

ERM VIDEO INSIGHTS

Transcript of Chrystina Howard and Bruce Branson

Understanding Reputation Risk

Bruce: Hi I'm Bruce Branson, I'm the associate director of the Enterprise Risk Management Initiative at NC State University and I'm speaking today with Chrystina Howard. Chrystina is the director with Willis Towers Watson and their strategic risk consultant group and Chrystina has agreed to talk with us today about reputation risk. I know you have done a bit of writing lately speaking on the topic, could you tell us a little bit of why you think it's an important thing for companies to explore.

Chrystina: Absolutely. I think it's sort of too fold in importance. I think that the impact to reputation for organizations is really tied to strategy and reaching objectives. I think the other area that is really important is that brand name equity is essential to success for many companies. Most companies are known by their reputation or by their name or how they fit into the community. And if anything threatens that, it sort of threatens the ability to make money and provide goods and services.

Bruce: Makes sense. You know, some say that reputation risk isn't really something that you can manage, that reputation risk happens when you've done a poor job at managing other risks. Can you react to that at all?

Chrystina: Sure, I hear that conversation a lot and I do think that reputation risk is a little bit of a misnomer. I think that damage to reputation, erosion of brand equity, I think that those are kind of the consequences of poor management of other types of risks. I think I say very often, everything ultimately rolls up to reputation, so whatever you do well or you don't do well, that's going to impact reputation eventually. Its probably just a bit of semantics really.

Bruce: Well have you seen companies' effectively get started and thinking about reputation?

Chrystina: ERM is a great place to do that. ERM takes such a broad and cross functional view of risks and opportunities within the organization, that's a great place to have a conversation about reputation and how we ensure the reputation is protected and that we can achieve our objectives. Having good cross functional discussions about scenarios, domino effect risks and how those things might be perceived by the public, by your customers, and by your employees is a really important way to start that. Also having good alignment with your crisis response team, whether that's internal or someone you contract with. Having someone who can help executives understand how

to speak to the public about things, when is the right time, don't do it too soon, don't wait too long, making sure that you maintain communications internally so that employees aren't saying anything inappropriate about a crisis for example. So those are obvious reasons to have that conversation internally. The other thing that we found is really interesting is something that organizations have much less control over and of course it comes with social media and attention to companies in a slanted way. This was a very profound effect during the last presidential election. There were companies who actually suffered reputationally because their customers had the expectation that who they did business with should align with them politically and socially. And when that wasn't apparent enough for the public it could cause them some losses to revenue and customers and that was really surprising but that gave us another avenue to explore that we need to keep track of things like that as we are in the public eye.

Bruce: That kind of leads me to my next question. Often with risks we try to develop some metrics and measures around them. Have you seen any good examples of how companies have explored that with reputation risks?

Chrystina: That's really difficult to quantify, reputation is kind of an intangible thing. Companies focus on KPIs that are related to a lot of good, numeric tracking devices. As we can add a reputational component to those tracking devices, that allows companies to do a much better job of tracking what's hitting their brand, what is affecting them reputationally. With specific regard to the ERM practice and understanding the impact of risks holistically across the organization, we typically recommend that our clients add a reputation component actually in the impact rating scale. Sometimes it's rolled in together as a commentary, sometimes there's a specific reputational risk category that is rated along with other impacts such as operational disruption or something like that. That's a way that you can start at least putting a marker down and seeing how it goes overtime.

Bruce: Chrystina I think you've touched on this a little bit, but could you help us understand some of the bigger challenges that you've seen companies face as they've tried to get their hands around reputation risk?

Chrystina: Certainly. I think one big hurdle is that sometimes the executive staff and certain areas fail to see reputation risk and reputation brand protection as part of their job. They think 'well I'm in charge of operations, I don't have to think about that. I'm just in charge of the finances, I don't have to think about that.' But it really is something that everybody needs to understand. As we are trying to preach the guys full of ERM within the organization, we also need to help everyone understand that the reputation is at stake pretty much every time we do anything, just like any other endeavor that we take

on. Communicating that, sometimes there is a big disconnect between the BCP and crisis response function and other parts of the organization. That's got to be a lot more seamless in order for organizations to get over that hurdle. I believe I mentioned training executives about when to say what and coaching them about how to share information appropriately with employees so everybody feels comfortable and also with a customer base, partners and suppliers, the market, analyst, everything like that has to be handled in a specific way. A lot of the times, the public, especially your customers, have an anticipation that the chief executives will make an apology, they will communicate a response plan, a remediation plan and they want to see someone feel remorse if there is someone at fault within the organization. And there isn't always so sometimes they need to communicate that as well.

Bruce: If there are any final thoughts that you have about the first step for a company that is thinking about reputation risk, how they could get started?

Chrystina: I think the very first step is to have this cross functional discussion about how is brand affected by each of the things that we do in functional areas. Even information security for example, that's a big link to it. Human resources and human capital and all of those things. Just sort of thinking about it in that lens and rolling that into the discussions across the organization in terms of risk, in terms of opportunity and hidden strategy.

Bruce: That's very helpful Chrystina, thank you very much for joining us.

Chrystina: My pleasure.