Temin and Company

Reputation Matters

REPUTATION AGENDA FOR DIRECTORS

A 20-Point Plan for Boards to Address Reputational Risk

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Reputation is a hard concept to circle, especially at the governance level.

Some try to quantify it by share price, business process metrics, or a complex algorithm of risk factors. Others equate it directly to brand equity. Still others, to fulfilling a social contract of trust with the public. And on Wall Street trading floors, traders will often yell out, at the beginning of a trade, "What kind of a name does it have?" as a way of encapsulating a company's gestalt – the conventional wisdom of just how investible it is.

But no matter how you define it, corporate reputation has become one of the biggest, albeit intangible, assets or liabilities a company has, and thus an important consideration for the board of directors.

Customers buy; new employees join; vendors extend credit; shareholders are influenced; potential partners commit; referrers recommend; goodwill is extended in crisis; legislators demand testimony; and regulators pounce on an organization, its products and services, based upon its reputation.

Even Alan Greenspan has been quoted as saying that "In a market system based on trust, reputation has a significant economic value."

Or, as Warren Buffet has said – "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

So, how should corporate board members "think about" it? How should they monitor, assess and govern corporate reputation? Even more, how do corporate boards *create* their companies' reputation?

We would like to submit that corporate boards are indeed an important engine of reputation, not just its monitors.

Why? Because the Heisenberg Uncertainty Principle is operative in the boardroom, just as it is in the physics lab: the act of observing changes what is being observed.

Simply by putting reputation and reputational risk on the agenda and monitoring them, boards can change the reputational profile of their company. By signaling the value the board places on corporate reputation that message and vigilance will be picked up throughout the organization, and reality will change.

Specifically, following are some steps corporate boards can take around reputational issues, to change the reality:

1. **Put reputational risk on the board agenda.** Make sure to put reputation and reputational risk on the board agenda – at least once per year, and ideally more often.

2. **Let the board's scrutiny be known.** Let the organization and the public know that reputation – and all that feeds into it – are active concerns of the board. Lapses, such as violations of the Foreign Corrupt Practices Act, cannot go unreported or unaddressed, nor can they be tolerated.

3. **Establish best practices.** Establish consistent best practices at the board level to identify, prioritize, and address reputational issues, proactively as well as reactively.

4. **Stress test business processes and management.** Make sure that all critical business processes and key management are "stress tested" under a variety of circumstances, both predictable and unpredictable.

5. **Review how management monitors reputation.** Require a briefing on who in the firm monitors reputation, and how. Make sure the activity is ongoing, consistent and verifiable. Ask to see a dashboard report at least twice a year.

6. **Monitor employee and client engagement surveys.** Review yearly employee engagement and client engagement surveys. Look for red flags and make sure they are addressed by management.

7. **Review unedited traditional and social media, quarterly.** Make sure that the board sees news coverage and sentiment analyses – both from traditional and social media sources, as well as the web in its entirety – on a regular basis. Make sure to see not only good stories, but negative ones as well, uncensored and uncurated.

8. **Require preparation of a full list of reputational risks.** Ask for a full listing of all the reputational risks that are apparent and predictable, as well as possible "black swan" risks. Review this list at least annually.

9. **Review the company's crisis plan for dealing with those risks.** Make sure that plans are in place to handle every kind of emergency, with every important constituency.

10. **Create a board crisis plan.** Make sure that the board has its own crisis

plan, and that it dovetails with the corporate crisis plan.

11. **Engage in a reputational crisis role play/simulation at the board level.** Learn who is cool under pressure, who takes the lead and how clearly each board member sees, thinks and acts under duress.

12. **Assure that the company has a proactive mission statement,** which includes corporate values, intent, integrity, and openness. Make sure that it exists not only on paper, but is socialized throughout the organization and taken seriously.

13. **Make clear what the board's expectations are** – around integrity, risk, quality, strategy and excellence – to company leadership, management, and even the public.

14. **Enforce those expectations** by taking strong corrective measures when needed.

15. **Hold one another, and management, accountable,** and make reputational issues a known priority.

16. **In a crisis, be strong, be visible, be proactive.** Assure that management recognizes and begins to address and solve issues immediately.

17. **Assure that the company limits liability, but not humanity, as any crisis unfolds.**

What Makes Up a Reputation?

- Everything a company is, does, and how it does it
  - The quality and safety of its goods, services and workforce
  - How successful it is
  - How it handles challenges and crises
  - Whether its default is to "do the right thing"
- Everything it says about itself
  - Mission
  - Advertising
  - Public Relations
  - Selling activities and collateral material
  - Social media campaigns
  - Speeches, appearances
- Everything others say and think about it
  - Media
  - Social Media
  - Competition
- What its value proposition is
  - How it lives up to that value proposition
- What it contributes to the marketplace, and the world
- What its purpose is, and how it lives up to it
- The quality, integrity, strategy, and wisdom of its people, processes, and internal and external actions

18. **Assure that the company becomes part of a solution.** Help the organization focus on rebuilding stakeholder trust after any crisis; make sure to insist that the organization becomes known as part of the solution.

19. **Assure that the company grows resilient and responsible,** not brittle, in the aftermath of any crisis.

20. **Make sure to stand in not only for the shareholders, but for the public, in mandating the company "do the right thing" when under pressure.**

About Temin and Company

Temin and Company Incorporated creates, enhances, and saves reputations.

Temin and Company also markets by leveraging the expertise, ideas and insight of its clients to produce differentiated intellectual capital and content.

The firm helps corporations, professional services firms, and other institutions define and strengthen their public image – and their bottom line – through strategic marketing; branding; media relations; thought leadership; social media; speaker, media and leadership coaching; financial communications; and crisis and reputation management.

Strategists, coaches, writers, and social media experts are available “25/8” to assure that every crisis is addressed, and every opportunity leveraged.

Clients include the CEOs and Boards of some of the world’s largest and most well-known corporations, financial institutions, portfolio companies, pharma and biotech companies, law firms, consulting firms, publishing houses, venture capital and private equity firms, authors, politicians, and colleges and universities.