

## Managing Your Reputation Risk

Insight for business owners and risk managers—  
provided by **Crendon Insurance Brokers Ltd**

Your business' reputation is an intangible commodity, unable to be properly weighed or measured, and yet highly susceptible to the sway of public opinion. Regardless of what industry your company operates within, each interaction—whether it is a press release, an advert, a product, etc—that you have with the public will help shape your reputation. Insuring and safeguarding your company's reputation against risks can prove to be challenging, not only for the company but for your insurer as well, since your insurer has to define what constitutes a reputational indemnity.

### What is Reputation Risk?

Reputation risk is the threat of danger associated with the ethics and quality of your company, which has the potential to result in lost revenue and a damaged public image, as well as fines and

penalties. While your company is intrinsically tied to its reputation, you do not and cannot own it—its reputation is controlled by the public. The intangibility of your company's reputation is the central challenge that you will need to overcome to effectively manage your company's reputation risk.

Your company's reputation is fragile—vulnerable to the fickle sway of public opinion and the risks associated with your various business channels. Each channel that is linked to your company offers its own unique risks. Yet, some are more damaging than others, such as managing a foreign supply chain.

Foreign supply chains offer your company a compromise: inexpensive cost for limited control of the operations. However, this trade-off could expose your company to unethical or unfavourable business decisions—if a supplier engages in either, your company's reputation will surely be affected.

Therefore, it would behoove your company to monitor and refine your diverse business channels to mitigate the risk of your reputation irrevocably eroding.

### A Crossroads for Your Reputation

At its core, reputation is a matter of trust that your company fosters between clients, shareholders and the public. Often, a crisis presents a company with a crossroads—depending on how the company manages the various aspects of that crisis will have great effect upon it going forward. If your company mishandles a crisis, you risk breaking or betraying the trust that you worked to establish. The consequences of improperly managing a crisis are diverse and varied. Here are just three consequences threatening your company's reputation after a crisis:

1. The quality of individuals that are seeking employment with your company could diminish, or current employees may leave your

company to avoid being associated with its tarnished reputation.

2. You may have to embark on costly and time-consuming campaigns to earn back the lost or damaged trust of both the public and your shareholders.
3. You may experience loss of business during the period of time when your company's reputation begins to diminish until it is mended.

However, the reverse is true as well—if your company is successful in managing a crisis, you have the potential to earn a great deal of reputational capital. Appropriate crisis management at your company may generate the following three benefits:

1. Restoring lost revenue from a crisis, along with the potential to increase revenue
2. Solidifying and strengthening your company's reputation as a trusted brand/authority
3. Increasing exposure for your company, which could result in attracting new clients and new buyers

How your company handles a crisis is determined by the strength and depth of your reputation risk management plan.

#### **Best Practices for Managing Reputation Risk**

A diverse and detailed reputation risk management plan provides your company with strategies on how to best monitor your business channels and help shape public opinion in your favour. Follow this guidance to effectively manage your organisation's reputation risk:

- Develop an effective early warning system designed to monitor news about your company on websites, blogs and social media. Include a scheme for how to handle crises as they arise and any issues uncovered by the system.

- Foster a professional relationship with the media in order to better monitor how your company is perceived.
- Utilise social media and the Internet to proactively and successfully shape your company's reputation and your brand image.
- To remain compliant and be prepared, stay informed on what trends are occurring in the business, economic, social and regulatory sectors, which have the potential to create new risks.
- Foster and manage professional relationships with regulators, which can provide your company with a more in-depth insight into current and upcoming regulations.
- Choose individuals to represent your company who connect well with both the shareholders and the public as well as embody your corporate goals and ideologies.
- Identify potentially adversarial special interests groups and work to foster professional relationships with them.

While this is not an exhaustive list of practices that could benefit your company's risk management plan, it does provide a point of reference when you are shaping your own plan.

For more information about how to effectively manage your reputation risk and prepare your organisation for future success, contact your **Crendon Insurance Brokers Ltd** representative.