BOOK REVIEW

THE REPUTATION RISK HANDBOOK

Surviving and Thriving in the Age of Hyper-Transparency

Andrea Bonime-Blanc, Do Sustainability Books, Oxford 2014,
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Reputation risk management is not the same as crisis management planning. If you have to wait, it is already too late. Andreas Bonime-Blanc makes this point clear with numerous real world examples in her short, lively, practical guide to reputation risk management. She has given the book the sub-title of being a road map for "Surviving and Thriving in the Age of Hyper-Transparency". And so it is. The author in the very first paragraph tells us she is not writing a scholarly book. She says "[t]his is not that [kind of] book. This Handbook is about providing organizational practitioners—managers, executives and directors—with context, content and tools to accomplish two core strategic objectives: understanding and managing reputation risk and transforming risk into value."[1] There is something to be said for pursuing practical goals, however much this reviewer hopes the author will eventually write the more scholarly book. Reputation risk suffers from being too little understood. We would do well to study its causes and effects more closely. This little book makes a serious contribution to the debate, but the problems of risk management are too complex for a little book. We will have to wait for a more serious study from Ms Bonime-Blanc.

Nonetheless, her practical advice is not bad. And this book provides it in spades. If you missed the compliance crises in the newspapers, you can read the stories about them here[2]: Apple/Foxcom (labor and human rights risks); Sewol Ferry Sinking in South Korea (safety risk); Target (theft of customer information); BP Horizon (oil spill and environmental risk); General Motors (safety switch miss-design-and product liability risk); GSK and Wal-Mart (bribery risk); HSBC, RBS, Barclays, (interest rate fixing and employee risk); UBS and Deutsche Bank (tax evasion and fraud risk); BNP Paribas (evasion of sanctions and regulatory risk). To these we can add the news stories of a few years ago made famous by the names of Enron, Tyco, World Com, Arthur Anderson and Lehman Brothers. And the ongoing risks faced today by such companies as UBER (business model risk), Sony Pictures (cybersecurity risk) and News Corp (phone hacking risk) and by the sports organization FIFA (bribery risk). With such daily challenges it might seem better for a CEO not to get out of bed in the morning. More than one must get cold feet at board meetings. Regrettably, life is not risk free. The key is to focus on the big risks. But what are they?

A recent Deloitte survey of 300 C-suite executives at global companies at least identifies what is on their minds. By wide margins, the survey shows that the top three risks facing multi-national companies (in the minds of those who run them) are ethics, cybercrime

1 Andrea Bonime-Blanc, *The Reputation Handbook: Surviving in the Age of Hyper-Transparency* 17 (2014).

2 *Id.* at 24, 26-28, 30-31, 45-47.

and product liability.[3] More interestingly still, more than 39 % ranked their organizations "average" or "below average" in assessing these risks, while only 19 % gave themselves an "A".[4] Based on this survey, Ms. Bonime-Blanc has found a receptive audience for her *Reputation Risk Handbook*.

The challenge is to get past the truism—made famous by Warren Buffet—that "[i]t takes 20 years to build a reputation, and five minutes to lose it."

There is no doubt that we live in an era in which transparency is measured by the speed of Twitter, as was sadly learned by IAC, a global media company, when its vice president Justine Saco tweeted "I am going to Africa. Hope I don't get Aids. Just kidding. I am white." [5] She was fired en-route to her destination. Or by KFC (Kentucky Fried Chicken) with the now viral social media rumors started by a competitor alleging KFC serves eight legged chickens (not true).[6] This is the result of modern technology making communication both instantaneous and ubiquitous. Unfortunately, we cannot turn back the clock to a slower age, even if we would like to. The more important question, however, is whether we can live as naked organizations. The risks to a global enterprise (financial, legal, political, physical/natural etc.) will always be there. What is different now is that organizations are transparent about these risks because there are no secrets in this increasingly globalized world. Everyone (including regulators, WikiLeaks, Edward Snowdon among others) knows what you are doing or they can find out without too much effort. The challenge is thus how to meet old and new risks to reputation in an utterly transparent world.

Here Ms. Bonime-Blanc offers us a tool-kit from the front lines. She explains that "as the CEO of and founder of a strategic global governance, integrity, reputation and advisory firm, I have seen a full 360 degrees of reputation risk several times over."[7] With such experiences in mind, Ms. Bonime-Blanc is able to provide us with a framework for identifying and analyzing corporate risk. It reads like a course description for a class titled Risk Management 101:[8] create a formal risk assessment process; conduct risk assessments

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3 Deloitte, *2014 global survey on reputation risk: Reputation@Risk* (Oct. 2014), *available at* http://www2.deloitte.com/global/en/pages/governance-risk-and-compliance/articles/reputation-at-risk.html.

4 *Id.* at 10.

5 Bonime-Blanc, *supra* note 1, at 48.

6 Ben Dipietro, *Crisis of the Week: KFC Fights 8-legged Chicken Rumors*, Wall Street Journal: Risk and Compliance (June 15, 2015 at 11:36 AM ET), http://blogs.wsj.com/riskandcompliance/2015/06/15/crisis-of-the-week-kfc-fights-8-legged-chicken-rumors/.

7 Bonime-Blanc, *supra* note 1, at 18.

8 Bonime-Blanc, *supra* note 1, at 84-92.

and monitoring; review organizational structures and redeploy human resources to weak areas; tackle risks as cross-functional problems in matrixed organizations; educate the business unit managers on key risks; prepare public relations plans; set out clear and objective policies for employees to follow; provide training; encourage a speak-up culture; review post-crisis event responses; improve strategic and business plan integration; ensure board oversight; and pay close attention to industry benchmarking.

While it is hard to discern what to make out of this lengthy menu, Ms. Bonime-Blanc's most valuable suggestion, however, is in calling for organizations to establish and empower a high level individual within an organization as its Chief Integrity and Reputation Officer (CIRRO). This person "would act as the executive in charge of a holistic strategic approach to these issues, their coordination and relationship to entity strategy, reporting to both the CEO and the board. The CIRRO would serve as the chair of a global integrity, risk and reputation committee where all manner of related issues would be handled and in-house experts would periodically coordinate policy tactics and strategy on these issues."[9] It is a tall order for a mere human.

In some ways, the *Reputation Risk Handbook* sometimes appears to be talking past us. Is there really more of a problem here than meets the eye? At one level, the professional risk community has missed reputation risk in its entirety. In 2004, the Committee of Sponsoring organizations of the Treadway Commission (COSO), a group of USA accountants and financial executives issued guidelines for internal controls that established enterprise risk management (ERM) as an important and valuable risk analysis tool. Although the ERM process is now widely used in most large corporations, and the COSO analytical framework covers every imaginable risk, the guidelines do not contain a single word about reputation risk. What seems to be missing is not the deeply held belief that reputation risk exists—this is evidenced by the Deloitte survey of senior business executives—but the lack of a way to think about it in a structured manner: in other words, how to accurately identify and quantify reputation risk. Here is where Ms. Bonime-Blanc needs to write the scholarly book she eschewed at the outset for a more pragmatic approach. But this is not her failure alone, but the failure of the larger legal and compliance community. As Eccles, Newquist and Schatz wrote in a 2007 *Harvard Business Review* article titled: *Reputation and its Risks*—"reputation is a matter of perception."[10] Indeed, it is in the eye of the beholder as well.

The goal of any strategic effort to address reputation risk must necessarily identify the perception/reality gap and close it.[11] This means that any framework for identifying

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9 Bonime-Blanc, *supra* note 1, at 74-75.

10 Robert G. Eccles et al., *Reputation and Its Risks*, HARVARD BUSINESS REVIEW 104 (2007)

11 *Id.* at 104-105.

reputation risk must measure its perception among the organization's stakeholders, *e.g.*, employees, shareholders, executives, customers, suppliers, the media, civil society, government regulators, the public at large etc, and must monitor how it changes.[12] Beliefs change. As a consequence, a company's reputation is not fixed in time, but is always shifting. It must therefore be monitored. In fact, a companies' reputation must be measured rigorously through surveys, public opinion polls and focus groups.[13] There is no better way to find out what people are saying about your company than by doing a Google search. And, of course, what can be measured can be evaluated. Simply because you find nothing bad online about your company does not mean your company has a good reputation—it may have none at all. Corporate executives should ask themselves whether their own perception of their organization matches reality. If not, then something should be done about it. This is not an exercise in "spin control".[14] We must first "mind the gap" and then close it so that a company's perception and reality are the same. While this is not an easy task, it is a critical one.

The writers mentioned above from the *Harvard Business Review* also echo Ms Bonime-Blanc's call to put one person in charge of assessing and evaluating reality, identifying and closing gaps, and monitoring changing beliefs and expectations.[15] They have found that coordination is often poor in large, global organizations because the CEO has not assigned this responsibility to a specific person. Modern CEOs have too many responsibilities to take on this added burden. Therefore, if there is any single lesson to be learned from the *Reputation Risk Handbook* reviewed here it is that a company's reputation is too valuable to be left unprotected. It requires constant vigilance. It needs a full-time guardian. And unless that guardianship is mandated a company's reputation may well get lost.

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[12] *Id.* at 105-107.

[13] *Id.* at 107-112.

[14] *Id.* at 108-114.

[15] *Id.* at 112-114.

Reputation and Its Risks. by. Robert G. Eccles.Â Most companies, however, do an inadequate job of managing their reputations in general and the risks to their reputations in particular. They tend to focus their energies on handling the threats to their reputations that have already surfaced. That is not risk management; it is crisis managementâ€"a reactive approach aimed at limiting the damage. The authors provide a framework for actively managing reputational risk. They introduce three factors (the reputation-reality gap, changing beliefs and expectations, and weak internal coordination) that affect the level of such risks and then explore se She is author of The Reputation Risk Handbook (published in English, Chinese and Spanish) and the Conference Board Research Report, Emerging Practices in Cyber-Risk Governance. In 2015 and 2014, Ethisphere named her a â€œ100 Most Influential People in Business Ethicsâ€. She served for two decades as a senior corporate executive at several international energy, technology, media and professional services companies (Bertelsmann, PSEG, Verint). Risk Assessment Handbook. 1 Introduction. Digital continuity is the ability to use your information in the way you need, for as long as you need.Â This enables you to operate transparently, accountably, legally, and efficiently. It helps you to protect your reputation, make informed decisions, avoid and reduce costs, and deliver better public services. If you lose information because you haven't managed your digital continuity properly, the consequences can be as serious as those of any other information loss. 1.1 What is the purpose of this guidance?