

Andrea Bonime-Blanc: “Company reputations have never been so vulnerable”

The North-American was in Recife to teach a group of corporate executives on best practices for reputation risk management.



Andrea Bonime-Blanc has more than 20 years experience in reputation risk management.
André Nery/JC photo

JORNAL DO COMMERCIO – Is reputation risk related to financial risk?

ANDREA BONIME-BLANC – It is related to a broader group of issues that are not financial. Things like ethics, regulation, social responsibility and governance. When you speak of “risk” on Wall Street, they are referring to financial risk and people already know how to deal with those types of risk. My area of study is risks that are intangible, of reputation. I am concentrating on creating practical tools and guidelines of dealing with these types of problems in ways that are useful to the corporate market.

JC – Does social media amplify the reputation risk of companies?

ANDREA – Yes, certainly. I believe in the last 10 years, with the internet and social media – like Twitter, Instagram and Pinterest – companies have increased their alert level. From one second to the next something could happen that is out of their control. In research, companies around the world were asked what their major strategic risks were and in the top 5 were always reputation concerns. Hyper-transparency, super-connectivity... many executives don’t understand that. In a matter of seconds someone’s reputation can be damaged and it doesn’t even have to be true. Companies are paying more attention to this because it affects them directly, it reflects personally.

Companies can lose a lot of money or see their stock drop virtually from one day to the next. In 2011, the case of Walmart in Mexico (a NY Times article reported that Walmart had paid \$24 million dollars in bribes in Mexico) stocks dropped 5% and the company's market value fell immediately by \$10 billion dollars. In the media, after a large scandal, the stocks of a company drop by 7%. On the other hand, that detail interests me more – when the company deals with that issue and starts paying more attention to that risk, they recoup that loss and grow 13%. If you are prepared before the crisis happens, the drop is less, it can be 1% or 2% and the recovery much faster. For more traditional executives who are used to quantifying everything, it's something hard to measure because it is not directly related to numbers.

JC – Do corporate reputation risk management rules also apply to government?

ANDREA – Of course! The Brazilian government is going through a reputation crisis. In my definition, reputation risk is not isolated, it is always associated with other risks. In the case of Petrobras the risk is corruption. The moment that it exploded, their reputation went downhill. My theory when associated with another risk, reputation risk impact can be amplified. Petrobras is an example, but there are millions of others. NASA's (National Aeronautics and Space Administration) reputation was seriously affected after the Challenger spacecraft accident, in 1986, because they weren't paying attention to the technical safety risks. But there is a positive side: if a crisis happens and is well managed, in the end it can benefit the company's reputation. This was the case of Johnson & Johnson with Tylenol, in the 1980's (when 7 people in Chicago died after taking an extra strong dose of the medication). After that the control over the medications in the company became so rigorous that they obtained more clients. A crisis can be an opportunity. I don't believe in throwing a book of rules at executives. What I am saying is know your business, know your risks and find the best way to address them. Everyone wins in the end.