

# Practical steps to help protect your reputation\*

Most leaders know that an event or situation causing damage to their reputation can have long lasting effects on their company or brand but few have a true understanding of how to prepare for these unforeseen events.

Reputation risks are nebulous—they can literally appear overnight and spring from a variety of areas. They can also be caused by environmental, regulatory and operational business practices that were once considered acceptable but, due to changing society views, are no longer tolerated. These trends make it difficult for companies to effectively address reputation risk.

## Tackling reputation risk

Reputation risk can be defined as a company's potential loss of revenue or market value due to negative opinion from stakeholders. Your company has likely identified many potential risk areas and may have implemented measures to address these issues. However, these processes are often informal and not well documented. Here are some steps you can implement to help manage reputation risk:

- Implement a proactive screening process—A screening process can filter out inappropriate employees, establish limits on conduct or business that could cause reputation risk and monitor external opinion of your corporate conduct. A classic mistake many companies make is to copy the actions of other organizations, particularly those in the same industry, without carefully considering the approach and potential pitfalls. Also be sure to have an effective escalation mechanism, perhaps within a control function, should your normal reputation risk management processes fail.
- Have effective control functions—Strong control functions such as internal audit, risk management and compliance can protect your company and provide effective checks and balances within your system. Avoid mechanical processes including box-ticking exercises to help create a meaningful and dynamic risk assessment.
- Implement an effective umbrella group that oversees the company from a broader perspective—Even senior executives can suffer from a limited view of the world. By establishing effective linkages across your organization by both line management and control functions, your organization can develop a holistic view of reputation risk.





### Who to call

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- Establish regular communication across the organization—This means going beyond sporadic information sharing to holding regular meetings to discuss and debate the potential reputation risk issues. Your direct involvement will emphasize the message that preserving the company’s reputation is essential.
- Prohibit certain types of business or transactions outright—Limit the types of transactions subject to reputation risk scrutiny. Sometimes, this is simpler than administering a complex evaluation process.
- Cap fees in an area that is perceived to be costly—Limiting fees can lower perceived risk and is a proactive measure to withstand negative scrutiny from stakeholders.
- Perform a gap analysis—A gap analysis will help determine the obvious opportunities for improvement in your risk controls and provide detail on how explicit your organization has been about the importance of preserving its reputation.

As the external environment and perceptions evolve, you need to keep pace and adjust your business practices and risk management approach accordingly. By reviewing your internal processes, you can be prepared to withstand any assaults to your organization’s reputation.

### How can PwC help?

You may find that you are too close to the action to provide a fresh perspective. At PricewaterhouseCoopers, we can review your practices and refresh your approach to reputation risk management. Our trusted business advisors can also help your company adopt any required mid-course corrections to control functions, processes or systems. The biggest challenge in reputation risk management is determining where regulators, law enforcement, class action lawyers or public perception is headed next. We can help you plan the course.

Brenda Eprile, FCA and Dorothy Sanford, FCA are PwC partners and former senior securities regulators who specialize in assisting companies and boards of directors with regulatory and risk management issues.