

Global reputational risk management survey

It's time to harness technology to improve reputational risk management



Companies that manage reputation ineffectively face the risk of negative business-critical outcomes

Reputation-linked losses for companies have continued to increase over the last decade. The 'mis-' and the 'dis-' increasingly attached to information mean that managing reputational risk is no longer a nuisance when things go wrong, but a very real threat that can impact a company.

Insight into reputational risks can substantially improve how companies are able to quantify intangible value. But leaders see a challenge in obtaining and formalising a way to access reliable insight.



The current approach is built on learning from past examples



Companies that invest in scanning for reputational risks have honed their capability to anticipate negative publicity through accumulated experience. Some have begun to develop an ability to sense crucial tipping points and swerve away from crises.

Risk professionals shield their company from damage caused by a range of threats posed by a variety of triggers. A single event can dismantle a company's solid reputation.

There are also incidents where the reputation of an entire industry can be threatened. The Rana Plaza collapse in 2013¹ negatively impacted the reputation of an entire industry. This highlighted the need for reforms to working conditions and prompted new customer demands.

Whether risks are posed by external threats or result from company wrongdoing, some risks can have a long-lasting detrimental impact beyond their own lifecycle.



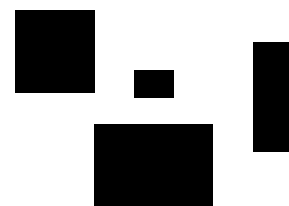
Exploring how companies feel about reputational risk and the challenges it poses



To find out more about how organisations are managing their reputational risk, we asked 200 risk managers and executives about how their organisation handles reputational risk and the tools and services they use. The respondents were drawn from a wide range of industries and geographies representing some of the largest companies in the world.



Our survey results paint a picture of an area of risk management where the challenges are well understood and the threat accepted, but where the solutions available to risk managers are lacking.



¹www.gov.uk/government/case-studies/the-rana-plaza-disaster

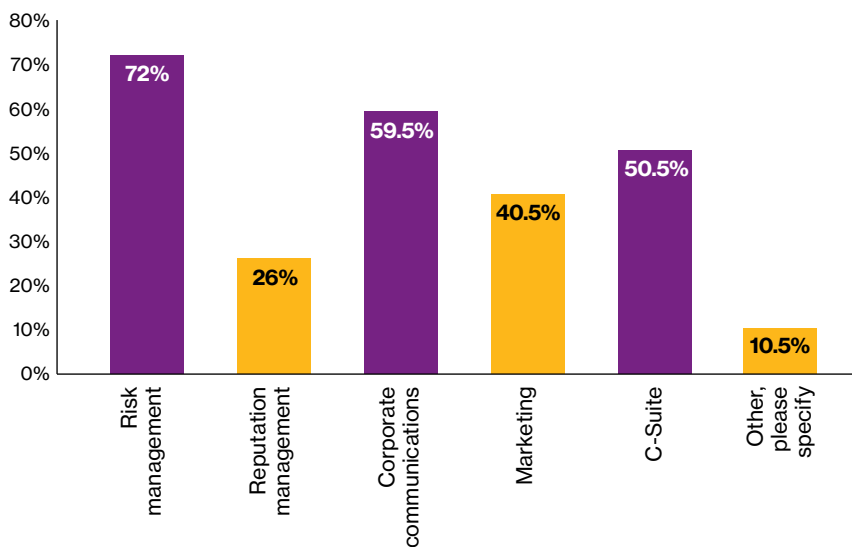
Summary of key findings from the report:

- Seven in ten (72%) report that risk management teams have at least some responsibility for the monitoring, measuring or management of reputational risk.
- Nearly the same proportion said that reputational risk is reported at the C-Suite (60.5%) or Board level (65.5%) within their organisation. Almost eight in ten (79.5%) believe that the focus on reputational risk in their business will only increase in the coming five years.
- The majority of respondents highlighted that reputational risks could result in potentially crippling business outcomes for their organisation such as loss of income (86%) and weakened human capital, because of their reduced ability to retain (61.5%) or attract (56.5%) talented employees.
- Framed against this increasing focus, many respondents pointed out that when it comes to measuring and monitoring reputational risk, they face real challenges in accessing reliable data (51%), with a large proportion (42%) indicating they have inadequate tools to do so.
- Not surprisingly, given the challenges highlighted, many of our respondents indicated they were interested in improving how they manage and monitor reputational risks in some way. 58% said they look for innovative ways to protect their organisation from reputation damage, and 41.5% said they were interested in understanding the benefits of a comprehensive reputation-risk insurance product.



Risk management teams should not be solely responsible for monitoring, measuring or managing reputational risk

Figure 1: Q – Which of the following functions at your organisation have at least some responsibility for the monitoring, measuring or management of reputational risk? (select all that apply)



The responsibility of reputational risk management has long been passed between various departments including marketing, communications and public relations, rather than being seen as a business risk just like any other.

But reputational risk is not like any other. It is a compound risk and needs to be treated as a business-wide strategic issue.



Organisations must build a culture of responsibility when it comes to managing their reputation so that the risks are accounted for in every business decision.

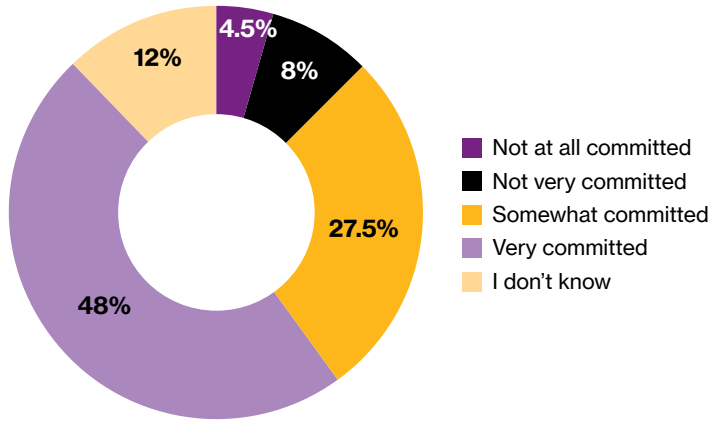
Other, please specify responses:

- OGC and Compliance
- Everyone has a responsibility
- Legal & Compliance
- Innovation
- Legal
- Finance
- Media
- HSE
- Accounts & Taxation
- Finance Department
- Compliance
- Take care of our staff, one of the main speakers
- Food safety team
- Company Secretary
- RRHH
- HR
- Finance, Health & Safety, Directors
- Issue Management
- Relation Clients
- Finance
- Legal

Note: Participants could select more than one option

Reputation risk is reported at the C-Suite or Board level and is likely to be given more focus over the next five years

Figure 2: Q – How invested or committed is the C-Suite to managing reputation risk?

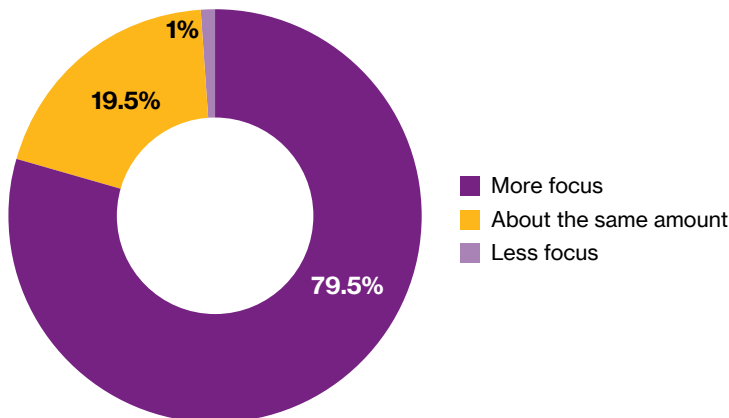


It's often the case that major changes within a business are restricted by a lack of C-suite buy-in. However, our research showed that 75.5% of the risk managers we spoke to felt that their C-suite was either somewhat or very committed or invested to managing reputational risk.

Even with this level of support from senior managers, reputational risk can't be managed effectively without the necessary tools and financing.

Changes to how people consume media, form opinions and perceive companies will contribute to how much focus is given to reputational risk.

Figure 3: Q – In the next 5 years, do you think there will be more focus, less focus, or about the same amount of focus on reputation risk, compared to today?



79.5% of the risk managers we spoke to felt that in the next five years, there would be more focus on reputation risk, compared to today.

Increasing use of social media



Social media platforms are not subject to stringent ethics and reporting quality.

Negative public commentary about products and services can spread incredibly quickly. These are difficult for organisations to target and control through traditional public relations methods. This has also led to wider levels of public mistrust.

Cancel culture



Younger consumers in particular use social media to guide their opinions rather than traditional sources of media.

This has contributed to a strong sense of social justice and the rise of 'cancel culture.'

State-sponsored media manipulation



Rogue nation states have used social media for disreputable objectives, such as electoral manipulation.

These can be targeted at specific companies, such as those that are major players within a nation's economy.

This threatens the 'global rules-based order' that has been in place since the second world war.

Most risk managers think their companies would face major losses due to reputational damage

Loss of income and reduced customer base are perceived as the main issues that businesses face following reputational damage. However, the impact of reputational damage can be felt across a business, from issues with recruitment and retention, lower environmental, social and governance (ESG) score, reduced lobby support and increased industry regulation.



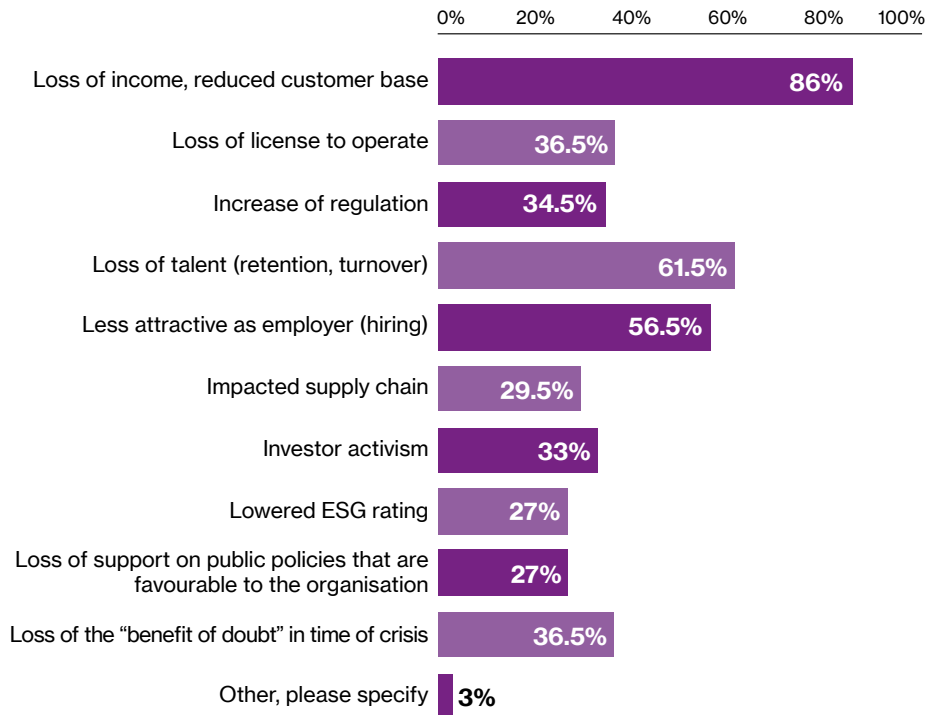
61.5% of risk managers we spoke to said a loss of talent, due to both retention and turnover, would be a major issue their organisation could face as a result of reputation damage.

In addition, 56.5% said being a less attractive employer would be a serious negative outcome.

Reputational damage can have an impact on the talent available to a business. Employees are now taking more consideration when choosing an employer to ensure the ethics and values of the organisation align with their own.

The Safeguarding Reputation report published by Lloyd's and KPMG⁴ states that "69% of jobseekers would turn down an offer from a company with reputation problems."

Figure 4: Q – Which of the following are serious issues and negative business outcomes that your organisation could face as a result of reputation damage? (select all that apply)



Other, please specify responses:

- All the above
- Customer lack of confidence
- Neighbourhood activism
- Government action
- Loss of goodwill from HMRC

Note: Participants could select more than one option



⁴www.lloyds.com/news-and-risk-insight/risk-reports/library/understanding-risk/safeguarding-reputation

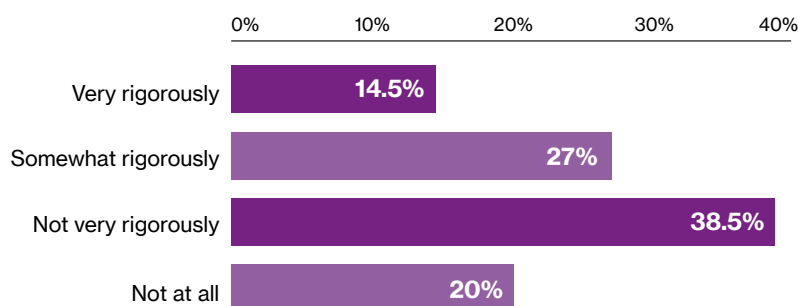
Inadequate tools and a lack of reliable data make measuring and monitoring reputation risk challenging

Although most of the participants in our research said that reputational risk is reported to senior staff within their organisation, this doesn't translate into material losses being measured, or quantified.

58.5% of the participants we spoke to said their company either doesn't measure material losses caused by reputational damage at all, or at least not very rigorously.

Risk managers can harness this senior support when presenting pitches for technological solutions and turn enthusiasm into proactively changing business processes.

Figure 5: Q – How rigorously does your company measure material losses due to reputational damage?



Risk managers believe they do not have the tools and support they need to effectively manage reputational risk

There is a dissonance between the data-driven management of other business risks and reputation. Marketing, communications and HR teams are often left to manage reputation risks without the tools or skillset needed.

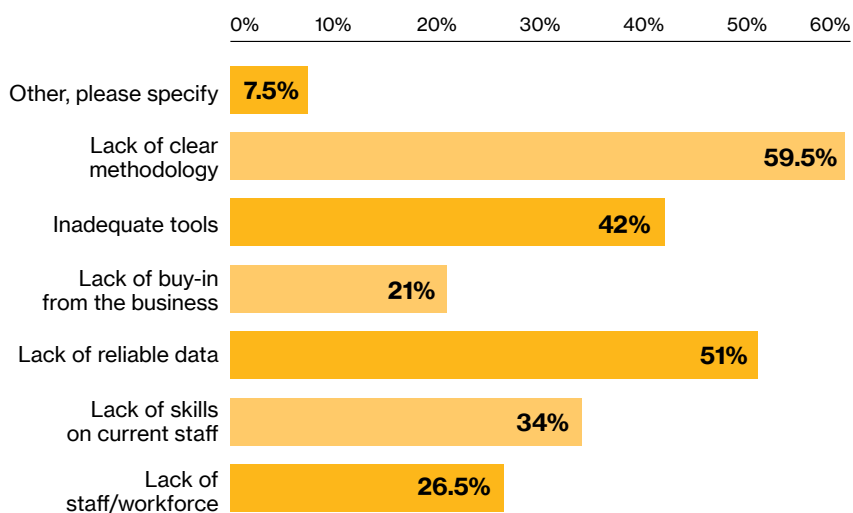
Our research shows that the lack of reliable data or a clear methodology are the most common challenges to monitoring, measuring and managing reputational risk.

In order to effectively manage their reputation, businesses need tools able to digitally scan the horizon for changing opinions across all stakeholders, in real time. This will allow them to adapt quickly, ahead of time rather than firefighting after a cultural shift or a negative event.

When asked to describe the reputation intelligence tools that were available within their organisations, 44% of participants said there weren't any, or they weren't aware of them.

20% said they relied on manual processes, word of mouth and social media, and just 35.5% said they either had a tool in place or received industry reports.

Figure 6: Q – In your role, what challenges do you face related to the monitoring, measuring or management of reputation risk? (select all that apply)



Other, please specify responses:

- Lack of actual factual measurement
- Lack of support from management
- Supplier ignorance
- The consequences are by nature difficult to quantify
- None
- No such challenges
- Inefficient public institutions of taxonomy
- Public sector focus, no link to share price impacts
- Lack of guidance from parent company
- Lack of interest
- Not considered by management

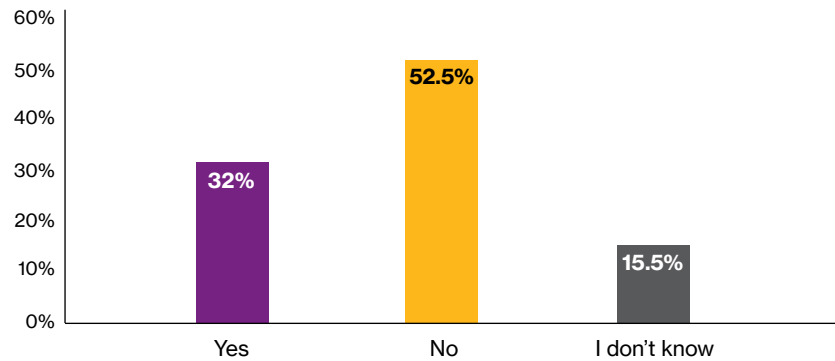
Note: Participants could select more than one option

Businesses lack a framework for quantifying reputational risks

68% of the risk managers and executives we spoke to said there wasn't a framework for quantifying reputational risks to their organisation, or if there was, they were not aware of it. Only just over a quarter (25.5%) said they currently felt they were covered when it comes to insurance against reputational risk.

This highlights the need for a reputational risk management solution that can provide reliable industry data presented within a clear usable framework around which a reputational risk management strategy can be built.

Figure 7: Q – Is there a framework for quantifying reputation risk for your organisation?



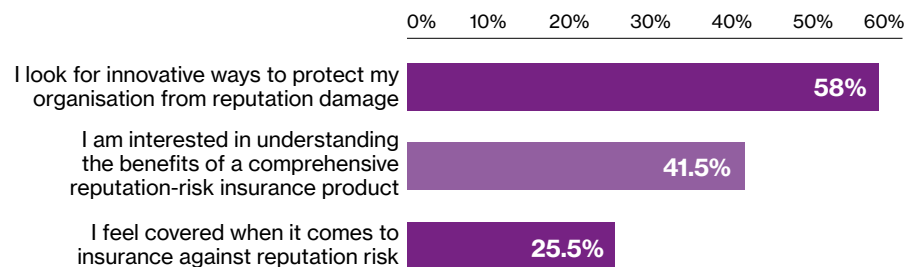
Participants want to see more innovative reputation management risk tools

Risk managers and executives are aware of the challenges of reputational risk management and are becoming increasingly more proactive in trying to solve the issues they're facing.

Some deploy scenario planning, insurance and other techniques that help to protect the organisation during reputational hardship.

Despite attempts to manage and monitor reputational risk, many of our survey participants indicated they were interested in improving how they do this. 58% said they look for innovative ways to protect their organisation from reputation damage, and 41.5% said they were interested in understanding the benefits of a comprehensive reputation-risk insurance product.

Figure 8: Q – Thinking about your organisation and the role of proactive reputation risk management, which of these statements is true for you? (select all that apply)

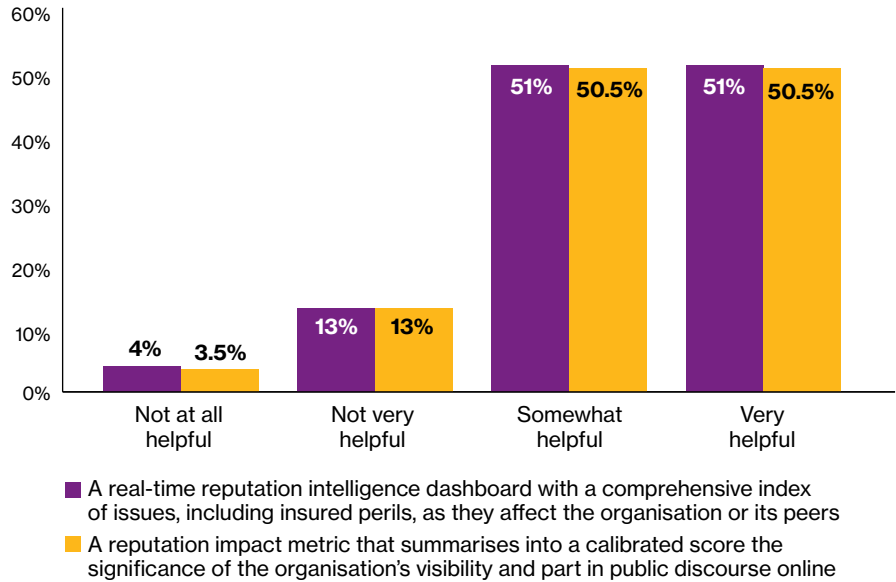


Note: Participants could select more than one option



Risk managers are looking for risk management and transfer solutions

Figure 9: Q – Thinking about some advanced tools in monitoring, measuring or managing reputation, how helpful would these be to a risk manager:

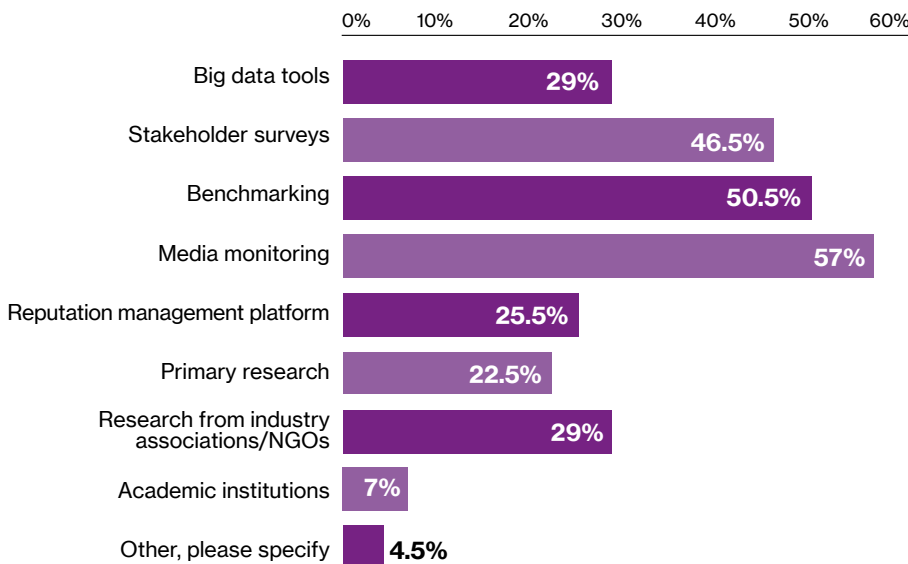


Note: Participants could select more than one option

As the shadow of reputational risk looms, participants said a real-time reputation intelligence dashboard with a comprehensive index of stakeholders and issues, including insured perils, as they affect the organisation or its peers, would be useful.

They said a reputation impact metric that summarises the significance of the organisation's visibility and participation in public discourse into a calibrated score would also be helpful.

Figure 10: Q – Which of the following are the most useful to you or your company in their risk and reputation management work? (select all that apply)



With benchmarking, media monitoring and stakeholder surveys being listed as the most useful methods for how organisations manage their reputational risk, a fully integrated tool could make a big difference to how effectively they're able to do that.

Other, please specify responses:

- N/A
- Internal assessment
- Specific indicators
- Social media monitoring
- Monitoring internal parameters like quality
- Feedback from customers
- Word of mouth
- The example and zero tolerance of bad practices from management

Note: Participants could select more than one option

Conclusion

A business' reputation is a difficult thing to quantify. It's how the outside perceives the business rather than how they think of themselves.

For this reason, reputation has a tendency to fluctuate and change independently.

Our research has shown that many of the current tools, methodologies and insurance products available are struggling to keep up with the changing demands of our digitally enabled world.

In order for businesses to understand and mitigate the risks to their reputation, they need adequate tools that are driven by data and allow them to track and anticipate threats or issues for them, their stakeholders and their industry.

Alongside this, they need tailored insurance products that have been specifically designed to cover the wide-reaching losses reputational damage can cause.

At Willis Towers Watson we are working on a truly value driven risk management solution, incorporating cutting edge technology to address our clients' concerns.



Global Reputational risk management survey results

Methodology

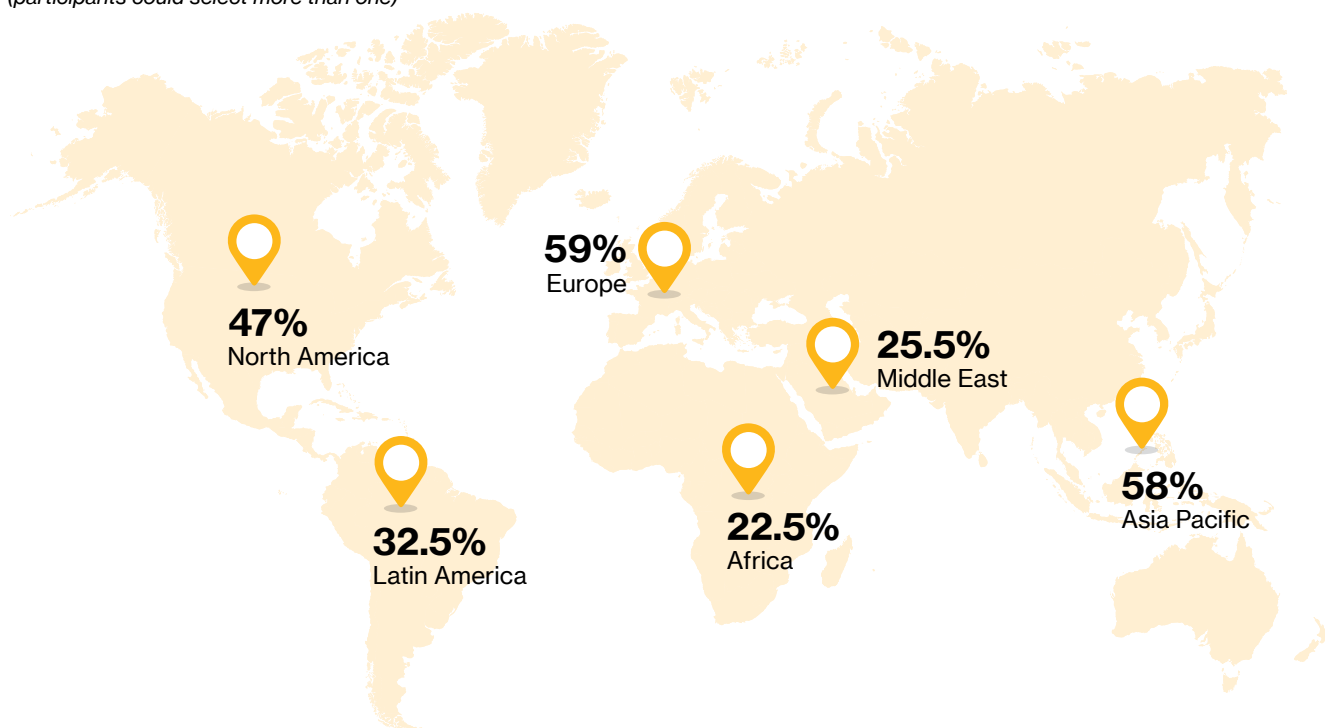
This report is based on findings from the Willis Towers Watson's 2020 Global Reputational Risk Management survey administered between September and November 2020.

Overall, 200 professionals participated in the global survey representing a range of job roles including risk management, reputational management, corporate communications, marketing and the C-Suite.



Regions organisations operate in

(participants could select more than one)



Job roles

Risk management	54%
Reputation management	4%
Corporate communications	4%
Marketing	3.50%
C-Suite	15%
Other, please specify	19.50%

Industries

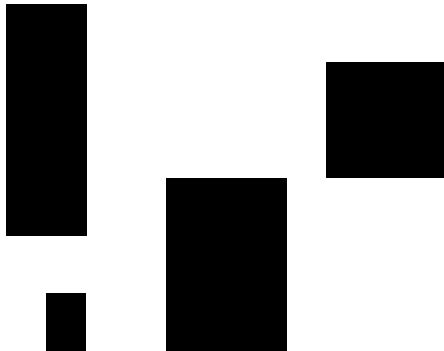
Consumer and industrial products	9.50%
Leisure and hospitality	5%
Retail	2%
Manufacturing	17%
Transportation	6.50%
Life sciences and healthcare	3%
Technology, media and telecoms	8%
Energy and resources	5.50%
Financial services	17%
Charities/Non-government organisations	4.50%
Other, please specify	22%

Annual revenue

\$0 – \$250 million	39%
\$250 million – \$500 million	15%
\$500 million – \$1 billion	10.50%
\$1 billion – \$5 billion	20%
\$5 billion plus	15.50%



For more information, please contact local entities of the Willis Towers Watson Group.



Disclaimer

Willis Towers Watson is an insurance broker, and gives its views on the meaning or interpretation of insurance policy wordings as brokers experienced in the insurance market. Insurers may take a different view on the meaning of policy wordings. Any interpretation or thoughts given are not legal advice, and they should not be interpreted or relied upon as such. Should a legal interpretation of an insurance contract be required, please seek your own advice from a suitably qualified lawyer in the relevant jurisdiction. While all reasonable skill and care has been taken in preparation of this document it should not be construed or relied upon as a substitute for specific advice on your insurance needs. No warranty or liability is accepted by Willis Towers Watson, their shareholders, directors, employees, other affiliated entities for any statement, error or omission.

Willis Towers Watson India Insurance Brokers Private Limited

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.



willistowerswatson.com/social-media

Copyright © 2020 Willis Towers Watson. All rights reserved.
wtw-HP-2020-0424H FPS1479

willistowerswatson.com