Trust and Resiliency:
Two Keys to a Stronger Reputation

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What Does Trust Mean for a Business?

Why do people choose products from one company over another? While price, quality and promotion can be appealing, they may not be enough. Consumers are far more likely to purchase products from companies they like and trust, and avoid buying products from companies they don't.

Trust is an emotional connection with an organization that results in business impact. An individual who trusts a company is more likely to exhibit supportive behavior – buying the products, recommending them, making positive comments. An individual who does not trust an organization is far more likely to go public with his or her skepticism, which can be easily amplified through social media. Trust enables an organization to rebound during times of challenge and stress. In other words, greater trust can deliver better resiliency.

The need to manage through stress is a core competency for leaders in every organization. After the financial crisis of the last decade at least one investment bank used the concept of resiliency to help its team manage stress, defining resiliency as "the ability to adapt to change with confidence." Many organizations have adopted resiliency as a goal in operational planning; few have applied it to reputation management and reputation risk planning and mitigation.

In this paper, we'll examine the importance of building resiliency planning into reputation management, why a resilient organization is more likely to be trusted, and share examples of how a strategy to build resiliency in reputation might have helped organizations navigate crises.

Reputation Resiliency is a Two-Way Street

Reputation is based on trust, and trust benefits from and enables resiliency. What makes a company trustworthy or even likeable? This question is at the center of reputation management. What makes reputation management difficult is that reputation is the perceptions of others. The organization doesn't control its reputation – stakeholders do. An organization may wish to be perceived in a certain way – typically defined as the brand promise – but how it is actually perceived is its reputation.

These stakeholders are consumers, employees, customers, business partners, investors, regulators, community members and others. If they hold an organization in high esteem, it has a good reputation. An organization with a good reputation is by definition trusted.

Resilient organizations face crises with confidence because they are prepared and have the ability to recover swiftly even in a volatile environment. Reputation resiliency is evident when an organization powers through crises, interruptions and disasters, and maintains the trust of its stakeholders. Trust may waver until the situation is over, but if it comes back quickly, the organization has become resilient.

Why Reputation Matters

As accountants try to define the value of all organizational assets in an environment shaped by intangibles (like big data – a decidedly non-physical asset) a standard has yet to emerge. At least one firm calculates the current "reputation contribution" to stock price at nearly 50 percent of the value for a firm like Apple. In other words, the portion of Apple's market cap that can be connected to the esteem placed in

> *Reputation is an abstract concept with a tangible impact. The "intangibles" have increasing value to their stakeholders. As much as 88% of the S&P 500 market value is considered to be "goodwill" – or the difference between the value of physical assets and the price a business can command."*

its reputation is about half of the value of the company.

Over time, trustworthy companies perform better financially, according to the Trust Across America FACTS™ Framework. It analyzes performance on five key indicators to identify "High Trust" companies, and then compares them against the S&P 500. The indicators are:

- Financial Stability and Strength
- Accounting Conservativeness
- Corporate Integrity
- Transparency
- Sustainability

From 2010 to 2014, the companies that performed highly on these dimensions outperformed the S&P 500 by nearly 40 percent. The indicators of trust are parallel to the indicators of growth. Funny how that works out.

Leveraging Resiliency Beyond Operations

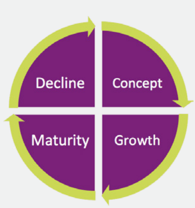
Operational resiliency delivers the ability to manage risks and adapt throughout the lifecycle of a disruption for rapid predictable recovery. Many organizations have enterprise risk management programs that address operational risk and know what to do for customers when a system fails or weather causes a power outage.

Reputational resiliency is the ability to sustain positive stakeholder perceptions, and the desired supportive behavior through volatility and crises.

Unfortunately, reputational resiliency planning is often a missing concept in an organization's toolkit. Organizations with a mature approach to reputation measure and manage reputational risk with the same degree of rigor they use to manage operational risk, and should consider applying concepts of resiliency planning.

Reputation Literacy is Not Part of the Risk Agenda | Risk Literacy is Not Part of the Reputation Agenda

*The challenge is creating alignment and understanding between those who manage operational risks and reputational risks. Both are important: **a resilient organization manages all types of risk across all departments, roles and functions**. Here is how each function can create resiliency:*



Operational Resiliency

The organization is managing risks and function and adapting throughout the lifecycle of operational disruptions.

Reputation Resiliency

The organization is maintaining trust, good stakeholder perceptions and supportive behavior at all times.

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A resilient organization bounces back from challenges more quickly because it has accurately anticipated what might go wrong."

Benefits of a Resilient Reputation

It sends a signal that management is experienced and capable. When stakeholders and the markets see an organization making the right decisions, they trust the management team. A trusted organization typically enjoys more freedoms:

- Freedom to operate in the way it deems best, because stakeholders trust management to make good decisions.
- Freedom to select among the best applicants on the market for jobs, because they are willing to entrust their careers to the organization.
- Freedom to expand with new products in new markets because the company is trusted to make responsible decisions that will not harm communities, vulnerable populations or the environment.

In addition, a strong reputation can bring market value and competitive advantage to an organization, because trustworthiness is hard for competitors to replicate. Reputation is an asset that can move an organization's objectives forward in good times, and provide a buffer against risk in bad times. That is why it is vitally important for companies to consider how to protect their reputations and the role that trust plays.

Reputation Resiliency Begins with Ethics

Stakeholders expect a culture of ethical behavior in business decision-making. They expect a company to be focused on their interests first, and they expect the organization to make good on brand promises. Stakeholders also expect organizations to be aware of their values and to listen to them.

Stakeholders judge management teams on how they steer the organization through crises. Savvy competitors will watch for missteps during a crisis, and may turn those missteps into opportunities. It is more difficult to rebound if the organization cannot demonstrate its commitment to ethical values and decision-making, because decisions that can be seen as unethical are harder to defend publicly, making recovery more difficult. Most people consider ethical issues as core to their own personal judgments, so trust is lost rapidly when organizations appear to cross ethical lines.

The fast food industry has seen public sentiment waver between consumer demand for affordability and convenience, and worries about the epidemic of childhood obesity. The ethical obligations of regulators to protect the public – especially children – against what some perceive as greedy fast food operators has resulted in many regulations impacting the industry.

Consider the coverage of the relationship between obesity and fast food in the U.S. and elsewhere as an ongoing reputational crisis for the industry. An industry that targets children will nearly always be at a disadvantage when faced off with child advocates who have higher credibility in the court of public opinion than advocates for fast food companies.

Three Ways to Influence Reputation

In order to create a resilient reputation, an organization needs to understand stakeholder perceptions; identify the drivers of those perceptions; develop strategies to understand, monitor, and influence perceptions; and finally, develop internal alignment around plans to move quickly when perceptions appear to be heading south.

According to the Reputation Institute, stakeholder perceptions can be influenced in three primary ways:

1. *Direct experience with the company, which may occur at any point of contact – during purchases, customer service calls, product delivery, direct stakeholder engagement, and so forth.*
2. *What others say about the company, such as information from friends or coworkers, blogs, online complaints or praise, and news coverage.*
3. *What the company says about itself through advertising, marketing, financial announcements or other communications.*

Many organizations have monitoring systems in place to track customer experience, as well as what is said publicly in social and traditional media. An organization planning for reputation resiliency would integrate all sources of data, and develop the means to track and share changes in feedback, tone and rating. A resilient organization would identify the signals that suggest a need to change approach – such as measuring the speed and trajectory of change in sentiment, a shift from questioning to expressions of outrage, customers ending their relationships, and feedback through customer service.

Organizations should integrate reputation intelligence into the strategic risk agenda and key business processes, including:

- *Strategic planning*
- *Crisis planning and mitigation*
- *Risk assessment reporting*
- *New product development*

Principles for a Resilient Reputation

In order to create a resilient reputation, leaders should embrace the following principles:

Take an outside-in approach, and examine the organization from the perspective of stakeholders. Survey their opinions, engage them in focus groups and listen to what they say on social media.

Build enterprisewide competence in reputation. Reputation is built by the decisions made each day; it can best be managed across the organization rather than by one group, such as legal or public relations. Create shared responsibility and accountability with a common tracking and measurement system.

Be conversant in the major scenarios that could cause reputation risk, and map out strategies to maintain trust in a crisis for each; start by watching what competitors did right and wrong in similar situations.

Commit to communicating with human emotions like empathy rather than with defensiveness or the sterile language of finance. Facts may only be one part of the message in times of outrage.

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The Cold Facts About Ice Cream

Case Study

Blue Bell Creameries, a much-loved firm in the south, spent most of 2015 managing a reputational crisis at a scale that appeared unanticipated. For any food product, customers expect that their safety is a high priority to the manufacturer. When we eat a frozen treat we don't expect to be swallowing a pathogen that could make us sick. Listeria is a pathogen that thrives in the cold and can cause sickness and even death. Those at highest risk are children, seniors and pregnant women, among others.

In 2015, listeria was found in Blue Bell products manufactured at a Texas plant. Several states began reporting outbreaks of a listeria strain that was eventually traced to frozen treats manufactured by Blue Bell and distributed in Texas, Kansas, Oklahoma and other states. As word spread, several products were recalled. Blue Bell identified a machine that was not properly sanitized, and took it off production while communicating that its other ice cream products were safe.

Even though certain products were removed from distribution, people kept getting sick. The Centers for Disease Control announced an outbreak of listeriosis linked to Blue Bell ice cream served to patients in a Kansas hospital, five of whom were sickened and three of whom who died. By spring, Blue Bell was working with retailers to remove all products manufactured in Texas plants.

Eventually, Blue Bell recalled all of its products and laid off 1,400 full- and part-time employees – a third of its workforce. It announced later that the privately held company would become partly owned by an investor who is expected to take a one-third ownership stake in exchange for a $125 million investment that will keep the 108-year-old firm in operation until it can begin making and distributing pathogen-free ice cream.

The issue facing Blue Bell's board and management is whether customers will look past the listeria outbreak and again trust the firm to manufacture pathogen-free ice cream, or whether they have transferred their loyalty and trust to competitors.

With reputation resilience as a goal, the organization would have considered a scenario in which people became so afraid to buy its products that all production ceased. The scenario and its mitigation plan would have described how quickly the company could identify the location of the pathogen, what messages it would have employed from the start to maintain trust, and how it would reassure customers it had their best interests at heart.

Companies in crisis should ask themselves questions that are on the minds of the public, such as:

1. *Does management consciously put the safety of customers before or after profits?*
2. *Has management lowered its safety standards without sufficient consideration of risk to customers?*
3. *How quickly do consumers expect us to move to a total recall to communicate that safety is our first priority?*
4. *Are we fully prepared to manage through a brand disaster?*

The Impact on Reputation of a Data Breach

Case Study

A breach of private information can have serious long-term reputation – and financial – consequences, and recovery can take years. Companies with access to patient records and consumer financial information are expected to keep that information safe and secure. WellPoint and CVS Pharmacy both suffered reputational damage when they failed to protect patient privacy and both had to pay millions in settlements.

WellPoint paid a $1.7 million penalty in 2013 to the U.S. Department of Health and Human Services for violations of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) following the exposure of the private health information of over 600,000 people, reported by the company. An investigation found that WellPoint did not have proper safeguards in place to protect the information.

In 2009, CVS Pharmacy paid a $2.25 million fine for improper disposal of protected health information, including that on labels of prescription bottles. The potential breach became public when the media reported that discarded bottles could be found by the public in unsecured dumpsters. The investigation resulted in a finding that CVS employees were not trained in proper processes.

According to a survey reported by the Ponemon Institute, depending on the type of data breach, the value of a brand and reputation could decline from 17 to 31 percent.

Respondents indicated that it could take an organization more than a year to recover and restore reputation. They also indicated that the loss of customer information was the most devastating. The challenge is particularly great because of the lack of resilience of intangible assets and the challenges inherent in the widespread public exposure of such cases.

Aligning the Enterprise for Reputation Resiliency: Who's in?

A resilient organization knows that reputation risk can be measured, predicted and prevented. By understanding the drivers of reputation risk, and assessing impact, an organization is less likely to be surprised. Reputation resiliency is the outcome of strong preparation. By prioritizing the drivers of risk with the greatest impact, and planning how to monitor and manage each, management can build internal alignment and respond from an informed and consistent approach.

Product Development *has a role. When a new product or service is proposed, managers should request a Reputation Impact Analysis for each relevant stakeholder group, so they understand how the product is likely to be perceived, the positive or negative issues attached to the product, and predict how the market might react and what messages to use – or avoid.*

Business Continuity *has a role. It can incorporate reputation intelligence into its plan. It can incorporate reputational issues into crisis practices, desktop exercises and full-on crisis drills. Finally, with quantitative reputation intelligence, it can establish benchmarks for recovery an organization.*

Enterprise Risk Management (ERM) *has a role. ERM should integrate reputation data and insight into the risk reporting agenda. Senior leadership should share which issues it believes will cause a risk to reputation and then map out the likelihood of each issue becoming a reality versus the expected impact. Then, plans should be developed to address the high impact/high probability issues.*

Transparency in Food Safety

Case Study

> *The most important investment in reputation comes before the crisis – when the company has the time to think through the scenarios, identify points of vulnerability and consider how it wants to be judged in a disaster."*

When it comes to our food, we expect that it is safe to consume. Since food can travel great distances before reaching our plates and food handling practices impact food safety, the supply chain must be carefully considered as a source of reputational risk for food distributors.

We expect that retailers can find the problem and tell us if we're at risk when something goes wrong. Other industries have clearly defined and monitored supply chains. For example, recalls of contaminated medicine can be traced to specific lot numbers, as can defective automotive parts.

However, in the case of the bagged spinach E. coli contamination in 2006, the entire industry was impacted and major producers recalled all of their spinach-based products – even though the contamination was isolated to one farm. Why? Because the industry hadn't given proper consideration to the supply chain as a risk. It was unable to quickly respond and trace the contamination, so the stakeholders held all spinach distributors responsible for the actions of one farm. Had the industry considered the resiliency of its reputation, it might have advocated or even voluntarily adopted traceability standards.

Foodborne illnesses put a tremendous strain on the entire food distribution system, but also force the same companies to have robust crisis management and recall plans in place. Had the spinach industry embraced transparency it more likely would have been able to limit the impact of the public perceptions about their risk of being affected, and bounced back much faster.

Companies that regularly examine their factories for possible contamination issues via an internal inspection process may be able to recall only those products that are impacted. This puts them in a more resilient position and better enables them to maintain consumer trust than companies that are forced to participate in a complete recall.

The former speaks to corporate values and integrity and addresses the stakeholder expectations that food distributors are aware of and monitoring each link in their supply chain, thereby providing safe products.

Supply Chain Vulnerability in the Garment Industry

Case Study

Bangladesh is a global hub for the garment industry with many major fashion players using the country's inexpensive labor pool in their factories. But several deadly fires and building collapses that resulted in thousands of deaths underscored the country's troubled worker safety record in recent years. These incidents provide lessons about the importance of considering possible risks to your reputation as part of enterprise risk management.

There are few legitimate excuses for being surprised by risk today because of the many methods available to monitor stakeholder perceptions. A company that sources manufacturing through the possible reputational risks involved and thoroughly inspected the factories. If doing so revealed that these factories have conditions that could result in a loss of life, the reputation risk would have outweighed the benefits of doing business – unless the organization insisted on higher safety and construction standards in the factories.

The reactions of impacted brands varied. Some distanced themselves, denying any connection despite evidence to the contrary – their labels were found amid the rubble. Others acknowledged their business relationships and made promises of compensation.

However, experts suggested that the only way for retailers doing business in Bangladesh to repair or protect their reputations was for them to sincerely engage in efforts to overhaul the country's garment factories and safety standards, consciously considering their impact on society.

In addressing the elements that caused the risk event, companies would provide their stakeholders an opportunity to see how they steer through a crisis, learn from their mistakes and address them, and remain resilient after a crisis.

Standing Partnership specializes in reputation management, creating influencer strategies that deepen understanding, build trust and mitigate risk in complex, ever-changing environments. The firm's comprehensive approach drives strategy and helps clients build, protect and restore reputations.

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