ROUNDTABLE

From Empathy to Heat Maps, Advice for Managing Reputation

by **Judy Warner** | July 30, 2015

Product recalls. Financial irregularities. Executive misconduct. Environmental damage. These are the triggers, identified by Dr. Leslie Gaines-Ross in her 2008 book *Corporate Reputation*, of crisis that pose incalculable reputation risks to businesses and their officers and directors. A fifth trigger should be added as well: a 2015 survey by EisnerAmper shows cybercrime gaining as a chief concern among directors, particularly directors of private companies. All of these risks are inextricably linked to reputation, however.

Directors were invited to attend a roundtable to compare experiences and insights on reputation risk. The discussion, co-hosted by the National Association of Corporate Directors (NACD) and EisnerAmper, was facilitated by two experienced directors, Blythe McGarvie and Douglas Maine. McGarvie recounted how at Wawa, the privately held East Coast casual to-go retailer on whose board she serves, the essence of its reputation is to ensure employee safety, since robberies and other hazards are all too common. “No one wants to go to work and not return home,” she said. One of the most undervalued characteristics of a response to almost any situation is empathy. That quality is often missing from the discussion when planning for or responding to a crisis, McGarvie said: “Be aware of your surroundings and what stakeholders expect of you.”

In addition to its financial control function, internal audit should play a fundamental and ongoing role in helping the board understand and assess the corporation’s response, Maine advised, particularly to identify emerging risks. EisnerAmper’s Michael Breit, partner-in-charge of the firm’s sports and entertainment group and the public companies’ practice as well as Audit and Assurance Services, said internal audit should conduct a complete risk assessment and share those results with a committee of independent directors. “Planning for any actuality has become reality the more wired we are. News travels in an instant. There is no time to seek information on who to call and how to reach them," Breit said.

Veteran director Margaret Pederson said that on the boards she has served at least one in-depth meeting each year is focused exclusively on reputation risk and preparation. "It's so important to have a plan in advance," she said. "You need to have thought through the challenge and crafted potential responses beforehand so that you can react quickly. There is not sufficient time to only start developing plans once the crisis occurs." Breit added that management—from the CEO on down—should be involved in developing the plan.

A heat map that illustrates enterprise risk specific to a company and its activities is a useful practice, advised Mary R. "Nina" Henderson. "The heat map is a living document that receives ongoing review and is adjusted as conditions change," she explained. "While a designated committee may provide in-depth oversight, enterprise risk is a full-board matter. For example, under the U.K. Combined Code, an annual full-board review of enterprise risk is required. One can never predict what may happen." Henderson also suggested developing a list of experts key to your business in crisis management, law (advice and enforcement), government (local and national) and communication (internal and external) to call in times of crisis. "Practice is always a good idea. Create a faux problem, test your list and approach, and evaluate the outcome," she said.

Shaun B. Higgins, who ran European operations for Coca-Cola Enterprises until his retirement in 2008, recounted his response to a false report that tainted soda had sickened some students in Belgium and France. "Two years and 21 days later, it was proven that the students were not sick from the soda," he said. "There was no permanent damage to the brand, but this incident was a big lesson for the company. We did not have as much local expertise as we needed, and it forced us to change to ensure that we built the skills and processes at the local level. And we gave a free Coke to every citizen in Belgium and France."

Understanding the power and equity of your brand will improve resilience in the face of crisis, said Andrea Bonime-Blanc, CEO and founder of GEC Risk Advisory. "Boards need to understand material risks and then layer on the reputation-risk implications. Ask yourselves, are you or are you not prepared for that risk? If not, the reputation risk and negative brand equity impact will be greater," she said.

Preparedness also requires an understanding of how social media is being deployed and monitored by the company. Is there a clear social media policy for all employees? "As a director, it is imperative today that you question and understand the social media policies of the companies on whose boards you serve," said Steven Kreit, an audit partner at EisnerAmper for 10 years who in June was named partner-in-charge of the firm's technology and life sciences practice in New York.

"If employees throughout the organization don't believe in your culture, no matter what war games you play, bad things will happen," said EisnerAmper's Peter Bible, chief risk officer. The tone throughout the organization must support a culture where managers encourage all employees to share the good and the bad. That alone will help foster good crisis management, he said.

Simply put, added director Ron Eller, corporate managers should "stay on the high road where there is less risk. If the company stays clean, the dirt won't show up."

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