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Reputation Risk Management – a Holistic approach

By David Davies MIRM

The melt down of Arthur Andersen clearly demonstrates the amount of damage that can be done to an organisation once its reputation is damaged. It is particularly significant because the more diverse and physically spread an organisation is, the more it becomes immune to physical, political and economic risks, and yet the more it becomes exposed to the possibility and consequences of damaging its reputation. However, the risk of reputation damage is not confined to the multinational - it can harm organisations of all sizes and activities. Despite this, it is the most misunderstood and therefore ill-managed of many company's risk management activities.

Many organisations believe that they are managing their reputation risk because they have done some crisis management planning - or less. Having its executives media trained and even just having a PR department are even weaker substitutes that have given comfort to quite well known organisations. This is the equivalent of accepting the risk of sending your entire (and much valued) main board abseiling down the inside of a live volcano because you have done some succession planning or, even worse, have them insured. Reputation Risk Management does not equal crisis management planning because once an organisation has done something that reveals even the possibility that they had incompetent, corrupt or self-serving people in key positions, no amount of immaculate crisis response, expensive advertising or highly paid PR consultants can prevent the fall out. This was demonstrated by the client and staff departures from Arthur Andersen before a single allegation had been proven but after many millions of dollars had been spent on reputation-recovery advertising.

Contrary to many people's expectations, therefore, Reputation Risk Management can only be effective if it operates holistically – not as a specialist function to be activated in an emergency but as a major influence on the organisation's actions, behaviour and standards. However, the organisations that apply universally high standards run the risk of becoming bogged down by cost or debilitating rules. The key is to understand your reputation – it is in all probability your biggest asset - and match its management to its needs. If done properly, a well-executed Reputation Risk Management exercise will have spin-off benefits that can, by themselves, massively improve corporate performance and profitability.

What is reputation?

Reputation is the reason why people and organisations do business with you. However as we shall see, its influence is not confined to customers. It will influence your ability to attract and retain employees, investors and strategic partners. It can significantly affect your relationship with regulatory bodies, pressure groups, the media and the local community. It is a key component of your licence to do business.

Reputation can be the result of many years of investment – not only financial investment in advertising, public relations and marketing, but intangible investment in quality, innovation, customer care, stakeholder relations and corporate standards.

Reputation is one of a group of intangible assets whose value in most organisations has soared in recent years. In the industrial age, physical assets - buildings, machinery, stock - typically accounted for 75% of an organisation's worth. Today, intangible assets account for the lion's share of value - between 75% and 95% - with physical assets making up the meagre difference. In addition, many of the other intangible assets are ones that have already been mentioned as being heavily dependent on reputation - employees, culture, strategic

relationships and the "licence to operate". The two not mentioned, intellectual property and "know-how" are in turn largely dependent on the organisation's ability to recruit,
retain and motivate talent – which, again, is dependent on its internal and external reputation.

Despite the dominance of intangible assets, most organisations know infinitely more about their physical assets than their intangible. They know their value, location, vulnerabilities and nature. They almost certainly insure them. They manage, maintain and protect them. Hardly any of this applies to reputation, which is rarely understood, and in consequence rarely managed adequately. And as we shall see, whereas responsibility for building management, maintenance and security invariably rests with specific individuals, responsibility for the management or protection of reputation is hardly ever allocated, or is allocated to people who have no real power to protect it.

For many organisations, the primary manifestation of reputation is their brand. In many countries, accepted accountancy practices allow brands to be valued, and the results demonstrate just how valuable a commodity reputation and brand value have become. In the annual survey of the worlds top 100 brands, published each year by Interbrand, Coca-Cola has lead the table for several years with a value, in the 2004 survey, of $67.4mm. - 61% of its market capitalisation. The top four brands were:

	Company	2004 $billion	2003 $billion	July 2000 Market cap %
1	Coca-Cola	67.4	70.5	51
2	Microsoft	61.4	65.2	17
3	IBM	53.8	51.8	27
4	GE	44.1	42.3	7

Reputation can be lost in many ways. There has been a tendency to concentrate on reputation loss following major disasters – e.g., Perrier (product recall), Exxon Valdese (environmental contamination), and Coca Cola (product recall). In such rapidly occurring events, with the glare of media attention shining, the quality of the organisation's crisis response is critical. However, reputation can also be lost gradually, as a result of an aggregation of minor stories about poor service, dubious ethical practices etc. Organisations whose reputation capital is depleted by such stories will be far less able to maintain public confidence when one or more major disasters occur. In the UK, Rail track demonstrates this very well. It is also possible to lose reputation because of the actions of completely unrelated organisations. All external auditors lost credibility because of the allegations against Arthur Andersen in the Enron case; the viability of internet banking as offered by any organisation suffers every time there is publicity given to a service failure or, more damaging still, a security breach. Only organisations that can differentiate themselves and their brands, and communicate that differentiation effectively, can avoid being tarnished by others in their industry or profession.

The strategy for managing reputation must, therefore, be a combination of

1. Understanding it in depth. For reputation to be cost-effectively managed, the Pareto principle that you get 80% of the result for 20% of the effort holds good. However, like all Pareto applications, it only works if you know where to apply the 20%.
2. Minimising the chances of the events or allegations that would seriously damage your reputation
3. Having the ability to respond rapidly and effectively to both the early warnings of reputation damaging circumstances and to a reputation crisis.

Common practice

Whenever challenged about the management of their reputation risk, most organisations take false comfort from the fact that they have a public relations or publicity department. Reputation Risk Management is seen as being synonymous with "media management". That phrase itself gives false comfort as managing the media is a virtually impossible task, but in any event the media aspects of Reputation Risk Management are but the tip of a very large iceberg. As a senior bank official said, "The job of our PR department is a bit like putting lipstick on a gorilla." Or, from the perspective of the PR department, "We spend most of our time rushing around after the senior executives trying to clean up the mess that they make."

The following case study illustrates the many things that organisations get wrong in "managing" their reputation risk. There is no editorial licence here – believe it or not, all of these failings were present in the same organisation.

I was recently asked to help a multinational financial institution that had spotted an allegation in the local far eastern press that, if picked up by the Western media, could seriously damage its reputation. The article in question had been included in the press cuttings supplied by their PR agency, and yet neither the agency nor anyone other than the middle ranking director who had consulted me had recognised its damage potential.

My response was to initially try to answer two questions:

1. *Does the allegation have substance and*
2. *If the media contacted the organisation for comment, how would it react - would the enquiry be directed to someone competent, passed around or mishandled?*

If those two questions could be answered, that would enable me to get the authoritative facts to the right person or part of the organisation, and ensure that they were able to respond effectively.

After a very frustrating investigation, I discovered the following, which is not untypical of large organisations that have no Reputation Risk Management capability:

- *There were no procedures to direct the media anywhere. It was likely, but not certain, that it would be directed to either the Public Relations department in the country in question or in the American headquarters.*
- *Neither the local PR people in London nor the corporate PR people had any procedures or capability for dealing with hostile media enquiries. They both recognised their need and asked for help.*
- *No senior people had received media training.*
- *No one at any level had a responsibility or even concern for the company's reputation.*
- *Several critical press reports on other issues had already been allowed to go unchallenged because no one had the ownership, authority or capability to respond.*
- *It was impossible to confirm or deny the veracity of the allegations. There was no mechanism for doing so and unofficial enquiries yielded nothing. I failed in my attempts to get the high level backing that was needed before people would take the matter seriously and ask some searching questions within their own part of the empire.*
- *Everyone assumed that there were mechanisms for dealing with the media, although no one knew what they were and no one wished to be involved.*
- *Several people justified the substance of the press story, which if true would demonstrate low moral standards, on the grounds the organisation gave its operating companies considerable freedom to make money within the law, and it would be commercially wrong to "interfere" with that. As was demonstrated by the Hoover "free flights" debacle, such an attitude can lead to reputation catastrophe.*

Unfortunately, neither my middle-level director nor the local and corporate PR people had enough clout within the company to make things happen. Almost 2 years on, they are still looking for a champion, the story in question is now too old to be news, but the vulnerability continues and adverse press reports on other matters continue to appear unchallenged and unmonitored.

A variation on media management is media training. "If we put the executives through a media training course, we've cracked Reputation Risk Management". Again, it is a critical piece of the jigsaw, but only a small one. As so many politicians, amongst many others, have found to their cost, if you have something to hide, or of which you are ashamed, even the world's best media skills and spin doctors will be unable to save you.

The final fallacy is that Reputation Risk Management equates with crisis management planning. Again, that is a piece of the jigsaw puzzle; in this case a significant one, but only a piece. Crisis management planning is a key component of Reputation Risk Management.

In circumstances where the organisation has been entirely blameless, for example product extortion, crisis management planning and media training can be all that is needed. But the greatest damage to reputation comes from circumstances where one or more people within the organisation have done or said something that seriously damages the perception of the organisation's honesty, trustworthiness, ethics or reliability, or about the quality of its goods or services, or about its concern for its stakeholder or other groups. Under those circumstances, no amount of media training or crisis management planning will save it. It may well prevent it from getting any worse, it could well put it in the best possible light, but it cannot work miracles. The demise of Arthur Andersen provides a classic example of this. Had they handled their crisis better they could well have survived in a much changed way, but the public disclosure of their performance on the Enron account, coupled with allegations that this was far from the first time that they had put their fee paying client's interest ahead of their client's shareholders, created a situation that could do them nothing but severe corporate damage, regardless of the quality of their crisis planning or the amount spent on recovery advertising.

Best Practice

In contrast to the norm, some organisations manage their reputation very well. Often, competence in Reputation Risk Management is an integral component of competent management and good corporate governance. Many of the key components of reputation risk management - for example understanding the expectations of your stakeholders and being able to respond rapidly to issues - are simply good management practice that, inexplicably, is so often absent. However, if practiced as a self-contained methodology, Reputation Risk Management could be broken down into the following stages:

Stage 1: Understand your reputation

The first stage is to understand you reputation. Because reputation is intangible and is perceived as being "touchy-feely", this is the area that causes considerable difficulty - although primarily with organisations that have no clear and genuine vision.

The production director of a well-known vehicle manufacturer believed that their customers sought innovation first, with quality coming lower in the priority list. When asked, the board prioritised quality but had never communicated that, and no one had sought any feedback from their customers. As a consequence, in the words of the production director, "the early adopters are part of our quality testing process". As the company made prestigious products the failure of which could cause death or injury, the board's view was the prudent one. However, before this could be put right, a badly handled quality failure was featured by a popular consumer *television programme. To make matters worse, having been invited to defend itself on the programme, the public relations manager to whom the invitation was routed found a volunteer by issuing a general invitation by internal email. The salesperson who volunteered was suitably confident, but made fundamental errors that compounded the damage to the organisation's reputation.*

At any point in time, there are issues that are repugnant or unacceptable to groups of people. Often those issues arise from their standards and values. They may be orchestrated by single interest pressure groups that create publicity to win more people to their cause and harness the converts into action. Those issues change over time, and new issues emerge. A vital component of reputation risk management is to be aware of any relevant issues that are both current and on the horizon. Such issues could present both a threat and an opportunity, and should be viewed in the dynamic context of future strategy and the position of competitors, potential competitors and customers.

The key questions in understanding reputation are therefore:

- Who are our most important current and future stakeholders?
- What do they expect of us?
- What behaviour would they find unacceptable now?
- What behaviour are they likely to find unacceptable in the foreseeable future?
- What conflicts are there between their expectations/sensitivities and our values and delivery?

As has already been seen, the stakeholders that really matter to the private sector are invariably customers, employees and investors; other contenders may include regulators, strategic partners, suppliers, end-consumers and the local community. Sometimes a single, well-publicised issue can alienate all of these; under some circumstances, stakeholders may have conflicting interests.

Organisations that have made major strategic decisions without apparently thinking of their stakeholder's expectations or sensitivities include:

- The Scottish bank that entered into a strategic alliance with a controversial American evangelist; conservative customers, both private and corporate, had already started cancelling their bank accounts when the evangelist made a well-publicised remark about most Scotsmen being homosexuals that forced them to withdraw from the alliance at great cost.
- The English university that accepted a £3.5m sponsorship from a tobacco company; several valued academic staff resigned in protest.

Stage 2: Alignment

The second stage is to align your stakeholder's expectations with corporate strategy. However, this does not necessarily mean doing what they all expect of you - once conflicts between expectations and delivery capability are identified, the board must decide how to resolve those conflicts - by ensuring that it meets stakeholders expectations, or that it modifies its promises, or by a combination of the two.
To assist in this strategic process, the organisations need a clear vision:

- *In an organisation for which I undertook an exercise there was no desire at an operational level to delight the (corporate) customers; contracts were entered into with commitments to service levels that were neither measured nor kept and in the areas where employees interfaced with their customer's employees, the customer's employees were viewed as the enemy. In a series of workshops for the managers immediately below board level, the most recurring comments were "We don't know where the company is going." "We don't have a strategy." "We don't know what our values are." On hearing this, the CEO's reaction was "Of course we have a strategy. I* *understand it - it's just that the rest of the Board doesn't."*

- *In another exercise, conducted with the heads of three of an organisation's trading divisions, I was referred to a framed document on the wall when I asked what the corporate vision was. Feigning poor eyesight, I asked someone to summarise it for me. Not one of the executives was able to even guess at it.*

Vision should drive strategy, which should drive values, the delivery of which should shape reputation. Advertising and other public relations should emphasise the values that the organisation genuinely believes in, and is delivering. Organisations that try to compensate for delivery shortfalls by creating an illusion through advertising risk severe penalties if found out. There is nothing that the media likes better than to contrast an organisation's grand claims with its poor delivery:

- *In the UK in February 2002 the Advertising Standards Authority banned one of the UK train operating companies from claiming that its services were efficient, despite it having been heavily fined for late and cancelled services. Despite this, in the same month the train operating company successfully prosecuted, for fare evasion, a passenger who had sat in the part-empty first class compartment on an overcrowded delayed train. The story made page one headlines in one of the tabloids and was heavily reported across the media, with great emphasis on the privations suffered by that and other passengers as services had been cancelled or replaced, without any rebate in fares, by slower bus services. Despite this, the company spokesperson commented, amongst other things, that it had zero tolerance for fare evasion – and of course that was the comment that was most heavily quoted, and contrasted to their customer's enforced tolerance for appalling service. It is difficult to think how it could have done more to damage its reputation if it had tried - but we have here all the signs of a complete lack of alignment between the company's advertising, legal and operational arms.*
- *Similar symptoms of non-alignment within a large organisation were demonstrated by the UK bank that announced a massive branch closure programme that deprived some villages of their only bank at the same time as both running an advertising campaign emphasising the benefits of being big and paying substantial bonuses to its executives.*
- *In the USA, much has been made of the shortfall between the claims made by the cellular phones industry for the quality of its services and the reality of reception gaps and dropped calls. The cellular phone companies were judged by the standards implied by their advertisements rather than by whether they cope as well as can be expected given the technical reception problems involved in the urban environment.*

Stage 3: Meeting expectations

The third stage therefore is to ensure that the expectations that the board wants to meet, and the promises that the organisation makes, are actually delivered. Defining policies and standards is the start point - but the key is performance measurement. Measures of performance can be applied to a whole range of key figures - for example, quality failures, customer or employee satisfaction, employee churn, or elapsed time within critical processes. Again, this is an area where Reputation Risk Management overlaps with best management practice. A balanced scorecard approach can be particularly helpful here, with leading indicators to measure the levels of service, quality, etc., and lagging indicators for stakeholder satisfaction and subsequent bottom line improvement. So, for example, a strand of a strategy might be "if we improve quality by taking these measures, our returns rate will reduce to x and our customer satisfaction levels will improve by y." If quality was a core quality in the company's vision, it may then be decided to stress quality in corporate advertising when (and only when) the quality goal is reached.

Unfortunately, most organisations measure their success only by bottom line profit. As a well-known UK clothes retailer discovered, profit can stay up or even increase as service levels suffer from cost cutting, and customer satisfaction levels can give an early warning that customers will vote with their feet - provided that both sets of figures are measured and given board level attention. In this case, it has been alleged that the bad news figures showing declining satisfaction were withheld from the CEO, who only liked good news.

The same applies to the satisfaction of all the key stakeholders. However, in the majority of exercises with which the author has been involved, things like customer or employee focus are consistently given very high ratings for "How important is it?" and very low ratings for "Do we have it/how good are we at it?"

Stage 4: Handling complaints satisfactorily

The fourth stage is to ensure that complaints and criticism are dealt with satisfactorily. The mechanisms for this depend on the stakeholder involved - not just customers but employees, shareholders, the media and others. The success of this can have a critical impact on reputation - and yet, so often, it is relegated to a rules-bound process that is executed by people with comparatively little authority and a motivation to identify the bogus complainants rather than to satisfy the genuine. It costs four times as much to recruit a new customer than to keep an existing one, and yet 75% of front line employees have not been trained to handle customer complaints and twice as many customers complain compared with 10 years ago[1]. Most of the complaints to consumer television programmes arise from complaints being badly handled. There are even companies that produce unreliable products but that have superb after sales service and that therefore have an excellent reputation with their customers. Despite this, the customer service department is often seen as a cost centre and therefore not of any importance:

A well-known UK bank was introducing a plan to roll out operational risk management in all of its "major" divisions. The plan was to begin with the most profitable, work through the profit centres in descending order of profitability, then repeat the process ad infinitum. I asked whether customer service would be included. They replied that it would not, as it was not a profit centre. I asked what would suffer if customer service got it wrong. After a pause, they replied, correctly, their reputation. I asked what their most important asset was. After a longer pause, they decided to amend their roll-out plan.

Often, the complaints department is attached to the organisation's legal or insurance departments, and the emphasis is firmly on protecting the organisation's legal liability. There is no motivation to protect corporate reputation, and neither the motivation nor the empowerment to turn an aggrieved customer into a satisfied one. Contrast this with the UK Group HR Director, Orange: "We train our frontline people so that they are empowered to.... do anything which will mean that the complaint has been dealt with in a satisfactory way."

The greatest penalty of the legal connection is the conflict of interest between the legal/insurance training of "never admit liability" and the, often deep psychological, need of the complainant to receive an apology. The result may be intended merely to protect liability, but it often gives the impression that the organisation is arrogant or uncaring.

Tight internal controls, particularly in financial institutions, often mean that the procedures dominate the priorities of the

[1] Institute of Customer Service/TMI survey, pub. 6/2000

complaints handlers. For example, with my bank of almost 20 years, I found it impossible to get "customer service" people to understand that not having completed the internal investigations into my complaint on time was not an acceptable excuse for missing, by several weeks and without any other communication, the date by which the bank committed itself to respond.

Stage 5: Using the data

The fifth stage of the process is to use the data that arises from complaints and dissatisfaction to learn, improve and get early warnings. Complaints should be viewed as a golden opportunity to enter into a dialogue with the customer – despite which customer service is increasingly subcontracted to call centres, often on the other side of the globe. Where some level of error is unavoidable, monitoring and analysing the trends can give valuable information, as well as providing advance warning that things may be going seriously wrong. However, trends can only become clear if the right data and the right benchmarks are used, and the correlation between patterns of failure and other external errors is understood. However, this rarely happens. Non-complaint data such as relative levels of customer or employee churn can provide equally powerful warnings of dissatisfaction levels, and yet some financial institutions still fail to ask customers why they are closing their account.

Many organisations take glib satisfaction in having customer or employee satisfaction surveys, exit interviews and the like. However, all too often the results are treated as "nice to know" data that may be confined to the HR department or massaged before being published internally or upwards.

- *I undertook an exercise with one organisation to identify their greatest risks. The discovery that their greatest risk, which was already hitting them, was failure to recruit and retain talent was almost a motherhood statement. I then spent two hours of a full day's workshop drilling down into this. Finally, we broke through the taboo and reached a universally accepted conclusion, which was that the primary reason for the unacceptable level of staff departures was that so many promises had been made and broken that the employees no longer trusted the management. The organisation's internal reputation with its employees and, because in a small community people talk, its external reputation with potential employees, had been destroyed. The second greatest reason was that the younger people with bright ideas and ambition were being blocked and ignored by middle management trying to maintain the status quo. Now we had gone beyond a motherhood statement to something they could tackle. However, neither the 136-question staff satisfaction survey nor the exit interviews had identified these problems. I was unable to establish whether the right questions had been asked because the HR manager, who "owned" that process, could not remember what they were, the information had not been analysed in any meaningful way, no attempt had been made to correlate the satisfaction and exit survey information and the HR department had not communicated any of the survey or interview information to anyone else in the organisation – including the executive board, which had taken no interest in it.*
- *In another part of the same organisation, the Managing Director had refused to pay consultants to interpret the staff survey that they had undertaken, and took it upon himself to do this. Perhaps unsurprisingly, he found an excuse to discount the answers to questions that indicated that all was not well, and ignored the fact that less than half of the staff had bothered to complete the form anyway, thus negating the value of the entire exercise.*

Stage 6: Preparing for the worst

There is a tendency to believe that "we are dealing with crises all the time – therefore, we could cope with a reputation crisis without any preparation". However, reputation crises call for skills, experience and preparation that most organisations do not possess:

- They invariably occur without warning and, often, at the most inconvenient time.
- One or more key people with vital skills or knowledge may be unavailable or uncontactable during the vital initial hours of the crisis.
- They typically require a degree of coordinated response from people within the organisation who may be unused to working together as a team.
- Few of the relevant facts of the crisis may be known at the outset, despite which decisions must be made and the media and others responded to at a pace, and within a timescale, over which the organisation may have virtually no control.
- There will be massive time pressures imposed by the crisis – pressures that could be completely alien to organisations used to managing by committee and task force investigation and decision.
- The dynamics of a reputation crisis could simply be outside the experience of anyone within the organisation.
- Because everything may be under the glare of the, sometimes hostile, media spotlight, and even a minor slip up could be fatal, they require a quality of response that the unprepared, unrehearsed or information-lacking organisation may not be able to achieve.
- Newly-discovered facts, or new allegations made by the media or others, could change the nature of the crisis and call for a switch to a completely different strategy. Despite this, many organisations, in handling a crisis, have developed a mind set at the outset from which they have been unable to significantly deviate. This applies in particular to fundamental judgments about responsibility and severity. (This subject is considered in depth in the author's complimentary article "Crisis management – the denial syndrome".)

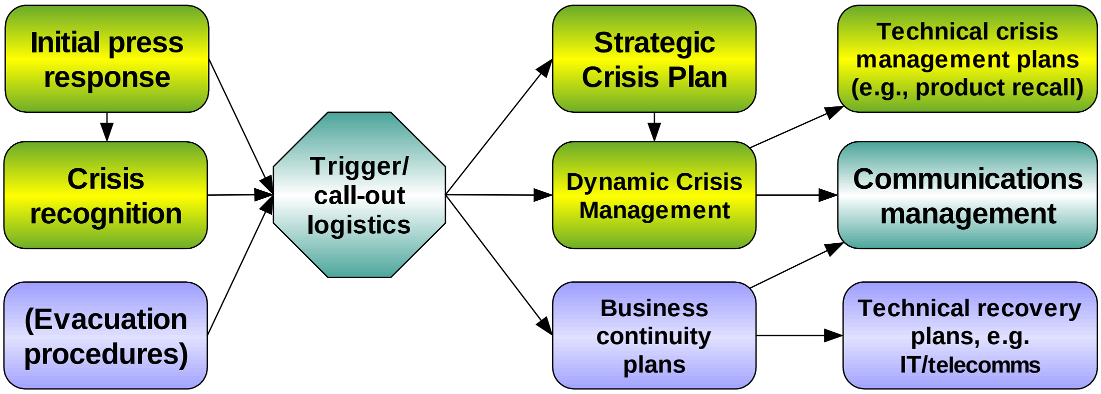
It will be apparent from the above that a number of things need to be in place to give the organisation the best chance of combating a crisis:

- An early warning system (see stage 5)
- The means of giving an impeccable initial response, regardless of the point at which the initial news or allegation hits the organisation.
- The ability for the information contained in the initial contact to rapidly reach someone in the organisation who can, alone or with others, decide whether to trigger a crisis response mechanism.
- The ability to rapidly assemble a pre-selected crisis response team, regardless of where the members of that team may be at the moment when they are contacted.
- A flexible dossier of holding statements and corporate information that can be issued to the media *only* to temporarily fill the vacuum before meaningful statements can be made.
- An immediately available, appropriate environment for the team to work from. This should have all of the necessary equipment, particularly communications and support services. The environment could be at a single location or, if correctly set up, a virtual environment with more than one location connected by video conference or computer link. However, the disadvantages of a dispersed environment should be carefully considered. The mutual support that team members need to give each other when handling a traumatic crisis can be considerably diluted when they interface remotely.
- Immediate or fast-track access to all of the relevant data that the team will need to make its decisions. This database could typically comprise contact details, extracts from legislation and other matters that are pertinent to the likely crisis scenarios

and that the team is likely to need immediately and out of normal business hours.

- Links to other teams who may be fulfilling, or on standby to fulfil, parallel crisis response actions. For example, recalling products, maintaining business continuity, dealing with an extortionist. This team, which should include the most senior relevant people in the organisation, should make the strategic decisions (for example, whether to initiate a product recall); the logistical teams, each with their own plans for assembly and logistics, should be responsible for implementation.
- The ability to communicate effectively with *all* of the stakeholders. The communication will probably be a mix of indirect, using the media both proactively and reactively, and direct contact to key stakeholders, explaining the position directly. In dealing with the Tylenol crisis, Johnston & Johnston quickly realised the importance of giving their employees quality and timely information, and spent as much effort on internal communication as they did on the external media. Senior executives may well be advised to speak proactively with key corporate customers, financiers, strategic partners, etc.
- Pre-debated positions for issues where the luxury of debating time will not be available. These are typically issues that are in the grey areas of corporate ethics, for example *would we always recall products even when there is only an unsubstantiated allegation that they have been contaminated? If not, what sort of information would cause us to do so?* Clearly such decisions are best taken away from the trauma and stress of handling an incident, and can be illuminated by expert opinion which may not be available at the outset of a crisis when key decisions may need to be made.
- A process for recognising when new information, or new allegations by the media or others, calls for the fundamental issues or strategy to be reconsidered. The *Continuous Crisis Assessment* process, developed by the author, was originally created at breakneck speed for a client who, at the outset of a reputation crisis, knew very little about the causes of a serious situation that had emerged, other than that they were involved. Therefore they had no idea whether they were responsible, and if so how and to what extent. The media was already pressing for comment and it was clear that new information would emerge like the pieces of a jigsaw puzzle. The process successfully allowed the new incoming facts and allegations to trigger a series of revised re-assessments of the organisation's position, strategy and actions. A process such as this is vital – many of the crises that have damaged corporate reputations show strong evidence of initial conclusions about responsibility and seriousness being rigidly adhered to, despite new information or allegations to the contrary.

Much of these requirements can be met by a reputation response plan. Such a plan should typically be one component in a series of interlocking plans:



One of the great lessons about any type of contingency planning is that crises rarely happen exactly as anticipated, and therefore the less detailed, more flexible plans generally prove to be far more effective in a real crisis than the detailed, prescriptive ones. (Provided, of course, that the people running the plan have the ability to adapt in the heat of the moment – see stage 7, training and rehearsals) However, when creating a plan, the most likely types of crisis that it will have to address should be identified and considered and, when the plan is complete, desk-tested against it. For example, a company that manufactures or distributes ingestible products is likely to identify contamination and extortion as one of the likely scenarios and make sure that the plan has components to address issues such as the use of analytical laboratories, interface with the local health authorities and the links to the separate product recall plans.

Stage 7: Training and rehearsals

One of the by-products of stage six should be a crisis management plan. Many organisations put their faith in having such a document, as if it is a talisman that will protect them. The author has been involved in many simulated crises and in several where a plan had been pre-developed, the management team, in the cut and thrust of the crisis, did not even refer to it. In the author's view, training by the experience of participating in a well-simulated, well grounded crisis is more likely to ensure that the organisation handles its real crisis well than having a crisis management plan. This conclusion assumes that in the simulations, errors are addressed, lessons learned and the experience is repeated often enough – particularly to accommodate changes to the management team. This does not mean that a crisis management plan is unnecessary; rather that both planning and training by simulation is vital, with simulation training being at least as important.

One of the lessons of traumatic situations – both simulated and real, is that some people behave differently in traumatic situations compared with their normal behaviour. Leaders who are normally strong and effective can lose their leadership ability, whereas others may be far more capable of coping. Whilst this has been particularly observed in situations of major loss of life, such as the destruction of the World Trade Centre, the author has observed even basic management and leadership skills desert some of those involved in reputation simulation training. Therefore a major advantage of realistic simulations is the influence it can have on the choice of team members and their leaders.

A particular aspect of simulation training is media training. Training managers to face a media grilling is a vital component of the whole reputation risk management process, although it is just a component and not a substitute for the holistic approach outlined in this article. The training should take the form of simulated, realistic media interviews with feedback and coaching after each interview. The interviewee should be placed under as much pressure as they would be in a real situation. The media uses a wide variety of techniques to get the story that *they* want and the trainee should be aware of, and trained to recognise and deal with, them all.

Stage 8: Keeping it relevant

A plan or strategy is rather like a new computer – it starts to become obsolete the moment it is launched. It is therefore vital that both the plan and the training are kept continually updated.

The easy part of the update process is to make sure that hard data – for example the contact details and team members, is revised as soon as someone changes address or position within the company. New team members should be properly briefed and trained as soon as they are added to the team.

The greater challenge comes from recognising when the assumptions on which parts of the strategy are built become invalid. Examples of those assumptions are:

- The likely types of crisis (see stage 7)
- The expectations and tolerance of some stakeholder groups
- Issues affecting logistics – for example, that the building or room designated as the command and control centre is no longer available.

During the planning process all of the assumptions that are behind aspects of the strategy should be documented, in concise bullet point form, and regularly reviewed. If any assumption becomes invalid, the relevant parts of the strategy should be reconsidered.

Positive benefits

A classic argument against this type of approach or, more commonly, against doing it **now**, (because tomorrow, when we might have more time to do it, never comes) is that the crisis may not occur anyway. The fact that it has the potential to massively reduce brand value (e.g. Coca Cola product recall), share price (e.g., Perrier product recall) prestige (e.g., QE2 refit) or even destroy the company (e.g., Gerald Ratner, Arthur Andersen) can be overlooked as "it might not happen to us". However, it should be apparent that the holistic approach advocated will yield considerable benefits that will go directly to the bottom line even if there is no crisis. These will stem from:

- Having a far better understanding of your reputation
- Having a far better understanding of your stakeholders
- Aligning your values, culture, delivery and expectations
- Responding far more effectively to complaints by customers and other stakeholders
- Becoming a far more responsive organisation

Much of this may seem like common sense. However, as someone doubtless wiser than this author once said, "*The more you think about it, you find out that common sense is really not that common after all but is in fact rather rare.*" The many reputation casualties provide excellent proof of that.

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There are further articles by David Davies on reputation and risk management at www.dbrc.co.uk

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