**Level 3: Future Proofing Strategies**

**Teachers Note:**

**Reputation Risk**

Reputation risk is the chance that a company’s good name or image could be damaged. This can happen if the company makes mistakes, treats customers badly, or faces unexpected problems. Having good strategies to protect and improve a company’s reputation is important because it helps people trust the company, keeps customers loyal, and makes sure the business can continue to succeed even when challenges happen.

**Task**

Working in groups read the article “***What to do about reputation risk***”. Summarise the key points on managing reputation risk

**Activity:** Understanding reputation risk and how to manage it

Objective:  
Learn what reputation risk is and explore ways agribusinesses manage this risk.

**WHAT TO DO ABOUT REPUTATION RISK**

**So, you know that reputation is a strategic risk - but what do you do about it?**

Reputation is not tangible, nor is it static. You cannot 'manage' it in the same way you can physical assets.

Assuming you are serious about addressing reputational threats, there is a key question: what metrics do you use? How do you evaluate the risks and then ensure that the management team addresses them effectively?

Some metrics are proprietary, developed by companies who make a living by promoting and implementing their particular approach. That could be expensive. It does not have to be that way. There is a simple set of steps your board, or your board together with senior executives, can take. It starts with taking a level-headed look at the environment you are operating in. Where might the risks arise, from whom? Do not forget to recognise that something totally unexpected might sideswipe you, too.

It can help to involve an outsider in this situation analysis: you might well be so close to your organisation's operations that you're a little blind to the possibilities.

Now think about where your key stakeholders fit in this environment. As you look at stakeholders, there will be some whose power and influence make them stand out above others.

Make a list of the top four or five. With some stakeholders, all you need to do is show consideration and meet their information needs. Other stakeholders will be 'determined detractors' - people who will never be on side, no matter what you say or do. Be nice to them and invest your energies elsewhere.

Then make your own assessment of where you stand with the key stakeholders. Is your reputation with them, what you would like it to be? If not, how big are the gaps?

Your benchmark needs to be your own list of what attributes you would like to have associated with your organisation's reputation (which, by the way, is not the same as brand. Brand is the promise you make to your stakeholders, while reputation is their evaluation of your delivery against that promise).

For example, do you want to be seen as dealing quickly with the situation when things do not go right for customers using your products or services?

If this is not how your key stakeholders see you, there is a gap that needs to be bridged, and you cannot do it with public relations. Operational steps will be needed.

Once you have made a list of where you stand with the major stakeholders, commission some qualitative research to test your findings. You may have had an overly rosy view: it is time to 'sanity check' it.

The next step is to do some scenario planning based around your findings so far. What would an optimal outcome look like with each of your key stakeholders? How exactly would it be different from your current situation? If you had an ideal reputation with those important to you, what would you be concerned about, compared with your current concerns?

Your scenario planning will provide some keys to designing gap-bridging strategies. A key question is not 'what's wrong now and how can we fix it?' but 'what is working well, and how can we amplify it?'

That is not a naive, glass-half-full approach. It is based on recognising that it is easy to get caught in a 'problem-solution loop': the more problems you find and solutions you develop, the more you find to deal with. It can be a never-ending spiral.

Thinking about what is working well simply puts a different perspective on things, one from which it is easier to identify how to address the issues you will inevitably face.

Then you not only implement strategies and associated tactics but (and here comes the hard bit) monitor continuously. There is a somewhat outdated idea about 'reputation capital' - that if you are seen to do good long enough by the right people, you can build up a 'goodwill bank' to be drawn on in time of crisis.

That is fine as far as it goes, but it does not go far enough. Research suggests there is some shielding effect if you have a good reputation prior to a crisis. People are more willing to give you the benefit of the doubt, to see an event as a one-off rather than as systemic. They are less likely to walk away from you quickly, more likely to stay loyal. However, reputation is not like money in the bank. It changes as stakeholders acquire more information. In a 24x7 media environment, that can happen any time of the day or night. So, one reputation audit will give you only a slice of life at a point in time. Ideally, you will get your PR or research company to monitor it for you, week by week.

Of course, you could face reputation threats from people or events you never thought possible. Then it is a matter of looking past the immediate crisis response to implement longer-term reputation repair. There are recognised strategies for doing that. But do not wait for the crisis: start acting now to identify and prepare yourself to address the reputation risks in front of you.

**Summary of key points on managing reputation risk**

* Reputation is intangible and constantly changing, so it cannot be managed like physical assets.
* To manage reputation risk, start by understanding your operating environment and where risks might come from, including unexpected events.
* Involve outsiders in this analysis to get fresh perspectives.
* Identify your key stakeholders (top 4-5) based on their influence and power.
* Assess your current reputation with these stakeholders and compare it to the reputation you want.
* Understand the difference between brand (the promise you make) and reputation (how well you deliver on that promise).
* If there are gaps between current and desired reputation, operational changes, not just PR are needed.
* Use qualitative research to test and confirm your reputation assessment.
* Conduct scenario planning to imagine ideal outcomes with key stakeholders and figure out how to close gaps.
* Focus on what’s working well and build on strengths instead of only fixing problems.
* Implement strategies and monitor your reputation continuously, as it changes quickly, especially in today’s 24/7 media environment.
* Having a good reputation can help during crises, but it is not a “bank” you can draw on indefinitely.
* Prepare for unexpected reputation threats by planning ahead, not just reacting after a crisis.
* Start early with identifying and addressing reputation risks rather than waiting for problems to happen.

**Activity:** Understanding reputation risk and how to manage it

Objective:  
Learn what reputation risk is and explore ways businesses manage this risk.

Instructions:

Work in groups.

1. Think about a brand you know.  
   Pick a company or brand you know well like a Fonterra, Zespri, Ballance Agri-Nutrients, Rabobank, Beef + Lamb NZ, DairyNZ, or a tech company such as Halter.
2. Identify reputation risks.  
   Write down 2-3 things that could damage this company’s reputation. For example, bad customer service, a product recall, or negative social media posts.
3. Imagine the impact.  
   How do you think these problems would affect the company? Think about how customers, stakeholders, or the public might react.
4. Suggest strategies  
   For each risk you listed, come up with one or two ideas the company could use to protect or fix its reputation. Examples might be; apologising quickly, improving product quality, or communicating honestly with customers.
5. Share and discuss  
   Share ideas with the class. Discuss which strategies you think would work best and why.

**Question:**  
Why do you think it is important for companies to have plans to handle reputation risks before problems happen?