Beyond the Bottom Line

10 Ways to Reduce Reputational Risk

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Woe be to the executive who cannot see beyond the green eyeshade. Many otherwise intelligent leaders assess risk solely by looking at their financials. Yet there is another type of equally dangerous peril lurking — reputational risk. Every company confronts its own particular set of reputational crises. They may be large; for instance, a large scale drug tainting or product recall. Others are seemingly small, yet with potential to mushroom into full-blown calamities, such as an ill-advised tweet by a worker or an off-color joke by your chief technology officer at an industry conference.

This paper intends to pull reputational risk into the daylight, revealing it as an equal partner to its financial cousin.

Managing reputational risk has become an essential leadership skill for today's executives. Superb performance in this area presents opportunity for C-suite inhabitants and chief communicators to earn their stripes. Indeed, it's a good idea to link executive pay to reputation management.

The 2022 KPMG CEO Outlook places reputational risk high on the worry list of senior executives, finding, "Emerging and disruptive technology has landed as the top risk to business growth over the next three years. Reputational risk has jumped to second." This belief appears to have held relatively steady over time, as a 2004 study by PricewaterhouseCoopers and the *Economist* Intelligence Unit found reputational risk considered the greatest threat to a company's market value.

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.

> *"It takes 20 years to build a reputation, and five minutes to ruin it."*
>
> *-- Warren Buffet*

This begs the question, what do you need to do to avoid or minimize the reputational risk to your business? 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 10 reputational risk situations in an effort to help you better manage crises that befall your organization. While you may not encounter the precise situations described here, the case studies should still provide some direction to help shield your business from the risks it faces.

WHY REPUTATIONAL RISK MATTERS

You must know how and what to communicate when a crisis arises. The focus here is on dealing with communication skills. How you respond initially makes all the difference when seeking to overcome or avert the crisis.

While there is no consensus on how the term "reputational risk" is defined, most attempts point in the same direction. Marsh LLC and Oliver Wyman characterize 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."

In simpler fashion, as the PricewaterhouseCoopers publication *The Journal* notes in its December 2005 edition, "Roman maxims counselled that 'a good reputation is more valuable than money', and Socrates defined reputation as 'the richest jewel'."

> *"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.

Firefighters, hospital workers, pilots, and police officers all train rigorously for potential crises. Corporate executives must, 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, mild or earth-shattering.

One thing to bear in mind: Your voyage to a sparkling reputation often demands 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 10 scenarios as templates to help you and your organization manage shocks to your reputation's system.

The scenarios range from cybersecurity issues to imprudent digital media outbursts; from a Congressional summons to CEO malfeasance. While any single company is unlikely to face all 10 of these troubles, all firms can find something to which they can relate.

Some common threads within each scenario: Businesses that manage reputational threats sufficiently pay attention to the before and after. They prepare as best they can, then assess their performance afterward in an effort to improve future operations. Leadership takes seriously the need for preparation and post-incident review.

One facet of preparation that is often ignored is the pre-mortem exercise. This drill works to anticipate how you might respond should your plan fail. It can be applied to such issues as media campaigns, advocacy initiatives, and crises. The pre-mortem nudges you to consider situations that might happen if your plan goes awry.

Any worthwhile crisis expert will tell you that no one is capable of accurately anticipating the exact 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 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 business could represent a full-blown reputational crisis for another, threatening its very existence.

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.

Although the term "reputational risk" has dropped as a business concern, it remains a worry for corporate leaders. In its 2022 Risk Barometer, insurer Allianz found cyber risk — one facet of reputational risk — to be the top aggravation.

Climate change has come to the fore as a concern, though, here too, echoes of reputational risk are evident. The Allianz report cites its Chief Sustainability Officer, Line Hestvik, saying, "The risks to businesses from global warming are being experienced with increasing force and immediacy — as direct damage after extreme weather events, but also leading to tightening regulation, and as threats to brand and reputation."

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 enterprise's communications efforts. Many larger public relations agencies have cooked up proprietary schemes in hopes of convincing clients they can accurately measure the agency's value.

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 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.

> *"At the board level, the number one non-financial concern is reputation."*
>
> *-- Robert Yellen, chief underwriting officer, executive liability division, Chartis*

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 at gauging risk and its impact on your business.

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"

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

-- Roy Shapira, Corporate Governance Fellow, Harvard Law School

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.

Here's the big picture: Refuse 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 businesses and executives recognize and respect.

MINIMIZING YOUR REPUTATIONAL RISK

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

Each of the following case studies includes a link to resources designed to help you when you confront that type of situation.

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 digital media tools. 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.

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 "Fourfold Bottom Line," if you will (with proper credit to Elkington for building upon his original concept).

> *"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 Fourfold 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 needs to be a mandatory component of your planning and execution.

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 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 reputational 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

Businesses from health insurers to car dealerships to hospitals — even media outlets and local government operations — find themselves under threat from cyber villains.

A hack attack affects the security of personal information, patient safety, and the ability to search public records, among numerous other dangers. Failure to safeguard confidential data can also result in hefty regulatory penalties for affected companies.

THE REPUTATIONAL COSTS

Do you want your company known as one not smart enough to protect the names, birthdates, Social Security numbers, home and email addresses, employment information, and income data of your customers? And what of their credit card and banking information or sensitive medical information?

If your database is not encrypted or your firewalls are inadequate, you are in violation of best practices when it comes to data security. The lower the capital in your goodwill bank, the more backlash you can expect from consumers and public officials.

SAVING YOUR REPUTATION

Public shaming can happen in the press, after a speech, or on Capitol Hill.

How can you prepare for these potential threats to your reputation? What strategies exist to help you mitigate reputational risk?

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RECOMMENDED ACTION

1. Be prepared to communicate fully, openly, early, and often with customers affected by any hack. I recall one health insurance hack that affected me, and admit to being steamed when realizing that I never received notification soon after the discovery.
2. Plot your communications strategy in advance. For instance, have on speed dial a consultant skilled at message development in addition to your crisis management consultant.
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 customers) 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 the question and answer period that followed your prepared remarks.

THE REPUTATIONAL COSTS

It was that one question from an audience member that threw your wheels off the track. Once things jumped the rails, however, all was lost. Your composure was shot. Your ability to answer other kinder and gentler queries disappeared. 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 imaginable.

As for snagging new customers, forget 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 the lack of new customers in your pipeline tanked your heretofore optimistic revenue projections.

RECOMMENDED ACTION

1. Anticipate tough questions that may arise. Invite the office skeptic to your training sessions, and turn them 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. Determine where the "Agenda Hogs" in your audience lurk. A full treatment of this trait is available in Chapter Eight of *The Truth About Public Speaking: The Three Keys to Great Presentations*.

THE ETHICALLY CHALLENGED CEO

THE RISK

Sam Bankman-Fried generated beaucoup headlines as FTX nosedived into bankruptcy

THE BACKGROUND

Crypto currency seemed risky from the start. Funny money? Anyone with a lick of business sense could see this darling of drug dealers and money launderers was a bad bet.

FTX CEO Sam Bankman-Fried took it to an extreme level, charged with, among other things, wire fraud and conspiracy to commit money laundering. He allegedly pushed the company into bankruptcy while also leaving thousands of starry-eyed hopefuls with empty pockets. As of this writing, legal cases are advancing. FTX's new CEO John Ray is trying to unwind matters as best as possible. But the firm and its founder appear to be in for a world of hurt.

THE REPUTATIONAL COSTS

Bankman-Fried was a firehose of comment when the story broke. His lawyers were no doubt telling him to clam up, as lawyers are wont to do. His communications advisors were either ignored, non-existent, or incapable of forging a message that had any hope of resonating with regulators and investors left out in the cold.

In Congressional testimony and before the media, Ray whistled a confident tune, insisting that the company may rise from the ashes.

The most entertaining part of this sad drama, so far, is a brewing feud between the current and former CEOs. Reporting from *The Wall Street Journal* notes Ray calling Bankman-Fried's comments unhelpful and self-serving. Firing back, the latter said Ray's was a "shocking and damning comment from someone pretending to care about customers." Nothing like clashing leaders to display a positive image.

RECOMMENDED ACTION

1. If your CEO is charged with crimes, your company has to face the music. Maintain open communication with those impacted, cooperate with regulators, and engage the press as appropriate. Maybe you'll be able to salvage some value from the detritus.
2. Devoting more budget resources toward communications is a must. Other executives will need to step forward as the public voice of your firm. 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. Place renewed emphasis on your crisis communications efforts. Start by checking out relevant posts on the C-suite Blueprint blog.

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 communicator knew about this pitfall ahead of time, they should have prepared for the inevitable by scheduling a no-holds-barred media training program for your CEO, key board members, and other spokespeople.
2. Convene a Congressional testimony workshop. "Thrill on the Hill: Using Congressional Testimony to Achieve Public Policy Success" can offer some insights.
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 considered is dollars.

While such financial mileposts are important, non-financial issues 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 spotlighting best practices for dealing with reputational risk.

Some companies succeed; others fail; and some try to muddle through.

Which category does your company inhabit?

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MANGLED MESSAGING MISCUE

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. They proved ill-prepared, weak, and contradictory. 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 jumbled messages.

This confusion could have been avoided with a rigorous media training program delivered over time. Sadly, you tried to cut corners on the 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 strategy and 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 position paper "Maximize Your Next Media Training: Best Practice Standards" outlines how to earn long-term benefits such a program delivers.
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.

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 digital media messages exposed a hearty evening of drinking games, slurs about management, and libertine liaisons. All this occurred during an offsite employee development session.

Externally, your top customers are reassessing their business relationship with you. Indeed, 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 featuring the bawdy photo display?

THE REPUTATIONAL COSTS

The verbal posts were bad enough. Worse, the offender treated viewers to video clips that laid bare (oops, please pardon the pun) 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 staff that organized the retreat; they were held responsible for foolishly trying to create a "fun" experience at a business meeting. It's called "work" for a reason.

Naturally, the exposé 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 executives have to explain how this happened and how they plan to assure shaky clients that they will work to prevent future occurrences.
2. It's time to activate your communications crisis plan (see the C-suite Blueprint blog for details). Part of this plan should involve a rapid response capability. In this instance, apologizing to your customers and explaining how you plan to prevent similar exploits in the future is usually a good idea.
3. Use "An 8-step Program for Your Digital Media Communications Plan" as part of your rapid response efforts. You'll find it in Chapter 5 of *Insider Strategies for the Confident Communicator: How to Master Meetings, Presentations, Interviews, and Advocacy*. Get your free copy of the book here.

MICROPHONE + RESTROOM = OOPS

THE RISK

The speaker at a conference needs a restroom break, resulting in 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 who made a big deal about how experienced she was.

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 realized 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. 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.

You can imagine that her proclaimed 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. That made the remainder of the session hard to digest.

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, see "Don't Make Your Audience Head for the Hills" in Chapter One of *Insider Strategies for the Confident Communicator*., Ed's book that is available as a free download.

HEADLINE RISK

THE RISK

Bad news is capable of crippling your business, both reputationally and financially

THE BACKGROUND

Investopedia defines headline risk as "the possibility that a news story will adversely affect the price of an investment, such as a stock or commodity. Headline risk can also impact the performance of a specific sector or the entire stock market."

Beacon Financial Strategies notes, "it is not a real risk in the traditional sense. Instead, headline risk is simply a person's perception of risk that is created by overly ominous news headlines." They go on to acknowledge, "headline risk is everywhere!" (emphasis theirs).

One example is Apple's supply chain concerns triggered by China's COVID-19 outbreak, plunging the company's shares to an 18-month low. Not surprisingly, it is difficult to find news accounts that attempt to calculate the reputational damage.

THE REPUTATIONAL COSTS

Financial analysts are quick to downplay headline risk. However, I wouldn't be so hasty. Heeding only the economic consequences ignores the very real impact of customers fleeing, investors shunning, and regulators salivating due to a headline-induced sullied reputation.

RECOMMENDED ACTION

1. Reassuring nervous consumers becomes a priority. To date, Apple's headline woes have not led to a massive downturn in sales. However, smart companies are wise to monitor the situation, and to prepare steps to assuage a jittery marketplace.
2. Open and honest communication matters. It may come in the form of a media campaign including op-eds, videos featuring the CEO, direct outreach to customers, or any number of other vehicles. The point is when crisis strikes, it serves you well to consider both the communicators and the communications channels you have at your disposal, and which ones to rely on.
3. Should headlines generate enough heat to trigger a Congressional investigation, it's time to pull out all the stops. Reference the research report, *Thrill on the Hill: Using Congressional Testimony to Achieve Public Policy Success*,

CRISES YOU CAN ANTICIPATE

THE RISK

Every business and industry has catastrophes that may well occur sooner or later. Smart firms craft plans to contend with such events.

THE BACKGROUND

Some prime examples of predictable crises: An airplane crash or a spill from a chemical plant. While the human tragedy is beyond sad, any affected airline or manufacturer also faces dilemmas on two fronts.

First, its business is likely to suffer as travelers shy away from a carrier they perceive as dangerous or shift away from the maker's products. Second, victims' families often sue for monetary damages. Insurance may pick up part of the tab, but operating revenues likely have to be tapped, too.

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 must be equipped to deal with an air disaster; chemical companies with a toxic spill; consumer goods firms with food tainting.

Your company may face any number of reputational obstacles. You may not be able to anticipate the exact situation. Still, you must have a handle on the general outline of what may occur at some point in your line of business.

RECOMMENDED ACTION

1. 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.
2. Also, include a pre-mortem exercise to game out potential scenarios that could affect your company or industry. It is mandatory that everyone on your crisis squad 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. No calamity unfolds in a neat and tidy manner.
3. Pull out your crisis plan immediately and follow it. This is your guidepost for communicating with your workers, community, regulators, and other key audiences.

A LOOSE CANNON

THE RISK

One of your board members lives to issue inflammatory political comments, causing blowback on your company

THE BACKGROUND

The press loves this board member. He's a neverending quote machine. His words, however, are typically red meat and off color, and have little, if anything, to do with your business.

Your company is paying the price due to frequent stories in the media that identify this lummox as one of your board members. Thanks to these ill-advised (and juicy) quotes, your earnings report and stock price are in a tailspin. Customers have stopped returning calls and placing orders.

He is unapologetic about his performance. Every time your communications staff tries to counsel him or other board members plead with him to tone it down, he claims you're trying to stifle his First Amendment rights.

THE REPUTATIONAL COSTS

Consumers are getting restless, evidencing an increasing level of distaste for his wacko political views. In fact, the group that proves the biggest thorn in your side is rumored to be organizing demonstrations at your headquarters as well as at several of your production and distribution facilities.

Adversaries are working the other side of the political fence in an effort to clamp new legislative and regulatory strictures on your industry. This is doing you no favors with your trade association, which has made it clear they want to put a stop to this nonsense now lest it damage the entire sector.

Invitations to speak on industry panels have evaporated. 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.

Should you boot the boor off your board? While that may solve one problem, it also may give him a bigger megaphone and make your company the target of his ire.

RECOMMENDED ACTION

1. Schedule a media training program for your entire board. This avoids accusations of targeting one individual. Contract with a no-nonsense consultant capable of laying down the law.
2. Encourage fellow board members who have the offender's ear to have a heart-to-heart chat with him in an attempt to correct behavior or, at a minimum, lower the temperature.
3. Prepare your messaging in case you need to cut ties. Read more about message development and discipline in *Reporters Don't Hate You: 100+ Amazing Media Relations Strategies*.

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ABOUT THE AUTHOR

Author and communications strategy consultant Ed Barks works with communications and government relations executives who counsel their C-suite leaders, and with businesses and associations that need their communications strategy and messaging to deliver bottom line results. They gain an enhanced reputation, greater confidence, more opportunities for career advancement, and achievement of long-term business and public policy goals.

He is the author of four business books:

- *Insider Strategies for the Confident Communicator: How to Master Meetings, Presentations, Interviews, and Advocacy*
- *Reporters Don't Hate You: 100+ Amazing Media Relations Strategies*
- *A+ Strategies for C-Suite Communications: Turning Today's Leaders into Tomorrow's Influencers*
- *The Truth About Public Speaking: The Three Keys to Great Presentations*

Ed contributes to a variety of publications and is the former "Speaking Sense" columnist for the *Washington Business Journal*. He has also published numerous research reports and position papers, including "A Buyer's Guide To Communications Strategy Consultants."

More than 5500 business leaders, association executives, scientists, government officials, entertainers, and other thought leaders can thank Ed for sharpening their communications edge.

According to his clients, 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 founding it in 1997. He served a nine-year tenure on the Board of Governors of the National Press Club and on the faculty of the U.S. Chamber of Commerce Institute for Organization Management. He is a former member of the board of directors of the Institute of Management Consultants National Capital Region, and the Consultants Section Council of the American Society of Association Executives (ASAE).

An inside-the-Beltway veteran, Ed has spent more than three decades in Washington, D.C. He brings another critical perspective to his clients' communications needs — that of a broadcaster and journalist. He knows firsthand the tricks and techniques of the reporting trade, thanks to a decade of experience in radio broadcasting.

Ed also publishes the Communications Community, available by free subscription.