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RISK & COMPLIANCE JOURNAL.

Trump Poses New Reputation Concerns for Companies

By **BEN DIPIETRO**

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President-elect Donald Trump speaks on Dec. 15, 2016 in Hershey, Pa. PHOTO: DON EMMERT/AGENCE FRANCE-PRESSE/GETTY IMAGES

Given the way Donald Trump has singled out some companies for criticism, and the effect that has had on those companies' stock prices, how should companies prepare to respond if they get called out? Some recent examples of this: Carrier Corp., Boeing, Rexnord, FedEx, Ford Motor and Lockheed Martin Corp.

We asked crisis management experts to chime in on how they would advise businesses to deal with an attack from the next president of the U.S. They are: Ira Kalb, an assistant professor of clinical marketing at the University of Southern California Marshall School of Business; Anthony Johndrow, co-founder and chief executive of Reputation Economy Advisors; and Andrea Bonime-Blanc, chief executive of GEC Risk Advisory and author of the Reputation Risk Handbook.

What is the risk to a company's reputation from being singled out by Mr. Trump?

Mr. Johndrow: Many companies are still a little like the Wizard of Oz; no one even knows there are people there until President-elect Trump pulls back the curtain. Sure, their investors and maybe their larger customers might know them well, but the broad, voting, investing public? Not at all. This is dangerous, because when Trump pulls back the curtain, he is likely shining a negative light on the people making decisions at a company. If they have not previously gotten out from behind the curtain and let people get to know them and what they stand for, this could be a horrible first impression.

Ms. Bonime-Blanc: Whether it is due to a tweet by Mr. Trump or some other source—and whether it is true, false or something in between—companies will suffer reputational and financial blows if they don't apply an effective reputation risk lens to their business in this age of social media asymmetric power. That means having appropriate risk, crisis and stakeholder management programs in place well in advance of a reputational hit, as such hits can have both tangible and intangible impacts exacerbated and fueled by the resulting adverse behaviors of key stakeholders.

What do companies need to consider when thinking about the best way to respond?

Mr. Kalb: The best way to respond to such a crisis is to use the “fact or rumor” procedures. If true, the fact procedure equals admit, apologize, limit the scope and propose a solution that’s not likely to reoccur. If not true, the rumor procedure means don’t publicize the rumor, promote the opposite of the rumor and provide proof to support that opposite. I would think the rumor procedure would be most likely used in these cases, since much of what Mr. Trump says is often not true, or is an oversimplification.

Mr. Johndrow: Whatever they say, they better get it right. When Mr. Trump pulls the curtain back, their response will get more exposure than any corporate message they’ve ever put out there. Thus, they have the potential to impact the perceptions and behaviors of everyone they care about: investors, employees, customers, potential customers and government officials. Investors know this and are watching for where and how the impact will be felt financially.

Ms. Bonime-Blanc: Companies that have not yet been singled out by Mr. Trump—or someone else influential on social media—should learn lessons from those who have suffered the consequences. Effective reputation risk management needs to be in place, which can only happen when companies know their risks and vulnerabilities well, understand their key stakeholders and their expectations, and have the right crisis management plan and team in place. This team needs to be inter-disciplinary—risk, PR, legal, business, outside experts—well-honed and rehearsed on the company’s risks and potential crises.

What are some of the advantages and disadvantages of acquiescing to Mr. Trump and his threats, or challenging him?

Mr. Kalb: Advantages: He’s popular with half the country that perceives him as a good businessman and he communicates in a language his constituents understand. To counteract what he says, you have to use even simpler language and provide greater proof, even when many of these concepts are counterintuitive. Disadvantages: Many of his ideas make no economic or business sense and...companies will have to come up with the data—and communicate in the simplest of terms—to rival Trump’s use of language.

Mr. Johndrow: Advantages: Special deals, massive media exposure, chance to connect with millennials. Even big, high-profile companies have traditionally had to engage in lobbying efforts to quietly drive a policy or reputation agenda, usually on behalf of their industry. Trump could give them an opportunity to drive for direct policy dealmaking to their own, exclusive benefit. Disadvantages: It’s hard to negotiate when your brand has been used to make someone else’s point. On jobs moving over the border, for example, Ford was used to make a point, whereas Carrier was a specific negotiation. It’s important to understand which type of target you are before entering the fight.

Is there a case where it’s better for a company to say nothing?

Ms. Bonime-Blanc: Saying nothing is not an option. Companies that have been pulled into the limelight by a presidential tweet must respond, but they must do so with great caution and avoid taking a confrontational stand. To succeed in the longer term, however, they need to be extremely well prepared and have facts and figures on their side. Even then, diplomacy is a far better long-term strategy than confrontation, as the latter approach risks things spinning out of control and increases the chances for greater long-term adverse consequences.

Mr. Kalb: Better to say nothing if you have no undeniable proof to back up your claims, are unable to communicate as effectively as Mr. Trump, are unable to reposition Mr. Trump’s ideas as un-American and/or are unable to use affordable social and media to get the same free attention Mr. Trump will receive from the news media.

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