

Dealing with the creeping crisis: Avoiding corporate death by a thousand cuts

By David Davies MIRM

In preparing for a reputation related crisis it is often assumed that the crisis will be sudden and dramatic and that it will immediately strike you with full force. However, whilst it may suddenly flare up, often it will have been developing almost unnoticed for some time. If you can spot the crisis before it reaches the tipping point, it can give you enormous advantages, one of which is the relative size of the crisis – rather like dealing with a minor fire compared with a well-seated conflagration.

Dealing with a reputation crisis is almost always damage containment and even a well handled one can leave you that much more vulnerable to the next one. They should therefore be avoided at all costs. We look at how a proactive approach can defuse many crises before they explode in your face.

The nature of the challenge

A creeping reputation crisis can sneak up on you unnoticed in one of several ways. For example:

Internal:

- ⊙ A flow of publicly-aired complaints about the quality of your product or service, or the sales techniques used in your name, gradually erodes the public's trust in you - losing you reputational capital. Eventually it reaches a tipping point at which the individual complaints are perceived to be evidence of an underlying incompetence, arrogance or even dishonesty. For example, fraudulent sales tactics used by some employees of UK energy suppliers.
- ⊙ A single event that begins innocuously and escalates over a period into a major crisis. Opportunities to nip the crisis in the bud are overlooked, often because even if the crisis is noticed in its early stages, it is ignored as it gets more serious.

The reason for that is that many people adhere to their initial judgement that it is insignificant or that there is no cause for corporate blame. For example, the patchy redemption of the free flights offered to purchasers of its leading product by a well known domestic appliance manufacturer.

Failure to spot the potential of such incidents early enough means that they may well be handled by employees who:

- ⊙ Are not trained and motivated to protect your reputation
- ⊙ Are judged by the minimum number of seconds they spend per phone call
- ⊙ Are strait-jacketed by procedures that may well do nothing but exacerbate the situation
- ⊙ Believe that they are dealing with one or two isolated complaints, unaware that colleagues are also dealing with similar ones and that cumulatively there is a pattern that indicates a much more serious problem than is apparent.

If you outsource that part of your activities – for example overseas manufacturing or customer relations - the people handling what could become a major threat to your global reputation and thus corporate survival will be employed by a company

with a totally different culture and values. Indeed, they may well perceive that it is in their best interests to keep the problem from you.

External:

- ⊙ Something that you are doing becomes increasingly offensive to some people. Initially their views might be in the minority but they gradually gain more popular support, maybe rapidly accelerated when their cause is taken up by a sector of the media, a celebrity or a mainstream NGO, or when something propels it onto the front page. Your non-involvement in the early stages will deny you the opportunity to engage with the issue, and may result in you appearing to be uncaring or arrogant. An example is labour conditions in your operations or those of a subcontractor in a developing country.
- ⊙ An allegation is made by the local press about one of your companies or activities. They may not spot the report locally and even if they do they may not report it inwards. If it is taken up by the international press it could be very serious. Under those circumstances, if the point at which the centre becomes aware of it is an accusatory call from a reporter asking for a comment before a publication deadline you have no information on which to respond. In a large, diverse organisation it could take you days, if not weeks, before you can confirm or deny it. Meanwhile, your repeated "no comment" or, worse still, knee-jerk denial could do you massive harm.

Tarnished by association:

- ⊙ The crisis that happens to another organisation in circumstances when you run the risk of being confused with them - because you provide a similar product or service, you are assumed to have similar weaknesses or to have done similar things. For example, security leaks by the providers of electronic banking.
- ⊙ The only way of avoiding being tarnished by association is to be able to differentiate your organisation, brand or product and get that message out quickly and authoritatively. Of course, that is only viable if the differentiation is genuine and not just something put together by your marketing department, or your lawyers, as a quick fix, or to capitalise on the situation.
- ⊙ Often the window of opportunity for you to make your differentiation is very small – while the story is still hot, while opinions are still being formed. Therefore the processes described below will be vital.

The solutions

Dealing with these things requires a combination of:

Spotting the issues that might escalate by creating your Reputation RM profile.

It is simply not effective or viable to monitor everything that goes on internally or externally that could explode into a crisis. Fortunately however, less than 1% of what goes on is likely to produce more than 99% of the crisis potential – provided you have pre-identified where to look for the 1%.

An integral part of the reputation RM process is to identify the range of scenarios that are most likely to cause a crisis. That knowledge can then be used both to shape/stress-test your preparedness and focus your radar.

Spotting the 1% requires a combination of:

1. **Internal knowledge** – what do we do that could backfire and cause a crisis?
2. **External experience** – what issues, errors and crises that have hit other organisations might we also be vulnerable to?
3. **External knowledge** – in areas that are relevant to us, what issues are being researched, contested, lobbied or publicised? Which NGO's are involved and how active, credible and powerful are they?
4. **Stakeholder knowledge** – which are our key stakeholder groups and what are their sensitivities and expectations of us?
5. **Open, honest thinking** – without denial or fear of discussing the taboo, and against an acceptance that things could really go wrong and that we just might make mistakes.
6. **Imagination and lateral thinking** – vital in a rapidly changing world.

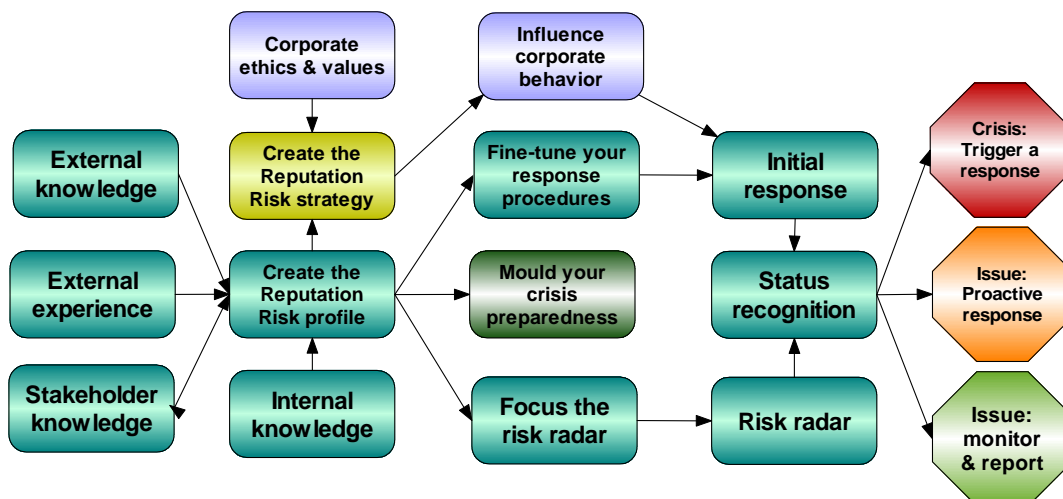
The right external facilitator can add great value to this process. In the author's experience of fulfilling this role, it is very rare for any organisation to be able to meet these needs internally – not only because of lack of the necessary external knowledge, but because corporate politics and taboo areas will allow critical assumptions to go unchallenged.

Of course organisations change and the outside world usually changes even faster, so this process has to be refreshed and repeated as necessary.

One of the outcomes of this stage of the process should be to consider, at board level if necessary, whether any of the activities identified as being potentially harmful to your reputation or to stakeholder relationships should be discontinued or modified. Reputation Risk Management is not just about dealing with an issue that goes wrong, it is about the optimum balance between proactive and reactive measures, and between commercial and ethical imperatives. In the words of Kevin Roberts, worldwide CEO of Saatchi and Saatchi, "You cannot hide behind a brand name or logo. If you have sweatshops in Asia, if you don't have a sound environmental policy, if you are not socially and morally friendly (the consumer) will punish you by not buying you. And that is because I can buy a perfectly suitable alternative, because I don't believe in you – I don't trust you." With slightly different words similar sentiments apply to B to B and the public sector.

The broader context – Creating your Reputation RM strategy

The various stages of this process, within the context of the creation of your reputation risk management strategy, are therefore:



Monitoring the issue

Having spotted an issue that could escalate you need to be able to:

1. **Expand your knowledge of it** – as appropriate, by internal enquiry, internal investigation and/or heightened use of news searches and business intelligence.
2. **Contextualise it** – what local politics and issues in the country in question, and what other events and developments, might affect it? Many a multinational organisation has tried, to their cost, to handle a crisis from head office, or with a team from head office, without such vital local knowledge.
3. **Analyse it** – where does the issue sit in the context of other relevant internal and external developments – including our own forward planning? How are your key stakeholders (audiences) likely to react to this if it develops?
4. **Escalate your own internal response** at the right time. Declaring “crisis” too often will rapidly cause lose the process credibility; avoid this by pre-defining the points at which the issue should receive increasing attention and give the responsibility for key decisions, for example to pull in a full crisis team, to someone with the appropriate skills, judgement and training. There are simple assessment processes that can be used by those making a severity judgement.

All of these stages will require the acceptance that your organisation could actually have done something wrong and that pro-activity may be required.

A key part of this process is to understand how an issue that starts off in the domain of a minor player such as a local pressure group or local newspaper can escalate into the hands of the national or international media or a global pressure group, and in the process of escalation brings in other parties. For example:

- ◉ The media may take up an issue that a pressure group is campaigning on, or vice-versa
- ◉ Other parties such as politicians, regulators and other pressure groups can also become involved.

Armed with the knowledge called for in stages 1 to 3 above, plus an understanding of how reputation crises typically unfold, the likely progression of the crisis can be modelled at an early stage to enable its course, and impact, to be predicted. As a result, you can both fine-tune your response strategy and further refine the focus of your monitoring and information gathering.

Reacting to an issue

This is a subject for a separate article, but your prompt actions will only be worthwhile if you handle the issue properly once you intervene. Indeed, failure to do so could be counterproductive. Immediate options will include changing your behaviour, entering into a dialogue, investigating and closely monitoring.

Unless you have checked, double checked and triple checked and are so confident that both the whole board and your legal advisors are prepared to resign en masse if you are wrong, (a wonderful way of concentrating the mind and ensuring that the issue will be thoroughly investigated BEFORE anyone opens their mouth on the subject) no one should categorically deny responsibility, involvement or blame. Doing so, and subsequently being found out, can do a hundred times more damage than if you had made a suitable holding response whilst urgently seeking the truth.

David Davies is Managing Director of Davies Business Risk Consulting Ltd. He also heads the reputation risk and crisis management stream for idRisk, a network of specialised, independent risk advisors who are regarded as experts in their respective fields and who can provide customers with comprehensive, high quality unbiased advice on, and solutions to, all aspects of risk a company may encounter.

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