Beyond the Bottom Line

20 Ways to Reduce Reputational Risk

Ed Barks
Reputational risk is regarded as the greatest threat to a company's market value, according to a 2004 study by PricewaterhouseCoopers and the Economist Intelligence Unit.

In addition, reputational risk is the toughest menace of all to handle according to 92 percent of companies, reports Insurance Journal in an article published July 23, 2013.

This begs the question, what do you need to do to avoid or, in certain cases, minimize the reputational risk to your organization? This paper offers solutions to help you when crisis strikes, for it truly is a matter of “when,” not “if.”

This paper offers solutions for 20 reputational risk situations in an effort to help you better manage crises that strike your organization.

Managing reputational risk has become an essential leadership skill for executives. Superb performance in this area presents opportunity for CEOs and chief communicators to earn their stripes. Indeed, some analysts have suggested that CEO pay be tied to reputation management.

WHY REPUTATIONAL RISK MATTERS

You must know how to communicate when a crisis arises. The focus here is on dealing with communication skills. Why? How you respond initially will make all the difference when you are seeking financial and legal advice to overcome or avert the crisis.

“It takes 20 years to build a reputation, and five minutes to ruin it.”

-- Warren Buffet

While there is no single consensus decision on what the term “reputational risk” means, most attempts point in the same direction. Marsh LLC and Oliver Wyman define it as follows: “Everything an organization does or says creates an indelible impression in the minds of its key stakeholders—senior management, employees, customers, local
communities, investors, and so on. The sum total of all these interactions represents your reputation.” (Reputation Risk: A Rising C-Suite Imperative, 2014, Oliver Wyman).

Here's how the Federal Reserve System's Commercial Bank Examination Manual defines it: "The potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reductions."

> "Senior executives and boards know that a company’s reputation can be a make-or-break attribute of the organization and therefore a major performance indicator."

-- Henry Ristuccia, global leader, Governance, Risk and Compliance at Deloitte Touche Tohmatsu Limited

When your organization’s reputation gets dinged, you need to know how to respond. This paper will empower you with step-by-step procedures and resources to help you counter a variety of risk scenarios.

Corporate executives musts, too. Workers from the C-level suites to the tiniest cubicles need to be vested in your company’s reputation. Your top brass, communications staff, lawyers, and issue experts have a responsibility—financial and ethical—to communicate effectively when catastrophe strikes. The situation may be foreseen or unforeseen, natural or human-made, relatively mild or thoroughly earth-shattering.

One thing to bear in mind: Your voyage to a sparkling reputation can be a Christopher Columbus-like expedition, demanding years of yeoman’s work and much uncertainty along the way. Like our moms told us, patience is a virtue.

### PREPARE FOR CODE RED

To see how reputational risk works in the real world, this paper offers 20 scenarios as templates to help you and your organization manage shocks to your reputation’s system.

The scenarios range from cybersecurity issues (pegged as the number one potential threat by many executives) to ill-advised new media outbursts; from a toxic chemical release to a CEO’s indiscretions. While any single company is unlikely to face all 20 of these troubles, all firms can find something to which they can relate in their ongoing business affairs.

Some common threads within each scenario: Companies that managed reputational threats sufficiently prepared as best they could and assessed their performance afterward.
in an effort to improve future performance. Leadership took seriously the need for preparation and review.

Any worthwhile crisis expert will tell you that no one is capable of accurately anticipating the precise calamity you might face. There are simply too many moving parts. Like the airline pilot who doesn't know if he'll hit wind shear, clear air turbulence, or a flock of birds, he must be prepared to react to something unexpected at that exact moment in time. So it is with any blows your reputation may suffer, deserved or not. These 20 scenarios offer a range of reactions in hopes that one or more of them will resonate with your particular circumstances. You must be ready to analyze your situation carefully. An incident that has little impact on one organization could represent a full-blown reputational crisis for another.

Fully 81 percent of companies view reputation as their number one asset according to a July 23, 2013, Reuters account of the report “Reputation at Risk,” issued by the insurer ACE. Executives at these companies also admit that they find reputational risk tricky to manage.

In the survey, 77 percent of companies found it problematic to evaluate the financial impact of reputational risk on their business. Sixty-eight percent found it difficult to locate advice about managing reputational risk.

Still, there is hope that smart companies are beginning to see a link between risk management and development of business strategy. As one respondent to the Marsh/RIMS study “Organizational Dynamics: A Focus for Effective Risk Management” noted, “There is significantly more interest, buy-in, and enthusiasm from our executives about looking at strategic risk rather than just operational or financial business risk.”

Another participant said, “I wish there were some way we could measure success by thought leadership or by the value we bring to our business partners,” adding in a burst of candor. “But I can’t figure out a metric for that.”

**STEER CLEAR OF BLACK BOX FORMULAS**

Scientists, technology experts, and other data-driven individuals are not going to like this, so I might as well just say it: Quantifying reputational risk is next to impossible.

It is akin to then-Supreme Court Justice Potter Stewart commenting on pornography: “I know it when I see it.”
Some academics have attempted to divine formulas to measure the impact of an organization’s communications efforts. Many larger public relations agencies have cooked up proprietary schemes in hopes of convincing clients they can accurately measure what they do for them.

One financial expert with whom I discussed this paper told me in no uncertain terms that he can compute reputational damage by noting the market valuation lost after a crisis. While I can by no means claim fiscal expertise, I believe that market valuation—and the manic depressive mood swings of stock markets—are poor yardsticks of the economy and of individual companies, to say nothing of its failure to serve as a valid reputation barometer.

Do you remember the phrase “voodoo economics” from a long ago presidential campaign? That’s my view of such measurement attempts. Futility reigns. The solution? Trust your executives who are wise and experienced in such matters.

This is not to say we are left to toss darts at a dartboard, to merely guess at the effect of reputational risk. Fortunately, there are other means of assessment.

Consider this recommendation from Robert G. Eccles, Scott C. Newquist, and Roland Schatz from their article “Reputation and Its Risks” in the Harvard Business Review:

“Various techniques exist for evaluating a company’s reputation. They include media analysis, surveys of stakeholders (customers, employees, investors, NGOs) and industry executives, focus groups, and public opinion polls. Although all are useful, a detailed and structured analysis of what the media are saying is especially important because the media shape the perceptions and expectations of all stakeholders.”

Another alternative method of measurement comes our way courtesy of the U.S. military’s "after action review." Such reviews generally concentrate on these questions:

1. What was expected to take place?
2. What really happened?
3. Why was a difference observed (or not)?
4. What can we do to achieve a better outcome in the future?

The “Organizational Dynamics: A Focus for Effective Risk Management” paper chimes in with such best practices as making simulation drills a part of the planning process. It also preaches the wisdom of activating your company’s risk committee, or forming one if none currently exists (author’s note: You would be wise to give your chief communications...
officer a seat at that table). Your communicators should also create discussions surrounding reputational risks that may appear on the horizon (as I’ve said many a time—to many a sideways glance—if your current communications staff is incapable of this, get rid of them and bring on board more capable minds).

What other steps can you take to manage reputational risk effectively? The Federal Reserve Bank of Philadelphia offers some key elements for banks to consider:

- “Reinforcing a risk management culture by creating awareness at all staff levels
- Instilling ethics throughout the organization by enforcing a code of conduct for the board, management, and staff...
- Establishing a crisis management team in the event there is a significant action that may trigger a negative impact on the organization”

If it’s good enough for bankers, it ought to be good enough for the rest of the economy, too. You would be wise to weave the Philadelphia Fed’s recommendations into your company’s reputational risk planning.

The point is not to cave in to an obsession with measuring everything solely in dollar terms. As the above methods point out, reputational risk is a very real phenomenon, one that shrewd organizations and communications executives recognize and respect.

MINIMIZING YOUR REPUTATIONAL RISK

We know, at least broadly, what reputational risk is. And we know it is notoriously difficult to measure.

Each of the 20 case studies includes a link to at least one resource designed to help you should you confront that type of situation. Most are available online at www.barkscomm.com.

What other steps can help you lessen your risk? Inoculate your organization by broadcasting positive news regularly via a variety of channels. Traditional outlets like print and broadcast media, and speeches by your executives qualify. So, too, will outreach on new media tools such as Facebook, Pinterest, and Twitter. Flooding the market with your good works will help not only to burnish your overall image; it will also cause the news you want aired to show up higher in search engine rankings.

“Know your reputational soft spots, and have your narrative ready to communicate.”

— Roy Shapira, Corporate Governance Fellow, Harvard Law School
British management consultant John Elkington suggests that companies consider three bottom lines: financial, environmental, and social performance. All are unquestionably important facets of any business. Yet it seems incomplete.

Thus, I recommend making "Reputation" part of a new construct, the “Quadruple Bottom Line,” if you will (with proper credit to Elkington for building upon his original concept).

“One managing image and company reputation is one of the more obvious jobs of the CEO."

-- Jack Welch

One supplement to these recommendations, and one more step in implementing a Quadruple Bottom Line: It is worth reiterating that dealing effectively with reputational risk involves not only preparing for potential crises, but also assessing performance once your reputational crisis subsides. That after action review is a mandatory component.

YOUR MOVE

This work makes no claim to be the end-all and be-all in the area of reputational risk. That is why the case studies are laden with resources that go the heart of each specific crisis. In addition, you will find further resources in the appendix if you desire a deeper dive.

As with all Barks research, my hope is that this labor will serve as a springboard for civil, reasoned, intelligent (and yes, sometimes impassioned) discussion. Read, ponder, synthesize, and discuss the 20 case studies that follow. Then (and here’s the important part), act!

What specific steps can you take?

- Use this paper as a guide to help your company and its people chart your course.
- Submit your examples for use in a future edition of this paper.
- Share this research with colleagues, both external and internal.
- Suggest this as a program topic at a professional society to which you belong.
- Open discussions with your executives, especially if you currently lack a reputational risk plan.

Now it is up to you. I wish you success as you tread the path of avoiding and deflecting reputational risk.


**HACK ATTACK**

**THE RISK**

Hackers successfully gained access to confidential consumer information entrusted to your company.

**THE BACKGROUND**

Over the course of several weeks in December 2014, the health insurer Anthem learned of a cyberattack on its customer records. The database in question held records for as many as 80 million current and former policyholders.

The hack attack brought reminders of a similar problem encountered by Anthem in 2013. In that instance, the company was fined $1.7 million by federal officials for allowing unauthorized workers access to confidential records.

**THE REPUTATIONAL COSTS**

According to a web site developed for the company, “The information accessed may have included names, dates of birth, Social Security numbers, health care ID numbers, home addresses, email addresses, employment information, including income data. We have no reason to believe credit card or banking information was compromised, nor is there evidence at this time that medical information such as claims, test results, or diagnostic codes, was targeted or obtained.”

Anthem acknowledged that its database was not encrypted. This drew criticism from cybersecurity experts who view this as Data Security 101, especially when sensitive records such as medical information are involved.

Anthem has little capital in its goodwill bank, given the previous breach and its reputation for less than stellar customer service.

**RECOMMENDED ACTION**

1. Be prepared to communicate fully and openly with customers affected by the hack. News accounts indicate that some Anthem customers received e-mail notification relatively soon after the discovery. Not all did, however (as this writer—a former Anthem policyholder—can attest).
2. Plot your communications strategy in advance. For instance, it would have made sense here to bring on board a consultant skilled at message development.
3. Know what you’re going to say before you say it. That’s where the position paper “Maximize Your Next Media Training: Best Practice Standards” comes into play.
Q&A QUANDARY

THE RISK

Your pivotal presentation goes fine. The Q&A session? That’s another story.

THE BACKGROUND

You spent weeks preparing for your talk to your industry’s top association. All the bigwigs you want to impress (and to gain as clients) show up. They sit in the auditorium, ready to glean your pearls of wisdom.

Your prepared remarks go off without a hitch. Your stories hit the mark. The third party references you bring to bear prove convincing. Your nonverbal skills are flawless. Yes, you prepared impeccably for the main event.

Just one problem. You neglected to steel yourself for question and answer period that came after your prepared remarks.

THE REPUTATIONAL COSTS

It was that one question from an audience members that threw your wheels off the track. Once they jumped the rails, however, all was lost. Your composure was shot. Your ability to answer other kinder and gentler queries was non-existent. Instead of ending with a flourish, you slinked offstage, head down, shoulders slumped, the very image of defeat.

You hoped to be the talk of the town in the afterglow of your presentation. Oh, you were. But not in the way you imagined. How can you tell? Those sideways glances and soft chuckles in the corridors, for one. And the fact that your closest confidantes kept asking if you were okay in the most sympathetic tones possible.

As for snagging new clients? Forget about it. It will take a long time to restore your reputation after this fiasco. And your company’s bottom line? Let’s just say that no new customers equals little in the way of revenue.

RECOMMENDED ACTION

1. Anticipate tough questions that may arise. Invite the office skeptic to your training sessions, and turn her loose to pepper you with hardballs.
2. Gain a comfort level with such advanced techniques as bridging. Download a copy of the position paper, “Does Anybody Have Any Questions for My Answers? The 411 on Q&A.”
3. Have a sense where the “Agenda Hogs” in your audience might lurk. A full treatment of this phenomenon is available in Chapter Eight of The Truth About Public Speaking: The Three Keys to Great Presentations.
IN FLAGRANTE INDISCRETIONS

THE RISK

Your married CEO is caught having an affair

THE BACKGROUND

Your chief’s peccadillos stomped all over your planned new product launch. So much for its smooth addition to your revenue stream.

Rumors had been circulating for some time that your supposedly happily married CEO strayed. His torrid extramarital affair with his long-time executive assistant was confirmed when a corporate responsibility gadfly posted a Twitter video of a romantic tête-a-tête between the two lovebirds. The video tweet quickly went viral. Did your tormentor time its release to coincide with your product release? It’s possible, though it really doesn’t matter now, for the damage has been done.

On a personal financial level, how much do you think this dilemma will affect his next performance and salary review by your board? He could be in line to lose out on some serious cash.

THE REPUTATIONAL COSTS

Your primary trade association cancelled the CEO’s scheduled keynote speech to its annual meeting, diplomatically citing “last minute scheduling conflicts.” At least they didn’t refer to him as the laughingstock of your industry, as others have.

An interview on CNBC, which took your communications staff weeks to cultivate, is dead. It’s not that CNBC doesn’t want an interview; they certainly do. Their current interest, however, rests not with your new product launch, but with your chief’s personal travails. You cancel his appearance.

Meanwhile, the gadfly who circulated the video—long a thorn in your company’s side—is traveling the media circuit to discuss his triumph. Thanks to your CEO’s indiscretions, your tormentor now has a bigger platform than ever to spread his antagonistic thoughts.

RECOMMENDED ACTION

1. Your CEO has to face the music. If he is adept at parrying tough questions, schedule an interview with a relatively friendly trade publication. If he is easily tongue-tied, issue a statement.

2. Devoting more budget resources toward communications is a must. Other executives will need to step forward as the public voice of your firm for now. This means more work for your communications shop as they (and the external communications training consultants you use) need to rapidly improve the communications skills of your second tier of leaders.

3. Reference “A Buyer’s Guide to Communications Training Consultants” to ensure you select an external expert who is truly capable of helping that second rank of executives.
HANDLING HECKLERS

THE RISK

Protesters disrupt your news conference

THE BACKGROUND

You’ve got the right spokespeople on the podium, prepped them with your message, and spread the word about your news conference. What could go wrong?

Plenty. Just ask George W. Bush or Hillary Clinton, both of whom had to duck airborne shoes hurled by foes who gained access to their events.

Or check with the speaker confronted by a heckler during a presentation. While these may not be everyday occurrences in your world, third-rail issues can cause feelings to boil over and draw confrontational opponents out of the woodwork.

THE REPUTATIONAL COSTS

Case one: Your spokesperson makes both himself and your organization look foolish when he exhibits that “deer in the headlights” look when confronted with hecklers or those who try an act of physical protest like tossing confetti or unfurling a banner.

Case two: The other extreme, in which he insults the protesters, or you try strong arm tactics to deal with them. You are likely to win little public sympathy taking this course of action.

Unless you are an unquestioned “black hat” in the public’s eye, people are likely to feel for you when incivility invades your event. However, your reaction can tip the scales to the negative if you’re not careful.

RECOMMENDED ACTION

1. When holding a news conference on an issue that is particularly edgy, prepare your spokespeople for possible interruptions. Instruct them on how to deal with them. While they may not be able to come out smelling fresh as a daisy, you can avoid looking flummoxed or high-handed (for a roundup of principles, see “Nine News Conference Niceties”).

2. Limit attendance to real journalists. This is increasingly difficult in these times of bloggers, some of whom adhere to journalistic ethics; some of whom are only trying to advance their own point of view. This means that you must review your guest list more carefully than in the past.

3. Game out how your company might respond to certain reputational risk issues, using “Simulations Generate Communications Success” as a guide.
CONGRESS WANTS YOU

THE RISK

Congress has taken note of your CEO’s extravagant bonuses and perquisites

THE BACKGROUND

It was just a matter of time. Rumor was your oh-so-elegant top executive was living the high life. This raised alarm bells with your senior communicators, who predicted it would eventually come to light.

When The Wall Street Journal finally reported just how good he has it, your communicators were gracious enough not to say, “I told you so.” The main impact is likely to fall upon your CEO. For appearance sake if nothing else, he will need to give up some of his indulgences.

THE REPUTATIONAL COSTS

Pursuit from watchdogs in Congress followed closely on the heels of disclosures from news outlets. One irate House member happens to chair the committee with jurisdiction over your industry. And she wants your CEO to testify at a grilling, with him as the main course. His reputation as a bon vivant will do him little good on Capitol Hill.

RECOMMENDED ACTION

1. Since your chief communicators knew about this possibility ahead of time, they should have prepared for the inevitable by scheduling media training workshops for your CEO, key board members, and other executives. Let’s hope they were wise enough to hire a communications training consultant unafraid to raise that tough issue during the sessions.


3. Seek out one of your CEO’s respected peers, and suggest a series of heart-to-heart talks. Contemporaries can often persuade where others fail.

ABOUT THIS PAPER

Top executives realize the need to measure how their businesses perform. All too often, the only metric consulted involves dollars.

While such financial mileposts are important, non-financial considerations must also be taken into account.

Reputation matters. Once you lose prestige in the eyes of key markets and audiences, it is extremely difficult to regain.

This paper offers concise case studies of how select companies choose to deal with reputational risk. Some have succeeded; others have failed; and some have just muddled through.

Which category will your company inhabit?

www.barkscomm.com
THE CORPORATE BANANA PEEL

THE RISK

Your media training workshop was a disaster, so your spokespeople proved unprepared for the launch of your hot, new product.

THE BACKGROUND

There goes all that hard work that was supposed to result in massive profits for your company. Your C-suite was banking on your new product saving it from your firm’s recent moribund financial performance.

Your stock price continues to tumble. Your research and development staff is scrambling to find something—anything—else that might stem the flow of red ink. Your sales team is frantically scouring the back of the closet for anything with a prayer of resulting in new deals. Nothing is working. Your company is in for a long, tough slog.

THE REPUTATIONAL COSTS

Your competitors were on edge upon hearing rumors of your new offering. Word on the street was it could be a game-changer in your industry.

And it all fell apart because your CEO, division president, vice presidents, and corporate communications staff got the messaging wrong. It proved weak and contradictory. Worse yet, everyone was singing from different pages of the songbook when explaining the innovation to reporters. The resulting news clips were a jumble of jargon and mixed messages.

This confusion could have been avoided with a rigorous series of media training workshops. Sadly for you, you tried to cut corners on your budget by settling for a one-and-done session with a PR generalist rather than the sustained program recommended by the experienced hand of a bona fide communications training consultant.

RECOMMENDED ACTION

1. You may able to save face to some degree by reorienting your launch campaign. No question it’s going to be a daunting challenge, so you’ll need help from two sources of expertise: 1) An experienced crisis management expert and 2) a veteran media training consultant. To find these experts, see “A Buyer’s Guide to Communications Training Consultants.”
2. The research report The Lasting Effects of Media Training: Lifelong Learning or Temporary Phenomenon? outlines how to earn the long-term benefits such a program should deliver.
3. Someone fell down on the job here. Was it your communications staff? A miserly budget bureaucrat? A cheap CEO? The inept freelancer you hired? Take a cold-eyed look at what went wrong, who bears responsibility, and fix it so it doesn’t happen again.
SO YOU WANT TO BE A THOUGHT LEADER

THE RISK

Your CEO wants to raise his thought leadership profile

THE BACKGROUND

The financial benefits of this endeavor are, admittedly, difficult to quantify. It makes sense that your company will gain sales if your CEO is front and center in the public’s consciousness (assuming that image is positive, of course).

And he will no doubt increase his own marketability (and, therefore, income) whether at your company or at his next landing spot if he’s viewed as a top thought leader.

THE REPUTATIONAL COSTS

The boss wants a more upbeat public image. Nothing wrong with that since reputational benefits are likely to accrue to both him and the company.

Here’s where things get tricky. He expects his communications staff to deliver on that impulse, which means the staff members’ reputations hang in the balance, too. If the effort succeeds, staffers have punched a golden career ticket, living for decades off the ability to say they worked for the now-great man. If things go south, however, you can bet that the communications offices will be relocated to what amounts to a corporate Siberia.

RECOMMENDED ACTION

1. As set forth in the research report *But Mom Told Me Never to Brag: Overcoming the Thought Leadership Hurdles*, there are three basic means of raising one’s thought leadership profile. The first is speaking. So set up the boss with speeches to key audiences in formats that show him at his best.

2. The second technique is writing. The fact is while his name appears as author, in many cases the best writers in your communications shop will do most of the writing. Here again, target your audiences with care.

3. The third approach involves research. Agreed, this isn’t for everyone. Yet if your CEO has a pet issue and the least inclination to dig deep into it, get your research team to work and foster that drive. Then publish his findings in an appropriate journal.
THE RENEGADE WORKER STRIKES

THE RISK

One of your workers tweets about drunken escapades at your employee development retreat

THE BACKGROUND

A series of ribald Twitter messages over a one-hour period exposed (pardon the pun) a hearty evening of drinking games, slurs about management, and libertine liaisons. All this occurred during your annual offsite employee development session.

Externally, your top customers have pledged to review their business relationship with you. In fact, one has already pulled out of negotiations for a big contract scheduled to commence next year.

Plus, all that budget dedicated to the employee retreat is down the drain. Who can take things seriously with everyone glued to their phones and the bawdy photo display?

THE REPUTATIONAL COSTS

The verbal tweets were bad enough. Worse, the tech savvy offender took advantage of Twitter’s video capability to shoot several 20-second clips that laid bare (oops, please pardon again) the fun and games for the whole world to see.

There goes your company’s heretofore squeaky clean image. Your CEO, who, of course, had no idea this was happening, has vowed that heads will roll. Those heads include not only the offending tweet meister and his co-stars in the video, but the team that organized the retreat; they were held responsible for trying to create a “fun” experience that served to encourage the tawdry behavior.

Naturally, the tweets—especially the videos—went viral. The most common refrain came from those who, tongue-in-cheek, wondered how they could get a job at such a laid back workplace.

RECOMMENDED ACTION

1. Your management team has to explain how this happened and to ensure shaky customers how it will work to prevent future occurrences.
2. It’s time to activate your communications crisis plan (you do have one, don’t you?). Part of this plan should involve a rapid response via new media channels. In this instance, using Twitter to apologize to your customers and explain how you plan to prevent similar exploits in the future is mandatory.
3. Use “An 8-step Program for Using Social Media in Your Communications Efforts” as a guide for your rapid response efforts with new media tools.
CYBER STRUGGLES

THE RISK

An online banking service is taken by surprise when a web browser update denies its customers access to their accounts

THE BACKGROUND

This case study comes from personal experience. The day started innocently enough. I went online to check my bank account and to pay some bills, yet was unable to log in, receiving a message that the connection could not be made for security reasons.

It was then I noticed the alert on the bank’s home page. The system currently refused to work with the latest version of Mozilla’s Firefox browser.

THE REPUTATIONAL COSTS

I tried two points of contact with the bank. First, I sent an e-mail to the customer service address provided on the web site. I waited nearly 12 hours for a reply. When it became clear that responsive customer service meant something different to them than to me, I picked up the phone. A defensive operator informed me that it would take two weeks for their IT vendor to solve the problem, and that there was no one else I could talk to about this.

I should note that this small community bank has received the bulk of my personal and commercial business for decades. It is comforting to be called by name when doing business there. Unfortunately, this was one of those times when sound business practices dictated a larger and more competent IT capability.

All things considered, I’ll probably keep some accounts at the bank in question. However, after many years of turning to it without question, I’ll now think twice before placing any new business there.

RECOMMENDED ACTION

1. The top priority when planning for a potential crisis is to do the right thing in the first place. In this case, the bank would have been wise to communicate an intent to beef up its technology capabilities going forward.

2. Anticipate crises that can be foreseen. Browser updates are common occurrences. No reputable IT firm should be caught with its drawers down. Tellingly, I encountered no other web site that was similarly affected.

3. Game out how your company might respond to certain reputational risk situations, using “Simulations Generate Communications Success” as a guide.
A SHOOTER ON THE LOOSE

THE RISK

A hospitalized prisoner escapes from Inova Fairfax Hospital, wrestles away a guard’s gun, fires a shot, and flees

THE BACKGROUND

Neighbors of the suburban Washington, D.C., hospital were on high alert. And for good reason as the escapee carjacked a local woman.

A massive police presence followed the getaway, with wall-to-wall coverage on local TV news stations (not that anyone wants to see a situation like this, but let’s face it, news organizations and police departments love it when they get to use their shiny tools). The jailbird was captured hours later on a bus in a Washington neighborhood. Fortunately, no one else was harmed.

THE REPUTATIONAL COSTS

All access was restricted into and out of the hospital until matters clarified. In addition, police with military-style gear combed the surrounding area, giving the TV camera crews great opportunities for vivid footage.

In the end, Inova Fairfax experienced very little negative reaction. One big reason: As reported by the Washington Business Journal, hospital executives had just conducted a review of its crisis communications efforts the previous day.

RECOMMENDED ACTION

1. Follow the playbook reportedly used by Fairfax Inova. While a nut on the lam with a gun is bound to engender some degree of alarm, hospital executives minimized any panic thanks to advance preparations. Such actions as contacting the police and securing the facility became instant reactions, not wild guesses.

2. Confusion was minimized since the organization’s executive team knew in advance that it would need to take steps such as postponing non-emergency surgery in the event of a crisis at the facility. A hospital security official told the Washington Business Journal, “(P)art of the plan is securing the patient, closing doors and whatnot, so if there’s a perpetrator running through the building, we don’t want there to be opportunities. We let the patients know what’s going on. If we need to, we turn out lights, etc. We have an operational plan to do that. And it worked extremely well.”

3. Assessing feedback is imperative. Following any crisis, put your plan through the wringer to weigh how it worked. As CEO Patrick Christiansen put it, “That plan should be continuously reviewed, not something that’s just put on the shelf.” To learn more about the value of assessing feedback, turn to Chapter Nine in The Truth About Public Speaking: The Three Keys to Great Presentations.
A POLITICAL PIG IN A POKE

THE RISK

An unflattering photo is circulated far and wide in online news sources, as happened to British Labor Party leader Ed Miliband

THE BACKGROUND

It all started with a gallant effort. The U.K. politician decided to get on his wife’s good side (and, no doubt, score some points with the voters) by hitting a London marketplace early in the morning to buy some flowers for his lady.

Things went horribly wrong from an image perspective, however, when he tried to wolf down a bacon roll, a greasy, butter-oozing British breakfast treat. Photos of a grim-faced Miliband, complete with butter trickling from his lips, quickly became hot media properties.

The Labor stalwart did himself little good when, during the same episode, he forgot the name of a fellow Labor Party leader and seemed ignorant of his family’s typical grocery bills.

THE REPUTATIONAL COSTS

Miliband has long struggled with a reputation as one who is out of touch and lacking in charisma. The series of uncomfortable looking photos hardly helped erase that image.

In elections shortly after the bacon roll incident, Labor witnessed mixed results. The upshot, as reported by the BBC, was “no sense of jubilation in the party with fresh questions about their leader’s style.”

Public measurements also offered little consolation that Miliband could bring home the bacon. One poll found only one in ten voters agreeing he would be a good prime minister. And in a poll commissioned for BuzzFeed, 41 percent of Britons found him “weird.”

RECOMMENDED ACTION

1. Miliband’s press aides reportedly tried to prevent photographers from snapping shots of the breakfast brouhaha. You can guess how successful that was. When your principal is in public, anything is fair game (or, for the more scholarly among you, “on the record”). The fact is only the most ham-handed of media minders would even think of trying to restrict access once the wheels are turning.

2. We all have different strengths and challenges as communicators. Never try to force an executive into being something he’s not. You’ll only come out looking queasy and butterfingered.

3. This is living proof that mannerisms matters. Check out “How Important Are Nonverbal Signals?” to help fine tune your body language.
MICROPHONE + RESTROOM = OOPS

THE RISK

The speaker at a conference needs a restroom break, resulting a classic “oops” moment when she forgets to turn off her microphone.

THE BACKGROUND

Actor Leslie Nielsen made this bathroom humor famous in one of his “Naked Gun” films. Some years later, I observed it in real life. It took place at a discussion led by a speaker wearing a wireless lapel microphone. At one point, she doled out an assignment for a group exercise, asking us to discuss at our tables. She then exited the room.

We were privy to her hallway conversations with colleagues, coming in loud and clear thanks to her wireless microphone. Next came muffled footsteps on the carpeted floor. Uneasy glances started filtering through the room when many of us suspected where she was headed. We were then treated to the sound of a door swinging open, followed by the clickety-clack of heels on tiled floor. Yup, the inevitable click of a bathroom stall latch being thrown came next. Fortunately, by that time a female audience member had raced to the women’s room to warn our “expert” about her bathroom broadcast.

THE REPUTATIONAL COSTS

While not an organizational crisis of severe magnitude, this type of misadventure can damage an individual’s reputation. To this day, whenever I picture this woman’s face, I think not of her topic but of her restroom recklessness.

At the beginning of her remarks, the offending bathroom breaker made a big deal about her vast experience as a speaker. You can imagine that expertise was cast to the wind after her trot to the toilet was heard by all.

Curious looks were the order of the day when she returned as everybody wondered how she would deal with the elephant in the room. She never even tried. No, not once did she ever acknowledge her snafu.

RECOMMENDED ACTION

1. When you make a mistake, own up to it—even in a non-life threatening, cheeky episode like this. A quick acknowledgement accompanied by a self-deprecating bon mot would have cleared the air. As it stood, however, a cloud hung over the room for the rest of the session.
2. If you are on stage wearing a wireless microphone, be sure to remove it before tending to any bodily functions (and remember that all your conversational asides are also fully audible).
3. Audience members could not have been blamed for exiting. To avoid giving them reason to do so, contact Ed for his tip sheet “Top 10 Reasons Audiences Head for the Hills.”
HEADLINE RISK

THE RISK

Flawed ignition switches lead General Motors to recall over 2.5 million vehicles

THE BACKGROUND

General Motors CEO Mary Barra was roasted by Congressional committees interested in the company’s woes, and the company was pumbe by weeks of negative headlines.

To encourage GM owners to replace the faulty switches, the manufacturer offered $25 gift certificates for various retailers. My trusty calculator tells me that figure times 2.5 million vehicles comes to a cool $62.5 million. That may not break the bank at an outfit like GM. All the same, it’s hardly chump change.

THE REPUTATIONAL COSTS

It is often difficult to quantify the dollar damage caused by episodes such as the GM recall. Not this time. Early in 2014, Barron’s guessed that General Motors stock could gain 30 percent in value. So much for that crystal ball. In reality, the stock price dipped from its January 2014 level of $40.03 to a year-end value of $34.84.

The investor relations community calls this “headline risk,” meaning the danger of damage from a series of negative news reports. That industry uses that term of art to describe reputational risk.

RECOMMENDED ACTION

1. This is another case in which some people had to walk the plank. CEO Barra canned 15 GM executives and reprimanded five others due to this snafu. When such moves are deemed necessary, make sure to alert your communications staff since they are the ones charged with dealing with the fallout.

2. Rarely can a Congressional hearing be equated with a genteel afternoon tea. When the pleasure of your presence is requested by a Congressional committee, pull out all the stops when preparing. Reference the research report, Thrill on the Hill: How to Turn Congressional Testimony into Public Policy Success, along with the accompanying video.

3. In Mary Barra, GM had the advantage of a CEO capable of exhibiting a caring attitude. She was featured in a series of short videos targeted toward GM car owners that took advantage of her ability to speak on a human level. When your crisis strikes, consider both the communicators and the communications channels you have at your disposal, and decide which ones to rely on.
EMBASSY EMBARRASSMENT

THE RISK

An embassy spokesperson issues an ill-advised statement due to a lack of cultural understanding.

THE BACKGROUND

This is a tricky situation, for non-U.S. communicators posted to Washington, D.C., often find few reliable resources upon their arrival. They are confronted by a strange city, culture, and work environment, and often find no one to guide them to an understanding of the manners and mores of the American media.

The careless announcement cited in this example could just as easily come from a spokesperson for a non-U.S. corporation or non-governmental organization with offices in Washington; such snafus are by no means limited to embassy press attachés.

THE REPUTATIONAL COSTS

While unintentional, the quote still offends the U.S. government and important American trade partners, placing delicate negotiations in peril.

The diplomatic community in your home country is none too pleased. There are rumblings of efforts to recall you and expel you from the foreign service.

Spokespeople caught up in reputational crises often face very real personal dilemmas in addition to professional problems. Stress, particularly when you have little in the way of a support system in place, can lead to a sense of isolation, fear, and despair—even to strained family relationships.

RECOMMENDED ACTION

1. Establish ties with journalists before you need them. Reporters are more likely to understand your viewpoint and what you are trying to say if they are able to put language or cultural barriers in context.
2. Use "The Global Communicator's Welcome to Washington Guide" as a guide. It highlights steps you can take and resources you can use to acclimate yourself to life and work in the U.S. capital.
3. Find a cadre of “home team” communicators you can use as an informal sounding board. Experienced U.S. experts can help steer you away from words and images that might lead to trouble.
A TOXIC STEW OF EVENTS

THE RISK

A toxic chemical polluting local streams has been traced to your manufacturing plant.

THE BACKGROUND

You’re certainly staring at high costs for a massive cleanup as well as hefty fines from federal, state, and local regulators.

Talk about business disruption. That plant is shut down indefinitely. Additionally, the markets have lost faith in your ability to tend to your core business. The stock price has tumbled, your quarterly financial report will be pummeled by the fines and cleanup outlays, and employee bonuses are a thing of the past.

THE REPUTATIONAL COSTS

No one in the local community trusts you now. The environmental activists who had been warning for years that your plant was an accident waiting to happen are crowing, having been proven right.

Remember those transition plans you were working on when your CEO made it known he wanted to retire in three years? How many high quality CEO candidates will want to jump on board this sinking ship?

Your future also includes tighter regulatory scrutiny from every government body imaginable. Your external communications channels will be monitored closely. As a matter of fact, the next misstep could spell doom for the company.

RECOMMENDED ACTION

1. This crisis falls into the category of eminently predictable. Pull out your crisis plan immediately and follow it. What’s that you say? You haven’t prepared for how you’ll communicate with your workers, community, and regulators? Well, that’s a problem.

2. Decide who has responsibility for talking with the press and public. Put them front and center, and instruct everyone else to hold their fire and refer all questions to your public faces.

3. Hold a series of media training workshops before crisis has a chance to strike. One sure way to damage your reputation permanently: Wait until a crisis occurs before grooming your spokespeople. See the video on Dealing with the Media for more details.
CAN WE TALK OFF THE RECORD?

THE RISK

An executive for the car service Uber ostensibly thought he was “off the record” when speaking to a group of reporters. Not so.

THE BACKGROUND

Uber, a company with a reputation for sharp elbows, dug itself a deep hole when senior vice president Emil Michael floated the idea that the firm secretly hire opposition researchers and reporters to investigate the private lives of journalists critical of the company.

Michael claimed that his remarks were off the record. BuzzFeed, however, stated that it had agreed to no such conditions and that it was free to publish his comments. Important note: Any agreement to go off the record must be hashed out before an interview begins, and both parties must positively affirm those ground rules.

THE REPUTATIONAL COSTS

Ironically, the comments came at a time when Uber was trying to soften its image in the press. Threatening to dig up dirt on reporters is hardly a means to that end. The ham-handed effort served to heighten suspicion, not reduce it.

This image was further hindered when Michael issued a statement reacting to the revelations. According to Vanity Fair, he cited “sensationalistic media coverage” and argued that the comments “do not reflect my actual views and have no relation to the company’s views or approach.” He also said, “They were wrong no matter the circumstance and I regret them.”

Further, Michael hardly endeared his company to the military, where he served on an advisory body known as the Defense Business Board. As Pentagon spokesman John Kirby said in a BuzzFeed article, “We do not associate ourselves with the comments Mr. Michael made or the views they represent.”

RECOMMENDED ACTION

1. Know the rules of the road when suggesting off the record, “on background,” or “not for attribution.” See Can We Talk Off the Record? Resolving Disagreements, Increasing Understanding Between Reporters and Public Relations Practitioners for specifics.

2. Never, ever allow anyone but your communications professionals to negotiate these rules. It doesn’t matter how smart your executives think they may be. The simple fact is they are not qualified to negotiate in this realm.

3. Be prepared should your comments go public. Off the record can be a useful tool for steering a reporter in a certain direction. But never use it to say something you’d regret reading in your Twitter feed or on the front page.
CRINES YOU CAN ANTICIPATE

THE RISK

The March 2015 crash of Germanwings flight 9525 into a mountainside in the French Alps was an unspeakable tragedy that claimed 150 lives.

THE BACKGROUND

While the human tragedy is beyond sad, the airline also faces a financial impact on two fronts. First, its business is likely to suffer as travelers shy away from a company that they perceive as unable to ensure their safety. Second, victims’ families in situations like this typically sue for monetary damages. Insurance may pick up part of the bill, but Germanwings will likely have to dip into revenues for at least some of it.

THE REPUTATIONAL COSTS

Financial damages can be overcome. It’s not easy by any means. Still, businesses can generate cash more readily than reputational currency.

Certain catastrophes are going to happen sometime, somewhere to some company. Airlines, in this example, must be equipped to deal with an air disaster. The reputational impact has been so negative in past crashes that at least one airline—the former Air Florida—decided to change its name in an effort to start over.

Your company may face a chemical spill, product recall, or data breach. You may not be able to anticipate the exact situation. Still, you should have a handle on the general outline of what may occur at some point in your line of business.

RECOMMENDED ACTION

1. Plan your crisis reaction ahead of time as much as possible. Although you may not be able to pinpoint the precise nature of the beast, game out some potential scenarios that could affect you and your industry.

2. Run through some crisis scenarios, making them as lifelike as possible. It is mandatory that everyone on your crisis team participates. As you play out the situation, toss in some twists and turns to drive home the point that you need to be flexible when communicating during a crisis. After all, who could have foreseen suicide by pilot? No calamity unfolds in a neat and tidy manner.

3. Hold a series of media training workshops before crisis has a chance to strike. One sure way to damage your reputation permanently: Wait until a crisis occurs before grooming your spokespeople. See the [video on Dealing with the Media](#) for more details.
SCORING IN THE OPPONENTS’ GOAL

THE RISK

FIFA, soccer’s worldwide governing body, is hit with a red card for a corruption scandal.

THE BACKGROUND

FIFA’s alleged culture of corruption was perhaps the worst-kept secret in the sporting world. U.S. and Swiss officials finally dropped the hammer in May 2015.

Sponsors including Adidas, Anheuser-Busch, Coca Cola, Hyundai, and Visa all pledged to take fresh looks at their multi-million dollar deals. Follow through on their part would be highly damaging to FIFA. Admittedly, however, follow through on their part absent any additional outside pressure is questionable.

Companies as savvy as these could hardly be shocked to learn of the shady dealings that had been so well publicized over a period of years.

THE REPUTATIONAL COSTS

Organizations sometimes find themselves trapped by the wrong leaders in place at the wrong time. Case in point: FIFA President Joseph “Sepp” Blatter, who tried to run away from the mess faster than Usain Bolt.

“We, or I, cannot monitor everyone all of the time. If people want to do wrong, they will also try to hide it,” said Blatter.

There is more than external damage in play here. Internally, the U.S. Soccer Federation threw its support to Blatter’s opponent during FIFA elections. It was to no immediate avail, as Blatter was elected to a fifth term, though he did an abrupt about-face and resigned. Still, future relations are likely to be rocky, serving to further weaken FIFA’s reputation and effectiveness.

RECOMMENDED ACTION

1. Sound the alarm when you see wrongdoing in your organization. In some instances, particularly in regulated industries or where you have a fiduciary responsibility, you may have a legal obligation to do so.
2. Speak truth to power. Your CEO may not want to hear bad news or confront sticky situations. It’s up to communications executives to make him listen. If your internal staff proves incapable, bring in a communications consultant who knows how to get the job done (to determine the best fit, see “A Buyer’s Guide to Communications Training Consultants”).
3. What to say when confronted with a crisis? That’s where solid messaging comes into play. Review the basics with the video “Shaping a Magnetic Message.”
CAN I QUOTE YOU ON THAT?

THE RISK

Your quotes following that media interview didn’t turn out quite as positive as you imagined

THE BACKGROUND

The reporter seemed nice enough. He was polite to a fault, listened attentively, and took copious notes while nodding his head.

Then came the article to which you so dreamily looked forward. Uh-oh. Did you slam your company’s latest product, albeit inadvertently? Did you chuckle when discussing your CEO’s leadership abilities? Were you really sweating when the topic turned to your latest financials?

Thanks to your ill-advised (and juicy) quotes, you can rest assured that your next earnings report won’t look any better. Your stock price, which had been on a solid upward trajectory, is in a tailspin. Customers have stopped returning calls and placing orders. Your own professional reputation? Let’s just say you’re no longer the golden boy many thought you to be.

THE REPUTATIONAL COSTS

Your company now has the image of one incapable of shooting straight. Reporters no longer turn to you for industry perspective. Their only interest in talking to you is in trying to get you to dig a deeper hole.

You weren’t imagining things when, while attending your trade association’s annual meeting, it seemed as though colleagues were studiously avoiding eye contact and conversation with you. Could that be why you were also, for the first time in many years, shut out of participating on panels?

Once upon a time not that long ago—just last week, as a matter of fact—your career was on the fast track to the C-suite. You can kiss those dreams goodbye.

RECOMMENDED ACTION

1. There are a lot of moving parts to this story: Poor messaging skills, lack of expertise in dealing with questions, and failure to see the big picture when communicating with your public. The tip sheet, “Ten Techniques to Employ when the Media Glare Shines on You,” offers ground rules to keep in mind when face-to-face with a reporter.

2. As for approaching the media, take some advice from “Seventeen Solid Tools to Broadcast Your Message through the Media.”

3. Finally, remain patient. Your good name will not be rehabilitated overnight. Stay the course and you have a chance to regain lost ground. Be prepared, however, for the road is likely to be pocked with bumps and dips.
A VICTIM OF COLLATERAL DAMAGE

THE RISK

An independent study finds the mobile devices manufactured by one of your competitors emit dangerous levels of radiation.

THE BACKGROUND

The study mentions your company only tangentially. That is small comfort since the entire mobile device industry is taking a hit.

Sales of devices similar to those criticized in the report are slumping. As fate would have it, your top product falls into that category.

Orders for your new model have been affected. You initially forecast sales of a million of the new devices. That projection has been slashed in half, and even that is looking optimistic now.

THE REPUTATIONAL COSTS

Your products have been deemed safe. Both the independent study and your internal research demonstrate that. You also have made it a point of pride over many years to broadcast the fact that you abide by tough industry standards. Still, you stand to be a victim of collateral damage.

Those distributors and sales outlets are screaming for you to do something to counter this mess. Sure, they’re concerned about losing sales. But they need guidance from you on what to say to disgruntled consumers who are bypassing your sales displays and trying to return their current devices.

Both they and you are stuck in the middle of this collateral damage. Everyone associated with your company has their reputation on the line, and they expect you to lead the way.

RECOMMENDED ACTION

1. Define your target audiences, of which there may be several—consumers, distributors, and retailers, to name a few.
2. Turn to your industry’s association as a resource. While you by no means want to discuss anything that smacks of collusion, comparing notes as appropriate with other association members might prove useful.
3. Your spokespeople will be expected to make the rounds of the cable news networks. To help acclimate them to a new interview format for them, refer them to “Top 10 Satellite Media Interview Techniques.”


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As a communications training consultant and author, Ed Barks zeroes in on the messages and skills that executives need on a daily basis. As a result, they gain an enhanced reputation, greater confidence, more opportunities for career advancement, and achievement of long-term business goals.

He wrote the book about verbal and nonverbal communications, *The Truth About Public Speaking: The Three Keys to Great Presentations*, and the training guide, *Face the Press with Confidence: The Media Interview Companion*.

Ed contributes to leading industry journals and is the former “Speaking Sense” columnist for the *Washington Business Journal*. He has published numerous additional works such as “A Buyer’s Guide to Communications Training Consultants,” “How Important Are Nonverbal Signals?” and “Maximize Your Next Media Training: Best Practice Standards.”

He is also the author of the research reports *Thrill on the Hill: How to Turn Congressional Testimony into Public Policy Success, But Mom Told Me Never to Brag: Overcoming the Thought Leadership Hurdles, The Lasting Effects of Media Training: Lifelong Learning or Temporary Phenomenon? and Can We Talk Off the Record? Resolving Disagreements, Increasing Understanding Between Reporters and Public Relations Practitioners*.

Ed has taught nearly 5000 business leaders, association executives, government officials, athletes, entertainers, non-profit executives, and public relations staff. His clients say he “knows how to elicit peak performance.” They call him “a master at connecting with his audience” and “an effective educator,” and give his communications training workshops “two thumbs up!”

He has served as President of Barks Communications since its founding in 1997. He also holds several other leadership roles including service on the Board of Governors of the National Press Club and the faculty of the U.S. Chamber of Commerce Institute for Organization Management.

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