



Corporate Reputation Risk

Measure, Manage and Mitigate

Neal Foundly
Partner

July 2014

Reputation Risk

Mental Model

Measuring

Manage and Mitigate

What Are The Chances?

95% of major corporations in the last 20 years have suffered at least one serious reputation-damaging event

1 out of 3 of global business leaders believe it is likely that their company will sustain reputation damage within the **next 2 years**

Research indicates that it takes **about 4 years** for a company to recover its lost reputation

What Are The Chances?

FINANCIAL CRISIS IMPACT

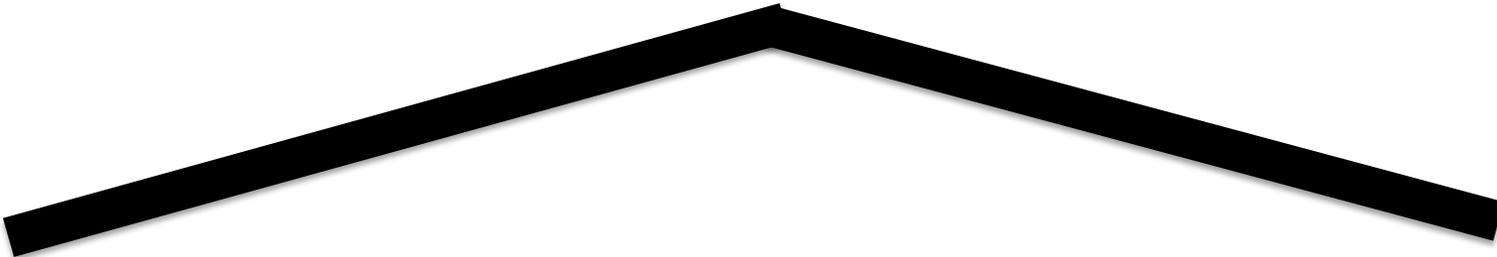
81% of Financial Service firms report the financial crisis still has major impact on stakeholder perception.



Makovsky Wall Street Reputation Report, 2014

4D Reputation Risk Mental Model

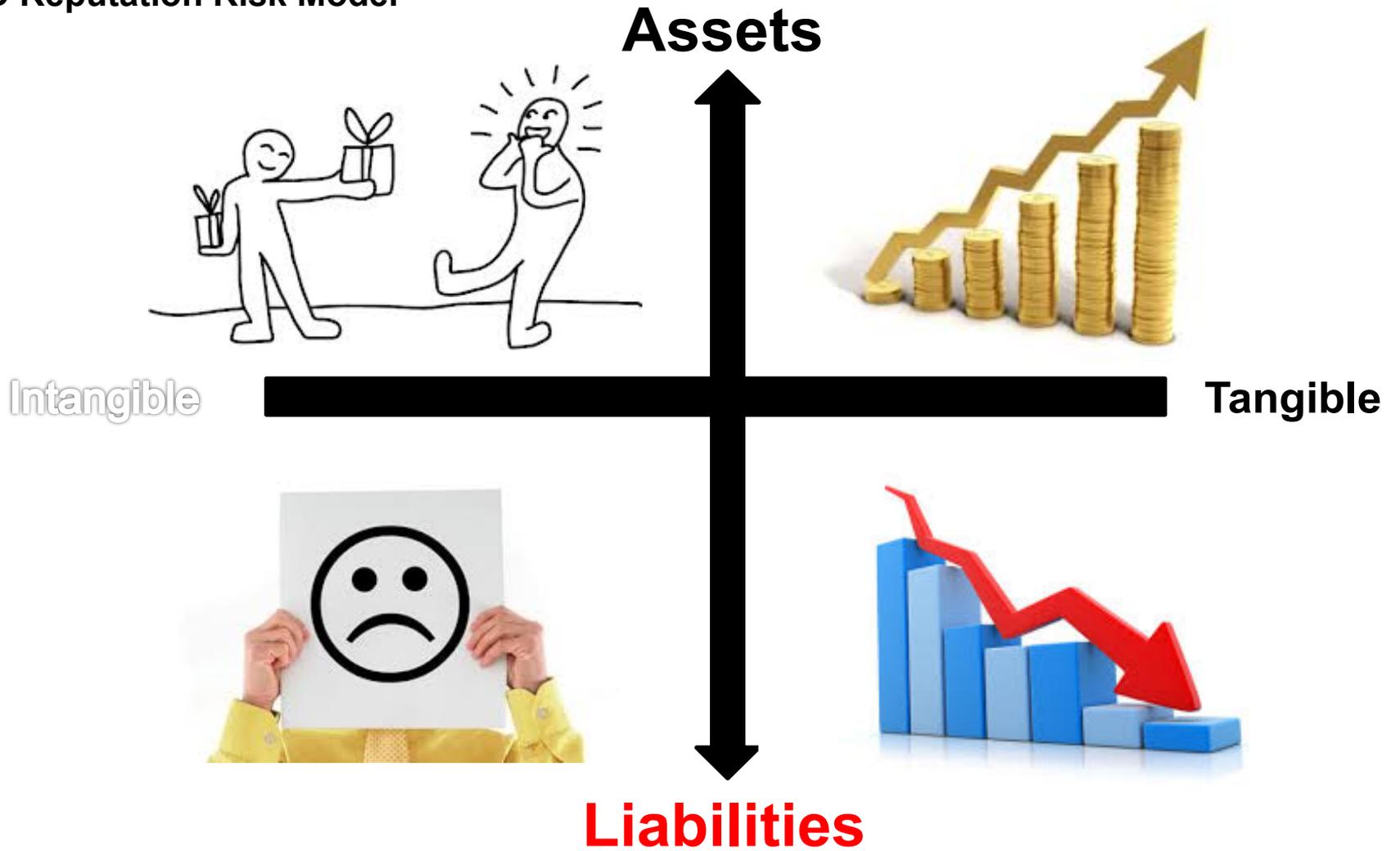




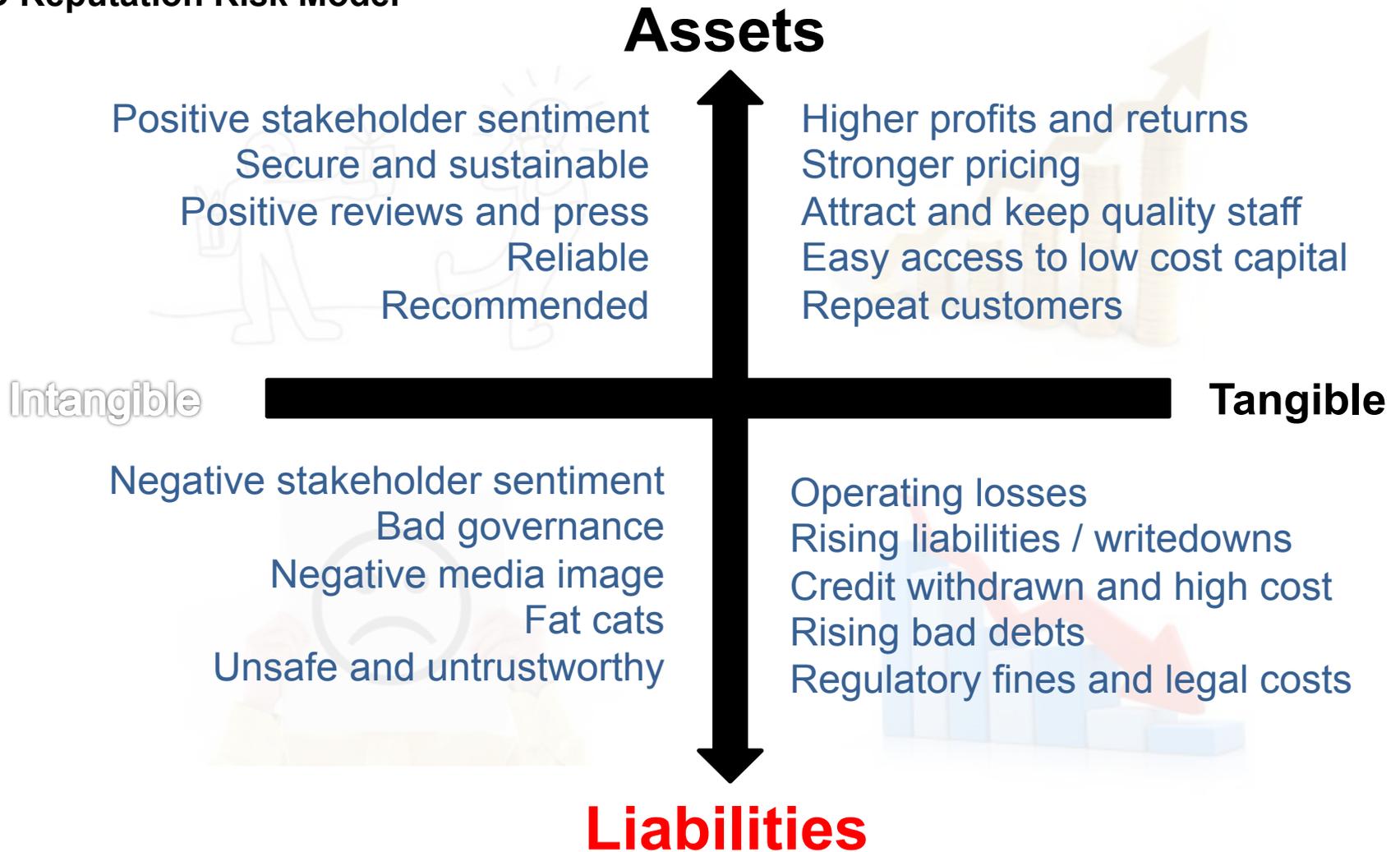
4D Reputation Risk Model

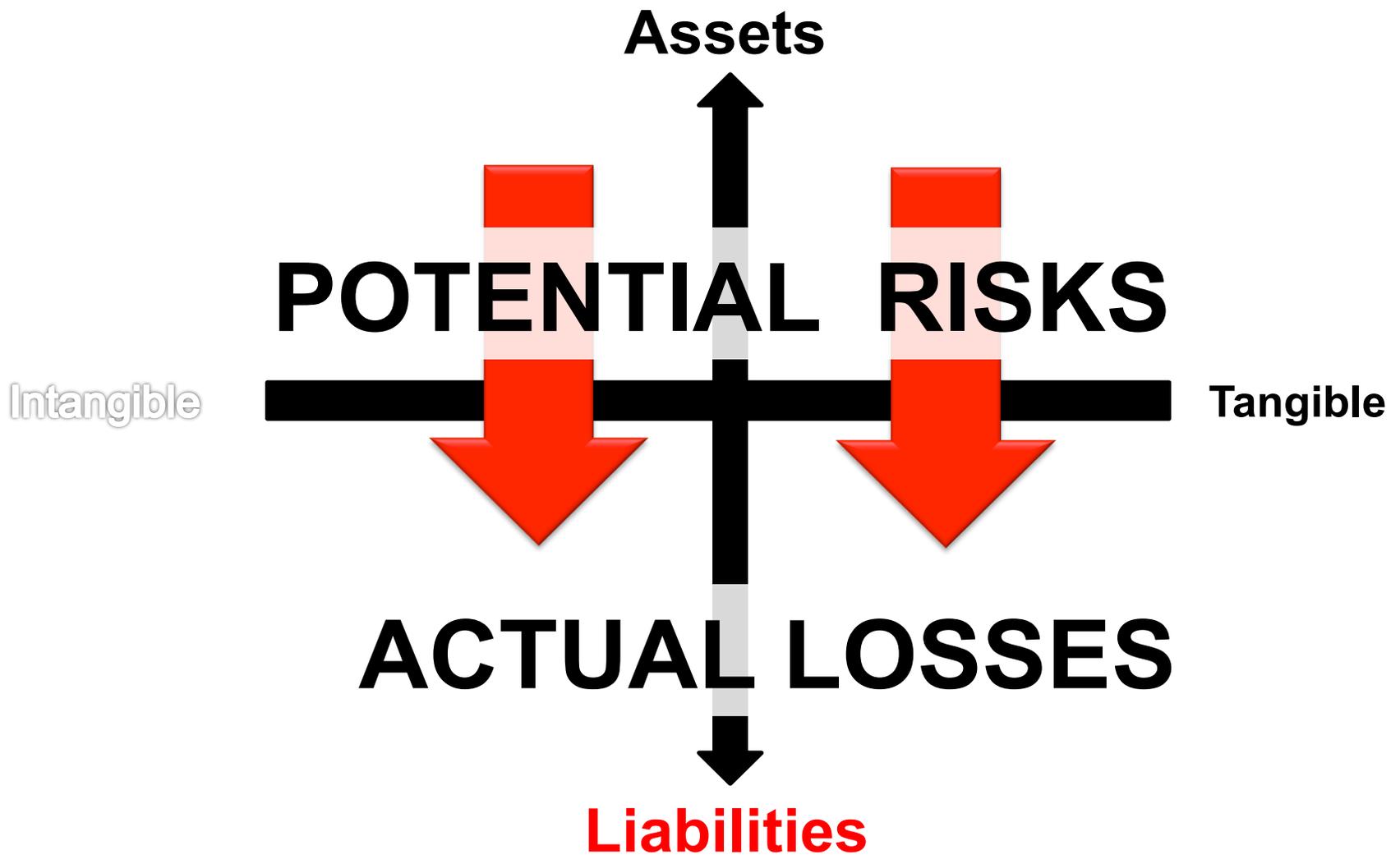


4D Reputation Risk Model



4D Reputation Risk Model





Assets

Intangible

Tangible

Unethical behaviour and culture
Executive misconduct
Security breaches
Protests by special interest groups
Online attacks or rumours
Controversies over high CEO pay

Financial irregularities
Environmental violations
Labour strikes or unrest
Factory breakdowns or explosions
resulting in death / injury

Risky supply chain partners
Regulatory non-compliance
Product recall based on health and safety issues

Liabilities



6 Key Reputation Risks

1 Management & Leadership

Unethical behaviour and culture
Labour strikes or unrest
Executive misconduct
Controversies over high CEO pay

2 Financial

Financial irregularities

3 ESG (Environmental, Social & Governance)

Environmental violations
Risky supply chain partners
Factory breakdowns or explosions resulting in death / injury

4 Regulatory

Regulatory non-compliance

5 Operating

Security breaches
Product recall based on health and safety issues

6 Communication

Protests by special interest groups
Online attacks or rumours

Measuring Reputation Risk

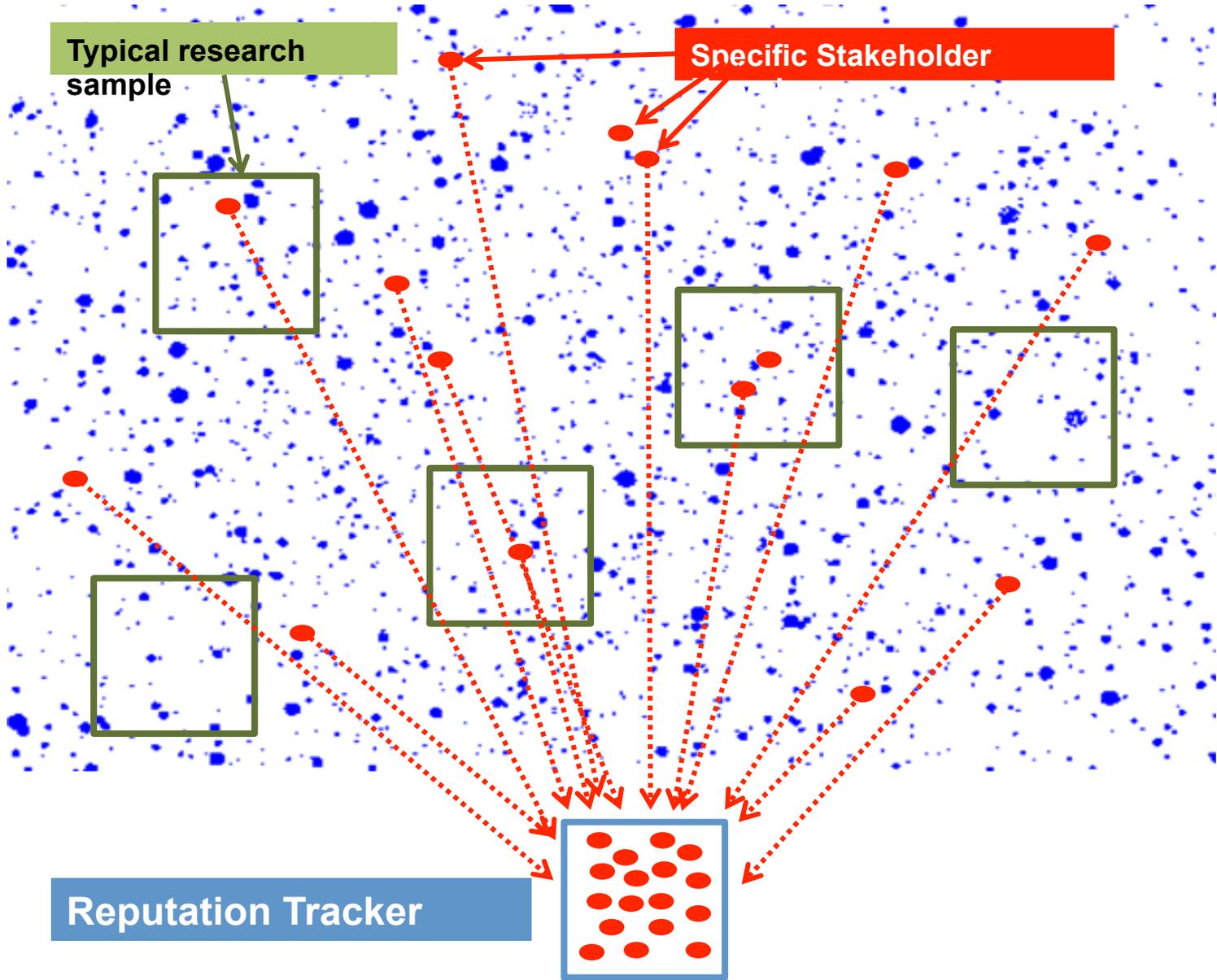
Reputation Fingerprint™

Traditional market research

Prompts answers from silent stakeholders

Targeted





Typical research sample

Specific Stakeholder

Reputation Tracker

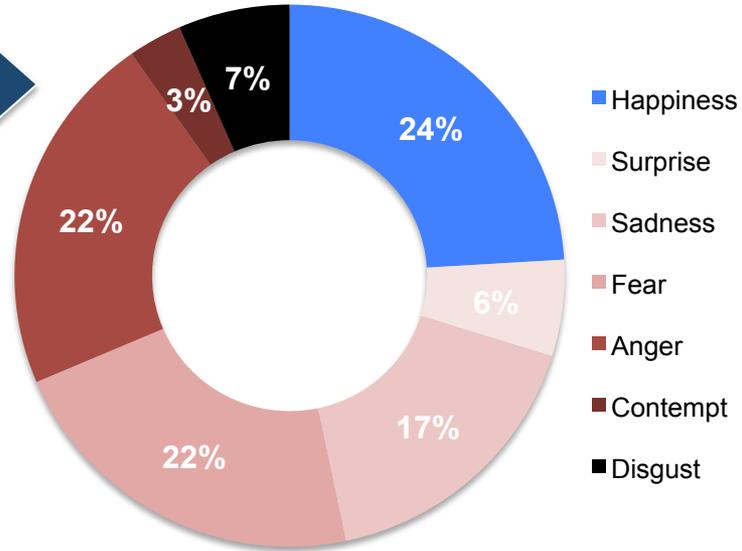
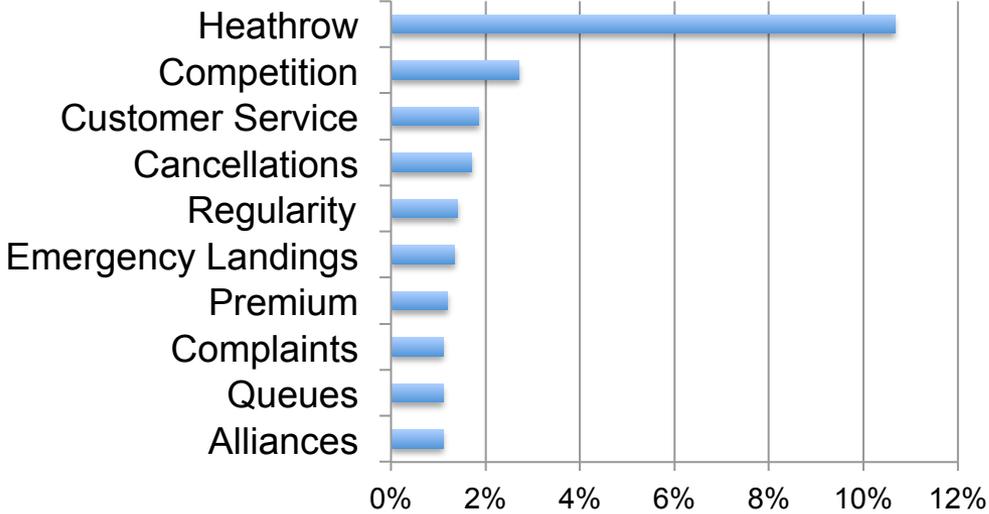
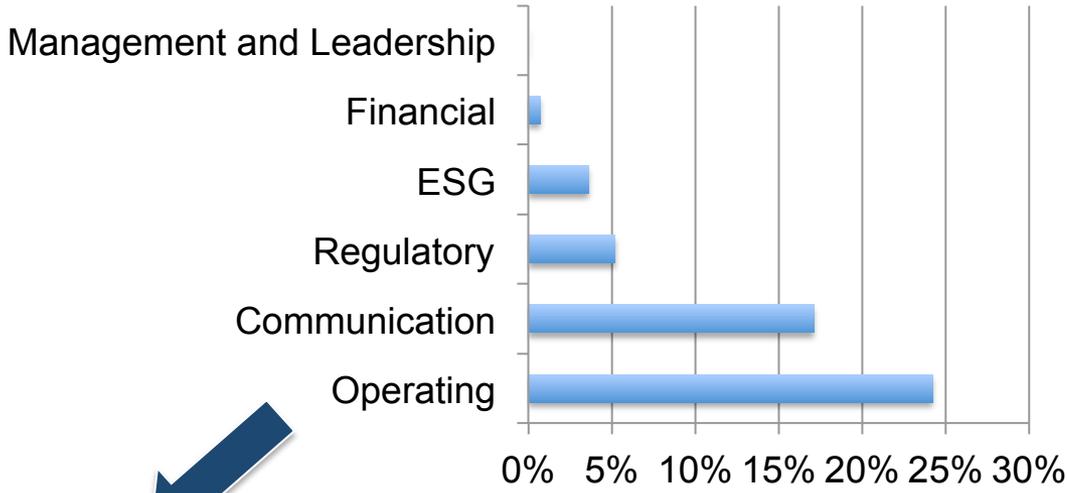


Semantic Processing

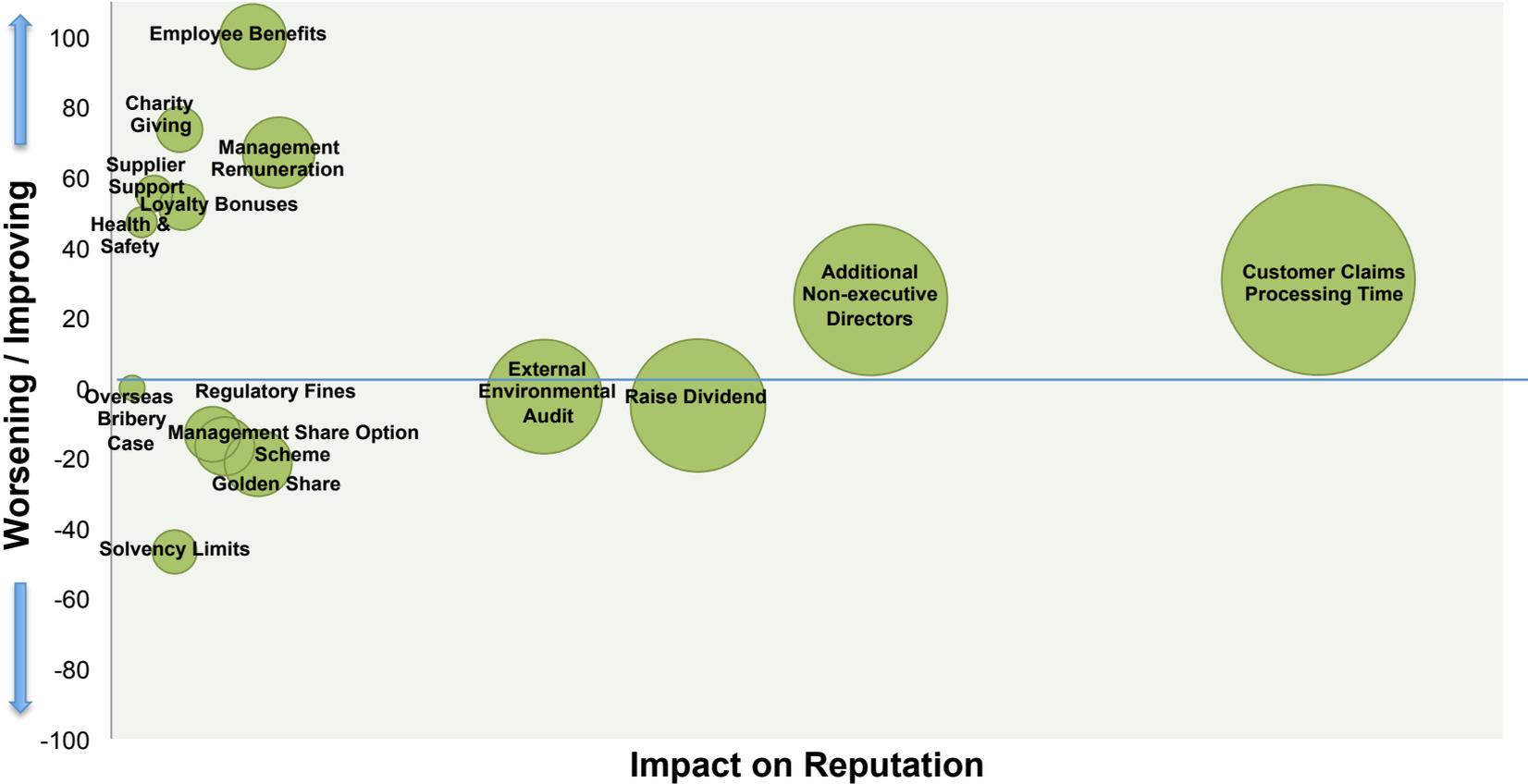
Aggregation Trend Meaning Depth of Emotion

DECISION MAKING

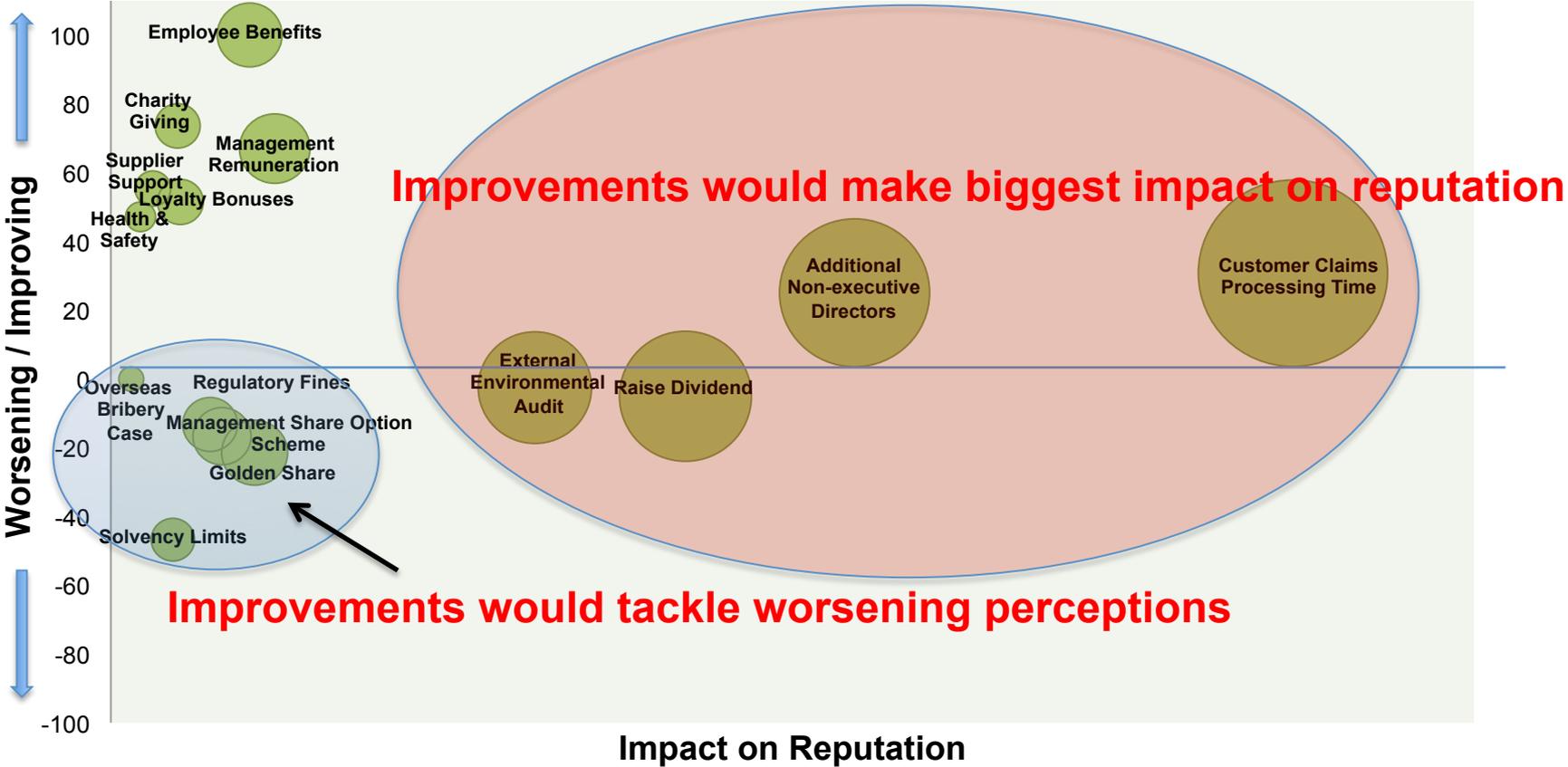
Managing and Mitigating



Stakeholder Pain Points: Impact and Progress



Stakeholder Pain Points: Impact and Progress



6 Key Reputation Risks in Finance

1 Management & Leadership

Unethical behaviour and culture

Labour strikes or unrest
Executive misconduct
Controversies over high CEO pay

2 Financial

Financial irregularities

3 ESG (Environmental, Social & Governance)

Environmental violations
Risky supply chain partners
Factory breakdowns or explosions resulting in death / injury

4 Regulatory

Regulatory non-compliance

5 Operating

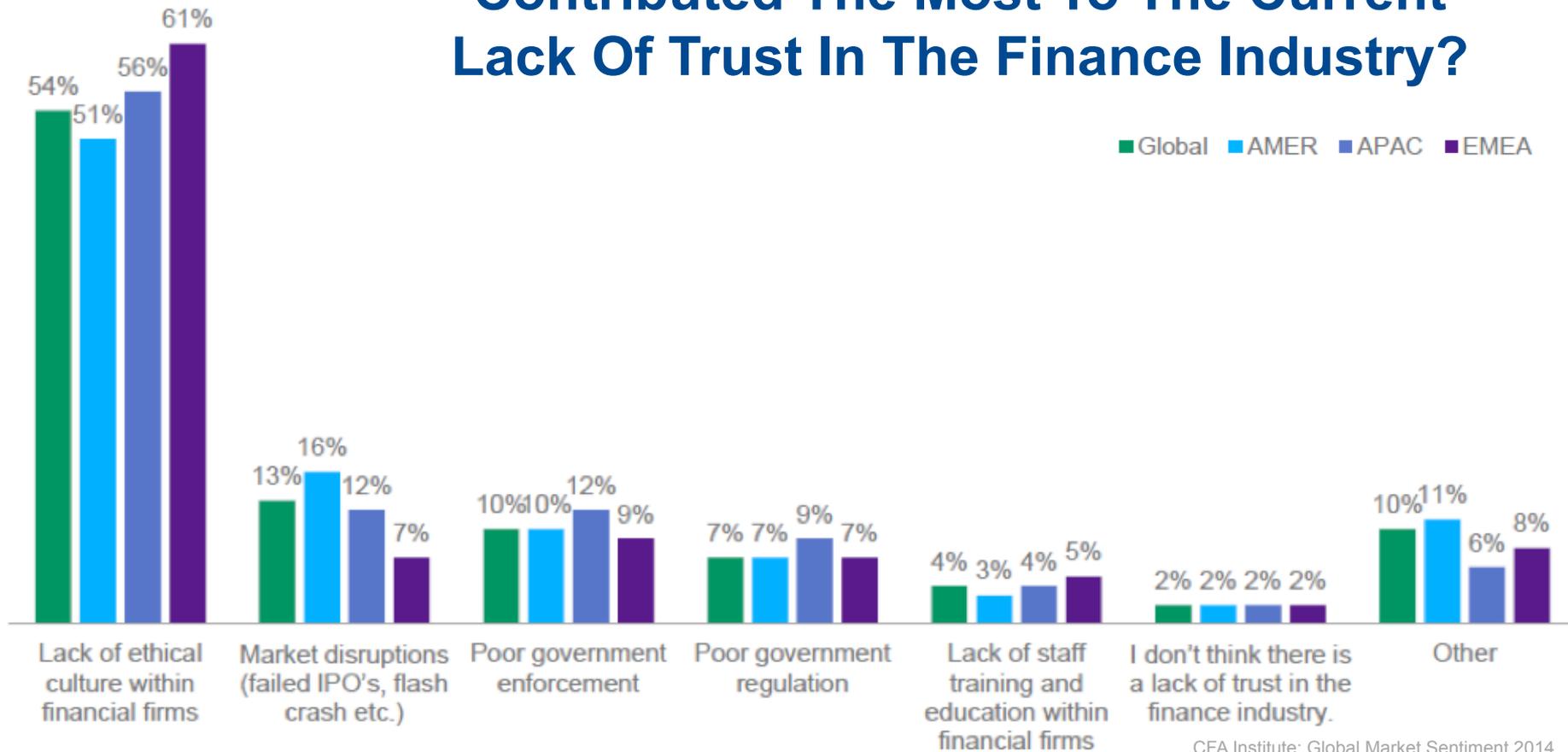
Security breaches
Product recall based on health and safety issues

6 Communication

Protests by special interest groups
Online attacks or rumours

Management and Leadership - Culture

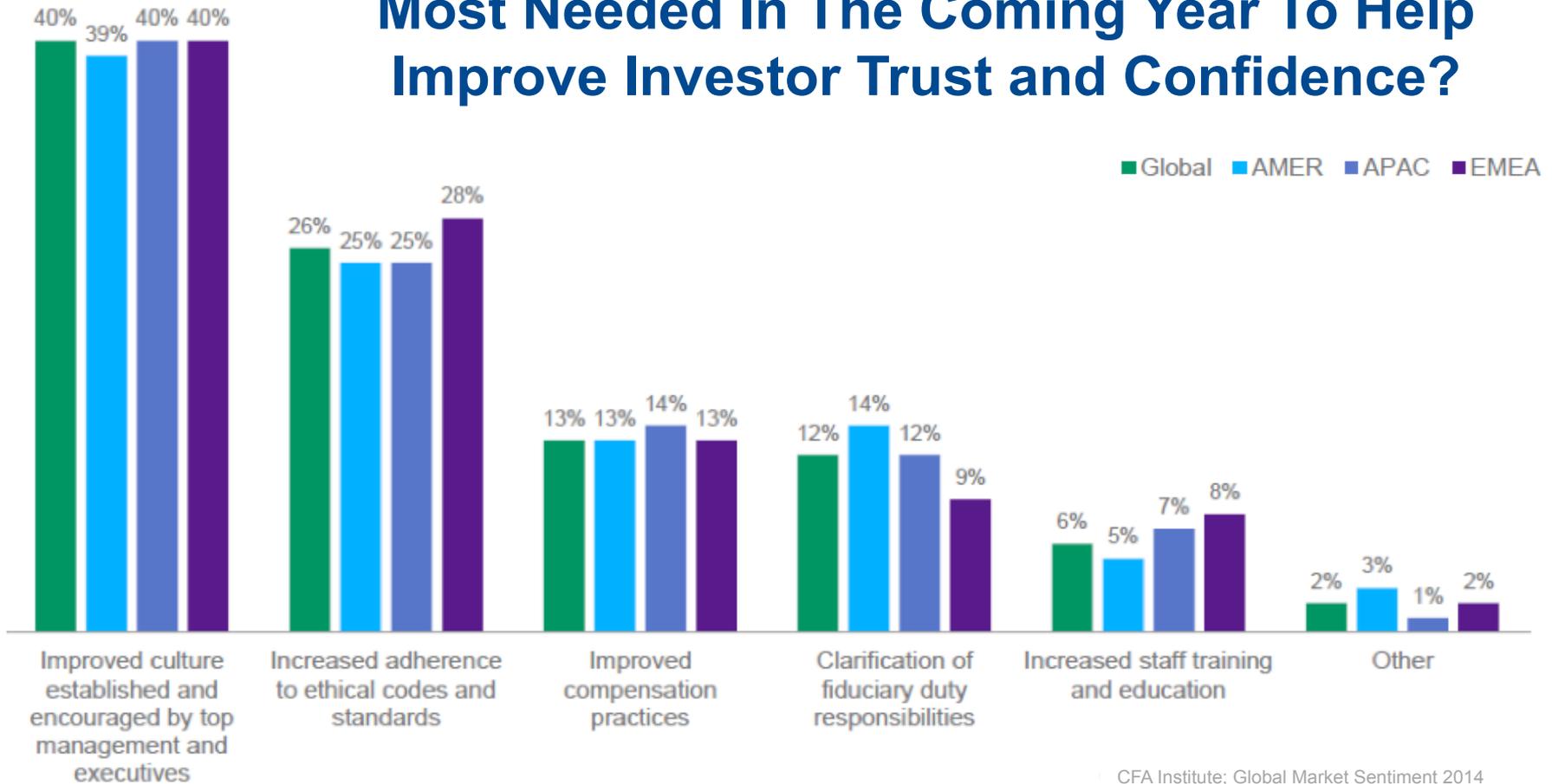
Which Factor Do You Think Has Contributed The Most To The Current Lack Of Trust In The Finance Industry?



CFA Institute; Global Market Sentiment 2014

Management and Leadership - Culture

Which One Of The Firm Level Actions Is Most Needed In The Coming Year To Help Improve Investor Trust and Confidence?



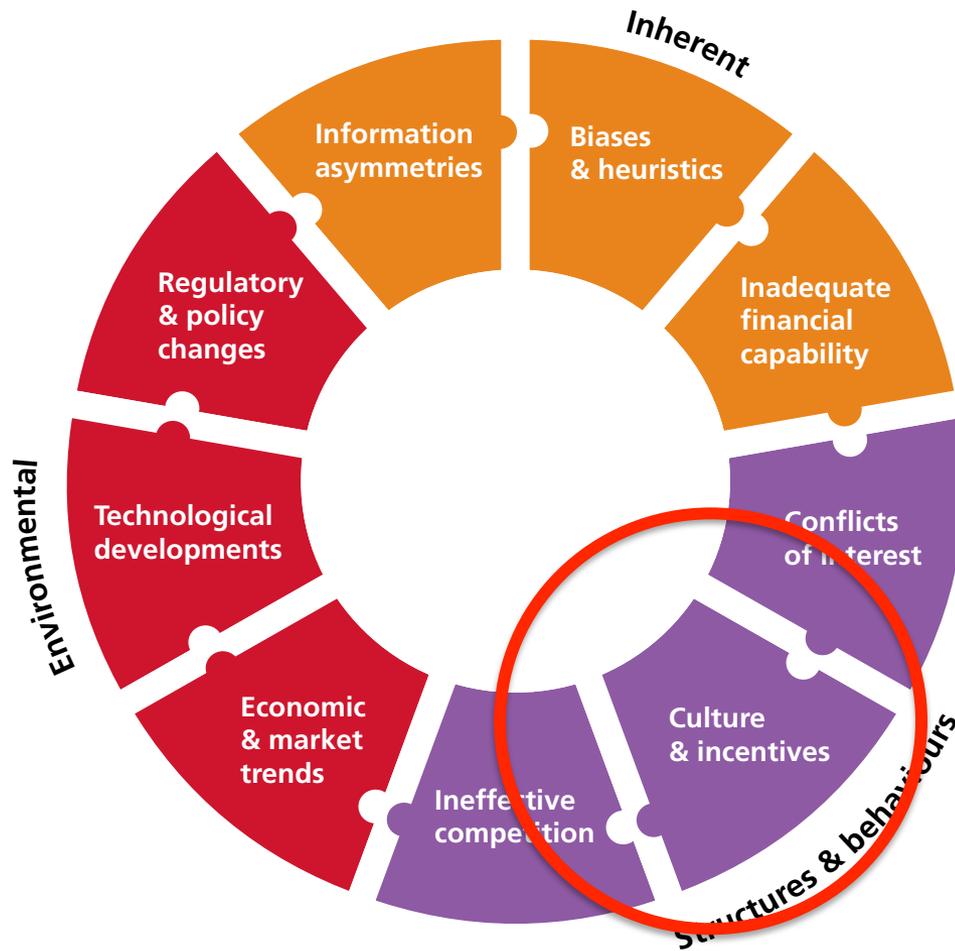
CFA Institute; Global Market Sentiment 2014

**“Culture change is essential if we are
to restore trust
and integrity to the financial sector”**



FCA, Risk Outlook 2013

Management and Leadership - Culture



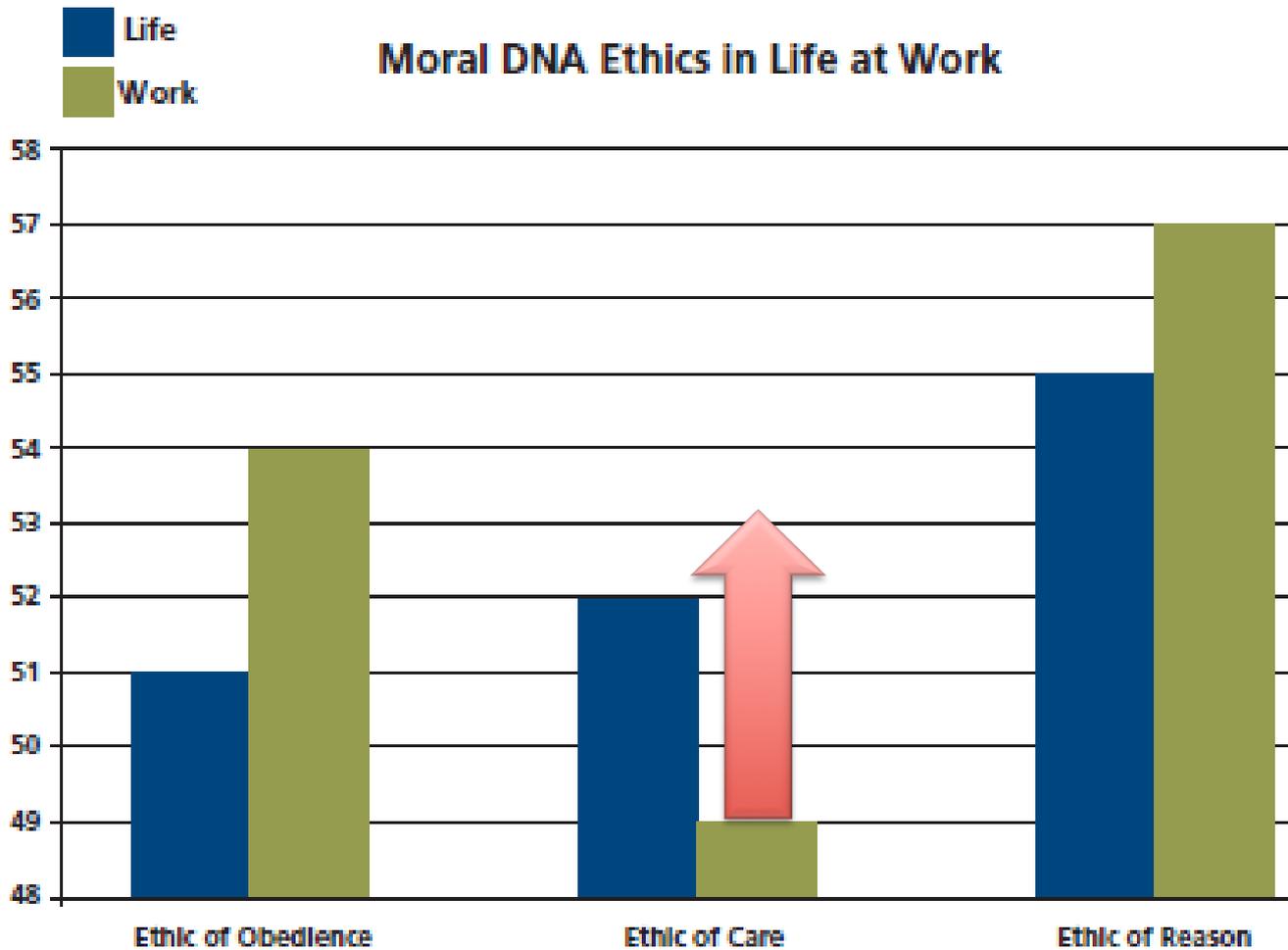
FCA, Risk Outlook 2013

“The board should take the lead in establishing the ‘tone at the top’ and in setting professional standards and corporate values that promote integrity for itself, senior management and other employees”



Basel II, Principles for Enhancing Corporate Governance, page 8

Management and Leadership - Culture

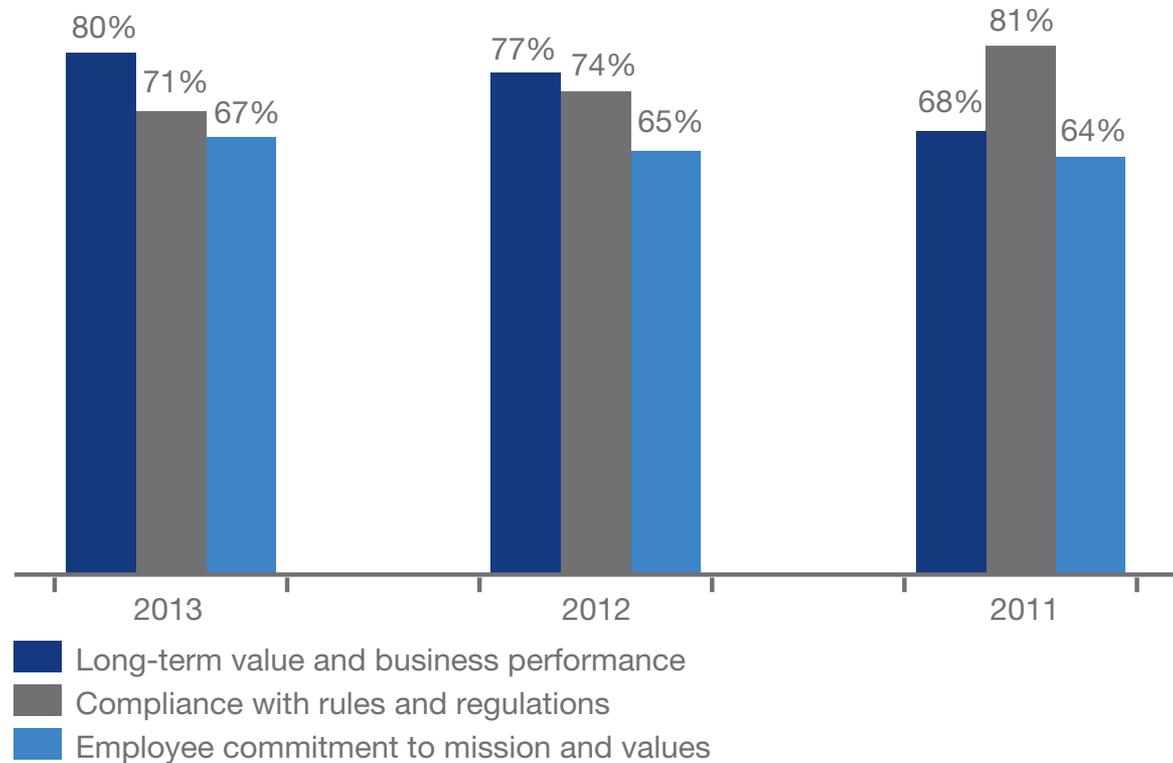


IRM Risk Culture Report 2012, page 11

Management and Leadership - Culture

The Principal Benefits of Promoting an Ethical Culture

Ranked by Percentage of Respondents



2013 Ethics and Compliance Leadership Survey Report, LRN Consulting

Management and Leadership - Culture

Major Positive Reputation Actions by Directors

Appointing new independent directors

Require that board members obtain permission to serve on other boards

Continuing education for board members

Shortened board tenures

Increased number of votes required for new board members

Shareholders allowed to call special meetings via two-thirds vote

Eliminating anti-takeover provisions

Minimum stock ownership guidelines

Technology/software for board members to access board materials remotely

Hire Chief Compliance and Business Ethics Officer reporting directly to Board of Directors

Remediation plans to address internal control deficiencies

Hire Chief Risk Officer

Hire Chief Regulatory Officer

New Statement of Principles and strengthened Code of Conduct
Restructuring/Reorganising

New operating structures to align and clarify accountability

New 10 day warranty on products, warranty extensions

New employee policies to cultivate a culture of compliance

Announcing high ratings in best place to work surveys

Announcement of charitable programs

Sends strong message about control, culture and governance



Reputation
Consultancy

REPUTATION LEADERSHIP COACHING PROGRAMME

'Live the reputation you seek'

Summary

Mental Model – **4D Model**

Measuring – **Big Data to Evidence**

Manage and Mitigate – **Focus and Change**