Your reputation precedes you

By Teresa Settas

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It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently - Warren Buffet.

If you're in any doubt as to the cogency of this statement, just think Volkswagen, Malaysia Airlines, FIFA, SAA, Bill Cosby, Sony, Penny Sparrow, Chris Hart and Nicole de Klerk. All have taken an absolute beating in the court of public opinion. Some have limped to some semblance of recovery with the help of reputational communications and management specialists, others never will.

For corporate brands that lose their reputational lustre, the impact soon manifests on the bottom line and in the share price – consumers vote with their wallets. For individuals, prospects for employment after a public blunder on the scale of Penny Sparrow's reprehensible racist rants, amount to exactly zero.

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In the digital age, nothing ever escapes Google search or the speed of social media. We're seeing employees sharing controversial opinions on social media channels that are increasingly putting employer brands in the spotlight. Employers now pay close attention to the company they keep – no job interview is likely to go by without a thorough interrogation of your online persona.

Social media and employees aren’t the only ways that inappropriate remarks can wreak reputational havoc. I have seen countless executives making the most extraordinarily stupid statements in media interviews, and no amount of media training can save them from themselves. Who can forget the ghastly vaseline remarks made by Macintosh Polela after the JubJub trial? The spokesperson for an elite police made an utterly ill-conceived tweet about prison rape as if this was perfectly ok. It cost Polela his job, his reputation and left the Hawks credibility in tatters. Anyone seen or heard from Mac lately?

Anyone drive a Volkswagen? In the heat of the emissions “dieselgate”, the once trusted car brand was forced to recall 500,000 vehicles and slapped with a potential fine of $18bn by the US Environmental Protection Agency (does this hurt yet Mr Financial Director?). VW issued all measure of statements with little solace. Volkswagen's stock price fell in value by a third in the days immediately after the news broke, its group CEO resigned and it was claimed by *Der Spiegel* newspaper that at least 30 people at management level in VW knew about the emissions deceit for years – something that VW denies.

Amidst all of this, *Wheels24* reported that Volkswagen SA was not ‘affected by the emissions saga’. VWSA said at the time: "*South African VW/Audi vehicles are not affected. South Africa does not have a legislative emission standard so this issue does not apply locally. We meet the CO2 emissions as published in our official specification sheets for all our vehicles*.”

Really! So the mere fact that a global citizen like VW lied to the public for six years and intentionally used a device in its cars to evade clean air standards, which are a threat to public health, should not matter to me here in SA? Reputation 101 – just like pandemics, screw ups on this scale know no geographic boundaries. And know that a multi-national reputation brings with it all measure of complexities and multicultural nuances to consider.

Given just how easy it is to send a hard-earned and expensive reputation up in smoke, it really is not surprising that damage to reputation/brand has emerged as the #1 risk facing companies worldwide according to Aon Risk Solutions. The global risk management business polled CEOs, CFOs and risk managers in its 2015 Global Risk Management Survey, providing comparative insight into different perceptions of risk.

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The Aon report goes on to add that with the rapid development of media technology and heightened awareness of multiculturalism, there has been a dramatic increase in the number of ways a company’s reputation can be damaged. However, the tools and levels of effort business leaders use to manage their reputations are lagging, heightening such risk. Despite the fact that damage to reputation is cited as the No.1 Business Risk, the survey shows that 40% of businesses are unprepared to deal with a major reputational crisis.

While some brands may have cookie-cutter plans in place for dealing with a crisis of reputation, few have thoroughly interrogated and documented all the potential risks and scenarios they could face. In fact, few have made a distinction between crisis communications - the what is said, to whom, when and why and managing stakeholder perceptions - versus crisis management - the all-important logistics and background work across multiple departments to sort the mess out. Most simply view crisis communications and management as one big amorphous mass.

For those endowed with a greater appreciation of the power of words and communication, they've intrinsically known the value of reputation since forever. But it took a few monumental gaffs to make financial executives realise that there simply is no line item on the financial statements that can calculate the true monetary value of trust, which is after all what reputation is about. Until the paw-paw hits the fan, that is! Then the realisation that broken trust equates to lost sales and dismal turnover manifests faster than a VW can dodge an emissions test!

The reality is, in our hyper-connected society, there has been a dramatic increase in the number of ways a company's reputation can be damaged. But none of these should come as a complete surprise. A tsunami might be a surprise because you were expecting fire and brimstone instead, but then, you would still have your natural catastrophe recovery plans in place which would work for either scenario. However, product recalls, data breaches, offensive language or slurs on social media, in the workplace or customer communication, fraud, money laundering, system crashes, inappropriate remarks or behaviour by company executives and supply chain disruptions cannot be on your list of unexpected incidents.

And yes, there is insurance cover available to manage such a reputational crisis, but insurers expect clients to have proper plans and resources in place at the outset. The reality is that while insurance can cover the immediate costs of resourcing the response and crisis management campaign, can you really quantify the value - current and in the future - of lost clientele, patronage and respect from public, shareholders and the media?

As Aon says in its risk report, *companies need to treat damage to their reputations as understandable and even predictable challenges that one should expect in today's business environment*.

As a final parting thought, there are more than enough factors outside of your control that can impact on your brand's reputation that will demand your attention and resources. So walk the fine line, keep your promises and always behave in an ethical manner towards your clients, suppliers and stakeholders. Do that and you will have removed at least 80% of the serious risks that can blow your hard-earned reputation to pieces. Behave like a rogue and no amount of reputation management is going to save you from a public execution.

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