchful and responding to attacks quickly and cordially on the site where they originated; setting up secure Web sites to let workers air grievances anonymously; and following fair and open procedures that can help preclude any feelings of injustice.

More than one company spokesperson justified inaction while citing Abraham Lincoln's famous quote, "You can't please all the people all the time." Others marginalized online critics as "one of a few crazies out there" or as "someone trying to get something for nothing."

What's surprising is that while most of these companies said they conducted regular surveys of their customers and employees, they failed to recognize that online attacks could also help them identify concerns of dissatisfied employees and customers.

**RECOMMENDATIONS:** Companies need to monitor the Web for criticism and be able to move quickly on

matters that could hurt their reputation or brands. Such monitoring should cover not only corporate, professional and industry Web sites, but also grass-roots sites, such as blogs and bulletin boards.

### Putting the Lawyers on It

As the Internet was taking hold in the mid-'90s, the typical response of many companies to negative postings was a legal one: They threatened to sue the authors and Web-site hosts for libel or trademark infringement. For a while, the threat of a costly legal battle often succeeded in silencing the critics or forcing a shutdown of their online forum.

But more recently, legal threats have become practically useless in the face of increasing online attacks and the tendency of courts to regard such criticism as opinion, and thus a form of protected speech. There is risk for companies that try to initiate legal action, too. Some that have tried unsuccessfully to use the legal system have found their attorneys' letters posted on the Web for public ridicule, and the author of the original attack hailed as a martyr.

Heavy-handed threats against employee bloggers often have the same results, our research shows. Moreover, prohibiting employees from commenting on anything related to the company on a Web site, blog or forum is unrealistic. Given that the majority of our adult lives are spent at work, blogs will inevitably involve at least a mention of jobs and workplaces.

**RECOMMENDATIONS:** Companies should examine their current practices in dealing with grievances, gripes and concerns. Researchers have consistently found that the manner in which a company attempts to remedy a complaint and how the company interacts with dissatisfied

stakeholders can either temper or exacerbate the conflict -- even when the company can't provide the outcome the stakeholder desires.

As a result, companies should limit heavy-handed responses such as threats of legal action to areas in which protective measures are more justifiable -- such as preventing financial disclosures, or discussions about strategic and proprietary information. They should also develop clear employee guidelines for when -- and when not -- to blog, post messages or generate other Web content. Much depends on the employee's position. For instance, an invite-and-engage strategy is likely best pursued by an employee whose formal role with the company will provide their comments with legitimacy. Regardless, it's a good idea to require training for those who participate in generating Web content.

#### FOR FURTHER READING

See these related articles from MIT Sloan Management Review.

- **Don't Confuse Reputation With Brand**

*By Richard Ettenson and Jonathan Knowles (Winter 2008)*

Many executives speak about corporate reputation and brand as if they are one and the same. They are not, and confusing the two can be costly

<http://sloanreview.mit.edu/smr/issue/2008/winter/13/4>

- **Brand Extensions: The Good, the Bad and the Ugly**

*By David Aaker (Summer 1990)*

A strong brand name is an invaluable asset; managers must know when to exploit it, when to protect it, and how to tell the difference between the two.

<http://sloanreview.mit.edu/smr/issue/1990/summer/4/5>

- **Do Customer Loyalty Programs Really Work?**

*By Grahame R. Dowling and Mark Uncles (Summer 1997)*

For any loyalty program to be effective, say the authors, it must leverage the value of the product to the customer.

<http://sloanreview.mit.edu/smr/issue/1997/summer/6/6>

- **Measuring Brand Health to Improve Top-Line Growth**

*By Julie Dexter Berg, John M. Matthews and Constance M. O'Hare (Fall 2007)*

To measure brand health, isolate underlying elements that matter, measure them and link them to business performance.

<http://sloanreview.mit.edu/smr/issue/2007/fall/13/7>

- **Throttling the Customer**

*By David Wagner (Summer 2006)*

Firing the customer, long a strategy in business-to-business settings and the insurance sector, consists of identifying and purging your portfolio of the least-profitable customers in order to increase margins or concentrate on your best clients.

<http://sloanreview.mit.edu/smr/issue/2006/summer/05/8>

#### Throw Money at the Problem

We found an overwhelming number of managers who said they believed that complaining employees and consumers cared only about having their grievance resolved -- not about being treated with respect.

But in our analysis, throwing money at an aggrieved party is not as effective in resolving a conflict as making sure that the process used in reaching a resolution is fair.

Indeed, content analysis of online attacks and interviews with dozens of authors of critical posts found, above all, a sense of having been unfairly treated.

As one unbowed critic said when we asked him what the target of his attacks had to do for him to stop: "I wouldn't consider it until they admitted they have a problem, compensated everyone who has been overcharged on their bills, and corrected the problem so that same thing doesn't keep happening over and over again to others." The author, who said he was still posting criticisms of the company even after it had paid him what he said he was owed, added, "It has become an issue of principle at this point."

Managers therefore should not underestimate the power of offering an apology, explaining the company's actions, and attending to other relatively inexpensive procedural and interactional components of decisions.

Whether the critics are employees, former employees or customers, they want to be treated with dignity and respect by the organization and its agents.

**RECOMMENDATIONS:** Although all of the companies we studied had formal divisions in place to address consumer complaints, we found that the overall tone set by management contributed significantly to the manner in which concerns were addressed. At the most successful companies, dedication to fair processes percolated through all levels of the organization. Companies should train managers to understand the risks that attacks can pose to the brand -- and to appreciate the dangers that unfair treatment can pose.

#### **Invite and Engage the Critics**

A smaller number of businesses responded to online critics directly on the sites where the criticism was found, typically attempting to correct misinformation and offering to resolve complaints.

In an article critical of service at **Home Depot Inc.** last year on Microsoft Corp.'s MSN network, the author invited readers to add their own thoughts on the topic. More than 7,000 posts followed, many of them negative. Amid the flurry of messages, Home Depot CEO Frank Blake responded with a post of his own, saying he planned to dispatch "a dedicated taskforce -- working directly with me -- that is ready and willing to address each and every issue raised on this board."

Companies pursuing this kind of strategy listen to what is being said on the Web, and let others know they are listening. If someone posts something inaccurate on a blog, the company goes on the blog -- sometimes on the same day -- and corrects it. Similarly, if someone posts something positive, the company thanks them.

Such a strategy is also useful for dealing with attacks from advocacy groups. A cordial, clear and detailed response that attempts to correct misperceptions not only can reduce such a group's concerns, but also demonstrates to others reading the posts that the company is not hiding and is, in fact, open to constructive criticism and eager to dispel misinformation or misunderstanding.

Some companies use executive and employee blogging to be part of the online conversation in general, discussing topics both personal and corporate that are relevant to the company's identity and objectives and to their own roles at the company. Such blogs also can be used to steer online discussions away from what the company views as incorrect, incomplete or potentially misleading information. Executive bloggers include J.W. "Bill" Marriott Jr., chairman and CEO at Marriott International Inc.; Bob Lutz, vice chairman at General Motors Corp.; and Bob Langert, vice president for corporate social responsibility at McDonald's Corp.

Mr. Langert in January used his company's Corporate Responsibility Blog ([csr.blogs.mcdonalds.com](http://csr.blogs.mcdonalds.com))<sup>9</sup> to initiate a discussion about a recent report on McDonald's environmental and social policies. The company received an A+ letter grade in the report from the Roberts Environmental Center at Claremont McKenna College, Mr. Langert wrote, but a "raw score" of 44 out of 100. Mr. Langert called the score "humbling" and wrote, "this tells us there is much more to do." In his post, he went on to discuss the need for companies to be open about how they tackle environmental and social issues.

A series of posts followed between Mr. Langert and a handful of respondents, including one who challenged the usefulness of studies such as the Roberts report and pressed for specifics on McDonald's environmental policies. Mr. Langert responded to most of the posts, offering suggestions on how to gauge the usefulness of such studies, for example, and touching on McDonald's environmental priorities and how they are determined.

Employee blogging is often encouraged at companies whose products by their nature invoke passion and conversation. Iams, for one, the pet food unit of **Procter & Gamble Co.**, is studying blogs as a way to communicate with consumers. The company is watching with interest as Beverly Van Zant, an Iams customer-service representative, blogs on [my-fire-hydrant.blogspot.com](http://my-fire-hydrant.blogspot.com)<sup>10</sup> about her experiences with her pet bichon, Bailey, and about current events related to dogs. Ms. Van Zant, whose blog is her own and not part of any official Iams strategy, also says that when she finds negative or incorrect statements about Iams elsewhere on the Web, she posts responses on those sites in an attempt to set the record straight. Most important, she clearly identifies herself as an employee of Iams.

Some companies that have built trust online in this way find that when their brand is challenged, others on the Web will actually come to their defense. In such cases, the online conversation polices itself.

**RECOMMENDATIONS:** Once a brand-damaging attack appears, companies should try to address it directly, and quickly, going directly to the site where the criticism originated. They should also drive the discussion in a way that displays the company's dedication to fairness and tries to restore a sense of justice for those involved.

#### **Stop It Before It Starts**

Typically, even companies that understand the power of online attacks go into action only after the attacks start. But some companies try to make sure that damage control is never needed.

Such an inoculation strategy is marked by practices that emphasize fair procedures and respectful treatment of both employees and customers. The ultimate goal: making sure that the kinds of frustration that our research repeatedly pinpointed as the source of online criticism don't arise in the first place.

Inoculation establishes clear communication channels -- on the Web, by phone, or by mail -- through which customers and employees can relay concerns to management, sometimes privately, before frustrations mount. A company without a publicized mechanism to address stakeholder concerns runs the highest risk for online attacks. In such cases, consumers often see public Internet postings as the only way to bring a problem to a company's attention, while employees see unsigned postings as the only way to raise concerns without provoking retaliation from their managers.

Some companies such as **International Business Machines Corp.** and McDonald's host secure, unedited sites where employees can openly and anonymously discuss corporate policies and

strategies. These posts afford the opportunity for constructive responses from management -- though the results, of course, vary from case to case. As long as the company avoids heavy-handed moderation -- eliminating all but positive posts -- the practice should help demonstrate a culture of fairness and openness.

Procter & Gamble sponsors an online forum, [vocalpoint.com](http://vocalpoint.com)<sup>11</sup>, where customers can express their thoughts -- and sometimes vent -- about products and services from P&G and participating companies. While a P&G spokesperson says the primary purpose of the site is to generate word-of-mouth marketing, the company does see a side benefit in being able to get out in front of potential problems. A series of posts last fall, for example, concerned a children's software product that forum users were being asked to test. Positive and critical responses were plentiful, with the latter receiving swift replies from company representatives, many of whom expressed apologies and gave out staff email addresses and phone numbers to continue the conversation in more detail. While anyone can read the posts, those wishing to post messages must register and fit a desired demographic. For now, that demographic is women with children living at home, but the company says that may change in the future.

**RECOMMENDATIONS:** Companies experiencing few or no online attacks are characterized by a culture supportive of employees and concerned about customers. Employees in these companies feel that management is genuinely concerned about them. Such companies tend to treat their employees' concerns with respect, involve them in decisions, and convincingly explain why certain decisions have been made.

Companies also can be proactive by creating forums where negative feedback can be vented and addressed within the family.

In the end, companies will certainly continue to invest in brand-building through advertising and marketing. Yet, our research suggests that similar investments to ensure the fair treatment of employees, former employees and customers pays a significant return by protecting companies from the brand-eroding impact of consumer- and employee-generated criticism on the Web.

--Dr. Martin is the Rudy and Jeannie Linco professor at the Frost School of Business, Centenary College of Louisiana, in Shreveport. Dr. Bennett is the Edwin and Catherine Wahlen professor of management at the Georgia Institute of Technology, in Atlanta. They can be reached at [reports@wsj.com](mailto:reports@wsj.com)<sup>12</sup>.

**URL for this article:**

<http://online.wsj.com/article/SB120467937489712025.html>

**Hyperlinks in this Article:**

- (1) <http://link.brightcove.com/services/player/bcpid1127798163?bclid=572028407&bctid=1442385226>
- (2) [http://online.wsj.com/public/page/2\\_1370.html](http://online.wsj.com/public/page/2_1370.html)
- (3) [http://online.wsj.com/public/page/2\\_1370.html](http://online.wsj.com/public/page/2_1370.html)
- (4) <http://sloanreview.mit.edu/smr/issue/2008/winter/13/>
- (5) <http://sloanreview.mit.edu/smr/issue/1990/summer/4/>
- (6) <http://sloanreview.mit.edu/smr/issue/1997/summer/6/>
- (7) <http://sloanreview.mit.edu/smr/issue/2007/fall/13/>
- (8) <http://sloanreview.mit.edu/smr/issue/2006/summer/05/>
- (9) <http://csr.blogs.mcdonalds.com>
- (10) <http://my-fire-hydrant.blogspot.com>
- (11) <http://vocalpoint.com>
- (12) <http://online.wsj.com/article/mailto:reports@wsj.html>

**Copyright 2008 Dow Jones & Company, Inc. All Rights Reserved**

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our [Subscriber Agreement](#) and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).