

# REPUTATION PROTECTION

## Do your portfolio companies have reputations worth protecting?



Recent research by YouGov demonstrates that 92% of the CEOs surveyed believe that the management of their corporate reputation affects the bottom line by either a "reasonable" (24%) or a "large" (68%) amount. Interestingly, this view was not wholly shared by their colleagues. Essentially, the further down the organisational hierarchy, the lower the value placed on the management and protection of the company's reputation.

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YOUGOV

Of course, YouGov's survey was of opinions rather than actualities. Also, it was commissioned by the PR Consultants Association, whom some may say has a vested interest in encouraging companies to take an interest in the management of their reputations.

But even so, it would be surprising if those numbers are not very significantly higher than they would have been 10 or 20 years ago. For all sorts of reasons, the importance (including the financial importance) of the reputation of a business is much higher up the board agenda than ever used to be the case.

It's not just about the 24 hour news cycle and the impact of social media. Regulatory investigations, activist shareholders, sensitive litigation, operational issues, pressure groups, aggrieved customers and disaffected employees can all put at risk the reputation of a business, its brands and its directors. People tend to expect more of a business these days. And not just of big business. The media and other stakeholders can be less forgiving when things go wrong.

Indeed, the way a company responds to a crisis may itself say more about the business than the circumstances which gave rise to the crisis in the first place. Stonewalling legitimate enquiries with a 'no comment' statement or a failure to apologise for, or be transparent about, any shortcomings can back-fire.

And increasingly, journalists, politicians and others are much more likely to look further up the chain with a view to pinning blame on the owner of a business (or even, as in the case of BHS, a former owner), who is not considered by the commentariat to have run, bought or sold the business in an appropriate manner. This therefore has implications not only for portfolio companies, but for the PE houses themselves.

A related area of risk is the ease with which confidential or commercially sensitive information can be unlawfully obtained and circulated. For many businesses, and not just in the tech and digital sectors, their data is one of their primary economic assets. Data loss or breach can not only be damaging to reputation (think Talk Talk), customer confidence (think Ashley Madison) or employee relations (think Morrisons); it can also be economically crippling.

A business that understands the importance of protecting its reputation, and its information, will generally be better prepared to deal with any threats to either, whether low level or a full-blown crisis. An organisation which already has a crisis response strategy in place is likely to be able to respond more rapidly and effectively than one which does not.

## 40% of EMEA based companies did not have a crisis plan

PR AGENCY BURSON-MARSTELLER, SURVEY  
OCTOBER 2015

A survey last October by PR agency Burson-Marsteller across a wide selection of EMEA based companies revealed that 40% of them did not have a crisis plan. Of those that did, just over a third had not updated it in the last two years.

A crisis management team should be identified. Lines of command should be kept short and roles clear. Team members should understand the importance of deadlines – there is rarely time for leisurely debate or extended chains of approval.

The team needs to be trained and tested, for example, by undertaking a crisis simulation exercise. External advisers need to be introduced to the business before the crisis hits, when time will be short and it may be too late properly to get to grips with the economics and dynamics of the business.

Employees should know who is authorised to communicate with the press. Journalists are often adept at eliciting information from those inexperienced in dealing with them.

Likewise, staff should be trained routinely to report potential trouble spots to the crisis team. This is a separate issue from ordinary compliance. What may be of interest to the compliance team may be of little interest to the media, and vice versa.

Every case will be different, but the strategy will need to be updated even if no crisis erupts. As markets develop, as investor profiles change, and as the focus of regulators shifts, different strategies will be required. Inevitably, it is easier to develop a successful reputation protection strategy, with or without the assistance of external professionals, when all is calm, rather than when fire-fighting.

## Who to contact and how we can help

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We advise on all reputation and information protection issues, including:

- media crisis management
- social media and online
- misuse of information
- defamation and harassment
- privacy and confidentiality
- data protection disputes

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