

## Devastating Reputational Risks

A strong reputation has the potential to be your largest asset, but just one crisis could irrevocably tarnish your image and ruin your business. According to a recent survey from Deloitte, the largest professional services network in the world, 87 percent of business executives believe that reputation is their largest risk area, and only 19 percent of respondents think their business is adequately protected. In order to be prepared, you need to identify and mitigate the potentially devastating risks to your business's reputation.

Health and safety incidents, product recalls and regulatory investigations are just a few of the incidents that have the potential to damage your reputation; and, now that social media and other online sources have accelerated news coverage, you may only have minutes to respond to a crisis and protect your image. The failure to quickly and effectively address a crisis can result in lost business, litigation, regulatory fines and more.

### The Many Forms of Reputational Risk

The damage to a business's reputation is often the result of other risks. For example, a cyber attack that disrupts your business operations is generally not considered a risk to your reputation. However, an extended disruption could cause customers to think less of your business and its products.

Here is a partial list of risks and events that can cause damage to your reputation:

- Product recalls or concerns over product quality
- Allegations of poor or improper business practices

- Health or safety incidents, involving either employees or customers
- Regulatory investigations
- Negative associations with third parties

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**“It takes 20 years to build a reputation and just five minutes to ruin it. If you think about that, you’ll do things differently.” – Warren Buffet**

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### The Role of Social Media

Social media can be a powerful tool to connect with customers and extend the reach of your business, but it can also be used to quickly spread negative publicity that can severely harm your reputation.

In an increasingly connected world where anyone with a smartphone can act as a journalist, any negative experience a consumer has with your business has the potential to go viral and be seen by thousands—even millions—of people. Make sure that your business has a social media presence that is constantly monitored, and that it quickly responds to any criticism or negative customer experiences in order to maintain your reputation.

Online review services can also damage your reputation and result in lost business. According to Dimensional Research, 90 percent of customers check online reviews

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before buying products, and 80 percent make decisions based on what they read. Clearly, the best way to ensure that reviews for your products and services are positive is to maintain effective and comprehensive quality control procedures. However, it's important to regularly check online sources to get feedback on your products, and to identify malicious or fictitious information that could reflect poorly on your image.

## Strategies to Lower Reputational Risks

There is no such thing as complete protection from the risks to your reputation, but there are strategies you can use to limit exposure and respond to a potential crisis:

- **Create strong, relevant corporate values:** Upper management should create—and regularly communicate—strong corporate values that permeate every level of the business. Though these may be created by upper management, they should reflect the values of all of your employees and stakeholders.
- **Integrate a risk evaluation into business planning:** Identify the opportunities, threats and assumptions that accompany your business's plans and strategies. Don't assume that longstanding strategies or well-developed plans are free from reputational risks; instead, develop hypothetical scenarios to identify how your reputation could be affected.
- **Promote positive interactions with customers and other stakeholders:** You can strengthen your reputation before a crisis occurs by aligning your goals and connecting with your stakeholders. Customers appreciate regular and positive interactions, and you can use social media as a tool to reach out to them.
- **Develop a reputation plan:** Train everyone at your company on how to recognize a reputational crisis, and put together a response team. Your plan should identify all potential risks to your reputation and map out a response for each. These responses

should include key statements that identify at least three talking points and restate your business's core values. If a crisis occurs, distribute relevant messages as quickly and widely as possible.

In the event of a crisis, it's important to respond quickly and decisively:

- Don't sacrifice your reputation to protect your finances or products. It's usually more prudent to recall a dangerous product immediately; for example, if it's discovered that you delayed a recall at the expense of health or safety, your reputation may suffer a serious blow.
- Respond to questions and concerns. If you attempt to stay under the radar during or following a crisis, it will only cause negative attention to linger. Instead, respond to any concerns and continue to communicate your corporate values.
- Always remember the broad range of your reputational risks. Following a crisis, it may seem easy to only focus on preventing a similar incident in the future. Be sure to keep all of your risks in mind.

## Limit Your Risks

It's inevitable that every business will experience some form of reputational damage, but there are ways to limit your exposures and to cover losses. Contact TPG Insurance Services today to identify your unique risks and protect your business.