

This 'new world' presents significant challenges for reputation management

This week's incredible election of Barack Obama as US President marks another milestone in 18 months of dramatic economic, political and social change. In this first issue of ReputationMatters, RL's Tim Johnson reflects on the lessons of recent events and the implications for reputation management.

For the last 15 years, we have enjoyed unparalleled prosperity. Businesses were delivering double digit growth, the capital markets were riding high, unemployment was at an all time low and house prices were creating middle-class property millionaires across the world. Then, abruptly, the good times stopped. The credit markets seized up and dark economic clouds now pervade.

What the future holds is hard to predict. What is certain though is that organisations will face a number of reputation challenges in the months and years ahead.

Before we look at these challenges, let us pause to reflect on just some of the reputation management lessons that Obama's election, the financial meltdown and other organisational challenges over the last 18 months have taught us:

- The management of the collapse of the UK's Northern Rock bank by the country's tri-partite system reminded us that **strong, skilled and unambiguous clarity of leadership in a crisis is imperative**.
- The media, societal and regulatory backlash against elements of the financial community, particularly hedge funds, as the financial crisis grew is clear demonstration that a sustained approach to **building relationships to develop a strong reputation in peacetime is business critical**. Arrogantly ignoring key stakeholder groups when things are going well

exacerbates problems faced when things go wrong, which they inevitably will at some point.

- Barack Obama's highly disciplined campaign has demonstrated that organisations that **ignore the internet, social networking and 'new media' do so at their peril**. The Obama team chose to raise much of its staggering \$600 million war chest online and robustly defended allegations and rumours with its 'Fight the Smears' website.
- The Chinese melamine scandal has demonstrated again that **organisational reputation is only as strong as the weakest link in the supply chain**. Companies need to understand the reputational as well as the technical implications of where, but most critically, how their raw materials are produced, by whom and under what circumstances.

It would be time well spent for organisations to review their own current vulnerabilities in the light of these lessons and ask how improvements can be made. Worst case scenario planning should also become a key part of the strategic business planning process. If the financial crisis has taught us anything, it is that the seemingly unthinkable can and does happen.

Organisations must, however, also look forward to the reputation challenges they may encounter in what some commentators are calling a 'new world order'. So what are they?:



- Organisations must recognise that **values have changed and organisational behaviour must reflect this**. Perceived waste or frivolity - be it Starbucks leaving taps on in stores or Goldman Sachs continuing to pay huge bonuses - will be punished by the media and consumers, and attract the wrath of governments keen to be seen to reflect the views of the electorate.
- The US election and economic woes may have temporarily overshadowed interest in some of the big societal issues of the day such as climate change and obesity (see Issues Watch), but it would be quite wrong to think that these have gone away. Indeed, an Obama administration sees climate change as a top priority and UK Prime Minister Gordon Brown has emphasised his commitment to tackling it. **Organisations should use any respite in interest to get their houses in order on these significant societal issues**. Trust in business is likely to reach a new low following the financial crisis. Profit-making organisations are likely to have to explain or defend their positions on such issues with even more clarity.
- **Approaches to relationship building will need to reflect the now more complex stakeholder environment**. Economic downturns often spur protectionism from national governments. But, many organisations will need capital - and indeed customers - from the cash rich Middle East and Asian economies. Navigating this difficult path won't be easy. Managing these relationships at a local and international level - and explaining them - will require great care and consideration.
- A further consequence of economic downturn is the impact on staff. Morale is likely to decrease as staff feel the pain in their domestic budgets and fear potential redundancies. **Motivating staff and approaching any required restructuring and redundancy programmes with foresight and consideration will be key**. It is, after all, your colleagues at all levels who take your organisational message to so many stakeholders and have such an influence on how your reputation is built and maintained.

While we haven't had the space here to be exhaustive in our reflections or predictions we hope the above provides food for thought. We will revisit these words a year from now and reflect again on whether these lessons have been learned and indeed whether the challenges we identified were the right ones.

In the meantime, we welcome opinion from readers on the thoughts outlined above. What lessons have your organisations learned and what are the reputation management priorities for you going forward? Tim would be happy to hear from you and can be reached at tim.johnson@registerlarkin.com.

