
CAUGHT IN THE CROSSFIRE:

How to be better prepared for a brand and reputation crisis

Business icon Warren Buffett once remarked; “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”

This remains as true now as the day it was spoken, except that the amount of time available for organisations to respond to crises has reduced dramatically;

- Today, everybody is their own cameraman
- Social media has changed broadcast media

The ability of organisations to influence messaging, let alone control it, has been eroded; and this in an environment where 78% of people who complain about a brand via Twitter expect a response within one hour.¹

Aon’s [2017 Global Risk Management Survey](#), which polled over 2,000 business leaders around the world, identified brand and reputation as the number one risk. Moreover, it has been assessed as a top five risk by global business leaders since the survey commenced more than a decade ago. However, only 51 per cent of survey respondents felt they are adequately prepared to deal with brand and reputational risk.

The event which brings an organisation into focus and threatens its brand(s) with disrepute can range from a computer hack that steals customer’s personal information - a rogue financial advisor systematically ripping off customers without detection, a failure in the global supply chain resulting in inferior products being distributed; or breaches by the organisation’s leadership of their obligations to stakeholders and/or regulators.

In other words, the causes of brand damage have remained fairly consistent across the years, more often than not being founded on an overt breach of trust, or a mismatch between customer/public expectation and actual outcome.

Other, very significant influences include:

- The manner in which the entity and individual leaders respond to crises, most particularly those that involve loss of life, bodily injury or impairments to health and/or habitat.
- The impact that any attempt at denial, cover-up or the shifting of responsibility to employees or external parties can have on public perceptions.

The influences, whether affirmative or detractive, have been evident for many years. It’s the speed of the event reaching the public domain combined with the diminishing time available to respond to crises which is the new alarming component.



The “prescription” for crisis response and resolution remains the same:

- **Preparation** – be ready to mitigate against potential loss
- **Leadership** – business leaders need to inspire stakeholder confidence
- **Action** – must be rapid, decisive and effective
- **Communication** – needs to be accurate, frequent, well co-ordinated and two-way
- **Sensitivity** – ensure you respond with honesty and compassion

While these may be simple to recount; it’s exponentially harder to act on, particularly in adverse circumstances which are shifting and developing as actions are being taken. However, reputation and brand integrity/brand equity are not isolated PR issues. There’s a real bottom line impact associated with brand and reputational risk that crystallises when share prices plunge, consumers turn away, memberships decline or class actions are launched.

It is often remarked that opportunity is the upside of risk. “Risk management” therefore needs to exhibit an affirmative as well as a preventative quality. The preservation of brand integrity and the restoration of brand equity are important elements of an organisation’s risk management systems but they are also central to enterprise health / success.

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1 Source: Lithium



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