

# Managing reputational risk

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APM/IRM, Manchester

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Abbey Consulting

## Agenda

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- The value of reputation
- Identifying reputational risks
- Curbing threats and leveraging opportunities to protect and enhance reputation
- Reputational considerations in projects
- Getting started: top tips

# What is reputation?

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A collection of perceptions and opinions, past and present, about an organisation which reside in the consciousness of its stakeholders

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## The reputation equation

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**Reputation =  
experience - expectations**

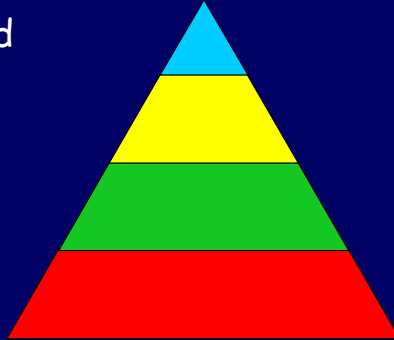
Oonagh Mary Harpur

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# What makes a good reputation?

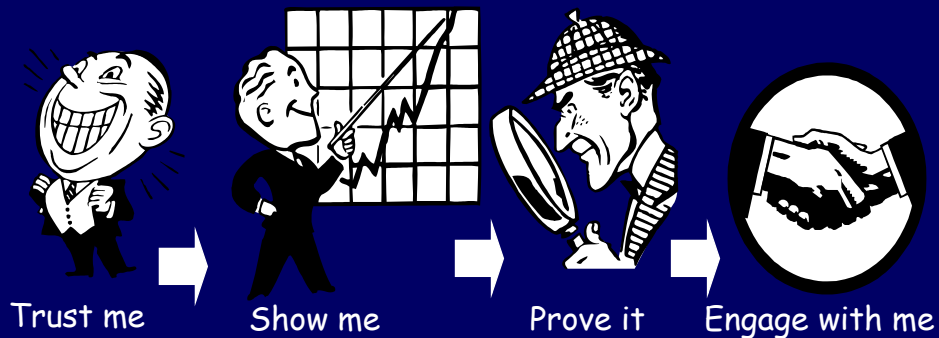
When alignment is achieved between an organisation's:

- Goals and values
- Its conduct and actions
- The expectations and experience of its stakeholders



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# Meeting stakeholder expectations

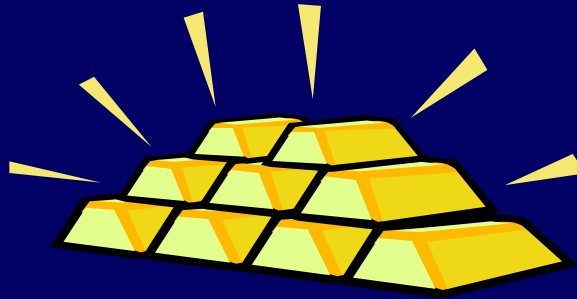


Integrity, accountability, transparency and inclusiveness are the new watchwords

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## The value of a good reputation

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Reputation has intrinsic current value  
*and* shapes stakeholder behaviour to  
influence future value

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## Reputation is a critical intangible asset

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- Leadership & governance
- People, skills and culture
- Innovation
- Intellectual property
- Brands
- Knowledge management
- Communication
- Business relationships
- **Corporate reputation**



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## A business's reputation can influence:

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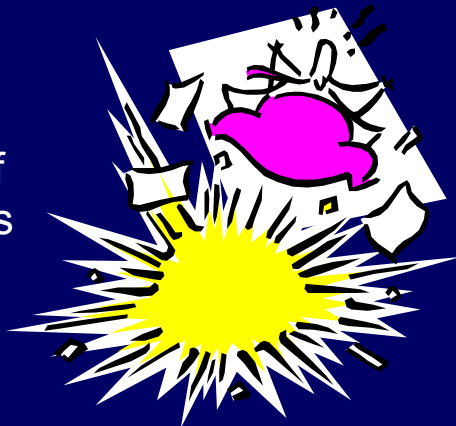
- Investors' willingness to hold its shares
- Consumers' willingness to buy from it
- Suppliers' willingness to partner with it
- Competitors' determination to enter its market
- Media coverage and pressure group activity
- Regulators' attitude towards it
- Its cost of capital
- Potential recruits' eagerness to join
- And existing employees' motivation to stay

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## And crucially:

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Stakeholders' willingness to give a business the benefit of the doubt when a crisis occurs



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## Identifying reputational risks

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Any event or circumstance that could adversely or beneficially impact an organisation's reputation

Reputational ~~Risk~~ Impact

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## From admired.....to mired

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Technological troubles leave MyTravel with its wires crossed

Jarvis plummets 24% as projects come under fire

Revenue's 'bargain' computer proves £300m flop

Tax staff fear repeat of credits fiasco

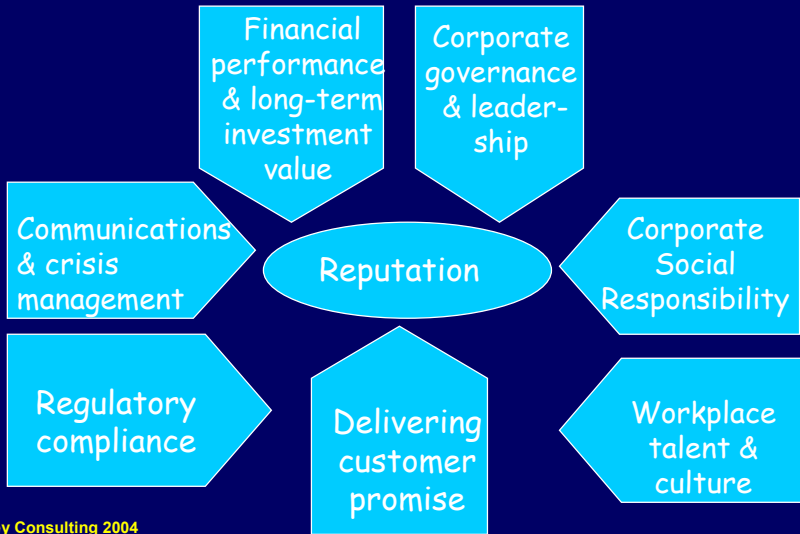
Sorry tale of reporter whose story broke the corporation's reputation

Shareholders can no longer be sure of Shell

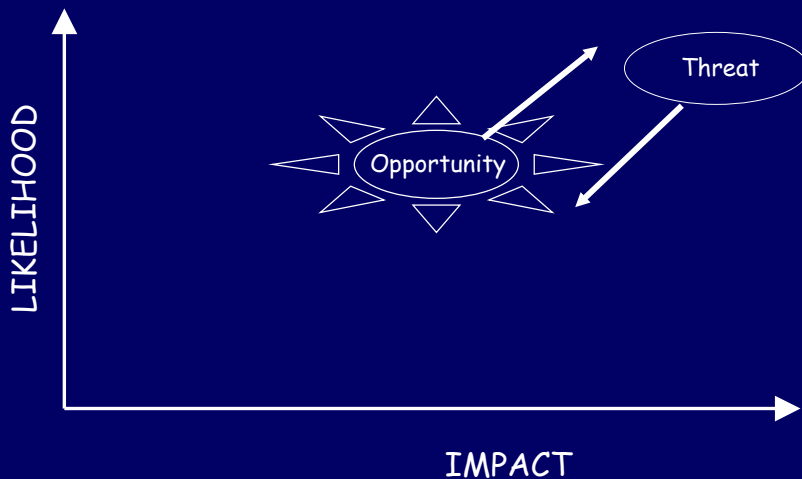
Investors 'will hate' damaged Adecco

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# Key sources of risk to reputation



# Risk = threat and opportunity



# Simultaneously curbing threats & leveraging opportunities...



Adapted from FORGE

...can both protect and enhance reputation

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# Reputational risks in projects

Major project

=

Major change

=

Major risks and  
reputational impacts



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## What is the nature of the change?

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- Acquiring a new business
- Moving into a new market
- Launching a new product or service
- Building a new facility
- Sourcing from a new supplier
- Implementing a new IT system
- Outsourcing an activity

How could  
reputation  
be impacted?

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## The reputational dangers of outsourcing

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'Track maintenance may seem a subsidiary task to a railway company, one the consultants would describe as "non-core".

But what the railway company is really contracting out is its reputation for safety, and nothing is more core than that.'

Michael Skapinker, Financial Times 15<sup>th</sup> October 2003

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## Make sure you get at your project's reputational risks...

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...before they get you!!!

Ensure *all* major changes are deemed projects and are subject to rigorous risk management discipline

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## Getting started: top tips

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- Does your risk definition encourage capture of risks to reputation?

Risk is...

an event or situation which could adversely or beneficially affect ability to achieve objectives, maintain a good reputation and meet stakeholder expectations

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## Getting started: top tips

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- Do you assess reputational *and* financial impacts?
- Do you systematically consider and assess the impacts on key stakeholders - and recalibrate accordingly?
- Are comprehensive crisis management plans in place, up to date and well rehearsed? Do they cover project failure?

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## Have you identified your reputational 'hot spots'

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- Corporate governance & culture
- Major changes (portfolio; organisational; system; customer - KYCR; product/service; supply chain)
- Threats to pillars of legitimacy and uniqueness attributes

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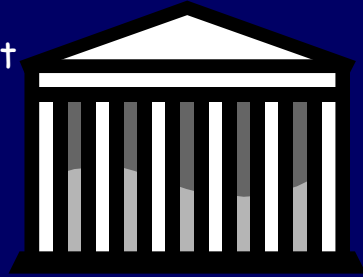
## Legitimacy and uniqueness

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- **Pillars of legitimacy**

Which factors:

- give you the right to do what you do?
- underpin your licence to operate?



- **Uniqueness attributes**

What differentiates you from the pack?

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## The uniqueness of Andersen

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There is extraordinary power in our name because it stands for time-tested values, a unique one-firm global operating approach and recognised superior performance.

Joseph Berardino, Chief Executive, Andersen at the time of their name change from Arthur Andersen, March 2001

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## The fall of Andersen

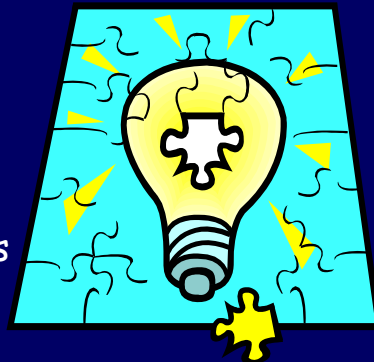
'Andersen's failure to comply with professional standards was not the result of the actions of one "rogue" partner or "out of control" office but resulted from Andersen's organisational structure and corporate climate that created a lack of independence, integrity and objectivity.'

Texas State Board of Accountancy: motion to revoke Andersen's licence May 2002

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## Everyone must play their part...

- Executive directors
- Non-executive directors
- Management
- Public relations
- Risk and insurance managers
- Project managers
- Auditors
- All other employees
- Business partners



..in moulding and  
upholding your  
corporate reputation

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## A cohesive team effort can protect and enhance reputation by:

- Contributing to the early identification and positive management of potential threats and opportunities to reputation
- Innovative use of early warning indicators (complaints; Internet activity; whistleblowing; media mentions; stakeholder feedback)
- Ensuring alignment (policies/procedures in place and complied with; rewards, roles and responsibilities aligned with corporate goals)

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## The benefits of positive reputation risk management

- Builds stakeholder trust and confidence
- Maintains 'licence to operate'
- Attracts investment
- Boosts customer and supplier loyalty
- Reduces regulatory intervention
- Creates barriers to entry
- Facilitates premium pricing
- Enables recruitment/retention of the best
- Provides a store of reputational capital that protects against future crises



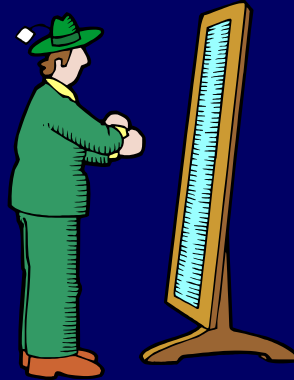
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# Achieving a sustainable reputation

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The way to gain a good reputation is to endeavour to be what you desire to appear

Socrates, 469-399 BC



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## Any questions?

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