

London First

'Reputational Resilience'

Roundtable – 20 November 2013

Sponsored and Hosted by NBC Universal



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REPUTATIONAL RESILIENCE

On 20 November 2013 a round-table event was held by London First on the topic of 'Reputational Resilience'. The event was kindly sponsored and hosted by NBC Universal.

The event was hosted by Stephen Smith, Managing Director, Head of Security Europe, *NBC Universal*, and chaired by Robert Hall, Director of the Security & Resilience Network at *London First*. The event was programmed around a series of short presentations from:

- **Clarence Mitchell**, Managing Director, *Burson-Marsteller UK*.
- **Professor Chris Parsons**, *Cass Business School*.
- **Professor Alan Punter**, *Cass Business School*.
- **John Bree**, Managing Director, Corporate Security and Business Continuity, *Deutsche Bank AG*.
- **Nicholas Sarvari**, Managing Director, *CSN Risk*.

WHAT IS REPUTATIONAL RESILIENCE?

Reputational resilience is the capacity for organisations to recover quickly from difficulties and to withstand stress and catastrophe. Resilience can be found in a variety of behaviours, thoughts and actions, which can be learned and developed over time.

An organisation's reputation may be its most important asset as the public's perception of organisational competence and accountability can have a significant impact on the corporate share price. A damaged reputation is difficult to repair and organisations should not only base their long-term plans on simply what is legal, but also consider whether its operating practices are ethical.

It is important, therefore, that organisations continue to cultivate reputational capital on an ongoing basis. By releasing continual messages to the public, organisations are not only able to put a human face to the corporate machine, but they are also able to foster an image of corporate citizenship. This exercise in transparency and disclosure is particularly important in industries where organisations are susceptible to 'guilt by association' and where a strong public profile can allow customers to distinguish between companies which are legally and ethically culpable and those which operate responsibly within the confines of the law.

The ability to construct a resilient corporate strategy and a strong company profile, however, rests largely upon an organisation's ability to collect and utilise reputational intelligence. Dynamic monitoring of what is being said about an organisation or industry can help facilitate a more nuanced understanding of the corporate environment and public attitudes. By employing an intelligence-based approach,

organisations will be able to prepare for potential future crises as well as engage in a dialogue with their customer base and serve their needs more efficiently.

Reputational intelligence can also be beneficial from the standpoint of compliance risks and the complications presented by large cultural gradients for companies that work in obscure environments. Claims of corruption are difficult to thwart in these places and, especially when these become public, wreak havoc on reputation and have in many cases led to enormous costs in legal fees, fines and years of litigation. These types of risks are avoidable through using carefully constructed intelligence mechanisms that both assess the risks as well as highlight opportunities to turn those risks into benefits for the company.

WHEN CRISIS HITS: INFLUENCING THE NARRATIVE

- **Rapid Response:** When crises hit, companies are often guilty of failing to engage with the public right from the start. There is an inherent desire within companies to re-group internally before facing the media. The more exceptional the crisis, however, the more controversial the news coverage will be and, in an era of 24 hour news and social media, reputations can be shredded even before companies have begun to crisis manage. A slow response, therefore, is tantamount to professional suicide.
 - While it may not be possible to control the message in the current social-media climate, it is possible for companies to influence the message by rapidly developing a holding position and social media is one way an organisation can affect the message.
 - While it is important for organisations to gather facts and evidence, this should not deter them from taking proactive action and making a public acknowledgment.
 - Streamlining sign-off structures will also facilitate a more fluid response to crises.

- **Structured Messaging:** Releasing incoherent messages is perhaps one of the most damaging ways that an organisation can respond to a crisis. It portrays unprofessionalism and an image that the company is in chaos and lacks the competency to manage difficulty.
 - The company message, therefore, needs to be considered and structured.
 - There needs to be a wider framework around the message and key to getting this right is pre-planning.

- **Human Compassion:** Failing to convey human compassion during a crisis is a common mistake many organisations make. While there are occasionally legal liabilities which can prevent companies from commenting on the facts of an incident, silence will not be met warmly by the public.

- Making a public statement which avoids mentioning the factual detail but which expresses concern can go a long way in putting a human face to a corporate machine and indicates to the public that the company is taking a proactive response to investigate the affair.

CASE STUDY: FIRESTONE¹

The case study of Firestone, a tyre manufacturer, provides a classic illustration of how organisations should not respond to a crisis:

- Recall of 14.4 mn defective tyres in August 2000, linked to 271 fatalities and 800 injuries, including many ‘rollovers’ of Ford SUVs.
- Almost a repeat of an earlier (1978) recall of 8.7 mn tyres.
- In each case, Firestone was reluctant to acknowledge the problem, grudging and slow in carrying out the recall.
- In each case, Firestone management attempted to shift the blame (e.g. to customers, to Ford).
- In each case, management response was ‘self-pitying’ and ‘company-directed’ as opposed to being ‘outward looking and addressing customers’ fears’.
- Significant direct and indirect losses, damage to share price and reputational damage, shown by loss of consumer confidence.

CASE STUDY: COCA-COLA DASANI²

In contrast, Coca-Cola’s handling of the Dasani crisis in the UK provides an excellent example to others in the industry of effective and successful crisis management.

- Coca-Cola faced ridicule and reputational disaster when its UK ‘Dasani’ brand of ‘purified’ water was identified as tap water from Sydenham.
- Criticism focussed on the product’s source, purity and price.
- Experienced crisis management team (IMCR) took immediate control.

¹ Case study features in Roads to Ruin: A study of major risk events - their origins, impact and implications. Research by Cass Business School for Airmic, sponsored by Lockton and Crawford (2011).

² Case study features in Roads to Ruin: A study of major risk events - their origins, impact and implications. Research by Cass Business School for Airmic, sponsored by Lockton and Crawford (2011).

- Product swiftly withdrawn from the UK market, French and German launch cancelled.
- Reaction was swift and authoritative. Team had clear priorities and operated transparently, with good stakeholder communication
- UK 'Dasani' business was lost, but the brand was protected outside Europe. Coca-Cola suffered no significant reputational damage.