

Reputation

Never underestimate its value

The concept of reputational risk is relatively new in comparison with some of the more "traditional" risks but in reality there is nothing new in damage to a reputation spelling ruin for your organisation.

Recent studies have shown that reputation loss is rated as the 2nd highest risk after business interruption, and around 2000 public and private sector organisations consider it to be at the top of the list.

But many organisations still fail to identify and manage this risk, and it is estimated that only 20% of companies have reputation risk management plans. Many organisations look at possible events or occurrences which would be 'catastrophic' when managing their biggest risks, and there is a common misconception that 'catastrophes' are physical. There is no denying that severe weather damage, environmental disasters or terrorist attacks are massive risks, but in reality, reputation defamation can be equally as catastrophic in the long term.

Many organisations credible business activities depend on good reputation and its importance often only becomes apparent after it is damaged. If the perception that the public and stakeholders hold of you becomes negative, there is a very real possibility that public support, market share or brand value may nose dive. The media play a huge part in public perceptions and if preparation has not been done to deal with them should you find yourselves in the media, damage could be substantial and service provision disrupted.

Media stories of public sector staff engaging in inappropriate or excessive behaviour and bringing shame on their authorities are becoming more frequent, and you can usually open the morning paper and link at least one story with a public sector organisation. They are media fodder just as much as people of private enterprises, and in many cases the damage can go beyond individual limits and impact on the organisation. The association between the two is seamless, the blame culture takes over and 'mud sticks' strategies must be in place to turn things round and encourage the public to view you in a positive light.

ALARM - The National Forum for Risk Management in the Public Sector - believes that reputational risk must be high on the list of risk priorities for any organisation, and ignoring the possibility of a broken reputation is something you simply cannot afford to do. Unplanned and unforeseen risks are not an option, especially for the public sector where time and resources are increasingly in short supply. Finding yourself in a position where you are fighting for public support as well as trying to mop up after a catastrophe will take huge effort, and if measures are taken correctly in the first place this can be avoided.

ALARM urges organisations-public and private alike - not to underestimate how much is at stake should their reputation be under threat. Consider the CEO of a jewellery retailer who publicly joked about his inferior products and effectively caused the demise of his company; the bank that closed high street branches whilst running and advertisement extolling the virtues of being big, and gave its executives large bonuses; the cruise company that treated its passengers poorly during a major refit, which was filmed by many passengers and quickly found its way into the media; or the marketing campaign that offered free flights of greater value than the goods they were sold with, which resulted in accusations that the company concerned then used

unethical methods to avoid honouring their obligations.

These demonstrate that reputation can be damaged or destroyed by deed, the spoken word or a lack of planning. Major issues for the public sector are that they have never have contingency funds to repair reputations with the likes of marketing campaigns, but rely heavily on public support and confidence if they are to be successful!

MANAGING RISK

ALARM believes that understanding the nature of your reputation is critical, and it is imperative that senior managers are instrumental in constructing a protective strategy. The reputation risk management strategy must be established by the board/senior management/politicians everyone must be involved and commitment gained from employees and managers through training and communications.

A recent survey conducted randomly among British adults asked: "For each type of person would you tell me if you generally trust them to tell the truth or not?" Groups included doctors, teachers and civil servants, and the results showed significant increase in public trust in civil servants from 25% in 1983 to 45% in 2005.

This is to be welcomed, but is still notable that it is less than half. Furthermore, it showed trust in politicians, with whom local authorities are associated, was consistently low; around 20%. Thus there is still much work to do. One stupid mistake or impulsive action could leave the reputation of an organisation or profession in shreds.

Mike Keating of ALARM said "Negative perceptions will spread at an alarming rate and the old saying "prevention is better than cure" is applicable to reputational risk management. There are still many organisations with no risk management strategies and they are unprepared for public controversy. We cannot afford to sit on our haunches and wait until it happens to us.

We must be prepared. "Risk Managers must propel reputational risk management to the forefront of their agenda, and identify the nature of the risk and set up preventative measures should they find themselves courting controversy. Mud sticks"

By Gemma Rogers - ALARM For GPSJ.

