



## **Reputational risk – protecting the reputation of the UK's leading companies**

**Thursday 4th June  
8am - 10.30am  
Saddlers Hall, London**

### **Background**

The Economist Intelligence Unit's 2005 report – 'Reputation: Risk of Risks' – was a landmark publication in identifying reputational risk as an issue which directors not only considered important, but potentially capable of destroying their business. Since then, the Conference Board – the respected thought leader on business practice – has issued two reports (2007 and 2009) emphasizing the growing strategic importance of managing reputational risk.

The seminar, targeted at senior decision-makers from the communications and risk management communities, analysed and discussed how companies can tackle the reputational risk challenge. The meeting was a milestone in bringing together for the first time leading practitioners in corporate communications and risk management with their professional bodies to focus on reputational risk. Contributions from 'reputation' and 'risk' experts led the debate and the reflections of a Panel helped to find the answers.

### **Global Pulse 2009**

The meeting saw both the official launch of Reputation Institute UK and the announcement of the UK results of the global research project conducted by Reputation Institute, benchmarking the reputation of the world's 600 largest companies as measured by their market capitalisation.

The survey is now in its fourth year, and provides valuable trend data on the reputational health of companies across the globe in the areas of: products and services; innovation; workplace; governance; citizenship; leadership; and performance.

The results of the global survey were published by Forbes Magazine and the Economist in May.

### **Sponsors**

Along with Reputation Institute, the event was sponsored by the Association of Insurance and Risk Managers, (AIRMIC), and Henley Business School's Centre for Reputation and held in association with the Institute of Risk Management (IRM) and the Chartered Institute of Public Relations (CIPR).

## Agenda

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### **8.00**

Registration and a light breakfast

### **8.30**

Introduction, Seamus Gillen, Managing Director, Reputation Institute UK

### **8.35**

Where it all begins, Managing reputational risk and preventing value destruction, Julia Graham, Chairman, AIRMIC

### **8.45**

Where it all ends, Growing reputational capital, Nicholas Trad, Managing Partner, Reputation Institute

### **8.55**

Panel discussion – how do we devise a coherent reputational risk strategy?

- Julia Graham, Chairman AIRMIC
- Nicholas Trad, Managing Partner, Reputation Institute
- Kevin Money, Associate Professor, Henley Business School
- Kevin Taylor, President, Chartered Institute of Public Relations

### **9.55**

Summary, Seamus Gillen, Managing Director, Reputation Institute UK

### **10.00**

Results of Global Pulse 2009, Seamus Gillen, Managing Director, Reputation Institute UK

### **10.30**

Close

**Julia Graham** is the Chief Risk Officer for the international law firm **DLA Piper**.

DLA Piper adopts an enterprise (ERM) approach to risk management where the function embraces all aspects of risk including business and financial, legal and regulatory, operational (including health, safety, security, business continuity and reputational matters) and the procurement and claims management of all classes of insurance.

Previously Julia worked in the insurance industry for over 25 years, 10 of which were as the head of Group Risk Management for insurance company Royal & SunAlliance.

Julia is the Chair of the British Standards Committee responsible for developing the British Standard for Risk Management (BS31100) and the Chair of AIRMIC, the association of insurance and risk managers which represents the majority of FTSE 250 companies in the UK.

She is an FBCI, FIFS, FCII and Chartered Insurer.



**Nicholas Trad**, Managing Partner, **Reputation Institute**

Nicolas Georges Trad is Managing Partner of Reputation Institute and overall responsible for RI's office and partner network. Nicolas earned his MSc in Intercultural Management from Copenhagen Business School and holds an MBA from UADE, Buenos Aires, Argentina.

Nicolas has helped companies, countries and cities improve within areas such as Corporate Reputation, Country Reputation, City Reputation, Corporate Branding, Employer Branding, CSR, Sustainability and HR. He has worked with companies around the world within industries such as Pharmaceuticals, Telecommunications, Financial Services, Energy, Transportation, Consumer Goods and Electronics.

Nicolas has published articles in numerous publications including Corporate Reputation Review and Journal of Marketing Communications and is a frequent speaker at international conferences.



**Kevin Money**, Associate Professor, **Henley Business School**

Dr Kevin Money, Associate Professor at Henley Business School is the Director of The John Madejski Centre for Reputation.

His areas of expertise are: Team Building; Executive Coaching; Leadership; Mentoring; Relationships; Organisational Reputation; Corporate Social Responsibility, Governance and Sustainability. Kevin teaches on the MBA programme and he is a mentor and tutor on Henley's Advanced Management Programme. He also supervises DBA and PhD Research Associates.

Kevin is a Chartered Psychologist, a member of the British Society of Clinical Hypnosis and a licensed NLP Practitioner. He is also a Trustee of the Safer South Africa Trust (UK), a board member of NICRO and Isolon and has acted as a consultant to major companies and voluntary organisations in the UK, USA and South Africa. He is a Fellow of the Sunningdale Institute, a think-tank that



is part of the National School of Government. He is an academic member of the board of EABIS.

**Kevin Taylor, President, Chartered Institute of Public Relations**

Kevin is an experienced international media relations specialist with key skills in positioning and messaging. A Director at CC Group, Kevin is one of Europe's best-known wireless industry PR consultants and regularly chairs industry and media round table debates. A Fellow of the UK's Chartered Institute of Public Relations, and a member of its Board since 2004, Kevin is currently President of the Institute.



**Seamus Gillen BA MBA FCIS** worked for the UK Government as a senior policy adviser, becoming Private Secretary to the UK Secretary of State for the Environment, and then the UK Deputy Prime Minister. He oversaw a number of significant policy initiatives including the Kyoto Protocol, and the development of London Docklands. He moved into industry as the Company Secretary and Director of Regulation at AWG plc, a water and utilities company listed on the London Stock Exchange, and subsequently became Head of Public Policy and Regulation at O2 plc, another UK listed company, before it was acquired by Telefónica.

Prior to joining **Reputation Institute**, Seamus ran his own practice advising companies on issues relating to reputational risk, governance, disclosure and business metrics. His areas of expertise include financial regulatory disclosure relating to the narrative section of companies' annual reports – including his work for the UK Investor Relations Magazine Awards for the best narrative disclosure by a company listed on the London Stock Exchange, and the ICSA Hermes Awards scheme which acknowledges companies' disclosure relating to their governance performance – and the roles, responsibilities and duties of company directors. Seamus is particularly interested in the links between reputational risk and corporate governance, and the strategic importance of these issues in creating value, generating investor confidence, and building sustainable advantage with wider groups of stakeholders.





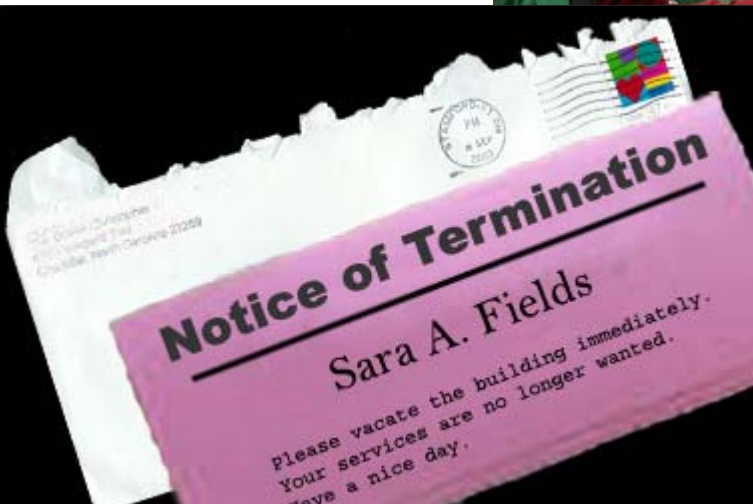
# Value creation in tough times

**Nicolas Georges Trad**  
Managing Partner, Reputation Institute

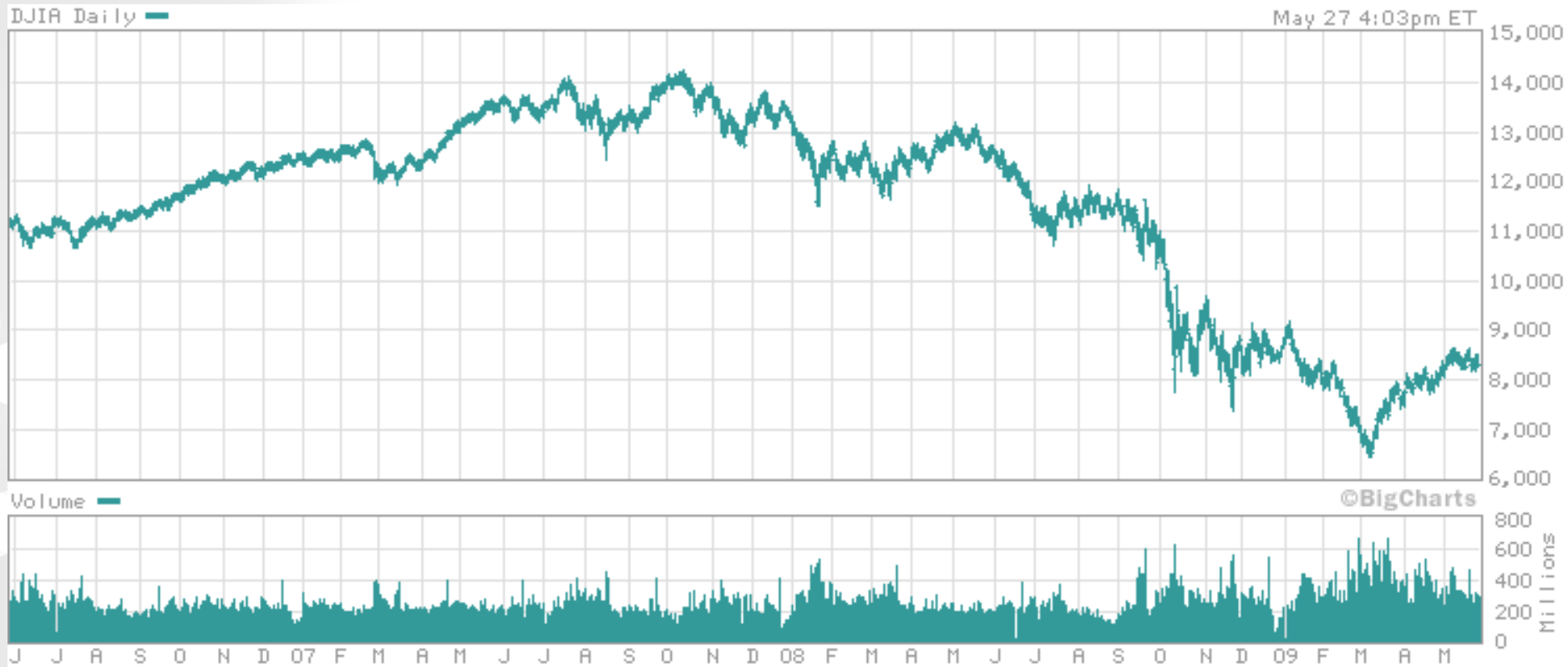
London  
4<sup>th</sup> June 2009



We are in a challenging time...

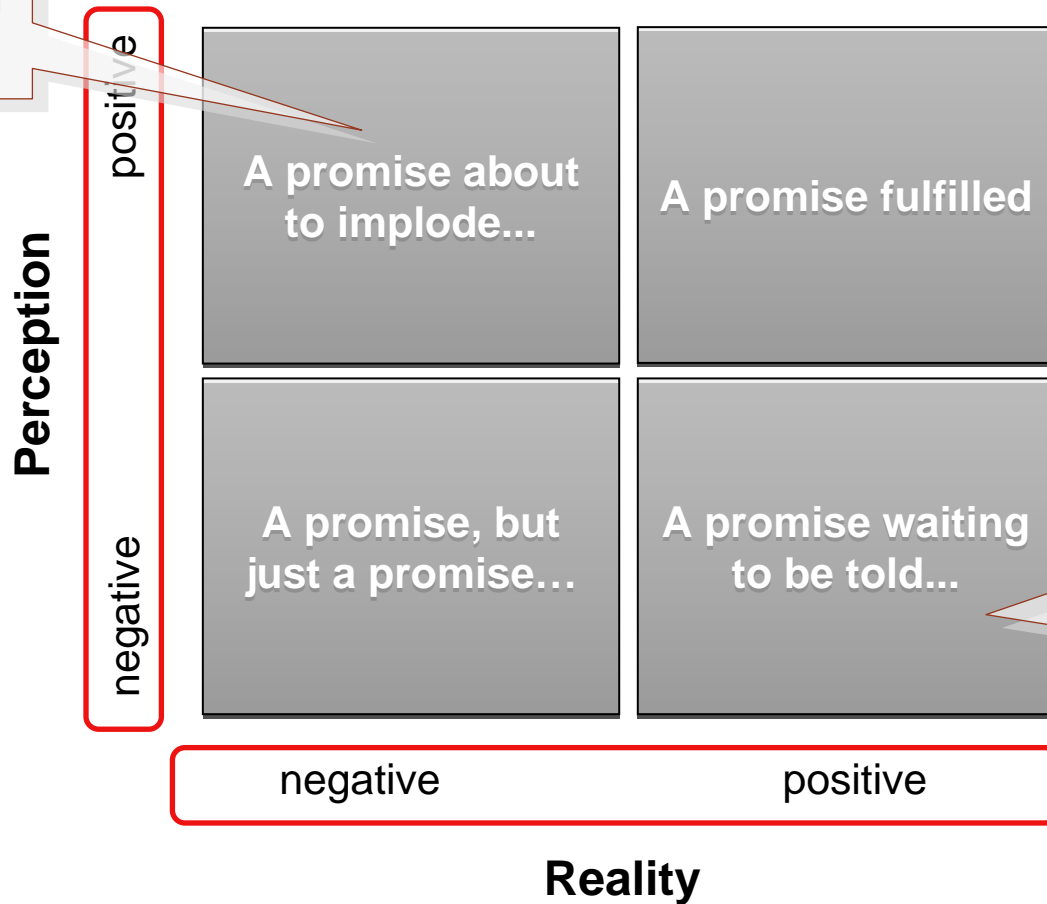


...and it's been a long rough ride...



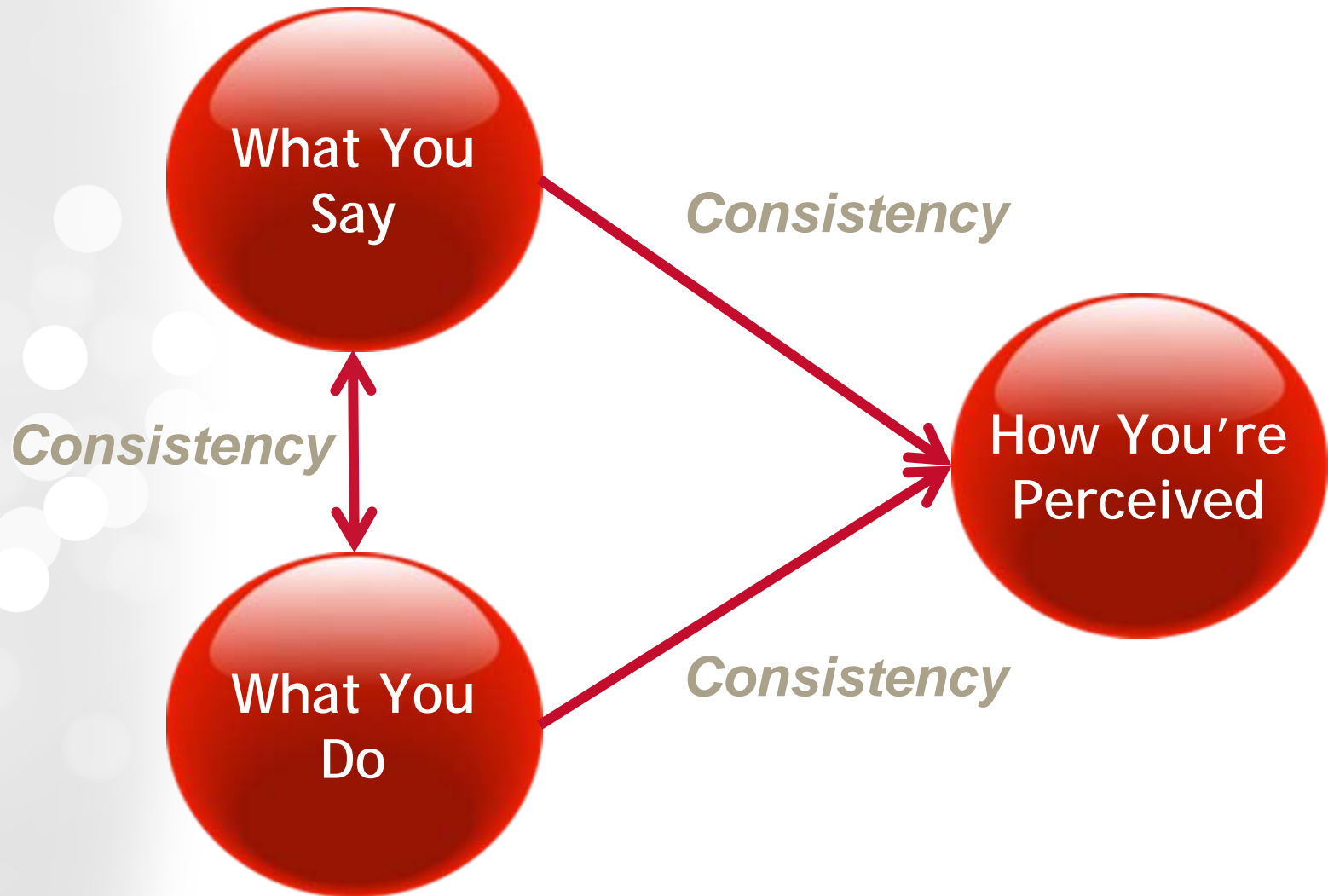
# What we are seeing is a performance gap between perception and reality...

Change is required to alter 'reality' and minimize reputational risk



Communication is required to capitalize on good reality and overcome poor perceptions

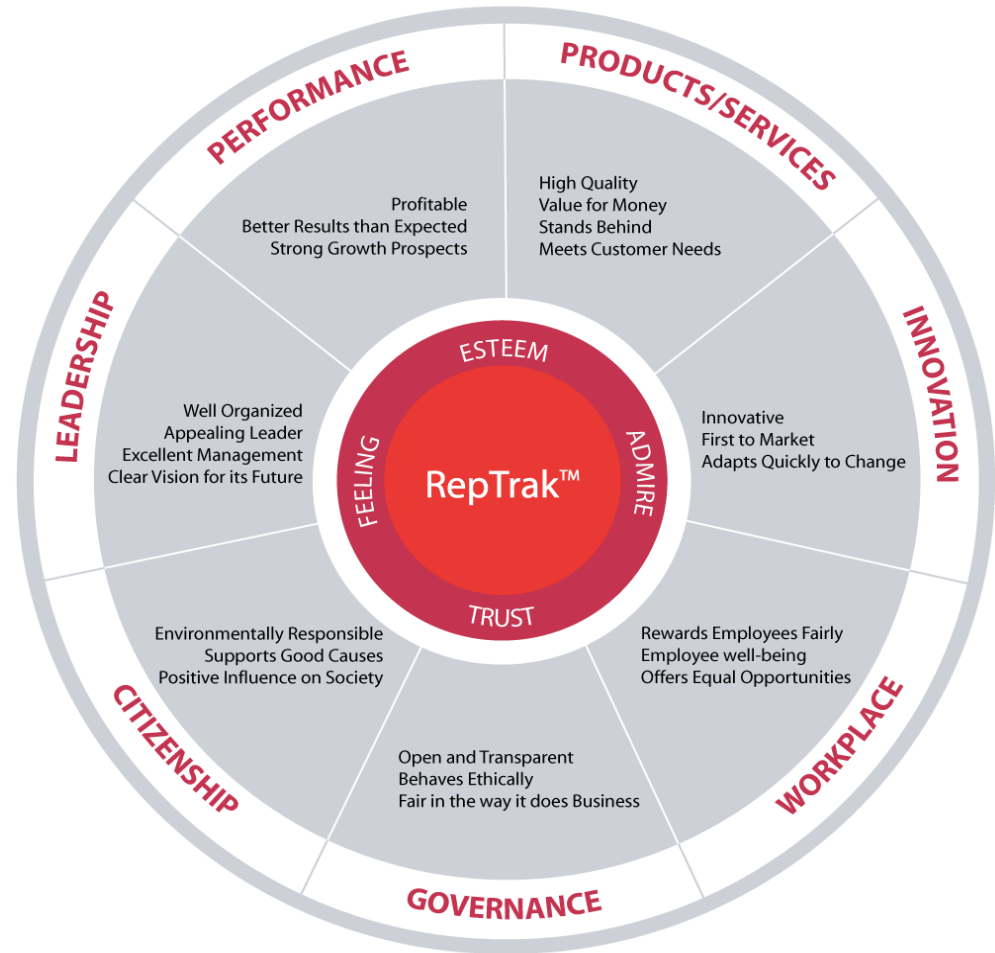
# ...reflecting a Lack of consistency between PROMISE, ACTION AND PERCEPTION



# RepTrak™: Understanding reputations risks and opportunities...

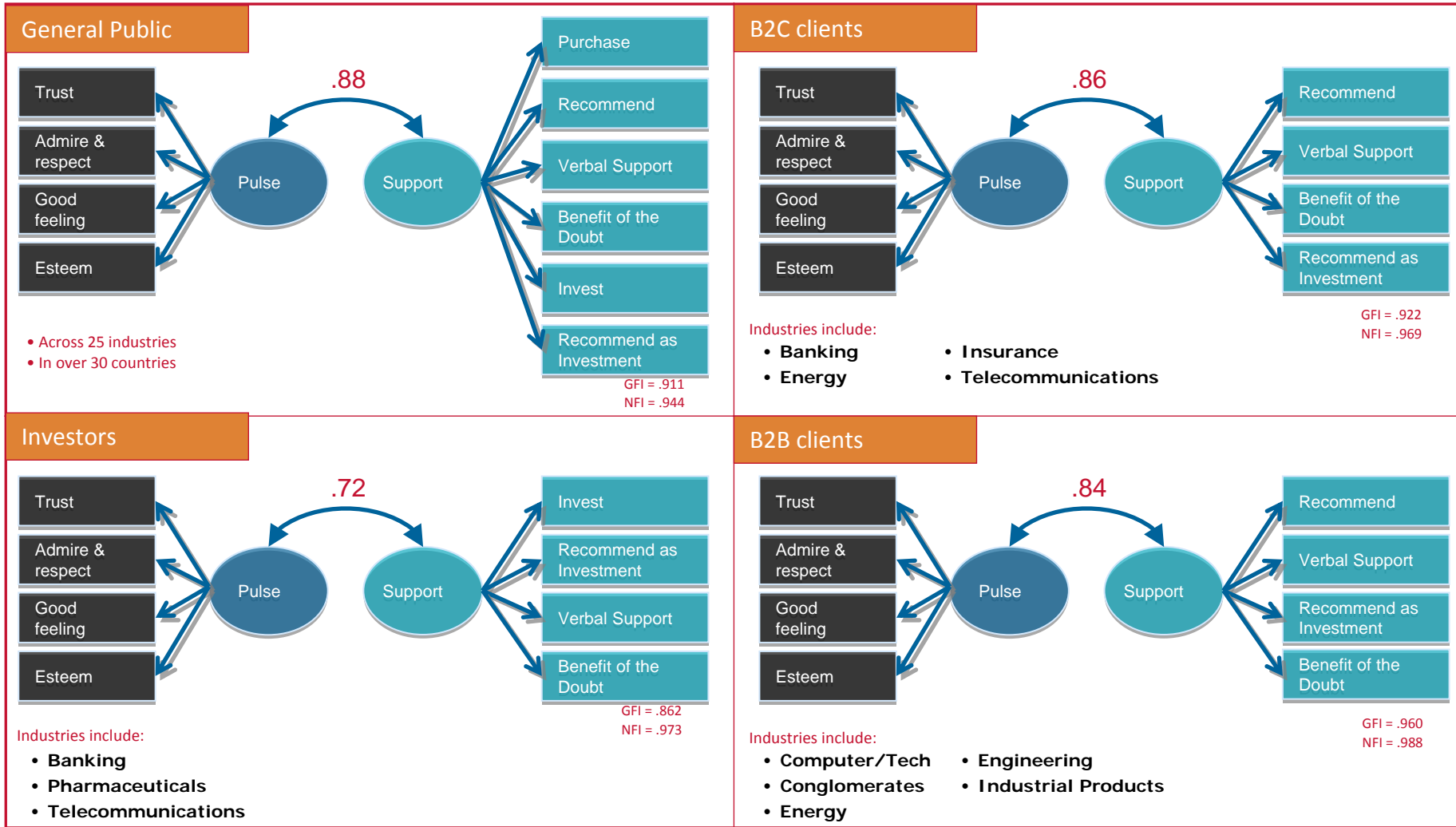
The world benchmark for brand & reputation measurement.

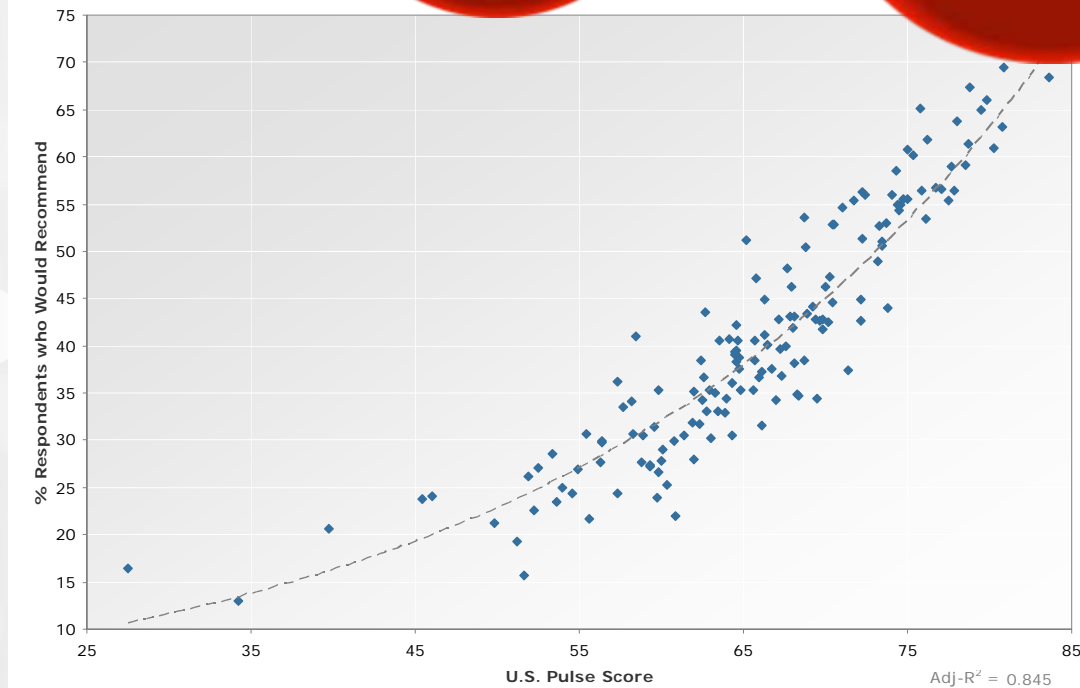
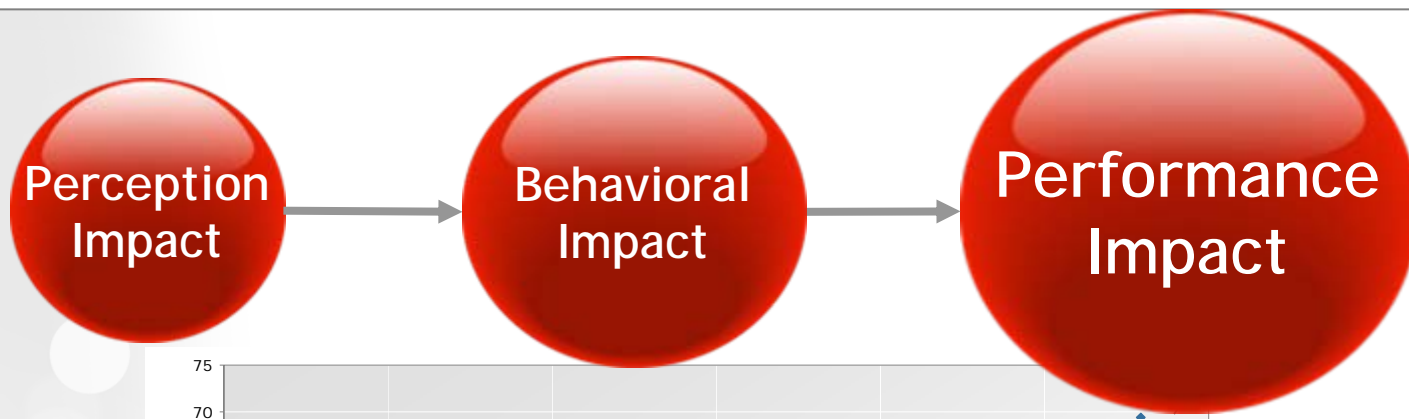
- ⑩ The RepTrak™ Scorecard has been developed through research over the past **10 years**
- ⑩ Reputation Institute has been building a proprietary database of reputation research in over 30 countries around the world enabling geographic and industry benchmarks



# Good reputations are good for business...

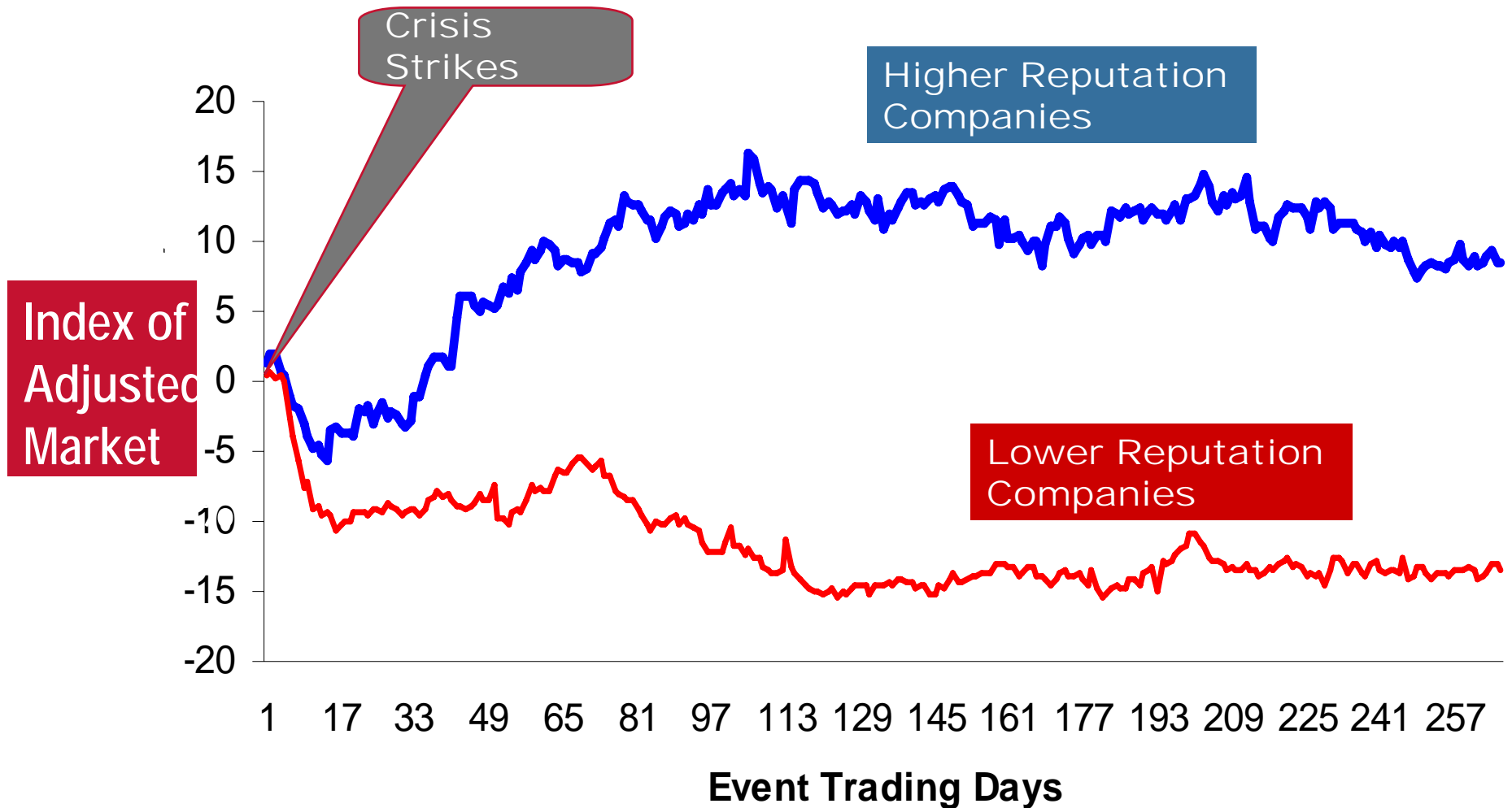
...our analyses prove a strong link between perception and support across stakeholder groups





***On average, 1% change in perceptions leads to 1% change in support and generates 1% improvement in financials***

# ...and will work for you in times of crisis



A Study that Compared 17 Crises Demonstrates that Significant Financial Value is Lost for all Firms, but Hits Lower Reputation Companies more Significantly

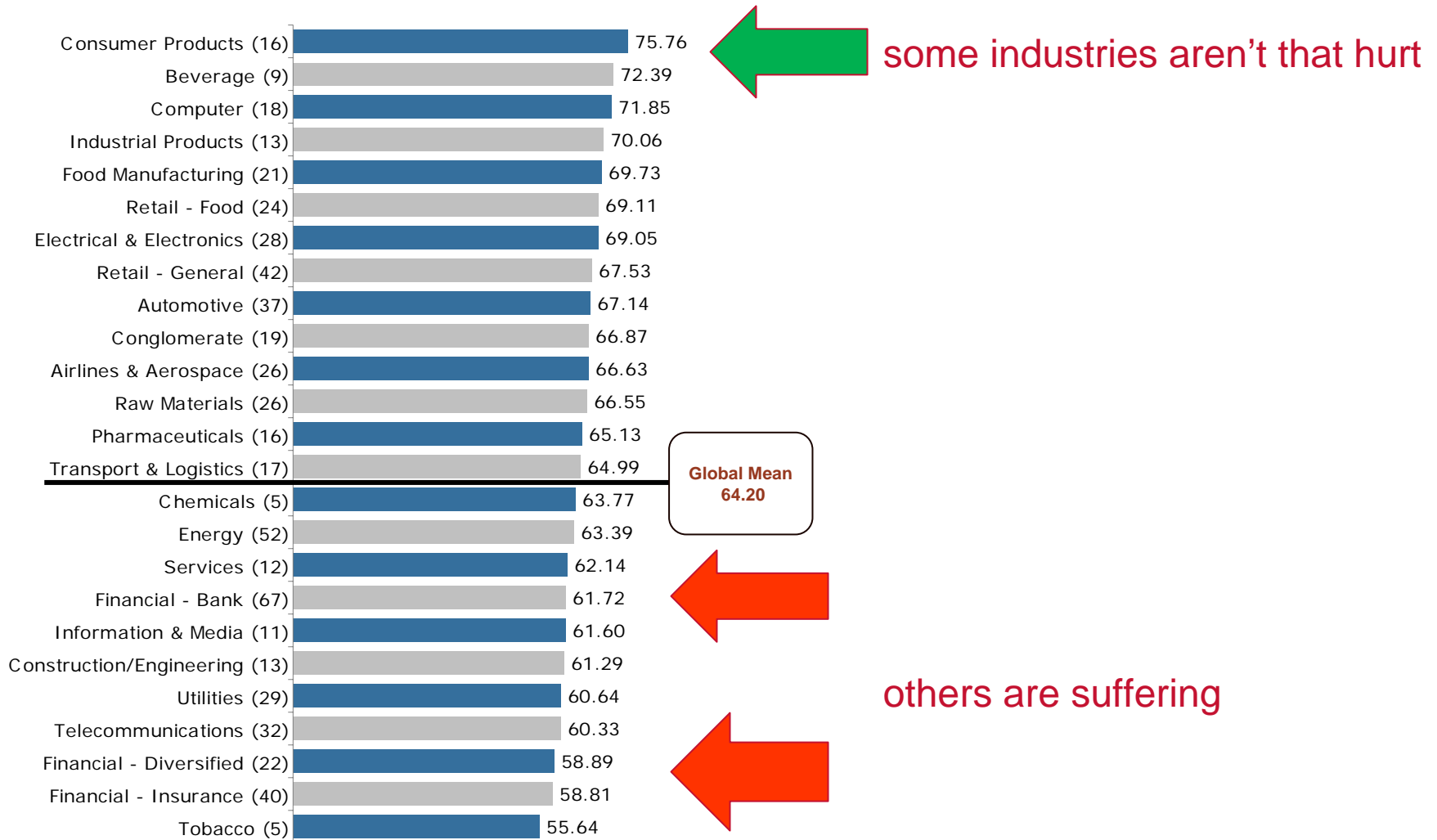
Source: D. Petty, *Corporate Reputation Review*

# 15 years of experience summarized in 7 best practices for creating value through Reputation Management...

- 1....make reputation management a top management priority
- 2....work across-functions - risk, sales, marketing, public affairs, communications and HR - to make sure you create alignment on reputation risks and opportunities
- 3....implement a reputation management system that ensures constant focus on reputation risks and opportunities across geographical areas and stakeholder groups
- 4....adopt a common model for working with reputation across organizational functions
- 5....actively engage with stakeholders through dialogue to understand what they expect
- 6....build a community of critical activists that works as a sounding board for critical business decisions
- 7....demonstrate an openness to discuss tough business decisions with the media and advocacy groups

# Global Reputation Pulse 2009 – INDUSTRIES

## 20 point different between best and worst industry



Excellent/Top Tier above 80  
 Strong/Robust 70-79  
 Average/Moderate 60-69  
 Weak/Vulnerable 40-59  
 Poor/Lowest Tier below 40

All Global Pulse scores that differ by more than +/-0.5 are significantly different at the 95% confidence level.  
 Pulse scores are based on questions measuring Trust, Admiration & Respect, Good Feeling and Overall Esteem (captured in the Pulse score on a 0-100 scale).

## About Reputation Institute

**Reputation Institute  
United States**

Tel +1 212 495 3855  
www.reputationinstitute.com

**Reputation Institute** is the world's leading reputation consulting firm. As a pioneer in the field of brand and reputation management, Reputation Institute helps companies unlock the power of reputation. With a presence in more than 25 countries, Reputation Institute is dedicated to advancing knowledge about reputation and shares best practices and current research through client engagement, membership, seminars, conferences, and publications such as *Corporate Reputation Review*. Reputation Institute's *Global Pulse* is the largest study of corporate reputations in the world, identifying what drives reputation and covering more than 1,000 companies from 27 countries annually. Reputation Institute provides specific reputation insight from more than 15 different stakeholder groups and 24 industries, allowing clients to create tangible value from intangible stakeholder feelings.

Australia • Bolivia • Brazil • Chile • Canada • China • Colombia • Denmark • France • Germany  
Greece • India • Italy • Japan • Netherlands • Norway • Portugal • Russia • South Africa  
Spain • Sweden • Switzerland • Turkey • Ukraine • United Kingdom • United States

# Reputational Risk

Managing reputational risk and  
preventing value destruction

Julia Graham - Chairman - AIRMIC

## What others think about you

‘The sum total of the stakeholders’ experience’  
(Consumer Association)

- Intangible but, potentially, an enormous asset
- Much wider concept than brand
- Takes years to build, but can be destroyed overnight - the "halo" effect
- Sometimes absent common sense

# What is reputation?

"A good reputation is a life saver in a crisis and a tail wind when you have an opportunity"

(Federal Express)

But once destroyed:

- No one gives you the **benefit of the doubt**
- The media call you the **troubled company**
- You **lose sales**
- It is harder to **recruit and retain** the best people
- You are targeted by the **regulators**
- It becomes **harder to borrow**

The risk of:

“Failure to meet stakeholders’ reasonable expectations of an organisation’s performance and behaviour”

**(Derek Atkins and Ian Bates)**

# How can it be measured?

**Reputational Equity:** a significant part of many successful companies' share price is made up, not from tangible assets such as property, stock and reserves, but from the goodwill element. This includes various intangibles such as the potential future profit stream, the value of brands, but above all it is a factor of a company's reputation

(Deborah Pretty, Oxford Metrica)

**FTSE 100 companies approx 50% of share price is reputation**

## How it can be damaged

- Problems don't have to be real, only a **perception** that there is something wrong
- Reputational damage is most severe where a crisis involves a **core competence**
- Reputational risk can be caused by **any of an organisation's activities**
- This is why it is so hard to manage

# Trends affecting corporate reputation

- The rise of the focus on the business leaders
- Increase in “business divorces”
- 24/7 news culture
- Organisations are generally better prepared than they were
- Recessionary pressures affect reputation too



Page last updated at 22:59 GMT, Thursday, 15 January 2009

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## Apple shares slide on Jobs news

**Shares in Apple fell more than 2% after the computer giant's chief executive Steve Jobs said was taking medical leave until the end of June.**

The Apple boss made the announcement after stock markets had closed on Wednesday, saying his health issues were more complex than he had thought.

Mr Jobs revealed last week he was being treated for a "hormone imbalance" but was staying on as the firm's head.

Chief operating officer Tim Cook will stand in while Mr Jobs is away.

The firm's shares were down by 4.8% early on Thursday before clawing back some losses to close 2.3% down at \$83.22.

This was in addition to a 7.1% slide in extended trading on Wednesday, to one-year lows.

### Key figure

Apple's shares have risen and fallen over the last year in step with rumours or news about Mr Jobs' health.



Analysts are split on how crucial Steve Jobs is to Apple's future

### SEE ALSO

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# Apple shares slide on Job's news



“Apple's share price fell 7% in late trading on Wall Street following the announcement, showing how closely the company's fortunes are still identified with the person who helped create it.”

**(Greg Wood, BBC)**

## SunSentinel article in 2002

The screenshot shows the SunSentinel.com website interface. At the top, there is a search bar, a date stamp for September 7, 2008, and logos for Folgers Gourmet Selections and a \$1.00 coupon. The main article is titled "UAL files for bankruptcy" and is dated "September 7, 2008". A red circle highlights the word "DATE?" in red text. The article text includes: "From the Chicago Tribune: UAL files for bankruptcy Chicago airline will try to stanch losses that have reached \$22 million a day. By John Schmeltzer and Tom McCann | Tribune staff reporters. 1 2 next After 76 years as a Chicago business icon, United Airlines on Monday began mapping plans for a fresh start. United became the biggest airline to go bankrupt, revealing that it is losing as much as \$22 million a day—triple the losses it had earlier disclosed. To survive, United must reinvent itself with the help of its unionized employees, company Chairman and CEO Glenn Tilton said. He emphasized that message in appearances outside U.S. Bankruptcy Court in the Loop and at O'Hare International Airport. Tilton also offered the first glimpse at his strategy for saving United. He said the carrier must cut operating costs by at least 20 percent to compete with other full-service airlines. And he said he wants to consider creating a point-to-point 'airline' at United that can compete with low-cost carriers Southwest Airlines and JetBlue Airways. United competes against discount carriers in 70 percent of its markets." The left sidebar contains navigation links for Classifieds, Weather, Hurricane HQ, Traffic, and News.

A handful of hits meant the story appeared in the “Most viewed” business stories that day

Popular stories: Business

Most viewed Most e-mailed Hot topics

Planning ahead a little can help when your airline cancels your flight

Tourism and hotels boom in Panama

New tuition tradition

Q&A with insurance commissioner Kevin McCarty

UAL files for bankruptcy

More most viewed

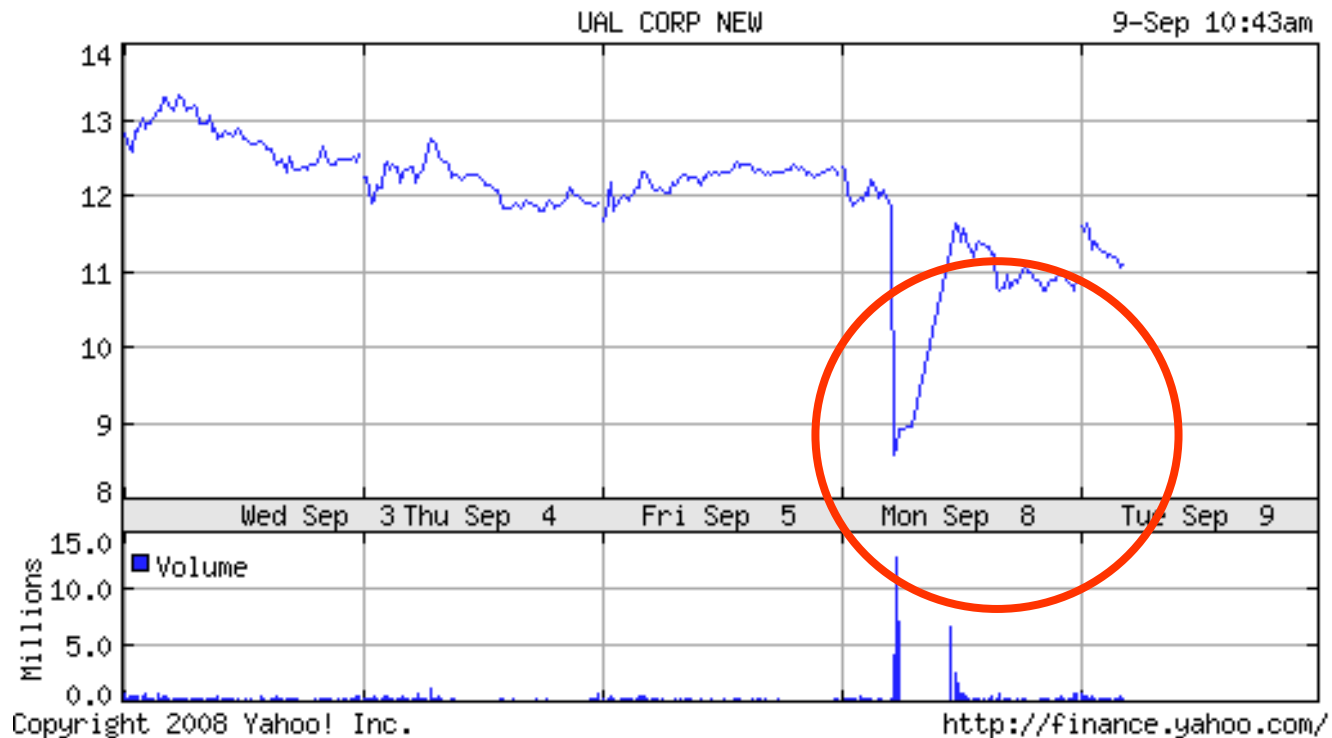
The screenshot shows a web interface for 'Popular stories: Business'. It features three tabs: 'Most viewed', 'Most e-mailed', and 'Hot topics'. The 'Most viewed' tab is active. Below the tabs, a list of story titles is displayed. A red border surrounds the entire content area, and a red oval highlights the bottom portion of the list, specifically the 'UAL files for bankruptcy' entry and the 'More most viewed' link.

Googlebot found the article  
and made it searchable  
within Google News

A securities analyst  
summarised the article  
and uploaded to  
Bloomberg



By Monday morning UAL stock had plunged



# Top ten business risks - 2009

1	The credit crunch (2)
2	Regulation and compliance (1)
3	Deepening recession (New)
4	Radical greening (9)
5	Non-traditional entrants (16)
6	Cost cutting (8)
7	Managing talent (11)
8	Executing alliances and transactions (7)
9	Business model redundancy (New)
10	Reputation risks (22)

Ranking from 2008 in brackets

(The 2009 Ernst & Young Business Risk Report)

# Global risk - 2009

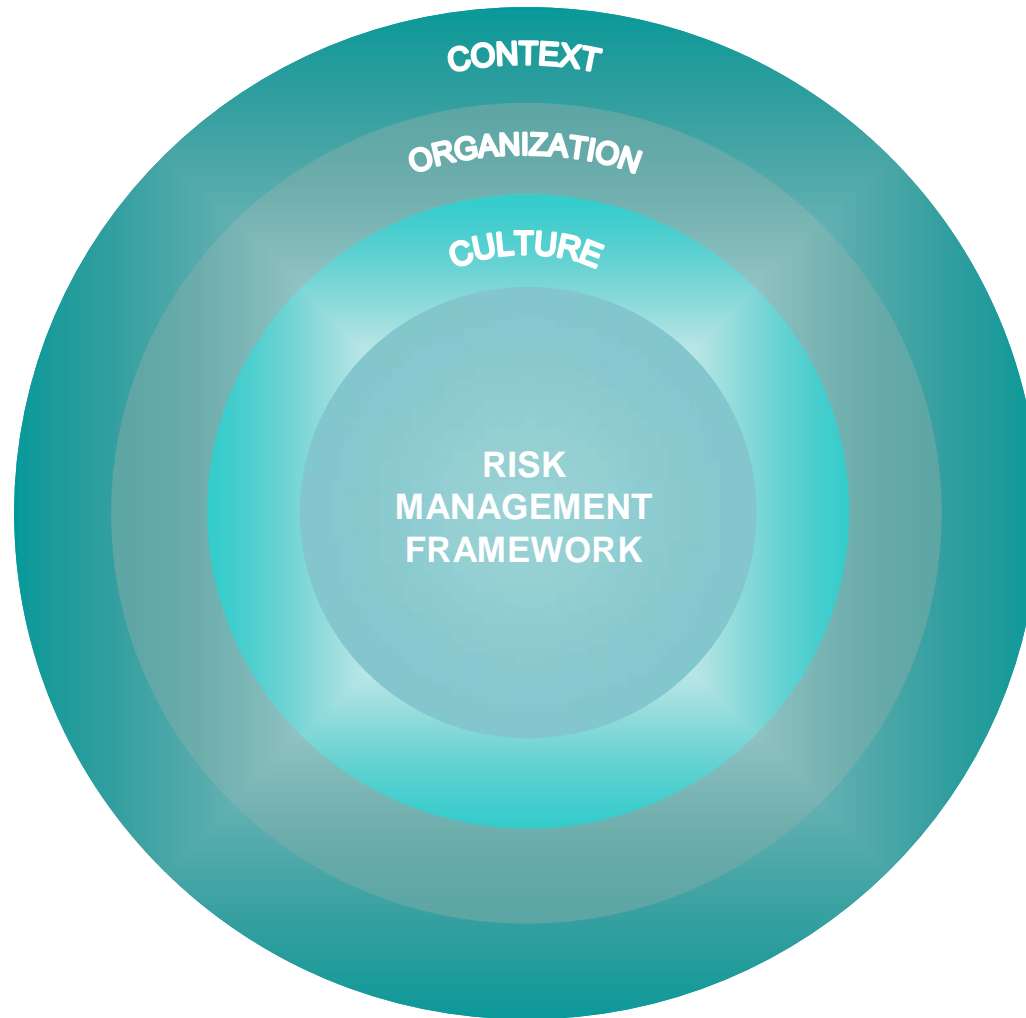
- Top ten global risks in order of priority
  - Currency fluctuation
  - Cost and availability of credit
  - Insolvency as a risk to the business
  - Loss of customers
  - Major asset price volatility
  - Corporate liability
  - Cancelled orders
  - Excessively strict regulation
  - Reputational
  - Project delivery
- There is regional divergence
- Organisations say that they are prepared to manage reputational risk
- An indicator of Board recognition and importance

**(Lloyds of London and EIU)**

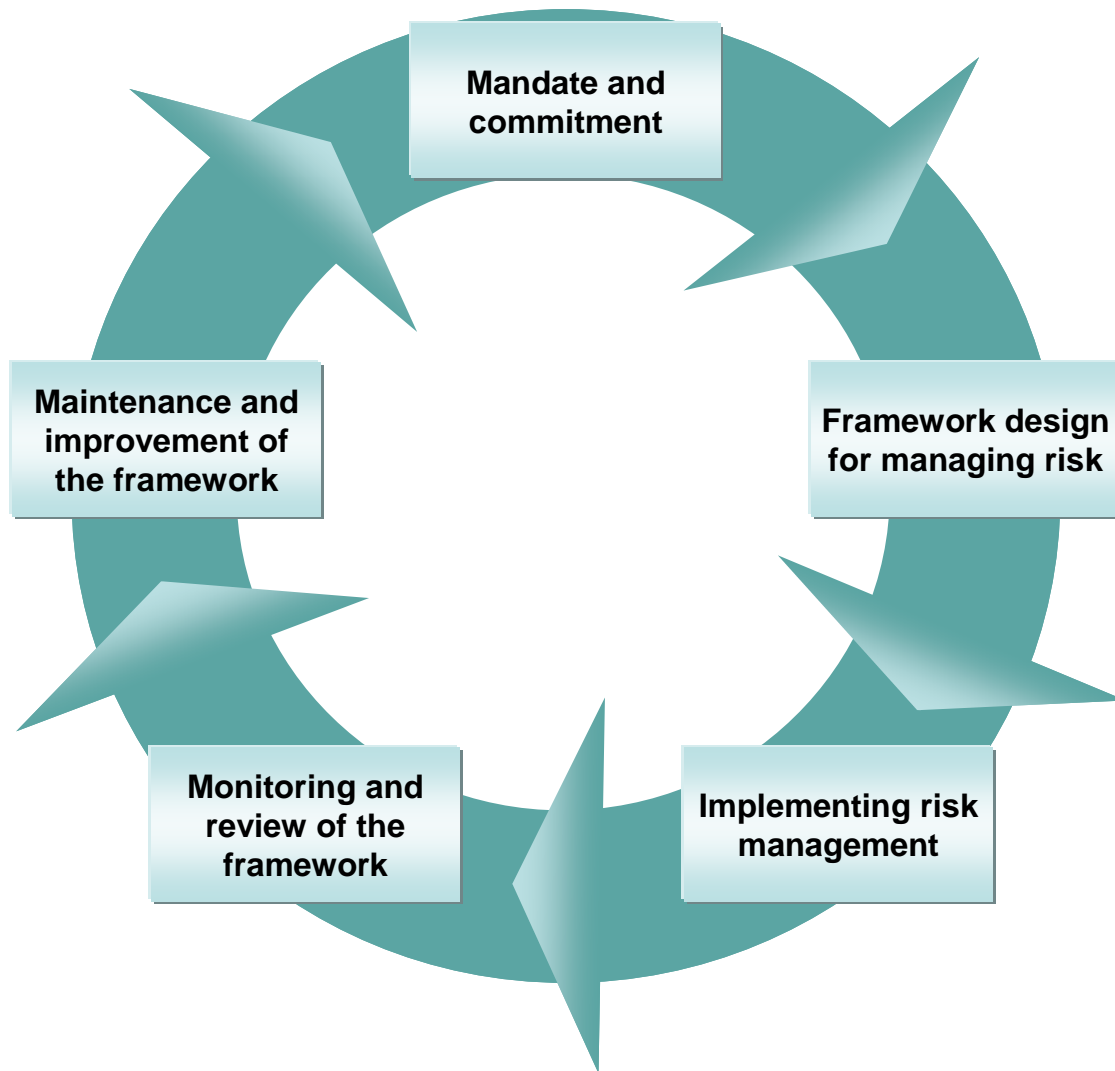
# Reputation impacts

- Loss of reputation is systemic in nature
- Once germinated, it is difficult to manage and eradicate and other elements of business begin to suffer
- Re-establishing reputation takes a long time
- Loss of reputation arises as a reaction to the failure of detailed processes and procedures in risk management, business continuity, consolidation and compliance

- Top priority
  - Commitment from the top
- Evaluate, build resilience and respond
  - Map as a risk
  - Manage
  - Monitor
  - Develop response plans



# Risk Management Framework



# Steps to managing reputational risk

Take ownership of reputation:

*preferably at CEO level - ensures things happen*

Be holistic:

*more than brand management or PR*

Be systematic:

*have a defined reputational risk management process*

Understand the value of your reputation:

*measure reputational equity - it shows what is at risk*

Consider all stakeholders' expectations:

*look from the perspective of all stakeholders*

# Steps to managing reputational risk

Identify and prioritise the main causes of risk:  
*what could stop the expectations being met*

Consider performance *and* behaviour:  
*what is needed to mitigate the causes*

Apply consistent joined-up management:  
*look at policies, strategies, rules, controls, incentives*

Review and monitor as a discrete risk:  
*report as a single risk*

Have good crisis management if things go wrong:  
*however good risk management things will go wrong*

# Reputation - trends

- Reputation risk chatter continues to increase
- As a risk it remains in the top 10
- Intangible and typically harder to apply metrics and manage
- Harder to recover than to build and maintain
- Harder to assign ownership
- Risk and preparation - a change in balance
- Stakeholders going local and playing safe:
  - "we suck less", "I've got a lot less cash and a lot more questions", "talk to Chuck"
  - competition fill the vacuum

## Reputation - trends - Financial services

- A brand without consumer trust is a name
- Turmoil and distrust in the financial services sector is an open invitation to non-financial companies to exploit the brand vacuum
- Financial brands today must address the most basic of consumer concerns: Will my money be safe with this company?
- Financial brands will continue to advertise but with messages that help customers with recession-relevant product and service offerings

(John Quelch - Harvard Business School)

# Reputations and their value

The Goldman Sachs logo, consisting of the words "Goldman Sachs" in white serif font on a blue square background.

Goldman  
Sachs

“Our assets are our people, capital and reputation. If any of these is ever diminished, the last is the most difficult to restore.”

# Reputations can be damaged

***Warren Buffet***

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”

- risk management tends to concentrate on the tangible risks that are easier to identify and insure

*intangible risks are often ignored*

- falls into the 'too hard box' or considered to be covered by addressing other risks

*organisations may not try to manage it as a risk*

- much risk management activity may focus on post-event crisis management

*crisis management is necessary but not as a substitute for risk management*