



# A NEW DEFINITION OF CRO: CHIEF REPUTATION OFFICER

## WHITEPAPER

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**What does CRO mean to you? If we think in terms of standard corporate acronyms like CEO and CFO, CRO could still have several different meanings. Today, one of the traditional designations for the CRO is the Chief Risk Officer, or the executive in charge of making sure an organisation does not fall foul to any financial, compliance or strategic threats, among others. Recently, CRO has also been used to designate the Chief Revenue Officer, or the executive who has responsibility for all revenue generating activities including sales and product management. However, given the explosive growth and impact of social technologies and ever increasing levels of competition, we believe that the role of the CRO has been redefined in the form of the Chief Reputation Officer.**

This new executive role is responsible for ensuring the health, wellness, and protection of your brand and your reputation. The CRO must own and address a comprehensive strategic plan to address and reduce reputational risk across all markets, channels, and products. CRO has been redefined; if yours has not, then you could be exposing yourself to the unforeseen challenges around the corner.

The CRO could have seen that a CEO dramatically increasing prices for pharmaceutical products, for example, would have a negative impact on a brand, but probably could not have foreseen that same CEO's arrest on fraud charges on different grounds. All the CRO could do in this case would be to execute their strategies for damage limitation, many miles ahead of the counterpart with no strategy at all.

## WHAT IS REPUTATIONAL RISK?

*“Executives estimate that, on average, 60% of their firms’ market value is attributable to its reputation.” – Research by Weber Shandwick*

Reputational risk is any threat to your brand’s reputation as it is perceived by customers, employees, and other stakeholders including investors, regulators, partners and auditors that would result in a risk of loss, financial or otherwise.



If stakeholders are being flooded with bad reviews, negative press, the knock on effects of unscrupulous actions, or even perceived threats such as untrue accusations: your reputation will be harmed, however stable you may think it is. Bad news travels fast and wide thanks to social media, reaching your stakeholders directly, with disastrous effects if you do not have measures in place to reduce threats or see them off entirely.

Global risk consultancy Deloitte recently conducted a survey, and they discovered that “Eighty-seven percent of the executives surveyed rate[d] reputation risk as more important or much more important than other strategic risks their companies are facing.” Reputational risk should, therefore, have at least the same priority as financial and compliance risk for example; and the creation of the position of Chief Reputation Officer proves that this need is getting noticed.

Reputational risk is a very real threat, and it cannot always be foreseen or be planned for. So how can you move from reacting to a crisis when a threat to your reputation occurs, to continually managing risk and maintaining your reputation?

Become pro-active to be reactive, rather than reacting to the latest fire drill to hit your company.

## THINKING IT THROUGH

Filling the role of Chief Reputation Officer is a key to managing reputational risk. But imagine a brand you like...

What is it you like about it?

Is it reliable, trustworthy, or maybe you prefer their products?

Now imagine a brand you don’t like.

Why don’t you like it?

Are the products bad, were you left with a sour taste in your mouth after a particularly bad interaction?

As customers, we have certain perceptions of brands based on how they interact with us, their products and services, any regulation or security breaches, or how their staff and the group as a whole behaves ethically.

What would happen if we turned that focus inward, to our own companies? What would our perception be based upon? Reviews, word of mouth, or news stories?

Now you’re starting to think about reputation too, and Reputational Risk.

## SO HOW DO YOU START TO MANAGE YOUR REPUTATIONAL RISK?

You may think you only need to take action if there is an acute risk to your reputation, or that it is only the Chief Reputation Officer’s responsibility. While the CRO definitely does need to act when a threat is in progress, you also need to be well prepared so you know just what action you are going to take. There may even be risks occurring right now that you are not aware of, including how you think you are perceived versus how you are actually perceived. You know how you want your brand and reputation to be viewed, but do you know what your stakeholders think? Have you tapped into social media to hear the popular opinion? If there is a large gap between these perceptions, it is most definitely time to act, and creating a plan of action now will help you for future threats and risks.

**PLAN YOUR STRATEGY:** Your CRO shouldn’t be waiting until you are in the middle of a threat to your reputation to act: part of their role is to start thinking about possible scenarios now

and if the current processes are adequate if a threat did happen.

Deloitte's survey discovered that "39 percent [of the people surveyed] rate the maturity of their reputation risk programs as "average" or "below average" and only 19 percent give themselves an "A" grade for their capabilities at managing reputation risk." By starting afresh or enhancing your existing processes, you will make sure you are always one step ahead of a threat.

#### PAUSE FOR THOUGHT:

- What are your areas of risk? Start assessing where threats are most likely to come from. When you know which areas are high risk you can ensure you have the resources and plans in place to tackle a threat and not have to scramble for last minute assistance.
- What is your current state as opposed to your ideal state? Are your customers brand advocates? Are your employees happy to come to work? If not, why not? Look to social media, to complaints, to news stories, to evaluate what is being said about your brand and reputation to know exactly how to improve it.
- When are you going to start? Set a date to move changes from being ideas to being implemented as processes. It is easy to think about what do to, but putting a timeline in place will ensure tangible reputational risk management.
- Are you going to continue to monitor your process and improve on it? You've assessed, you've evaluated and you've started: but without an ongoing plan to keep an eye on what works and what doesn't, you may not improve at all.

## TACTICS TO IMPLEMENT

**PLAN:** Outside of the CRO, have a plan of action that can be implemented as soon as, and maybe even before, your reputation is at risk.

- **Who is in charge of reputational risk?** The rise of the position of CRO since the financial crisis proves there is a need for an executive level owner. If you don't have a CRO, having someone who is ultimately responsible for your reputation and can gather information about the wider landscape will help to unify your processes and drive improvements.

#### - Have you role-played through potential scenarios?

Imagine the worst threat you could possibly receive. What does it look like? Who does it come from? Why has it happened? Although it's not something we like to think about, considering what could potentially happen to damage your brand will help you set up steps to take if the worst does happen.

- **Have you got an arsenal of credentials?** Start building up your paperwork. If an untrue threat came in to a restaurant about poor quality, but the restaurant had no certification from their standards agency to show their quality was excellent, they would have to work even harder to rebuild their now damaged reputation in the eyes of their stakeholders, namely customers - those who put money into the business.

#### - Is your front line empowered to respond to a threat?

Those who are in direct contact with customers, such as Customer Service, complaints handlers and your sales agents, could be the first to hear about reputational risk. They need to be prepared and well equipped to manage the risk and threat before it escalates.

- **Do you have systems in place?** Technology can be a tremendous weapon in managing reputational risk. The consolidation of customer input from multiple sources including traditional and social is a key first step. However, real return on investment is achieved when an organization can begin to dive into root cause analysis and remediation.

#### EXECUTE AND EXCEL:

- **Are you prepared to react quickly?** Time to response is critical in the execution of any reputational strategy. Customers expect an immediate and sincere response regardless of the threat. An organization that closes ranks for days or weeks in order to craft a carefully worded PR statement is going to be viewed through a very sceptical lens as the threat evolves.

#### - Are your responses proportionate to the level of threat?

Reacting quickly is great, but make sure not to overreact. Attempting to sue someone for leaving a negative review, for example, could only do more harm in the eyes of your stakeholders. Any response needs to be proportionate and thoughtful.

- **Can you engage your advocates and independent spokespeople?** Customers tend to discount the corporate propaganda that is issued in the wake of a reputational

challenge. A well planned reputational risk strategy will have recruited and engaged independent voices that can deliver your message with trust and authority. Consider how you would reach out to your brand advocates to amplify your message during a threat.

**- Do you leverage all channels consistently?** If you have different teams managing different types of communication, it's important to share the same information regarding a threat across all your channels. An inconsistent message will have the same impact as a delayed response: more fuel to fan the flames with.

## CONCLUSION

It only takes one risk or threat to scar a reputation permanently. Being aware of your reputation and what your stakeholders really think about you is the key to managing the upkeep of a great reputation. One local government did just that. It received numerous complaints about pot holes, even after it had gone out and fixed them. Looking into the feedback and comments from people living in its jurisdiction, it found that several of the potholes were around the same area. So instead of just fixing the potholes they knew about, they would also check

out the nearby streets and fill in any they found along the way. This helped to create a hugely positive image in the eyes of its stakeholders: and a reputation of caring about its people, rather than a local government who did the bare minimum with an average reputation. The story never came about a crash due to a poorly maintained road, but should it, then they have their evidence ready to see off the threat.

Are you in a similar position? If not, it's not too late to join the 57% of companies who are planning to concentrate more on Reputational Risk in the future and redefine your processes to make sure your brand reputation is perceived exactly as you want it to be.

Investing in technology can help you to keep tabs on your reputation. Reputational Risk Management software like Respond from Aptean can assist you in noticing trends in complaints, such as an issue with a product or service, and give you the information you need to act fast to prevent a problem reaching more customers and stop it before it dents your reputation.

For more information about Aptean and Respond visit [www.aptean.com](http://www.aptean.com).



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